



# Wisconsin Dairy Task Force 2.0

Final Report

Submitted June 21, 2019

## Toward a Vibrant Wisconsin Dairy Industry: Issues, Insights and Recommendations



Sponsored by:

The Wisconsin Department of Agriculture,  
Trade and Consumer Protection,  
and the University of Wisconsin System





# Wisconsin Dairy Task Force 2.0 Membership

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Andy Buttles, Stone-Front Farm, Lancaster  
Janet Clark, Vision Aire Farms, LLC, Rosendale  
Tom Crosby, Crosby's River Valley Dairy, Shell Lake  
Dave Daniels, Mighty Grand Dairy, Union Grove  
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Don Hamm, Sandy Loam Farm, Fredonia  
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Dave Buholzer, Klondike Cheese Company, Monroe  
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Dennis Bangart, AgCountry Farm Credit Services, Marshfield  
Michael DeLong, First Bank of Baldwin, Baldwin  
Bradley Guse, BMO Harris Bank, Arpin  
Dr. Melissa Haag, Lodi Veterinary Hospital, Lodi  
Rene Johnson, Union Bank and Trust Co., Evansville  
John Schmidt, Landmark Services Cooperative, Appleton  
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Chad Vincent, Dairy Farmers of Wisconsin, Madison  
David Ward, Cooperative Network, Madison

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## Introduction

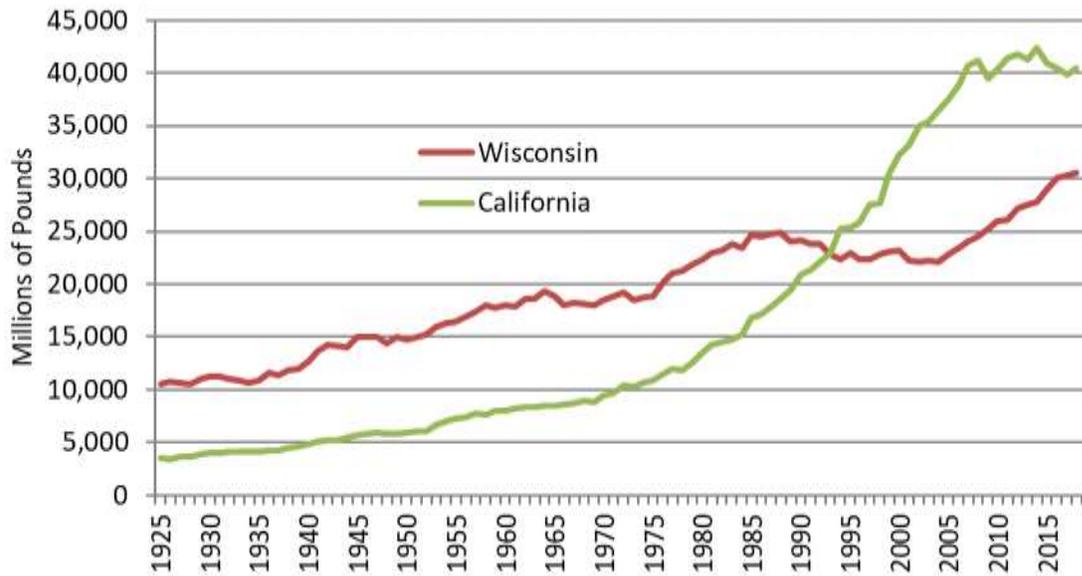
The dairy industry has periodically gone through substantial change. In the 1950s, the introduction of the bulk tank created a seismic shift in technology. The new efficiency of collecting, cooling and shipping milk in bulk, rather than 40-quart cans, forced a rapid adoption. However, the technology required a substantial investment that many small farms could not make at the time. Maintaining can milk shipments and producing Grade B milk was a viable option for several years, but ultimately, the technology was a barrier for many farms.

For decades, California was milk deficit and struggling to produce enough for its rapidly growing population. It was easier to embrace new technologies, like the bulk tank, when the industry was rapidly growing and new dairies were being built to accommodate local milk needs. As Western farms realized that there were other efficiencies to be gained with scale economies, milk production grew to the point of regional milk surplus by the 1980s. Large, efficient manufacturing plants were built to process California's growing milk supply.

Wisconsin's evolution was different. Its first period of rapid growth occurred in the early 1900s as wheat production yielded land and resources to a relatively new dairy industry. This industry rapidly built gambrel roof barns—the technology of the day—and shipped butter and cheese long distances by rail to the milk-deficit metropolitan areas along the Eastern Seaboard. This was a durable investment that could be modified with silos for feed, pipelines for milking and lean-to additions to accommodate growth in cow numbers over many decades. However, by the 1980s, this technology base was no longer competitive with Western-style dairies and processing plants.

Wisconsin began to lose market share and milk production to California (Figure 1). In 1985, University of Wisconsin President Katherine Lyall and Secretary of Agriculture, Trade and Consumer Protection Roger Wyse appointed a 32-member Wisconsin Dairy Task Force to study the issues and make recommendations to the Governor. Many changes in Wisconsin's dairy industry, and ultimately a return to growth in milk production, can be traced back to the work of that original task force.

Figure 1. Milk Production, 1925 Through 2018.



By the early 2000s, the state had successfully implemented many of the first task force's recommendations. Changes in permitting and siting laws, as well as an openness to larger dairies, had stimulated investment in larger-scale farm facilities to produce milk. In addition, a shift in emphasis away from commodity cheese production and toward specialty cheeses by Wisconsin processors coincided with changing consumer tastes. Although the state was again increasing milk production, the need for milk solids to meet the new demand was partially met by importing raw milk and dried milk solids.

On March 13, 2012, then-Governor Scott Walker launched the *Grow Wisconsin Dairy 30x20* initiative with the express goal of achieving 30 billion pounds of milk production by the year 2020. This goal was to be met by helping dairy farmers, no matter the size or business model, be profitable. The production goal was actually met in 2016, four years ahead of schedule, when Wisconsin produced 30.11 billion pounds of milk.

## Milk Price Volatility

For many decades, the Federal Milk Marketing Orders had determined the minimum prices to be paid for Grade A milk by a monthly survey of the market price paid by unregulated Grade B dairy plants in Minnesota and Wisconsin (the so called MW price). By the late 1990s, Grade B milk production was such a small proportion of the U.S. milk supply that this method was felt to be unreliable. Through a federal order hearing process, a change was made to discover the monthly milk price using product price formulas. A weekly survey of the price of wholesale cheddar cheese, butter, nonfat dry milk and dry whey was used to determine the value of the milk used to make those products.

One result of the switch to product price formulas was that the normal ups and downs of market prices were no longer shared between producer and processor, as they were with Grade B milk in the MW survey. Rather, they were now firmly connected through price formulas, and all of the volatility of wholesale product prices was directly transmitted to dairy farms.

Other U.S. dairy policy had also changed. The Dairy Product Price Support Program, a long-standing tool used to stabilize market prices, had been suspended. In the 1970s and '80s it had been used too aggressively to purchase dairy products and, at its peak, spent nearly \$2 billion in a single year. The price support level was reduced several times by 50¢ per hundredweight until it was no longer purchasing any products and the program was finally placed in hiatus.

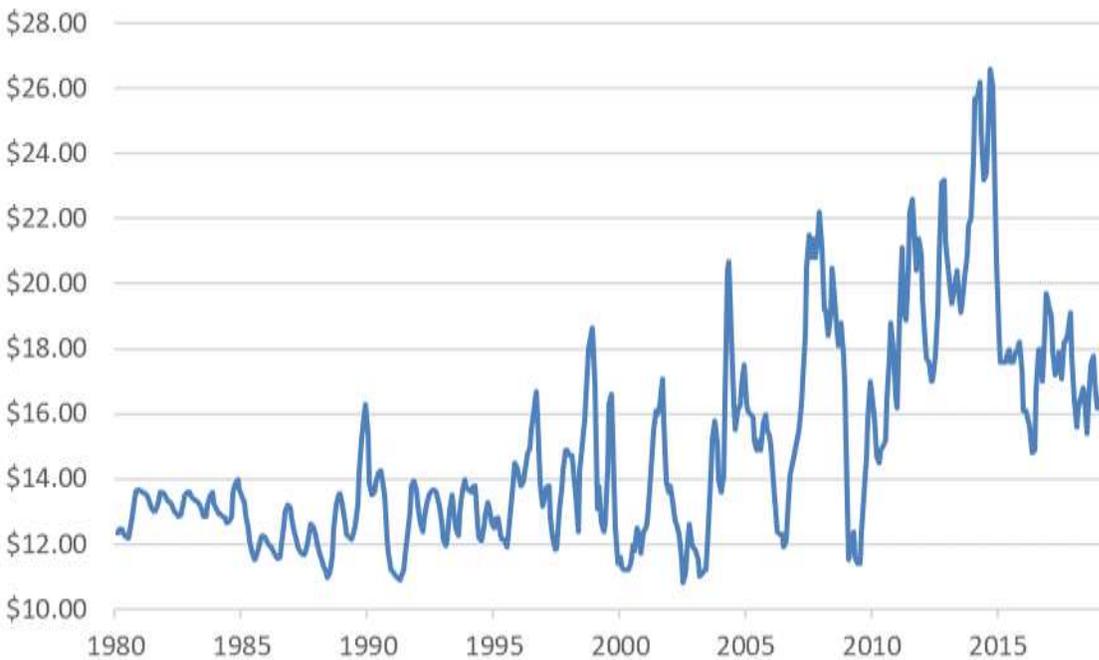
There were other reasons for increased milk price volatility. Changes in dairy policies in other countries resulted in world milk prices rising through the 1990s. The U.S. had always exported only 2 to 4 percent of its milk production, but by the mid 2000s, world prices had risen to the point that U.S. domestic prices could compete on world markets. The U.S. dairy sector began to explore these new markets, and found additional customers beyond our borders. Exports as a percent of U.S. milk production have risen fairly dramatically from the mid 2000s, until they now account for the sale of 15 to 18 percent of milk solids produced (Figure 2).

Exports have supported growth in the U.S. milk supply that wouldn't have otherwise occurred. However, there is a downside to exports, and that is increased price volatility. Disturbances in export sales, whether from economic events like the 2009 world recession, large purchases by a country like China in 2013-14, or trade disputes in 2018-19, will cause dairy products from the U.S. to be left at home to clear the market or be drawn from domestic stocks to meet the unanticipated demand.

**Figure 2. Twelve Month Rolling Average Trade as a Percent of Milk Solids**



**Figure 3. Wisconsin All Milk Price.**

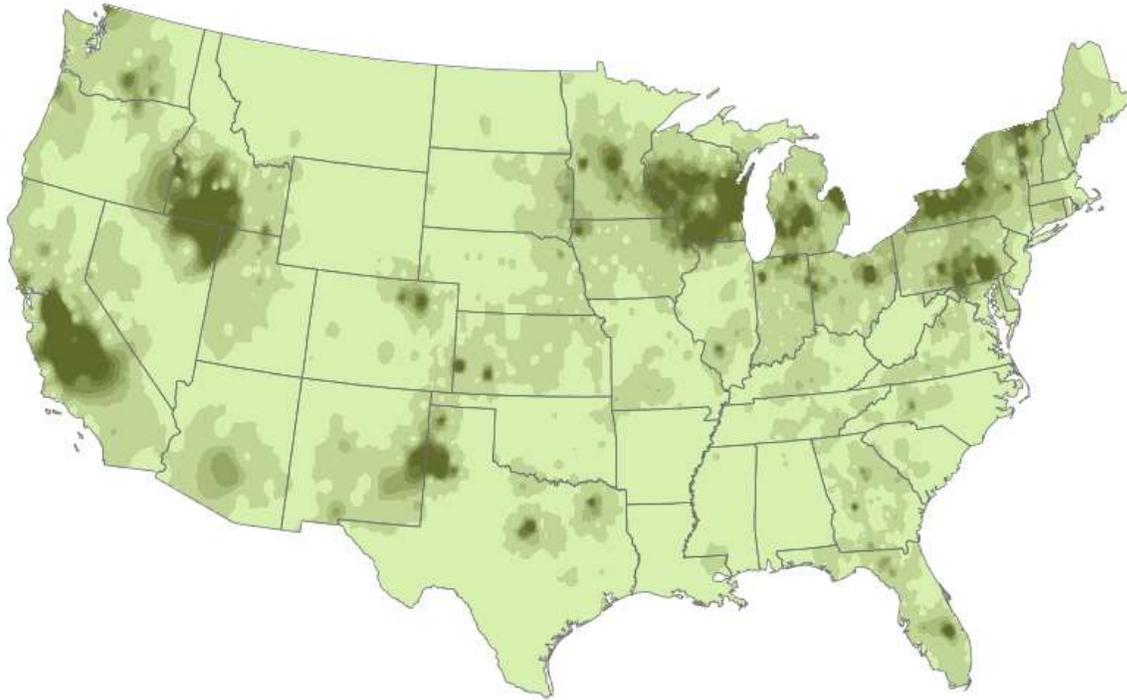


Price volatility in the dairy industry has come to be expected, but it can also be disruptive to the business (Figure 3). Downturns in 2006 and 2009 were deep, but short in nature. However, the decline in milk price since 2015 has been both significant and prolonged.

