

# The Milkweed

Dairy's best information and insights

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

— Muhammad Ali

## 9/9/19: CME Block Cheddar Price at \$2.00/lb.

by Pete Hardin

Strong demand for cheese in recent weeks has propelled block Cheddar prices at the Chicago Mercantile Exchange (CME) to the magical \$2.00/lb. benchmark. As CME cash market trading concluded on September 6, 40-lb. block Cheddar finished at \$2.00 per pound.

As block Cheddar prices spiked, they've left barrel Cheddar prices in the dust. As of Monday, September 9, the block-barrel “spread” stood at right around 20 cents per pound.

What's pushing up commodity Cheddar prices? Schools are re-opening across the nation, and that event drives up cheese demand. Additionally, schools re-opening means more draw for Class I milk to fulfill school milk contracts. Milk supplies are already struggling to keep up in the Upper Midwest, Southeast and Northeast. Dairy marketers anticipate further declines in farm milk output and components in those regions in coming months, due to relative poor quality and quantity of 2019's forages and corn crops. Important to note: California dairy producers also face scare supplies of dairy-quality alfalfa.

Cash markets for Grade AA butter have backtracked at the CME during the past few weeks. Butter's problem is that global butter prices have tumbled, and cheaper imports of butter and anhydrous milkfat are entering the United States, knocking down butter prices about 20-25 cents per pound over the past few weeks at CME. These events come after CME Grade AA butter prices have enjoyed a remarkable stable run in the \$2.20s and \$2.30s (per pound) range for more than a year.

Analysts tend to think that the butter price decline may be short-lived. The U.S. is entering the fall months, when demand spikes for cream and butter

used in high-fat holiday products — baking, candy, and egg nog, for example. Cream “multiples” (i.e., spot prices) remain solid in the Midwest and East, according to USDA's Dairy Market News.

Even a couple months ago, the notion that Cheddar blocks would strike near \$2.00/lb. was foreign to many analysts ... not to mention the gurus setting related futures prices at CME. After four-plus long years, the U.S. dairy pricing structure is busting out of the trough and headed upwards? Future headwinds include a slowing national economy and global trade disruptions. Globally, milk production in Oceania is challenged by the aftermath of Australia's drought. European milk production is struggling, following a second straight year of brutally hot summer weather. Short-term, low global butter imports that have pulled down CME butter prices in recent weeks are seen as a short-term phenomenon.

Looking ahead, *The Milkweed* projects tighter farm milk supplies leading to higher dairy commodity and farm milk prices - a situation that could last at least a couple years.



This month, writer Jan Shepel tracks Wisconsin's best fried cheese curds, from the award-winning restaurant on Madison's Capitol Square back to the award-winning cheese plant source for those curds. The restaurant is The Old Fashioned, located in downtown Madison, directly across the street from the Capitol.

Wisconsin's best fried cheese curds are produced by Henning's Cheese, a fourth-generation, family-owned cheese plant located near Kiel, Wisconsin. Jan's story provides mouth-watering reading. See pages 6-7.

## Agriculture Caught in Trade Wars' Cross-Fire

by Pete Hardin

At a certain point, irrational events defy rational analysis. The trade wars in which the United States are enmeshed continue. Economic tensions between the United States and China escalated around September 1. The Trump administration imposed 15% tariffs on most goods imported from China. China retaliated by slapping more tariffs on certain goods imported from the United States — including many food and agricultural products.

Despite President Trump's earlier proclamations

that trade wars are good and easy to win, the U.S./China trade impasse, which pits the world's two largest national economies against each other, shows little signs of being resolved anytime soon. U.S. agricultural exports to China — including dairy — are shaping up as a small fraction of what they were in 2014, for example. In the meantime, financial and weather stresses mount for U.S. farmers — particularly grain producers. Inability to sell some of last year's grain leaves diminished storage capacity and low prices for this year's grain, especially for soybeans. Besides China's tariffs, soybean exports to that country have been diminished by severe death losses that ultimately threaten to kill well over 100 million head of swine in China.

