

Public comments received by the Dairy Task Force 2.0 since the December 13, 2018 meeting (Updated: March 11, 2019)

Name	Received	Contact	Comment
Delores Campshure	1/6/2019	Email (dcampshure@aol.com)	Full email attached. Read an article in the paper about the Dairy Task Force 2.0, listing four areas of focus. I hope within one of those areas the members of the task force will be looking at ways to promote the small farmer and organic dairy farming. If not, please consider adding a fifth area of concern. Thank you.
Stanley Lammers	1/8/2019	Phone voicemail (920-627-3197)	My name is Stanley Lammers. I am calling in regards to the Dairy Task Force 2.0. There are meetings listed in southern, western and northwestern Wisconsin. There are none in Sheboygan County where I live, or in this area between Lake Winnebago and Lake Michigan. Or between Green Bay and the state line, and I am wondering why. There seems to be a lot of cows, farms, and interest. There are members on the Task Force from this area. I have talked to my legislators and board members about this, and no one seems to know why. So far there has been no luck to have DATCP have a meeting somewhere in this part of state. I was given your name by Representative Vruwink's office. Please respond to my call. Thank you, and have a great day.
Noel Tomas Radomski	1/10/2019	Email (noel.radomski@wisc.edu)	Full email attached. Includes article from Urban Milwaukee about 'Why State's Dairy Farms Face a Crisis.'
Joe Hemauer	2/12/2019	Email (jhemauer@excel.net)	Full email attached. Includes his personal observations for an unmet need in business planning.
Mike Semmann	2/18/2019	Email (msemmann@wisbank.com)	Full email attached. Includes a recommendation for the Access to Capital sub-committee.
John Young	2/21/2019	Emailed to Mark Stephenson	PDF attached. Shared with the Generational Succession and Transition and Education and Workforce sub-committees.
Tom Olson	1/22/2019	Emailed to Ryan Klussendorf	PDF attached. Shared with the Price Volatility and Profitability sub-committee. About Federal milk market order revision and supply management.
Dick Bylsma	1/29/2019	Emailed to Tom Crosby	Two PDFs attached. Shared with the Price Volatility and Profitability sub-committee. About the NFO Two Tier Dairy Pricing Structure.
Travis Klinkner, Genoa	2/28/2019	Emailed to Ryan Klussendorf	A PDF and Excel document attached. Shared with the Price Volatility and Profitability sub-committee
Jen Pino-Gallagher	3/5/2019	Gave comment in the Research and Innovation sub-committee teleconference.	Jen Pino-Gallagher of M3 Insurance joined the teleconference to give public comment. She thanked the Dairy Task Force 2.0 members for working to find solutions. She was pleased to see the emphasis on collaboration in the sub-committee's recommendations and that the Dairy Innovation Hub recommendation included the entire supply chain. Ms. Pino-Gallagher hopes that we consider additional stakeholders, such as municipalities and counties, who are very important collaborators in rural Wisconsin. She also noted how the group is working to leverage state resources and expertise. She encourages us to possibly consider WEDC as a potential partner and resource since agriculture is one of their key focus areas. Ms. Pino-Gallagher also complimented the work of the DATCP International Agribusiness Center. She also noted mentions of cluster funding in previous meetings. Ms. Pino-Gallagher encouraged the group to look at other Wisconsin clusters as examples, for example FaB Wisconsin.
Brian Sims	3/11/2019	Email (ciderhouseconsulting@gmail.com>)	Full email attached. Includes idea for a Wisconsin Dairy Academy High School.

Andre, Ashley K - DATCP

From: dcampshure@aol.com
Sent: Sunday, January 6, 2019 3:00 PM
To: Andre, Ashley K - DATCP
Subject: task force

Read an article in the paper about the Dairy Task Force 2.0, listing four areas of focus. I hope within one of those areas the members of the task force will be looking at ways to promote the small farmer and organic dairy farming. If not, please consider adding a fifth area of concern.

Thank you

Delores Campshure

Andre, Ashley K - DATCP

From: Noel Tomas Radomski <noel.radomski@wisc.edu>
Sent: Thursday, January 10, 2019 11:00 AM
To: Mark Stephenson; Andre, Ashley K - DATCP; Ray Cross; Lori Weyers; Sen.Olsen - LEGIS; Janis Ringhand; Rep.Plumer - LEGIS; Don Vruwink; CASEY A NAGY; Doug Reinemann; Charles Hoslet; Crystal Potts; Paul Jadin; Gene Dalhoff; Chris Hardie; Steve Jahn; Ron Brisbois; Doris McAllister; Gordon Crow; Jerry Murphy; Pat O'Brien; JOSEPH CORRY; Roger Howard; WILLIAM P TISHLER
Subject: 010919, Why State's Dairy Farms Face a Crisis-And why Gov. Evers should change the policies of his predecessor.

Why State's Dairy Farms Face a Crisis
And why Gov. Evers should change the policies of his predecessor.

By Bruce Thompson
Urban Milwaukee
Jan 9th, 2019 03:23 pm

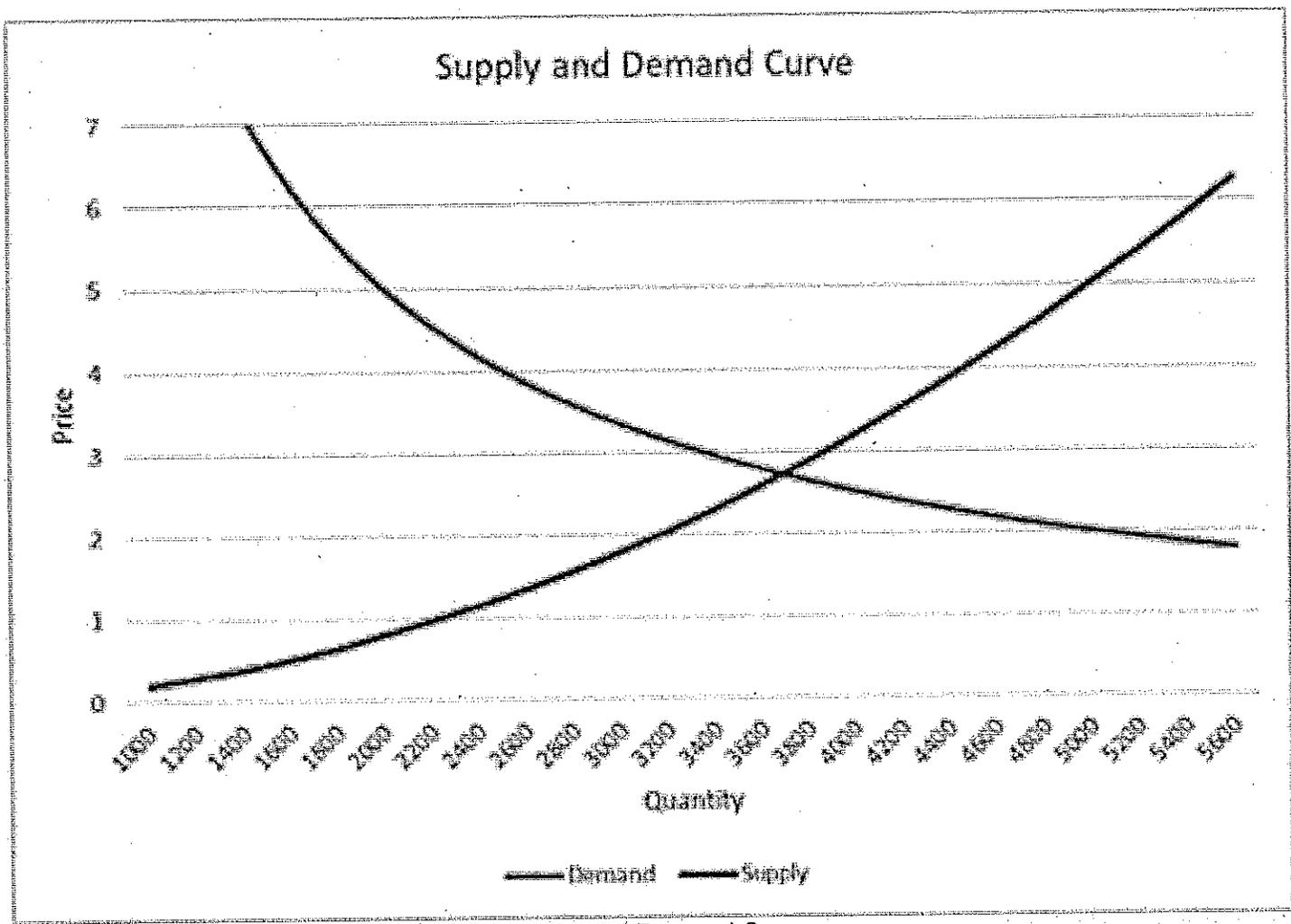
There is little doubt that many of Wisconsin's dairy farms are in deep trouble.

The Journal Sentinel's **Rick Barrett** has reported a series of articles with titles like Family farms decimated by Wisconsin's dairy crisis, Amish dairy farmers at risk of losing their living and way of life as their buyer drops their milk, and Wisconsin dairy farmers barely hanging on as crisis deepens with no end in sight.

Concern about the future of Wisconsin's dairy farms is not limited to the Journal Sentinel. Last month, the Washington Post published a column by **Jim Goodman**, an organic dairy farmer and activist from Wonewoc with the title Dairy farming is dying. After 40 years, I'm done.

These articles report that Wisconsin lost about 500 dairy herds in 2017 and is on track for about the same number in 2018. While **Trump**'s battles with our trading partners have made the crisis worse, the underlying cause is more basic: the supply has outrun demand for milk and other dairy products.

Early in every elementary microeconomics text is a graph like the one below. It is the supply-demand curve. The red line shows what happens to the supply of most products. As the price, shown on the vertical axis, goes up, so does the supply, shown on the horizontal axis. For example, farmers may add to their dairy herds to take advantage of high prices for milk.

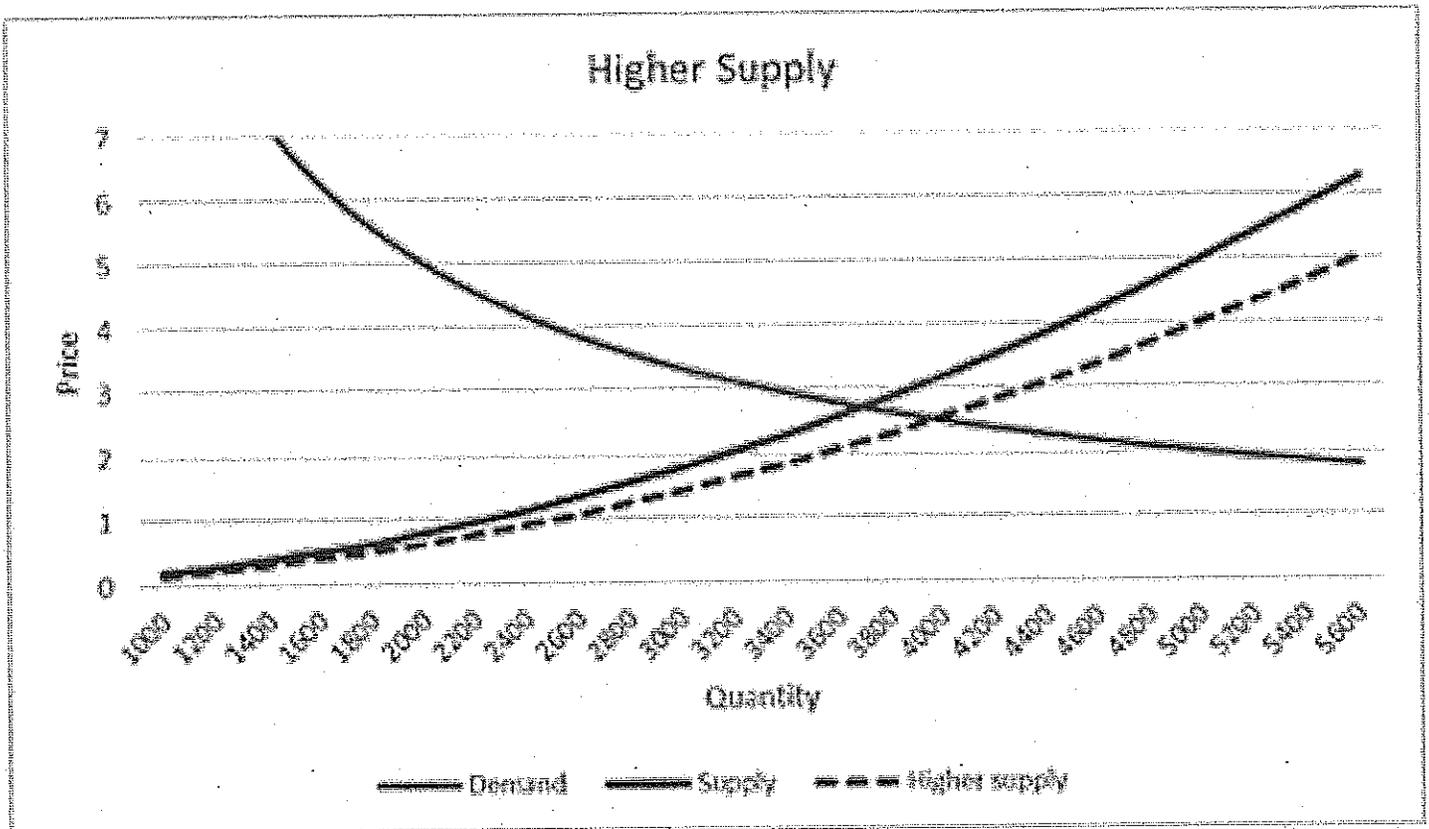


Supply and Demand Curve

Likewise, the blue line shows demand for a normal product. As price goes up, customers buy less of it and may switch to substitutes, such as juices.

In a market economy, equilibrium occurs where the two curves cross, at a price where supply equals demand.

What happens if the supply curve changes so that suppliers are willing to deliver more supply at a given price? The dashed red line in the next graph shows the effect of increased supply. The price drops.

