

--DRAFT PENDING SUB-COMMITTEE APPROVAL--

**WISCONSIN DAIRY TASK FORCE 2.0
SUB-COMMITTEE ON PRICE VOLATILITY AND PROFITABILITY
MINUTES**

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March 6, 2019

The Price Volatility and Profitability sub-committee of the Wisconsin Dairy Task Force 2.0 met on Wednesday, March 6, 2019 beginning at 1:00 p.m. via teleconference, based at DATCP, 2811 Agriculture Drive, Madison, WI 53708 in Room 456.

Call to Order

Chair Michael DeLong called the meeting to order at 1:05 p.m.

Members Present

Members present included: Ryan Klussendorf, Darin Von Ruden, Tom Crosby, Don Hamm, Rene Johnson, and Michael DeLong. Dairy Task Force 2.0 Chair Mark Stephenson and DATCP staff Ashley Andre also attended.

Dan Pearson was unable to attend.

Len Barske attended the teleconference in person as a member of the public.

Minutes

Approve minutes of last meeting

Don Hamm noted a correction to the minutes from the teleconference on February 26, 2019. His name was not included in the name of attendees. Ashley Andre will make the change.

Chair DeLong asked for a motion to approve the minutes. Darin Von Ruden made a motion with the noted change. Rene Johnson seconded. The minutes were approved unanimously.

Consider recommendations

Chair DeLong noted that today we will walk through each recommendation, have discussion, make any edits needed, and vote to approve which recommendations will move forward.

Chair DeLong introduced recommendation #35, increasing the milk quality standards. Mr. Hamm noted he appreciated the additional background information Chair Stephenson included. Mr. Von Ruden made a motion to move the recommendation forward to the full group. Ms. Johnson seconded. The group approved the motion.

Chair DeLong introduced recommendation #37. Ms. Johnson pointed out the edits since the previous teleconference to identify the challenge to the Wisconsin Bankers Association to take the lead on this work. Mr. Klussendorf made a motion to move the recommendation forward to the full Dairy Task Force 2.0. Mr. Hamm seconded. The group approved the motion.

Chair DeLong introduced recommendation #40. He noted two revisions to remove the two references to 8-ounce containers since in the last meeting, the group decided to not specify a size. That change would modify two sentences in the recommended solution:

- The milk vending machines would offer ~~8oz servings of~~ milk in an easy to drink container that maintains freshness.
- 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.*

Mr. Von Ruden made a motion to move this recommendation forward to the full Dairy Task Force 2.0. Mr. Klussendorf seconded. Chair DeLong asked for additional discussion. Ms. Johnson noted something she saw on social media about how some schools had milk machines where students could fill their own glass cup. She wondered though if nutritional guidelines and limits on serving sizes would prohibit this type of free choice. Chair DeLong noted that even with vending machines, students would be able to drink as much milk as they chose if they bought more than one bottle. Chair DeLong asked for any additional discussion. The group approved the motion to move the recommendation forward.

Chair DeLong welcomed Mr. Klussendorf to provide more information about recommendation #49. The intent is to implement the California fluid milk standards. He believes this will increase fluid milk consumption by creating a more desirable product and move more solids off the market.

Chair Stephenson pointed out that California continues to maintain their fluid milk standards even with the Federal Order. He explained how basically when any butterfat is taken out, it is replaced with skim solids. Chair Stephenson asked Mr. Klussendorf if he intended this on a state or federal level. Mr. Klussendorf asked which is more achievable and how it would get done in Wisconsin. Chair Stephenson said that some bottlers have played with this concept outside of California, but consumers have to be willing to pay for a higher solid content milk. California's mandate just makes it so.

Mr. Crosby noted that the recommendation should be for implementation on a state and national level. Chair Stephenson pointed out that it has been tried before, but we can certainly put in the recommendation. The likelihood of this happening is higher at the state level, which may be a starting point. Chair Stephenson did note the issue with milk coming in from out of state. Milk that comes into Wisconsin from out of state would need to meet that standard if it is in place. That has been challenging in California.

Chair Stephenson will take the information from the discussion to make modifications to the recommendation, and the group will discuss further and take a vote in Friday's teleconference.

Chair DeLong opened discussion on recommendation #50. Mr. Klussendorf noted that the intent of the recommendation is to support U.S. Rep. Thompson's introduced bill, H.R. 832, cited as the "Whole Milk for 4 Healthy Kids Act of 2019," which seeks to amend the Richard B. Russell National School Lunch Act to allow schools that participate in the school lunch program under such Act to serve whole milk.

Ms. Andre will provide the bill text to Chair Stephenson. Chair Stephenson will draft a recommendation for consideration on Friday's teleconference.

