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NMPPF Town Hall

Tuesday, November 1, 2016
Nashville, Tennessee



Welcome

Christopher Galen
NMPF Senior Vice President,
Communications



Today's Agenda

- Chairman's Report
- Economic Outlook
- Margin Protection Program Update
- Legislative Priorities
- Trade Policy
- Cooperatives Working Together
- BREAK



Today's Agenda

- FARM Program Update
- Antibiotic Use
- Environmental Policy
- Food Safety
- Nutrition
- Closing thoughts



Chairman's Report

Randy Mooney
Rogersville, Missouri





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NMPPF Town Hall

Tuesday, November 1, 2016
Nashville, Tennessee



Randy Mooney

Chairman

National Milk Producers Federation



NMPF Member Cooperatives



Cooperative Milk Producers Association Inc.

Mid-West Dairymen's Company

Scioto Milk Producers Cooperative

Oneida-Madison Milk Producers Co-op

Cortland Bulk Milk Producers Coop

2016 NMPF Board of Directors

Sheryl Meshke | Associated Milk Producers
Steve Schlangen | Associated Milk Producers
Jimmy Kerr | Cooperative Milk Producers Assn
William Beeman | Dairy Farmers of America
Craig Edler | Dairy Farmers of America
Brian Hardy | Dairy Farmers of America
Jerrel Heatwole | Dairy Farmers of America
Neil Hoff | Dairy Farmers of America
Jackie Klippenstein | Dairy Farmers of America
Chris Kraft | Dairy Farmers of America
Jeff Raney | Dairy Farmers of America
George Rohrer | Dairy Farmers of America
Dan Senestraro | Dairy Farmers of America
Rick Smith | Dairy Farmers of America
Case Van Steyn | Dairy Farmers of America
Greg Wickham | Dairy Farmers of America
John Wilson | Dairy Farmers of America
Scot Meyer | Ellsworth Cooperative Creamery
Michael Anderson | Farmers Cooperative Creamery
David Cooper | FarmFirst Dairy Cooperative

Clint Fall | First District Association
Michael Doyle | Foremost Farms USA
David Scheevel | Foremost Farms USA
Peter Janzen | Land O'Lakes
Cornell Kasbergen | Land O'Lakes
Levi Ransom | Land O'Lakes
Jim Baird | Lone Star Milk Producers
Jay Bryant | Maryland & Virginia Milk Producers
Joe Diglio | Michigan Milk Producers Association
Dennis Tonak | Mid-West Dairyman's Company
Gib Martin | Mt. Joy Farmers Cooperative
Leroy Plagerman | Northwest Dairy Association
Stan Ryan | Northwest Dairy Association
Tony Graves | Prairie Farms Dairy
Tom Pittman | Premier Milk
Jonathan Vander Dussen | Select Milk Producers
Joe Wright | Southeast Milk Producers
Ralph McNall | St. Albans Cooperative
Keith Blake | Swiss Valley Farms
Larry Webster | Upstate Niagara Cooperative

Retiring Board Members



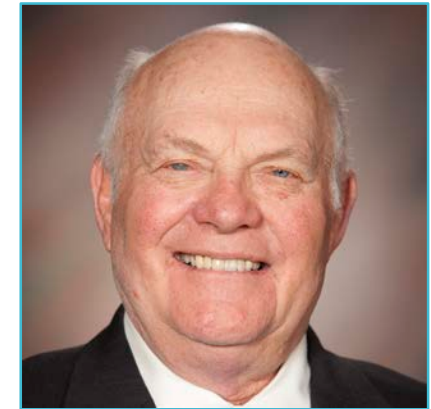
Mike Anderson
Farmers Cooperative Creamery



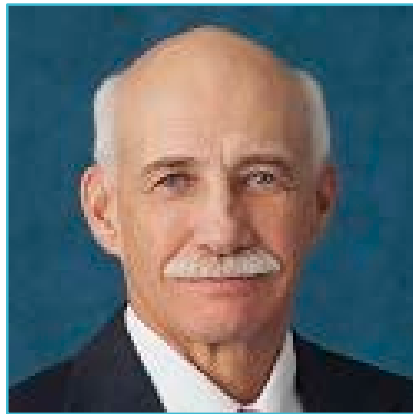
Bill Beeman
Dairy Farmers of America



Brad Bouma
Select Milk Producers



George Mertens
Dairy Farmers of America, Inc.



Tom Wakefield
Land O'Lakes



Jim Werkhoven
Northwest Dairy Association



Mark Wesen
Northwest Dairy Association

NMPF Officers



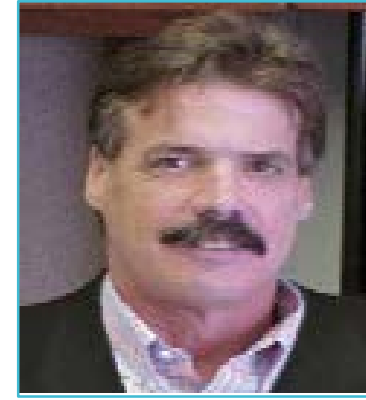
Randy Mooney
Chairman
Dairy Farmers of America



Ken Nobis
1st Vice Chairman
Michigan Milk Producers Association



Adrian Boer
2nd Vice Chairman
Northwest Dairy Association



Mike McCloskey
3rd Vice Chairman
Select Milk Producers



Keith Murfield
Secretary
United Dairymen of Arizona



Doug Nuttelman
Assistant Secretary
Dairy Farmers of America



Pete Kappelman
Treasurer
Land O' Lakes



Neal Rea
Assistant Treasurer
Agri-Mark

NMPF Staff



Jim Mulhern
President & CEO



Weston Abels
Assistant
General Office



Tom Balmer
Executive
Vice President



Ryan Bennett
Senior Director
Industry & Environmental Affairs



Madelyn Berner
Coordinator
Communications



Beth Briczinski
Vice President
Dairy Foods & Nutrition



Paul Bleiberg
Senior Director
Government Relations



Jaime Castaneda
Senior Vice President
Strategic Initiatives &
Trade Policy



Clay Detlefsen
Senior Vice President
Regulatory & Environmental
Affairs



Chris Galen
Senior Vice President
Communications



Khadija Gibson-White
Program Manager
Cooperatives Working Together

NMPF Staff



Beverly Hampton
Coordinator
FARM Program



John Hollay
Vice President
Government Relations



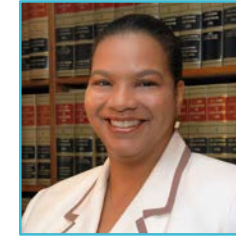
Jamie Jonker
Vice President
Sustainability &
Scientific Affairs



Louise Kamali
Senior Director
Marketing & Office Services



Emily Meredith
Chief of Staff



Gail Mobley
Senior Director
Finance & Administration



Shawna Morris
Vice President
Trade Policy



Marta Staudinger
Assistant
Front Desk



Peter Vitaliano
Vice President
Economic Policy &
Market Research



Emily Yeiser Stepp
Director
FARM Animal Care



Bobby Yi
Director
Informational Technology



NMPF
NATIONAL MILK
PRODUCERS FEDERATION

LEGACY OF LEADERSHIP

1916-2016

100 Years
of the National Milk
Producers Federation

2016 NMPF Strategic Policy Priorities



- Cooperatives Working Together
- Environment
- FARM Program
- Government Relations
- Regulatory
- Trade

Government Relations Priorities



- Margin Protection Program
- 2018 Farm Bill
- Immigration Reform
- Biogas/Nutrient Recovery Tax Credit
- Child Nutrition Act



NMPF 2017 Economic Policy Committee

Keith Murfield, Chairman | United Dairymen of Arizona

Jim Baird | Lone Star Milk Producers

Leon Berthiaume | St. Albans Co-op Creamery

Jay Bryant | Maryland & Virginia Milk Producers

David Cooper | FarmFirst Dairy Cooperative

Cornell Kasbergen | Land O' Lakes

Leroy Plagerman | Darigold

Mike Doyle | Foremost Farms

Steve Schlangen | Associated Milk Producers

Bob Wellington | Agri-Mark

John Wilson | Dairy Farmers of America

Joe Wright | Southeast Milk

Dan Senestraro | Dairy Farmers of America

Randy Mooney | Dairy Farmers of America

Ken Nobis | Michigan Milk Producers Association

Adrian Boer | Northwest Dairy Association

Mike McCloskey | Select Milk Producers

Doug Nuttelman | Dairy Farmers of America

Pete Kappelman | Land O' Lakes

Neal Rea | Agri-Mark

Clint Fall | First District Association



Environmental Policy Priorities

- Water Quality Trading
- Nutrient Management
- Environmental Litigation
- Air Emissions
- International Regulations



FARM Program Priorities



- Animal Care
- Environmental Stewardship
- Residue Avoidance



Regulatory Policy

- Drug Testing Pilot Program
- NCIMS/PMO Regulations
- FSMA
- Biotechnology Labeling
- Nutrition
- Animal Disease Monitoring



Trade Policy

- Trans-Pacific Partnership
- Trans-Atlantic Trade & Investment Partnership
- Canadian Restrictions
- Common Food Names
- US-Mexico Alliance



cwt **Cooperatives**®
Working
Together



2016 NMPF Strategic Policy Priorities



- Cooperatives Working Together
- Environment
- FARM Program
- Government Relations
- Regulatory
- Trade

DMI DAIRY MANAGEMENT INC.™

 **INNOVATION**
CENTER FOR U.S. DAIRY®
HEALTHY PEOPLE • HEALTHY PRODUCTS • HEALTHY PLANET



U.S. Dairy
Export Council®

Ingredients | Products | Global Markets



IDFA

INTERNATIONAL
DAIRY FOODS
ASSOCIATIONSM

Making a Difference for Dairy



Common Food Names

Farmer Safety Net

Labeling Mandates

Global Market Opportunities

Sodium Restrictions

Drug Residue Testing

Animal Rights Activists

Nutrient Management

Labor Availability & Immigration Reform

NMPPF

Antibiotic Guidelines

Milk Price Volatility

School Milk Program

Animal Disease Surveillance

NATIONAL MILK PRODUCERS FEDERATION

Water Quality Trading

Air Emissions Regulations

Raw Milk Regulation

Dairy Imitators

If you ate today,
thank a farmer.





