

MILKLINE

NEWSLETTER

FARM FIRST
DAIRY COOPERATIVE

2022 Year in Review

A Message from the President

It's this time of year that always brings out more joy and happiness in people.

Somehow, these cold, dark days of December become filled with laughter and holiday cheer against a backdrop of glowing festive lights, evergreen trees and table spreads filled with special treats. We visit with family and friends while attending more parties and gatherings than what should be allowed in a few weeks' time span.

FarmFirst gatherings may have been on your calendar recently too, as we have wrapped up our District Appreciation Dinners that began in mid-November. These 15 dinners have been ideal in having conversations with members about issues from the past year that are top of mind as we look towards 2023.

It is from these appreciation dinners that we gather feedback directly from members, which reflects our grassroots values and is important to our board members who represent you, our members. When I leave a member dinner, I am always grateful for the members that have not only taken the time to attend, but to also ask questions and to speak with board members and staff. These conversations help us understand what is on your mind, what concerns are keeping you up at night, and what topics you're eager to learn more about.

Attendance at several of our dinners increased dramatically, which we'd like to believe was in part of our additional promotion of the dinners as well as the time of year when fieldwork is wrapped up. Greater attendance means

greater engagement among members, and more conversations. Challenging questions were asked during and after the presentation, which will be shared and discussed during the board meeting.

These conversations were more than just small talk, but questions about the viability of our dairy communities and industry. Questions were raised about what is coming next, and how we can stand up to the demands being asked of us. Discussions were also had about opportunities available for dairy on the horizon, and how important it is that dairy have a seat at the table of these national discussions to ensure farmers are the decision-makers on policy and programs impacting them and their ability to manage their farm.

It's not lost on our farmers how important it is to show up, listen, speak up and be present. Attending these meetings is just that – being present during the conversation. There will always be a long to-do list waiting for each of us at the farm but making it a priority to attend a cooperative event can be pretty impactful, even if it's not realized in the moment.

This same mentality is true for FarmFirst and our representation. We know that if we want a seat at the table nationally, we have to physically be in the chair. If you want something to change, you have to start asking the question. Some things cannot be changed, but most often, those instances are issues that we need to learn more about. For everything else, it begins with asking questions and learning what can be done.

Progress is a direction, not a speed. While

progress may be slow, its important that you know your concerns have been heard and are not falling on deaf ears. There are challenges we as farmers are dealt with, but there have been a lot of good things as well, like innovations across the industry and dairy consumption in the U.S., which was featured in last month's MilkLine. Dairy consumption is reaching levels like that of 1959, but we all know we're not consuming dairy like we were then.

While we face these challenges head on, its important to also recognize those helping keep things running smoothly for our operations, day in and day out. The milk hauler, milk marketers, nutritionists, veterinarians, even the cheesemakers waiting to receive a truckload of milk. They all play an important role in getting our milk from our farm into the hands of consumers.

Remember, when all seems dark and bleak like a cold December day, that your cooperative is working on your behalf to improve the opportunities within dairy farming for tomorrow, which is more than just holiday lights and festive cheese platters. That's something truly to celebrate.

Wishing a happy holiday season to you and your families. 🐄



John Rettler
President

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.

A Word from the General Manager

Since my last annual report to you a lot has happened. You have had to address supply chain and export logistic challenges, labor shortages, threats of labor strikes, inflation, and a war in Ukraine.

And you all still press on because you have accepted the responsibility of feeding people here and around the world by providing nourishing dairy products that are meeting the changing preferences of consumers while caring for the environment to protect our water resources and improve soil health while contributing a minimal amount of all greenhouse gas emissions.

While the dairy industry continues to face challenges my message to you is one of opportunity.

Last year, USDA issued a report on domestic dairy consumption and noted that 667 pounds of dairy was consumed per person compared to 655 pounds last year. To witness a similar level to this, one has to go back to 1959 when 672 pounds of dairy were consumed per person. While dairy has its detractors and we need to continually address misinformation, it is important to look at what is happening and not be discouraged by what we are reading or hearing. Consumers are our best indicator, and they are increasing their consumption and love of dairy.