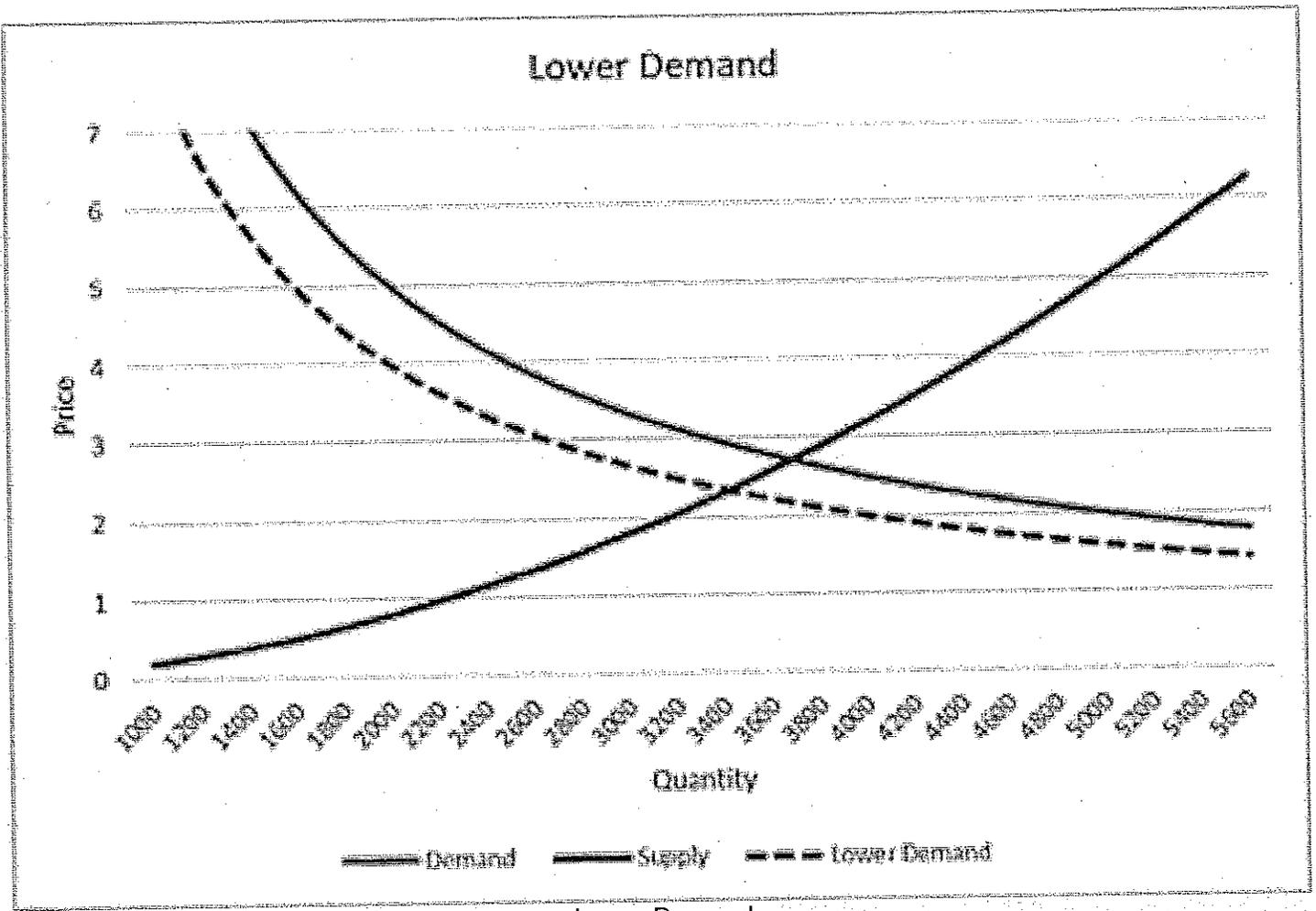


Higher Supply

What could cause the supply curve to shift this way? One example comes from a current appeal to the federal 7th Circuit Court of Appeals, called *Eli Lilly and Co. v. Arla Foods USA, Inc.* A division of Lilly makes an artificial growth hormone that prolongs lactation of dairy cows, resulting in more milk production. In response to such products, Arla Foods, a Danish cheese company intent on expanding its US market, has run a series of ads stressing that its cheese was made from cows that weren't fed any "weird stuff" including the growth hormone.

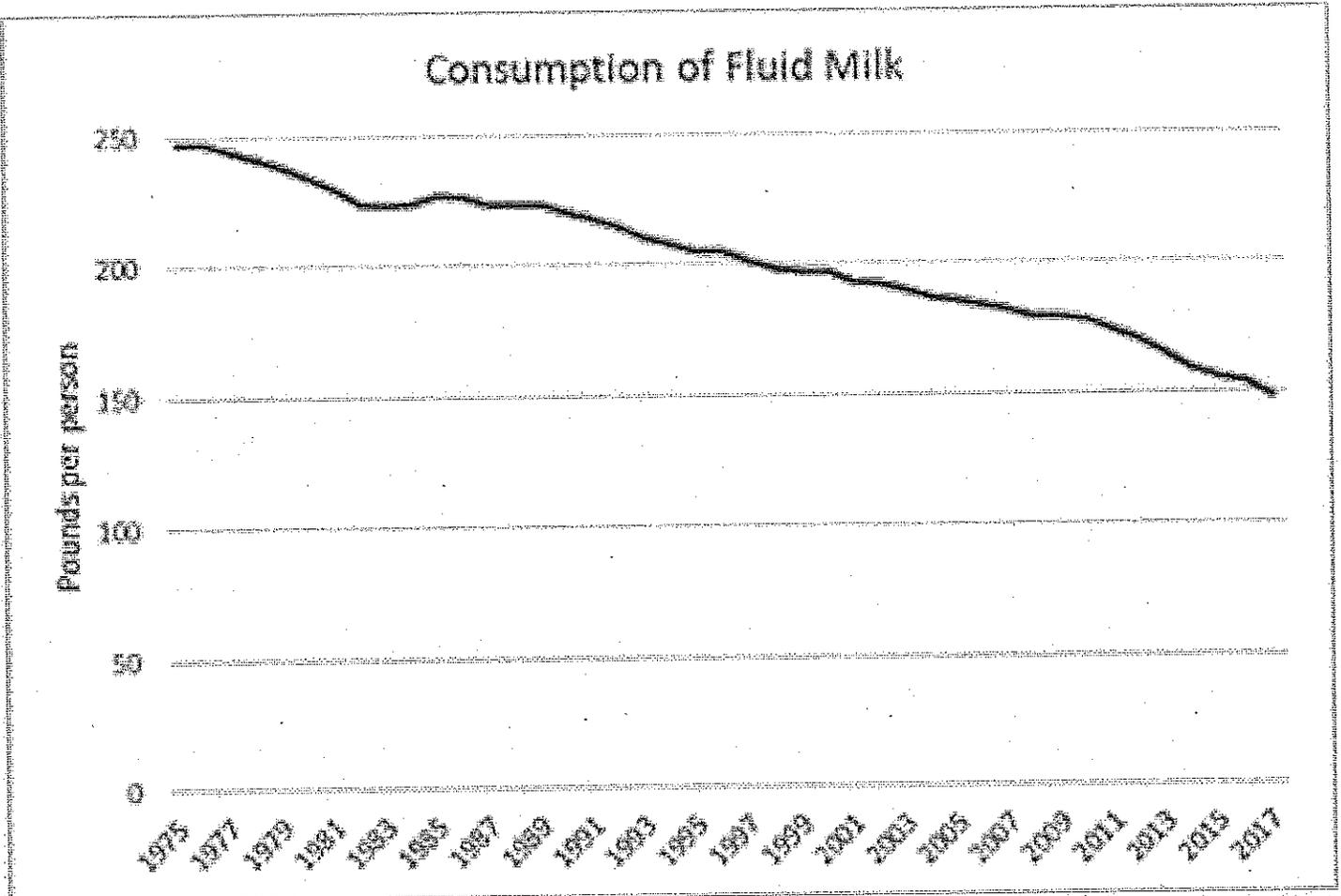
Concentrated animal feeding operations ("CAFO") offer another way to push down the supply curve. The US Department of Agriculture defines a CAFO as an animal feeding operation in which animals are raised in confinement and that has more than 1,000 "animal units" confined for over 45 days a year. In Wisconsin, it appears that CAFOs are growing their market share as smaller farms give up.

The next chart shows the effect of a lower demand curve, shown as the blue dashed line. The expected result is both lower prices and lower quantities.



Lower Demand

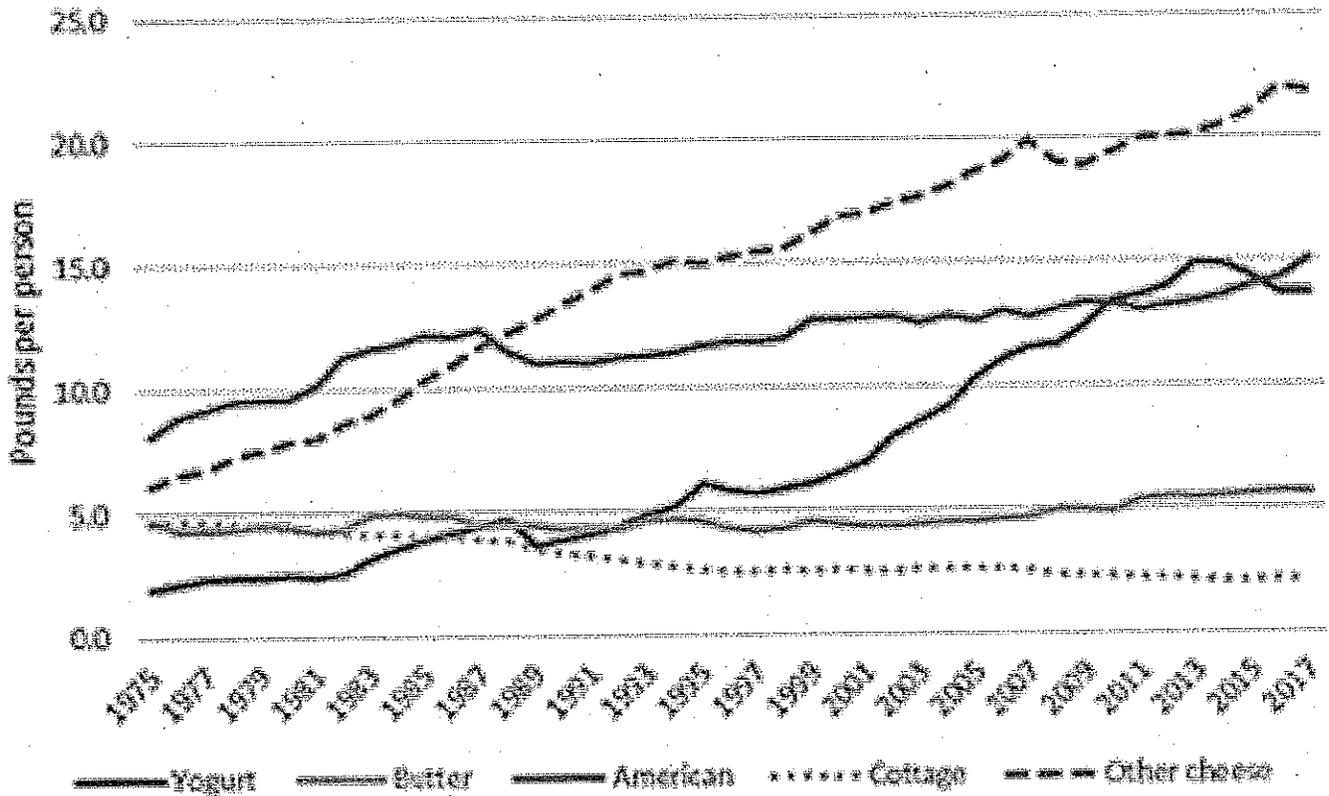
Over the years, per capita consumption of fluid milk, including whole, reduced fat, low fat, skim and flavored milk, and buttermilk and eggnog, has declined, as shown in the graph below, based on US Department of Agriculture [data](#).



Consumption of Fluid Milk

Some of the gap has been taken up by other milk products, particularly yogurt and "other" cheese, presumably everything but American cheese and cottage cheese. But none of these enjoyed growth sufficient to compensate for the decline in milk consumption.

Consumption of Yogurt, Butter, and Cheese



Consumption of Yogurt, Butter, and Cheese

Why are people consuming less milk? One factor is surely competition from other beverages including soft drinks and various juice products.

Another is that discussion of additives like growth hormones undercuts milk's image as a pure product of nature. Thus, Lilly's product may have given a double whammy to the dairy economy, by both increasing supply and decreasing demand. Even if the FDA concludes that milk from cows treated with growth hormones "is equally safe and healthy for human consumption as other milk," such treatments are likely to make many consumers wary.

A number of solutions have been proposed. Some of these are just plain silly, such as **Tammy Baldwin's** proposal to ban the use of the word "milk" in products like almond milk and soy milk. She calls it the "Defending Against Imitations and Replacements of Yogurt, Milk, and Cheese To Promote Regular Intake of Dairy Everyday Act." Not coincidentally the initials spell "DAIRY PRIDE Act." If one were intent on antagonizing consumers, this would be a good first step.

Another solution that has attracted support among some dairy farmers is some version of the Canadian system in which the government sets quotas on farms so that the supply equals projected demand, basically the New Deal model. The Canadian system seems to have worked well for that country's family farms.

President Trump has taken to blaming the Canadian system for the American dairy crisis and demanding that it be upended. Canadian politicians may view this as a demand that they import the American farm crisis.

Any strategy to protect Wisconsin's family dairy farms should be built around steps to counter the two causes of the crisis: declining demand and increasing supply. In his Washington Post column, Jim Goodman suggests one possible route:

But organic dairying has become a victim of its own success. It was profitable and thus fell victim to the "get big" model. Now, our business is dominated by large organic operations that are more factory than farm. It seems obvious that they simply cannot be following the U.S. Department of Agriculture's strict organic production standards (like pasturing cattle), rules that we smaller farmers see as common sense.