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Economic Outlook

Peter Vitaliano

Vice President,
Economic Policy & Market Research



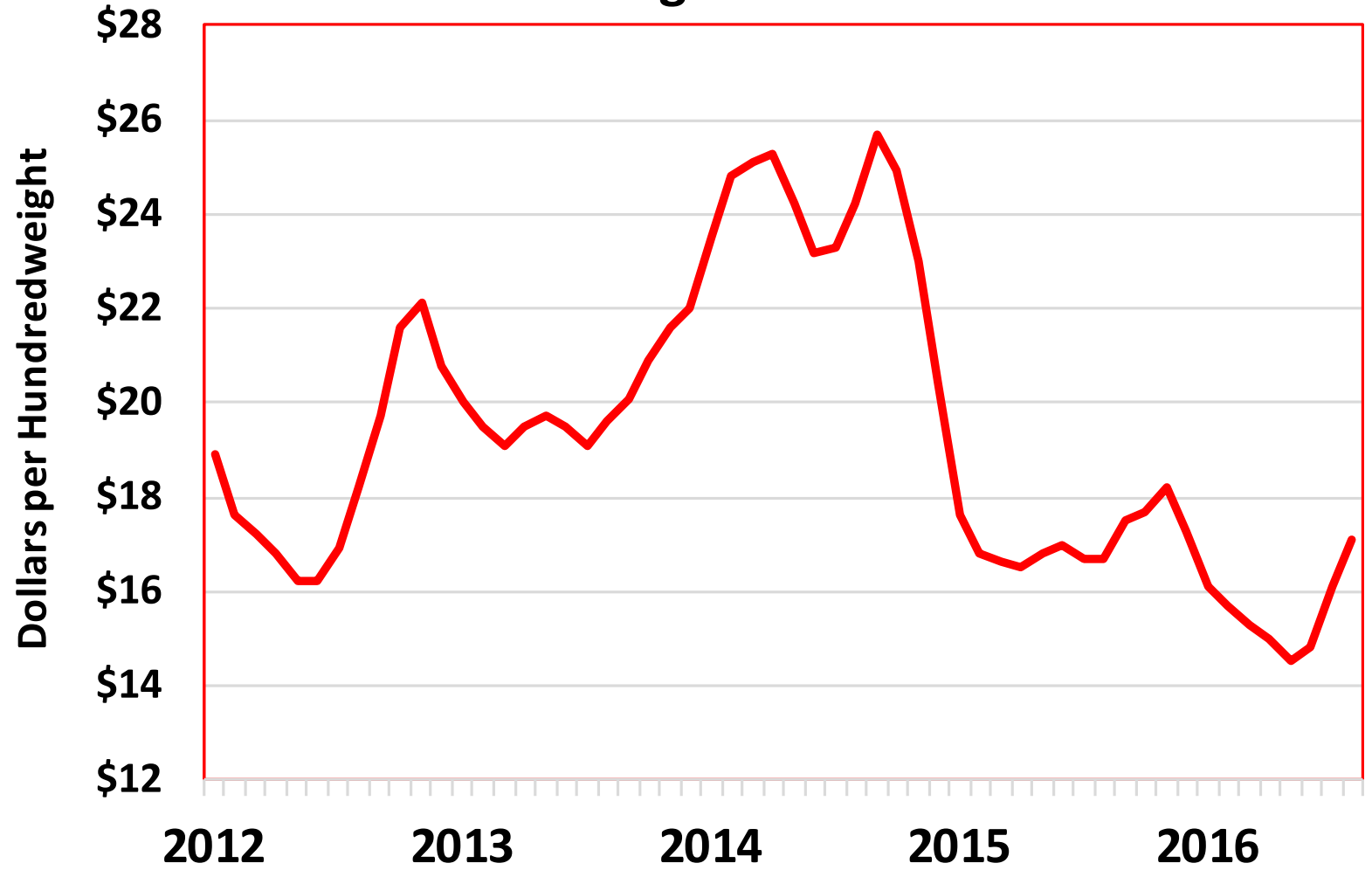
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Economic Outlook