## Shifting Regional Milk Production

Milk is still produced in all fifty states, but production has been declining in many regions and intensifying in others (Figure 4). Much of the state of Wisconsin has significant milk production as do western New York and Michigan's west, central and "thumb" regions. Other milk intense regions include west Texas and eastern New Mexico, the Magic Valley of Idaho and the Central Valley of California.

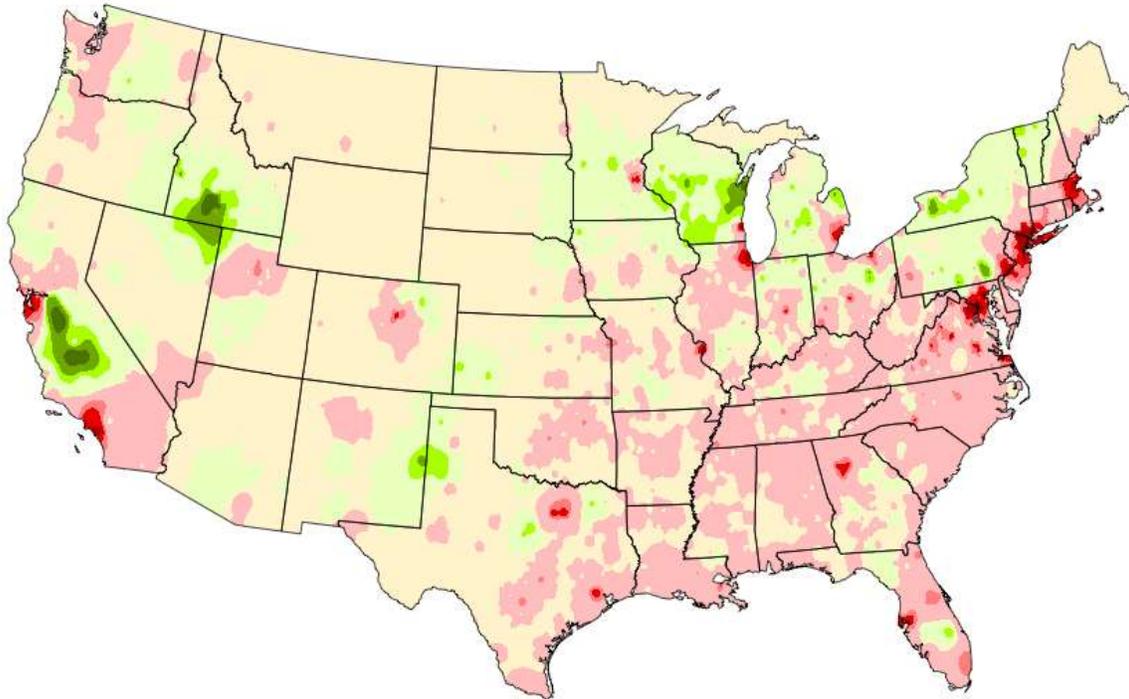
Figure 4. U.S. Milk Production per Square Mile, 2016.



Milk production tends to be increasing in these already milk-intensive areas of the country. However, production is declining near population centers and throughout large regions of the country like the Southeast. The task of the dairy supply chain is to transport raw milk from farms where it is produced to plants where dairy products are made, and then to distribute those consumer products to locations where they are in demand.

U.S. farm milk production can be estimated at the county level from National Agricultural Statistics Service (NASS) and Agricultural Marketing Service (AMS) sources. Per capita demand for all dairy products can also be estimated using data about regional and ethnic variations from the Economic Research Service (ERS) and AMS. Per capita demand estimates can be multiplied by the population estimates and demographics to calculate a total milk equivalent demand at the county level. County level production minus milk equivalent demand gives an idea of surplus/deficit areas of the country. Figure 5 shows these calculations where shades of green represent relative surplus and red represents deficit.

Figure 5. Surplus and Deficit Milk Production in the U.S.

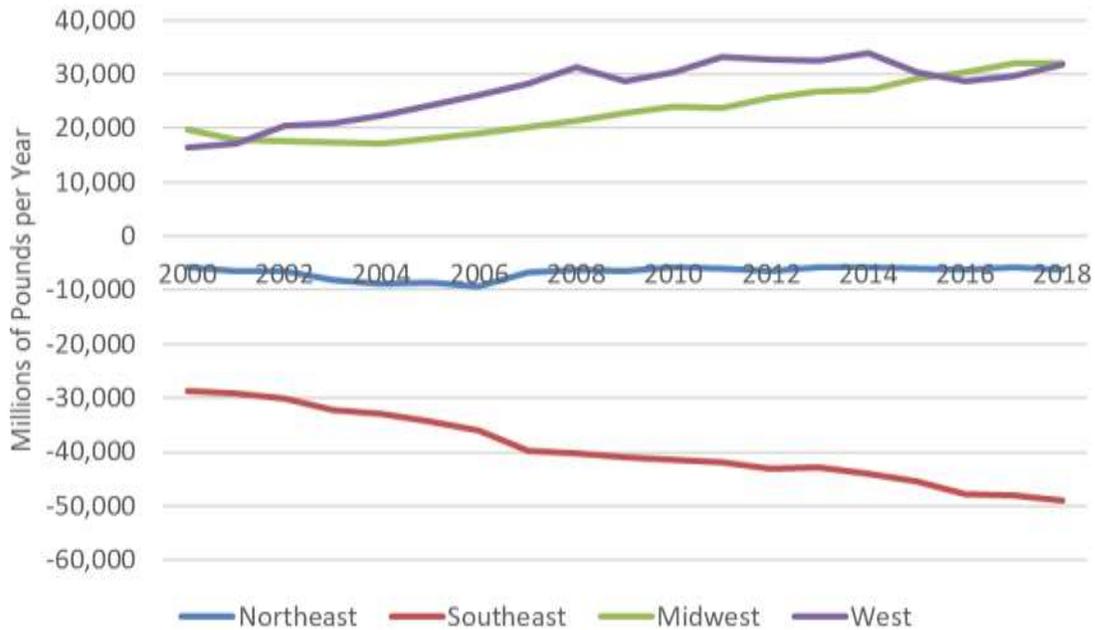


Wisconsin is one of the major milk surplus states of the U.S., but a broader look at regional trends (Figure 6) shows that the deficit of milk production in the Northeast is fairly stable as production has grown at about the same pace as demand. In the Southeast, the deficit is large and growing. The Far West has had a large but fairly stable surplus over the last several years. And, the Upper Midwest has a large and growing surplus.

Wisconsin is the second largest milk producing state. New York and Michigan rank numbers 4 and 6 respectively, and these three states have collectively increased milk production by nearly 15 million pounds per day over the last three years—requiring the equivalent capacity of one large new processing plant per year. This has put a strain on existing processing capacity in the region, because capacity has not expanded by that much and raw milk must sometimes be shipped long distances.

It is estimated that about 100 tanker loads of milk have been leaving Michigan daily to find a processing home. This extra milk in the region has put downward pressure on milk prices. For example, Michigan's all milk price has declined from about average in the country to the lowest of all states.

Figure 6. Regional Surplus / Deficit U.S. Milk Production.

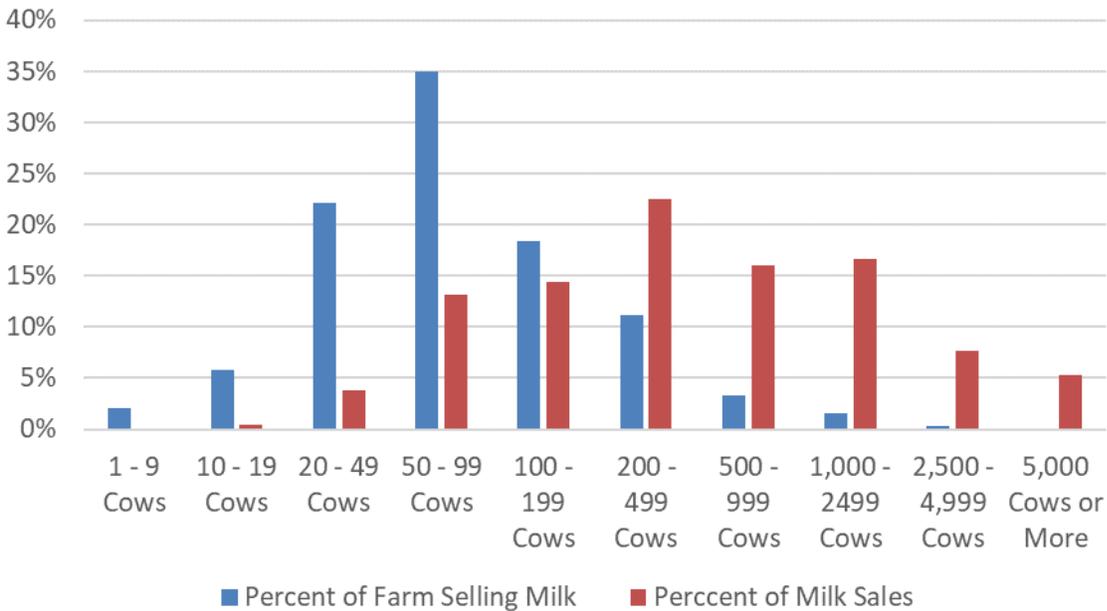


## Changing Farm Structure

The number of dairy farms in the U.S. reached its peak in the mid-1930s at about 3.6 million. Since that time, dairy farms have consolidated due to specialization and technology adoption until there were 37,468 licensed dairy herds in the country in 2018. Wisconsin has paralleled that trend, but still retained more than 10,000 herds until 2015. The rate of attrition in Wisconsin herds has been fairly stable (3 to 5 percent annually) until recently. The prolonged downturn in milk prices since 2015 has been taking a toll on farm numbers, with recent losses of more than 9 percent on an annual basis.

Farm structure has been changing as well. In 2018, the U.S. average herd size was 251 cows. Wisconsin has a significantly smaller average herd size at 150 cows, but there are large dairy herds in the state. Recent data from the 2017 Agricultural Census shows the number of farms by size categories, and the value of milk sales by those farms. Figure 7 shows the state data as percentages. About 17 percent of Wisconsin farms have more than 200 cows, but those farms represent more than two-thirds of the milk sales in the state.

**Figure 7. Wisconsin Herd Size and Milk Sales Distribution.**



## Wisconsin Opportunities

W.D. Hoard was an early promoter of a Wisconsin dairy industry. When the wheat crops began to fail from soil depletion and diseases, Hoard exhorted that we needed to give something back to the soil and an animal agriculture like dairy made the most sense. The dairy industry did grow rapidly and has made excellent use of the agronomic resources of the state.

These same resources continue to be an opportunity for the state. Fertile soils will grow the alfalfa and corn that is needed for the feed base. The state has abundant water supplies if reasonably managed. The relatively cooler climate is an asset that not all regions of the country enjoy.

At 24,000 pounds, Wisconsin per-cow milk production is above the U.S. average. The trend has also been increasing at a very steady rate over many years (Figure 8). Animal scientists attribute about half of this improvement to better genetics and half to a better understanding of animal husbandry. We have herds averaging well above 30,000 pounds per cow and individual animals producing more than 70,000 pounds annually. There is no evidence that this trend is nearing its end.

One obstacle to increased productivity of dairy cows is a hot environment. High-producing cows achieve their yields with high metabolic rates. These cows have quite a bit of body heat to dissipate, which becomes difficult in hot and humid climates. This is one reason why the Southeastern states are net deficit and have been losing milk production. (Arkansas, Missouri, Louisiana, Mississippi and Alabama have average production around 14,000 pounds per cow or below.) Even states like California, with productivity close to Wisconsin's, are not keeping pace. California's compound annual growth rate for milk yield is about 0.58 percent over the last decade, compared to Wisconsin's rate of 1.80 percent.

**Figure 8. Wisconsin Annual Average Milk Production per Cow.**



## An Economic Engine for the State

The value of milk produced in Wisconsin has averaged around \$5 billion the last several years, but dairy farms sell genetics and cull cattle for beef as well. Most of the milk production is processed within the state for a variety of dairy products, but the vast majority is used to make cheese. All of this activity in turn generates economic activity supporting milk and dairy processing.

Steven Deller<sup>1</sup> has conducted input/output analyses to evaluate the impacts of Wisconsin agriculture generally and dairy specifically, using 2012 data. At that time, dairy farming and processing combined supported some \$43.5 billion, or about 7.9 percent of Wisconsin's total industrial sales or revenue. Although they are inexorably intertwined, dairy farming accounted for about \$8.4 billion and dairy processing about \$35.1 billion. Dairy farming accounts for 43,900 jobs and dairy processing another 35,000 jobs, or about 2.3 percent of total jobs in the state.

## Wisconsin Dairy Task Force 2.0

At the time of Wisconsin's first Dairy Task Force, the primary issue was clear: The state was losing market share and total milk production, and processors were struggling with western competition making commodity cheese. The environment of 2018 is more complex, with the state having achieved production goals ahead of time. The state has also become the leader in specialty cheese production by far, but there is a perception and even a sense of urgency that the industry needs to do a self-assessment to assure a continued vibrant future.

External pressures, including milk price volatility, shifting regional production patterns and changing farm structure, may lead to lower profitability, diminished numbers of

<sup>1</sup> Steven Deller, Department of Agricultural and Applied Economics, University of Wisconsin—Madison/Extension. <https://dairymarkets.org/PubPod/Reference/Library/Deller.Steven.2014.pdf>

farms, and rural struggles to maintain community services. But there are also new opportunities, such as enhanced export sales and excellent agronomic resources, to support a vibrant dairy industry.