The same can be said for people around the world. U.S. dairy exports reached record levels this past year and the U.S. represents 25 percent of global dairy trade, which is equivalent to 1 in 6 tankers of milk each day going to the export market.

There is great opportunity for the U.S. to increase our share of that market. It is inevitable that dairy will decline in the European Union and New Zealand because of government intervention on so-called sustainability issues. Fortunately, dairy has been and will need to continue to be proactive.

In 2008, U.S. dairy was the first in the food agriculture sector to do a full life cycle assessment and found that dairy contributes just two percent of all U. S greenhouse gas emissions.

Sustainability issues matter to consumers but there is an opportunity for dairy to influence decision makers. We already have the Net Zero Initiative and the Environmental Stewardship silo within the National Farmers Assuring Responsible Management (FARM) program in place. Both utilize science and real-world practices that you incorporate into your farming operation every day that are economically sound and care for the environment. It is our responsibility to articulate to skeptic consumers and government officials all the good you are

doing.

So, where does FarmFirst fit in with all these issues? Your cooperative is an active partner with the National Milk Producers Federation, the Midwest Dairy Coalition, Cooperative Network, and other like-minded organizations to address these issues and priorities.

It is important to belong to a cooperative that represents your views and values. Within FarmFirst, we are fortunate to have members with different farming and management styles, operations of different sizes, shipping to many plants. It's our differences that bring us all together as FarmFirst Dairy Cooperative.

Your cooperative's future successes will depend upon your engagement in the cooperative and member priorities. I appreciate your membership and look forward to working with you to tackle the challenges ahead. 🙏

