August 2023

MILKLINE

NEWSLETTER

FARMFIRST DAIRY COOPERATIVE

HIGHLIGHTS:

FarmFIrst Endorses Dairy Business Innovation Act p 2
USDA Announces FMMO Hearing p 3
Whole Milk for Healthy Kids Act p 3
Plant-based beverages losing market share to milk p 3
USDA Updates Cost of Production Data p 5
Emmons Blaine Dairy Center p 5

Resiliency Through the Storm

In the ever-changing world of dairy farming, we find ourselves in the midst of a perfect storm. We are under immense stress as we face a multitude of challenges that have seemed to come upon us all at once. From distressingly low milk prices due to oversupply, weak domestic and global demand, to drought conditions for many of us, as well as the inability to find reliable help, our resiliency is being tested like never before.

We can't help but worry about the prices we receive for our milk. The market's unpredictable nature combined with global supply and imbalances have caused a steady decline in price, with spot loads of milk being sold at $8, $10, and even $12 under class, leaving us struggling to make ends meet. In the past couple of weeks, things seem to have been improving slightly, but there is obviously no guarantee that this improvement will continue.

We rely heavily on skilled and dedicated help to support us in our daily tasks. However, finding good help has become a hurdle. Most of us grew up on farms, and the long hours and physically demanding work without weekends off is something to which we are accustomed. However, that is not always the case with those that are looking to work on a dairy farm. The scarcity of qualified workers forces us to take on additional responsibilities, stretching our already limited time and energy.

In addition to our labor challenges, we have cheese plants that are not able to operate at full capacity because they are not fully staffed. Each day a plant is closed is a day that loads of milk are not being sold and utilized, which adds to our problems. This drives prices down even further and has caused milk to be dumped throughout the Upper Midwest. Our milk marketing division, Family Dairies, has not dumped any milk but has been forced to sell at well under class price.

Nature hasn't been kind to us lately. Depending on your location, drought conditions continue to affect our fields and pastures. Where I live in southeastern Wisconsin, the sporadic rains we have gotten have not been enough to significantly improve crop and pasture conditions. Feed costs are already one of our largest expenses, and we are waiting to see how this drought affects the markets and the cost of feed as a result.

The DMC program has been paying out and definitely has been a help this year. However – it does not reflect or take into account the dumping of milk or how much all our input costs have increased. The DMC program accounts for feed costs but hasn't kept up with those changes. That is why it's important that FarmFirst is advocating for changes in the DMC program, LGM and the DRP to make sure they work more effectively for dairy producers.

In the midst of these challenges, I often find myself questioning why we farmers continue doing what we do. I'm sure you have done the same. Especially when it seems as if we are being hit with one issue after another that affects our bottom line. However, amidst the stress and turmoil, there is one thing that remains constant: our resiliency. Farming isn't merely a job for us; it's a way of life ingrained in our identity. We draw strength from our connection to our land, our animals, and the communities we live in and serve. It is this passion that fuels us and keeps us going, even when the odds seem insurmountable. We tap into our resourcefulness, finding innovative ways to adapt and overcome the challenges that threaten our livelihoods. We persist because farming is what we know, what we do well, and we have the resilience to push forward. We will get through this together and learn from and support each other along the way. And that is something that should make us all proud.

Article by John Rettler, FarmFirst Dairy Cooperative Board President

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DAIRY COOPERATIVE

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FarmFirst Endorses Dairy Business Innovation Act of 2023

FarmFirst Dairy Cooperative, along with other members of the Midwest Dairy Coalition, endorsed the Dairy Business Innovation Act of 2023 that was introduced today by Senators Tammy Baldwin (D-WI) and Marsha Blackburn (R-TN). This bill would increase the funding authorization for the Dairy Business Innovation Act, which supports dairy businesses in the development, production, marketing, and distribution of dairy products.

"FarmFirst Dairy Cooperative is appreciative of Senators Baldwin and Blackburn for their work to secure additional funding for the Dairy Business Innovation Act," said Jeff Lyon, FarmFirst Dairy Cooperative's General Manager, "It is imperative that we continue to support the advancement of dairy businesses through innovation, foster the development of new dairy products and enhance the efficiency of dairy plants through modernization. The increased funding for grants is crucial to address the never-ending challenges to grow the dairy industry and provide vital support to dairy farmers."