In June of 2018, the Wisconsin Dairy Task Force 2.0 was created as another joint effort between DATCP and the University of Wisconsin System to study the Wisconsin dairy industry, with the goal of recommending actions to maintain a viable and profitable dairy industry in Wisconsin.

Many industry organizations in the state were asked to nominate people to serve on the new task force. From the nominations, an ad hoc committee selected the 31 voting members, with 14 members representing dairy farms, 7 members representing milk processors and marketers, and 10 members representing allied organizations such as lending institutions and input suppliers. The members represented all areas of the state, and diverse business models. There were also a number of ex officio members who attended many of the meetings and provided input into the discussions.

All meetings were conducted under the Wisconsin open meetings law. They were pre-announced and the public was welcome to attend. Minutes of all meetings were recorded and available for public access.

A meeting facilitator was available and helped to conduct the first meeting of the complete Wisconsin Dairy Task Force 2.0 on August 13, 2018. At that meeting, the task force identified 130 issues to be addressed. These issues were aggregated into 12 major categories and then further consolidated into 9 working groups. The task force was then given 3 dot stickers and asked to "dot vote" upon the 9 working groups. The voting results give an indication of priority of the issue area. The groups, priorities, sub-committee chairs and associated resource people are shown in Table 1.

**Table 1. Sub-Committee Working Groups.**

<b>Working Groups</b>	<b>Priority Vote</b>	<b>Sub-Committee Chair</b>	<b>Resource People</b>
<b>Research and Innovation</b>	17	Chad Vincent	Kent Weigel John Lucey
<b>Regulatory Certainty</b>	13	David Ward	Peter Vadas
<b>Dairy and Rural Community Vitality</b>	10	Elizabeth Wells	Steven Deller
<b>Markets</b>	9	Dr. Rob Byrne	Krista Knigge
<b>Price Volatility and Profitability</b>	8	Michael DeLong	Kevin Bernhardt
<b>Consumer Confidence and Perception</b>	8	Dennis Bangart	Jen Walsh
<b>Education and Workforce</b>	6	Lori Weyers	Bob Milligan
<b>Access to Capital</b>	5	Bradley Guse	Kevin Bernhardt
<b>Generational Succession and Transition</b>	5	Dave Daniels	Joy Kirkpatrick

The members of the full task force volunteered to serve on one or more sub-committee working groups. Sub-committee chairs were selected for each of the working groups, and were tasked to consider the issues identified and associated with their group at the first full-group meeting. Resource people were also identified who would work with each committee to lend their special working knowledge of the subject matter area.

These 9 sub-committees met as many times as necessary to consider and refine the issues associated with their working group. When the sub-committees felt as though they had addressed the issues and formulated recommendations, the recommendations were brought to the full task force for a vote.

The full task force held four in-person meetings and one teleconference. Twenty-one other in-person meetings and 21 teleconference meetings of various sub-committees were held. In total, more than 1,200 person hours were spent in committees, plus travel time and work done by individuals outside of the meeting times. The work of the task force represented a substantial donation of time and effort on the part of members and resource people.

## Wisconsin Dairy Task Force 2.0 Recommendations

Recommendations of the sub-committees were brought forward to be explained and voted on at two meetings of the full task force: one at the UW-Oshkosh campus on December 13, 2018, where the first two recommendations were presented and accepted, and one on March 15, 2019, on the UW-Sheboygan campus, where an additional 51 recommendations were presented. A total of 53 recommendations were brought forward for consideration and 51 of those recommendations were accepted by the full task force. Appendix A contains the specific language explaining the issue considered and the recommendation that was presented by the sub-committee for vote.

The task force decided to affirm each recommendation with a simple majority vote. The 51 final recommendations are listed in Table 2. After the recommendations were accepted by majority vote, task force members utilized a “dot voting” method to select their priority recommendations. Here members were given 10 votes, which could be distributed across any of the 51 choices. Any member could cast up to three of their 10 dots for a single recommendation. The “Priority Ranking” in Table 2 gives an indication of the number of dots that any recommendation received.

Recommendations from the task force have different levels of where or how they would be implemented. Some recommendations are made that would be implemented at the individual or firm level—that is, encouraging a personal choice. Some would be implemented at the institution level, for example, a cooperative or industry organization, or a college or university. Several require implementation by the state government. A few could be effectively implemented only at the national level. The Wisconsin Dairy Task Force 2.0 cannot implement changes at a national level, but can lend its support to other groups whose position aligns with the task force.

**Table 2. Task Force Final Recommendations.**

Recommendation	Priority Ranking	Implementation Level*	Page #
<b>Dairy Innovation Hub</b>	Very High	State	<u>46</u>
<b>Feasibility study for Wisconsin Cheese Brand and Export Board</b>	Very High	Institutional	<u>32</u>
<b>Staffing analysis at CDR and additional state funds for full-time positions</b>	Very High	State	<u>18</u>
<b>Recognize the importance of exports to Wisconsin dairy</b>	Very High	Institutional	<u>16</u>
<b>Become one of the dairy product and business innovation centers</b>	Very High	Institutional / National	<u>31</u>
<b>Reduce the number of milk classes from the current four to two</b>	Very High	National	<u>32</u>
<b>Regulatory changes needed to FDA product standards of identity</b>	High	National	<u>16</u>
<b>Truth in food labeling</b>	High	State / National	<u>24</u>
<b>Require animal official identification</b>	High	State	<u>30</u>

<b>Create a Cheese Export program at CDR with technical staff support</b>	High	Institutional / State	<u>33</u>
<b>Solutions for local road infrastructure support and maintenance funds</b>	High	State	<u>28</u>
<b>Emphasis on value-added and specialty cheese in Wisconsin</b>	High	Institutional	<u>18</u>
<b>Mandatory pooling</b>	High	National	<u>45</u>
<b>Educational programming for non-farm audiences</b>	High	Institutional	<u>28</u>
<b>Capital for new and emerging technology</b>	High	State	<u>34</u>
<b>Address regulations impacting milk haulers</b>	High	State	<u>40</u>
<b>Increasing milk quality standards</b>	High	National	<u>43</u>
<b>Support H.R. 832, Whole Milk for 4 Healthy Kids Act of 2019</b>	High	National	<u>45</u>
<b>Rural processors access to capital</b>	High	State	<u>45</u>
<b>Beginning farmer program modernization</b>	High	State / National	<u>34</u>
<b>Increased collaboration in the UW System and with private industry</b>	Moderate	Institutional	<u>16</u>
<b>Reimplementation of the Beginning Farmer and Farm Asset Owner tax credit</b>	Moderate	State	<u>20</u>
<b>Need for a consistent industry message</b>	Moderate	Institutional	<u>22</u>
<b>Need for regulatory certainty and consistency</b>	Moderate	State	<u>42</u>
<b>Increasing demand for fluid milk consumption in schools</b>	Moderate	Institutional	<u>44</u>
<b>Need to study the impact of dairy and agriculture on local communities</b>	Moderate	Institutional	<u>27</u>
<b>Support for broadband internet services in rural communities</b>	Moderate	State / National	<u>29</u>
<b>Work to conduct detailed consumer preferences and insight studies</b>	Moderate	Institutional	<u>33</u>
<b>Increase in dairy processor grant funding</b>	Moderate	State	<u>17</u>
<b>Need to engage with state and federal government leaders</b>	Moderate	Institutional / Individual	<u>17</u>
<b>Investments in scholarships, planning support, and apprenticeship sponsors</b>	Moderate	State / Institutional	<u>19</u>
<b>Assist farms develop and market agritourism</b>	Moderate	Institutional / State	<u>29</u>
<b>Encourage dairy producers to run for local offices and commissions</b>	Moderate	Individual	<u>30</u>

<b>Need to have and understand a contract/member agreement</b>	Moderate	Individual	<u>31</u>
<b>Establishment of a Farm Savings Account for farmers</b>	Moderate	National	<u>37</u>
<b>Create an app for dairy producers and associates on major topics</b>	Moderate	Institutional	<u>39</u>
<b>Bulk Milk Weighers and Samplers license reciprocity</b>	Moderate	State	<u>41</u>
<b>Need for additional farm business succession facilitators</b>	Lower	State	<u>21</u>
<b>Encourage young people to pursue ag careers</b>	Lower	Institutional	<u>21</u>
<b>Support the Access to Better Credit (ABC) Act</b>	Lower	State	<u>38</u>
<b>Remove the annual requirements for the rBST affidavit</b>	Lower	State	<u>42</u>
<b>Support the National Dairy FARM Program or equivalent</b>	Lower	Institutional	<u>23</u>
<b>Reduce barriers to utilize services from DWD DVR</b>	Lower	State	<u>24</u>
<b>Assist rural businesses pursue healthy workplace practices</b>	Lower	State	<u>25</u>
<b>Develop a dairy internship program</b>	Lower	Institutional / State	<u>26</u>
<b>Establishment of ag-based programs at the local level</b>	Lower	Institutional	<u>27</u>
<b>Support for public and private partnerships</b>	Lower	Institutional	<u>41</u>
<b>Need to understand milk pricing and provide training</b>	Lower	Institutional / Individual	<u>44</u>
<b>Review eligibility for DWD services for self-employed individuals</b>	Lower	State	<u>21</u>
<b>Support processors with load consolidation and logistics planning</b>	Lower	Institutional / State	<u>32</u>
<b>Understanding marketing tools available</b>	Lower	Individual	<u>44</u>

## Appendix A

Approved Recommendations:

Language as voted upon by the full Wisconsin Dairy Task Force

**Note:**

The Recommendation # only connotes the chronological order in which they were received.

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### Recommendation #25

#### **Recognize the importance of exports to Wisconsin dairy**

**Sub-committee:** Research and Innovation

**Submitted by:** Dr. John Lucey

**Problem Statement:** The US only exports about 5% of its cheese, exports are a huge virtually untapped growth opportunity for our cheese industry.

#### **Recommended Solution:**

Wisconsin needs to develop a plan and strategies that help our cheesemakers to produce new products successfully targeted for export markets, to provide our smaller plants with the logistical support needed for the transportation of their products to distant markets, and to obtain greater consumer insights on the types of products required in these key overseas markets. Wisconsin should consider developing its own Wisconsin Cheese Brand and a Dairy Export Board that specifically helps grow and support our dairy export business.

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### Recommendation #26

#### **Increased collaboration in the UW System and with private industry**

**Sub-committee:** Research and Innovation

**Submitted by:** Dr. John Lucey

**Problem Statement:** There are World class scientists within the UW system, including experts on cheese science, cattle genetics, microbial fermentation, and consumer science. However, some funding programs like the dairy checkoff make it difficult to do some types of collaboration between these experts. For example, to explore non-food uses for dairy co-products, or modifying milk to create new/unique dairy products. Also, the dairy industry is not always aware of the ongoing research that could benefit them that is occurring within the UW System.

#### **Recommended Solution:**

Funding opportunities need to be explored/developed that allow for new, unique, impactful ideas to be explored which could provide significant benefits to the dairy industry by leveraging the cross-disciplinary expertise within the UW system. We encourage greater engagement between researchers within the UW system and the dairy industry, so that their research quickly benefits these farmers and processors.

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### Recommendation #27

#### **Regulatory changes needed to FDA product standards of identity**

**Sub-committee:** Research and Innovation

**Submitted by:** Dr. John Lucey

**Problem Statement:** The dairy industry has many standards of identity that tightly regulate ingredients and how products like cheese, milk and yogurt are made. Most of these standards have not been substantially changed in several decades, and do not take into account the new processing technologies and innovations that are now

widely available. This puts US dairy manufacturers at a competitive disadvantage as European dairy companies are able to use these technologies to make products more efficiently than the US, as well as produce some new types of value-added products.

#### Recommended Solution:

The **FDA is encouraged to update and modernize their standards of identity for dairy products** which hinder product innovation, such as, recent technologies for milk concentration and membrane filtration.

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#### Recommendation #42

### Increase in dairy processor grant funding

**Sub-committee:** Research and Innovation

**Submitted by:** Chad Vincent

**Problem Statement:** The Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP) awards dairy processor grants annually on a competitive basis. Applicants are licensed Wisconsin dairy processors who are seeking opportunities to innovate and develop new dairy products, increase efficiencies in their plants, expand or modernize existing facilities, or plan for new plant or processes. Requests to the grant program are nearly two to three times the amount of available funds.

#### Recommended Solution:

The State of Wisconsin **increase funding of the dairy processor grant program** from \$200,000 to \$400,000 annually. Increased funding will promote and encourage growth and innovation in Wisconsin dairy plants.

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#### Recommendation #43

### Need to engage with state and federal government leaders

**Sub-committee:** Research and Innovation

**Submitted by:** Chad Vincent and Jeff Buhrandt

**Problem Statement:** The challenges facing the dairy industry are complicated and are constantly evolving. To ensure continued support and secure the policy changes necessary, the industry must enhance their efforts to communicate these challenges effectively to all of their stakeholders, including government leaders.

#### Recommended Solution:

The Task Force recommends that dairy farmers, processors, dairy-related trade groups, and businesses work together to **increase and enhance their communication and education efforts with state and federal government leaders, including legislator and administration officials in both Madison and Washington.**

In addition, dairy industry leaders will develop a comprehensive federal and state legislative strategy. This will include assisting stakeholders in identifying and contacting their local legislators and key legislators who serve on committees that directly engage with the dairy industry. Finally, the industry will provide training and guidance on how best to engage with these legislators in person, by phone, and digitally.