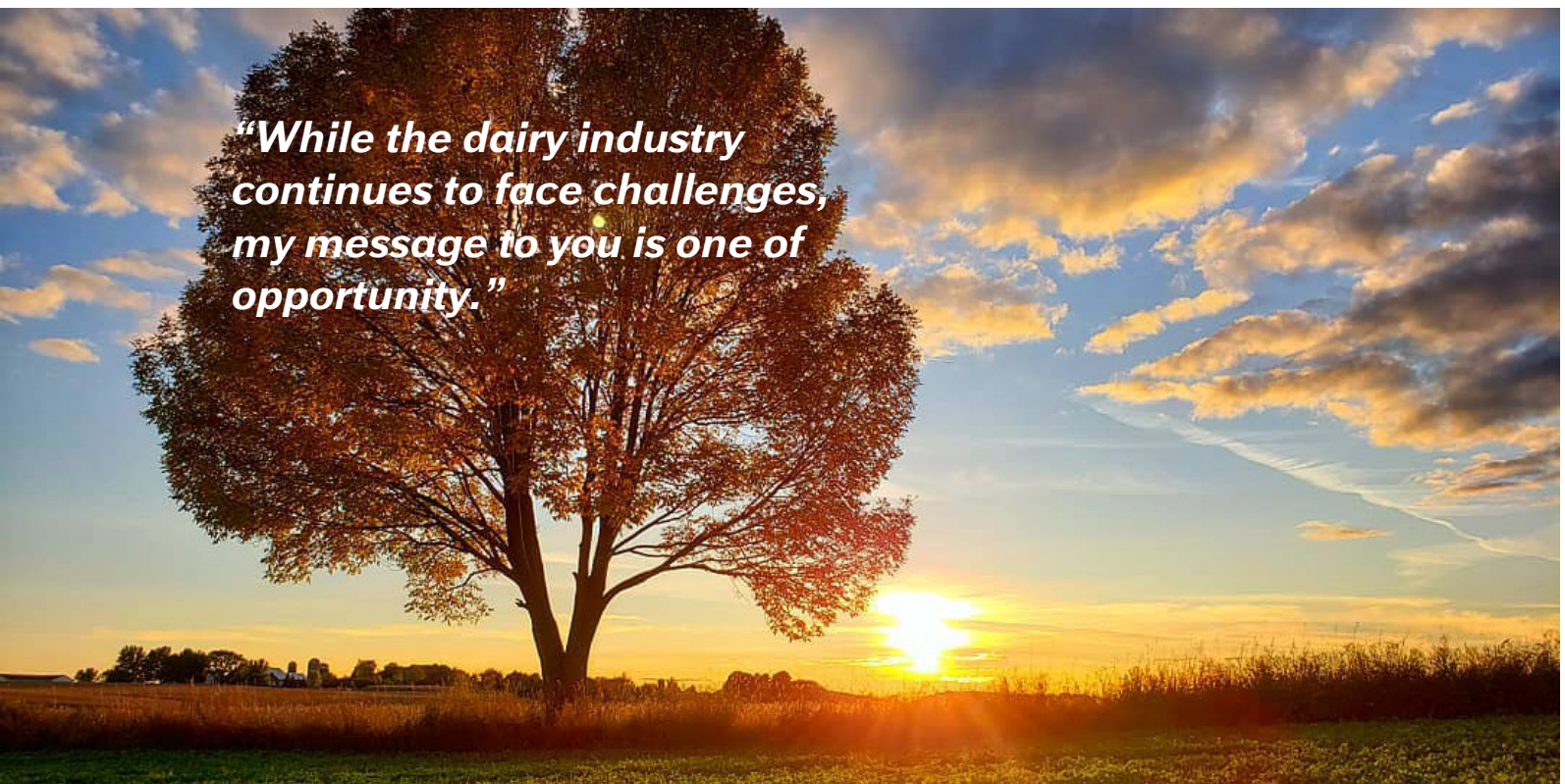
Regards,



A stylized, handwritten signature in black ink, appearing to read 'Jeff Lyon'.

Jeff Lyon
General Manager

“While the dairy industry continues to face challenges, my message to you is one of opportunity.”



Key Priorities in 2022 for FarmFirst



Dairy Markets

- Milk prices can change rapidly, making it critical to have a risk management plan in place.
- Dairy Margin Coverage (DMC) is a must for every dairy farmer. 2023 enrollment is open and ends December 9, 2022.
- Maintaining a consistent risk marketing plan has yielded an average of 33% profit over time, according to ARM Services.

FMMO Modernization

FarmFirst participated in countless meetings as a member of NMPF FMMO Taskforce, Economic Policy Committee and as a member of the Board of Directors. The result of these discussions was a proposal addressing the Class I mover, milk composition, dairy product specifications and make allowances. See the November MilkLine and FarmFirst's website for a full copy of this proposal.

Supply Chain Challenges

- Challenges within our supply chains began with the pandemic, but they continue today resulting in labor shortages at our ports, freight haulers and especially factory labor.
- The Ocean Shipping Reform Act is a bipartisan supported bill that will help relieve congestion, record fees for dairy exporters, and other challenges being experienced at U.S. ports, which has negatively impacted nearly every corner of U.S. manufacturing.



Trade Talks

- 1 in 6 U.S. milk tankers is destined for exports, making new trade agreements crucial to U.S. dairy.
- U.S.-Mexico-Canada Trade Agreement - The U.S. dairy industry, thanks to NMPF, secured a U.S. victory in the first-ever U.S.-Mexico-Canada Agreement dispute settlement panel to secure expanded dairy market access into Canada. FarmFirst also vocalized support for NMPF-led efforts to advance the U.S. government's initiation of a second case against Canada for their USMCA dairy non-compliance. FarmFirst is optimistic that trade opportunities will be open in 2023, but Canada's past history suggests they will continue to undermine U.S. dairy trade. As for Mexico, new regulatory issues have arisen, but Mexico is U.S. dairy's top trading partner, accounting for 28% of all U.S. cheese exports.
- Additional trade advancements including working behind the scenes, including efforts led by NMPF to that smoothed the roll-out of a new EU dairy certificate, kept Latin American anti-import policies at bay and secured progress in U.S. dairy facility approvals in Indonesia.
- Advocating for common cheese names, work was accomplished with the Consortium for Common Food Names to ensure a federal court ruling that "gruyere" is a generic cheese style, setting an important U.S. precedent on common food names.