Making sure that large producers strictly follow the rules could help reassure consumers (if they are) or reduce the surplus (if they are not).

Then there CAFOs, which have been blamed for polluting groundwater. They often also involve high-capacity wells. In addition to protecting the environment from such pollution, strict environmental standards would have an economic impact. By internalizing previously external costs for these companies, strict rules may discourage the growth of supply. Instead, the Walker administration bent over backwards to give them the needed permits.

In June 2018, then-governor **Scott Walker** appointed a task force to explore solutions to the dairy crisis, called Dairy Task Force 2.0 in recognition of an earlier task force from the 1980's. From their early reports, it appears that the members adopted the view that the problem with Wisconsin dairies is that they are not sufficiently efficient. Thus they may end up making the crisis worse, as more efficiency means a bigger supply and still lower prices for dairy products.

I hope the new Wisconsin administration makes solving the dairy crisis a priority. There are several reasons why it should. One is that Wisconsin, including its urban dwellers, will be impoverished if the family dairy farms disappear from the countryside, especially if they are replaced by huge CAFOs.

Another is to start to heal the state's growing hostility to Milwaukee from rural counties. It is notable that Jim Goodman's Wonewoc is in Juneau County, one of the many rural Wisconsin counties whose turnout for Walker increased compared to four years ago.

Andre, Ashley K - DATCP

From: jhemauer <jhemauer@excel.net>
Sent: Tuesday, February 12, 2019 11:56 AM
To: Andre, Ashley K - DATCP
Cc: DeLong Michael
Subject: Re: Dairy Task Force 2.0 Questions

Michael,

Thanks for responding and the insight.

Below I will share some personal observations I have had over the last few months. They may come off as self-serving given the line of work I am in, but I see a need out there that is not being met.

Over the past few months I have been brought into on-farm discussions, by invitation of the farm's lending institution, to discuss assisting the producer by writing annual business plans and provide ongoing monthly/quarterly consultation to track budget to actual numbers etc. In the fore mentioned situations, productivity of the herd was very good. However, the lack of detail and planning on the financial side of their business was limited and not providing a means for prudent costs control. Unfortunately, for many of these producers, there is no money available to invest in a "Rent a CFO" consultation service.

Somewhat ironic, as recently as yesterday, I was on three different dairies that where looking to me to assist them in developing business plans for projects they were looking at as they had available earned capital to reinvest in their business. Yes, these dairies were larger operations, two of them multi-site, but, interestingly, herd productivity was not as good as the ones mentioned above. (the above had herd sizes ~500-600 cows) Economy of size is playing a roll but I would argue at the 500-600 level you have already harvested much of that economy.

The above observation exposes a weak link in many smaller operations which brings me back to my original reason for reaching out to the Dairy Task Force. As there is a need to raise the bar regarding the financial literacy and planning of the "smaller" producer, and assuming the smaller producer does not have an in house "CFO" nor the means to hire this type of consultation, is the Dairy Task Force looking into ways to provide seed money that would mitigate the costs of hiring the consultation needed to help them level the playing field in this area?

Thanks,

Joe Hemauer
Kettle Edge Consulting, LLC
W7782 County Rd N
Plymouth WI 53073
Consulting Dairies on matters relating to:
- New Business Development
- OSHA Compliance
- Employee Growth and Development
- Project Management
Cell Phone: (920) 470-8422
jhemauer@excel.net

On Feb 12, 2019, at 9:54 AM, Michael DeLong <m.delong@firstbankbaldwin.com> wrote:

Hi Joe – Thanks for the e-mail. I have copied in Ashley who is the secretary for the Task Force from DATCP and she can provide you with the meeting minutes, etc for what you might be looking for.

Currently each sub-committee is working on recommendations and each of them are at various stages with groups within the sub-committees further working on individual topics within that sub-committee. As far as your question regarding Business Management topic, I don't believe that the Dairy and Rural Vitality sub-committee has made any recommendations on this subject yet as we are just in the process of working on a number of items and this topic is one that I am not assigned to.

We have a meeting today that we will be going over some recommendations. The meeting is open to the public and Ashley can provide you details if you wish to attend.

Thanks,

Michael S DeLong
VP/ Commercial/Ag Loan Officer
First Bank of Baldwin | 990 Main Street | Baldwin, WI 54002
715-688-7202(direct) | 715-684-3366
Email | Website

From: jhemauer [<mailto:jhemauer@excel.net>]
Sent: Saturday, February 09, 2019 11:56 AM
To: Michael DeLong
Subject: Fwd: Dairy Task Force 2.0 Questions

Michael,

Below is an email I sent you back in January. I received your bounce-back out of office reply. I hope you were on vacation time in a warm place!

Not hearing back, I am just following up as I would like to gain a better understanding of items mentioned in my initial email.

Thanks,

Joe Hemauer
Kettle Edge Consulting, LLC
W7782 County Rd N
Plymouth WI 53073
Consulting Dairies on matters relating to:
- New Business Development
- OSHA Compliance
- Employee Growth and Development
- Project Management
Cell Phone: (920) 470-8422
jhemauer@excel.net

Begin forwarded message:

From: jhemauer <jhemauer@excel.net>
Subject: Dairy Task Force 2.0 Questions
Date: January 10, 2019 at 11:22:05 AM CST
To: DeLong Michael <m.delong@firstbankbaldwin.com>

Micheal,

I hope this note finds you well.

Recently, I have read various bits and pieces regarding the Wisconsin Dairy Task Force 2.0. As a former dairyman and now consultant to dairies, I am interested in knowing more about what the Task Force is all about. More specifically, information regarding the "Business management (financial lit.)" topic listed under the "Issues Identified" for the "Rural Communities Support and Infrastructure" committee. (I hope that makes sense) As I do this type of work for producers, I would like to learn what type of action plans, if any, are being developed relating to this topic.

Below, in red, I have copied an email I sent out to area Ag Lenders and FSA Loan Managers several months ago that will give you a little background and my intensions. I have also attached a draft of my Value Proposition and a resume that will provide additional insight.

If your time allows, I would love to visit with you by telephone in the near future. I can be reached at the number below.

Most Kind Regards,

Joe Hemauer
Kettle Edge Consulting, LLC
W7782 County Rd N
Plymouth WI 53073
Consulting Dairies on matters relating to:
- New Business Development
- OSHA Compliance
- Employee Growth and Development
- Project Management
Cell Phone: (920) 470-8422
jhemauer@excel.net

My name is Joe Hemauer and I am emailing you to inform you of consulting services I provide to dairy and crop farmers pertaining to financial and production planning and analysis

Before expanding on the above, perhaps sharing a bit about myself is in order.

I have been involved in the dairy industry since the mid 1970's when, with the help of a Farmers Home Administration loan, my wife and I bought a 40-cow dairy. After dispersing our 400-cow herd in 2009, I took a position as Large Herd Dairy Specialist for United Cooperative where I worked until 2014 when I accepted the Director of Operations position for a 9,000 cow multi-site dairy.

Wanting to slow the pace, about two years ago, I took the advice of friend and excellent dairyman when he suggested, "Joe, why don't you open your own consulting business and share the knowledge you have acquired over the course of your career." Thus... Kettle Edge Consulting, LLC.

To date, most of my time has been dedicated to a larger project where I develop the feasibility studies, operational scenarios and supporting pro-forma cash flows used in the business plans for a start-up Calf Ranch/Dairy Development/Dairy Beef Finishing operation in South-West Kansas (~50,000 head) and their supporting Calf Depot here in Eastern Wisconsin. As those two projects are now up and running, though I still continue working with both, I have started doing much of the same i.e. yearly business plans, cash flows, budgets etc. for mid-size dairies that are looking for "CFO type" services.

Clearly the dairy industry, and farming in general, has been challenging the last few years. Recently, I had lunch with a gentleman whose business is focused solely on helping dairies improve day-to-day operations; many times, brought in by or at the suggestion of the dairy's lender. During our lunch he commented; "along with the "boots-in-the-barn" consulting I provide, there is a need for someone to help these farmers develop detailed business plans as many lack a financial roadmap to follow". As such, I am reaching out to area FSAs and banks advising them of my services.

Certainly this brief email is not sufficient for you to recommend my services. However, if it has sparked interest or stimulated questions, please reach out to me using the contact information below. I would gladly provide additional references and/or meet in person with you at a location convenient for you.

I look forward to hearing from you.

Andre, Ashley K - DATCP

From: Mike Semmann <msemmann@wisbank.com>
Sent: Monday, February 18, 2019 8:47 AM
To: Andre, Ashley K - DATCP
Cc: Jon Turke; Guse, Bradley; rjohnson@ub-t.com; m.delong@firstbankbaldwin.com; jeremey@sgrwi.com; Ken Walsh; Gary Kuter, CRCM NMLS #585649
Subject: recommendation for Dairy 2.0
Attachments: TaxExemptionAG.PDF
Importance: High

Ashley,

Thanks for taking time to talk last week. The Wisconsin Bankers Association is asking that the Dairy Task Force 2.0 recommend the proposal below (language attached) as part of the Access to Capital Proposal to assist Wisconsin's farm community by promoting an option for greater access to credit. Please let me know if you have questions or need additional information. Thanks,
Mike Semmann

SUMMARY

Farm bankruptcies are on the rise in the Upper Midwest, according to a new report from the Federal Reserve, doubling from their recent lows in 2014. "Current price levels and the trajectory of the current trends suggest that this trend has not yet seen a peak," wrote Ron Wirtz, an analyst at the Minneapolis Federal Reserve Bank.

Farming and the Wisconsin Economy – Greater Access to Credit

Wisconsin is America's Dairyland and ranks first in the nation for: snap beans for processing, cheese, cranberries, ginseng, mink pelts, dry whey for humans, milk goats and corn for silage. Wisconsin agriculture is a big economic driver contributing \$88.3 billion annually to our state's economy. The state of Wisconsin has the opportunity to assist the agricultural community and can provide a simplified tax option that would allow the farm community greater access to credit. While similar federal legislation is already under consideration, Wisconsin would be the first state to adopt this tax provision.

The ABC Act

The Access to Better Credit (ABC) Act will incentivize greater credit access to farmers. Patterned after a federal bill - H.R. 6260, Enhancing Credit Opportunities in Rural America Act of 2016 (Rep. Jenkins, Lynn (R-KS-2)- this provision will provide an opportunity for increased access to cheaper credit for farmers in an increasing interest rate environment. It also provides parity in the tax code in relation to the treatment of tax on agricultural loans – it treats credit unions, banks in a similar fashion for agricultural loans under \$10 million. Specifically, the provision creates an income and franchise tax deduction for the income of a lender derived from a commercial loan of less than \$10,000,000 to a person residing or located in this state and made primarily for an agricultural purpose.

Loan Type Defined

The ABC provision defines eligible loans as certain loans of up to \$10 million to businesses with an agricultural purpose.

Highlights

- Loans MUST be made to Wisconsin businesses for the purpose of a project in Wisconsin. No financial institution will receive any benefit from this provision unless it makes a loan as defined by the statute.
- The Access to Better Credit Act for Farmers would allow farmers to have additional options for credit on a level playing field with all financial institutions including banks, credit unions, and Farm Credit.

- Lowering the cost of the loan means cheaper credit and/or more credit available for farmers.
- The ABC Act defines eligible loans as certain loans of up to \$10 million to businesses with an agricultural purpose.
- To incentivize credit to farmers, the bill creates an income and franchise tax deduction for the income of a lender for these agricultural loans.
- Patterned after a federal bill - H.R. 6260, Enhancing Credit Opportunities in Rural America Act of 2016 (Rep. Jenkins, Lynn (R-KS-2))- this budget provision will provide increased access to cheaper credit for farmers in an increasing interest rate environment. It also provides parity in the tax code in relation to the treatment of tax on agricultural loans.
- Inclusion of this provision in the overall Dairy Task Force recommendations will provide a non-partisan endorsement of greater access to credit that helps a struggling segment of Wisconsin's economy.

Michael Semmann

Executive Vice President/Chief Operations Officer | Wisconsin Bankers Association | 608.441.1206 | (c) 608.516.8567 | www.wisbank.com

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WBA Women in Banking Conference | April 23 | Wisconsin Dells | www.wisbank.com/WomenInBanking



PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

1 **AN ACT to create** 71.26 (2) (a) 13. and 71.34 (1k) (o) of the statutes; **relating to:**
2 income and franchise tax deduction for income derived from a commercial loan
3 made for an agricultural purpose.

Analysis by the Legislative Reference Bureau

This bill creates an income and franchise tax deduction for the income of a bank derived from a commercial loan of less than \$10,000,000 to a person residing or located in this state and made primarily for an agricultural purpose.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

4 **SECTION 1.** 71.26 (2) (a) 13. of the statutes is created to read:
5 71.26 (2) (a) 13. Minus the income of a bank, as defined in 12 USC 1813,
6 including interest, fees, penalties, and any other income, derived from a commercial
7 loan of less than \$10,000,000 to a person residing or located in this state, made
8 primarily for an agricultural purpose, and used for a project in this state. The

1 maximum amount that a bank may claim under this subdivision for a taxable year
2 is the amount determined as follows:

3 a. Compute the average amount of all Wisconsin commercial loans of less than
4 \$10,000,000 made by the bank primarily for an agricultural purpose.

5 b. Compute the average of all assets held by the bank.

6 c. Divide the amount determined under subd. 13. a. by the amount determined
7 under subd. 13. b.

8 d. Multiply the bank's total deductions for the taxable year by the number
9 determined under subd. 13. c.

10 e. Subtract the amount determined under subd. 13. d. from the bank's total
11 income for the taxable year on Wisconsin commercial loans of less than \$10,000,000,
12 as described in subd. 13. (intro.), to arrive at the amount that may be subtracted
13 under this subdivision.

