

WISCONSIN DAIRY TASK FORCE 2.0 MINUTES

August 13, 2018

The Wisconsin Dairy Task Force 2.0 met on Monday, August 13th, 2018 beginning at 10:00 a.m. at the Department of Agriculture, Trade and Consumer Protection, located at 2811 Agriculture Drive, Madison, WI 53708, in Conference Room 106-Board Room.

Call to Order

Task Force Chair Dr. Mark Stephenson called the meeting to order at approximately 10:00AM

Members Present

Dennis Bangart, Steve Bechel, Moriah Brey, Andy Buttles, Rob Byrne, Janet Clark, Tom Crosby, Dave Daniels, Michael DeLong, Patty Edelburg, Ted Galloway, Bradley Guse, Melissa Haag, Don Hamm, Rene Johnson, Ryan Klussendorf, Shelly Mayer, Dan Pearson, Amy Penterman, Paul Scharfman, John Schmidt, Jerry Schroeder, Jeff Schwager, Brody Stapel, Chad Vincent, Darin VonRuden, David Ward, and Elizabeth Wells were present. John Accola was present via teleconference line.

Ex officio members Secretary Sheila Harsdorf, President Ray Cross, Senators Luther Olsen and Janis Ringhand, and Representatives Jon Plumer and Don Vruwink were present. President Lori Weyers was present via teleconference line.

Minutes

Welcome and Overview of Group's Scope and Task

Chair Stephenson welcomed the group and mentioned that the start of the Task Force is connected to the previous Task Force from the 1980s. The Dairy Summit in the fall of 2017 proved to be important to starting the Task Force when Chair Stephenson raised the idea with UW System President Ray Cross and DATCP Secretary Harsdorf. Chair Stephenson noted the broad representation of the industry on the Task Force.

Chair Stephenson recognized Secretary Harsdorf.

Secretary Harsdorf welcomed everyone to DATCP and noted that she was pleased to host the meeting. The Secretary noted that future meetings will be held at different locations around the state. She noted the challenge ahead of the Task Force and that the membership of the Task Force was one which reflected the diversity and complexity of the industry. Secretary Harsdorf noted that effective representation will help with the validity of the Task Force's recommendation and charged the Task Force to make recommendations that will help ensure the long-term viability of the Wisconsin Dairy Industry. She noted that the Task Force is subject to open records and that the binders are for members to keep and organize to their liking. She noted the size of the Task Force, and informed the Task Force and the public that the Task Force

welcomes public comments. She thanked President Cross for the opportunity to work together and thanked Mark Stephenson for chairing the committee, and the legislators for serving on the Task Force.

Secretary Harsdorf recognized President Cross.

President Cross noted that the idea for a Task Force was floated at the Wisconsin Idea Dairy Summit last year. President Cross said that this point in the dairy industry is the most critical he has ever seen. If the dairy industry does not grow, how can Wisconsin claim the dairy state title? Innovation is critical to this. President Cross note four broad goals for the Task Force: What are the challenges? How do we make the industry profitable? How to we help the processes develop and expand? How do we make the state more innovating and engaged in technology and research? This last goal is more long-term, and President Cross noted that Wisconsin needs to invest and move quickly in that process. President Cross closed by reiterating the importance of the work of the Task Force and the centrality of dairy to the state.

Ground rules: open meetings law, etc.

Paul Dedinsky, DATCP Chief Legal Counsel, welcomed everyone to DATCP and referred everyone to an Open Meetings and Records memo in member's binders. Because the Governor has made the Task Force, it is conducting the public's business, and there is an additional responsibility as a result. Meetings are recorded and the public has a right to access the meeting and see the agendas. Open records includes agendas, minutes, and other items including emails. Should members have any questions, they can reach out to Chair Stephenson or Neil Kline.

Chair Stephenson added that processors need to remember anticompetitive clauses, and that we are not here to collude. Chair Stephenson also noted that anti-collusion laws came from the 1930s and 40s. The first dairy policy in the U.S. was enacted under George Washington in 1790, and there was a 2 cent per pound tariff on English cheese imports.

Introductions

Task Force members introduced themselves. Chair Stephenson asked them to provide biographical information and to answer the question of why they are serving on the Task Force.

Setting the Stage

Chair Stephenson provided an overview of the dairy industry. His slides are included in the meeting materials.

Defining the major issues facing out industry

Chair Stephenson introduced Dan Hill to help facilitate the conversation. Mr. Hill stressed his independence from the subject matter. Mr. Hill does not have a strong connection to the dairy industry, and he stressed that if anyone felt that he was over-steering the process, they should tell him to stop. He worked to lower expectations, and held that the goal for the day is to develop issues and challenges and opportunities and then to prioritize those items.

