



Whey Pricing

I am Steve Stettler, President of Decatur Dairy Inc. in Brodhead Wisconsin. We have been a cooperative since 1942 and were started by seven farmers to turn their milk into cheese and market it.

Decatur Dairy has seen several changes over the years and has grown over the years to supply the needs of its customers. We have went from making Swiss cheese to Muenster, Brick Cheese, Farmer Cheese and now we also make Havarti, Gouda, Specialty Swiss and Cheese Curds. Decatur Dairy makes several smaller batches of cheese for its retail store, producing its own Colby, Cojack, Monterey Jack and several Smoked Cheeses

Decatur Dairy Inc. has sold its whey since the early 1970's to processors to take the protein out of the product. Decatur Dairy has always sold warm whey and has whey processing plants close to the facility.

Back in the 1970's Decatur Dairy was paid a flat rate for whey. The rate being .14 to .16 cents on solids and that did not change until 2012 when the rate changed to a percentage of dry whey. Dry whey pricing hurts us because we only sell wet whey and for Decatur to build a dryer is out of the question.

My cooperative is in favor of changing the way whey is priced in milk pricing. Decatur Dairy sells its cheese, cream and whey and that is how we pay for milk and the milk price is based. When the other solids price gets raised we pay more for solids than the whey solids price can make up for. Decatur Dairy feels that our milk price will not be lower because of this, but will be more competitive and fair.

The cooperative has had many discussions on whey and how to sell it and if it makes sense to invest in the equipment to process. There are so many issues for us to invest in processing equipment for whey.

Waste water is a big issue as whey equipment would add another 30000 gallons of waste water in just cleaning the equipment and if you want to reuse the water there would be the redesign of piping to handle the water and cleaning those

lines add more waste water also. Waste water improvements to handle this amount of water and the byproduct of permeate would be as high a two million dollars that really doesn't have a pay back.

Decatur Dairy would also have to expand the building for equipment and right now land is not available for building additions. The cooperative could easily be three millions dollars plus in investments if whey investment was looked at.

The way whey pricing is being done, the money that is paid for whey really doesn't cover the investment if it is not changed. In the past if you invested in whey equipment at the right time it would pay for itself because it did not have a huge impact on milk pricing and other solids did not have the high value and the demand was not as great as it is today. Unfortunately, we did not have the space or facility to invest in the equipment.

Our cooperative strongly encourages a review of this pricing. Decatur Dairy has been short on covering milk costs the last five years with 2012 being a negative 0.5386, 2013 was a negative 0.5291, 2014 was a negative 0.07114 and 2015 was a negative 0.0675. The only months in those years that the cooperative was in the black and covering their costs were July 2015 with a positive 0.0358, August 2015 with a positive 0.2735 and September was a positive 0.4649.

Decatur Dairy would like to invest in whey and do processing the correct way, but it just doesn't work with the current system. We all know demand for solids will come back and the milk price will reflect that for the farmer. The cooperative would like to see a system where the price of whey would generate some profits to reinvest in whey processing as it is a huge expense.

Steve Stettler

Decatur Dairy Whey Solids Margin
Buy at FMMO Other Solids Price
Sell at 52.5% of NDPSR Whey Price