The Dairy Business Innovation Act of 2023 would increase funding for the program from $20 million to $36 million per fiscal year. Funds are used for regional initiatives to support new and expanding dairy businesses, promote innovation in dairy products, and assist with dairy plant modernization and process improvement. These initiatives can be hosted by state departments of agriculture, non-profits, universities, or cooperative extension services, and they can partner with foundations and dairy checkoffs.

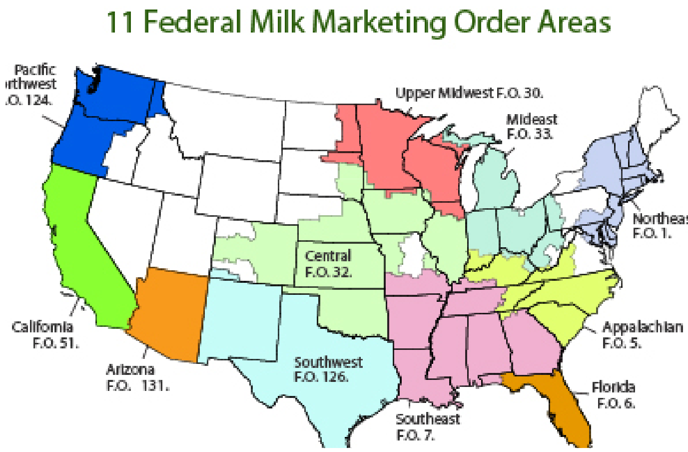
We had a great time at Wisconsin Farm Technology Days in Baraboo! Thank you to all members who stopped by to see us!

USDA Announces FMMO Hearing Details

The process to amend the pricing formulas in the 11 Federal Milk Marketing Orders (FMMO) continues to move forward. The United States Department of Agriculture's (USDA) Agricultural Marketing Service announced details about the hearing that will begin on Wednesday, August 23, 2023, at 9 a.m. Eastern time.

The hearing will take place in Carmel, Ind. In addition to other witnesses, dairy farmers may testify during the hearing in person, or they can participate virtually during specified time slots available on Fridays, starting on September 1, 2023. Each dairy farmer will be allowed up to 15 minutes to present testimony, with the possibility to request additional time. Pre-registration is required to testify virtually.

Earlier this summer, dozens of proposals came in from dairy organizations across the country. Since then, it has been a bit of a waiting game to see which proposals would be included in the discussion. According to the hearing notice, 22 of the proposals were chosen.



Testimony will be heard by subject area, in the following order:

1. Milk composition
2. Surveyed commodity prices
3. Class III and Class IV formula factors
4. Base Class I skim milk price
5. Class I and Class II differentials
6. AMS proposal

The hearing will continue until the presiding judge determines it is complete. Following the hearing, the hearing record will be made available online for individuals and organizations to review and submit suggested corrections. Then, participants will be able to file posthearing briefs.

At that point, USDA will issue a recommended decision, which will follow with an open period for comments and exceptions to be filed. After this process, the USDA will issue a final decision and, if approved, will announce when the amendments will become effective. If all steps stay on schedule, this process would be expected to wrap up about a year from now, in July of 2024

Take Action - Whole Milk for Healthy Kids Act

Good nutrition is a cornerstone of kids' health and development, and milk plays an unparalleled role in providing the nutrients kids need to grow and thrive. Milk is the number one source of protein for kids 2-11. It's also the top source of calcium, potassium, phosphorus, and vitamin D for children ages 2-18. And regardless of whether it's skim, lower-fat or whole, milk provides 13 essential nutrients.

But most kids and adolescents don't meet the daily dairy intake recommendations made in the Dietary Guidelines for Americans. A big part of why is because they drink less milk – and throw more of it away – when they don't have the same choices in school that they have at home. Whole milk is the most consumed variety in America, followed by 2% -- yet neither are allowed under federal school meal programs. A recent survey of American parents shows that 43% and 35% -- nearly 8 in 10 total -- believe that whole milk and 2% milk, respectively, are the healthiest options for their children.

