



2021 PRIORITY ISSUES

Effective legislative and regulatory advocacy is a cornerstone of FarmFirst Dairy Cooperative's mission and vision. This key membership benefit appeals to dairy farmers to become a member of FarmFirst to ultimately enact positive changes to legislative and regulatory policies that effect their ability to farm.

Receiving guidance from members through our public policy process and our board of directors, FarmFirst staff work directly with and through the Midwest Dairy Coalition and National Milk Producers Federation to get our policies passed by Congress and signed into law or included in regulations.

As FarmFirst continues to build on the foundation its built while advocating on federal and regional issues, there is still much more to be done in 2021 and beyond.



POST-COVID-19 SUPPORT & ECONOMIC RECOVERY

After the dairy market roller coaster we experienced in the spring of 2020, dairy found itself in high demand when the Farmers to Families Food Box program was initiated in June and continued through the end of May 2021. During that time, more than 163 million boxes of fresh produce, milk, dairy, and cooked meats were given to struggling Americans across the U.S.

As the program sunsets, several key provisions are now being applied to the new Dairy Donation Program (DDP), which was established as part of the Consolidated Appropriated Act of 2021. The statute allows for retroactive reimbursement of donations made before the donation and distribution plans are approved. This advance notice provided by the USDA provides minimum provisions to be included in the program to

encourage the dairy industry to process and donate surplus milk supplies as it moves through the spring surplus milk production season.

As policymakers and national leaders continue to determine the best road to economic recovery, FarmFirst remains engaged on proposed policies and their impact on dairy farmers.

FEDERAL ORDER REFORM



Federal Milk Marketing Orders (FMMOs) have been an instrumental part of the dairy industry for more than 80 years by serving as a standard pricing system for farmers and milk handlers. FMMOs establish minimum prices for milk that is regulated (pooled) in a FMMO. Generally, changes to FMMOs have been made through an extensive hearing process. The 2018 Farm Bill included a new formula to calculate the Class I fluid milk price mover that was intended to be revenue neutral and facilitate increased price risk management for fluid milk bottlers. In 2020, due to the pandemic and other factors including the spread between Class III and Class IV prices and Class III prices that were significantly higher than Class I prices for several months, Class III handlers were encouraged by these prices to “depool” their milk which caused significant negative Producer Price Differentials (PPDs).

The negative PPDs have prompted the industry to suggest proposals to reform FMMOs, specifically, the Class I fluid milk price mover.

The National Milk Producers Federation has requested an emergency national FMMO hearing on their proposal to amend the Class I fluid milk price mover by adding \$0.74/cwt

to the monthly average of Classes III and IV and would adjust the amount every two years based on conditions over the prior 24 months, with the current mover serving as the floor price.

FarmFirst has suggested that if there is a narrow hearing on the Class I mover issue, that the industry return to using the “higher of” the Class III or Class IV in calculating the Class I mover. From FarmFirst’s preliminary analysis, using the “higher of” would reduce the frequency and severity of negative PPDs. Further, using the “higher of” leans on nearly two decades of proven success, and returns to a simpler, straight-forward calculation.

While addressing negative PPDs is the pressing issue, FarmFirst believes additional changes are needed to further improve the pricing structure dairy farmers and handlers rely on.

FarmFirst has worked with industry groups, and other dairy cooperatives in the Upper Midwest and nationally evaluating options for reform consideration for years. Should the Class I mover hearing not go forward, FarmFirst is supportive of a national hearing to address other issues affecting milk pricing in the FMMO system.

DAIRY POLICY

Early Preparation for the 2022 Farm Bill – Passage of any Farm Bill is not an easy task, and FarmFirst was proud to successfully advocate for improvements to the Dairy Title in the 2018 Farm Bill. As we prepare for what is next for the 2022 Dairy Title, FarmFirst is seeking feedback from members and engaging with Congressional leaders to ensure the legislation continues to evolve and meet the needs of dairy farmers.

The Dairy Margin Coverage Program contained several critical changes in 2018 that FarmFirst advocated for, including a raised catastrophic level (\$4 to \$5), reduced premium rates, increased Tier 1 production coverage, modified margin calculation (bimonthly to monthly), and waived the \$100 administration fee. FarmFirst also helped champion additional changes to allow for flexibility in members applying for an

intergenerational transfer since 2014. FarmFirst encourages participation in this program.