14 **SECTION 2.** 71.34 (1k) (o) of the statutes is created to read:

15 71.34 (1k) (o) A subtraction shall be made to the net income of a bank, as
16 defined in 12 USC 1813, including interest, fees, penalties, and any other income,
17 derived from a commercial loan of less than \$10,000,000 to a person residing or
18 located in this state, made primarily for an agricultural purpose, and used for a
19 project in this state. The maximum amount that a bank may claim under this
20 paragraph for a taxable year is the amount determined as follows, not to exceed the
21 taxable income reported by the tax-option corporation:

22 1. Compute the average amount of all Wisconsin commercial loans of less than
23 \$10,000,000 made by the bank primarily for an agricultural purpose.

24 2. Compute the average of all assets held by the bank.

Wisconsin "Dairy Apprenticeship Journeyman" Program

Creating Vision and Rewarding Careers for Young People

First Draft 02/05/19

GOALS:

Develop an ecosystem that creates excitement and prestige for dairy careers. Expose more young people to the dynamic and diverse dairy business through positive conversation and events

Evolve the program to the point that dairy journeyman are highly regarded and aggressively pursued.

Create well prepared dairy professionals for production careers that are sought after by industry



STRATEGIES:

- Partner with the Dairy Graziers Apprenticeship to horizontally expand their well developed US Dept. of Labor approved journeyman program.
- Build upon the success of those early involvement counties in the WI (high school) Youth Apprenticeship Program
- Secure state and federal grants as well as dairy industry stakeholder financial support
- Prepare all for a PRODUCTION career, resisting the temptation to be too education focused, but create opportunities for young people that are not availed the opportunity to start a dairy business.
- Create awareness and orientate through the dept. of education, farm and youth organizations and social media
- Create and model success
- Great rewarding careers

TACTICS:

- Grant writing to uncover additional WI and federal money available
- Inclusion in WI Dairy Task Force 2.0 report
- Alice in Dairyland as a key ambassador
- Parallel the current DGA program and utilize part of the course study
- Seek matching industry financial contribution to grant money secured
- Create awareness and orientate through the dept. of education, farm and youth organizations and social media
- Create youth ambassadors by CESA district
- Elevate the status and significance of the Dairy Apprenticeship Journeyman (DAJ) card program.
- Utilize the Tech College adult education instructors for supervision and monitoring
- Define clearly the skill set focus
- Carefully select, then develop dairy producer mentors
- Use career shadowing in high school for greater exposure to options
- PDPW as the facilitator of the DAJ
- Build a dynamic website
- Explore the value of leadership engagement

WHAT SUCCESS LOOKS LIKE:

- Dairy Youth Apprenticeship programs in at least 30 counties
- Effective Dairy (high school) Apprentice and Dairy Journeyman mentor orientation and training programs
- Excess mentors
- Dairy Journeyman that successful become dairy producers
- Continuous growth over the next decade in participant numbers
- Our brightest and smartest dairy raised young people choosing a apprenticeship to journeyman career path
- Growth of the program into paradigm challenging programs



Andre, Ashley K - DATCP

From: Ryan Klussendorf <rklussendorf@gmail.com>
Sent: Tuesday, January 22, 2019 8:57 AM
To: Andre, Ashley K - DATCP
Subject: Info for price volatility profitability committee
Attachments: proposal_19.pdf

Hi Ashley,

Attached is a proposal Tom Olsen put together for Federal milk market order revision and supply management. Could you pass it along to the other committee members to look over.

Dairy Industry Framework for Self-Regulation Proposal

By Tom Olson

Summary: This proposal seeks to eliminate all undercutting in the marketplace by milk handlers and the resulting race to the bottom in farm milk pricing through "re-blends", "market adjustments", pooling on distant Federal Milk Marketing Orders, de-pooling, and extra charges associated with transportation of milk. In return for this mandate on handlers, farmers will only supply the market with milk that is needed. Excess milk will not leave the farm.

Definition of milk handler for this document: 1. Any party that is buying milk from any farm or collectively from a number of farms 2. Any party that is buying raw or unfinished milk components that require additional processing before they are ready for retail from a dairy plant

This proposal will be implemented by the Federal Milk Marketing Order in which the milk is produced. If a milk handler is in a region not covered by a FMMO, rates will be set by the closest order to the plants location.

All milk handlers shall pay all producers the Federal Order price on all milk components shipped by producer.

All milk handlers will pay federal order rates on milk or separated milk components purchased from any other milk handler.

PPD must be paid at Federal Order rate. Handler may subtract any zone differential and fees charged by order.

All milk will be pooled in the Federal Order of where it was produced. No exceptions--Even on milk moved to and sold in an Order other than where it was produced.

Grade B milk shall be paid at Federal Order minimums with no PPD.

All milk handlers have the authority to balance their milk supply by disposing an equal percentage of milk on all of their farms. Farms will be notified by handler at least seven days prior to this action and at what percent of a baseline production needs to be reduced and for how long. Farmers must make this reduction by dumping (or not producing) raw milk at the farm. This milk may be used for

animal feed or must be disposed of in a sanitary manner. Milk hauler will have the authority to release milk to accomplish desired production. Farmers are not allowed to turn off cooling tank and let milk separate and release only skim milk. Farmers filling directly into tankers will be responsible for the disposal of milk by obtaining scale or meter tickets when tanker is unloaded. Milk handler may let direct ship loads meet their disposal amount by extending the period for one week to allow for complications that may arise from not being able to be weighed on the farm.

Farmers' milk production can be based off the previous month or the same month from the previous year in case of seasonal freshening, grazing or a on farm event that significantly lowered production for the previous month.

Milk hauling rates assessed by milk handler on producer will be assessed on a per hundred weight basis and may have a dollar amount cap per month. Hauling rates may not be used to discriminate against producers due to size or distance. Hauling rates may be adjusted from time to time due to increased cost of operating trucks. Hauling cost may not exceed actual cost by more than ten percent. Any hauling over charges must be refunded to producer as decided by the Order. Milk Marketing Order shall allow co-mingling of milk among handlers to make transportation as efficient as possible.

Milk handler will notify Federal Order of this action so Federal Order may audit milk handlers' farm records to ensure equal treatment of farms during their routine audits.

Andre, Ashley K - DATCP

From: Tom Crosby <tcrosby@nfo.org>
Sent: Tuesday, January 29, 2019 12:37 PM
To: Andre, Ashley K - DATCP
Subject: Fw: NFO Two Tier Dairy Pricing structure
Attachments: Pricingstructure-shortversion.pptx; struturedpricingshortversion.docx

?Hi Ashley,

Could you forward this proposal to the committee members as well as anyone else that may participate in the call tomorrow.

Thank you

Tom

From: Tom Crosby <tcrosby53@gmail.com>
Sent: Tuesday, January 29, 2019 12:32 PM
To: Tom Crosby
Subject: Fwd: FW: NFO Two Tier Dairy Pricing structure

----- Forwarded message -----

From: Tom Crosby <tcrosby53@gmail.com<mailto:tcrosby53@gmail.com>>
Date: Mon, Jan 28, 2019 at 3:51 PM
Subject: Fwd: FW: NFO Two Tier Dairy Pricing structure
To: <dhamm@nfo.org<mailto:dhamm@nfo.org>>

----- Forwarded message -----

From: Dick Bylsma <dbylsma@nfo.org<mailto:dbylsma@nfo.org>>
Date: Mon, Jan 28, 2019, 1:14 PM
Subject: FW: NFO Two Tier Dairy Pricing structure
To: Tom Crosby <tcrosby53@gmail.com<mailto:tcrosby53@gmail.com>>

Tom,

Attached is the shorter version.

Dick Bylsma

Richard L. Bylsma
Director of Dairy Sales

National Farmers Organization
574-849-3078
dbylsma@nfo.org<mailto:dbylsma@nfo.org>

Two Tiered Structured Dairy Pricing Program

Presented by the: *National Farmers Organization*

The National Farmers Organization is an Agricultural Marketing Cooperative representing our member's interest in marketing their grain, livestock, and milk. We recognize the extreme financial difficulties that currently exist on family sized dairy farms. We are entering into our fifth year of low milk prices (slide #1) and a solution to help keep family farms in business is critically important.

Much of the problem causing the low dairy prices is overproduction. We have seen a steady increase in milk production over the years (slide #2). This increased production has simply outpaced demand.

All this extra production is being generated by significantly less farms (slide #3). In fact we have lost 94% of our dairy farms in the past 48 years. We have seen a dramatic shift from *family sized farmers* to *corporate controlled large dairy farms* (slide 4) on the latest information released by the USDA. And the trend is continuing based on information supplied by Dr. Vitaliano of the National Milk Producers Federation (slides #5 & 6).

This transition in our industry is due to one fact, very large dairy farms have a huge cost advantage over smaller farms (slide#7). In fact, based on USDA information a 500 cow herd has \$4.21 per CWT higher production cost than a 2000 cow herd operation (slide#7). Put another way, a price high enough to allow smaller family farms to break even, would generate significant profits for very large dairy farms.

We believe we need a *structural change* to the way we pay dairy farmers in America (slide#8). The current Federal Milk Orders recognize the different values of finished products (slide #9). If we can recognize that fluid milk is more valuable than milk used to make butter or milk powder, why not recognize the different cost to generate that milk in the first place.

What if we took our established \$4.21 difference in cost, rounded it to \$4.00 even and paid every dairy farmer a \$4.00 “adjuster” on up to the first one million pounds of milk they produced (slide#10). We are NOT proposing to increase cost to consumers, simple reallocate the money currently available in the Federal Order pool (slide #11). Our example shows (slide #12) how each sized dairy in the Central Federal Order would have fared using our proposal. You can see (slide #13) how this program balances or evens out the margin per cow on each sized farm. We could use different levels for the tier one price. We have examples of using a 450,000 and a 750,000 level as the tier one adjuster. (Slides #14&15).

What our program does is evens out the margins per CWT on different sized dairy farms. (Slide #16). Our program helps keep family farms viable while still leaving the “supply and demand” balance we currently have with our milk pricing systems. Our system would require several major changes to the current structure (Slide #17). We would have to require all milk to be pooled and not allow “depooling” when advantageous to do so. We believe our program could be administrated by the current Federal Milk Market Administrators with very little additional cost (Slide #18).

To summarize, our Structured Dairy Pricing proposal would allow smaller farms an opportunity to have the difference in cost offset in part by a better price. It would slow the loss of family sized dairy farms. Our program would **not** burden the consumers with higher prices than the normal supply and demand balance that is built into the system now, and our program would not strap tax payers with huge administrative and regulatory cost. We believe it is important to America to retain and protect our Family Farms and Rural Communities. Any questions or comments on our proposal can be sent to Dick Bylsma at dbylsma@nfo.org

Since the 1930's we have used the **Federal Milk Marketing Order (FMMO)** system to price milk in an effort to have "*orderly marketing*".

This system recognizes the different values of milk based on how they are used:

Income

- Class I = Highest priced milk
- Class II = Next highest priced milk
- Class III = Based on market conditions
- Class IV = Based on market conditions

Distribution

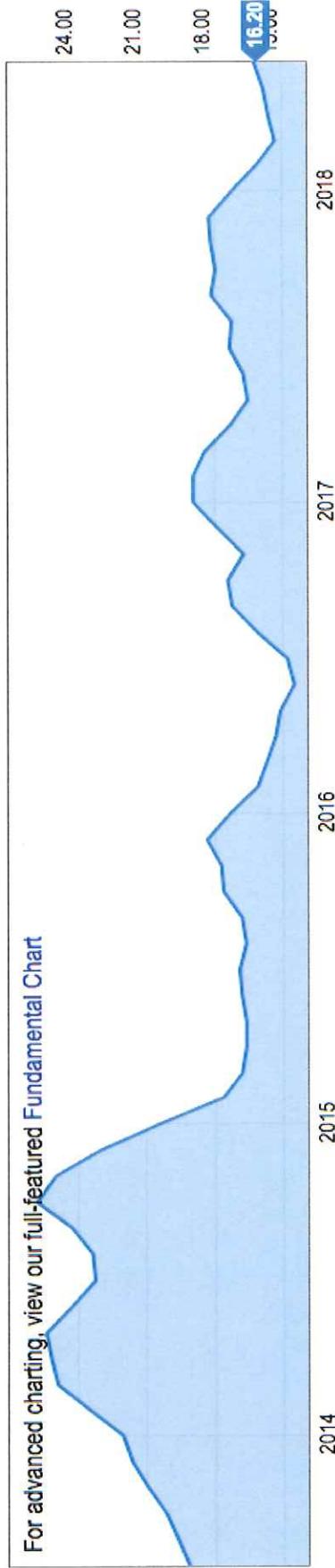
- Tier One milk - highest cost milk
- Tier Two - lower cost milk



Structured Dairy Pricing Program Two Tier Pricing

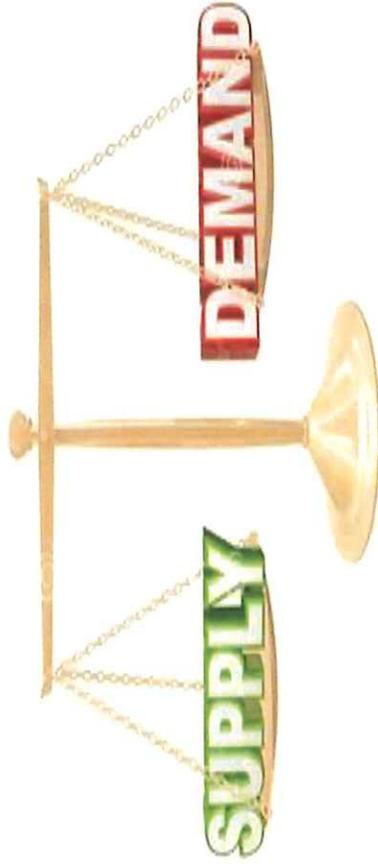
Low Prices are Persistent Fourth year of low prices

Class III Milk Price



What is causing these low prices?

