

2023 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 it has built by advocating on federal and regional issues, there is still much more to be done in 2023.



FARMFIRST[™]
DAIRY COOPERATIVE



REPRESENTING FARMERS

DAIRY POLICY

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

Since the passage of the 2018 Farm Bill, FarmFirst helped champion changes to the Dairy Margin Coverage program 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.

Since 2019, producers participating in the DMC, have received a payment every year with participants in 2021 receiving a payment in 11 months.

With a proven track record as an inexpensive safety net program, FarmFirst will continue to advocate for improvements to the DMC program which include increasing Tier 1 milk volume, production history, and Tier 2 coverage as well as evaluating other policy ideas that are being discussed by the dairy industry that will provide greater returns to dairy farmers.

INCREASING COSTS TO FARM

While the COVID-19 pandemic has passed, several challenges continue to affect 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 war in Ukraine 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. FarmFirst supports efforts to mitigate the impact, including policies to reduce our reliance on foreign-produced inputs in order to 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 COVID-19 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 to de-pool their milk which resulted in significant negative Producer Price Differentials (PPDs).

The negative PPDs prompted the industry to suggest changes to 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 2022, FarmFirst served with other dairy cooperative leaders across the nation on a 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.

A petition for a national hearing has been submitted to USDA. As the hearing process progresses, FarmFirst will continue to work 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 and 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, strives to serve as a key player and resource for members looking to do their part and is supportive of programs that would adequately compensate dairy farmers for complying with rules and regulations that would mitigate greenhouse gas emissions.

WATERS OF THE U.S.

The Waters of the United States rule, or WOTUS, known as the Navigable Waters Protection Rule, took effect in June 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 and court actions 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 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. 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 of milk and dairy 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. An equivalent of one out of every six tankers of milk produced every day is exported. Looking beyond our borders to find long-term 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.

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. In 2022, the Ocean Shipping Reform Act (OSHA), was passed and signed into law to address shipping supply chain challenges, provide the Federal Maritime Commission the tools it needs to improve oversight over international ocean carriers and crack down on rising shipping fees facing consumers. FarmFirst will continue to

monitor its implementation and look for other ways to solve supply chain issues.

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. Further, 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.

While the dairy industry was able to successfully defend a federal court ruling that 'gruyere' is a generic cheese style, 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 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. The U.S. was successful in a dispute settlement panel regarding expanded dairy market access in Canada and has initiated a second case against Canada for noncompliance.



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



AG LABOR REFORM

The bill was backed by a coalition spanning across agriculture. The legislation, most importantly, protects current workers and allows dairy farms to participate in

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 in advocating for ag labor reform that the industry can move forward with knowing that long-term policies are in place.

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 progress on agricultural labor reform in 2022 when the House of Representatives passed the Farm Workforce Modernization Act.

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 was a great accomplishment, the Senate was unable to reach consensus and approve a similar bill.





FARM FIRSTTM

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