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## Recommendation #44

### Staffing analysis at CDR and additional state funds for full-time positions

**Sub-committee:** Research and Innovation

**Submitted by:** Chad Vincent

**Problem Statement:** The Center for Dairy Research (CDR) is and has been a crucial partner in the growth of the Wisconsin dairy industry over the past 30 years. Since 1986, this Center has created new dairy products, solved quality issues in cheesemaking, found new uses for whey and dairy ingredients, directly assisted industry with development and implementation of food safety programs, educated industry in hundreds of workshops and seminars, and gathered manufacturers in a Cheese Industry Team that focuses a diverse group of competitors on shared goals for research and product development. The CDR is the envy of dairy markets around the world.

In 2012, dairy processors and the state of Wisconsin partnered to raise funds to construct an independent home – a state-of-the-art research and training facility – for CDR. That facility is now under construction. This new facility offers enormous promise, yet no new state funding has been proposed to expand the number of researchers, food technologists, trainers and outreach personnel for CDR. Currently, only about 4% of the operating budget for CDR comes from State funding. A facility is only as useful as the minds that inhabit the building. CDR has the potential to directly impact new and greater uses of fresh farm milk in Wisconsin.

#### Recommended Solution:

This task force recommends **the state of Wisconsin devote significant additional funding to the Center for Dairy Research** for additional faculty and staff at the University of Wisconsin to accelerate value-added cheese and dairy product research and development.

1. We recommend Center for Dairy Research leadership prepare an analysis of staffing needs to optimize the capability of the new facility and share this report with industry and legislators to guide the implementation of additional funds.
2. We recommend additional funds be allocated in Wisconsin's state budget to support new full-time staff positions at Center for Dairy Research. In its new facility, CDR will expand R&D in specialty cheese, begin aseptic milk processing, explore new fluid milk packaging and execute cutting-edge dairy ingredient and product development. Additional expert staff is needed to execute this expanded mission for the Center.

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## Recommendation #45

### Emphasis on value-added and specialty cheese in Wisconsin

**Sub-committee:** Research and Innovation

**Submitted by:** Chad Vincent

**Problem Statement:** Specialty and value-added cheese has proven an invaluable growth engine for Wisconsin's dairy market. In the past 30 years, Wisconsin leveraged its manufacturers' knowledge of cheesemaking, its University resources and incentives from state government to build value-added production. Today, nearly half the

nation's specialty cheese is made in Wisconsin by a diverse array of cheese business large and small. Wisconsin produces about 25 percent of all cheese in the U.S. and our 3.3 billion production uses nearly 90 percent of the state's fresh farm milk. Growth in cheese, particularly specialty cheese, and incubation of new styles and new processors, is paramount to continued demand for quality, local Wisconsin milk.

High volume cheese such as cheddar and mozzarella are crucial commodities for Wisconsin's large, efficient processing companies and cooperatives. However, there is increasing pressure on this portion of the Dairy Market with a number of large-scale processing plants being built across the U.S. With our strength in innovation, and an existing specialty cheese infrastructure, we believe research and innovation in specialty and value-added cheese is vital to the stability and growth of Wisconsin's Dairy Industry.

### Recommended Solution:

The highest priority for research and innovation within the Wisconsin dairy industry is specialty cheese and other value-added dairy products.

- 1. Market understanding is critical to innovation.** We recommend an in-depth consumer study be conducted to uncover innovative new products, and new uses and preparations for cheese, with results shared with all processors in the state.
- 2. Access to production for startups and innovative concepts.** Capital required by a new cheese processors creates a high barrier to entry. We recommend an economic and engineering study to evaluate methods for shared cheese production spaces for startup operations enabling new ideas and new cheesemakers to enter the dairy market.
- 3. Innovation in distribution to east & west coast markets.** Many small and midsize cheese companies in Wisconsin could find new retail and foodservice partners, and more enthusiastic consumers, if distribution channels could be developed to consolidate small cheese volumes into truckload shipments. Many of the state's cheesemakers could expand their milk usage through increased distribution in markets new to Wisconsin specialty cheeses. We recommend a distribution analysis to conceive and construct an infrastructure to consolidate multiple company's products for joint freight, cold storage and distribution in key markets within U.S. population centers.

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### Recommendation #21

#### Investments in scholarships, planning support, and apprenticeship sponsors

**Sub-committee:** Generational Succession and Transition

**Submitted by:** Melissa Haag and Joy Kirkpatrick

**Problem Statement:** Monies which were available for producer grants under the Grow Wisconsin Dairy 30X20 program have more recently been directed to the Governor's Dairy Scholarship program. Both programs have been useful, but the program parameters should allow flexibility for use of farms at differing stages of their careers.

### Recommended Solution:

- 1. Continue "Governor's Dairy Scholarship".** Maintain the existing program with guidelines already in place. Details can be found at:

<http://www.heab.state.wi.us/docs/dairy/GDSsummary.pdf>. Last year, this program provided \$200,000 for students of any age at any stage of their dairy career who were seeking educational opportunities in dairy science programs.

2. **Reinstate a portion of the “Grow Wisconsin Dairy”** initiative which provided farmers the opportunity to access funding intended for the use of farm succession and transition planning. Family farms are in need of guidance as they transfer assets from one generation to the next. This complex topic is difficult to strike a balance between the financial capabilities of the younger generation and care maintenance / retirement for the older generation. Access to a neutral third party can be an important key to the success of farm transitions, but professional facilitation and advice can be costly.
3. Provide a financial assistance grant to producers participating in sponsorship of a **“Registered Apprenticeship Program.”** Pathways into dairy farming are limited for young farmers who may not have been born into a farm family or whose family farm operation is too small for them to join. Registered apprenticeship programs give young farmers the opportunity to actively learn on-the-job alongside an established dairy farmer. This experience provides the young farmer a valuable learning experience, while helping them ease into their own potential farming operation. While these programs are beneficial for young farmers, they can create a significant cost to the certified farm operation acting as a mentor. Mentors are vital to the success of registered apprenticeship programs and grant funding might provide an incentive for dairies to participate.

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## Recommendation #22

### Reimplementation of the Beginning Farmer and Farm Asset Owner tax credit

**Sub-committee:** Generational Succession and Transition

**Submitted by:** Ryan Klussendorf

**Problem Statement:** The 2009 Wisconsin Statutes 93.53 — Beginning farmer and farm asset owner tax credit eligibility — authorizes a tax credit to support enrollment of the beginning farmer to enroll in a financial management program. The tax credit was terminated in 2013. An eligible farmer can access the credit which is equal to 15 percent of a lease amount received by an established farmer. Chattel (machinery, equipment, facilities, livestock, etc.) may be used for asset valuation but owned land cannot. This is too restrictive for beginning farmers who are purchasing land assets. Further, the \$200,000 constraint on individual net worth is too restrictive as an owned dwelling may exceed the limitation.

#### Recommended Solution:

1. Reinstate the 2009 Wisconsin Statutes 93.53 — Beginning farmer and farm asset owner tax credit with these changes:
2. Include “Agricultural land” in the definition of an agricultural asset in Wisconsin Statute 93.53 Section(1)(a)
3. Increase the restriction of individual net worth from “\$200,000” to “500,000” in Wisconsin Statute 93.53 Section(2)(a)

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### Recommendation #23

#### **Need for additional farm business succession facilitators**

**Sub-committee:** Generational Succession and Transition

**Submitted by:** Dave Daniels

**Problem Statement:** The average age of farm operators is approaching 60 years old. As an increasing number of farm businesses approach succession and transition of assets to a younger generation, there are a limited number of facilitators to aid in the process. These farm owners need access to group and individual education and facilitation.

#### **Recommended Solution:**

Maintain and Coordinate succession facilitators from University of Wisconsin-Center for Dairy Profitability, University of Wisconsin-Extension, Wisconsin Department of Agriculture, Trade and Consumer Protection (Farm Center), and Wisconsin Technical Colleges across the state. This may be accomplished by creating an administrative board which would coordinate statewide activities and serve as a central clearinghouse for program resources and information. Such a centralized board may also seek funding support from USDA, other granting agencies, or the recommended Dairy Innovation Hub to hire additional facilitators.

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### Recommendation #28

#### **Review eligibility for DWD services for self-employed individuals**

**Sub-committee:** Generational Succession and Transition

**Submitted by:** Charles Untz

**Problem Statement:** The Wisconsin Department of Workforce Development is chartered in part to provide employment and training for adult workers to re-enter the workforce. However, self-employed workers who have lost their business—such as farmers—do not meet eligibility requirements under the dislocated worker program. They have not received a “notice of termination or layoff” from an employer.

#### **Recommended Solution:**

The State of Wisconsin should review the “Workforce Innovation and Opportunity Act (WIOA) Title 1. Eligibility Determination and Documentation, 8.2.2” to alter eligibility to include self-employed individuals.

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### Recommendation #3

#### **Encourage young people to pursue ag careers**

**Subcommittee:** Consumer Confidence and Perception

**Submitted by:** Dennis Bangart and Amy Penterman

**Problem Statement:** Agriculture in Wisconsin contributes nearly half million careers to the workforce in Wisconsin making it one of the state's single largest employment sectors. Yet, our rural communities struggle to retain our youth in an industry that requires high levels of science, technology, and skills to maintain this vital system.

## Recommended Solution:

To establish and offer model programs for communities, local businesses, and education systems in career path development programs targeting the agriculture career sector. The goal is to show that local industries, agriculture companies, manufacturers, and farms offer highly skilled and technical careers right in their local communities, with the ultimate goal of retaining or returning youth after education and attracting individuals with high skill sets into our local agriculture based infrastructures and economies.

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## Recommendation #4

### Need for a consistent industry message

**Subcommittee:** Consumer Confidence and Perception

**Submitted by:** Jen Walsh, Moriah Brey and Mark Stephenson

**Problem Statement:** The Consumer Confidence and Perception sub-committee of the Dairy Task Force 2.0 recognizes a need for a cohesive, consistent message about dairy to communicate to consumers by all players in the dairy industry to allow us to strengthen our positive message through repetition via multiple channels.

Most of us in the industry can recite the fact that dairy is a \$43 billion industry in Wisconsin<sup>2</sup>. We all recite the fact that 90% of Wisconsin's milk is made into cheese<sup>3</sup>. Let's broaden those succinct, well-known talking points to include a broader range of issues, including those that impact consumer confidence and perceptions about dairy; things such as nutrition, environmental stewardship, economic impact, animal care, etc.

## Recommended Solution:

We recommend creating a one-page reference sheet with key messages related to different facets of dairy to be distributed to key players, including the governor's office, farm organizations, universities, etc., to ensure that when we talk about dairy, we all speak with a united voice and send a consistent, positive message to consumers.

Creation of the reference sheet would be a multi-organizational effort, using research conducted by Dairy Management Inc. (DMI) and Dairy Farmers of Wisconsin regarding what dairy-specific topics are most relevant to consumers and the appropriate way to communicate these key messages to consumers.

- For example, research shows that few consumers know that all milk is antibiotic free.
- Research further shows that this misinformation creates consumer distrust.
- Therefore, we would include a talking point on antibiotics to ensure that whenever consumers hear about antibiotics in milk (or the lack thereof) they hear the same message communicated the same way that has been tested to ensure it has the intended impact on consumer confidence

Identifying the distribution list for the reference sheet would also be a multi-organizational effort to ensure that anyone engaged in Wisconsin's dairy industry

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<sup>2</sup> University of Wisconsin, Department of Agriculture & Applied Economics

<sup>3</sup> USDA AMS Milk Marketing and Utilization Summary

receives a copy. The reference sheet would also be available online, though ownership of the document would need to be determined.

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## Recommendation #9

### Support the National Dairy FARM Program or equivalent

**Subcommittee:** Consumer Confidence and Perception

**Submitted by:** Ted Galloway

**Problem Statement:** Ensuring that the state of Wisconsin's Dairy Industry receives ample supply of the highest quality milk is essential for processing superior quality dairy products, and healthy cows produce safe, wholesome milk. The Dairy Industry in partnership with dairy farmers have recognized a collaborative responsibility to ensure the best care is provided to dairy cows, not only because it's good for business but because it's the right thing to do. The Wisconsin Dairy Processors along with Wisconsin's Dairy Producers are firmly committed to ethical treatment of our dairy cattle and sustained animal wellness on dairy farms. The well-being of animals raised and used in the food supply is important to us, as it is to the consumers of our products.

#### Recommended Solution:

The Wisconsin Dairy Task force strongly supports that all dairy farms and manufacturers that supply our dairy processors with milk or dairy products do so in a manner that meets or exceeds industry standards and government regulations regarding animal welfare. Willful mistreatment or cruelty to animals is unacceptable and inconsistent with the values of dairy farmers.

The Wisconsin Dairy Task Force enthusiastically supports the animal care guidelines outlined in the National Dairy FARM (Farmers Assuring Responsible Management) Program and or an equivalent program and endorses suppliers to enroll and participate in FARM. Any equivalent programs must be science-based and cow-centric.

The Program is founded on the principles of continuous improvement, details specific animal care guidelines and best practices that are available at [www.nationaldairyfarm.com](http://www.nationaldairyfarm.com). Our suppliers will encourage this continuous improvement with their producers, make every effort to report progress on FARM program implementation and be as transparent as possible.