Chair DeLong asked Mr. Klussendorf to provide background on two other recommendation ideas he had:

- All milk handlers shall pay all producers the Federal Order minimum price on all milk components shipped by producer.
- All milk handlers will pay federal order minimum rates on milk or separated milk components purchased from any other milk handler.

Mr. Klussendorf shared that cooperatives and milk coming in from out of state should have to pay the federal minimum. Chair Stephenson clarified that he may be asking for mandatory pooling. You can't do what you are talking about without mandatory pooling. Chair DeLong noted that this reminds him of a public comment made by the Dairy Pricing Association at our previous meeting.

Chair Stephenson asked Len Barske, who is retired from USDA and has knowledge in pricing, for his thoughts. He mentioned that when considering something like this, we need to be aware that it could put our cheese industry at a competitive disadvantage versus the rest of the country if everyone has to pay more. Mr. Klussendorf noted that he didn't know the implications but wanted to have this discussion. Mr. Crosby added that if it was done on a national level, Wisconsin would not be put at a disadvantage. Mr. Klussendorf noted that Wisconsin can't do this on its own. Mr. Hamm agreed that it would have to pertain to everyone in the Federal Order and milk would have to be pooled all the time on a national level.

Chair Stephenson clarified that the sub-committee is welcome to put any recommendation forward, but it may be a bridge too far. Possibly the recommendation could be that the state is supportive of mandatory pooling, which may put the discussion back on the table. If you have the two top dairy states, California and Wisconsin, saying the same things, it may go farther.

Chair Stephenson will combine Mr. Klussendorf's two thoughts and draft one recommendation, which will be #51, to support mandatory pooling. Chair Stephenson did note that a decision would need to come out of USDA AMS to make this happen. They wouldn't do it with California recently, but it doesn't mean we can't recommend it. Mr. Hamm thinks we should make the recommendation.

Mr. Crosby gave an overview of Recommendation #46, encouraging farmers to have a better understanding of milk price and have the Center for Dairy Profitability hold educational seminars on that topic. Ms. Johnson made a motion to move the recommendation forward. Mr.

Hamm seconded. The group approved the motion to move the recommendation forward to the full Dairy Task Force 2.0.

Mr. Crosby gave an overview of his recommendation, which will be #52. Mr. Crosby explained how at an earlier meeting, the group discussed how some larger farms are still able to cash flow and show profit even in these difficult times. Meanwhile, the low prices are the reason that many smaller farms are disappearing at a rapid rate. He is concerned this will continue to happen and even speed up if nothing bold is done. Mr. Crosby is aware this will be difficult to accomplish. In his draft recommendation, he left out the specific numbers from the National Farmers Organization presentation the sub-committee had heard at a previous meeting. Mr. Crosby welcomes discussion from the group.

Chair Stephenson asked if this proposal is similar to the old Holstein plan. Mr. Von Ruden clarified that it is different.

Chair Stephenson added that some additional information is needed in the recommended solution. Mr. Crosby agrees. Ms. Andre will share the National Farmers Organization presentation with Chair Stephenson as reference when he is making revisions. Mr. Crosby asked if Chair Stephenson understood the intent. Chair Stephenson summarized that this change would be a leveling mechanism to take money from one group and provide it to another. There are other plans out there as well that function a bit differently. Mr. Crosby clarified that this plan takes money from everyone and adjusts payment based on the amount of production. It negatively affects the PPD on all milk. Mr. Hamm noted that everyone would have to be in a national pool of some sort. Mr. Crosby notes that he is aware it is a bold recommendation. Chair Stephenson will make revisions, and the sub-committee will consider the recommendation at the next teleconference.

Identify next steps

Chair DeLong asked for any additional comments.

The sub-committee agreed to hold their next teleconference on Friday, March 8 at 2:00 p.m. The group will consider:

- Recommendation #49: Implementation of California fluid milk standards
- Recommendation #50: Support H.R. 832, Whole Milk for 4 Healthy Kids Act of 2019
- Recommendation #51: Support mandatory pooling
- Recommendation #52: Federal Milk Marketing Order structure changes

Today the group already approved moving these recommendations forward to the full Task Force 2.0:

- Recommendation #35: Increasing milk quality standards
- Recommendation #37: Understanding marketing tools
- Recommendation #40: Increasing demand for fluid milk consumption in schools
- Recommendation #46: Need to understand milk pricing and provide training

Adjournment

Mr. Crosby made a motion to adjourn. Mr. Klussendorf seconded. The sub-committee adjourned at approximately 1:57 p.m.

Minutes drafted by Ashley Andre.

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