Weather Challenges

Natural disasters in the form of floods, drought, or severe storms are weather events that can have a huge impact on our local, national and global economy. For certain weather events impacting your dairy, know that FarmFirst has its Milk Income Loss Program. Payments are made to farmers for the loss of milk income from

- Lightning or electrocution (death of a cow)
- The loss of electric power from the utility to service entrance
- Loss due to fire or windstorm
- Impassable roads due to snow, ice or

flooding

- Snow-covered roofs collapsing due to snow incidence

Solid Demand for Dairy

Per the USDA's annual report on per-capita U.S. dairy consumption released Friday, September 30, there was 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.

Sustainability

- In 2008, U.S. dairy was the first in the food and agriculture sector to conduct a full life-cycle assessment.
- Results showed that dairy contributes just 2% of all U.S. greenhouse gas (GHG) emissions.
- Sustainability initiatives matter to consumers, and is an opportunity for dairy to get involved and be a decision maker
- Net Zero Initiative is a coordinated national platform for U.S. dairy farmers to advance towards GHG neutrality and significant improvements in water use and quality
- The Environmental Stewardship silo within the National Dairy FARM program provides a way to manage data



2023 Farm Bill

The Dairy Margin Coverage (DMC) Program is the most important piece in Farm Bill for dairy farmers, which has been drastically improved over the previous program, yet there's always room for improvement.

FarmFirst looks forward to advocating for members on these important issues in the new year. 🇺🇸

Grassroots Advocacy and Leadership

Our grassroots advocacy takes many forms. On a national level, FarmFirst is represented through the National Milk Producers Federation and Midwest Dairy Coalition. Through the connections and lobbying efforts of these two organizations, FarmFirst is kept at the forefront of ag policy discussions and always has a seat at the table. 🐄



The National Milk Producers Federation develops and carries out policies that advance dairy producers and the cooperatives they own. NMPF's member cooperatives produce more than two-thirds of U.S. milk, making NMPF dairy's voice on Capitol Hill and with government agencies.

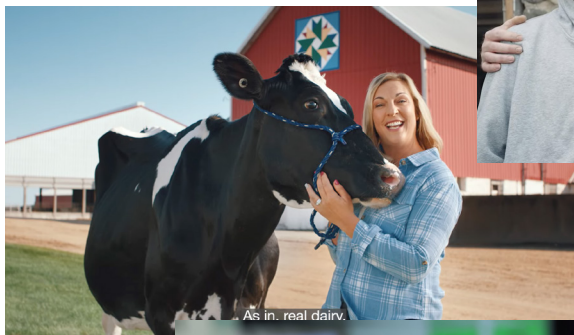


The Midwest Dairy Coalition is an alliance of dairy cooperatives representing Upper Midwest dairy producers on federal dairy policy issues.

FarmFirst Supports You

We're promoting, supporting and serving you.

To meet the needs of our dairy farmer members, it's important that we provide valuable resources to support their goals and ambitions. This means supporting members like Heidi Meier and her family in Sun Prairie, Wis. and Kyle and Tammy Sikora and their family in Boyd, Wis., both of which are members of ours. FarmFirst assisted in connecting farms with Culver's, helping elevate dairy farmers and their farm's story, further helping connect consumers with those that produce their food.

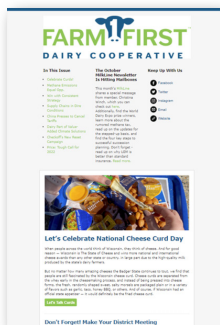


This also means working with organizations like the Professional Dairy Producers of Wisconsin (PDPW) to provide educational opportunities for dairy farmers. It also means supporting the next generation through sponsorships of youth development activities including dairy judging and showmanship contests



like those at World Dairy Expo, and providing tens of thousands of dollars in the form of college and tech school scholarships.

FarmFirst makes this information available to members through our monthly newsletter, our website, social media and our weekly e-newsletter. 🐄



**\$181,000 in Scholarships
since 2013.**

2023 DMC Enrollment Deadline Extended to January 31



The USDA's Farm Service Agency (FSA) recently announced that it has extended the enrollment and coverage election period for 2023 Dairy Margin Coverage (DMC) to Jan. 31, 2023. The program's previous deadline was Dec. 9, 2022.

