

The Milkweed

Dairy's best information and insights

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“Float like a butterfly,
sting like a bee.”

— Muhammad Ali

Financial Crisis in Dairy Country; Industry Leaders Clueless

by Pete Hardin

Four painfully long years into this farm milk price crisis, many of the nation's dairy farm families are worn thin, financially and emotionally. Most dairy farms' cash flows have been negative for much of those four years. Hard-earned equities have been burned through. Dairy livestock values are less than half of what they were in 2014 – sometimes far less than half.

The nation's dairy farmers are looking for solutions ... for the proverbial “light at the end of the tunnel” indicating better times ahead. On the dairy farm, when there's a prolonged, debilitating problem, producers either find a solution ... or exhaust themselves trying. But among the many organizations claiming to represent and work on behalf of dairy farmers, when it comes to proposing honest solutions for the dairy crisis, the silence is deafening. At best, dairy leaders are asking USDA for bigger Band-Aids® — tariff mitigation payments – to cover the severely bleeding financial wounds. That's unlikely. Currently, payments of the promised “second half” (i.e., post-election) tariff mitigation payments to agricultural producers seem mired in an internal battle within the Trump administration, with the White House Office of Management and Budget dragging its heels on shelling out the moola. (See related article, this page.)

Solutions? A clamor for farm production ‘quotas’ is rising, even, surprisingly, among some of the nation's biggest dairy producers. During the past year, the Wisconsin Farmers Union has held numerous meetings with representatives of Dairy Farmers of Ontario, explaining the Canadian farm milk quota system. Admittedly, half the milk cows in the United States would be hamburger before Canadian-style quotas could be installed here. Yes, some dairy co-ops have instituted internal quota programs in recent years. But in the Midwest, as milk supplies have tightened, some co-ops' quotas are being shucked. In the Northeast, Land O'Lakes management is trying to figure out how to grow its “quota-restrained” milk supply in the face of fast-shrinking milk supplies in that region. (Note: LOL personnel continue mouthing the myth that milk supplies are burdensome in the Northeast.)

For four painfully long years into the dairy price and equity crisis, the nation's dairy cooperative leadership has ignored calls for production restraints. Why? Co-ops' management is generally loyal to plant ownership. Expansions of dairy processing

plants continue – often under the banner of dairy export opportunities. The overall strategy espoused by dairy leaders is that the industry may “export its way to financial success” (with a lot of added debt attached). Former USDA Secretary Tom Vilsack is leading the “more dairy exports” bandwagon. (See related article, page 6.) Quite frankly, as the national and global financial pictures lose some of their steam, dairy exports by the United States are going to be a tougher, less profitable game.

Dairy's honest short-term and longer-term solutions vary. Short-term, the U.S. 25% steel tariffs must go. Estimates are that the countervailing duties imposed by dairy importing nations have pared \$1.50-\$1.75 off farm milk prices during 2018's second half. The longer these trade wars persist, the harder it will be to re-establish trading relationships.

Radical “5% Solution”

Want a “radical” solution? In the ideal world, the nation's dairy farmers would muster their collective intelligence and reduce milk production for the first two months of 2019 by 5% — compared to their farms' output in January-February 2018. Call it a “5% Milk Strike” — achieved with a little culling and a lighter hand on the grain scoop.

Such a move would be immediate, and would entail dairy producers taking control of their own fates and destinies. If the “5% Solution” needed to be extended beyond 2019's first two months, so be it. In numerous areas of the country, poor-quality feed materials harvested during 2018 may make it very easy to reduce individual farms' milk output by 5%.

If anyone has a better idea for a short-term solution, let such ideas come forward.

Despite “Deals,” Tariffs vs. U.S. Ag Exports Remain

by Pete Hardin

“I thought the tariffs were all taken care of.” (W-R-O-N-G!)

Forget the political rhetoric proclaiming “victories.” There is no final “deal” with Mexico and Canada to resolve trade disputes. No “deal” with China exists to end that nation's tariffs against U.S. agricultural exports. And there is no Santa Claus.

The United States' 25% tariffs levied against imported steel and 10% tariffs on imported aluminum



BUTTER??? Here's an example of the dishonest competition dairy products face on retail shelves. Miyoko's “BUTTER” isn't butter -- ingredients are: Organic coconut oil, filtered water, organic sunflower oil, organic cashews, organic sunflower lecithin, sea salt, cultures.

Longer-term, the nation's dairy farmers need to challenge their dairy promotion groups to get to work – selling dairy products. Butter promotions garner less than 1% of the nation's dairy check-off resources. But cream constitutes 65-70% of the producers' milk check. Promote butter. Sell real cheese.

Otherwise? Dairy farmers won't cull their way to financial success. We won't export our way to success. The financial red ink bleeding from this nation's dairy farms has reached a critical point that will focus a lot of tough decisions by dairy farmers and their lenders/creditors in coming weeks and months.

Focus on honest solutions.