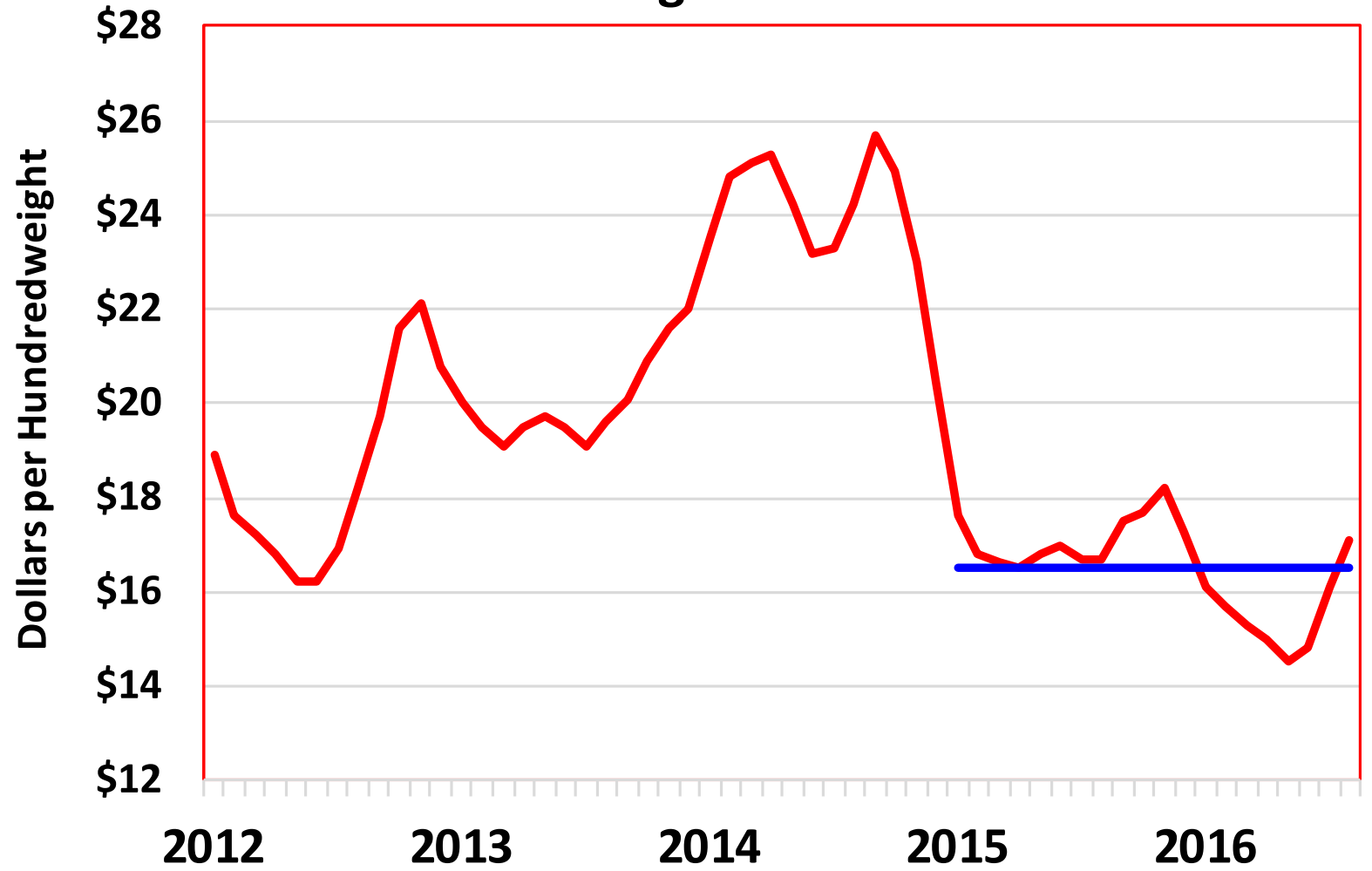
U.S. Average All-Milk Price



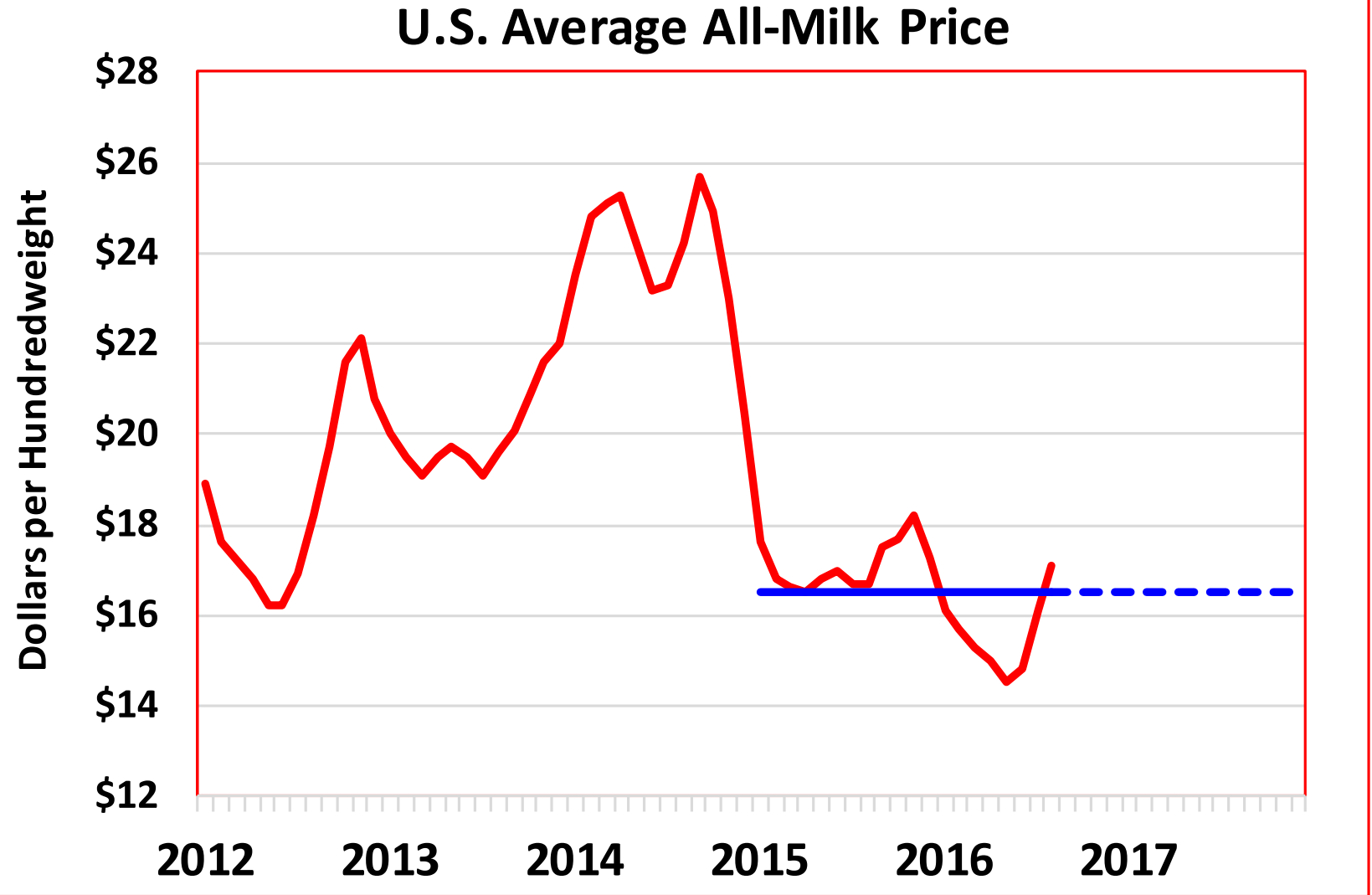
Economic Outlook



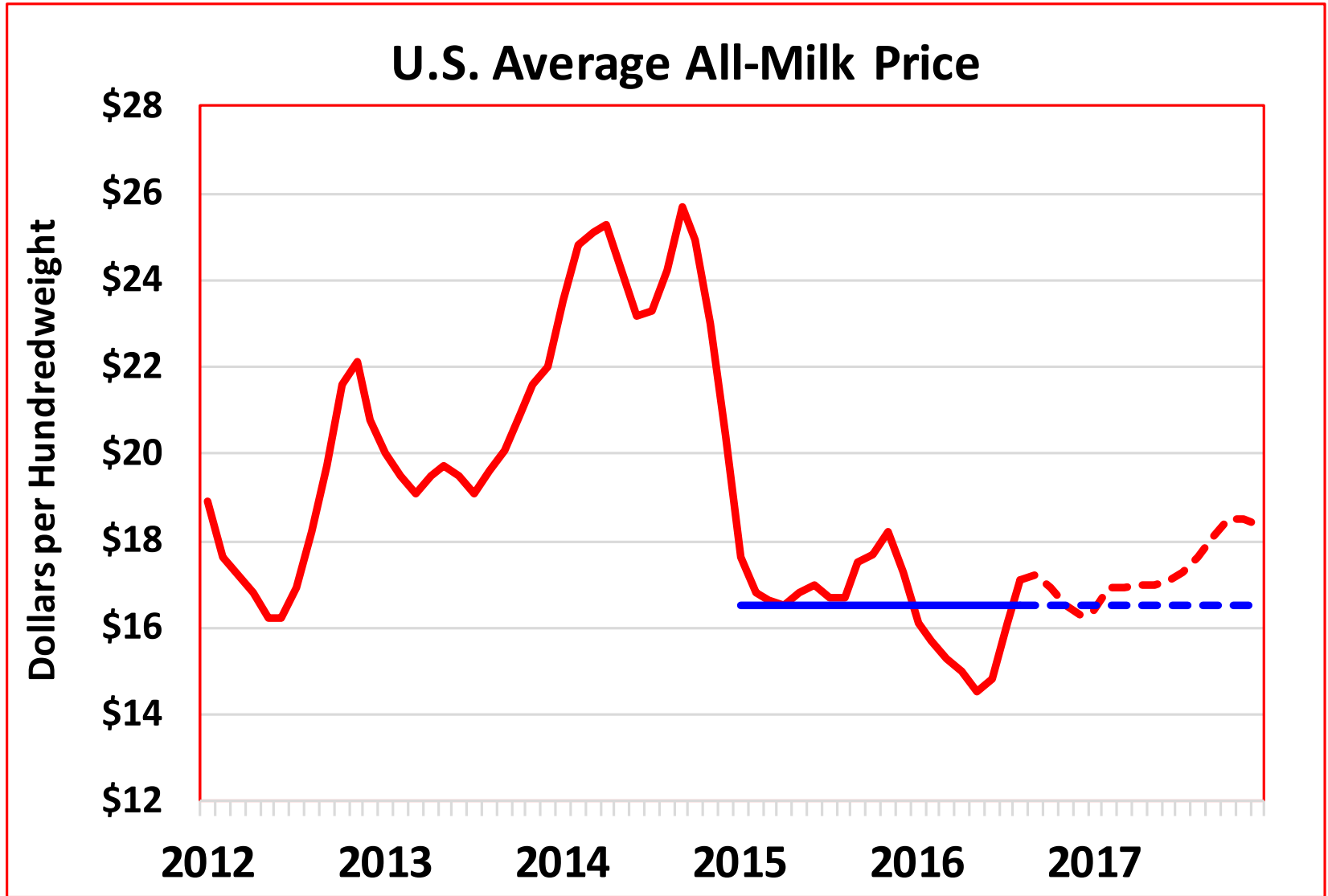
U.S. Average All-Milk Price



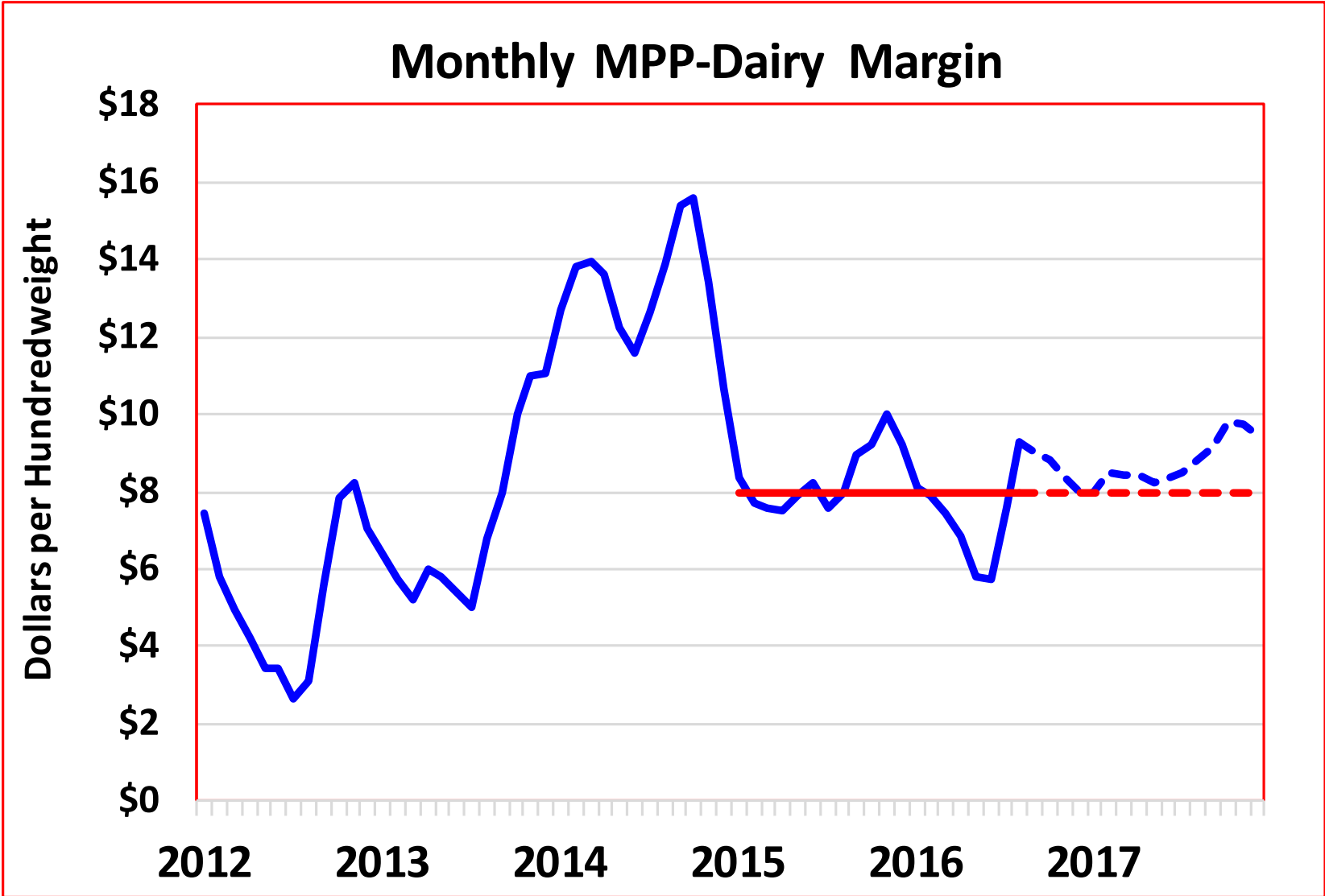
Economic Outlook



Economic Outlook



Economic Outlook



Economic Outlook

The dairy futures markets say both the milk price and the MPP margin will be **\$0.80 per cwt. higher** in the next 18 months compared to the past 18



Economic Outlook



Dairy product prices:

Average prices since **January 2015** as % of average prices during **2013-2014:**

- NFDM: 49% ↓ World prices
- Dry whey: 53% ↓ World prices
- Cheese: 82% ↓ US exports
- Butter: 114% ↑ US milkfat demand

Economic Outlook



Key factors for the dairy outlook:

- **U.S. milk production growth is picking up:**
 - 1.7% average for Jun-Aug vs. 0.9% average for prior 12 months
- **EU milk production growth has stalled, but 14 billion lbs. of new production was added since April 2015, when quotas ended**
- This compares with 4 billion lbs. for the United States and -1 bil. lb. for New Zealand and Australia, combined

Economic Outlook



Key factors for the dairy outlook:

- **World prices improving**, but still well below 2010-2014 averages for most products – outlook for further increases is uncertain
- **Record U.S. stocks of cheese and butter** – but only 2.7 days of use higher than normal (34 days) in 2016; higher for butter
- **Growth in U.S. production of major products is beginning to outpace growth in total commercial use**



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MPP Update

Jaime Castaneda

Senior Vice President, Strategic Initiatives & Trade Policy

Peter Vitaliano

Vice President, Economic Policy & Market Research

John Hollay

Vice President, Government Relations



Margin Protection Update

The Margin Protection Program is the right program for the dairy industry's future, yet it is clear that MPP must be improved to be a viable safety net program for farmers



Margin Protection Update



- Still in its infancy, we have already learned several lessons:
 1. Changes by Congress that modified our original proposal have made MPP significantly less effective
 2. Adverse selection is not an issue
 3. Producers should have more options



NMPF Works with USDA to Make Improvements



- Implementation process delivered as promised
- Vigorous effort to make program as helpful as possible for producers to the extent of their legal authority
 - Changes on basic and supplemental coverage
 - Facilitating premium payments
 - Changes on sign-up period
 - Changes on FSA flexibility
 - Facilitating intergenerational transfers
- NMPF staff continues to work with USDA to find ways to improve the program for the future



Examples of Issues to be Addressed

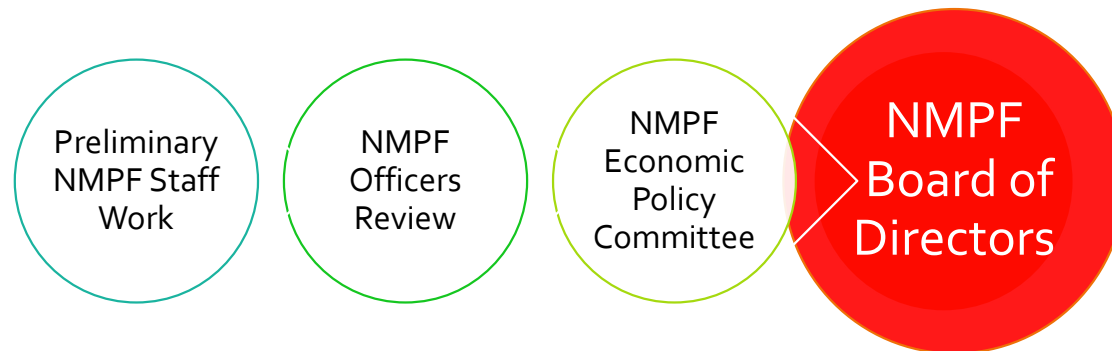


- Margin should reflect original formula
- Regional issues
- Premium rates
- Feed components
- Coverage levels
- Monthly payments
- Actuarial Insurance/RMA/LGM
- Timing of payments to producers
- Differences between raising your own crops vs. buying your feed
- Timing of signing up
- Premium payments
- Producers paid into program, but didn't get any return

Process & Timing for Review of MPP Changes



- NMPF will lead process by developing and advancing a proposal with broad membership support that addresses the needs of the nation's dairy farmers
- NMPF Chairman Mooney advised Congress on need to improve program in testimony before House Agriculture Committee
- NMPF has continually urged USDA to use all available tools to improve MPP
- NMPF Officers have provided guidance and adopted guiding principles to address MPP issues



Process & Timing for Review of MPP Changes

- Appointment of Economic Policy Committee with broad membership representation
- First meeting Nov. 2; subsequent meetings to examine issues to be addressed
- Expectation to have a proposal by spring to prepare for possible legislative opportunities



Questions?



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Legislative Priorities

John Hollay
Vice President, Government Relations

Paul Bleiberg
Senior Director, Government Relations



Biotech Labeling: Legislation

- Signed July 29
- Federal pre-emption
- Protects biotech animal feed
- Multiple options for disclosure



Biotech Labeling: Rulemaking



- Implementation timeline: 2 years
- Key issues include absence claims and electronic disclosure rules
- Numerous forums for public input will be available



Child Nutrition Act

- Bills passed by both the Senate and House Agriculture Committees
- Both include NMPF priorities
- Political challenges are blocking further action at this time



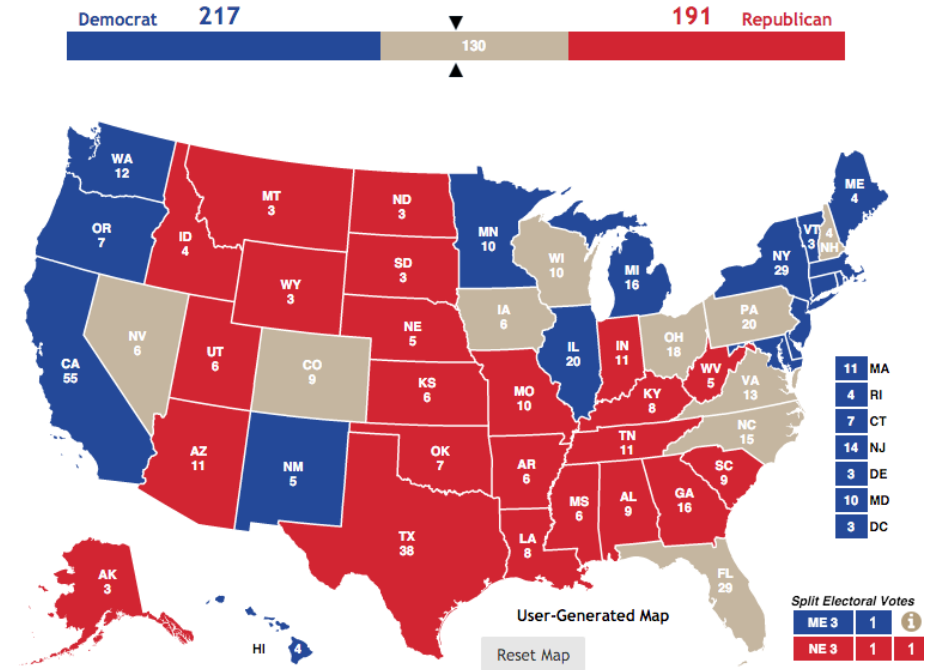
Biogas Tax Credit

- Agriculture Environmental Stewardship Act (H.R. 5489, S. 3248)
 - Tax credits for nutrient recovery systems and digesters
- Proactive tool to help solve water quality problems