This safety net program offers margin protection to farmers when the difference between the all-milk price and the average feed price falls below a price margin selected by producers, ranging from \$4 to \$9.50 for Tier 1 coverage, and ranging from \$4 to \$8 for Tier 2. This risk management tool is voluntary, with the margin calculated on a monthly basis.

"Extending the enrollment deadline has now provided more time for dairy farmers to schedule their appointment with the FSA office to make their enrollment decisions for 2023. Its not a question of 'if' a farmer should enroll, but when," says John Rettler, dairy farmer from Neosho, Wis. and President of FarmFirst Dairy Cooperative. "The DMC is an incredibly affordable risk management tool available to farmers, and

its important to enroll regardless of price outlook. As we all know, the milk markets can change quickly, and when they do, you'll want to have this margin protection as part of your risk management plan."

Farmers skeptical of the DMC program paying out in 2022 were surprised to learn of a payment in August and September of this year. For the year 2022, 73% of all U.S. dairy operations with established production history are enrolled, representing 17,901 different dairy operations. Through DMC, these farms are expected to receive \$84,540,221 in total payments for the year, with the average payment of \$4,753 per operation according to the FSA.

FarmFirst has been a long-time advocate for this margin safety net program 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.

FarmFirst encourages all dairy farmers to enroll in the program ahead of the January 31 deadline. since the beginning of the program. 🐄

2023 Scholarship Applications Now Available



March 31, 2023.

Scholarship applications are available once again for the 2023 FarmFirst Dairy Cooperative scholarship program. The application deadline is

Please review the application for student eligibility and criteria, and ensure all pieces of the application are submitted. Applications are available online at www.FarmFirstDairyCooperative.com or by calling 608-286-1909.

Use the online application for an easy and quick submission process! Applicants can once again submit their application directly online via our online submission form. Visit www.FarmFirstDairyCooperative.com/scholarships to access the form. Please confirm receipt of your application.

Winter break is the perfect time for students to complete FarmFirst's 2023 Scholarship Application! Encourage your son or daughter to take a few minutes to review the application requirements today before second semester begins. 🐄



Resolutions Due by December 31st

Members are encouraged to submit resolutions to be considered for the Districting & Resolutions (D&R) Committee.

The D&R Committee will meet in early January to review all submitted resolutions and prepare final resolutions to be presented for delegates to vote on at the 2022 Annual Meeting.

Members are encouraged to submit

How to submit a resolution:

🐄 **By email** - send your resolutions to jlyon@farmfirstcoop.com. Include 'Resolutions' in the email subject line.

🐄 **By mail** - send your written resolutions to the FarmFirst Dairy Cooperative office, located at 4001 Nakoosa Trail, Suite 100, Madison, WI 53714.

All resolutions need to be sent by December 31st. 🐄

OCTOBER 2022

	UPPER MIDWEST	CENTRAL	MIDEAST
Order Name and Number	Order 30	Order 32	Order 33
Producer Milk (lbs.)	2,875,030,130	1,334,627,136	1,326,125,411
Producer Price Differential @ base zone	\$ 0.22	\$ 0.98	\$ 1.18
Statistical Uniform Price/cwt @ 3.5% BF*	\$ 22.03	\$ 22.79	\$ 21.81
Class I Price/cwt	\$ 24.51	\$ 24.71	\$ 24.71
Class II Price/cwt	\$ 25.73	\$ 25.73	\$ 25.73
Class III Price/cwt	\$ 21.81	\$ 21.81	\$ 21.81
Class IV Price/cwt	\$ 24.96	\$ 24.96	\$ 24.96
Component Prices & Test Avg. % aves			
Butterfat/lb.	\$ 3.6567	4.19%	4.11%
Protein/lb.	\$ 2.4512	3.27%	3.32%
Other Solids/lb.	\$ 0.29520	5.77%	5.79%
SCC Adjust Rate/1000	\$ 0.00108		5.77%
Producer Milk Classified %			
Class I	5.90%	27.54%	39.40%
Class II	1.10%	6.16%	8.60%
Class III	92.50%	55.94%	50.90%
Class IV	0.50%	10.36%	1.10%
	100.00%	100.00%	100.00%



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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.