Mr. Hill asked everyone to individually write down what they felt the major issues, challenges, and opportunities to the industry were. Members then walked to the front and placed sticky notes with those items on easel paper at the front of the room. Once that was done, Brad Guse, Shelly Mayer, Jeff Schwager and Elizabeth Wells organized the sticky notes into categories while the rest of the group took lunch.

Lunch

Lunch occurred at approximately 12:05 p.m. The Task Force reconvened at approximately 12:45 p.m.

Refining the issues

After lunch, Mr. Hill reviewed the 12 categories that were created over lunch. The categories created by the four volunteers are listed below:

- A. Workforce
- B. Generational transfer
- C. Entering the business/startup costs
- D. Consumer perceptions
- E. Education of the next generation and farm financial planning education
- F. Pricing and price volatility
- G. Infrastructure, rural communities
- H. Vertical integration
- I. Capital available
- J. Environmental regulations
 - a. Most related to water quality
- K. Research and innovation
- L. Market volatility

After reviewing the 12 categories, the Task Force categorized the 6 sticky notes that were independent and had not been assigned to another group. The outliers were:

- Loss Leader
- Farm Size
- Distribution Issues
- Do you or do you not control industry growth? Define industry growth?
- Does WI want dairy to grow-> in many ways it seems not.
- Get farmers to be part of the answer, not waiting for someone else.

Once the outliers were integrated into the larger groups, the members split into small groups and the groups were given two groups of ideas which were not well defined. The groups worked to refine the clusters of ideas by taking them and creating an elevator speech about what the issues are, and they gave the issue group a title. The titles (and sticky notes under each idea) were:

- Rural Community Support and Infrastructure
 - Community loosing Ag infrastructure
 - Fewer farms->fewer customers to support community businesses
 - Decline of rural communities
 - Rural infrastructure
 - Business management (financial lit.)
 - Supportive infrastructure
- Economies of Scale vs. Value Added Agriculture
 - Independence to a fault (all need help)
 - Need more collaboration
 - Strengthen the partnership between farmers and processors
 - Not let efficiency take us too far to vertical integration, we need diversity in farming
 - Vertical integration
 - Do you or do you not control industry growth-define industry growth
 - Farm size
- Price Volatility and Profitability
 - We produce over 82 mil #'s of milk every day in WI. If in 5 yrs that is 100 mil #'s, where does it go?
 - Price gap between farm and customer
 - FMMO
 - Cost of production=input costs never go lower-they just keep climbing
 - Cost passed to farmer
 - Pricing tools to help w/ prices
 - Price volatility
 - Pricing to stay profitable
- Farm profitability
- Management of Time and Money
 - Get farmers to be part of the answer/not waiting for someone else
 - Need more education in financial planning/management
 - Education of next generation/future leaders
 - Lack of exposure to farm model alternatives
- Product and Process Innovation
 - Innovations->new product outlets
 - CDR & product innovation & industry partners
 - Product innovation
 - New product development
 - New product development-> R&D
 - Bold new discoveries leading to ideas
 - Collaboration of ideas for solutions
 - Innovation->product & markets
 - Innovation Tech. (research)
 - Innovation in technology
 - Is milk only milk, research opportunities
 - Develop industrial use for milk and dairy
 - Dairy research at WI universities (lack of funding to support)
 - Technology 4 manure handling and community perception
 - Industrial uses for milk
- Access to Capital
 - Capital availability
 - Access to credit

- Lack of short-term operating loans
- High capital investment
- Capital to implement technology
- Capital to create sustainable solutions
- Barriers to modernization (capital)
- Financing for rural buildings and expansion
- Access to capital for farms to invest
- Markets
 - Market development (research)
 - Market access
 - Market opportunities
 - Exports-focus on specialty items and away from fluctuating commodity based
 - Export markets
 - Market volatility
 - What is market share in obvious places that we have missed?
 - Over supply
 - Lack of access to market milk
 - Access to export markets, geographic indicators, tariffs, regulations, trade agreements
 - Loss leader
 - Processing capabilities
 - Milk from other states
 - Help expand export opportunities
 - Shipping milk in from other states and labeling the finished product as “WI” based
 - Distribution issues
- How do we get our milk to market/manure to fields
- Balancing supply with demands of the market
- Education and Workforce
 - Sustainable workforce
 - Labor shortage (affordable)
 - Work force building for dairy industry->at each step
 - Labor availability
 - Quality, affordable labor force
 - Talent shortage, technical and labor short
 - Labor-who will work?
 - Access to labor
 - Immigrant labor
 - Education->starting at school level
- Consumer
 - Consumer confidence
 - Build consumer confidence
 - What do people and other people in Ag think of the WI Dairy Ind. outside of WI?
 - Increased fluid consumption
 - Linking production to end user/consumer
 - Animal VNIR [sic] revelations
 - Customer demands for transparency
 - Perception of ag/dairy to consumer
 - Customer perceptions
 - Consumer perception of milk as not healthy
 - Outside pressure from consumer led organizations
 - Changing consumer preferences
 - Cows and houses don't mix, how do we get along