FARM has four program silos that are implemented with dairy producers, processors and industry partners to assure the highest standards on U.S. dairy farms.

Those silos focuses are;

- Animal Care – Demonstrating Excellent Cow Care
- Environment Stewardship – Protecting the Environment for Generations to Come
- Antibiotic Stewardship – Producing Safe, Wholesome Milk
- Workforce Development – Best Management Practices on Human Resources (Hiring, Training and supervision), Worker Health and Worker Safety

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## Recommendation #29

### Truth in food labeling

**Sub-committee:** Consumer Perception and Confidence

**Submitted by:** Patty Edelburg

**Problem Statement:** Thorough and accurate food labels are an important tool that helps consumers make informed purchase decisions and allows producers to differentiate their products.

#### Recommended Solution:

We strongly encourage DATCP and Wisconsin DOJ to do all they can to work with state attorney generals as well as Congress, FDA, and USDA to implement truth in labeling laws. We encourage DATCP and Wisconsin DOJ to encourage labeling requirements that better inform consumers about the difference between dairy products and plant based beverages and products as well as beef products that come from cattle and those that were created in a laboratory.

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## Recommendation #6

### Reduce barriers for farmers to utilize services from DWD DVR

**Sub-committee:** Education and Workforce

**Submitted by:** Krista Knigge and Mark Stephenson

**Problem Statement:** The Wisconsin Division of Vocational Rehabilitation (WDVR) created a policy in 2016 which significantly reduced the number of farmers with disabilities that WDVR serves. The "Existing Business Policy" requires farmers/consumers who own an existing business and want assistance from WDVR to provide three prior years of taxes to demonstrate both profitability and that the farmer/business owner earned minimum wage or above for hours worked for each of those three years. Most farmers/small business owners cannot meet this stringent Wisconsin-created policy. This policy has dramatically reduced the number of farmers with disabilities WDVR served from 80-100 farmers per year to approximately five per year since 2016.

#### Recommended Solution:

1. Retire the current Existing Business policy.
2. Update and reinstate the "Toolkit for Existing Farms". The Toolkit for Existing Farms process permitted the WDVR to provide services to approximately 80-100 farmers with disabilities each year. With this WDVR assistance, 95% of those farmers were able to continue farming for at least five or more years.
3. Add a fee schedule to the Toolkit for Existing Farms that would assure the WDVR that the historical \$1-\$1.5 million expenditure for farmers per federal fiscal year would again be the norm.
  - a. The 2014 \$9.4 million cited by WDVR as the amount that they spent on 164 farmers with disabilities was one of the reasons for creating the Existing Business policy. The \$9.4 million expenditure was due to a 100% increase in the number of farmers with disabilities DVR typically serves. This surge in

numbers was due to WDVR activating individuals from a wait list including farmers with disabilities.

- b. In an analysis of 177 farm cases, the WDVR's average farmer case service expenditure was approximately \$36,000.
- c. A fee schedule where WDVR covers 100% of the costs up to \$36,000.00 and a 50/50 cost share between WDVR and the farmer for costs over \$36,000 would align to a similar fee schedule in WDVR's Self-Employment Start-up Toolkit.

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## Recommendation #17

### Assist rural businesses pursue healthy workplace practices

**Sub-committee:** Education and Workforce

**Submitted by:** Paul Scharfman

**Problem Statement:** There is a "hidden workforce" in rural Wisconsin. These are people who want to work but who cannot overcome the barriers to work on their own. A survey conducted by the UW-Population Health Institute (<https://uwphi.pophealth.wisc.edu/>) identified transportation to work, access to health insurance, and childcare as the most limiting barriers. Freeing them to join the workforce would benefit the worker, their community's businesses and their community.

#### Recommended Solution:

1. The State of Wisconsin financially assist rural businesses who pursue healthy workplace practices.
  - a. Access the UW-Population Health Institute to conduct a study identifying the potential workforce by county across the state.
  - b. Partially cost offset rideshare-type programs to get people to work.
  - c. Partially cost offset access to health insurance.
  - d. Partially cost offset access to childcare.
  - e. Stipulate that all funding comes with the requirement that participating businesses must adhere to the principals of the Equal Employment Opportunity Act of non-discrimination in hiring or pay level on the basis of race, color, national origin, religion, age, equal pay, disability, genetic information, or criminal background.
  - f. Stipulate that all funding comes with the requirement that participating businesses must train their management and supervisors in the "soft skills" of managing a diverse workforce (such training will be partially funded by the State).
  - g. Help fund social media campaign and/or articles that explain the program to the public.
  - h. Promote the program and also look for additional funding support through the Department of Workforce Development.

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## Recommendation #24

### Develop a dairy internship program

**Sub-committee:** Education and Workforce

**Submitted by:** Rene Johnson, John Schmidt

**Problem Statement:** Many students do not perceive agriculture as a career option.

#### Recommended Solution:

**Develop a Dairy Internship Program** to attract university and technical college students to production agriculture. The internship program will be offered through universities and technical colleges with agricultural programs across the state of Wisconsin. University and colleges will assist hosting businesses in outlining a project, creating a list of responsibilities, wage and work schedule. The Dairy Task Force is requesting state funding for this project. Internship guidelines include:

1. A host business comes forward with the desire to have an intern.
2. The educator helps the dairy outline an internship project, job duties and expectations. In addition, a work schedule and time frame for the internship are outlined. At this time the hosting business is learning things that will assist them with the intern and also with basic employee management. Specifically focusing on:
  - o Soft Skills – basic management practices to encourage a positive work environment. How to interact with employees in a constructive manner and ways to encourage development within your company and the agriculture industry. Develop a productive, kind, patient and safe work environment. Establish real tools for the employer to work with to encourage positive relationships with their employees and family members.
3. The internship is posted at university and technical colleges looking for applicants. The local educators can help screen potential candidates for the host business and screen a smaller group for interviews.
4. The host business interviews and offers the internship to potential candidate.
5. During the internship the educator will check in monthly with the intern and host business to evaluate progress.
6. At the end of the internship the intern will present their learning and findings on the project to the host business and educator.

We would like a three-year commitment for this program and our goal is the development of ten internships per year.

The annual funding requested is:

\$2000 per internship x 10 interns from the State of Wisconsin: \$20,000

Marketing of the program through Technical College in-kind budget: \$2,000

Total: \$22,000 per year

The \$2,000 per intern would be given to the university or technical college to provide direction, support and guidance to the host farm and intern – the farm is responsible for paying the labor cost of the intern.

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## Recommendation #5

### Need to study the impact of dairy and agriculture on local communities

**Subcommittee:** Dairy and Rural Community Vitality

**Submitted by:** Dennis Bangart, Darin Von Ruden and John Schmidt

**Problem Statement:** Wisconsin's economy ranks number 11 in the United States at \$342 billion annually. Agriculture in general is 25.75% of this at \$88.2 billion and dairy is 12.7% of the total at \$43.3 billion.

Dairy supports one out of ten jobs in Wisconsin, and the economic impact supports an additional 1.46 jobs. The average cow in Wisconsin generates \$34,000 of economic activity every year. Agriculture, and especially dairy, is an important economic driver for the state of Wisconsin.

#### Recommended Solution:

Additional funding should be budgeted for the University of Wisconsin to study existing or proposed dairy and agricultural infrastructures in a community, county, or broader region and the benefits of the impact that currently exists or the benefits of future impact where new infrastructure is proposed. This could be a partnership program with business development under the other cabinet secretaries' areas. The goal is to bring economic studies and indices to the awareness of local communities and their local contributions of the dairy and agricultural sector. These models of local contributions can then be used for the creation of tools to identify dairy and agricultural opportunities in the local infrastructure as well as provide a viewpoint of the importance the sector already serves.

The program may be open to models that emphasize either production agriculture or agri-business or a combination of both. Demographic and economic history, trends, or proposed changes within the models should be used to help communities set goals for the continued integrity of their community or proposed long-term benefits of future infrastructure changes.

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## Recommendation #8

### Establishment of ag-based programs at the local level

**Subcommittee:** Dairy and Rural Community Vitality

**Submitted by:** Elizabeth Wells, Dennis Bangart and Michael DeLong

**Problem Statement:** The economic impact of the dairy industry on the state's Gross Domestic Product is not well understood. This literacy should be enhanced and made accessible to local decision-makers throughout the state.

#### Recommended Solution:

The Dairy Task Force 2.0 endorses the establishment and maintenance of agriculturally based programs with emphasis on dairy in chambers of commerce, extension networks, and workforce development programs throughout the state. These agriculturally based programs should build understanding of agriculture's economic impact, enhance the agriculture infrastructure, educates the consumer on farm origination to table destination, promote agriculture career development, and works to improve the vitality of Wisconsin's rural heritage.

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## Recommendation #10

### **Solutions for local road infrastructure support and maintenance funds**

**Subcommittee:** Dairy and Rural Community Vitality

**Submitted by:** Don Hamm, Jerry Schroeder and Dave Buholzer

**Problem Statement:** Rural communities need access to road infrastructure support and maintenance funds.

#### Recommended Solution:

1. Mandating that a set percent of the total transportation budget for the State of Wisconsin goes to local roads.
2. Class A trucks used to haul feed and/or manure should be treated the same as milk trucks (heavy truck fee)
3. Support a local wheel tax for towns and/or counties
4. Looking at road bonding thru insurance companies or a Line of Credit
5. Farms that are large enough to generate substantial heavy vehicle traffic could partner with local towns to help build roads out to a major highway.
6. Dyed fuel tax for farm equipment that would go directly back to the townships, not thru the General Transportation Fund.

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## Recommendation #11

### **Educational programming for non-farm audiences**

**Subcommittee:** Dairy and Rural Community Vitality

**Submitted by:** Janet Clark

**Problem Statement:** As generations of employees are becoming further removed from the farm, they have little experience with today's modern farming practices. It is important for our community of employees to have a connection with these practices. Therefore, it is vital to create educational opportunities to be available to Wisconsin businesses to train their employees in today's modern farming practices.

#### Recommended Solution:

The Task Force recommends these educational programs include the following:

1. Basics of a Dairy Cow: This course would cover how milk is produced, different dairy facilities and how farmers care for their animals.
2. Farming Essentials: This course would focus on land and crop management. It would include the different types of farming, from grazing, organic to conventional. The importance of manure management to cropping systems.
3. Business Management: This course would culminate the business needs of a dairy farm; how the dairy cow, land & feed management filter into the business management of a farm. Creating an understanding of different business structures and how new ideas and methods can impact a dairy farm.

We further recommend that grant funding be created for organizations that are creating these educational opportunities. These funds would be available for day of training expenses.

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## Recommendation #14

### **Assist farms develop and market agritourism**

**Sub-committee:** Dairy and Rural Community Vitality

**Submitted by:** Melissa Haag, Janet Clark and John Schmidt

**Problem Statement:** Agritourism businesses are important specialties for many small dairies throughout the state of Wisconsin. Some of these agritourism businesses provide a form of entertainment for spectators to enjoy a taste of an agricultural lifestyle. Other agritourism businesses produce a specific dairy food product that allows consumers to directly connect to a farm where their food comes from. There is a growing population of farms looking at developing future business plans that involve agritourism as a way to diversify their small operation. Agritourism is important to the economic vitality of small, rural communities and the Wisconsin dairy industry.

#### Recommended Solution:

1. Pathways in Education: We recommend a document(s) be drafted that highlights a step by step process for farms to follow that could help standardize and reduce risk for the farms providing on-site tours of their operations. Each farm would have the freedom to put their own local spin on their tour. The documents can include but are not limited to resources for media training, communicating with consumers and identify the financial risk of hosting tours (i.e. compensation for time dedicated to giving tours and ways to protect yourself from the liability of hosting events)
2. Centralized Marketing for Farms participating in agritourism: We recommend a centralized location(s) (i.e. website, farm listing brochures) for farms who want to advertise their agritourism business or product. Consumers could seek out a variety of contact information in one location for farms around Wisconsin that provide agritourism activities.
3. Assist in getting our small, specialty cheese, ice cream, yogurt, and fluid milk creameries store exposure.

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## Recommendation #15

### **Support for broadband internet services in rural communities**

**Sub-committee:** Dairy and Rural Community Vitality

**Submitted by:** Melissa Haag, Janet Clark and Mike DeLong

**Problem Statement:** Options for internet services in rural areas are extremely limited. The few options that are available usually come with data cap restrictions or are of a very slow service speed. The technological capabilities and communication expectations of modern day society depend on reliant and fast internet services. We feel that it would be important for families living in rural communities to have access to broadband internet services.

### Recommended Solution:

We recommend support for Wisconsin legislators to continue investigating the possibility of making this a reality for rural Wisconsin communities. As family farms are trying to upgrade technology that might make their farms more efficient, there will be an increasing need for them to utilize broadband.

Additionally, if we want to keep a subset of our population living in rural communities, we need to have efficient way for them to communicate and work with the population living in the cities. There are numerous job opportunities that can allow a spouse to work from home, provided they are connected via the internet. Adequate internet service would give families the option to live in a rural community, having one spouse work on a farm or at a local business, while the other spouse potentially holds a job connected via electronic communication. We recommend supporting and researching opportunities for broadband internet services in our rural Wisconsin communities.