USDA is in the midst of mailing out three sets of checks to producers of a wide range of farm commodities, part of the second round of Tariff Mitigation payments (i.e., compensation for losses due to the trade wars). Farmers and most agricultural groups have been reticent to criticize the White House over

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## Foremost Farms' President/CEO & CFO Canned

by Pete Hardin

Foremost Farms — the biggest dairy cooperative based in Wisconsin — has abruptly terminated both its President/Chief Executive Officer and the Chief Financial Officer. These departures come amid reports of irregularities involving the cooperative's cheese inventories. Something's seriously amiss at Foremost Farms.

In early August, Foremost had announced that President/CEO Michael Doyle would retire near the end of 2019. On Friday, September 6, a Foremost Farms spokesperson told *The Milkweed* that Doyle had accelerated his departure date and was gone, effective September 4. “Accelerated” ... yes. But likely not by Doyle's timetable. Doyle's departure was announced in an email to employees. In the interim, a group of directors and senior employees are overseeing the co-op's operations. Foremost is now searching for a new President/CEO, as well as new Chief Financial Officer.

Unofficial sources report that Foremost Farms' board of directors felt the urgent need to dispose of Doyle, prior to his announced retirement date near the end of the year. Those sources tell that on September 4, Doyle was escorted out of the office.

Doyle had served as President/CEO for several years, replacing the forgettable Dave Fuhrman at Foremost's top post. The industry regarded Doyle as not much more than a glorified bean-counter. Under Doyle, Foremost Farms has collected some management characters generally regarded as unsavory by others in the industry.

Rumors have persisted for more than a month that a new inventory management system at Fore-

most had been unable to account for several million lbs. of cheese. Whether that matter is the main issue leading to those abrupt, recent departures of the co-op's President/CEO and CFO is not known. Within the co-op, sources say that an inter-departmental “blame game” is ensuing over allocation of costs and losses.

*Unannounced* in August: Foremost's CFO, Olga Longan, was stripped of her responsibilities and shown the door.

Olga Longan served as Foremost's CFO only from August 2018 to August 2019, before her departure, according to biographic information. She has relocated to Atlanta, Georgia as a self-employed consultant. Longan's employment history has featured a large number of short-term career stops. Prior to her time at Foremost Farms, she worked for California Dairies, Inc. Longan was listed as CFO on Foremost Farm's website as late as August 9. Currently (Sept. 5), Foremost's website lists no CFO on its management team.

Interestingly, Longan's biographic information infers that she continued a personal consulting business while an executive at Foremost Farms. She hasn't been the only Foremost executive with side-ventures in recent years.

Ralph Briggs, listed as Foremost's Chief Operating Officer, reportedly continued to receive a few thousand dollars per month compensation for managing the Bear Lake Milk Producers — a struggling small dairy cooperative located in western Pennsylvania and New York. The Bear Lake co-op

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# Administrative Hiccups Plague DMC Payments to Some Producers

More than 17,000 dairy farmers in the United States have applied for coverage under the new Dairy Marketing Coverage (DMC) program offered by the United States Department of Agriculture.

Most enrollees have already received two payments under the MPC program. But some producers who signed up for this latest “dairy safety net” program have not yet received any payments.

A source reports that dairy producers in states such as Missouri, Wisconsin, South Dakota, Minnesota, Ohio, and Oregon are among those who have not received those payments from the Farm Service Agency.

Worse yet, one producer in Texas told *The Milkweed* that after receiving a check for DMC payment of over \$19,000 in July, **he received a BILL from USDA related to DMC totaling over \$20,000 in August!**

Needless to say, those dairy farmers’ who have not received DMC payments have had their patience worn thin with non-performing USDA programs. The previous “safety net” – the MPP-Dairy – was crafted in the 2014 farm legislation and proved to be a non-performer for the first three years of its history. Revisions to MPP-Dairy for 2018 (an election year for some U.S. Senators and some U.S. Congress persons) made MPP-Dairy somewhat palatable in its final year of coverage. But that program was so bad that Congress actually instructed USDA to return premiums paid by participants if they so requested.

## So what’s the problem this time???

In Missouri, one frustrated DMC enrollee reports being told by their state office that due to the closing of their county’s Farm Services Agency office

in early 2019, that “new computer software” had to be developed to issue their DMC payments. That reason is greeted skeptically.

