

# MILKLINE

NEWSLETTER



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## Small or Large, Changes Have Big Impact



Thanksgiving is right around the corner, and we're all set for our District Appreciation Dinners taking place in November and December. (If you haven't made your reservations to attend a dinner near you that has yet to take place, do so today! You won't want to miss out on this event with great food and even better company.)

As you may have noticed that instead of promoting 'District Meetings,' we are now calling them 'District Appreciation Dinners', which is far more appropriate because "Appreciation" captures the spirit of the event. District Meetings have always been more than just a meeting, but an opportunity to share our appreciation with you, our members, over a great meal and intriguing conversation. The title now more accurately reflects this.

Secondly, another new wrinkle is

that we're welcoming all members to participate in a virtual policy development session which will take place on Tuesday, December 13 at 1 p.m. (More details inside.)

Policy advocacy is more than a

***“Your attendance at a District Appreciation Dinner might be a something small to do with your time, but in the end, it might have a greater impact than you realize.”***

cornerstone to the cooperative, it is a solid layer in the foundation of the work we do for our members. We always incorporate some highlights of our work and accomplishments while sharing our goals for the year ahead, but we recognize that there are many individuals with a deeper passion for policy related issues. With so many of us communicating virtually now, we thought it was appropriate to provide an opportunity for these like-minded individuals to share their ideas, and a virtual session will allow any member, regardless of where they live to participate.

The timing of this virtual policy session is ideal, as there will be 18 days following the session for members to submit resolutions, which will then be considered by the Districting & Resolutions Committee in early January. The deadline for policy resolutions is December 31st. Members do not need to wait to submit their resolutions, which they can submit using the online form at [www.FarmFirstDairyCooperative.com](http://www.FarmFirstDairyCooperative.com).

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These changes might be subtle but they reflect the fact that we are keeping a listening ear and a desire to best to serve our members.

While small changes can have a

profound impact, so can big changes. Inside this edition of MilkLine is a summary of the Federal Milk Marketing Order (FMMO) changes being proposed by the National Milk Producers Federation. The process to come up with a proposal has been taking place for more than a year, with dairy cooperatives from across the U.S., including FarmFirst, working alongside economists to make improvements to the program that began in the 1940s. I encourage you to read what is being proposed on page 3.

This Thanksgiving season, my gratitude and appreciation are focused on the small things. No matter how subtle an improvement or change might be, I have witnessed the larger impact of small changes and their positive effect. Your attendance at a District Appreciation Dinner might be a something small to do with your time, but in the end, it might have a greater impact than you realize. 🐄

*Article by Julie Sweney,  
FarmFirst Dairy Cooperative*

Dedicated to serving and representing you, our family farm members, FarmFirst Dairy Cooperative represents farms in Wisconsin, Minnesota, South Dakota, Michigan, Iowa, Illinois and Indiana through policy advocacy, dairy marketing services, laboratory testing opportunities and industry promotion.



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**Dairy is Retro-Hot with Demand That's Back to the '50s**

With this year's USDA report on per-capita U.S. dairy consumption, the industry has finally moved past the 1960s. In terms of favor with the American public, dairy has returned to 1959.

Sound strange?

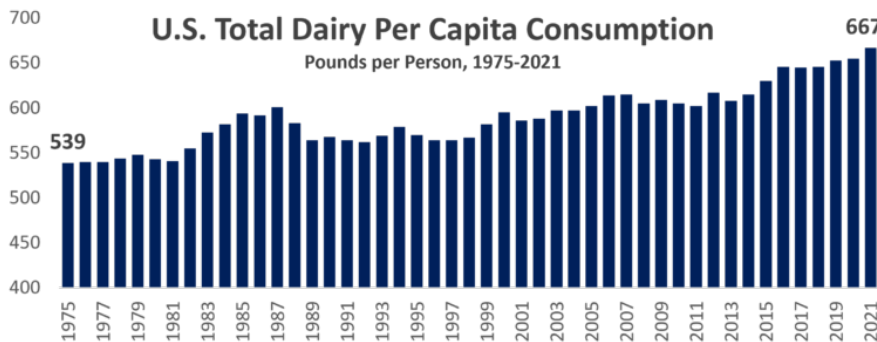
It's true.