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### Recommendation #16

#### **Require animal official identification**

**Sub-committee:** Dairy and Rural Community Vitality

**Submitted by:** Melissa Haag

**Problem Statement:** The threat of a contagious, zoonotic, or foreign animal disease is an ever present risk to the livestock on our dairy farms. Accountability of individual animals and the ability to trace their movements from a processing facility to farm of origin is important for veterinary teams to contain, isolate, and quarantine potentially infected or exposed facilities. Once a disease is identified, the goal is to limit the spread as efficiently as possible, thereby affecting the fewest number of farms. The financial impacts for a dairy having to deal with an outbreak of this magnitude can be extremely

### Recommended Solution:

Looking proactively, a system of unique individual animal identification on every animal that leaves a dairy premise would help create an efficient paper trail for traceability of animal movement. Should an infected animal be positively identified on another farm or in the food processing system, unique animal identification provides a streamlined path in which to identify the locations that animal has been and/or was raised.

Official animal identification is already required for interstate movement of cattle. Our recommendation would be that any bovine leaving a farm for sale, exhibition, or for slaughter be identified with official identification. Official identification options include: Brucellosis vaccination eartag, 840 AINs, or Silver/Brite tags.

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### Recommendation #36

#### **Encourage dairy producers to run for local offices and commissions**

**Sub-committee:** Dairy and Rural Community Vitality

**Submitted by:** Don Hamm

**Problem Statement:** Urbanization of Wisconsin's rural communities can mean that township boards and planning commissions are filled with members who do not have a

farm background or appreciate the complexities of operating a farm business. This can lead to local ordinances which unfairly restrict vehicle movement or practices necessary to farming operations.

#### **Recommended Solution:**

The Dairy Task Force 2.0 recommends dairy producers run for local town offices and serve on local plan commissions.

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### **Recommendation #7**

#### **Become one of the dairy product and business innovation centers**

**Sub-committee:** Markets

**Submitted by:** Dave Daniels

**Problem Statement:** The Agriculture Improvement Act of 2018, also known as the “Farm Bill” was passed by Congress and signed into federal law at the end of 2018. It contained language and authorization to establish not less than three dairy product and business innovation initiatives. The effort talks about drawing on existing industry resources such as academic and industry expertise, a dense dairy population, etc. These are all conditions of the resources available for the Wisconsin dairy industry.

#### **Recommended Solution:**

Coordinating across the University of Wisconsin, DATCP, industry associations and others, a proposal should be prepared and submitted to become one of the regionally-located dairy product and business innovation centers.

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### **Recommendation #12**

#### **Need to have and understand a contract/member agreement**

**Sub-committee:** Markets

**Submitted by:** Beth Wells

**Problem Statement:** Extra milk supply, trade disputes, and policy changes have led to abrupt dismissal of dairy farm markets for milk. Short notices of no longer needing a producer’s milk can have catastrophic consequences for an individual farmer who struggles to find a new home for his/her perishable product.

#### **Recommended Solution:**

We strongly encourage all milk producers and buyers to have a current contract/member agreement with the organization marketing the farm’s milk. It is further encouraged that the producer and buyer understand and communicate: the notice period in which either party can exit, the policies/requirements that the either party must meet to be in compliance, and the actions that can be enforced if either party is in breach of the contract/agreement.

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### Recommendation #13

#### **Reduce the number of milk classes from the current four to two**

**Sub-committee:** Markets

**Submitted by:** Ted Galloway and Mark Stephenson

**Problem Statement:** Federal Order milk pricing has evolved to its current incarnation over many years. In the 1940s and 1950s, some orders had as many as eight classes of milk with minimum prices in each class depending on products made from the milk. That complexity was reduced to the current four classes—milk used for fluid purposes, soft products, cheese, and butter and milk powders. Pooling of milk values across these classes renders plants relatively indifferent to giving up milk to the highest and best use of milk and diminishes the overall value of the pool.

#### **Recommended Solution:**

Reduce the number of milk classes from the current four to only two classes.

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### Recommendation #30

#### **Support processors with load consolidation and logistics planning**

**Sub-committee:** Markets

**Submitted by:** Dr. John Lucey

**Problem Statement:** Due to its Midwest location, Wisconsin faces logistical obstacles with exporting products via either East or West coast port locations. These are significant challenges with smaller volume products like specialty cheese where help would be needed for consolidation of loads into shipping container lots.

#### **Recommended Solution:**

There is opportunity to support small to medium size processors in load consolidation to support the logistics planning effort underway by the DOT.

We recommend exploring the need and funding for cold-storage facilities to aggregate loads to full containers, ready for domestic and international transport. We also recommend continued collaboration with DOT and other public and private partners to develop a logistics plan to provide more cost-competitive freight/shipping.

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### Recommendation #31

#### **Feasibility study for Wisconsin Cheese Brand and Export Board**

**Sub-committee:** Markets

**Submitted by:** Dr. John Lucey

**Problem Statement:** A growing number of Wisconsin dairy companies are becoming interested in exports. It is challenging for all our medium to small plants to have the resources and expertise to develop relationships with overseas buyers, understand all export requirements and have sufficient product on their own for cost-effective shipping and distribution. With over 200 Wisconsin dairy plants it is also confusing to overseas consumers/buyers to understand who all these Wisconsin cheese plants are and we lack a single brand identity.

### Recommended Solution:

Initiate a feasibility study on the development for a Wisconsin Cheese Brand to be sold internationally in same vein as the Irish Dairy Board did with Kerrygold. In addition to a single brand this Wisconsin Export Board could be responsible for logistics, buyer relations, collating loads, etc. It is envisioned that this board would partner with organization like Dairy Farmers of Wisconsin, DATCP, WEDC, USDEC, CDR and have member cheese companies.

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### Recommendation #32

#### **Create a Cheese Export program at CDR with technical staff support**

**Sub-committee:** Markets

**Submitted by:** Dr. John Lucey

**Problem Statement:** Wisconsin cheese companies need technical assistance in developing successful products for exports. This includes tailoring performance, flavor, type of inclusions, and shelf-life extension in order to satisfy these new consumers. CDR has successfully assisted Wisconsin cheese companies to develop most of the specialty cheese products in the past 30 years but currently lack sufficient resources to support a major initiative to developing export cheeses.

### Recommended Solution:

Create a Cheese Export program at CDR, modeled after their successful Specialty Cheese program, and provide funding for the additional technical staff needed to support such a program. These staff would support innovation around developing new cheese varieties and other value-added dairy products, optimizing performance/shelf-life, developing new training programs, participation on overseas trade missions, etc.

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### Recommendation #33

#### **Work to conduct detailed consumer preferences and insight studies**

**Sub-committee:** Markets

**Submitted by:** Dr. John Lucey

**Problem Statement:** Wisconsin cheese companies lack information on consumer preferences in key overseas export markets. This makes it challenging for these companies to know if they can successfully export current product lines, if they need to adjust them, or if they should develop new products for these markets. Conducting detailed consumer insights and preferences studies is expensive and complex if they had to be performed in multiple overseas market places by individual manufacturers.

### Recommended Solution:

CDR should work with USDEC/DATCP to identify key export markets and primary target cheese types. The CDR should then conduct detailed consumer preferences and insights studies here in Wisconsin by recruiting students or individuals who have recently arrived from these key export markets. There are thousands of international students and staff living/studying in the Dane county region covering a wide range of ethnic groups. The goal is to build up a database of detailed profiles of what the consumers in

these regions want, expect and prefer in their cheeses. That information can be provided to any Wisconsin cheese company that wants to export to that region. These consumer panels could also be used by Wisconsin cheese companies to conduct specific focus groups on their products.

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## Recommendation #18

### Beginning farmer program modernization

**Subcommittee:** Access to Capital

**Submitted by:** Bradley Guse

**Problem Statement:** The capital required to enter the dairy industry as either a producer or a processor creates a barrier to entry preventing the continual evolution of the industry. The large capital requirements to enter result in a higher financial risk profile limiting available options to gain start up financing. While programs exist at both the USDA – Farm Service Agency (FSA) and Wisconsin Housing and Economic Development Authority (WHEDA), each of them has limitations when it comes to supporting entry. The first limitation is in the new farmer's entry into operations through ownership in a Corporation, LLC or LLP structure. This is often times a more efficient way for a new farmer to transfer ownership and should be facilitated rather than limited. Secondly, where those entities are not used, shared facility arrangements and rules with regards to what constitutes an operating entity, impacts borrower eligibility.

#### Recommended Solution:

1. That WHEDA and FSA both make appropriate changes to their programs eligibility requirements to allow:
  - a. Making beginning farmer loan programs available to members of a LLC, LLP or Corporation, if the individual otherwise would meet the beginning farmer definitions, helping the individual to become an owner, through purchase of a portion of the business, rather than hard assets.
  - b. Modernize and facilitate a method simplifying shared facility agreements to insure eligibility for beginning farmer loans is not impacted.
2. That WHEDA modernize their loan guarantee programs to include an effective tool to support beginning and start up dairy manufacturers and processors furthering innovation and market development expanding our world class specialty cheese and dairy product industry.

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## Recommendation #19

### Capital for new and emerging technology

**Subcommittee:** Access to Capital

**Submitted by:** Bradley Guse

**Problem Statement:** Clean water and management of nutrients continues to be an area that dairy processors and producers work to improve upon through implementation of new technologies. The challenge is that many times these new and emerging technologies have no or limited track records of performance in the

production agriculture or processor space resulting in limited collateral value which in turn impacts the availability of capital/financing available to fund the implementation. Additionally, the implementation represents an added layer of financial risk for the operation, further impacting availability of financing.

Spurring the development of new environmental technology systems and adaptations to the dairy producer and processor space is also seen as a key component to development of proven and reliable systems that can add value to the operations where they are implemented, thus making traditional financing a viable option.

### Recommended Solution:

Mark Binversie – Investors Community Bank, Sam Miller – BMO Harris Bank and Greg Steele – Compeer Financial, penned a Nutrient Environmental Technology Program proposal that provides for a loan guarantee program and developer grant program as detailed below, modified by the access to credit committee to include dairy processors as eligible users.

<b>Nutrient Environmental Technology Loan Guarantee Program</b>	
<b>Purpose:</b>	To encourage the adoption of new nutrient management and odor mitigation technology by reducing financial risk.
<b>What is Eligible:</b>	New waste management technology like anaerobic digesters and electricity production systems, separators, lagoon covers, aeration systems, and additional reception pits, pipes and pumps needed to accomplish the process of the waste management technology.
<b>Who is Eligible:</b>	Any livestock producer, dairy processor or company working on a program to handle waste and odor mitigation for dairy farming or dairy processing.
<b>What is Ineligible:</b>	Traditional systems/technology like clay lined or concrete storage pits or lagoons, or any vessel that as its function stores manure or waste. Equipment used to convey or transport waste.
<b>Guarantee Limit:</b>	\$1,000,000
<b>Collateral:</b>	2nd or 3rd real estate mortgage and fixtures disclaimer on the items financed and best obtainable lien on any other available assets.
<b>Guarantee:</b>	90%
<b>Financial requirements:</b>	25% post close owner equity and 1.25 debt coverage ratio.
	Or
	40% post close owner equity and 1.1 debt coverage ratio.
	(Based on 3-year average using proforma numbers and 20-year amortization on real estate and 7-year amortization on personal property.)
<b>Loan Parameters:</b>	Loan can be any amount (TBD) per site with multiple loans (sites) eligible. Requiring at least a 10% down payment from other sources on each project.

	Lender can provide interest only for 1 year.
	This loan is designed to be in a junior position to existing financing and is eligible to subordinate to future financing needs.
	Loan can exceed the appraisal amounts by up to \$500,000

<b>Loan Guarantee Program Examples</b>	
<b>Example A</b>	
Digester system	\$ 600,000
plus soft costs	60,000
less ineligible	(40,000)
subtotal	\$ 620,000
less down payment (10%)	(62,000)
Total Loan	\$ 558,000
Guaranteed amount (90%)	\$ 502,200
unguaranteed amount	\$ 55,800
plus down payment and ineligible	\$ 102,000
<b>Example B</b>	
Manure separator system	\$ 90,000
plus soft costs	10,000
less ineligible	(5,000)
subtotal	\$ 95,000
less down payment (10%)	(9,500)
Total Loan	\$ 85,500
Guaranteed amount (90%)	\$ 76,950
unguaranteed amount	\$ 8,550
plus down payment and ineligible	\$ 14,500

Nutrient Environmental Technology Technology Developer Grant Program	
<b>Guidelines</b>	
<b>Purpose:</b>	To facilitate the development and commercialization of new nutrient management and odor mitigation technology.
<b>What is Eligible:</b>	The installation of commercial scale pilot systems for the research and development new nutrient management and odor mitigation technologies. These projects must lead to new or significantly improved products or processes and have a high probability of commercial success within a relatively short time period (2-3 years). Technologies must provide significant economic benefit to Wisconsin.
<b>Who is Eligible:</b>	Any Wisconsin company or consortium working to develop on a system to better address nutrient management and odor mitigation issues can apply for funds. A consortium is an association between a Wisconsin business and a Wisconsin higher educational institution.
<b>What is Ineligible:</b>	Technologies that have already been commercialized.
<b>Grant Limit:</b>	\$100,000
<b>Participation Limit:</b>	Maximum of 50% of total project Cost
<b>Grant Parameters:</b>	The scientific and technical merit of the technologies would be evaluated by an independent peer review panel.