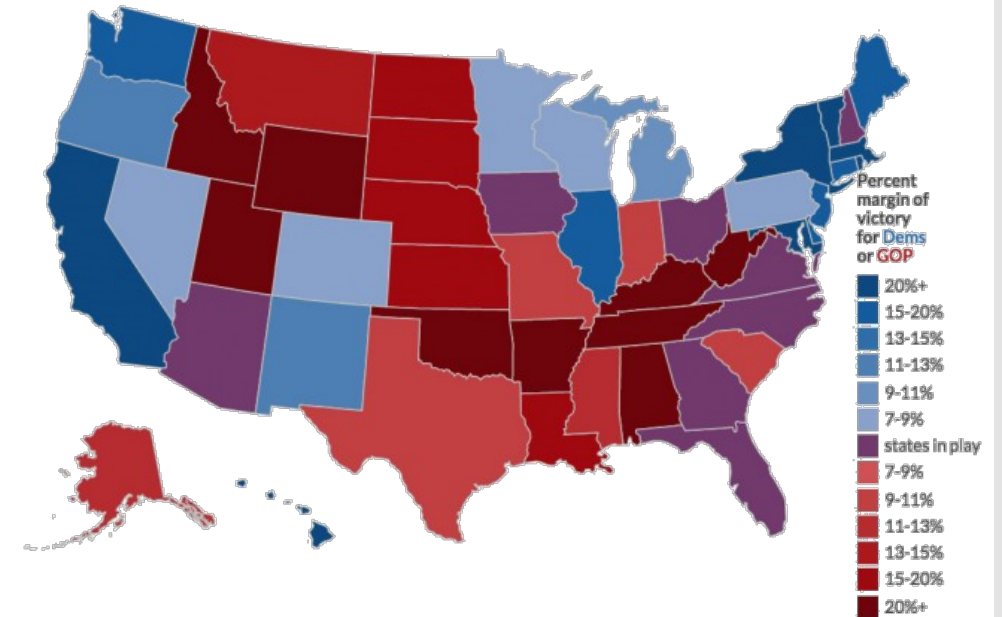
2016 Elections

- Trump vs. Clinton
- Senate up for grabs
- Competitive House races in dairy states
- Effect on immigration debate



Elections' Effect on Immigration Debate

- Presidential race impact
- Senate control impact
- House Republican margin
- Post-election issue analysis likely





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Trade Policy

Jaime Castaneda

Senior Vice President, Strategic Initiatives & Trade Policy

Shawna Morris

Vice President, Trade Policy



Wide Range of Trade Policy Work



- Joint work with U.S. Dairy Export Council on trade issues to yield benefits for dairy farmers
- FTA negotiations, approval, enforcement
- Proactive efforts to maintain market access
- Preserving smooth trading conditions
- Coalition building to combat global “regulatory” challenges
- GIs: Preserving U.S. cheese exports and sales

Trade Issue Spotlight #1:

Trans-Pacific Partnership (TPP)



- Highly polarized
- Ample misinformation on agreement
- Some issues Congress seeking to address
- Key dairy benefits; overall dairy balance



Trade Issue Spotlight #2:

Transatlantic Trade & Investment Partnership (TTIP)



- Dairy trade deficit of ~\$1.5B with EU
- Regulatory & tariff landscape pro-EU
- Preparing for 2017 carry-over of talks



Trade Issue Spotlight #3:

Battling Abuse of Geographical Indications (GIs)



- EU trying to limit competition from the U.S.
- Independent report found GIs could lead to \$5.2 billion in lost cheese sales and \$59 billion in farm revenue losses



Trade Issue Spotlight #4:

Addressing Non-tariff Barriers to U.S. Exports



- Oh, Canada!
- Central America, China, India, Mexico, Middle East...
- And more...



Questions?



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CWT Update

Jim Tillison
CWT Administrator

Peter Vitaliano
Vice President, Economic Policy & Market Research

Tom Balmer
Executive Vice President

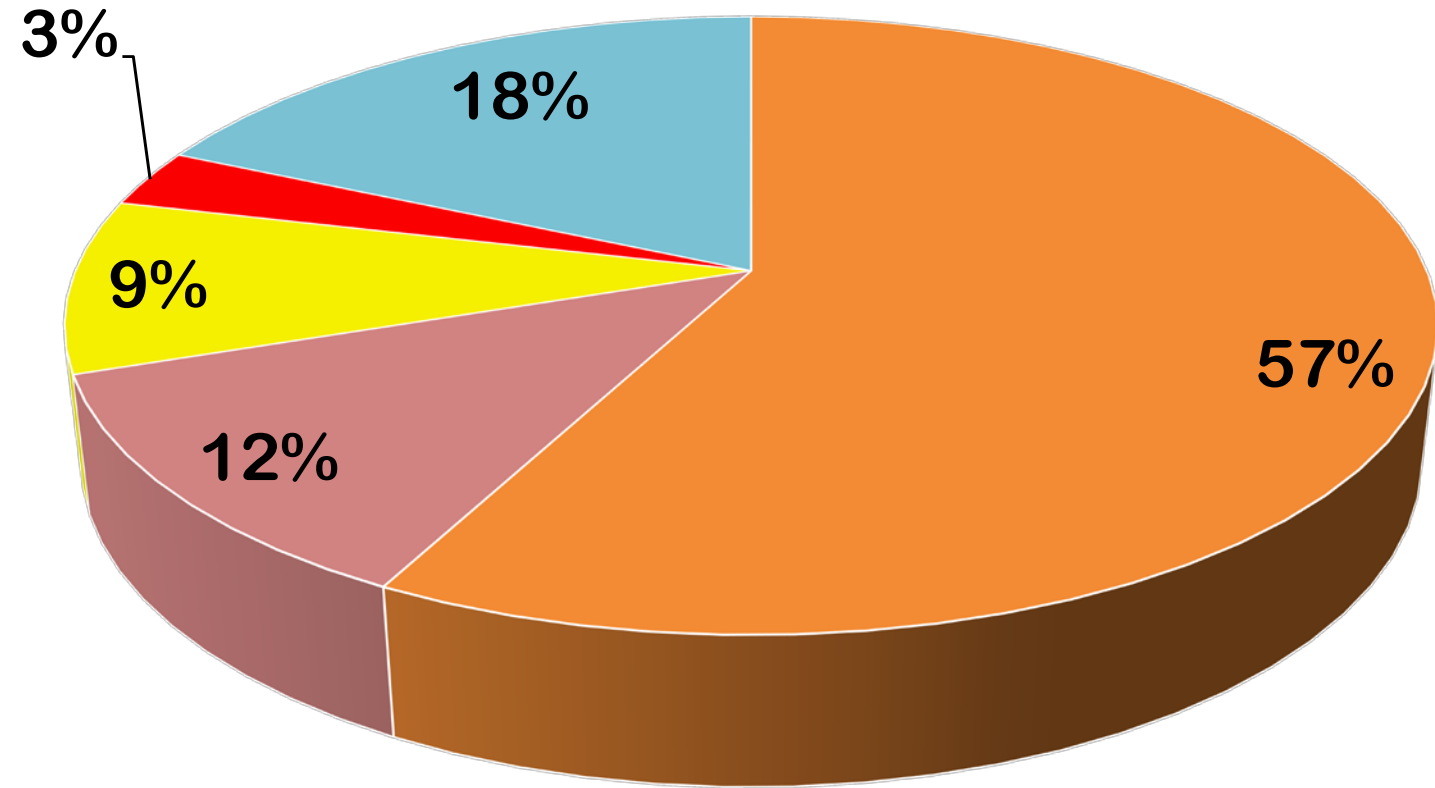


Export Assistance through Sept. 30, 2016



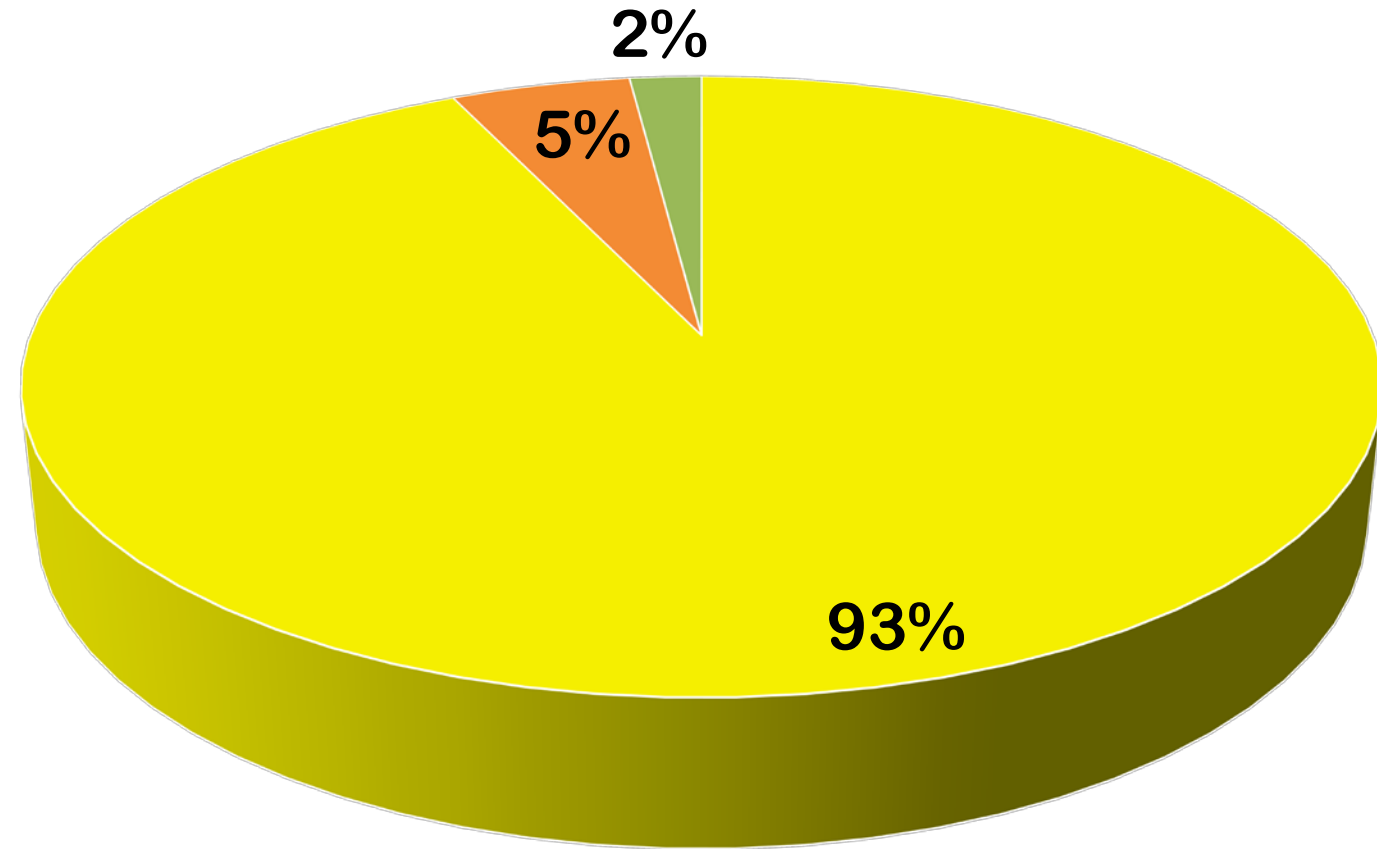
- **Requests for assistance:**
 - 700 bids received
 - 11 cooperatives participating
- **Total cheese:**
 - 591 bids, 216 accepted, 39.4 million lbs
- **Butter:**
 - 56 bids, 17 accepted, 8.2 million lbs
- **Whole Milk Powder (WMP):**
 - 53 bids, 33 accepted, 21.3 million lbs
- **Milk equivalent: 703.2 million pounds**

