

**--DRAFT PENDING TASK FORCE APPROVAL--**

**WISCONSIN DAIRY TASK FORCE 2.0  
MINUTES**

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**December 13, 2018**

The Wisconsin Dairy Task Force 2.0 met on Thursday, December 13th, 2018 beginning at 10:00 a.m. at the University of Wisconsin-Oshkosh, Reeve Memorial Union Ballroom 227BC, 748 Algoma Blvd., Oshkosh, WI 54901.

**Call to Order**

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

**Members Present**

John Accola, Dennis Bangart, Dave Buholzer, 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, Brody Stapel, Charles Untz, Chad Vincent, David Ward, and Elizabeth Wells were present.

Members not present: Steve Betchel and Jeff Schwager. Darin Von Ruden called in.

Ex officio members Secretary Sheila Harsdorf, President Ray Cross, President Lori Weyers, Senator Janis Ringhand, and Representative Don Vruwink were present.

**Minutes**

**August 13<sup>th</sup> Meeting Minutes Approval**

Brad Guse moved and Ted Galloway seconded approving the minutes of the August 13<sup>th</sup> Task Force meeting. The minutes were approved on a voice vote with no opposition.

Chair Stephenson recognized Secretary Harsdorf, who made brief comments thanking members of the Task Force for their work and highlighting the importance of the dairy industry to Wisconsin. The Secretary noted the change in administration and discussions with the transition team.

**Public Comments and Voting Process**

Chair Stephenson went through the public comments that had been received by the Task Force (attached).

Chair Stephenson then reviewed the process for voting on recommendations. Each member received ballots, and voting would be done via paper ballot.

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John Young of New Holstein, Wisconsin and representing M4A Dairy Group provided public comments. He said that the Task Force needs to “look from the bridge” and to those outside the industry to ensure that the full situation is being taken into account. He also stressed the importance of apprenticeships and getting young people involved. Mr. Young said he will be submitting written proposals to the Task Force for their consideration.

**Sub-Committee Reports**

Sub-Committee chairs provided updates to the Task Force. Minutes for sub-committees are available on the Task Force’s website and have been distributed to the Task Force.

The Task Force recessed at 11:11 a.m. and reconvened at 11:30 a.m.

**Access to Capital Proposal**

Access to Capital Sub-Committee Chair Brad Guse explained the proposal and the issue it seeks to fill. He outlined the recommended changes to loan guarantee programs within the Wisconsin Housing and Economic Development Authority (WHEDA), specifically in the Agribusiness Program, the FARM program, and the CROP program. In response to a question, Chair Guse confirmed that guaranteed loans are still owned by the bank who made the loan.

Dave Buholzer noted that investments in plants helps improve efficiency, which assists not only the plants as they grapple with a tight labor market but also farmers.

Tom Crosby agreed with the point on efficiency but argued that every time you give a farmer more money, they will make more milk. Mr. Crosby was concerned that guaranteed loan programs contribute to the oversupply problems we have today.

Paul Scharfman argued that the proposal would create demand for Wisconsin milk by helping companies expand. He articulated that the barrier he faces is financing expansion, not labor or milk. Mr. Scharfman noted that the \$5 million expansion of his plant would be worth \$1 million more if he were in Kenosha. This, he said, highlights the structural disadvantage rural manufacturing faces when trying to finance expansions.

Patty Edelburg noted that farmers are struggling to reinvest in their physical infrastructure as well, which is hampering intergenerational transition and business success.

Amy Penterman argued that easing access to financing might help to limit farm expansion because people will reinvest in current operations rather than expand.

Beth Wells said that she sees a lot of value in the proposal but that it needs to be coupled with other items. Incentivizing expansion means requiring that expansions occur near dairies of all sizes to ensure that small farms are not left out of the economic development.

Mr. Galloway noted that banks are still reviewing the business plan of a prospective project under the proposal and that they will not loan the money if the project is not financially sound. He also said that expansions would help suck up extra demand. He thought that we need to be careful to say that we don’t need more milk, and that we don’t want centralized control. Framing the proposal as providing additional tools in the financing toolbox, Mr. Galloway reiterated that

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we cannot develop strength in the system without additional financial tools, and that the proposal allows the current vetting process to decide if a project is sound while ensuring that we have the tools to make it happen.

Moriah Brey echoed Mr. Scharfman's and Mr. Galloway's comments. She noted that growth can mean different things, that adaptation is important, and that the industry must continue trying to innovate.

Chair Guse noted that these programs already exist and have been around for a long time.

Dennis Bangart commented that the WHEDA incentive focuses on new construction or a remodel. The Farm Service Agency (FSA) has had to adapt for active producers who are remodeling, and who have to go through the 30 day review process with FSA. He said that these programs add a tool to the tool box. There are also regulatory issues that need to be addressed.

Dave Ward noted that WHEDA programs discussed in the proposal were from the original Dairy Task Force. He continued that the first Task Force noted the potential of specialty cheese, which Wisconsin has capitalized on. With the growth, Mr. Ward said, we have hit a road block, and he felt this idea will help continue to grow the specialty cheese sector.