The USDA's annual report on per-capita U.S. dairy consumption released Friday, September 30, saw an emphatic rise in domestic dairy demand, going from 655 pounds per person in 2020 to 667 pounds per person last year. That's a level of dairy popularity that surpasses 1960, when it was 659 pounds, and is approaching 1959's consumer appeal of 672 pounds.

In other words, the last time Americans wanted as much dairy as they do today, Elvis was in the Army. And keep in mind, the 1959 population of the United States then was only slightly more than half of what it is now. And exports, which now take up nearly 20% of domestic production, barely existed back in those days.

So, what does this say about the industry?

What it doesn't say is that Americans are consuming dairy the same way now as they did then. Fluid milk has continued its slow decline, according to the USDA data. But cheese continues to rise - American-style cheese consumption reached another record last year. And butter - well, butter actually is returning to Eisenhower-era levels, so in that case, a "Back to the Future" comparison may be appropriate.



Source: USDA ERS Dairy Data 1975-2021  
Total dairy is reported on a milk equivalent, milkfat basis  
This measure is a proxy for consumption as it based on product available to be consumed

But even as the dairy product consumption mix shifts over time, the overall positive trajectory - the 2021 gain is the seventh in the past eight years - is clear, and impressive. Despite more and more competition from nondairy competitors . . . despite an increasingly demanding consumer . . . and despite disruptions that range from diet fads to pandemics . . . consumers continue to find dairy increasingly useful, preferable, and important. That's a tribute to the hard work of dairy farmers and the entire industry. And it's worth celebrating.

So put on your turntable some Buddy Holly, some Johnny Cash, maybe some Little Richard, or whatever else suits your taste as dairy celebrates. Maybe serve some cheese, some yogurt, or if you're feeling really old-school, some whole milk - a bright spot in the fluid segment. Just stay away from playing any Chubby Checker. "The Twist" was a hit in 1960. And as dairy breaks historical barriers to reach ever-higher levels of popularity, that's so last year.

This article was written by Alan Bjerga, Senior Vice-President of Communications at NMPF, which first appeared in Hoard's Dairyman Intel. 🐄

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**FarmFirstDairyCooperative.com**

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## FarmFirst Pleased with Announcement of FMMO Modernization Proposal

Industry Taskforce Outlines Five Key Recommendations



FarmFirst Dairy Cooperative is pleased by the announcement made on October 25 by the National Milk Producers Federation (NMPF) unanimously

endorsing a proposal to modernize the Federal Milk Marketing Order (FMMO) milk-pricing system at its annual meeting in Denver, Colorado.

“Trying to modernize federal milk marketing orders is no small feat and becomes quite the balancing act when involving every milk shed across the country,” says Jeff Lyon, FarmFirst General Manager, who serves on the NMPF board of directors, its Economic Policy Committee and was also a member of NMPF’s FMMO Taskforce. “The recommendations approved by the Board of Directors are the result of many months of meetings by the taskforce and the Economic Policy Committee to address the needs of the various regions of the country.”

### Federal Order Modernization Background and Summary

After months of in-depth analysis and examination of numerous FMMO issues by a dedicated team of technical experts from several member cooperatives involved in NMPF, including FarmFirst, a set of policy recommendations has been unanimously approved by both the NMPF Economic Policy Committee and the Board of Directors.

The FMMO program is an incredibly valuable system for dairy farmers designed to provide, among other things, stable milk marketing and transparent prices. FMMO pricing formulas have not been significantly updated since they were first implemented in 2000. Notwithstanding the challenges wrought by the recent coronavirus pandemic, the FMMO system has worked well for many years. But with significant industry changes occurring since 2000 – including in milk composition, product manufacturing costs, costs of transporting milk, consolidation, plant closures, and shifts in milk production areas, the time has come to modernize the program for today’s industry.

Initially, NMPF last year surveyed its members on FMMO issues. The results showed that member co-ops overwhelmingly supported the federal order system while agreeing that its provisions need to be modernized to reflect industry changes. NMPF’s Economic Policy Committee, chaired by Land O Lakes’ Pete Kappelman, was tasked with implementing a process to determine potential FMMO provisions in need of updating. After initial committee consultations, a task force of technical experts from NMPF member cooperatives was established to conduct an in-depth review of key FMMO issues, evaluate possible

approaches and distinguish national from regional issues.