Where 2016 Cheese Sales Are Going



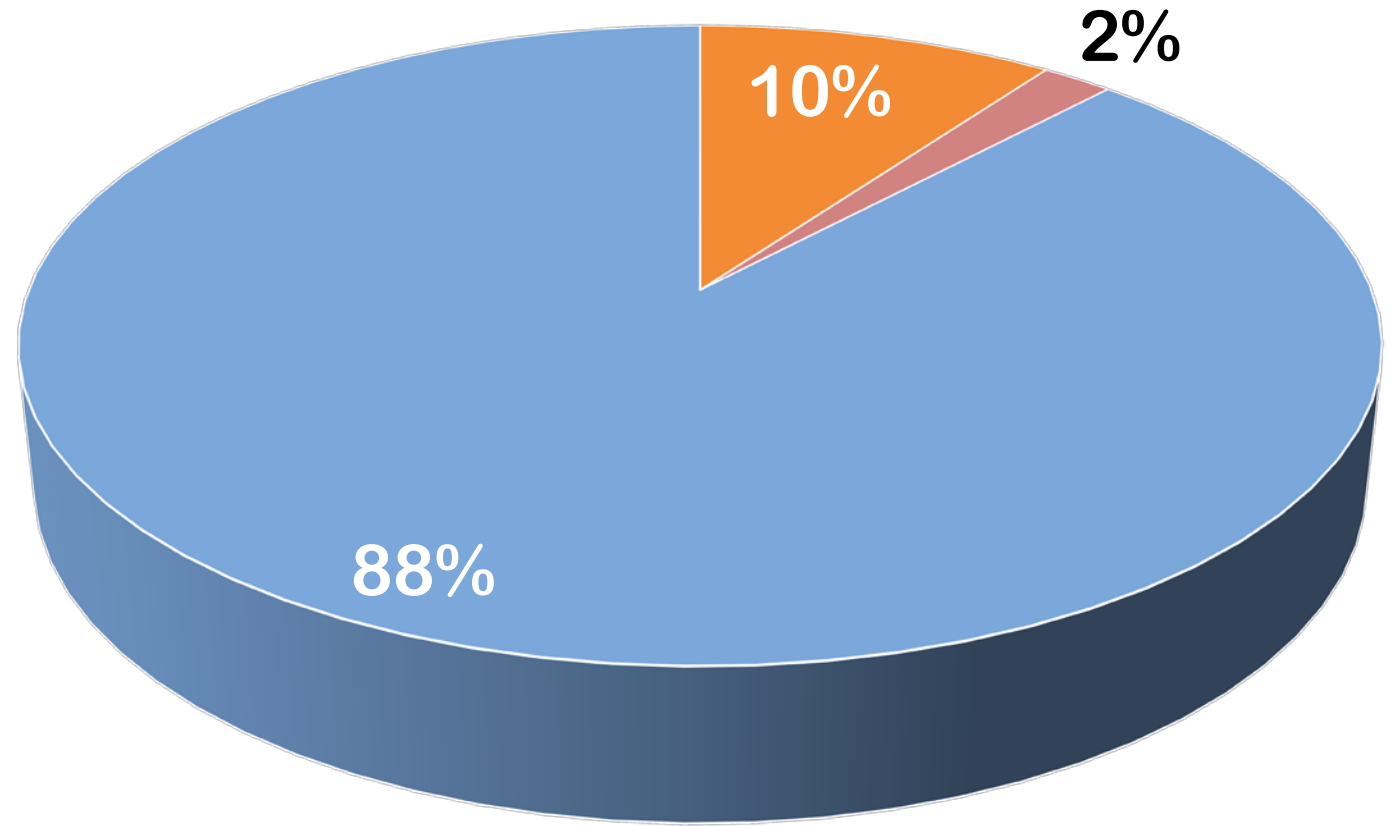
- Asia
- Central America
- Middle East
- North Africa
- Oceania

Where 2016 Butter Sales Are Going



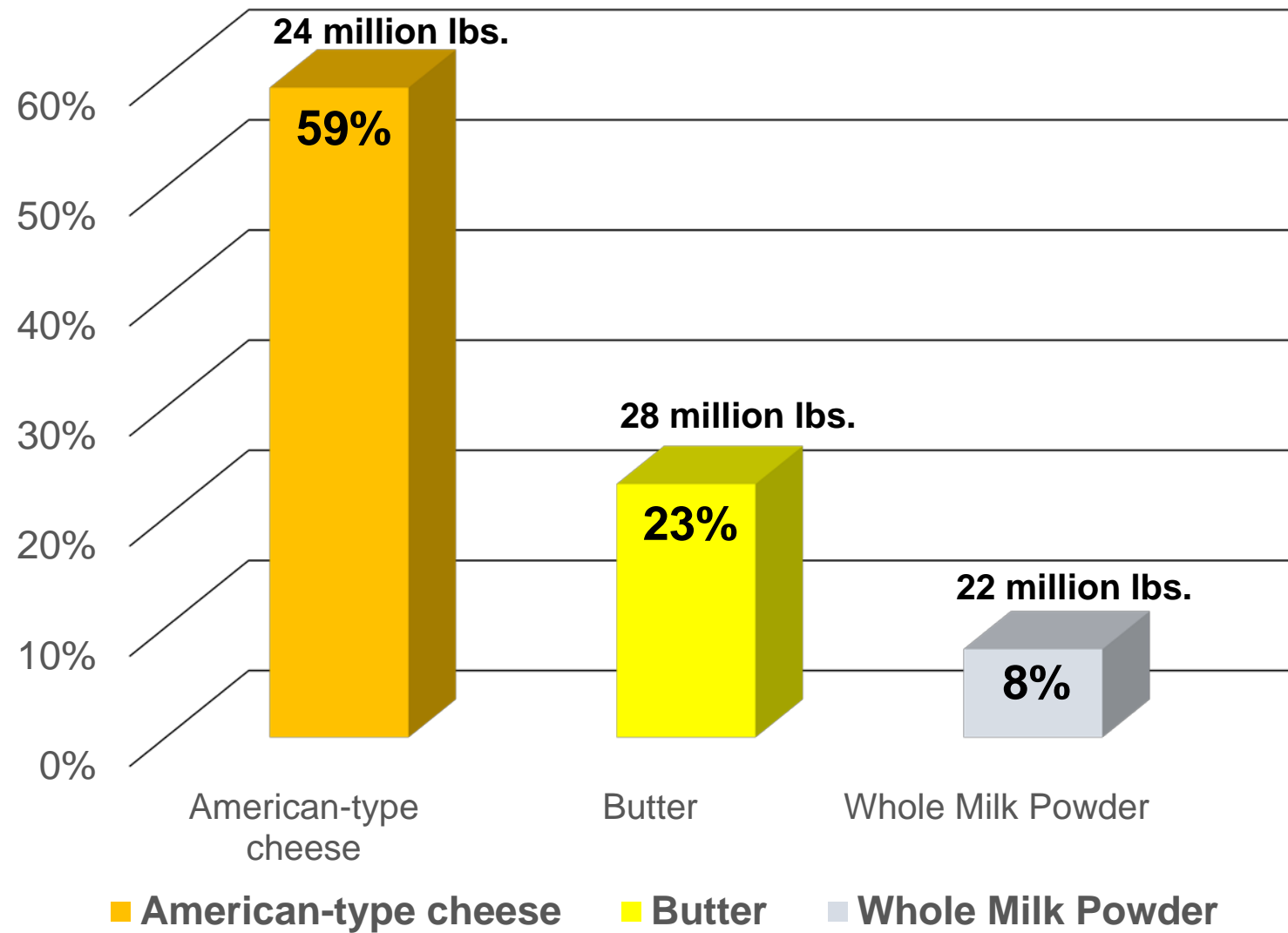
■ Middle East ■ North Africa ■ Asia

Where 2016 Whole Milk Powder Sales Are Going



■ Asia ■ Central America ■ South America

CWT Share of U.S. Exports through Aug. 31, 2016



Cooperatives Working Together



CWT's product focus:

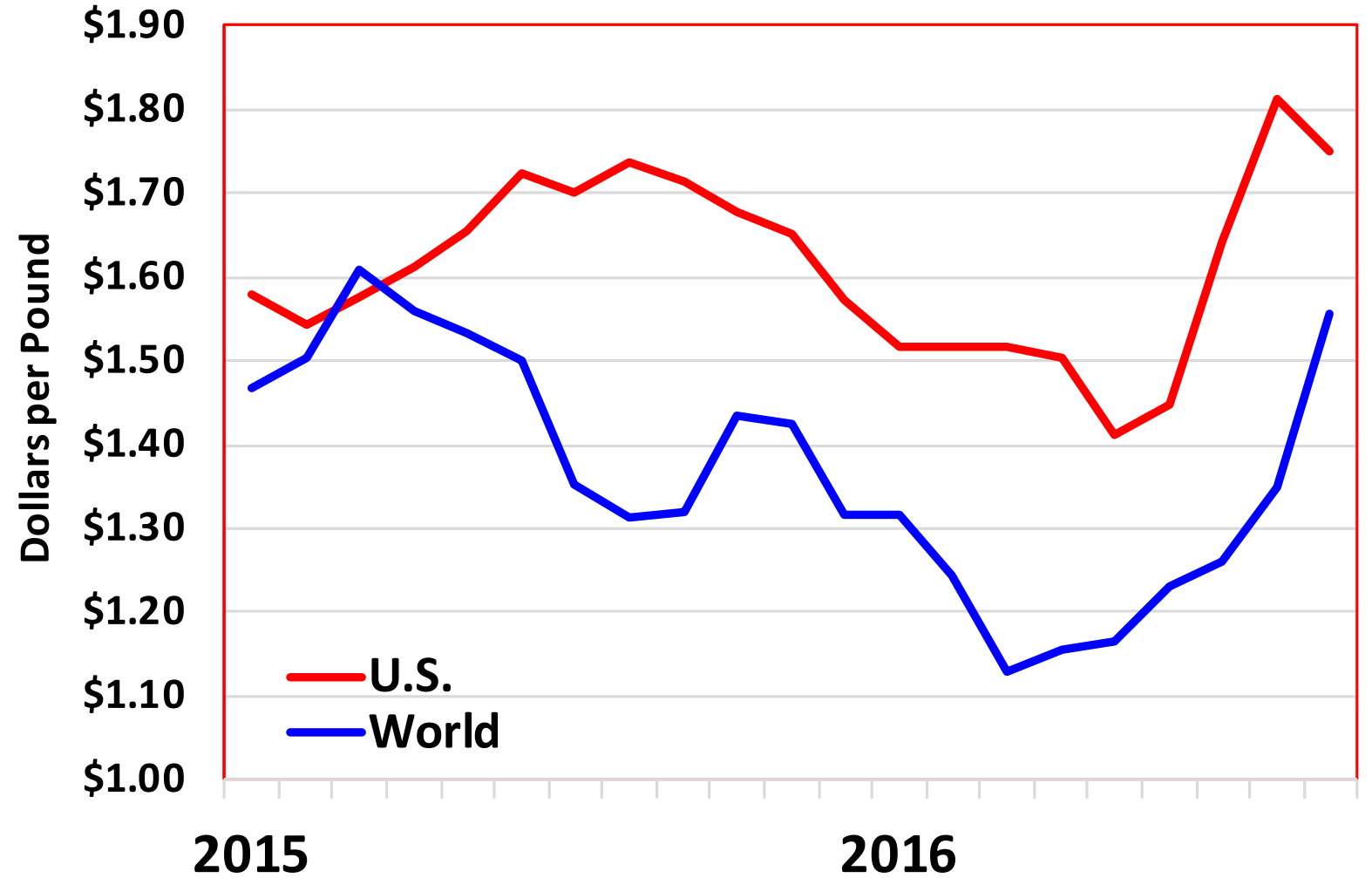
CWT provides assistance to export **American-type cheese** and **butter**