Agencies Haggle Over Second Market Facilitation Payment

by Jan Shepel

Despite the signing of a new North American trade deal and an uncertain “cease-fire” in the trade war with China, access to many foreign markets remains impaired for U.S. products – including dairy.

The \$12 billion bailout package the Trump administration fast-fried last summer to help farmers has arguably offered piddling help farmers hurt by trading partners' countervailing duties imposed against United States' agricultural exports. Some farm groups are complaining that since \$12 billion big package was announced in mid-summer, only \$838 million has actually been paid out to farmers.

Farmers' sign-ups for USDA's market assistance package for farmers was announced in September — when \$6 billion was made available. (Note: A sizeable chunk of that amount was destined for food processors.) The second half of that assistance package is scheduled to become available in December. But has been delayed. Word from Washington is that the second round of “Market Facilitation Payments” is still under negotiation between the USDA and the Office of Management and Budget. Further information on the program was supposed released on De-

ember 3. But agencies wanted to assess the impact of the new trade cease-fire with China. The two agencies are reportedly haggling about the potential size of that pot of money to pay farmers (Editor's note: This nation is facing a severe federal budget shortfall. And the November elections are passed.)

“Sonny” Perdue, USDA Secretary, has said that the payments to farmers are still on track.

Dairy groups have been calling on the Trump administration to boost payments to dairy farmers suffering through four years of rock-bottom prices that have been worsened by the continuing trade wars sparked by U.S. tariffs on steel (25%) and aluminum (10%). Our nation's steel and aluminum import tariffs pushed trading partners to levy retaliatory tariffs on agricultural products – cheese, nonfat dry milk, butter, soybeans, pork, etc. .

The Madison, Wisconsin-based FarmFirst Dairy Cooperative, which represents farmers in seven midwestern states, asked Perdue to boost the mitigation payments to U.S. dairy farmers to more accurately reflect the financial damages of the retaliatory tariffs placed on U.S. dairy products. In a letter,

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Swiss Heritage Cheese Plant Terminating Amish Producers in Southern WI

by Pete Hardin

No room at the inn?

A group of Amish dairy farmers in southern Wisconsin is scrambling to find another milk market by January 1, after the new owner of the cheese plant to which they'd been selling their milk issued a 30-day market termination notice.

The Wisconsin Cheese Group, LLC issued a terse letter dated November 28 to the Amish producers selling milk to Swiss Heritage Cheese, a cheese plant based in Monticello, Wisconsin (Green County). The letter, written by Judy Zimmerman (who'd headed milk procurement for Swiss Heritage), stated that Rolling Hills Milk Cooperative would take over milk supply responsibilities for the Swiss Heritage plant on January 1. Further, the letter stated: "Unfortunately, the Cooperative does not accept Grade B or Amish dairy farm milk into their supply." (Note: A couple years ago, Rolling Hills gave the boot to about a couple dozen of its Amish patrons.)

A copy of that letter accompanies this article.

The Milkweed received no response from Wisconsin Cheese Group, LLC following telephone inquiries.

Several serious questions are raised by that market termination, starting with the matter of possible discrimination against the Amish community's efforts to sell their milk, based upon their faith.

Last month, *The Milkweed* reported that the Wisconsin Cheese Group was acquiring Swiss Heritage. Wisconsin Cheese Group is based in Monroe, Wisconsin.

For more than a year, the Amish patrons at Swiss Heritage have been disillusioned selling their milk to Swiss Heritage. That's because the milk buyer insisted on picking up Amish producers' milk on Sundays. However, because there were no alternative markets, Swiss Heritage's Amish producers had to grimly bear that affront to their faith.

One source reports that the Amish are scrambling to form their own milk cooperative.

Wider issues at play

In these times, a 30-day notice isn't a large amount of time to make adjustments in milk markets. Cheese plants and dairy marketers are nervous about inventories. Since mid-August, cash Cheddar markets have collapsed at the Chicago Mercantile Exchange (CME) – dropping commodity Cheddar down 25 to 30 cents per pound. A major factors pummeling CME Cheddar prices include disrupted normal dairy export activity due to the "Trade Wars" (plural) sparked by the United States imposing 25% tariffs on imported steel. Other factors making the cheese industry nervous include the threat of rising interest rates and black clouds on the horizon threatening a financial recession.

In Wisconsin and around the country, *The Milkweed* estimates that dairy farmers of the Amish faith probably comprise about 12,000 to 15,000 of the less

WISCONSIN CHEESE GROUP, LLC.

November 28, 2018

RE: Dairy Farm Milk Supplies Effective January 1, 2019

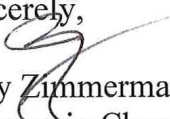
Dear Amish Community Dairy Farms,

Effective January 1st, 2019 Wisconsin Cheese Group, LLC., Monticello Plant has made a business decision to no longer purchase milk directly from dairy farms. They have entered into a new marketing agreement with Rolling Hills Dairy Producers Cooperative to purchase a milk supply for the Monticello Plant.