In addition to these successful efforts, FarmFirst will continue to work for improvements to the Dairy Margin Coverage program as well as evaluate other policy ideas that are being discussed by the dairy industry that will provide greater returns to dairy farmers.

DAIRY LABELING



Dairy farmers take great pride in the high-quality, nutritious dairy products that come from the milk they produce. Dairy farmers have contributed considerable amounts of their own money over the decades building consumer confidence dairy products. Imitations should not be allowed to unfairly capitalize and use dairy terms on their nutritionally inferior products that cause consumer confusion.

Getting the Food and Drug Administration to enforce their own existing definition

for dairy is a top priority for FarmFirst, which is why FarmFirst applauds the reintroduction of the DAIRY PRIDE Act, which would require the FDA to report to Congress on their progress of enforcing their definition for dairy. Having congressional support on this issue sends the message to the FDA that this is a serious matter and needs to be addressed. The flagrant misuse of these common dairy terms has gone on far too long. FarmFirst will be working to get this bill enacted into law.



ENVIRONMENTAL STEWARDSHIP



All food production comes with an environmental footprint. Responsible food production works to minimize that footprint. For over a decade, the U.S. dairy industry has been tracking the efforts dairy farmers have made in reducing their environmental impact and showcasing how dairy farmers and processors continue to be excellent stewards of the land and water.

Thanks to state-of-the-art technology and innovative dairy farming practices, the environmental impact of producing a gallon of milk has shrunk significantly.

In 2017 it was determined that it requires 30% less water, 21% less land and has a 19% smaller carbon footprint than it did in 2007 to produce that gallon of milk. Despite this great track record, the threat of additional far-reaching regulations continues to be considered by policy-makers, meaning that the industry has to remain active in advocating for greater flexibility in managing the diverse and complex resource that is our environment.

The Waters of the United States rule, or WOTUS, now known as the Navigable Waters Protection Rule, took effect in

June of 2020. While this rule is riddled with lawsuits, this latest version of the rule establishes the scope of federal regulatory authority under the Clean Water Act, narrowing Federal jurisdiction. The Navigable Waters Protection Rule includes four simple categories of jurisdictional waters and provides specific exclusions for many water features that traditionally have not been regulated.

FarmFirst is engaged in these national discussions regarding sustainability efforts and future policies that would reverse the Navigable Waters Protection Rule.

CLIMATE CHANGE



U.S. dairy has set aggressive environmental stewardship goals to advance dairy's role in building a sustainable future, including its ambitious goals to achieve neutral or better carbon emissions, optimize water usage and improve water quality by 2050.

The Net Zero Initiative, an industry-wide effort that will help U.S. dairy farms of all sizes and geographies implement new technologies and adopt economically viable practices is a critical component of U.S. dairy's environmental stewardship goals, endorsed by dairy industry leaders and farmers alike.

FarmFirst endorses the industry's initiative to address climate change and strives to serve as a key player and resource for members looking to do their part.

CARBON CREDITS



A voluntary, USDA-led carbon bank is one policy mechanism being considered to help reduce the barriers that producers and landowners face when participating in voluntary carbon markets and adopting climate-smart practices.

A carbon bank works by providing financing and funding for green initiatives and climate-friendly practices. Several smaller carbon bank and carbon pricing systems exist in the U.S., although they are generally limited in scope and consistency. If a national carbon bank were established, it could help farmers across the country by providing funding, setting market prices, and piloting green initiatives without needing congressional approval for each of their actions.

FarmFirst supports policy in establishing a national carbon bank to fund and support the environmental initiative dairy farmers are making on their farms and operations.

ASSURING QUALITY PRODUCTS WITH QUALITY ANIMAL CARE



Dairy farmers are committed to producing high quality, wholesome milk that is turned into quality dairy products that are enjoyed by consumers throughout the world. That quality milk wouldn't be possible without quality care to the cows that produce it.