Whole milk and reduced-fat milk are healthy options, backed by a growing body of scientific evidence. Kids need these benefits. **That's why Congress needs to pass the Whole Milk for Healthy Kids Act,** which expands the popular, healthy milk options schools can choose to serve to improve students' nutritional intake. You can help support kids' access to milk's vital nutrients by urging your Senators to cosponsor this important nutrition legislation. You can do so by visiting www.nmpf.org/take-action

The Numbers Don't Lie - Plant-Based Beverages Losing Market Share to Milk

Written by Alan Bjerga, Senior Vice-President of Communications at NMPF

Attention to everyone who values accuracy over propaganda: The next time you read a news article that states "milk is losing market share to plant-based alternatives," please send the reporter, the editor, anyone who will listen, a link to this column.

Because any reputable news organization corrects fact errors – and as of this year, that statement, long accepted as the "inevitable" outcome of "innovation," is no longer true. In the beverage marketplace, milk isn't just beating plant-based on nutrition, price, overall sales and consumption volume – it's increasing its market share too.

First, the bad news. Milk's growing relative strength isn't because people are drinking more of it. Even though fluid milk continues to outpace fake milk sales by nearly nine to one, consumption is down this year, like it has most every year since baby boomers left elementary school and all types of beverages, not just plant-based alternatives, multiplied in number and further segmented the beverage market. Through July 9 – just over halfway through 2023 – fluid milk retail sales volume (overwhelmingly cow's milk, with just a pinch of goat milk for an animal-based alternative) was 1.62 billion gallons, down 3.4 percent from the year-earlier period, according to research firm Circana Group, which objectively reports sales figures via bar codes and is the retail industry standard for grocery-sales data.

Wish it weren't true, but … but …

But how does that compare to the "dairy alternative" universe – the one where heavily processed, over-priced nut juices are marketed as healthy, climate-conscious "milks"? The one where dishonest marketers crow about how fake milks are on the rise while boring ole' actual milk is a thing of the past? Year-to-date, they've sold 182 million gallons of the stuff, a number that's down … um … you read it here first … 6.6 percent from one year ago. Because plant-based consumption is falling even faster, true dairy milk is extending its already dominant lead. So far this year, real milk holds 89.9 percent of the total milk-and-fake-milk market, up from 89.6 percent last year.

Tough to get your brain around? That's understandable – false narratives are difficult to dispel. But the truth will set you free – and it tastes better, too.

Maybe consumers are figuring out that overpriced, under-nourishing flavor-of-the-month beverages weren't the next frontier after all. Digging into the stats further: Almond drink, the darling of the 2010s, is still the plant-based category leader, but down 9.4 percent so far this year from a year ago. Oat beverages, the recent Next Big Thing, is up an anemic 1.8 percent – maybe because top peddler Oatly's marketing antics are starting to leave a taste in people's mouths that's almost as bad as their product's.

And soy-based beverages – the ones vegan advocates want in the federal school lunch program – are down 7.4 percent this year, even as the most popular milk variety, whole milk, also is kept out of school lunches because foolish ideas and bad science die hard. That would be funny, if it weren't so sad that whole milk, an obvious solution to nutrition and food waste problems in federal meals, gets short shrift in comparison to soy due to vegan ideology.

Maybe the "innovation" pitch was a lie all along. In many ways, nothing is new under the sun, or in the grocery aisle. Marketers and manufacturers have been taking water, adding stuff to it, bleaching it white and calling it "milk" for centuries. The latest scheme is admittedly less deadly than previous ones — but with doctors reporting malnourished children fed vegan "milk" by duped parents, it still has a real public health cost. That's why dairy farmers have been calling on FDA to enforce its own standards of identity for decades, to largely deaf (though recently a little bit less deaf – or maybe we've just been louder) ears from the agency.