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## Recommendation #20

### Establishment of a Farm Savings Account for farmers

**Subcommittee:** Access to Capital

**Submitted by:** Jon Accola

**Problem Statement:** Milk price volatility has become greater over the past several cycles. In high price years, like 2014, farmers seek to avoid income taxes by investing in productive assets—many of which can be expensed in the income-earning year. These assets can contribute to excess milk production in the subsequent years causing deep and/or prolonged downturns in milk prices.

#### Recommended Solution:

Based off the premise that farmers could use a way to delay paying taxes on farm income for a specified period. The Farm Savings Account (FSA) would allow them to save income in good years and use this income in years when farm income is down.

There have been numerous programs such as this introduced over the last 10-20 years. Sen Charles Grassley introduced a similar program in a bill that never made it to passage. The idea has been intriguing since it uses the same thought process as the tax deferred retirement accounts most of us use today.

The FSA is another risk management tool that farmer could use. In the most basic form, it does not generate any more revenue than the interest income that would

accumulate in the “tax deferred saving account”. Some of the ideas brought forth in years past had incentives and matching funds tied to these savings accounts.

Taxes would be deferred on the funds in the FSA until the funds are needed as income or the time limit has been reached for having the funds in this tax deferred account.

The primary thought process is that at the end of good income years farmers use their excess cash to make capital purchases to reduce their tax burden. In most all business' purchasing an item solely for the purpose of reducing taxes is usually not the best use of funds. There are many factors that go into making purchases of equipment and other capital items. Most notably is that there is a plan and a budget to follow that most likely was developed many months or even years ago.

The programs that have been introduced previously had specific limits on the percent of gross income that could be contributed each year. Some even had a maximum contribution which would limit the potential benefit to the largest farmers. There was also discussion of using this program to help offset income in low farm income years.

We do know that most farmers have the ability to do income averaging that could produce similar tax savings to what has been proposed above. Once again this takes planning and the ability to know what your current tax liability might be at any point in time during the year.

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### Recommendation #53

#### Support the Access to Better Credit (ABC) Act

**Sub-committee:** Access to Capital

**Submitted by:** Bradley Guse

**Problem Statement:** With current dairy economics, farm margins are strained resulting in additional risk to lending institutions providing credit to dairy producers. This additional risk adds cost to the lending institution which could result in less willing creditors in the agricultural lending space, or an increase in cost passed on to producers that will further decrease margins for dairy farmers further impacting one of the state's most vital industries. In addition, this levels the playing field between lending institutions in the ag space.

#### Recommended Solution:

The Wisconsin Bankers Association has proposed through public comment for consideration by the access to credit committee a bill to address the taxation of interest earned on loans made for primarily agricultural purposes. A summary of the bill is as follows

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.

#### 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.
- 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 \$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.

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#### Recommendation #34

### Create an app for dairy producers and associates on major topics

**Sub-committee:** Regulatory Certainty

**Submitted by:** Moriah Brey

**Problem Statement:** Dairy producers are often asked by neighbors, their community or the media about topics pertaining to the industry. Accessing pertinent facts and supporting material can be time consuming and difficult. And, the message should be audience specific.

#### Recommended Solution:

Dairy Farmers of Wisconsin would **create an app for phones and tablets where timely messaging can be accessed**. Producers and associates would use the messaging and data found in the app to enhance the dialogue within their own network.

The app could be most useful if topic navigation was rapidly branching. For instance, a few major categories like Dairy production; Dairy products in the human diet; Animal welfare; Manure handling; etc. Then under a heading like Animal welfare, there might be some additional divisions like: Tail docking; Calf care; Cow comfort, etc. with talking points about each subject. Then if a producer knew that someone wanted to ask about a particular subject, thoughtful talking points could be accessed quickly.

This could also be useful for an overnight and timely topic like when BSE or tuberculosis was found in a cow. A new sort of “emergency heading” could appear on the app to provide talking points in a matter of hours. The material on such an app can be kept current and maybe each of the topical headings could have a URL that you could push as a SMS to a reporter that would provide more detail and science-based information.

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## Recommendation #38

### Address regulations impacting milk haulers

**Sub-committee:** Regulatory Certainty

**Submitted by:** Jerry Schroeder

**Problem Statement:** The dairy industry relies on efficient milk hauling across its road network to assemble milk from farms to plants and to move liquid ingredients between plants. There are many places where the Wisconsin state regulations do not align with neighboring states, or the dairy industry is treated differently from other industries operating in the same geography within the state. These regulations should be harmonized.

#### Recommended Solution:

1. The Federal Motor Carrier Safety Administration (FMCSA) Hours of Service (HOS) Electronic Logging Device (ELD) exemption - 49 CFR 395.1 (K) allows states to determine the time durations of said exemption.

Currently the Wisconsin Motor Carrier Safety Regulation – Trans 325.01 definition states:

*“In this chapter, “planting and harvesting season” means the period of time beginning March 15 through December 15 of each year.”*

Proposal to modify the definition to:

*“In this chapter, “planting and harvesting season” means the period of time beginning ~~March 15~~ January 1 through December 15 31 of each year.”*

This modification aligns with the State of Illinois and Michigan provisions.

2. Wisconsin Department of Transportation – DTSD Condition Sheet for Oversize/Overweight Permits.

“Fluid milk product” (FMP) is defined by 7 CFR 1000.15 and currently states:

*“...any milk products in fluid or frozen form that are intended to be used as beverages...”*

Proposal to modify to:

*“...any milk products from the point of production to another point of production or the first point of processing ...”*

This would apply to overweight permits when hauling FMP at 98,000 pounds.

3. Increase FMP legal weights on Class “A” highways from 75,000 pounds to 82,500 pounds for vehicles not in combination (i.e. 5-axle straight trucks.)

This can be accomplished by adding FMP to Wisconsin Statute s348.27(9m) covering Raw Forest and Agricultural Products Weight Limitations.

4. Exempt trucks transporting FMP from spring thaw frost laws on Class “A” highways which would be similar to the forest products exemptions.

5. Support potential new legislation that would create a new annual permit allowing an increase in weight of CMVs up to 91,000 pounds on six (6) axles on roads up to 15 miles departure off of the state highway system.

Include CMVs transporting FMP at increased permitted weights.

6. Require local municipalities, towns, and counties to work with businesses transporting products to and from the farms.

Determine safe, efficient routing to and from farms

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### Recommendation #39

#### **Bulk Milk Weighers and Samplers license reciprocity**

**Sub-committee:** Regulatory Certainty

**Submitted by:** Jerry Schroeder

**Problem Statement:** Currently licensed Bulk Milk Weighers and Samplers must have licenses in multiple states. This imposes an unnecessary regulatory burden of paperwork on milk haulers moving product across multiple states.

#### **Recommended Solution:**

That Wisconsin recognizes and passes occupational licensing reciprocity dealing with agricultural services which would include, but not be limited to, Bulk Milk Weighers and Samplers.

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### Recommendation #41

#### **Support for public and private partnerships**

**Sub-committee:** Regulatory Certainty

**Submitted by:** Ted Galloway

**Problem Statement:** For Wisconsin to remain the leader in milk production and dairy processing, it is essential that industry challenges are addressed on a timely basis and our state's resources are properly aligned to the problem at hand. Coordinating and advancing disparate interests of our common industry will assure a leading position in the dairy world.

#### **Recommended Solution:**

In order to meet this goal, private industry, Cooperative networks, educational institutions and government at each level must work communicate and work collectively. This will require all these entities to collaborate toward the common goal of advancing the industry.

DATCP could be the lead facilitator to unify and coordinate the parties. The supporting members for this resource group would be comprised of interest groups similar to the Dairy Task Force 2.0. The department would assist to identify and correct discrepancies and irregularities with the result being a one-stop resource to coordinate many facets of the dairy industry—environmental, food safety, and animal welfare, etc. Trade associations would assist the Department with the unification of all interests concerning the advancements of the dairy industry.

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## Recommendation #47

### Need for regulatory certainty and consistency

**Sub-committee:** Regulatory Certainty

**Submitted by:** Brad Guse and Amy Penterman

**Problem Statement:** Regulation and enforcement of regulations are necessary to protect the natural resources of Wisconsin and the public health while serving the public good. Regulations should be based on sound science and actual issues rather than perceived issues or opinions. Regulations requiring a change of practice often result in a cost of compliance to existing operations. Inconsistent enforcement of regulations between jurisdictions adds confusion and can unfairly add costs where compliance is non-uniformly imposed.

#### Recommended Solution:

1. That a state level regulatory clearing house be created including membership from all impacted stakeholders to ensure the following:
  - a. That all new regulation is science based
  - b. To determine the appropriate enforcement agency to insure consistency across jurisdictions when state level consistency is warranted.
2. That a financial impact study be conducted on each new practice required by a new regulation to ensure financial feasibility for the dairy producer or processor. Where that financial feasibility is limited, a funding source or cost sharing source must be identified to support the implementation of the new practice. We highly recommend the creation of an environmental and clean water "super fund" at the state level in order to provide support for implementation of all environmental and clean water regulations not found to be financially feasible but viable. This should be available to operations of all sizes to insure implementation at all levels.

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## Recommendation #48

### Remove the annual requirements for the rBST affidavit

**Sub-committee:** Regulatory Certainty

**Submitted by:** David Ward

**Problem Statement:** Currently dairy cooperatives proprietary handlers and milk contractors must obtain a signed and notarized affidavit every 12 months or less from every producer shipping milk identified as rBST-free. Many dairy cooperatives and processors in Wisconsin now require 100 percent rBST-free milk. The requirement to obtain a signature every year adds cost and record-keeping challenges for the industry.

The legislature was silent in on the duration of the affidavits when it enacted Wis. Stat. 97.25 in 1993 and it is inconsistent with requirements in other states. And, the vast majority of dairy processors require rBST-free milk in their products and the potential to lose a customer has meant the industry is doing a good job of policing itself

### Recommended Solution:

Remove the annual requirement for the rBST affidavit under Administrative Rule ATCP 83.02

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### Recommendation #35

#### Increasing milk quality standards

**Sub-committee:** Price Volatility and Profitability

**Submitted by:** Don Hamm

**Problem Statement:** The current upper legal limit of 750,000 somatic cells (SCC) per milliliter of milk has been in place since 1993. This is a limit that every dairy farm must meet to be able to sell Grade A milk under the Pasteurized Milk Ordinance (PMO). The legal limit for milk in the European Union is currently 400,000 SCC and dairy products exported from the U.S. to the EU must also meet this more restrictive level of quality. The current actual average SCC in the Upper Midwest is below 200,000 SCC.

### Recommended Solution:

We recommend changes to the Pasteurized Milk Ordinance (PMO) to harmonize the U.S. legal SCC level to that of the EU standard of 400,000. This would mean that exporters would not have to individually certify that each farm from which they procure milk meets the lower limit.

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### Recommendation #37

#### Understanding marketing tools available

**Sub-committee:** Price Volatility and Profitability

**Submitted by:** Don Hamm, Mike DeLong and Rene Johnson

**Problem Statement:** Price volatility and low milk prices through the bottom of the cycles, threaten the viability of dairy farmers who are “self-insuring.” Dairy producers need to understand the marketing tools available to them and make choices congruent with their individual business needs.

### Recommended Solution:

We recommend dairy producers work to understand the marketing tools that are available such as Dairy Revenue Protection (DRP), Dairy Margin Coverage (DMC), Livestock Gross Margin (LGM-Dairy), cash forward contracts, futures and options, etc. We encourage producers to use the tools that best fits their business.

We further recommend county Farm Service Agency (FSA), agricultural lenders, insurance providers, UW-Extension agents and marketing specialists work together to provide learning opportunities for Wisconsin dairy producers to deepen their knowledge of existing and new risk management and marketing tools available. A collaborative effort among these industry partners to educate dairy farmers with these pricing tools is essential for the long term stability of our dairy industry.

We challenge the Wisconsin Bankers Association to take the lead on organizing these meetings and invite the involvement of UW-Extension agents, county FSA offices, marketing specialists and insurance agents to join forces and host informative meetings

covering topics such as DRP, DMC, LGM, forward contracts, put options and direct marketing through their co-op or dairy plant.

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## Recommendation #40

### **Increasing demand for fluid milk consumption in schools**

**Sub-committee:** Price Volatility and Profitability

**Submitted by:** Mike DeLong

**Problem Statement:** Fluid milk consumption continues to decline. While the problem is multifaceted, making milk readily available in schools for after-sports consumption and refreshment breaks, may bolster current demand for the product and reinforce a life-long pattern of consumption.

#### Recommended Solution:

The Dairy Task Force 2.0 recommends Dairy Farmers of Wisconsin, Wisconsin FFA Chapters, dairy processors, dairy producers, dairy product distributors, the Wisconsin Association of School Boards, and Wisconsin schools work together to put dairy product vending machines in every school in Wisconsin (including universities) for students to purchase milk. The dairy product vending machines would offer milk in an easy to drink container that maintains freshness. We recommend that multiple flavors of milk be offered for sale.

We recommend the State of Wisconsin offer grants to schools or FFA chapters to purchase these dairy product vending machines. We recommend that Wisconsin processors be eligible for economic development grants or milk checkoff dollars be used to convert or enhance their product lines to be able to produce bottled milk containers for school vending machines.

We recommend that the milk bottled and sold in these machines be produced from Wisconsin Dairy Farms.

