

2022 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 2022 and beyond.



FARMFIRST[™]
DAIRY COOPERATIVE



REPRESENTING FARMERS

DAIRY POLICY

Passage of the 2023 Farm Bill - FarmFirst is engaged in discussions surrounding the 2023 Farm Bill, working with Congressional leaders to ensure the legislation continues to evolve and meet the needs of dairy farmers.

The Dairy Margin Coverage Program, which was included in the 2018 Farm Bill which FarmFirst advocated for, included raising catastrophic level (\$4 to \$5), reducing premium rates, increasing Tier 1 production coverage, modifying margin calculation (bimonthly to monthly), and waiving the \$100 administration fee. Since the passage of the 2018 Farm Bill, FarmFirst also helped champion additional changes to allow for flexibility for dairy farmers applying for an intergenerational transfer, allowing farmers to update their production history and receive supplemental payments and updating the calculation to fully utilize high quality hay in the feed cost formula.

In 2021, 11 out of 12 months provided a payment for producers at the \$9.50/cwt coverage level. With a proven track record as an inexpensive safety net program, 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.

INCREASING COSTS TO FARM

The COVID-19 pandemic has caused several new challenges affecting the global economy including supply chain issues such as port delays, labor shortages, and trucking. These and other factors have caused input costs to substantially increase making it difficult to be profitable.

Additionally, the invasion by Russia into Ukraine in early 2022 has produced a number of concerns with respect to global policies and their potential effect on the economy,

including rising fuel prices and skyrocketing costs for farm inputs like fertilizer. Policies are being considered on the best ways to mitigate the impact, including such efforts by the USDA to invest \$250 million in American-made fertilizer to reduce our reliance on such foreign-made inputs.

FarmFirst continues to work for policies to address these issues that will support farmers and rural communities.



FEDERAL ORDER MODERNIZATION

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 de-pool their milk which resulted in significant negative Producer Price Differentials (PPDs).

The negative PPDs have prompted the industry to suggest changes for the FMMOs, specifically, the Class I fluid milk price mover. While negative PPDs brought all these issues to light, FarmFirst believes additional changes are needed to other areas to improve the pricing system dairy farmers and handlers rely on.

FarmFirst is working with industry groups, and other dairy cooperatives in the Upper Midwest and nationally evaluating options for FMMO modernization. In 2021, FarmFirst was asked to serve with other dairy cooperative leaders across the nation on a national Federal Order Taskforce led by the National Milk Producers Federation (NMPF) to explore all avenues of improvement for the existing federal milk marketing order system including make allowances, the dairy products used in price discovery and their specifications, milk composition and the Class I mover.

The taskforce is slated to provide recommendations this summer, with additional action likely in late 2022. FarmFirst continues to work on federal order modernization, alongside NMPF and the Midwest Dairy Coalition, to ensure that changes to the order system reflect shared benefits for dairy farmers and processors.



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 highlighting 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 policymakers, which the industry has to remain active in advocating for greater flexibility in managing the diverse and complex resource that is our environment.

Farmers were the first environmental stewards, and through a dedicated pursuit towards progress, farmers will continue to find ways to sequester carbon, reduce water loss and improve water quality. FarmFirst has a seat at the table, as discussions take place on how dairy is an environmental solution.

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 innovative 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.

WATERS OF THE U.S.

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 remains vigilant in these national discussions regarding sustainability efforts and future policies that may reverse the Navigable Waters Protection Rule.

DAIRY LABELING

Dairy farmers take extraordinary 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 in 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 supports the bipartisan 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. Despite the constant rotation of leadership at the FDA, the flagrant misuse of these common dairy terms has gone on far too long. FarmFirst continues its work on getting FDA to enforce their own rules and get the Dairy Pride Act enacted into law.

NUTRITIONAL GUIDELINES

Research continues to demonstrate the valuable attributes 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.