Chair Guse noted that the FARM program can be used to finance intergenerational transition.

Mr. Crosby agreed with most of the things that have been said. He remained concerned about farmers using additional money to finance expansions.

Chair Guse noted, in an effort to address Mr. Crosby's concerns, that the loan size guaranteed by the FARM program is relatively small.

Charles Untz agreed, noting that the loan size would not even begin to cover the costs of a small robotic installation project.

Shelly Mayer noted that she was pleased that the group was talking about infusing economic energy into rural Wisconsin to ensure that local economies can stay healthy, with all of the good things that come with it. She noted that if it means a small family farms expands, that's good. The point is to try and save special places.

Ms. Wells reiterated that she feels access to capital is critical, but the "and more" part is ensuring those communities have the skills to truly use new access to capital.

Ms. Mayer noted the importance of building infrastructure for a sound business.

**Lunch**

Lunch occurred at approximately 12:15 p.m. The Task Force reconvened at approximately 1:08 p.m.

**Access to Capital Proposal**

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Chair Stephenson asked Chair Guse to review the specifics of the Access to Capital proposal. Chair Guse noted that the first two items of the recommendation would require an administrative change and that the third item would require a statutory change.

Mr. Ward asked if voting would be done on the individual recommendations or on the whole sheet. Chair Guse said it will be on the whole sheet.

Dave Daniels asked if the administrative changes were within the scope of current law. Chair Guse said they are, and he noted in response to Mr. Daniels' question that the size of the current program is around \$8.5 million.

The Task Force voted on ballot #1 to approve the Access to Capital recommendation on a vote of 27 to 1 with no abstentions.

Chair Stephenson called on Donald Ley, from Dodgeville, Wisconsin representing himself to provide a public comment. Mr. Ley spoke to the importance of pricing stability in the industry.

**Research and Innovation Proposal**

After Sub-Committee Chair Chad Vincent provided a brief update, he asked Ms. Mayer to take the lead on presenting the UW Dairy Innovation Hub proposal.

Ms. Mayer noted that dairy farmers have been very concerned about the lack of funding at UW. She noted that the proposal is meant to keep Wisconsin the dairy center of the world. Ms. Mayer said that dairy became Wisconsin's forte as we moved away from mining because of research. She noted the faculty and staffing reductions that have occurred at UW-Madison and expressed her worry that failure to invest will mean that the world does not regard Wisconsin as the center of dairy. She also noted that there is a lag in research impact, so we need to do it now.

Ms. Mayer confirmed in response to John Schmidt's question that the proposal had been drafted in collaboration with the university.

Mr. Bangart clarified that the funding would be for positions, not research.

There was a good discussion about how to advocate for this proposal. Ms. Mayer said that there would have to be a coalition built to help encourage action on the proposal, and that such a plan will come.

President Ray Cross noted that the dairy industry feels that it cannot see the shore and that it's hard to make long-term investments given the current situation the industry is in. President Cross noted that other universities are investing, and that the current set of challenges will not get easier to manage.

Mr. Ward asked President Cross if the Board of Regents have weighed in on this proposal or if the Regents need to be alerted. Ray said that the proposal is not a part of the UW budget request, but they could go back to the board.

Mr. Untz asked if a public hearing with DATCP would be appropriate. Secretary Harsdorf said those normally are held when considering rule changes. She also said she could make the

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transition team aware of the proposal and that it could be proposed by the Governor-Elect or by a legislator.

President Cross noted that the proposal will need support from people in both houses of the legislature to pass it.

Ms. Penterman thanked Senator Ringhand and Representative Vruwink for coming to the meeting today.

The Task Force voted on ballot #2 to approve the Research and Innovation recommendation related to the UW Dairy Innovation Hub on a vote of 27 to 1 with no abstentions.

**Comments on the Farm Economy**

Chair Stephenson asked the Task Force to comment on what they are hearing about the farm economy.

Mr. Vincent said he hears people are concerned that this could be the “new normal” for the dairy industry.

Ms. Edelburg said that she has heard that this is about getting rid of the “bad eggs” in the industry. She feels that we are well through the bad eggs, and that it is hard to get in and hard to get out.

Mr. Untz said that the issue goes beyond the dairy industry and includes everyone else in the agricultural sector.

Ms. Wells echoed the comments, saying that she senses a vulnerability by the entire industry and that these forums need to continue.

Don Hamm noted that size doesn't matter here anymore and that there isn't anything to fall back on.

Ms. Penterman put out a challenge for lenders and extension offices to help guide farmers into being better business people.

Mr. Scharfman suggested that the Task Force has a broader challenge, related to rural life generally. Rural areas have a hard time keeping pace with the change. There are things rural places do best that can help to get energy moving into these places again.

Chair Stephenson worked with the Task Force to identify a date for their next meeting. The group selected March 15<sup>th</sup>, 2018.

**Adjournment**

The Task Force adjourned at approximately 2:30 p.m.

Minutes drafted by Neil Kline.

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