These experts have been meeting since last December with four Working Groups established and charged with developing focused recommendations in specific topic areas. After nearly 100 meetings and based on an extensive examination of the key FMMO price formula issues, the task force submitted its comprehensive recommendations to the Economic Policy Committee. That committee deliberated on the task force recommendations and approved the following proposals that were adopted unanimously by the Board of Directors at NMPF’s Annual Meeting on Oct. 24:

### 1. Revert back to the “higher-of” in the Class I mover

The current Class I mover carries an asymmetric risk versus the previous “higher of” calculation. This means dairy farmers are

The NMPF recommendations include going back to the “higher of” for the Class I mover. FarmFirst originally advocated for returning to using the “higher of” for the mover in the spring of 2021 because of its proven track record and the fact that it was fully vetted in a national hearing process more than 20 years ago.

“In 2021 we believed going back to the using the “higher of” would best address the large negative PPDs in 2020 due to reasons related to the COVID-19 pandemic, the large spread between Class III and Class IV prices, and lastly, the large increase in Class III prices over a short period of time which encouraged Class III handlers to significantly depool their milk from their respective federal order,” Lyon said.

exposed to unlimited risk on the downside, while benefits to dairy farmers are limited on the upside.

This asymmetric risk was exposed during the pandemic-induced market volatility that occurred during 2020. But even after the pandemic, the current mover has significantly underperformed the previous mover for five consecutive months in 2022, demonstrating that serious negative impacts to producers from this asymmetric risk are not unique to the pandemic-induced market disruptions that occurred two years ago.

### 2. Discontinue use of barrel cheese in the protein component price formula

Presently, the FMMO formulas weight cheese blocks and barrels about 50/50 in the reports to USDA’s weekly mandatory price survey. But that does not reflect the relative volumes of cheese actually produced and priced by these two forms of natural cheddar cheese. Eliminating barrel cheese from the pricing formula will better reflect the value of producer milk for manufacturing cheese.

### 3. Extend the current 30-day reporting limit to 45 days on forward priced sales of NFDM and dry whey

Increasing the number of reporting days on these two products will increase the representation of exported volumes of both NFDM

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Industry Taskforce Outlines Five Key Recommendations (Continued from Page 3)

and dry whey while still keeping the reporting limit narrow enough to ensure the reports represent current prices.

#### **4. Update the milk component factors for protein, nonfat solids, and other solids in the Class III and Class IV skim price formulas.**

The component composition factors in the FMMO skim milk formulas have not changed since 2000. Since that time, the composition of these milk components has increased, causing a steadily growing understatement of the value of producer milk in all four classes in the four fat-skim pricing orders and Class I milk in all orders.

#### **5. Develop a process to ensure manufacturing allowances are reviewed more frequently**

This includes enacting legislation to require USDA to conduct regular, mandatory and auditable processing plant cost studies every two years and to report the results. This would provide information necessary for the industry to consider requesting a hearing to update make allowances based on more accurate and up-to-date data. Current FMMO make allowances have not changed since 2008, while costs of manufacturing dairy products used in the FMMO component price formulas have increased. The problem of maintaining proper make allowances in the FMMO pricing formulas is exacerbated by the persistent lack of accurate information relative to costs of manufacturing dairy products.

#### **6. Update current FMMO Make Allowances to the following:**

- **Cheese \$.2400**
- **Dry Whey \$.2300**
- **Butter \$.2100**
- **NFDM \$.2100**

This recommendation was unanimously approved to provide an interim update to the inadequate make allowance values currently in the pricing formulas, pending implementation of the procedure in recommendation #5, above.

A final Task Force recommendation to review and make potential changes to the current nationwide Class I differential price surface is not yet complete. The current FMMO Class I differentials have for the most part not changed since they were first implemented in 2000, while the cost of delivering bulk milk to fluid processing plants has increased. As a result, the current Class I differentials have become increasingly inadequate to effectively supply milk for fluid use and are thereby creating disorderly marketing conditions.

