



May 2020

The Hard Reality

By Paul Bauer, CEO, Manager | paulb@ellsworthcreamery.net

There's no way to sugarcoat it, nor do I have to tell you what you are experiencing first-hand on the farm, this has been the most catastrophic two months in agriculture that any of us have likely ever experienced. If there was any doubt how linked our economy and supply-chains are, we're now finding out in real-time how delicate of a dance our economy truly is.

As the national guidelines and governor mandates began going into effect in mid-March, a chain-reaction began to take place. The closing of restaurants, cafeterias, universities, and schools meant that our largest market had come to a screeching halt, drying up literally overnight. Contracted milk buyers began canceling orders and contracts. There was an immediate oversupply of milk in our country and the likelihood of having to dump milk became a true possibility.

Our Board of Directors acted quickly. On the manufacturing side, we ramped up production at our Ellsworth plant to keep up with the supply by producing barrel cheese at over maximum capacity. In Comstock, we expanded the production schedule to 7 days a week.

On the milk-supply side, the board drafted a letter to communicate the need for urgency in cutting milk production. We requested all members take action to immediately decrease production and offered an incentive to those considering exiting the business in the next year to expedite their plans. The equity buyout offer was made from a place of strength -- thankfully our cooperative was in a strong enough position going into this crisis that we could make the offer.

In the end, I'm happy to report that the majority of patrons took swift action at the farm, cutting milk production. As of this time, no milk has been dumped on our farms or at the creamery.

While it may feel as though we've weathered the worst, it's important to understand the longer term effects we are dealing with and how your milk check will be impacted. The difference in pricing between March and April is quite severe in three major areas:

- First, the lack of fluid milk sales caused a change in our ability to pay for milk by .87/cwt.

- The loss of cheese curd sales and the premium we receive on them resulted in a \$1.12/cwt downward change in the value of milk.
- Inventory will be a minimum of \$1.06/cwt loss because of the decrease in value between months.

This does not take into consideration the entire loss in foodservice artisan cheese sales out of Comstock and processed cheese sales out of New London.

The result is a drastic and dramatic drop on your milk check.

Our production facilities are managing additional concerns. Some things we're keeping a close eye on are:

- Our packaging process will be impacted by a nation-wide shortage of Co2 and packaging film.
- There are delays in receiving supplies and ingredients of all kinds.

However we're beginning to see some glimmers of hope.

- We are starting to see small increases in milk sales which is relieving pressure on our production plant.
- The USDA has committed to purchasing 4% of the nation's dairy products via Section 32 and food programs, which has led to commodity prices inching up.
- Foodservice orders have started to trickle in, although we're seeing a boomerang effect with significant swings on the number of orders from week to week.
- Ice cream supplies are in, which is making our retail store customers happy and creating a new revenue stream.

What the coming weeks and months will look like in terms of recovery is anyone's guess. I hope that the Department of Agriculture will continue taking steps to protect and support our nation's farmers and food supply. I am anticipating a continued expanding and contracting over the coming months as businesses open and pull back due to regional outbreaks. We will continue to take steps to ensure the utmost safety and health of our staff and customers.

Stay safe.

BRIGHT SPOTS

While there's a lot of bad news these days, there are some uplifting moments, too...

Rich's Little Idea

A kind gesture by one of our milk haulers, Rich Miller, has turned into just that!

With farmers facing the possibility of having to dump milk, while the dairy aisles in the store were near empty, Rich had an idea. What if donations could be collected from industry partners and the general public and the funds used to purchase cheese curds directly from the producer at a discounted price for local schools and food shelves. Rich put his idea into action and it took off.

It wasn't long after that Rich appeared on a Kare11 News feature. His story inspired other area groups to join in by forming their own similar curd donation initiatives, expanding the program to even more food pantries and schools. So far over \$58,000—over 19,000 pounds—of cheese curds have been purchased at cost with donated funds bringing needed supplies to food pantry shelves and school lunch programs.

Shopping Continues at our Retail Stores

In an effort to take extra precautions in keeping our staff safe and our plant sanitary, on March 23 our retail stores made the shift to curbside pickup only. Kudos to our store staff members and marketing team for successfully making the shift.