Supply and demand –
too much milk or too little consumption



Demand

In just the past 10 years milk production has increased 13% (2017 numbers)
Fluid milk consumption has *dropped almost in half since 1970*
28 gallons per person per year in 1970
Less than 15 gallons per year (projected) in 2018



If fluid milk consumption went back to 1970 levels, it would require an additional 36.5 billion pounds of raw milk per year or an **increase** in our current production of **almost 17%.**



Per a Dairy Management survey:

73% of consumers believe

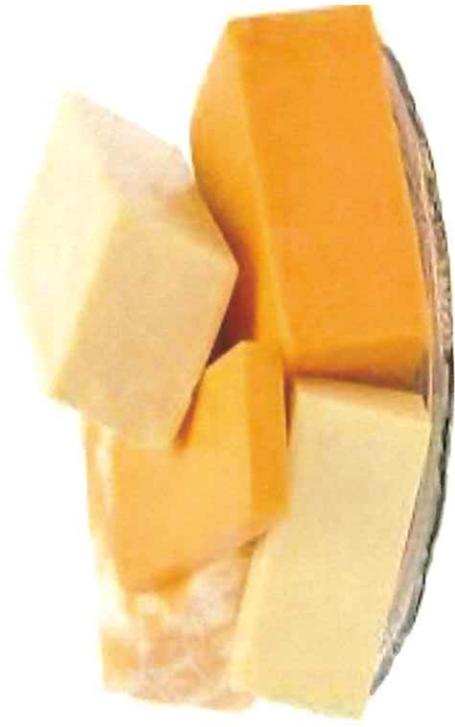
Almond-milk- juice has **more protein**
than dairy milk. In fact Dairy has **8** times
more protein.

In America Today we spend

- \$1.46 trillion on groceries
- \$3.80 trillion on Health care

Would we be smarter to spend more on better food and less on Health Care?

The Good news is: Total dairy consumption in the US from 1970 to 2017 went up 19%, due mostly to one incredible product: **cheese**



In 1970, 25% of all milk in the US went to cheese; today over 58% goes into cheese. Our per capital consumption has doubled in the past 47 years to over 37 pounds per person and growing. Please note that both Germany and France average 50 pounds per person per year.

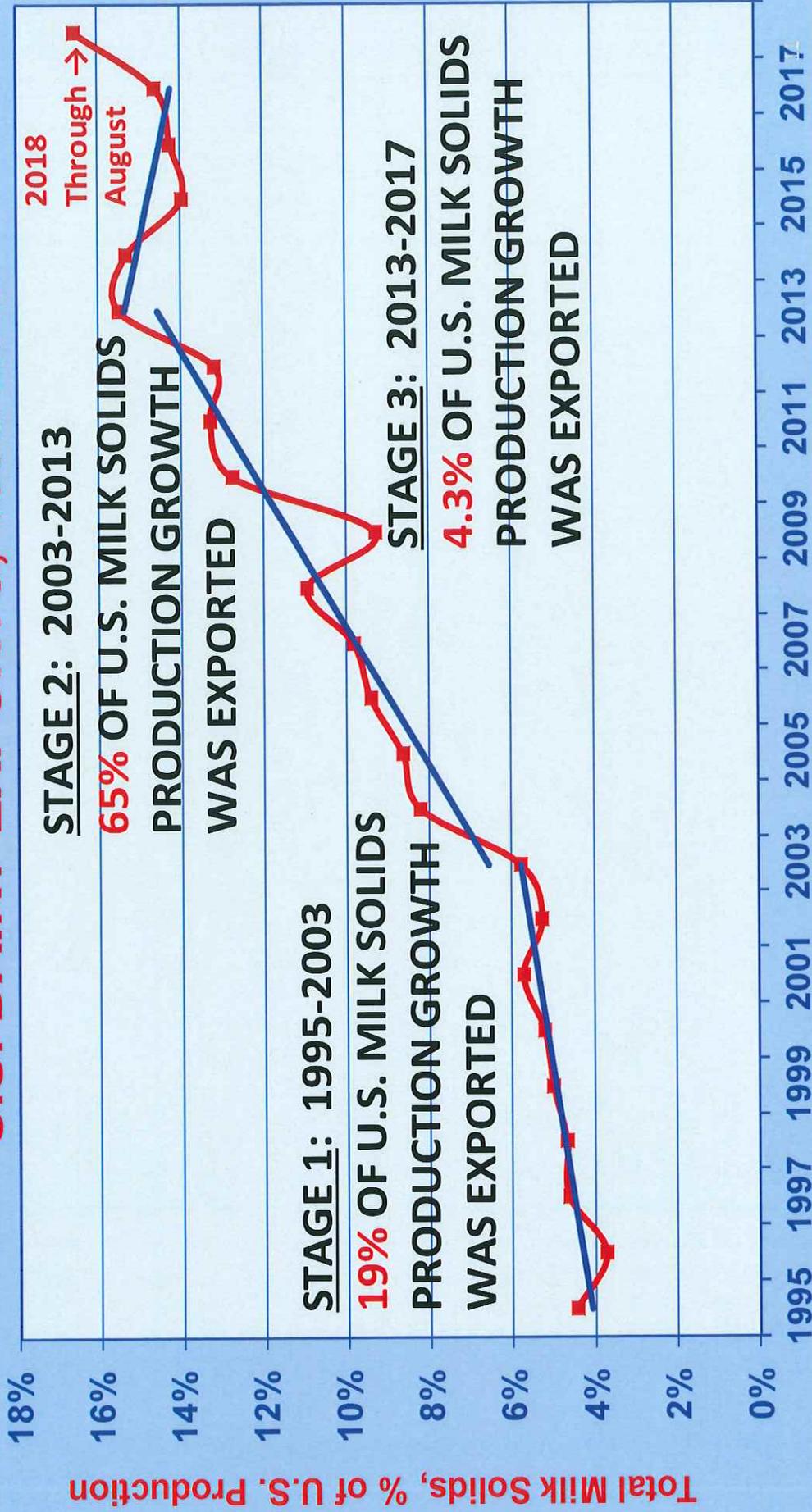


Dairy Export Growth Needed to Keep the Balance

U.S. DAIRY EXPORTS, 1995-2017



U.S. DAIRY EXPORTS, 1995-2017



New Tariffs imposed July 1st, 2018

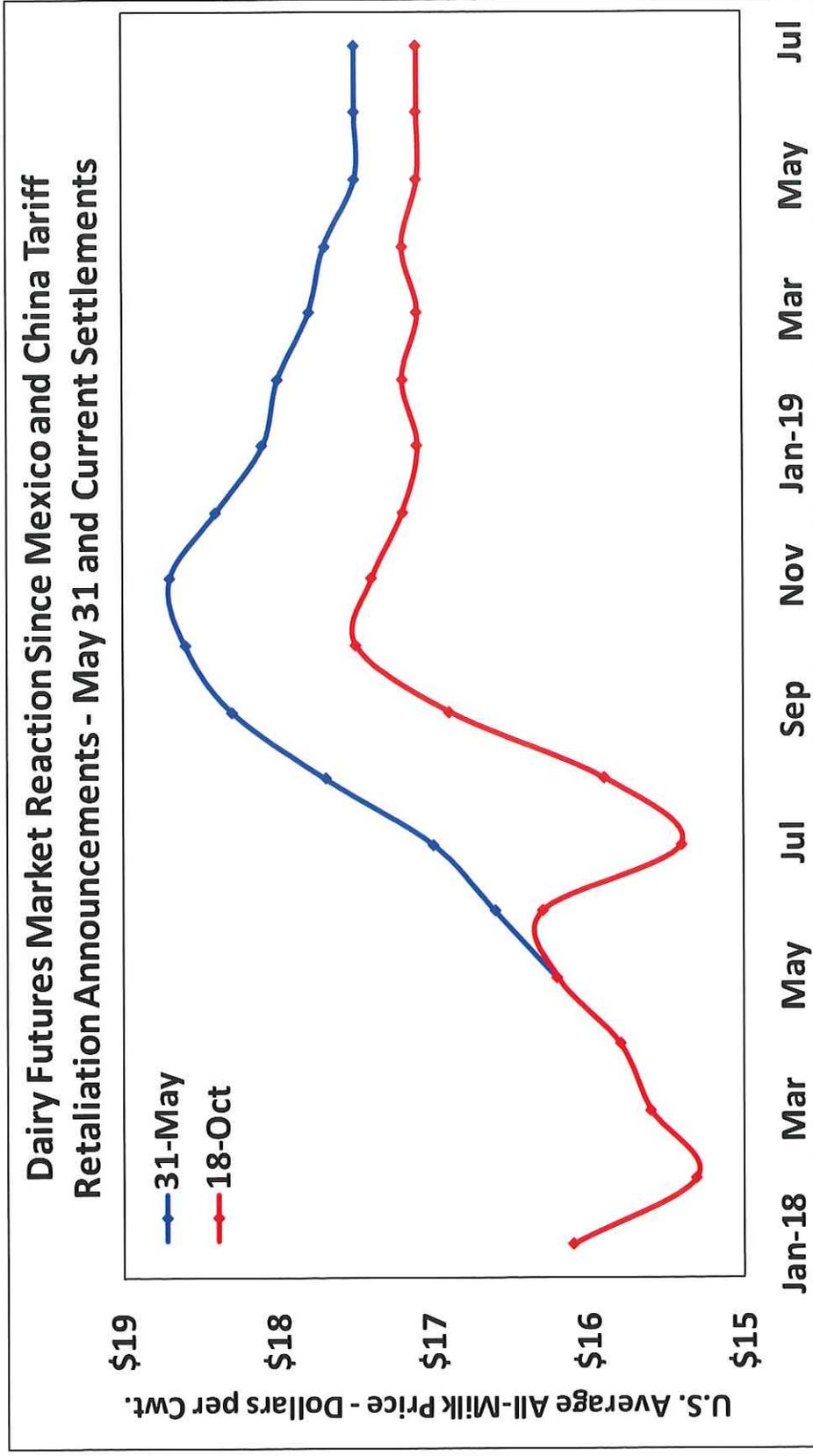
New Tariffs 3 largest importers of US Dairy

Mexico 20-25%

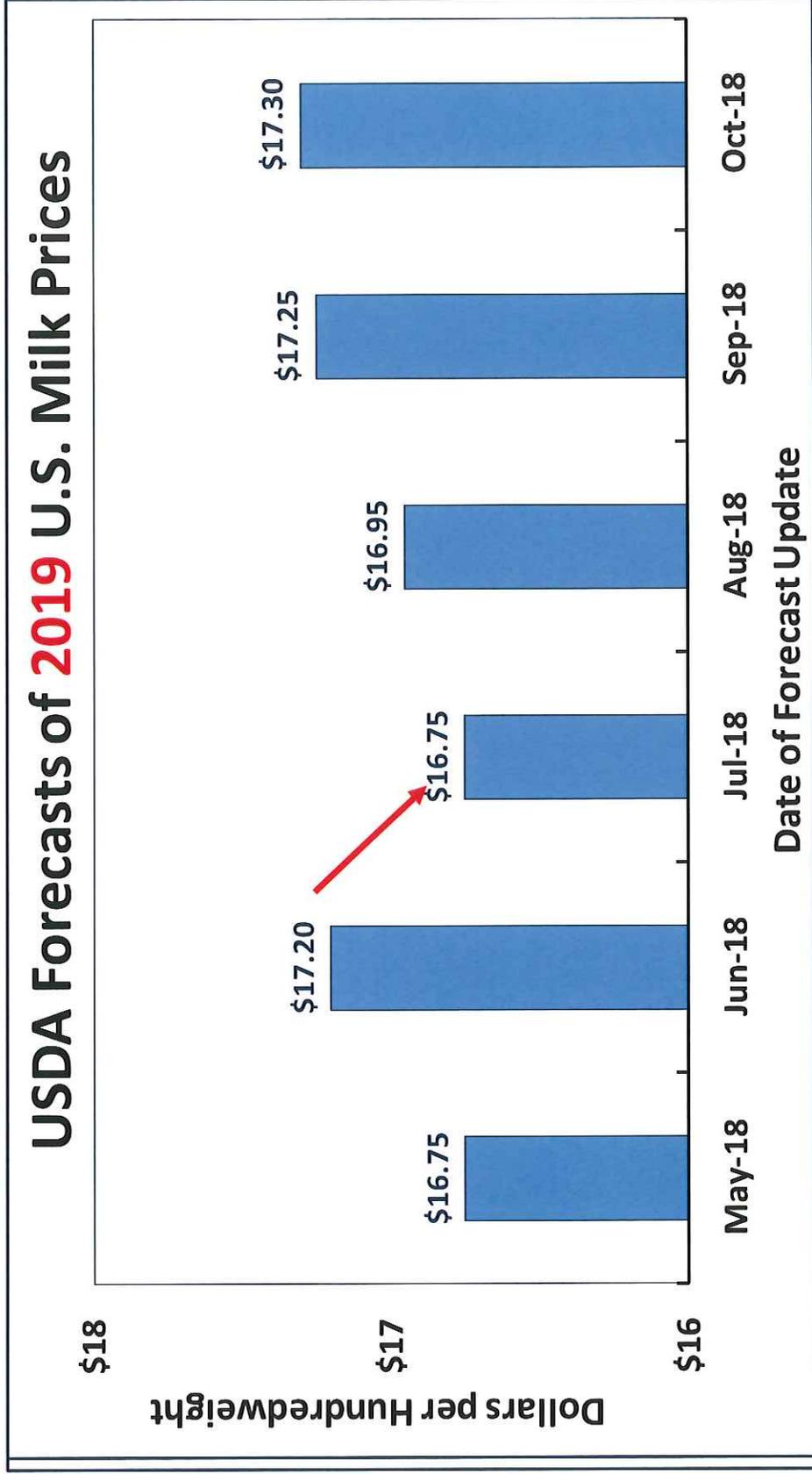
Canada 10%

China 25%

Tariff Retaliation Has Hampered Recent Recovery



Tariff Retaliation Has Hampered Recent Recovery



Tariff Retaliation Has Hampered Recent Recovery

Four separate, independent estimates of the U.S. dairy farm income loss in calendar year 2018 due to the tariffs:

- **CME futures May 31 and Oct. 18: \$1.5 billion**
- **USDA outlook June and July: >\$1.5 billion**
- **USDEC and NMPF-commissioned economic studies:**
 - **Informa Agribusiness Consulting (USDEC): \$1.5 billion**
 - **Texas A&M University (NMPF): \$1.2 billion**

Demand

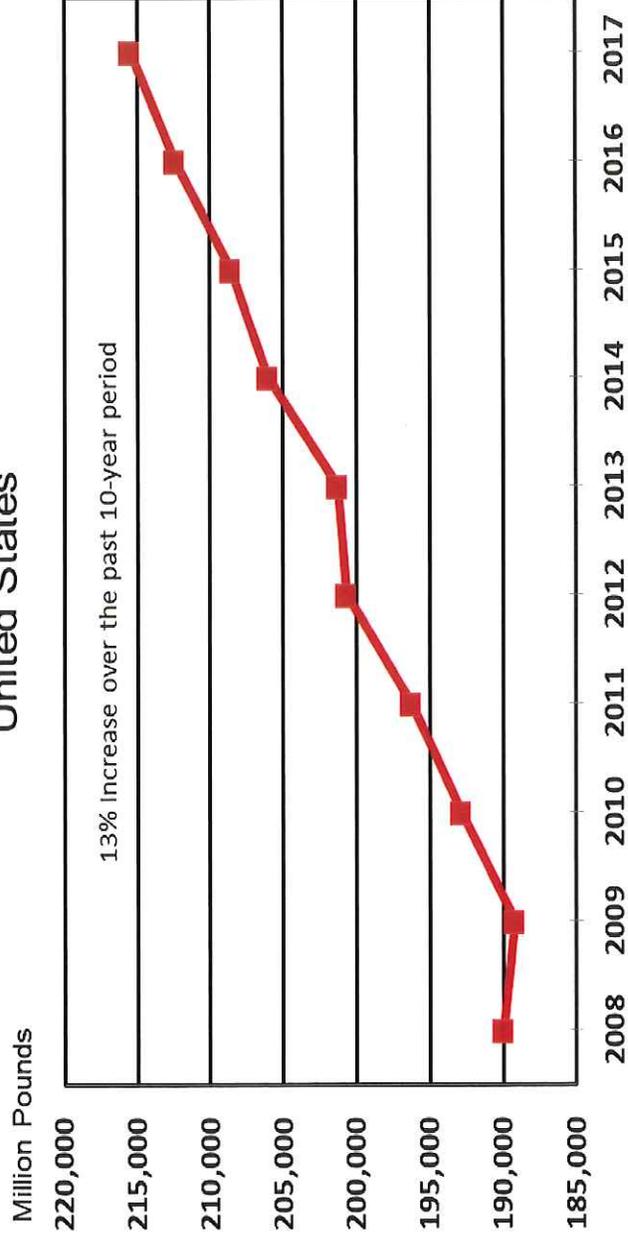
Summary – we are using more dairy in total, but the fluid and export losses are hurting us.



Supply

Milk: Production by Year, US

Milk Production, 2008-2017 United States



USDA-NASS
02-21-2018

Population of the US

2009	306.77 million people
2017	325.72 million people

6.2% increase

Milk production in the US

2009	189 billion pounds
2017	216 billion pounds

14.3% increase

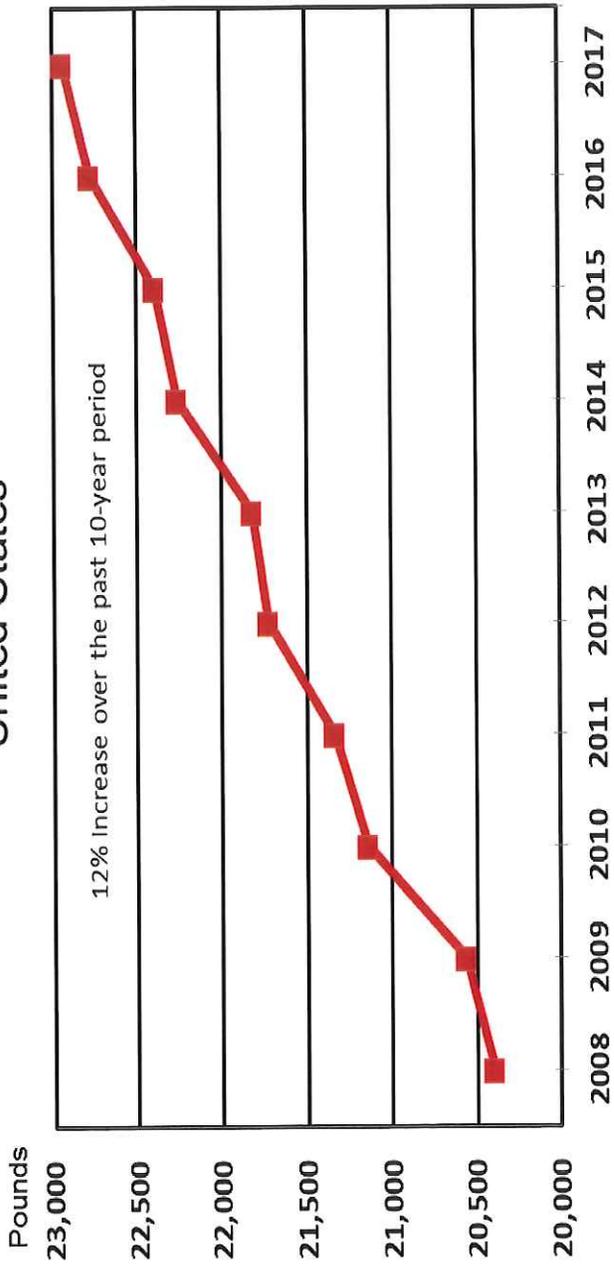
Where did all this extra milk come from:

1. More cows
2. More milk per cow
3. Better milk per cow



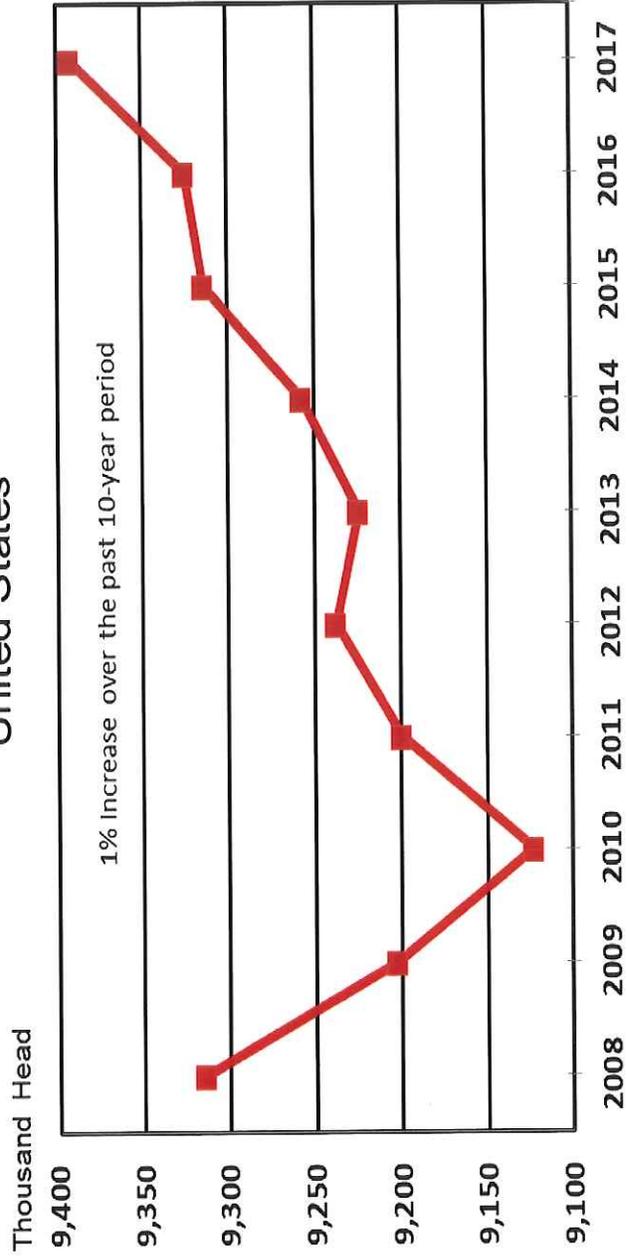
Milk: Production per Cow by Year, US

Rate per Cow, 2008-2017 United States



Milk Cows: Inventory by Year, US

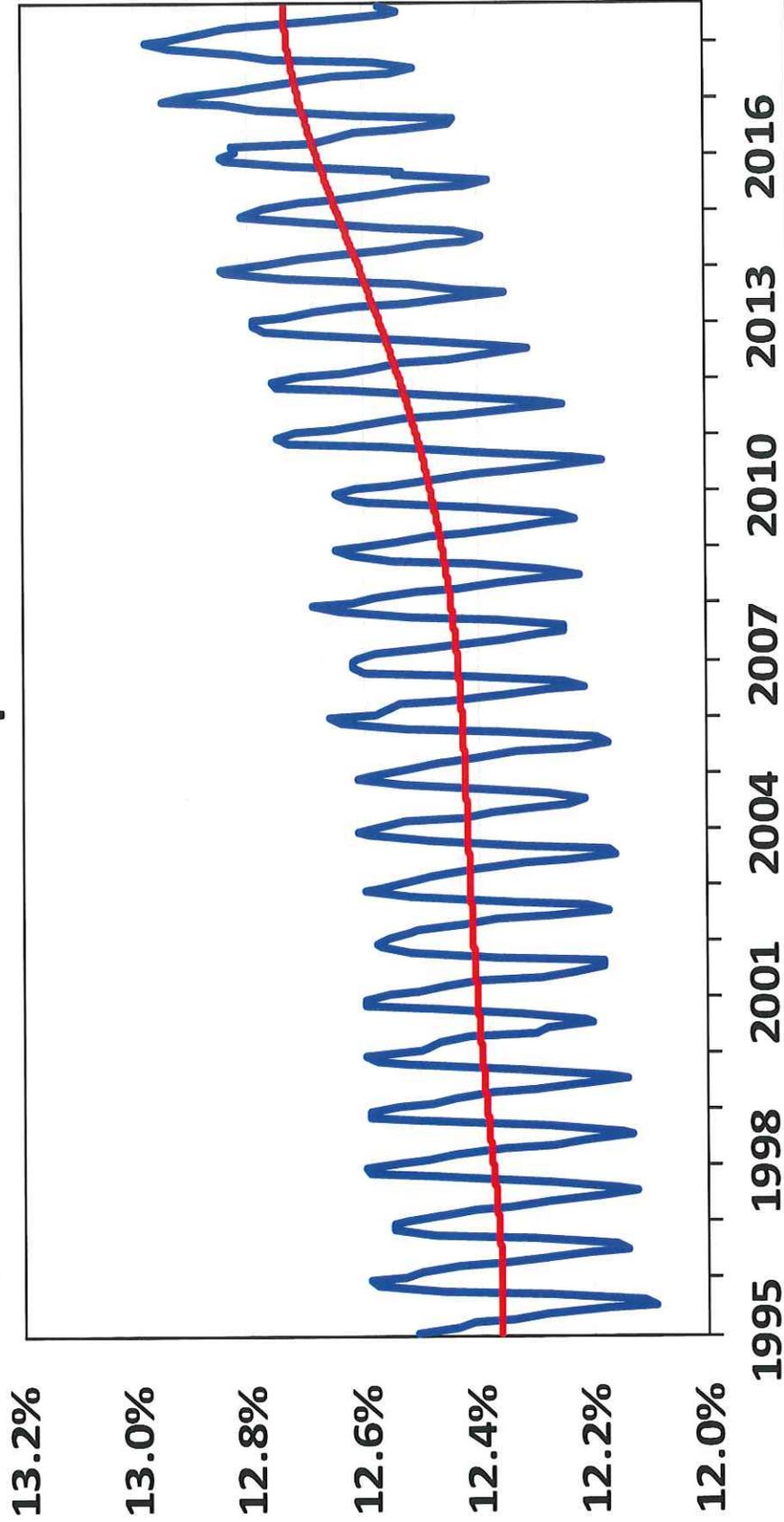
Milk Cows, 2008-2017 United States



USDA-NASS
02-21-2018

U.S. Milk Solids Production is the Proper Measure

Total Milk Solids Composition of U.S. Raw Milk



Increases in supply

2008-2017 12.2% increase in pounds per cow

2010-2017 3.3% increase in number of cows

1995-2017 2.4% increase in solids in milk
 Improved Somatic Cell Counts

Can you see where this is heading?

1970 670,000 dairy farmers in the US

2018 less than 40,000 dairy farmers left

2036 USDA projects fewer than 18,000

94% Fewer farms in 48 years & more milk ?????