Why closing one county FSA office has interrupted receipt of DMC payments is a puzzle. One would imagine that USDA has all records in computerized form available to state offices. That farmer from Missouri observes that their farm received the first round of “Market Facilitation Payments” last year from the FSA office formerly located in their county. And recently, they received the second round of those payments from FSA. So, at least in the case of payments under USDA’s Market Facilitation Program, the closing of one county FSA office didn’t interrupt issuance of other payments in 2019.

In Texas, meanwhile, a dairy producer who milks about 500 cows was pleased to receive his first DMC payment totaling over \$19,000 in July – right on time. There were plenty of places to put that revenue from Uncle Sam. But imagine that producer’s shock when, in August, instead of receiving a check for the subsequent DMC payment, he instead received a bill for over \$20,000! The state FSA office is trying to figure out what went wrong. In the meantime, the producer hopes he doesn’t start receiving dunning notices, penalties and interest from the government!

## New programs, new headaches ...

It’s one challenge for federal lawmakers to concoct new dairy programs. And it’s sometimes a separate challenge for USDA’s Farm Services Agency to administer the will of Congress. And then there are computer systems. Pity the personnel at county Farm

Services Agency offices who are the front-line troops catching earfuls of disgust from confused and angry farmers about federal programs. The latest gripe: poor payments from USDA’s brand new “revenue insurance” program for dairy farmers.

Last month, *The Milkweed* reported serious dissatisfaction among dairy farmers who’d signed up for the Dairy Revenue Protection (DRP). DRP is a complicated revenue insurance program cooked up by the American Farm Bureau Federation and enacted into law by Congress. Farmers who signed up for DRP relate that payments are far below what was advertised by (commission-paid) agents who’d hawked those policies. (See “These Dairymen VERY Unhappy with Dairy Revenue Protection,” page 9 in the August 2019 issue of *The Milkweed*.)

Behind the scenes, there’s a suspicion that USDA’s antiquated computer systems may be the culprits in some of these matters. USDA’s FSA still uses, in some instances, the COBOL programs that date back to the 1960s. USDA specially trains some personnel to operate COBOL – decades after the private sector moth-balled that dinosaur.

Eventually, these messes will be straightened out. But in the meantime, dairy farmers who are desperate for revenue due them to pay bills and lock in supplies of hay and feed materials for the upcoming winter have lost their patience.

### NEED FREE EXTRA COPIES??

If you want additional copies of *The Milkweed* to give out at dairy meetings, call Pete Hardin at:

**608-455-2400**

## Source: Wisconsin DOJ Won’t Prosecute Mink Farm’s Crooked Cheese Antics

by Pete Hardin

If the following situation is any measure of failed food safety laws’ enforcement by the Wisconsin Justice Department, then “America’s Dairyland” is open for a “wild west” atmosphere of no penalties for firms trying to sneak just about any kind of cheezy crap into the human food chain. Consumers and honest dairy products marketers beware!

Here are the basic facts of the matter, as best determined by *The Milkweed*:

The individual who filed the original complaint in this matter was informed by an employee of the Wisconsin Justice Department by telephone on September 5, 2019 that no enforcement action would be taken against the mink farm in question. (Mink farms are popular outlets for high-protein waste products from the human food chain.) According to the source at the cutting-and-wrapping firm, the state Justice Department official explained that no action would be taken against the mink farm because ... “nobody was poisoned.”

State Justice Department officials diddled around this case for about 11 months, after receiving the investigative file from the Food Safety division of the Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP) in late summer or early fall 2018. The wheels of justice grind slowly in Wisconsin, if they’re grinding at all.

In the first half of 2018, a cheese cutting and wrapping firm in southwest Wisconsin received a trailer load of cheese from the Sandy Bay Mink Farm in eastern Wisconsin. The mink farm wanted the cheese cut and wrapped into consumer-size packaging. That load of cheese raised suspicions, coming from a mink farm.

The cutting and wrapping firm contacted the Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP). DATCP inspectors embargoed the cheese shipment, “yellow-taping” the products in question “for months,” according to one knowledgeable source. A subsequent investigation determined the following:

The cheese in question had been manufactured in 2016 by the Associated Milk Producers, Inc. (AMPI) at Blair, Wisconsin. Unfortunately, the system filtering intake from the municipal water system had failed, allowing sand and gravel into the cheese vats. Some cheese made prior to AMPI personnel recognizing the problem was contaminated with sand and gravel, and was labeled as unfit for human consumption. The product was sold at a steep discount and ultimately acquired by the mink farm. Mink farms are popular destinations for some of dairy’s items unfit for human consumption – from off-grade

cheese to dead dairy cows.