Customers are able to place their orders over the phone, or by simply driving to our parking lot where they will be greeted in their car by one of our curbside attendants. And while customers continue to show up for their favorite Ellsworth Cooperative Creamery products, we are counting the days to when we can re-open the doors and welcome guests to our stores again.

Congratulations and Best Wishes...

Earlier this year we said farewell and best wishes to two long-time team members. Jeff Schommer retired on January 24 (47 years) and Doug Volenec retired on February 27 (39 years). Please join us in thanking them for their contributions to our organization over these many years!

Annual Meeting 2020

The 109th Annual Membership Meeting of the Ellsworth Cooperative Creamery was unlike any in our history. Due to the Governor's mandate on large gatherings, we quickly transitioned our planned March 24, 2020 luncheon meeting to a virtual format.

The new virtual format attracted record attendance! We had 128 registered members present. As usual, Terry David of Baker Tilly presented the financial report and Paul Bauer gave the manager's report and answered questions.

Dean Hines announced this year's Milk Quality Award Winners (see the results to the right). This year 155 farms qualified for the award and 15 farms had results below 100,000 SCC.

The Board of Directors' election of officers was conducted using the same ballot/envelope system that was introduced in 2019. All incumbents were elected to another term:

2020 Ellsworth Cooperative Creamery Board of Directors:

Scot Meyer- Lake City, MN

Martin Hallock- Mondovi, WI

Adam Place- Clayton, WI

Randall Demulling- New Richmond, WI

Daniel Rosen- Emerald, WI

Angela Bocksell- Pepin, WI

Alan Sigurdson, Barron, WI

Warren Johnson- Osceola, WI

Quality Award Winners

At Ellsworth Cooperative Creamery, it all starts at the farm. We look to our producers and require they meet strict quality standards. We recognize and reward their efforts by naming our top three farm Milk Quality Award Winners. It's a tight race each year, and we're happy to announce our 2019 winners.

FIRST PLACE: Tony & Matt Berktold Lake City, MN (53,000 SCC)

SECOND PLACE: Robert & Terri Ketchum, Utica, MN (55,000 SCC)

THIRD PLACE: LNB Farms LLC, Bloomer, WI (59,000 SCC)

Congratulations and thank you to these winners, and the dedication of all our family farms, for producing milk of the highest quality!

Cancellations Notices

With the uncertainty of the coming weeks we regret to inform you of these event cancellations.

Ellsworth Cheese Curd Festival: God willing, the event will be back and better than ever in 2021!

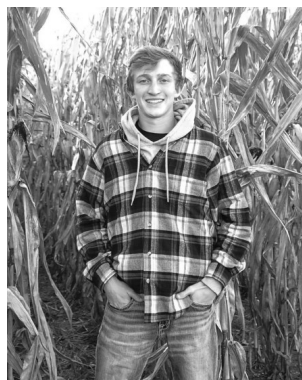
June Dairy Breakfasts: We'll have to wait until next year to partake in these fun and delicious events. Until then, plan to celebrate Dairy Month in your own socially safe way. If it's deep fried cheese curds you're craving, watch for the opening of the Ellsworth Cooperative Creamery Cheese Curd Wagons in both Ellsworth and Comstock!

Congratulations 2020 Scholarship Winners

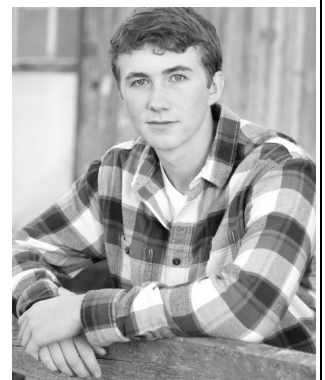
Congratulations to the recipients of this year's Ellsworth Cooperative Creamery Scholarships. The goal of this program is to provide scholarships to members of our cooperative's families who wish to continue their post high school education in Agriculture at a two-year technical school or a four-year university.



Barbara Dittrich



Ross Laird Herber



Josh Van Dyk