- Consumer perception
- Loss of domestic consumption
- Barriers (Financial)
 - Cost of start-up
 - Access to land (lack of or high \$)
 - Cost of entering business
 - Transferring farm
 - Need young farmer start up programs
 - Young farmer education
 - Barriers to entry-capital
 - High opportunity cost
- Next Dairy Generation
 - Wealth transfer
 - Need to get young generation opportunity
 - Aging dairy farmers
 - Generational farm transfers
 - Ability for young farmers to start-up in dairy business
 - Generational transition, taxes
 - Transition the farm to next gen.
 - Next generation
- Regulatory Certainty
 - Regulatory environment impedes farm and processor growth
 - Regulation stops innovation
 - Regulatory certainty
 - State and federal regulations overlap
 - Environmental regulations @ all levels-Co., Town, and State
 - Regulatory restrictions
 - Challenges regulations
 - Phosphorous revelation
 - Nutrient control
 - Manure
 - Environmental issues
 - Waste water issue and manure management
 - Farmers and regulators working together
 - Regulations->county level moratoriums
 - Technology->manure handling and community perception
 - Funding research soil, water
 - Road weight limitations
 - Transportation funding
 - Does WI want dairy to grow?
In many ways it seems not.

Mr. Hill explained that these groups would eventually be converted into committees. Chair Stephenson explained that he wanted to ensure a good mix of backgrounds on all of the committees. Once the groups are sorted out, Chair Stephenson will work with them to identify sources of information for the groups to use as they work to tackle the issue set the committees are built around. Once subcommittees make recommendations, then they will come back to the full group for consideration. He stressed that this process is not a sprint.

Prioritization of the issues

These issue groups were then voted on by the group to prioritize their importance. The final tallies are below:

- Rural Community Support and Infrastructure: 10

- Economies of Scale vs. Value Added Agriculture: 3
- Price Volatility and Profitability: 8
- Management of Time and Money: 1
- Product and Process Innovation and Invention: 17
- Access to Capital: 5
- Markets: 9
- Education and Workforce: 6
- Consumer Issues: 8
- Barriers (Financial): 2
- Next Dairy Generation: 5
- Regulatory Certainty: 13

Small Group Assignments

After low-vote receivers were folded into other groups (12 groups into 9), the issue groups were then converted into committees, and members of the Task Force signed up to serve on committees they were interested in.

The committees and their membership is listed below. Membership is listed in no particular order.

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| <ul style="list-style-type: none"> • Product and Process Innovation and Invention <ul style="list-style-type: none"> ○ Shelly Mayer ○ Jeff Schwager ○ Chad Vincent ○ Rob Byrne ○ Andy Buttles ○ Steve Bechel ○ Ted Galloway • Regulatory Certainty <ul style="list-style-type: none"> ○ Moriah Brey ○ Amy Penterman ○ Bradley Guse ○ Ted Galloway ○ Jerry Schroeder ○ Brody Stapel ○ David Ward ○ Shelly Mayer ○ Steve Bechel ○ Rob Byrne • Rural Communities Support and Infrastructure <ul style="list-style-type: none"> ○ Darin Von Ruden | <ul style="list-style-type: none"> ○ John Schmidt ○ Dennis Bangart ○ Elizabeth Wells ○ Janet Clark ○ Don Hamm ○ Melissa Haag ○ Michael DeLong ○ Jerry Schroeder <ul style="list-style-type: none"> • Markets <ul style="list-style-type: none"> ○ Jeff Schwager ○ Brody Stapel ○ Chad Vincent ○ Elizabeth Wells ○ Patty Edelburg ○ Dave Daniels ○ Tom Crosby ○ Rob Byrne • Price Volatility and Profitability <ul style="list-style-type: none"> ○ Ryan Klussendorf ○ Darin Von Ruden ○ Tom Crosby ○ Don Hamm ○ Dan Pearson |
|---|--|

- Rene Johnson
- Michael DeLong
- Consumer Confidence and Perception
 - Chad Vincent
 - Janet Clark
 - Moriah Brey
 - Steve Betchel
 - David Ward
 - Amy Penterman
 - Patty Edelburg
 - Dennis Bangart
- Education Workforce, Management of Time and Money
 - Paul Scharfman
 - Amy Penterman
 - John Schmidt
- Lori Weyers
- Rene Johnson
- Dave Buholzer
- Access to Capital, Barriers (Financial)
 - Paul Scharfman
 - Bradley Guse
 - Darin Von Ruden
 - Don Hamm
 - John Accola
- Next Generation (transfer & transition)
 - Melissa Haag
 - Dave Daniels
 - Ryan Klussendorf
 - Charles Untz
 - Dan Pearson

Mr. Hill identified six people to remain after the meeting to discuss the issues further and to identify which issues are drivers, or precursors, of other issues.