Source : “We Need New Policies to Protect Family Sized Dairies” – Dr. Richard A. Levins professor of Applied Economics – University of Minnesota

About the same number of cows in 1997 and 2012

1997 - 3.6 million head on farms of 100 cows or less
- 1.6 million head of farms of over 1000 cows

2012- 1.6 million head on farms of 100 or less cows
- 4.5 million head on farms over 1000 cows

In just 15 years ***we lost 2 million cows on small farms***
we gained 3 million cows on large farms

Number of Cow on Dairy Farms

	2012	2017	
Less than 100 head herds	1,590,000	1,310,000	17.6% reduction
Over 1000 head herds	4,305,000	4,955,000	15.1% increase
Total head	9,237,000	9,392,000	1.7% increase

53% of cows on farms of over 1000

Estimated by Dr. Pete Vitaliano = Economist – NMPF

	2012		2017		
	# COWS	# COWS	2012	2017	
	<u>x1000</u>	<u>x1000</u>	<u>Percentage of</u>	<u>Percentage of milk</u>	<u>change</u>
			<u>milk</u>		
50 or less	545	454	5.90%	4.83%	-16.70%
50-99	1,044	857	11.30%	9.12%	-17.91%
100-199	1,090	1,006	11.80%	10.71%	-7.71%
200-499	1,155	1,056	12.50%	11.24%	-8.57%
499- 999	1,099	1,064	11.90%	11.33%	-3.18%
1000-1999	1,293	1,384	14.00%	14.73%	7.04%
2000+	3,011	3,572	32.60%	38.03%	18.63%
Totals	9,237	9,393	100.00%	100.0%	1.69%

USDA - Milk Production Costs and Returns per Hundreweight - 2017

	Less 50	100	200	500	1000	1000-1999	2000 +
Ave # Cows	34	67	136	303	686	1339	3673
Feed and Direct Cost	16.03	14.84	13.9	12.87	11.87	11.6	11.4
Hired labor	0.45	0.74	1.39	2.21	2.28	2.36	1.82
Taxes & Insurance	0.28	0.28	0.27	0.25	0.16	0.15	0.12
General& Overhead	1.11	0.98	0.72	0.65	0.54	0.5	0.32
Total Operating Cost	\$ 17.87	\$ 16.84	\$ 16.28	\$ 15.98	\$ 14.85	\$ 14.61	\$ 13.66

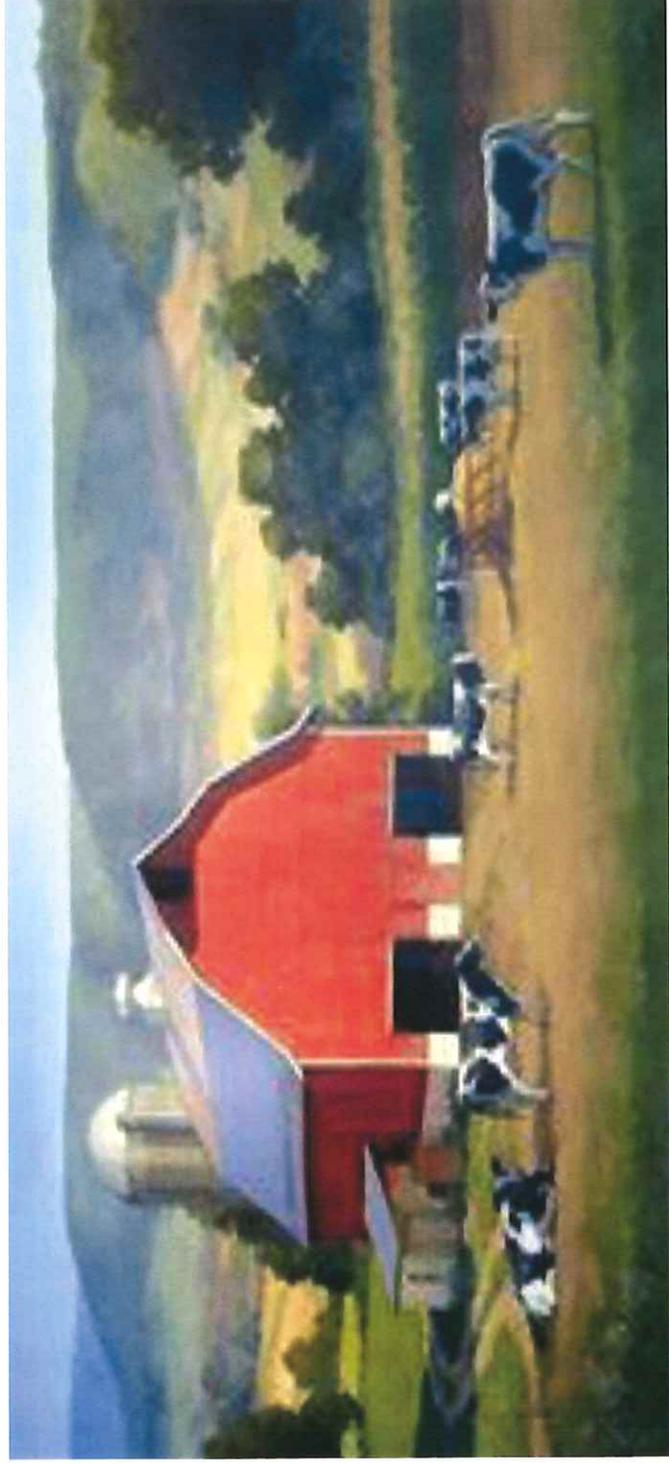
EXCLUDES

Opportunity cost unpaid labor	11.78	6.46	3.36	1.29	0.6	0.26	0.09
Capital Recovery on Machinery	4.92	4.59	4.35	4.22	3.93	3.71	3.5
Opportunity Cost- Land rent	0.16	0.08	0.06	0.03	0.01	0	0

Total Cost \$ 34.73 \$ 27.97 \$ 24.05 \$ 21.52 \$ 19.39 \$ 18.58 \$ 17.25

\$21.52 - \$17.25 = \$4.21

By 2036 project fewer than **18,000 dairy farms** in the US - Average herd size would be over **550 cows each**. We are **Losing Family Farms**



With no action – conversion to large mega dairies will continue

Supply management – Buy outs, herd reduction, diversions programs are utilized by smaller farms as an *exit strategy*

Do we need supply controls or a

structure change

Do we value Family farms?
Do we want to keep our rural communities strong?
Do we want an industry controlled by a very few large dairies?
Do we want vertical integration where the milk producers are also the milk processors?
What can we do to slow or even reverse this trend?

Two tier pricing proposal.

Pay an extra \$4.00 amount on the first
1,000,000 pounds produced each month .

Reallocate the remaining amount equally

Does not increase cost to consumers

Jun-18

Central Order #32 Pool

	Percent	Pounds	Value
Class I Milk	24.2	357,158,072	\$ 49,319,773.10
Class II	9.62	142,004,142	\$ 40,656,773.56
Class III	45.22	667,228,055	\$ 106,508,335.27
Class IV	20.96	309,332,007	\$ 46,090,321.28
Totals	100	1,475,722,276	\$ 242,575,203.21

Overages, Inv reclass, & Adjustment

\$ 55,874.31

Class I Receipts from Unregulated Plants

\$ -

Somatic Cell Adjustment - Class II,III,IV

\$ 1,432,789.83

Handler's use value of milk

\$ 244,063,867.35

Subtract Value of Protein in Producer Milk

\$ 78,692,317.99

Value of other solids in Producer Milk

\$ 9,624,803.05

Value of Butterfat in Producer Milk

\$ 146,750,776.92

Value of Somatic Cell in Producer Milk

\$ 1,787,625.62

Producer Location Adjustment

\$ 2,421,050.96

Add 1/2 Unobligated Producer Settlement Fund

\$ 624,180.49

Subtract Producer Settlement reserve

\$ 689,162.01

PPD	1,475,722,276	\$ 4,722,311.29	\$ 0.32
-----	---------------	-----------------	---------

current system

Farm # 1

120 cows

3.8% butterfat

3.2% protein

SCC \$.1211

other solids 5.78

units

225,000

price

0.32 \$

dollars

720.00

Pounds

8,550

7,200

225,000

13,005

22,821.66

12,584.16

272.48

1,466.96

Farm # 3

1000 cows

3.8% butterfat

3.2% protein

SCC \$.1211

other solids 5.78

units

1,904,167

price

0.32 \$

dollars

6,093.33

Pounds

72,358

60,933

1,904,167

110,061

2,6692 \$

193,138.90

106,499.30

2,305.95

12,414.86

Net dollars

\$ 37,865.26

\$ 16.8290

per CWT

Farm # 2

500 Cows

3.8% butterfat

3.2% protein

SCC \$.1211

other solids 5.78

units

952,083

price

0.32 \$

dollars

3,046.67

Pounds

36,179

30,467

952,083

55,030

96,569.40

53,249.62

1,152.97

6,207.43

Farm # 4

2400 cows

3.8% butterfat

3.2% protein

SCC \$.1211

other solids 5.78

units

4,500,000

price

0.32 \$

dollars

14,400.00

Pounds

171,000

144,000

4,500,000

260,100

2,6692 \$

456,433.20

251,683.20

5,449.50

29,339.28

Net dollars

\$ 160,226.09

\$ 16.8290

per CWT

Net dollars

\$ 757,305.18

\$ 16.8290

per CWT

Jun-18

Central Order #32 Pool

	Percent	Pounds	Value
Class I Milk	24.2	357,158,072	\$ 49,319,773.10
Class II	9.62	142,004,142	\$ 40,656,773.56
Class III	45.22	667,228,055	\$ 106,508,335.27
Class IV	20.96	309,332,007	\$ 46,090,321.28
Totals	100	1,475,722,276	\$ 242,575,203.21
Overages, Inv reclass, & Adjustment			\$ 55,874.31
Class I Receipts from Unregulated Plants			\$ -
Somatic Cell Adjustment - Class II,III,IV			\$ 1,432,789.83
Handler's use value of milk			\$ 244,063,867.35
Subtract Value of Protein in Producer Milk			78,692,317.99
Value of other solids in Producer Milk			9,624,803.05
Value of Butterfat in Producer Milk			146,750,776.92
Value of Somatic Cell in Producer Milk			1,787,625.62
Producer Location Adjustment			2,421,050.96
Add 1/2 Unobligated Producer Settlement Fund			624,180.49
Subtract Producer Settlement reserve			689,162.01
PPD		1,475,722,276	\$ 4,722,311.29
			\$0.32
subtract \$4.00 Tier #1 adjust		721,927,737	\$ 28,877,109.48
New PPD		1,475,722,276	\$ (24,154,798.19)
			4.00
			37-1.64

Using a 1 million pounds Tier #1 Adjuster

2 tier system		\$4.00	
Farm # 1		units	price
120 cows	Pounds	225,000	\$ (1.6400)
3.8% butterfat		8,550	\$ 2.6692
3.2% protein		7,200	\$ 1.7478
SCC \$.1211		225,000	\$ 0.1211
other solids 5.78		13,005	\$ 0.1128
Tier 1 price		225,000	\$ 4.0000
Net dollars			\$ 42,455.26
per CWT			\$ 18.8690

Farm #2		units	price
500 cows	Pounds	952,083	-1.64 \$ (15,614.16)
3.8% butterfat		36,179	2.6692 \$ 96,569.40
3.2% protein		30,467	1.7478 \$ 53,249.62
SCC \$.1211		952,083	0.1211 \$ 1,152.97
other solids 5.78		55,030	0.1128 \$ 6,207.43
Tier 1 price		952,083	4 \$ 38,083.32
Net dollars			\$ 179,648.58
per CWT			\$ 18.8690

Farm # 3		units	price
1000 cows	Pounds	1,904,167	-1.64 \$ (31,228.34)
3.8% butterfat		72,358	2.6692 \$ 193,138.90
3.2% protein		60,933	1.7478 \$ 106,499.30
SCC \$.1211		1,904,167	0.1211 \$ 2,305.95
other solids 5.78		110,061	0.1128 \$ 12,414.86
Tier 1 price		1,000,000	4 \$ 40,000.00
Net dollars			\$ 323,130.67
per CWT			\$ 16.9697

Farm #4		units	price
2400 cows	Pounds	4,500,000	-1.64 \$ (73,800.00)
3.8% butterfat		171,000	2.6692 \$ 456,433.20
3.2% protein		144,000	1.7478 \$ 251,683.20
SCC \$.1211		4,500,000	0.1211 \$ 5,449.50
other solids 5.78		260,100	0.1128 \$ 29,339.28
Tier 1 price		1,000,000	\$ 4.0000
Net dollars			\$ 709,105.18
per CWT			\$ 15.7579

Size farm	original			
	pay price	\$4.00	adjuster	\$6.00 adj
				\$8.00 adj

Using 1,000,000 pounds as the "Tier One Adjuster"

120 cows	\$16.829	\$18.87	\$19.89	\$20.92
1000 cows	\$16.829	\$16.97	\$17.04	\$17.12
2400 cows	\$16.829	\$15.76	\$15.22	\$14.70

What is we used a 450,000
pounds “Tier One Adjuster”, or
A 750,000 pounds instead of 1
million?

450,000 tier #1		\$4.00		Farm #3	
Farm #1	units	price	dollars	units	price
120 cows	Pounds	225,000 \$	(1.1200) \$	1,904,167	-1.12 \$
3.8% butterfat		8,550 \$	22,821.66 \$	72,358	2.6692 \$
3.2% protein		7,200 \$	12,584.16 \$	60,933	1.7478 \$
SCC \$.1211		225,000 \$	272.48 \$	1,904,167	0.1211 \$
other solids 5.78		13,005 \$	1,466.96 \$	110,061	0.1128 \$
Tier 1 price		225,000 \$	9,000.00 \$	450,000	4 \$
Net dollars			\$ 43,625.26		\$ 311,032.34
per CWT			\$ 19.3890		\$ 16.3343
Farm #2	units	price	dollars	units	price
500 cows	Pounds	952,083	-1.12 \$	4,500,000	-1.12 \$
3.8% butterfat		36,179	96,569.40 \$	171,000	2.6692 \$
3.2% protein		30,467	53,249.62 \$	144,000	1.7478 \$
SCC \$.1211		952,083	1,152.97 \$	4,500,000	0.1211 \$
other solids 5.78		55,030	6,207.43 \$	260,100	0.1128 \$
Tier 1 price		450,000	4 \$	450,000	\$ 4.0000 \$
Net dollars			\$ 164,516.09		\$ 710,505.18
per CWT			\$ 17.2796		\$ 15.7890

750,000 T1		\$4.00					
Farm # 1	units	price	dollars	Farm # 3	units	price	dollars
120 cows	Pounds	225,000 \$	(1.4200) \$	1000 cows	Pounds	1,904,167	-1.42 \$
3.8% butterfat		8,550 \$	22,821.66 \$	3.8% butterfat		72,358	2.6692 \$
3.2% protein		7,200 \$	12,584.16 \$	3.2% protein		60,933	1.7478 \$
SCC \$.1211		225,000 \$	272.48 \$	SCC \$.1211		1,904,167	0.1211 \$
other solids 5.78		13,005 \$	1,466.96 \$	other solids 5.78		110,061	0.1128 \$
Tier 1 price		225,000 \$	9,000.00 \$	tier 1 price		750,000	4 \$
Net dollars			\$ 42,950.26	Net dollars			\$ 317,319.83
per Cwt			\$ 19.0890	per Cwt			\$ 16.6645
Farm # 2	units	price	dollars	Farm # 4	units	price	dollars
500 cows	Pounds	952,083	-1.42 \$	2400 cows	Pounds	4,500,000	-1.42 \$
3.8% butterfat		36,179	96,569.40 \$	3.8% butterfat		171,000	2.6692 \$
3.2% protein		30,467	53,249.62 \$	3.2% protein		144,000	1.7478 \$
SCC \$.1211		952,083	1,152.97 \$	SCC \$.1211		4,500,000	0.1211 \$
other solids 5.78		55,030	6,207.43 \$	other solids 5.78		260,100	0.1128 \$
Tier 1 price		750,000	4 \$	Tier 1 price		750,000	\$ 4.0000 \$
Net dollars			\$ 173,659.84	Net dollars			\$ 709,005.18
per Cwt			\$ 18.2400	per Cwt			\$ 15.7557

Margin per CWT \$4.00 adjuster

size	Original	Tier #1	Tier #1	Tier #1	Operating Cost	Margin	Margin	Margin	Margin
		1 million pounds	750,000 lbs	450,000 lbs		current	using 1 million	using 750,000	using 450,000
120 cows	\$ 16.829	\$ 18.869	\$ 19.089	\$ 19.389	\$ 16.840	\$ (0.011)	\$ 2.029	\$ 2.249	\$ 2.549
500 cows	\$ 16.829	\$ 18.869	\$ 18.240	\$ 17.280	\$ 15.980	\$ 0.849	\$ 2.889	\$ 2.260	\$ 1.300
1000 cows	\$ 16.829	\$ 16.967	\$ 16.665	\$ 16.334	\$ 14.610	\$ 2.219	\$ 2.357	\$ 2.055	\$ 1.724
2400 cows	\$ 16.829	\$ 15.760	\$ 15.756	\$ 15.789	\$ 13.660	\$ 3.169	\$ 2.100	\$ 2.096	\$ 2.129

Can it be done?