- U.S. exports are a relatively small proportion of total use of these products. Since January 2015:
 - 3% for American-type cheese
 - 2% for butter
- Therefore, U.S. prices of butter and cheese can move with greater independence from world prices than dry milk and whey prices can

Cooperatives Working Together



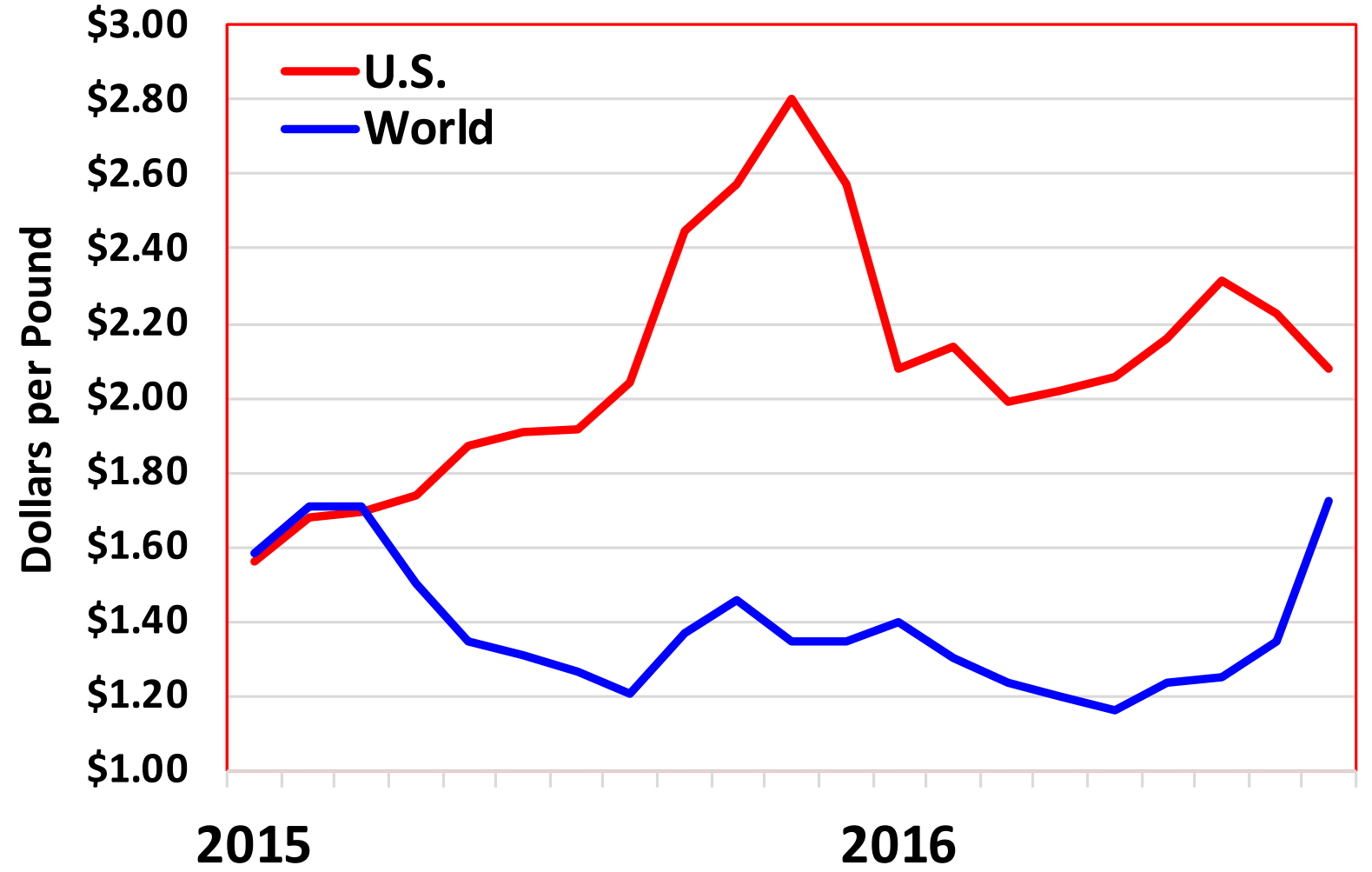
U.S. and World Cheese Prices



Cooperatives Working Together



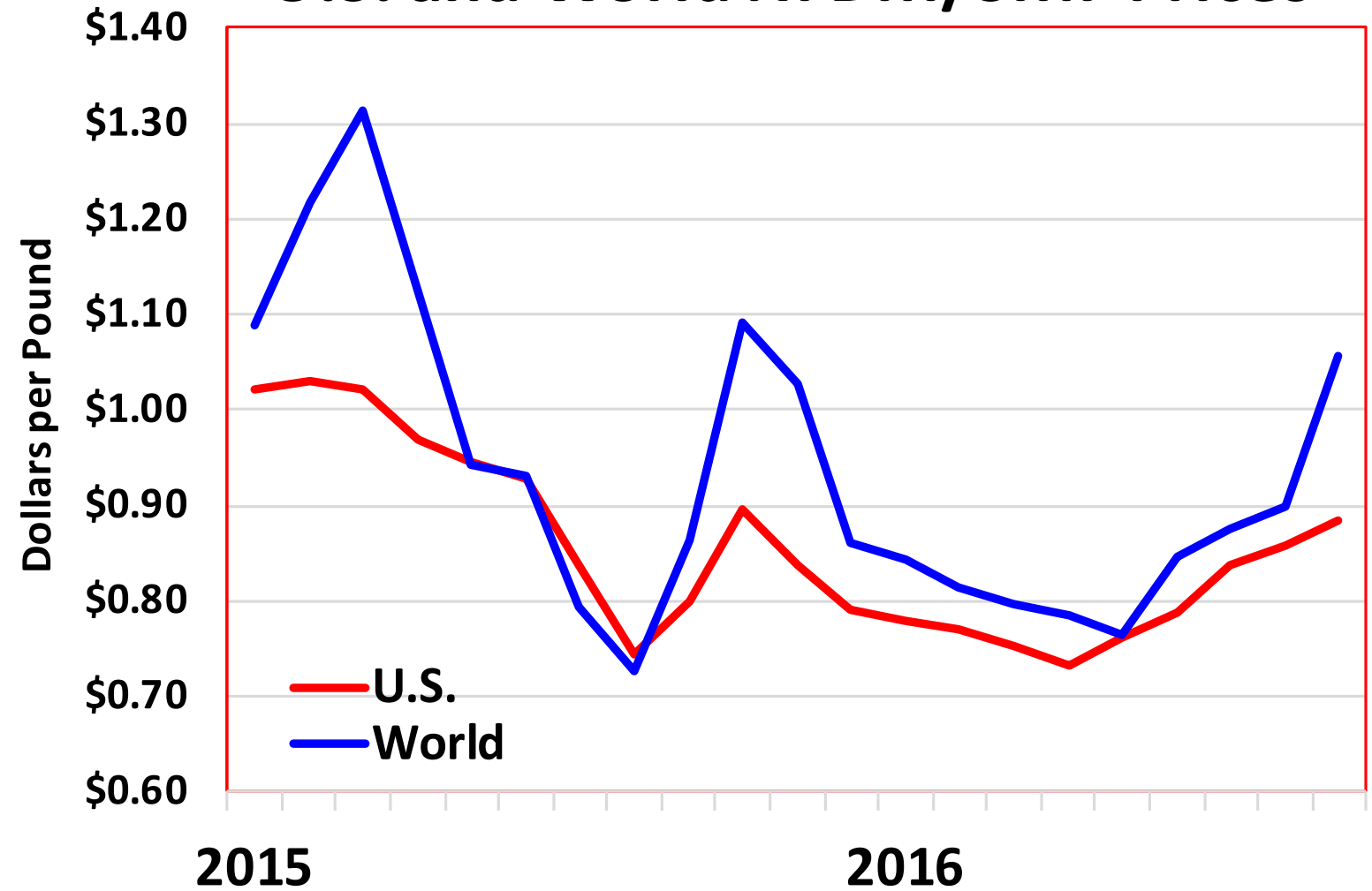
U.S. and World Butter Prices



Cooperatives Working Together



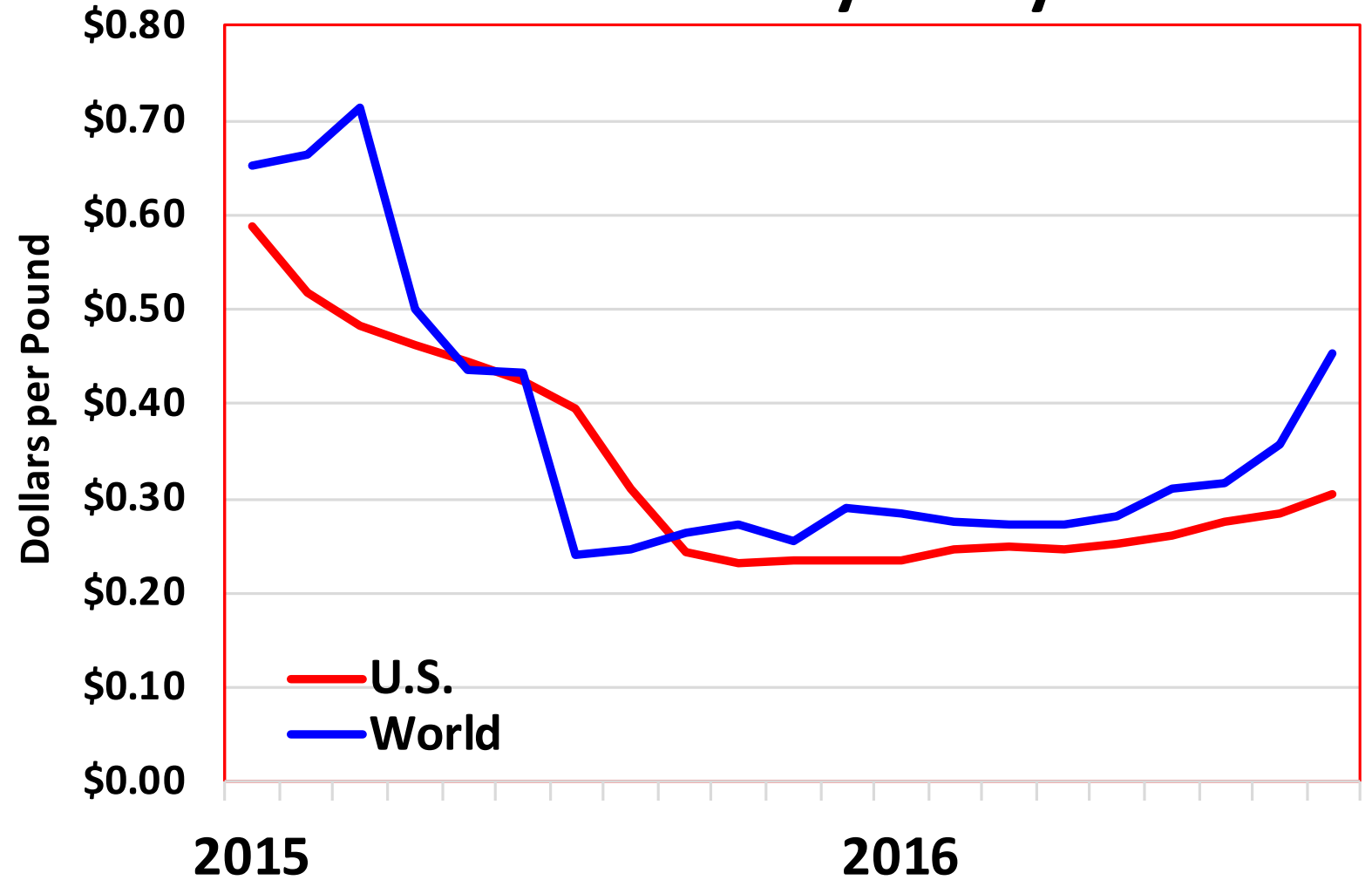
U.S. and World NFD/SMP Prices



Cooperatives
Working
Together



U.S. and World Dry Whey Prices



Cooperatives Working Together

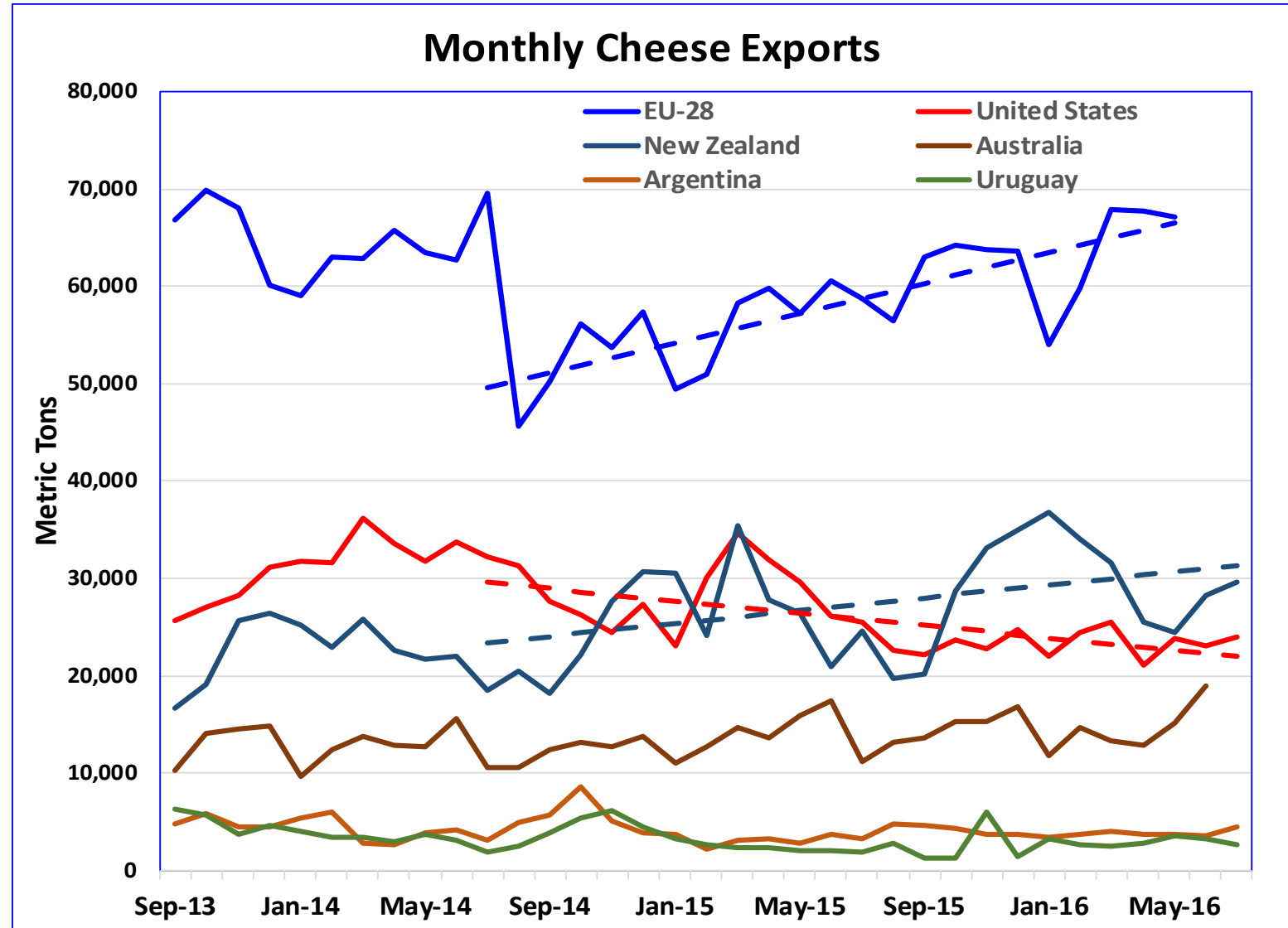


CWT's product focus: Cheese

- The United States has been losing world market share among the major cheese exporters in recent years



Cooperatives Working Together



Cooperatives Working Together



CWT's product focus: Cheese

- CWT helps provide the type of export pricing flexibility that EU and New Zealand dairy companies have internally
- Loss of U.S. export share in the world cheese market contributed to lower U.S. milk prices this year
- As world markets slowly recover, lower assistance levels will extend CWT's ability to assist more exports, but increased funding will be needed to fully compete

Cooperatives Working Together



CWT's product focus: Butter

- U.S. butter exports have dropped to a low level due to lack of exportable supplies of milkfat
- CWT is able to provide a sizeable return on assisting butter exports during periods when milkfat is available in excess of domestic market needs

CWT Litigation Update

Tom Balmer
Executive Vice President



Background: Legal Actions Taken Against CWT



- CWT first challenged in fall 2011
- Plaintiffs asserted they paid more for milk and dairy products due to CWT's Herd Retirement Program
- Originally claimed damages in excess of \$3 billion
- Action initiated by anti-animal ag, pro-vegan activist group
- No legal actions brought against HRP during its actual operation (2003–2010)
- Export Assistance Program not under challenge at any time

Settlement Announced - August 2016

- Determined to be most prudent and responsible course of action
- CWT makes no admission of wrongdoing and court has not ruled on any anti-trust violations
- CWT to pay \$52 million
- Payment includes all legal and attorneys' fees, in addition to consumer payments



Effect on Members and Ongoing Program



- No additional funds required from producers or cooperatives to pay settlement fee
- CWT managing existing funds to cover both settlement and operation of Export Assistance Program
- Resolution positions CWT for quick turnaround and strong future to accomplish its important mission