As processors are faced with questions on animal welfare by consumers and retailers, the industry created a united national program known as Farmers Assuring Responsible Management (FARM). Since the FARM program was first introduced, it has continued to evolve to meet the demands of food companies and suppliers while bridging the gap

between consumers and farmers.

FarmFirst serves as a voice for farmers as changes and new requirements are being considered for the program. Additionally, FarmFirst continues to advocate for additional farmers to serve on the evaluation committee.

INTERNATIONAL TRADE



Maintaining international market access is more important than ever as

U.S. domestic production continues to grow. American dairy farmers export approximately 1 out of every 7 gallons of milk they produce. Looking beyond our borders to find long lasting customers and establish trade agreements for our quality U.S. dairy products is part of the solution. FarmFirst is supportive of fair and free trade opportunities that benefit U.S. dairy farmers and is actively engaged on this issue with national leaders. FarmFirst believes it is important to continue expanding market opportunities for U.S. farmers, while balancing the flow of dairy products into the U.S.

Resolving Issues Related to the COVID-19 Pandemic - After a tumultuous year due to COVID-19, international trade continues to be

plagued with issues at shipping ports, which is wreaking havoc on dairy exports. Incredible delays in shipping and a lack of available space on containers are part of the problem as ports struggle with a shortage of healthy workers and increased demand of international freight. National leaders are aware of the issue as the industry demands penalties be enforced on maritime companies that are not addressing the issues our ports are facing.

Geographical indicators restrict trade on common food names, including cheeses like parmesan, feta, asiago, and Havarti, limiting such products to be exported from specific regions of the world. Keeping common cheese names common is critical to ensure quality U.S. dairy products continue to be exported around the world with undue restriction. FarmFirst supports trade agreements that protect the ability to use common

names in marketing dairy products.

FarmFirst continues to be vigilant

on ensuring the dairy trade provisions in hard-fought agreements, such as the U.S. Mexico Canada Agreement and the Phase One agreement with China, are enforced in full so that U.S. dairy farmers receive the full benefit of these expanded markets. Specifically, Canada's dairy Tariff Rate Quotas have run counter to their USMCA commitments, restricting the amount the U.S. can export. In late May 2021, U.S. Trade Representative, Katherine Tai, officially requested a dispute settlement panel to review these Canadian dairy practices. As well, Mexico has increased its trade regulations that have limited U.S. dairy imports. Without inviting retaliation, the entire U.S. agriculture industry is encouraging U.S. Trade Representative Tai to take a holistic approach to address and resolve these concerns immediately.

NUTRITIONAL GUIDELINES



Research continues to demonstrate the valuable qualities that milk and dairy have on

American diets. FarmFirst continues to vocalize the need for the latest version of the nation's Dietary Guidelines for Americans (DGA) to reflect the latest science and research. This includes the positive role dairy fats play in the diet.

Science has proven in several peer-reviewed studies that the

consumption of milk and dairy products is essential and beneficial to human health, and in general, under consumed by American consumers. Our message also includes making sure that dairy alternatives are not included as an option in school milk programs due to their inferior nutritional quality compared to milk. Current USDA rulemaking allows for 1% flavored milk to be served in schools, an issue that FarmFirst has been an advocate for several years.

AG LABOR REFORM



Ag labor reform continues to be an important issue for U.S. dairy farmers. Dairy farmers

and the employees who keep their farms running 24/7, 365 days a year saw major progress on agricultural labor reform in April 2021 when the House of Representatives again passed the Farm Workforce Modernization Act, the only piece of ag labor legislation to pass that chamber in the past 35 years.

This major milestone was achieved with a bipartisan vote and backed by a coalition spanning across agriculture. The legislation, most importantly, protects current workers and allows dairy farms to participate in the H-2A visa program that allows for a legal, temporary immigrant workforce, thereby securing the steady, adequately-sized pool of legal employees needed to support our industry. While passage in the House is a great accomplishment, Senate approval of a similar bill and bipartisan support is needed.

FarmFirst recognizes the need in agriculture to have a stable and legal supply of workers and supports federal legislation that provides comprehensive ag labor reform that includes securing our borders. FarmFirst will remain engaged on advocating for ag labor reform that the industry can move forward with their day-to-day operations knowing that long-term policies are in place.