The task force is continuing its work on the Class I differential price surface analysis, but the complexity of this issue requires additional time to complete the work and bring forth recommendations. Once completed, a detailed Class I price surface proposal is anticipated to be added to the package described above.

When the final plan has been approved by the Economic Policy Committee and Board of Directors, NMPF intends to petition USDA for a national FMMO hearing with this package as its proposal. It is expected this formal national hearing request will occur during the first quarter of 2023. Until filing its proposal, NMPF will continue to consult with USDA, as it has been doing throughout the entire process of examining issues and developing these recommendations.

“There is still a lot of work to do, and other ideas will surface, but this announcement of the recommendations provide a solid foundation and a unified voice for U.S. dairy. Now, we need to keep this proposal moving forward,” says Lyon. 🇺🇸

## Give Yourself the Gift of Reassurance



This holiday season, gift yourself something that will continue to give back all year long: a risk management plan.



There are few things more gratifying than defying low milk prices. Yet, with a risk management plan, you can. The most important step is to work with a knowledgeable team to put the right strategy in place and be there to help you along the way. The financial return on your decision could be an average of 33%, like many dairy farmers.

Contact Travis Glaser at ARM Services by calling 715-456-5607 to begin the conversation today, and enjoy the calming reassurance you've given yourself this holiday season in your new risk management plan.

## \*NEW!\* Members Encouraged to Attend Virtual Policy Session Set for December 13

FarmFirst Dairy Cooperative encourages members to sign up for its first-ever Virtual Policy Session set for Tuesday, December 13. Members eager to learn more about policy initiatives and discuss potential legislative reforms are encouraged to attend this virtual session.

“Policy reform is a foundational piece to FarmFirst Dairy Cooperative. While policy priorities and accomplishments are shared at the cooperative’s District Appreciation Dinners, FarmFirst hopes to engage with members that are very passionate about policy reforms and interested in new industry initiatives,” says Jeff Lyon, FarmFirst General Manager. “We hope this virtual policy session will serve as a welcome atmosphere for ideas to be shared while answering questions regarding how current policies and programs work.”

Members will be able to submit their topics of interest and policy questions ahead of the virtual session. During the virtual session, FarmFirst Districting & Resolution Committee members along with General Manager Jeff Lyon will begin the session by highlighting the cooperative’s priority issues and then address individual policy inquiries and suggestions.

“The level of detail that often is associated with dairy policy can be quite extensive, especially when it comes to making changes to

### Register from Your Phone!

Scan this QR code using your camera app on your smartphone. Simply hold your phone in front of the code as if you were taking a photo of it. A website link should pop up on your phone, and lead you to the Virtual Policy Development Session registration webpage.



existing legislation or federal programs,” says Lyon. “We hope this virtual session serves as the first step to raising greater awareness of various policies and programs while also initiating improvement to them. Hosting this session virtually also allows for all members, regardless of their location, to join in the discussion. As a cooperative dedicated to grassroots leadership, this is one of the best ways to get involved.”

To register for the December 13th virtual session, FarmFirst members are encouraged to sign up at [www.FarmFirstDairyCooperative.com](http://www.FarmFirstDairyCooperative.com). Members wishing to submit policy resolutions should submit them online or via email to [jljon@farmfirstcoop.com](mailto:jljon@farmfirstcoop.com) by December 31. 🇺🇸

## 2023 DMC Sign Up Open Through December 9; FarmFirst Encourages All Dairy Farmers to Enroll



The U.S. Department of Agriculture (USDA) announced on October 17 that enrollment for the 2023 Dairy

Margin Coverage (DMC) program is now open. FarmFirst Dairy Cooperative encourages all dairy farmers to participate in this important safety net program that continues to provide for dairy farmers across the U.S. when margins become tight.

“The DMC program has been a valuable part of dairy producers’ risk management program, providing incredibly affordable coverage over the past several years for small- to mid-sized dairy farms,” says John Rettler, dairy farmer from Neosho, Wis., and President of FarmFirst Dairy Cooperative. “Dairy markets will always be unpredictable, no matter what is being forecasted for milk prices. To minimize volatility, dairy farmers should enroll in the program regardless of the milk price outlook.”