Questions?



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NMPPF Town Hall

BREAK



FARM Program

Emily Meredith, Chief of Staff

Emily Yeiser Stepp
FARM Program Director

Ryan Bennett
Sr. Director, Industry & Environmental Affairs

Jamie Jonker
Vice President, Sustainability & Scientific Affairs



National Dairy FARM Program



CORPORATE SOCIAL RESPONSIBILITY



=



National Dairy FARM Program



FARM Program Governance Structure



FARM Logo: Coming to a supermarket near you?






BACK PANEL

Nutrition Facts		Amount / Serving	% Daily Value*	Amount / Serving	% Daily Value*
Total Fat 8g		8g	12%	Total Carbohydrate 11g	4%
Saturated Fat 5g		5g	25%	Dietary Fiber 0g	0%
Trans Fat 0g		0g		Sugars 11g	
Cholesterol 30mg		30mg	10%	Protein 8g	
Sodium 120mg		120mg	5%		
Vitamin A 6%				Calcium 30%	Iron 0%
Vitamin C 0%					
Vitamin D 30%					

Serving Size 1 cup (236 mL)
Servings Per Container 16
Calories 150
Calories from Fat 70

*Percent Daily Values are based on a 2,000 calorie diet.



 Only the Best Dairy Products for You from Farmers Who Care 

Our dairy products only come from farmers who are FARM certified - Dedicated to the highest standards of animal care.

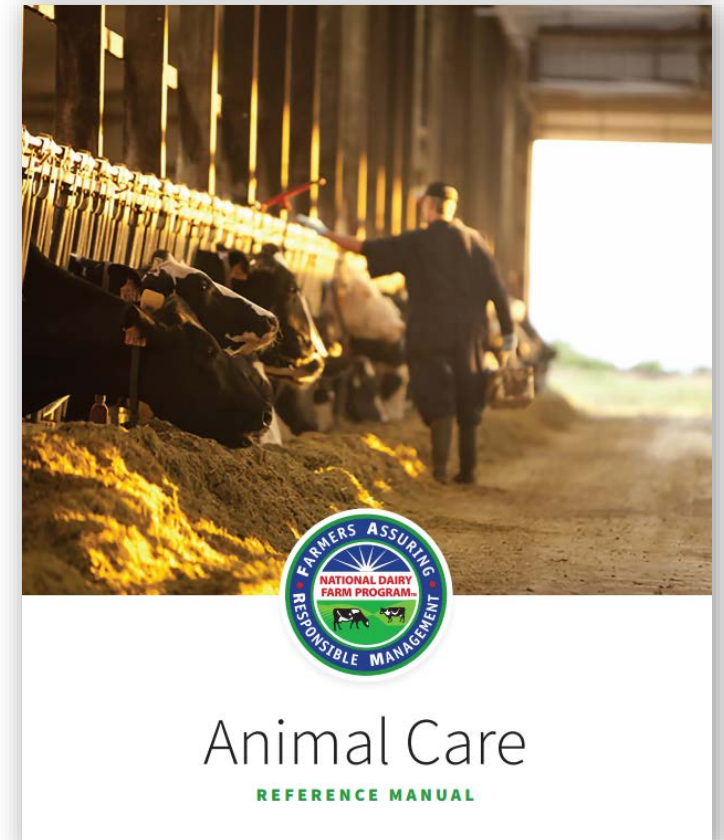


The website features a navigation bar with links for Home, Calendar, About FARM, Producer Resources, Participant Resources, and FARM Proud Blog. A search bar is located in the top right corner. The main content area includes a 'Save The Date' announcement for the 'FARM EVALUATOR Conference' in Nashville, TN, on November 2-3, 2016, at the Gaylord Opryland Resort & Convention Center. To the right, there is a section for 'Dairy Animal Care Resources' with a link to 'Merck Dairy C.A.R.E. & FARM Animal Care'.

FARM Animal Care Program



- **98%** of U.S. milk production now enrolled!
- Version 3.0 ready for **Jan. 1, 2017**
 - Suite of materials now available online
 - Train the Trainer Courses
 - 2016: 4 courses held for ~100 trainers



FARM Animal Care Program



- **Stakeholder Engagement:**
 - AABP Annual Conference
 - World Dairy Expo
 - Crisis drills
 - Evaluator Conference
 - Co-op/industry meetings
 - E-newsletters
 - Social media

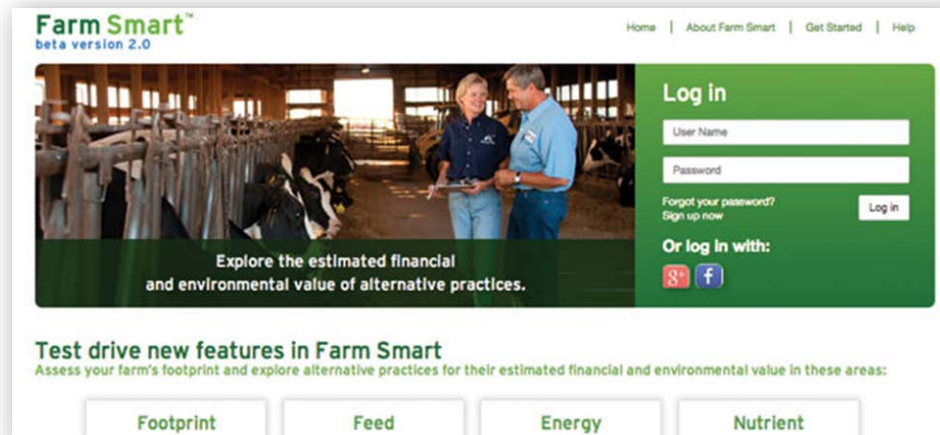
- **Key Partnerships:**
 - Beef Quality Assurance/National Cattleman's Beef Association
 - Merck Dairy C.A.R.E Webinar Series



FARM Environmental Stewardship Program



- FARM Environmental Stewardship is a **voluntary** program available to any interested co-ops or proprietary processors
- FARM Environmental Stewardship will integrate and replace Farm Smart, which uses a model to generate a farm's carbon footprint

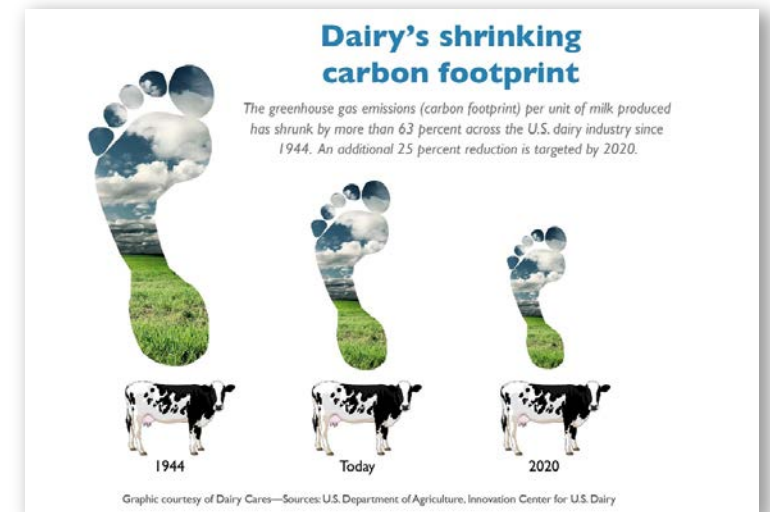


FARM Environmental Stewardship Program



Why measure GHG's on dairy farms?