Rolling Hills Dairy Producers is a dairy cooperative that supplies milk to many dairy operations throughout southern Wisconsin. Unfortunately, the Cooperative does not accept Grade B or Amish dairy farm milk into their milk supply.

So again, the effective date for market change will be January 1st, 2019 and you will need to secure a new market on or before that date. Thank you very much for your patronage over the past several years, it has been a pleasure working with each one of you.

Sincerely,


Judy Zimmerman
Wisconsin Cheese Group LLC
Monticello, Wisconsin 53570

The above letter was received by Amish dairy farmers selling milk to Swiss Heritage Cheese in early December.

than 40,000 dairy farms in the United States. Amish farms are concentrated in areas of Pennsylvania, Maryland, New York State, Ohio, Indiana, Wisconsin, Iowa, Michigan and Missouri. In some areas that feature dense Amish communities (such as southeast Pennsylvania and Holmes County, Ohio), many young men who've come of age cannot find a farming career, because farmland is scarce and expensive. One wise gentlemen of the Amish faith has explained that the community's faith suffers when young men find off-the-farm employment.

Next? Scrutiny of barns?

In Wisconsin and around the country, Amish dairy farmers have faced increasing challenges to their farms and faith. Those challenges include: marketers insisting on Sunday milk pick-ups, marketers imposing huge stop charges, and just plain old market terminations. Another challenge looms. Starting

in January 2019, the National Milk Producers Federation – the dairy co-op lobby – will invoke tighter "inspections" of stanchion and tie-stall barns under its F.A.R.M. program. (F.A.R.M. stands for "Farmers Assuring Responsible Management.")

What's the problem with stanchion and tie-stall barns? F.A.R.M.'s "know-nothings" claim that dairy cows housed in stanchion and tie-stall barns suffer more physical problems, such as swollen hocks. On F.A.R.M.'s technical committee sits a University of Wisconsin-Madison professor, Dr. Nigel Cook, who made a speech in Lancaster County, Pennsylvania (the heart of Amish country) late last winter in which he claimed that stanchion and tie-stall barns were "unjustifiable." Hmm ... Maybe confinement dairies where the cows stand on concrete all their lives and are seldom, if ever, blessed with rays of sunshine are more "humane" in the opinion of the learned professor.

Dairy Heifers Undervalued ... Relative to Future Needs

by Pete Hardin

From peak prices in 2014 and early 2015, it's fair to generalize that most dairy livestock prices have collapsed by at least 60%.

But current dairy livestock values, depressed by four years of low farm milk prices, are not going to hold, in the estimate of *The Milkweed*. In fact, the bottom-end prices currently offered for baby calves and weaned calves are going to look absurd six months or a year down the road.

Amid this wash-out of values for dairy livestock, the industry is generally failing to appreciate how much the present (and future) crop of *quality*, young dairy heifers is being impaired. Consider the following:

- Larger than normal numbers of dairy cows are going to slaughter. Among their numbers are increased numbers of dairy cows that are not at the end of their intended milking careers, but rather, carrying a fetus. And those fetuses will never take their place in the nation's milking string.

- Reports come in telling of significant numbers of dairy heifers that are headed to beef pens, rather than being bred and intended for milking. Those animals will never make milk, nor will they ever produce calves. (Years ago, we reported on a

Pennsylvania beef feed lot operator who'd mistakenly acquired a pregnant dairy heifer. When she calved unexpectedly, the owner instructed employees to hit the calf in the head with a hammer.)

- Meanwhile, a surprising number of dairy farmers are breeding their cows and heifers to beef semen – especially Angus semen. That strategy is to get more value out of a "black" calf, to be sold as "Angus." Those calves bring significantly higher prices at auctions than do straight dairy calves. (Why meat from an animal that's 50% Holstein and 50% Angus can be sold as "Angus" is a puzzlement.)

- Finally, across a number of key dairy regions of the country, 2018's crops are significantly deficient in quality. Poor crops in 2018 will ultimately impair the milking efficiency of young animals (and fetuses) that gain their nutrition from those sub-quality crops.

Bottom line: A pending shortfall of needed, *quality*, young dairy animals lies ahead ... six months, a year? Looking ahead to 2019, *The Milkweed* projects much improvement in farm milk prices ... **IF** these insane trade wars can be ended. Looking ahead, today's calves and heifers that are going for dirt-cheap prices are going to be worth some real money.

At Press Time: No Farm Bill (Yet)

At press time, there was no final passage of the 2018 federal farm legislation through the United States Senate and House of Representatives. And even when the farm bill is reconciled and passed by legislators, it still must be signed by President Trump.

Rather than speculatively sort through possible details, we'll simply wait until next month, when, perhaps, there will be a new federal farm law. History has shown that waiting for final passage of a federal farm law is like watching rocks grow.