As a voluntary risk management program, producers select at what level of coverage they would like to receive through

the program. DMC offers basic price protection to producers when the difference between the all-milk price and the average feed price falls below a certain dollar amount selected by the producer.

“This year is a great example of why it’s important to enroll every year. Market forecasts predicted high milk prices throughout all of 2022, yet at the end of the third quarter, the program is sending payments for August and September’s milk price,” says Rettler. “Payments for August alone for coverage at the \$8.50 level or higher initiated a payment, resulting in more than \$47.9 million to 17,000 dairy operations. The program continues to perform as it was intended - to provide support when margins become tight.”

FarmFirst has been a strong, long-time advocate for the DMC program since its inception and continues to advocate for meaningful changes to the program. In recent years, FarmFirst championed for modifications to the program formula and its payment structure, as well as updates to be made to producers’ production history, which was achieved through the Supplement DMC program.

Enrollment for the 2023 DMC program runs through December 9, 2022. FarmFirst encourages all dairy producers to make plans for enrollment with their local FSA office ahead of December 9. 🇺🇸

# SEPTEMBER 2022

Federal Milk Order  
Market Information

Order Name and Number	UPPER MIDWEST	CENTRAL	MIDEAST
	Order 30	Order 32	Order 33
Producer Milk (lbs.)	2,774,165,749	1,289,366,319	1,303,430,882
Producer Price Differential @ base zone	\$ 0.46	\$ 2.38	\$ 2.82
Statistical Uniform Price/cwt @ 3.5% BF*	\$ 20.28	\$ 22.20	\$ 22.64
Class I Price/cwt	\$ 25.42	\$ 25.62	\$ 25.62
Class II Price/cwt	\$ 26.51	\$ 26.51	\$ 26.51
Class III Price/cwt	\$ 19.82	\$ 19.82	\$ 19.82
Class IV Price/cwt	\$ 24.63	\$ 24.63	\$ 24.63
<b>Component Prices &amp; Test Avg. % aves</b>			
Butterfat/lb.	\$ 3.5653	4.05%	3.96%
Protein/lb.	\$ 1.8847	3.18%	3.21%
Other Solids/lb.	\$ 0.29980	5.79%	5.78%
SCC Adjust Rate/1000	\$ 0.00098		
<b>Producer Milk Classified %</b>			
Class I	6.10%	28.32%	39.10%
Class II	0.90%	6.25%	8.70%
Class III	92.60%	54.01%	50.20%
Class IV	0.40%	11.42%	2.00%
	100.00%	100.00%	100.00%



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*Attend a District Appreciation  
Dinner Near You*

## Don't Miss Your Chance to Attend A District Appreciation Dinner

Our District Appreciation Dinners are well underway! You can still make a reservation for these meetings below, but don't delay! Make your reservations online at [www.FarmFirstDairyCooperative.com](http://www.FarmFirstDairyCooperative.com) or by calling 608-286-1906.

**Tues., Nov. 29 at 7:30 p.m.**  
Iron Ridge Inn  
Iron Ridge, Wis.

**Mon., Dec. 5 at 7:30 p.m.**  
Village Haus  
Boyd, Wis.

**Wed., Dec. 7 at Noon**  
Fox Valley Quality Control Lab  
Kaukauna, Wis.

**Thurs., Dec. 8 at Noon**  
Pizza Ranch  
Brookings, S.D.

**Wed., Nov. 30 at Noon**  
The American Legion  
Greenwood, Wis.

**Tues., Dec. 6 at Noon**  
Pizza Ranch  
Fond du Lac, Wis.

**Wed. Dec. 7 at 7:30 p.m.**  
Pizza Ranch  
Pipestone, Minn.

**Fri., Dec. 9 at Noon**  
J&J BBQ  
Nelson, Wis.

**Thurs., Dec. 1 at Noon**  
Pizza Ranch  
Marshfield, Wis.

**Wed., Dec. 7 at Noon**  
Pooch Corner Pub  
Freeport, Minn.

**Thurs., Dec. 8 at Noon**  
Belgiumtown Restaurant  
Stephenson, Mich.