- It's a positive story that isn't currently being told
- GHG reductions are correlated with production efficiency and improved economic performance
- GHG's are one of the main indicators dairy customers are requesting
- FARM Animal Care users also using Farm Smart have requested an easier way of collecting both sets of information on the farm



Antimicrobial Use and Resistance



Domestic Regulations

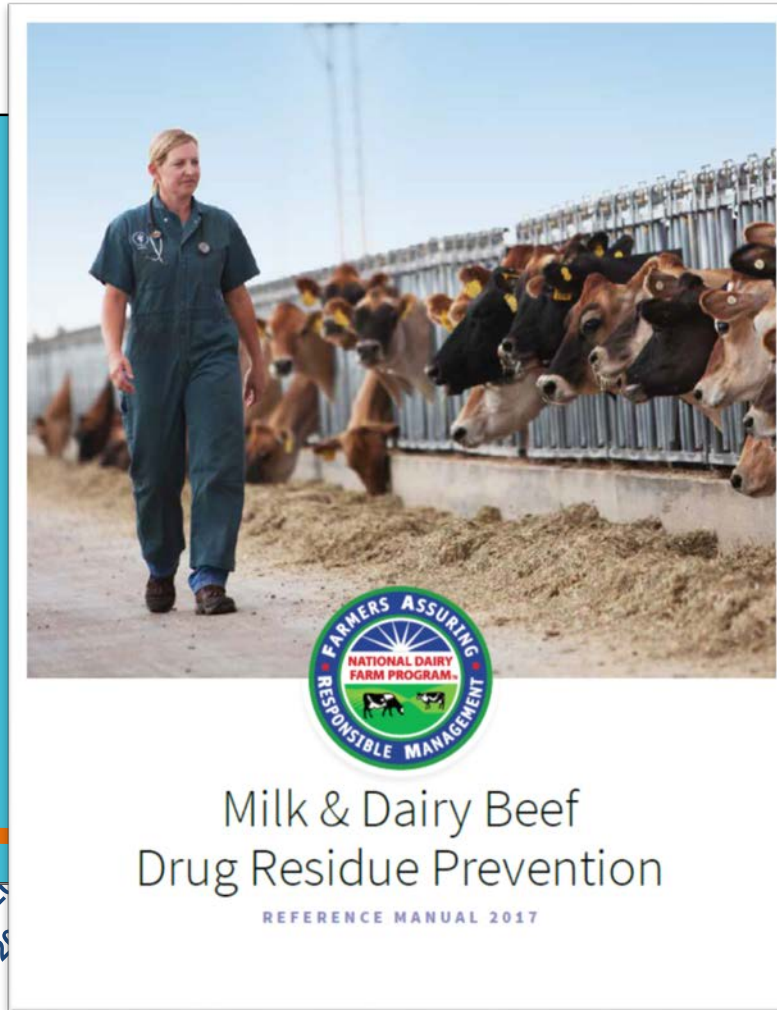
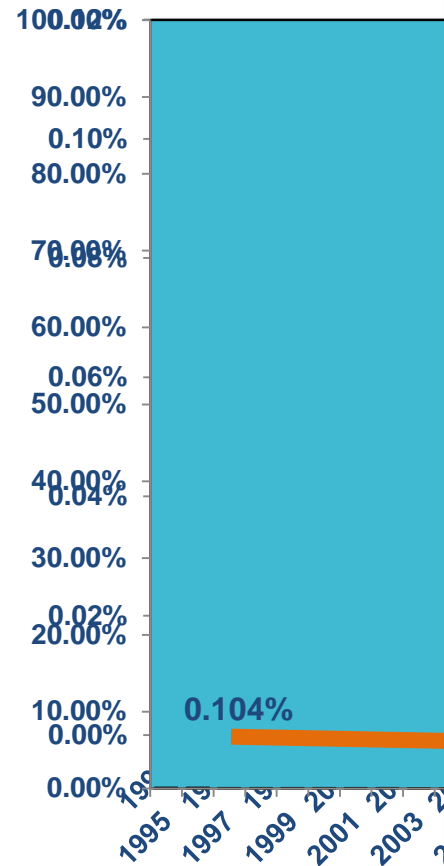
International Standards



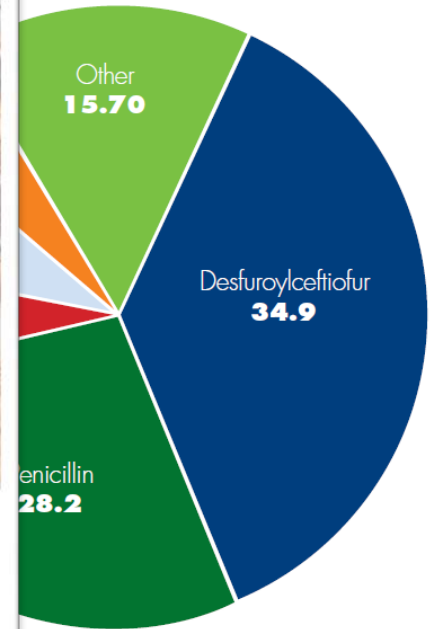
FARM Residue Avoidance Program



Bulk Tank Residues



Cull Cow Residues



Questions?



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Environmental Update

Clay Detlefsen
Senior Vice President,
Environmental & Regulatory Affairs



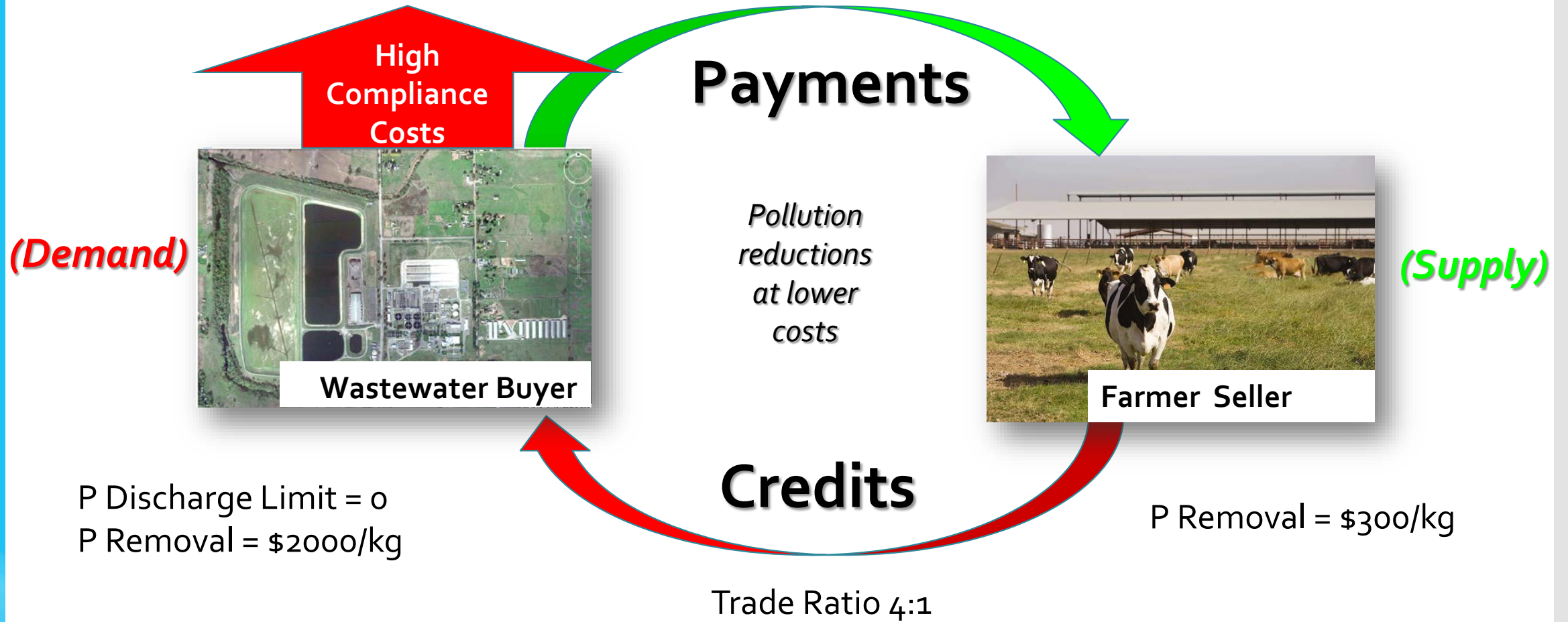
Waters of the United States



- Lawsuits
- Congressional action



Water Quality Trading A Real World Example



Water Quality Trading



- Maryland WQT
 - NMPF participates in advisory committee meetings
 - Trading scheduled to begin in 2017
 - Anticipate lawsuit by Food and Water Watch
 - Amend the Clean Water Act?



Regulatory Update

Clay Detlefsen
Senior Vice President,
Regulatory & Environmental Affairs

Beth Briczinski
Vice President, Dairy Foods & Nutrition



Food Safety Modernization Act

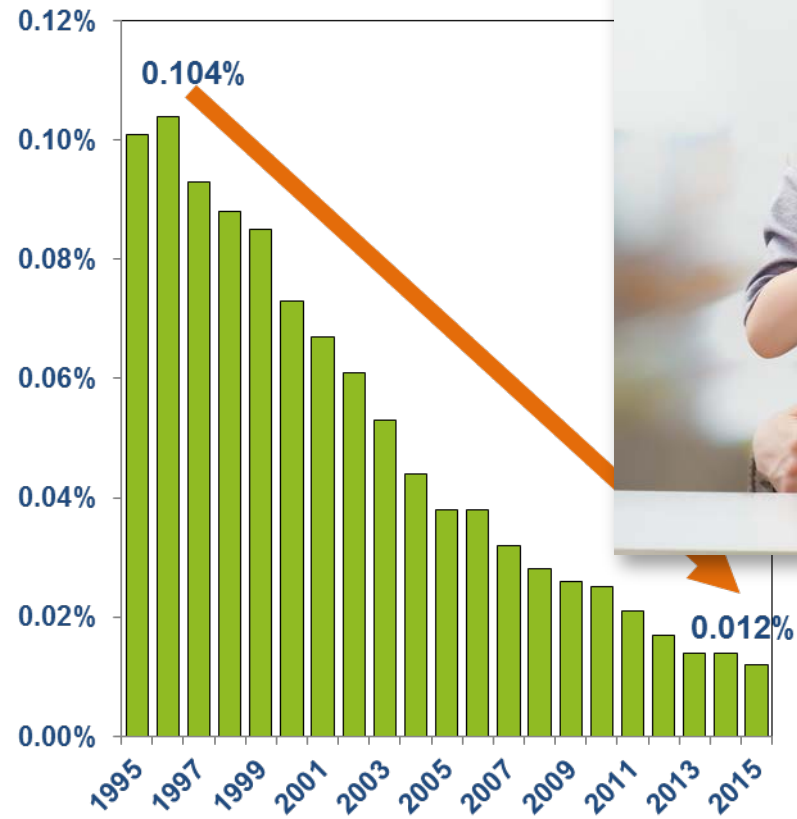
- Massive change to food safety laws
- Covers processing and transportation
- Covers accidental and intentional adulteration
- NMPF is playing a major role in implementation
 - Focus on dairy processing facilities, not farms



Drug Residue Testing



Bulk Tank Residues



Nutrition



Questions?



**common
voice**

**clear
vision**



**common
voice**

**clear
vision**