At World Dairy Expo in early fall 2018, *The Milkweed* questioned then DATCP Secretary Sheila Harsdorf about the mink farm’s cheezy antics. Harsdorf replied that she was not fully up to speed on the status of her department’s investigation into that matter, but that she would promptly get back with an answer. Sure enough, at 9:00 a.m. the next business day, Harsdorf phoned to report that DATCP had turned over to the Wisconsin Justice Department documents regarding the Sandy Bay Mink Farm cheese matter.

The November 2018 election saw Wisconsin voters dump former governor Scott Walker. With the change in administrations, Harsdorf exited DATCP’s top post. And the Wisconsin Justice Department got a new Attorney General, thanks to the November 2018 statewide elections.

What prompted the September 5, 2019 telephone call to the head of a cheese cutting-and-wrapping firm that submitted the original complaint sometime in 2018? On September 3, *The Milkweed* contacted by telephone the media office at the Wisconsin Justice department, leaving a voice-mail message inquiring about the status of the cheezy milk farm investigation. No response was received from the state Justice Department, despite a second telephone request (by voice-mail). Also on September 3, *The Milkweed* submitted an open records request to DATCP, asking for all documents related to the mink farm’s efforts to sneak sub-human grade cheese into the human food chain. DATCP acknowledged the request and is working on it. Theoretically, if the

state Justice Department has closed the case, all documents should be readily available through the open records process.

DATCP officials did their jobs, it would appear. But the Wisconsin Justice Department has dropped the ball on this clear-cut violation of food safety laws. What kind of precedent is being set for enforcement of obvious violations of food safety laws, when “nobody got poisoned” is the benchmark for enforcement.

When the open records for DATCP’s files on this matter are available, an even clearer picture of what happened should be available in the matter of the mink farm’s efforts to sneak sub-human grade cheese into the human food chain.

In each state, one agency operates as the surrogate enforcer for the federal Food and Drug Administration’s food safety standards. In Wisconsin, that agency is DATCP. However, in matters involving food safety enforcement, DATCP turns over such responsibilities to the state Justice Department.

Hard to believe that a state agency that spent over half a million dollars prosecuting an persecuting a fellow for selling raw milk (Vernon Hershberger) could fail to get excited about bringing charges against the milk farm involved in this matter. Sand and gravel are not legal ingredients in cheese. Trying to put sub-human grade cheese into the human food chain would be deemed illegal in just about every state ... except, perhaps, in Wisconsin. “Nobody got poisoned” is a damn poor basis for enforcing food and dairy product safety standards.

## Foremost Farms’ President/CEO & CFO Canned, con’t

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demised about six months ago. That co-op’s members’ milk checks were plagued with huge deductions. Ralph Briggs continued to help manage the affairs of Bear Lake *after his tenure at Foremost commenced*. Bear Lake later evolved into a marketing arrangement with Foremost, no doubt thanks to Briggs. Local sources note that Briggs’ daughter assumed titular responsibilities at Bear Lake, but Briggs kept his finger in the Bear Lake co-op pot while at Foremost.

Briggs departed the Northeast a few years ago, leaving behind a legal mess involving Briggs’ failed contractual commitment to buy a Pennsylvania-based feed company out of bankruptcy.

Foremost Farms’ 2018 financial report listed the following information describing its operations:

1,200 member farms

6.2 billion lbs. of member milk marketed

565 million lbs. of cheese produced

60 million lbs. of butter produced

1,080 employees

\$1.6 billion in net sales

\$442 million in total assets

\$3.4 million net loss

Foremost Farms’ 1,200 member-producers are located in seven midwest states – Wisconsin, Minnesota, Iowa, Illinois, Indiana, Michigan and Ohio. Foremost operates seven cheese plants, three ingredients plants, and one butter plant.

### Postscript: More hauling charges ...

On August 30, Foremost Farms mailed out to members a letter announcing major increases in milk hauling costs and a boost in stop charges. Those higher charges took effect on September 1 – *before* the letter arrived in members’ mail boxes.

Go figure ...