Chair Stephenson reviewed that he will distribute committee assignments and that minutes will be distributed for review. He also reiterated the opportunity for the public to provide written comments that can be used to expand issues for discussion with the committee.

Chair Stephenson will work with committees to identify people who can assist in finding possible solutions with the subcommittees before the subcommittees come back to the committee and review their proposals.

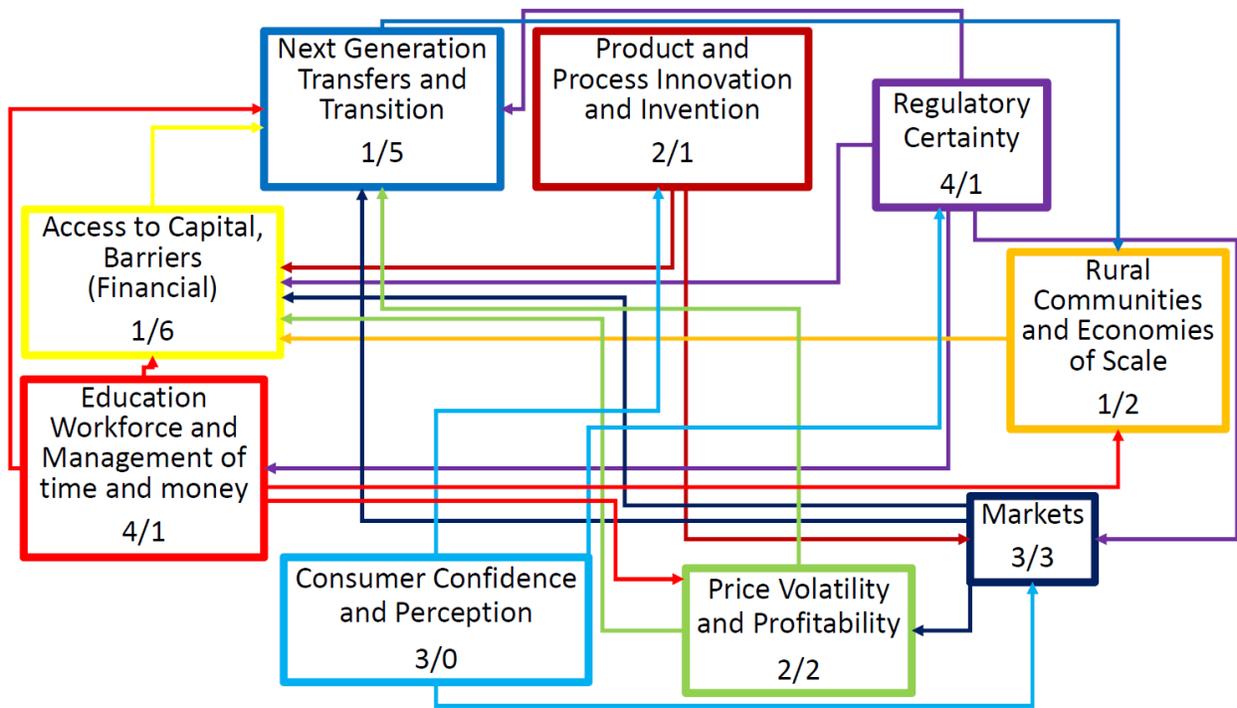
Set date and location for next meeting

Chair Stephenson led the group as they tried to find a day of the week that could work for most members of the group. A Doodle Poll will be used to schedule meetings. Weeks in September were also identified for future meetings, with the general feeling being that the late-September or mid-to-late October could be possibilities. The next meeting will hopefully be at UW-Oshkosh.

End of Full Group Meeting

The majority of Task Force members departed at 2:35 p.m.

Chad Vincent, Brody Stapel, Ryan Klussendorf, Tom Crosby, Paul Scharfman, David Ward, and Rene Johnson worked with Mr. Hill to identify which issues drive other issues. Their final diagram is below. The numbers in each box are coded as follows: number of other issues that issue drives/number of other issues which drive that issue. For example, Regulatory Certainty drives four other issues, and is driven by one other issue.



Adjournment

The small group concluded their work and adjourned at approximately 3:15 p.m.

Minutes drafted by Neil Kline.

Minutes approved by Task Force during December 13th, 2018 meeting.