	FMMO OS Price	NDPSR Whey Price	52.5% of NDPSR Whey	FMMO OS Cost @ 5.69% OS	Whey Sales Value per Cwt @ 5.69% OS	Plant OS Margin
Jan-12	\$0.5032	\$0.6876	\$0.3610	\$2.8632	\$2.0540	-\$0.8092
Feb-12	\$0.4541	\$0.6400	\$0.3360	\$2.5838	\$1.9118	-\$0.6720
Mar-12	\$0.4239	\$0.6107	\$0.3206	\$2.4120	\$1.8243	-\$0.5877
Apr-12	\$0.4048	\$0.5921	\$0.3109	\$2.3033	\$1.7688	-\$0.5346
May-12	\$0.3500	\$0.5389	\$0.2829	\$1.9915	\$1.6098	-\$0.3817
Jun-12	\$0.3113	\$0.5013	\$0.2632	\$1.7713	\$1.4975	-\$0.2738
Jul-12	\$0.3123	\$0.5023	\$0.2637	\$1.7770	\$1.5005	-\$0.2765
Aug-12	\$0.3462	\$0.5352	\$0.2810	\$1.9699	\$1.5988	-\$0.3711
Sep-12	\$0.3971	\$0.5846	\$0.3069	\$2.2595	\$1.7463	-\$0.5132
Oct-12	\$0.4340	\$0.6205	\$0.3258	\$2.4695	\$1.8536	-\$0.6159
Nov-12	\$0.4624	\$0.6480	\$0.3402	\$2.6311	\$1.9357	-\$0.6953
Dec-12	\$0.4758	\$0.6610	\$0.3470	\$2.7073	\$1.9746	-\$0.7327
Jan-13	\$0.4647	\$0.6503	\$0.3414	\$2.6441	\$1.9426	-\$0.7015
Feb-13	\$0.4534	\$0.6393	\$0.3356	\$2.5798	\$1.9097	-\$0.6701
Mar-13	\$0.4179	\$0.6048	\$0.3175	\$2.3779	\$1.8067	-\$0.5712
Apr-13	\$0.3863	\$0.5741	\$0.3014	\$2.1980	\$1.7150	-\$0.4831
May-13	\$0.3887	\$0.5765	\$0.3027	\$2.2117	\$1.7221	-\$0.4896
Jun-13	\$0.3859	\$0.5738	\$0.3012	\$2.1958	\$1.7141	-\$0.4817
Jul-13	\$0.3927	\$0.5804	\$0.3047	\$2.2345	\$1.7338	-\$0.5007
Aug-13	\$0.3901	\$0.5778	\$0.3033	\$2.2197	\$1.7260	-\$0.4936
Sep-13	\$0.3914	\$0.5791	\$0.3040	\$2.2271	\$1.7299	-\$0.4971
Oct-13	\$0.3852	\$0.5731	\$0.3009	\$2.1918	\$1.7120	-\$0.4798
Nov-13	\$0.3955	\$0.5831	\$0.3061	\$2.2504	\$1.7419	-\$0.5085
Dec-13	\$0.3826	\$0.5706	\$0.2996	\$2.1770	\$1.7045	-\$0.4725
Jan-14	\$0.4155	\$0.6025	\$0.3163	\$2.3642	\$1.7998	-\$0.5644
Feb-14	\$0.4453	\$0.6314	\$0.3315	\$2.5338	\$1.8861	-\$0.6476
Mar-14	\$0.4700	\$0.6554	\$0.3441	\$2.6743	\$1.9578	-\$0.7165
Apr-14	\$0.4926	\$0.6774	\$0.3556	\$2.8029	\$2.0236	-\$0.7793
May-14	\$0.4897	\$0.6745	\$0.3541	\$2.7864	\$2.0149	-\$0.7715
Jun-14	\$0.4942	\$0.6789	\$0.3564	\$2.8120	\$2.0280	-\$0.7840
Jul-14	\$0.5046	\$0.6890	\$0.3617	\$2.8712	\$2.0582	-\$0.8130
Aug-14	\$0.5036	\$0.6880	\$0.3612	\$2.8655	\$2.0552	-\$0.8103
Sep-14	\$0.4876	\$0.6725	\$0.3531	\$2.7744	\$2.0089	-\$0.7655
Oct-14	\$0.4652	\$0.6508	\$0.3416	\$2.6470	\$1.9440	-\$0.7030
Nov-14	\$0.4505	\$0.6365	\$0.3342	\$2.5633	\$1.9014	-\$0.6620
Dec-14	\$0.3996	\$0.5871	\$0.3082	\$2.2737	\$1.7538	-\$0.5199
Jan-15	\$0.4001	\$0.5875	\$0.3084	\$2.2766	\$1.7550	-\$0.5216
Feb-15	\$0.3273	\$0.5169	\$0.2714	\$1.8623	\$1.5441	-\$0.3182
Mar-15	\$0.2918	\$0.4824	\$0.2533	\$1.6603	\$1.4410	-\$0.2193
Apr-15	\$0.2698	\$0.4610	\$0.2420	\$1.5352	\$1.3771	-\$0.1580
May-15	\$0.2533	\$0.4450	\$0.2336	\$1.4413	\$1.3293	-\$0.1120
Jun-15	\$0.2322	\$0.4245	\$0.2229	\$1.3212	\$1.2681	-\$0.0531
Jul-15	\$0.2004	\$0.3937	\$0.2067	\$1.1403	\$1.1761	\$0.0358
Aug-15	\$0.1151	\$0.3108	\$0.1632	\$0.6549	\$0.9284	\$0.2735
Sep-15	\$0.0465	\$0.2442	\$0.1282	\$0.2646	\$0.7295	\$0.4649
2012	\$0.4063	\$0.5935	\$0.3116	\$2.3116	\$1.7730	-\$0.5386
2013	\$0.4029	\$0.5902	\$0.3099	\$2.2923	\$1.7632	-\$0.5291
2014	\$0.4682	\$0.6537	\$0.3432	\$2.6641	\$1.9527	-\$0.7114
2015	\$0.2374	\$0.4296	\$0.2255	\$1.3507	\$1.2832	-\$0.0676

2013