Would require all milk in the US to be pooled all the time – no depooling when advantageous to do so.

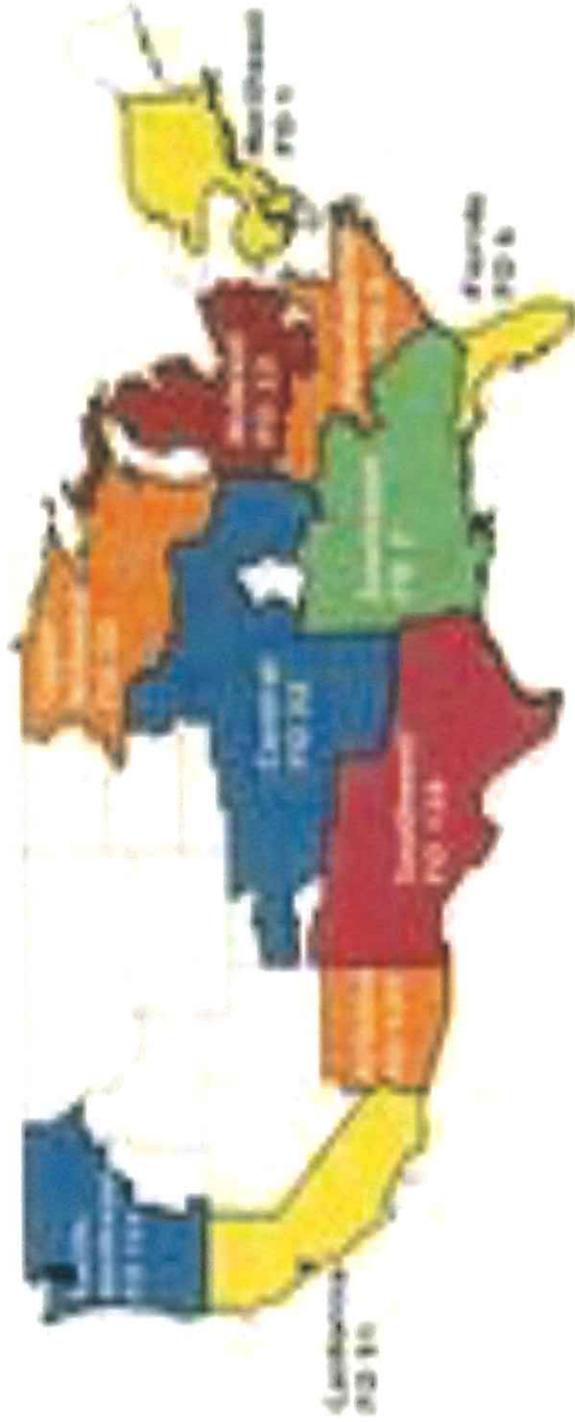
Would require all areas of US to be in a Federal Order or a new Nation wide Federal Order

Negative PPD's happen when the component value of milk exceeds the total producer value.
 Usually when we have a rising Cheese market.

Order 30 prices	PPD	PPD at \$.15 zone
Sept 2017	\$.18	\$.03
Oct	-.03	-.18
Nov	-.21	-.36
Dec	.13	-.02
Jan 2018	.26	.11
Feb	.19	.04
Mar	.03	-.12
Apr	.07	-.08
May	.07	-.08
Jun	.19	-.04
Jul	.27	-.12
Aug	.13	-.02
Sep	-.07	-.22
Oct	.22	.07

Last 14 months, benefitted to depool in the \$.15 zone 10 times

Federal Milk Marketing Order Areas



Map prepared by United States Milk Producers' Association, Washington, D.C., 1964

This would require a action by Congress.

**Current FMMA offices could administrate this
With virtually no additional cost.**

**No additional cost to consumers – prices still
Based on the supply and demand value of milk.**

“All great changes are preceded by chaos.”

Deepak Chopra

*“ I didn't get there by wishing for
change, or hoping for it, but by
working for it.”*

Estee Lauder

Andre, Ashley K - DATCP

From: Ryan Klussendorf <rklussendorf@gmail.com>
Sent: Thursday, February 28, 2019 2:47 PM
To: Andre, Ashley K - DATCP
Subject: Dairy profitability proposal
Attachments: Milk Price Analysis.pdf; Milk Price Analysis.xlsx

Hi Ashley,

I just had this proposal (2 attachments) shared with me this afternoon. Can you pass it along to the other price volatility profitability subcommittee members.

Ryan Klussendorf
Broadlands Grass Farm
Medford WI

		25% over cost				Cost of production				difference now to future	
No. cows	#/milk/day	\$/cwt	\$/day	\$/mos	\$/year	/cwt	net/yr				
2000	74	\$ 17.00	\$ 25,160.00	\$ 765,283.33	\$ 9,183,400.00	\$ 17.50	\$ (270,100.00)				
1940	74	\$ 21.87	\$ 31,396.57	\$ 954,979.07	\$ 11,459,748.78	\$ 17.50	\$ 2,289,853.78	\$	\$ 2,559,953.78		
1900	74	\$ 21.87	\$ 30,749.22	\$ 935,288.78	\$ 11,223,465.30	\$ 17.50	\$ 2,242,640.30	\$	\$ 2,512,740.30	increase	income/yr
1800	74	\$ 21.87	\$ 29,130.84	\$ 886,063.05	\$ 10,632,756.60	\$ 17.50	\$ 2,124,606.60	\$	\$ 2,394,706.60		

3% is difference in production from 2017 when avg milk price of around \$17 cwt to 2015 when avg milk price was around \$21 cwt
 also considering that cost of production of \$17.50/cwt of milk and avg cow production around 22,144#

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No. cows	#/milk/day	\$/cwt	\$/day	\$/mos	\$/year	/cwt	net/yr				
200	74	\$ 17.00	\$ 2,516.00	\$ 76,528.33	\$ 918,340.00	\$ 17.50	\$ (27,010.00)				
194	74	\$ 21.87	\$ 3,139.66	\$ 95,497.91	\$ 1,145,974.88	\$ 17.50	\$ 228,985.38	\$	\$ 255,995.38		
190	74	\$ 21.87	\$ 3,074.92	\$ 93,528.88	\$ 1,122,346.53	\$ 17.50	\$ 224,264.03	\$	\$ 251,274.03	increase	income/yr
180	74	\$ 21.87	\$ 2,913.08	\$ 88,606.31	\$ 1,063,275.66	\$ 17.50	\$ 212,460.66	\$	\$ 239,470.66		

		30% over cost				Cost of production				difference now to future	
No. cows	#/milk/day	\$/cwt	\$/day	\$/mos	\$/year	/cwt	net/yr				
200	74	\$ 17.00	\$ 2,516.00	\$ 76,528.33	\$ 918,340.00	\$ 17.50	\$ (27,010.00)				
194	74	\$ 22.75	\$ 3,265.99	\$ 99,340.53	\$ 1,192,086.35	\$ 17.50	\$ 275,096.85	\$	\$ 302,106.85		
190	74	\$ 22.75	\$ 3,198.65	\$ 97,292.27	\$ 1,167,507.25	\$ 17.50	\$ 269,424.75	\$	\$ 296,434.75	increase	income/yr
180	74	\$ 22.75	\$ 3,030.30	\$ 92,171.63	\$ 1,106,059.50	\$ 17.50	\$ 255,244.50	\$	\$ 282,254.50		

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No. cows	#/milk/day	\$/cwt	\$/day	\$/mos	\$/year	/cwt	net/yr				
60	74	\$ 17.00	\$ 754.80	\$ 22,958.50	\$ 275,502.00	\$ 17.50	\$ (8,103.00)				
58.2	74	\$ 21.87	\$ 941.90	\$ 28,649.37	\$ 343,792.46	\$ 17.50	\$ 68,695.61	\$	\$ 76,798.61		
57	74	\$ 21.87	\$ 922.48	\$ 28,058.66	\$ 336,703.96	\$ 17.50	\$ 67,279.21	\$	\$ 75,382.21	increase	income/yr
54	74	\$ 21.87	\$ 873.93	\$ 26,581.89	\$ 318,982.70	\$ 17.50	\$ 63,738.20	\$	\$ 71,841.20		

Optimum instead of Maximum.....Bring Value to our Product.....Make farming a profitable lifestyle- we deserve it!!!!

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They will make more when They sell more volume
They will take what they can handle and market and have less losses on their end
3. New markets mean increase in demand for more production
We know how to produce more and meet demand
4. % of production allocated for new producers to get started
excess given to those on waiting list
5. Overproduction over a period pay to get rid of...loss to producer fluxuations in weather and seasonal understood
6. Underproduction over period lose base and goes into pool for other producers fluxuations in weather and seasonal understood
7. Cooperatives and independent processors continue to compete as they do currently
8. Encourage Co-ops to work together on trucking and logistics to bring more profit to producer
9. ???Tiered system higher % against largest producers??
10. ??? Still keep Federal order and classes???

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5% less	1900	\$ 21.87	\$ 30,749.22	\$ 935,288.78	\$ 11,223,465.30	\$ 17.50	\$ 2,242,640.30	\$	2,512,740.30	increase in
10% less	1800	\$ 21.87	\$ 29,130.84	\$ 886,063.05	\$ 10,632,756.60	\$ 17.50	\$ 2,124,606.60	\$	2,394,706.60	

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come/yr

come/yr

come/yr

come/yr

Andre, Ashley K - DATCP

From: Dave Buholzer <Dave@klondikecheese.com>
Sent: Monday, March 11, 2019 3:48 PM
To: Andre, Ashley K - DATCP
Cc: ciderhouseconsulting@gmail.com
Subject: FW: Wisconsin Dairy Task Force 2.0 - An Idea

Hello Ashley,

I received this email and would like you to forward it to the members of the Education and Workforce Committee. It has some good thoughts and also I see some logistic issues with the fact we are mostly working on issues in rural areas. I don't know if there will be much time for discussion by the full board meeting Friday but I want everyone to be aware of Brians input.

Thanks, Dave

From: Brian Sims <ciderhouseconsulting@gmail.com>
Sent: Monday, March 11, 2019 2:23 PM
To: dave.buholzer@klondikecheese.com; Dave Buholzer <Dave@klondikecheese.com>
Subject: Wisconsin Dairy Task Force 2.0 - An Idea

Dear Mr. Buholzer,

My son's company, Peak Yogurt, is in discussions with Klondike regarding a copacker relationship. As I was exploring Klondike's leadership, I noticed that you are serving on the Wisconsin Dairy Task Force 2.0 and the Education Workforce Subcommittee. I have an idea that the subcommittee might be interested in as a way to improve the supply of trained labor for dairy farms and dairy product manufacturers.

I spent 20 years working for the Washington state senate ways and means committee and was involved in funding an idea to address the shortage of labor for the aviation industry. It's called Aviation High School. It's located in Seattle and several adjacent school districts send their students who are interested in aviation to the school. Enrollment is now around 400 9-12th grade students. Some of the kids are college-bound and will become engineers. Others just want to build airplanes and will graduate with a certificate that gets them into a good paying job at Boeing or one of it's suppliers.

My suggestion for you is this: Given the importance of the dairy industry in Wisconsin, perhaps there might be support for the creation of the "**Wisconsin Dairy Academy High School.**" Similar to Aviation High School, it would enroll college and career-bound students. It's success would require:

- a school district or districts with a strong focus on career readiness,
- a location that was near major dairy product companies and a big enough student population, and
- enough political support in the legislature to provide some start-up funding for the program.

My suggestion is indeed a bit of a crazy idea--a high school focused on milk? But there is a lot of science, math and statistics, marketing and communications, business and finance required to be successful in dairy farming and dairy products. The Center for Dairy Research at UW-Madison may have an interest in such a project. If you think this idea may help with your labor supply problem, I'd be more than happy to chat with you or other

folks about the concept. In addition to helping Evan with his Peak Yogurt venture, I work with a lot of school districts in Washington so I have some good contacts with the public education system. (And, yes, my wife reminds me daily that I am failing at retirement.)

Good luck with the task force,
Brian Sims
360-790-4793