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## Recommendation #46

### **Need to understand milk pricing and provide training**

**Sub-committee:** Price Volatility and Profitability

**Submitted by:** Tom Crosby

**Problem Statement:** Milk price discovery and regulated pricing and pooling through Federal Milk Marketing Orders (FMMO) has evolved over more than seven decades. It is complex but no single aspect of dairy farm business impacts producer success more than the milk price itself. Dairy farmers need to understand how milk is priced to better anticipate price movements and to have input into changes to the Federal Orders themselves.

#### Recommended Solution:

The Dairy Task Force 2.0 recommends all dairy farmers develop a general understanding of how federal milk marketing orders work. We also recommend the UW Center for Dairy Profitability to hold seminars to educate farmers on this topic.

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## Recommendation #50

### Support H.R. 832, Whole Milk for 4 Healthy Kids Act of 2019

**Sub-committee:** Price Volatility and Profitability

**Submitted by:** Ryan Klussendorf

**Problem Statement:** In 2010, lawmakers passed The Healthy, Hunger Free Kids Act, which mandated all milk served in National School Lunch Program and School Breakfast Program had to be skim or low-fat, and any flavored milks had to be skim. This was followed by a significant decline of milk consumption in schools—28% in five years time. In 2018, Secretary of Agriculture, Sonny Purdue, allowed skim, 1% and 2% milk options to again be offered in schools, but whole milk products are still not available.

#### Recommended Solution:

We support Congressional passage of the “Whole Milk for 4 Healthy Kids Act of 2019” (H.R. 832) which would allow flexibility of school lunch programs to offer a variety of choice in flavored and unflavored milk, including whole milk.

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## Recommendation #51

### Mandatory pooling

**Sub-committee:** Price Volatility and Profitability

**Submitted by:** Ryan Klussendorf

**Problem Statement:** As milk has become long on the Upper Midwest market, manufacturing plants have depooled or partially depooled their milk from the federal milk marketing order allowing them to pay less than regulated minimum prices to producers.

#### Recommended Solution:

We support mandatory pooling of all classes of milk in a federal milk market area.

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## Recommendation #1

### Rural processors access to capital

**Sub-committee:** Access to Capital

**Submitted by:** Paul Scharfman and Bradley Guse

**Problem Statement:** Whereas, the Access to Capital committee of the Dairy Task Force 2.0 has determined a critical need for rural processor access to capital, and whereby the Wisconsin dairy farmers are dependent on a vibrant dairy processing infrastructure for both strong prices and access to markets, we hereby recommend the following:

#### Recommended Solution:

1. Recommend to the Governor that he request the Wisconsin Housing and Economic Development Authority (WHEDA) create a pilot loan guarantee program under the existing Agribusiness Guarantee program, setting aside up to \$3MM of their guarantee authority for this pilot program with the following modifications:

- a. For the pilot program only, change the maximum guarantee to the lesser of 25% of the loan amount or \$750,000
  - b. For the pilot program only, change this from a shared loss guarantee to a fixed amount guarantee for the life of the guarantee (last out).
  - c. Change maximum guarantee terms to:
    - i. Land and Buildings 10 years
    - ii. Inventory, Equipment, machinery to 5 years
    - iii. Permanent working capital to 2 year
  - d. Change the closing fee to 1.5% of the guarantee amount
2. Recommend to the Governor that he request WHEDA create the following permanent changes to the existing Agribusiness Guarantee Program:
- a. Change the maximum guarantee program to 90% of the loan amount up to \$750,000 (shared loss).
  - b. Change maximum guarantee terms to:
    - i. Land and Buildings 10 years
    - ii. Inventory, Equipment, machinery to 5 years
    - iii. Permanent working capital to 2 year
  - c. Change the closing fee to 1.5% of the guarantee amount
3. Recommend to the Governor that he work with the legislature to appropriate an additional \$10MM to support the guarantee loan fund held by WHEDA for the purpose of expanding the processor pilot program, while also supporting the modernization and expansion of the existing guarantee loan programs. Specifically, related to:
- a. Modernizing and expanding the CROP (Credit Relief Outreach Program) guarantee program to insure it is a meaningful and cost effective tool to support producers credit needs.
  - b. Expand and modernize the FARM (Farm Asset Reinvestment and Management) supporting access to credit for dairy farmers to modernize and implement technology in their operations to increase efficiency of operations.

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## Recommendation #2

### Dairy Innovation Hub

**Sub-committee:** Research and Innovation

**Submitted by:** Shelly Mayer

Problem Statement and Recommended Solution (on following pages):



## WHEN DAIRY IS STRONG, WISCONSIN IS STRONG

We Need Bold New Discoveries to Meet Tomorrow's Challenges



*Optimism, innovation and progressive research initiatives transformed the mining-dependent Badger State into America's Dairyland. We must reinvest today in discovery and education, attracting and developing world-class researchers to propel our dairy farming and processing sectors forward. The need is urgent; we can't afford to wait. It's vital to Wisconsin's future.*

Wisconsin's dairy industry brings over \$82,500 into our state every minute. Our 240 cheesemakers alone make more than a quarter of the nation's cheese. Wisconsin's dairy farms, cheese companies, fluid milk processors, cheese marketers and packaging companies – along with feed mills, equipment manufacturers and technicians, veterinarians, construction companies, genetics companies, milk haulers, software companies – make up one of the most valuable dairy infrastructures in the world.

On a local level, family dairy farms are an economic engine driving our state's rural communities. The loss of their social and economic productivity creates gradual, insidious repercussions. As seasons go by, school systems are consolidated, businesses shut down, once-vibrant towns become empty and quiet.

***Wisconsin's prosperity is directly tied to the health of the dairy industry and its \$43 billion dollar annual revenue.***

When Wisconsin's dairies thrive, the whole state benefits; our prosperity is directly tied to the health of the dairy industry and its \$43 billion dollar annual revenue. Our economy is fueled by sustainable dairy, and the engine that fuels the sustainability of dairy is research.

### RESEARCH: THE CRUCIAL CATALYST FOR CHANGE

Wisconsin wasn't always the Dairy State. It was known for its forests, its lead mines, its wheat fields. Among the people who remade this state's economy and created an economic powerhouse were the state's 16th Governor and a University of Wisconsin scientist.

Governor William D. Hoard used his weekly magazine, *Hoard's Dairyman*, to challenge dairy's status quo, to motivate research and innovation, and to advance the dairy industry. Heading the Agricultural Chemistry Department of UW's Agricultural Experiment Station, Stephen Babcock pioneered methods that made Wisconsin America's number one cheese producer. Both men promoted science-based innovation that transformed the dairy industry.

***State support for research and development was vital to the advancement of the dairy industry. It is vital today.***



State support for research and development was vital then to the advancement of the dairy industry. It is vital today.

### **AN URGENT NEED FOR RESEARCH AND INNOVATION**

A vibrant research effort is the edge Wisconsin dairy needs to stay one step ahead in the global dairy marketplace. To maintain a sustainable competitive advantage, our state must consistently attract the best talent and consistently be the first to adopt new innovations.

Fresh thinking and innovative ideas from the University of Wisconsin are what made us the Dairy State. Sustaining Wisconsin's dairy industry requires a rededication to that history of innovation. It will demand collaboration between farmers, processors, industry, environmentalists and other stakeholders. The state's help is essential. In the 1970s about 45 cents of every dollar in UW-Madison's budget came from the state. Today that figure hovers around 13 cents. Right now, an investment of \$7.6 million per year across three campuses (less than 0.02 percent of dairy's \$43 billion contribution to Wisconsin's economy) will reestablish the University of Wisconsin as the **Dairy Innovation Hub**.

*An investment of less than 0.02 percent of dairy's \$43 billion contribution to Wisconsin's economy will have far-reaching impact.*

This reinvestment in people will enable research to generate much-needed new discoveries. It will train current and future industry leaders, who will help transfer the new knowledge to our farms, dairy processing plants, watersheds and more. It will build a world-class team of collaborators best positioned to provide interdisciplinary solutions to the complex challenges we face.

### **AMERICA'S DAIRYLAND: MORE THAN A LICENSE PLATE SLOGAN**

Wisconsin invests large sums of public money to attract and retain companies that create jobs and strengthen our economy. Dairy is already here, its promises kept, its value proven. And it seems obvious that some of the same forces – leadership, research and education – that built Wisconsin's dairy industry can be the keys to rebuilding its strength.

Our dairy industry has an economic and social impact that's too important to neglect. We believe strongly that Wisconsin needs to reinvest now in its dairy industry by establishing the **Dairy Innovation Hub** to drive much-needed innovation. The results will benefit everyone in Wisconsin.

*The same forces – leadership, research and education – that built Wisconsin's dairy industry can be the keys to rebuilding its strength.*

It is important that we act without delay. We have in-depth planning in place and a detailed explanation of what the **Dairy Innovation Hub** will mean for Wisconsin. We are eager to share our thinking with you and everyone with a stake in our state's future.

## UW Dairy Innovation Hub

*Wisconsin became America's Dairyland because Governor W.D. Hoard asked daring questions and enlisted University of Wisconsin scientists to develop technologies and practices that would make Wisconsin's dairy industry the envy of the world. We must enable our farmers to stay one step ahead by asking daring questions and combining talent with technology to develop innovative solutions that will meet tomorrow's marketplace demands, both locally and globally.*

*Research allows us discover solutions that keep us ahead of our challenges, and we need the best minds and facilities to carry out research that will drive Wisconsin's dairy industry for another century.*

### Steward Land & Water Resources

- Reduce on-farm water use*
- Protect topsoil & improve soil health*
- Improve air quality & limit greenhouse gas emissions*
- Optimize feed efficiency & use of land resources*
- Develop alternative uses for farm waste*
- Minimize nutrient losses to lakes and rivers*

### Enrich Human Health & Nutrition

- Design packaging for convenience & shelf life*
- Limit risk of food-borne illnesses*
- Create lactose-intolerant & allergy-free alternatives*
- Improve the nutritional value of milk & meat*
- Minimize pathogen risks in soil & water*
- Reduce obesity & preventable health problems*



### Ensure Animal Health & Welfare

- Find effective alternatives to antibiotics*
- Monitor animal health with sensor technologies*
- Improve reproductive rates & replacement policies*
- Reduce animal stress & enhance consumer trust*
- Minimize risk of disease from animal contact*
- Deploy genomic selection for healthy animals*

### Grow Farm Businesses & Communities

- Establish agricultural technology start-ups*
- Use big data to optimize dairy farm operations*
- Market specialty milk & meat products*
- Develop a skilled & tech-savvy rural workforce*
- Improve financial literacy & return on assets*
- Understand global markets & opportunities*

## Fueling Wisconsin's Financial Future

Research is the engine that drives the future success of the Wisconsin dairy industry. Dairy, in turn, fuels the economy of our state, contributing \$43.4 billion annually, supporting local farms, allied industries and communities as well as providing tens of thousands of jobs.

This investment will have far-reaching impact. It will generate much-needed new discoveries. It will train current and future industry leaders, who will help transfer the new knowledge to our farms, dairy processing plants, watersheds and more. It will build a world-class team of collaborators best positioned to provide interdisciplinary solutions to complex challenges, by focusing on the four priority areas.

This initiative will support:

**Enabling Bold Discoveries.** Twenty-five faculty members in four distinct disciplines on all three UW agricultural campuses (Madison, Platteville and River Falls) will make the discoveries and attract external research funding to support those discoveries. The professors will contribute to overall talent development by teaching undergraduates, graduate students and professionals how the latest scientific advances can be applied to Wisconsin farms and supporting industries.

**Building a World-Class Talent Pool.** Twenty graduate student fellows will become the next generation of scientists and teachers, gaining experience in each of the four priority areas. These students will be tomorrow's industry experts and those who will teach future generations.

Sixteen post-doctoral fellows recruited from the top scientific talent in the world will come to Wisconsin as part of a prestigious cohort, to learn, study and discover at the dairy innovation hub while being immersed in our vibrant dairy landscape. These post-docs, representing priority topical areas and housed at UW-Madison, UW-Platteville and UW-River Falls, will teach current students and make discoveries in labs. They will bring fresh perspectives and energy from around the world. Following this experience, they will be well-positioned for top roles in universities or industry. This idea is modeled after the Howard Hughes Medical Institute's program that develops young medical biologists.

**Advancing Our Competitive Advantage.** Establishing an Advanced Dairy Management Academy will provide ongoing training and tech transfer to professionals throughout the state, continuing our commitment to the Wisconsin Idea of sharing knowledge for the benefit of mankind. It is important for this program to serve professionals at times and locations convenient to them as well as offer online training tools and platforms.

**Maximizing Our Value to Society.** Five staff will provide project management, grant writing assistance and other business support services to ensure scientific goals are met and that interdisciplinary teams at all three campuses coordinate their work for greatest impact.

Infrastructure support will ensure that our current students, professionals and dairy hub innovators can conduct research and learn in modern, safe facilities equal to those on Wisconsin farms and in manufacturing facilities so that technology can be transferred easily. Updating the campus infrastructure that has helped position our state as a dairy innovation leader will ensure Wisconsin can continue to attract the best talent and research grants to drive future success.

**Total Budget for Four Critical Research Areas = \$7.6 million/year (assumes GPR funding w/o fringes)**  
 UW-Madison CALS departments include dairy science, biological systems engineering, food science, soil science, agronomy, agricultural and applied economics, nutritional sciences



<sup>1</sup> includes startup funds to build research program  
<sup>2</sup> includes release time and project supplies & expenses

<sup>3</sup> includes funding for research supplies & expenses  
<sup>4</sup> includes summer salary, lab supplies, student scholarships