INTERNATIONAL TRADE

Exports are critical to the economic viability of U.S. dairy farmers. American dairy farmers export an equivalent of approximately 1 out of every 6 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 will ensure that U.S. dairy products continue to flow where they are needed. FarmFirst supports bi-lateral and multi-lateral trade agreements that reduce tariffs and believes it is important to continue expanding market opportunities to benefit U.S. farmers, while balancing imports of dairy products into the U.S.

Resolving Supply Chain Issues - Initiated by COVID-19, international trade continues to be plagued with issues across supply chains, especially 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 workers and increased demand of international freight. Legislation was introduced, known as the Ocean Shipping Reform Act (OSHA), to help address shipping supply chain challenges and by providing the Federal Maritime Commission the tools it needs to improve oversight over international

ocean carriers and crack down on rising shipping fees facing consumers.

Pushing Back on Geographical Indicators - Geographical Indicators (GIs) 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. The European Union (EU) misuses protections meant for proper GIs to monopolize common cheese terms and raise unjustified trade barriers to block dairy exports from outside the bloc. The EU also pursues trade agreements worldwide that prohibit American-made products, including cheese, from using common food names that have been in use for decades.

Without decisive action to build upon intellectual-property progress made to date, the EU will likely continue to raise unfair trade barriers and seek to establish harmful GI policies in negotiations with U.S. dairy's trading partners.

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 cheese names in

marketing dairy products.

Ensuring USMCA Delivers - FarmFirst continues to be vigilant on ensuring the dairy trade provisions in hard-fought agreements, such as the U.S. Mexico Canada Agreement, 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 (TRQ) 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, which the panel found Canada to be improperly restricting access to its market for U.S. dairy products and was in violation of its TRQ commitments. While the panel decision was in favor of U.S. dairy, Canada continues to avoid resolving the issue. 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 comprehensive approach to address and resolve these concerns immediately.

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.

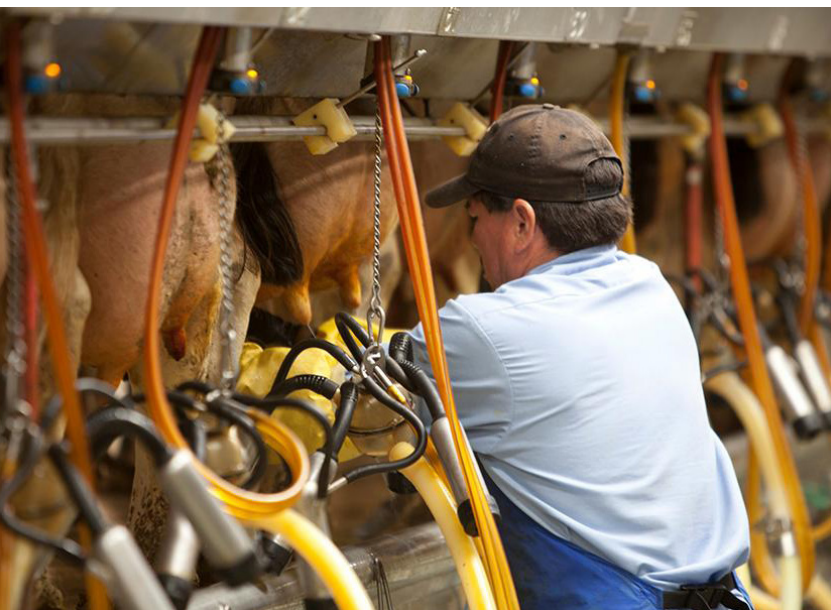
As processors are faced with questions on animal care by consumers and retailers, the industry created a united national program known as Farmers Assuring Responsible Management (FARM). Since the FARM program was



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, with a FarmFirst dairy farmer member serving on the National Animal Health & Well-Being Committee. Additionally, FarmFirst continues to advocate for increased representation of farmers to serve on the evaluation committee.



AG LABOR REFORM

to pass that chamber in the past 36 years.

This major milestone was achieved with a bipartisan vote and backed by a coalition spanning across agriculture.

Ag labor reform continues to be a prominent 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

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.



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DAIRY COOPERATIVE

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