To be sure (and for clarification), all these statistics are based on consumption volume – what people actually drink – than sales values, the preferred measure of advocates for plant-based beverages that are more expensive than true dairy. By that measure, plant-based beverage sales are still up 5.8 percent year-to-date, compared to dairy's decline of 1.2 percent. But that's not because plant-based beverages are becoming more popular – it's because they cost 9.2 percent more than a year earlier, compared to milk's 2.2 percent. Isn't inflation a magical thing? Even so, we expect that marketers will use that cherry-picked value to prop up the tired Death of Dairy narrative – and credulous journalists will pick up on it to justify their inaccurate articles.

Don't let them do that. The numbers don't lie – plant-based beverage consumption is on the decline, and claims otherwise are disingenuous. Keep this in mind as you watch for misinformation. Feel free to share this data to stop it.

Alan Bjerga leads NMPF's communications efforts, focusing on media relations, marketing and digital storytelling. This article originally appeared in NMPF's Dairy Defined weekly feature.

USDA Updates Cost of Production Data

The costs to produce milk vary widely among operators in different geographical regions of the United States as well as on different-sized operations. USDA has tracked the annual regional and national cost of production data for many decades, helping the industry to calculate profitability measures and identify areas where costs are changing over time as well as which costs vary the most in different regions.

Producer input through the Agricultural Resource Management Survey (ARMS) generates the data. Though data is available annually, ARMS producer surveys are only conducted every few years to capture industry changes in productivity and technology. According to the USDA's Economic Research Service (ERS), "Estimates made in the survey year should be regarded as the most reliable because the estimates reflect both prices and technologies used on the commodity."

A new ARMS survey occurred for milk in 2021, and data became available this spring. Relative to the previous survey base year of 2016, the reported 2021 U.S. milk operating cost of production was lowered by more than $3 per hundredweight (cwt.). More than $2 of this change was attributed to a reduction in feed costs.

While ERS reports a 23% increase in feed costs associated with milk production from 2021 to 2022 and a 19% increase in nonfeed cash costs, the reported declines in the cost of production from using the 2021 ARMS survey leave the 2022 data only marginally higher than the 2021 data previously reported based off of the 2016 survey.

ERS also provides a breakdown of how production costs differ by size of operation. In 2022, operations with more than 2,000 cows reported cash costs that were $1.50 per cwt. lower than the average across all sizes of operations, with the majority of the decline due to lower nonfeed costs. In 2020, the last year of data by group size from the 2016 survey base, this largest category of operations posted costs nearly $3 below the average.

U.S. average milk production costs continue to be influenced by a larger percentage of milk being produced in operations with 2,000 or more cows. USDA's milk production costs will be one factor considered as dairy safety is debated in the next farm bill. A comparison of individual operations' production costs to these aggregate costs can indicate areas where these operations can focus on reducing costs. This data also highlights the economies of scale in dairy operations today.

Thank you to the Dairy Innovation Hub for hosting our July board meeting and providing presentations on current reserach projects at the Arlington Reserach Station

Federal Milk Order Market Information

JUNE 2023

		UPPER MIDWEST	CENTRAL	MIDEAST
Order Name and Number		**Order 30**	**Order 32**	**Order 33**
Producer Milk (lbs.)		2,736,357,862	1,289,922,959	1,351,769,892
Producer Price Differential @ base zone		$ 0.36	$ 1.73	$ 2.17
Statistical Uniform Price/cwt @ 3.5% BF*		$ 15.27	$ 16.64	$ 17.08
Class I Price/cwt		$ 19.81	$ 20.01	$ 20.01
Class II Price/cwt		$ 18.83	$ 18.83	$ 18.83
Class III Price/cwt		$ 14.91	$ 14.91	$ 14.91
Class IV Price/cwt		$ 18.26	$ 18.26	$ 18.26
Component Prices & Test Avg. % aves				
Butterfat/lb.	$ 2.7605	4.01%	3.95%	3.93%
Protein/lb.	$ 1.5144	3.13%	3.16%	3.14%
Other Solids/lb.	$ 0.1266	5.80%	5.81%	5.80%
SCC Adjust Rate/1000	$ 0.00079			
Producer Milk Classified %				
Class I		5.40%	26.55%	36.37%
Class II		1.00%	6.66%	7.14%
Class III		93.00%	56.51%	52.29%
Class IV		0.60%	10.18%	4.20%
		100.00%	100.00%	100.00%

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