

Activities & Accomplishments Report

2012



NATIONAL MILK
PRODUCERS FEDERATION

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voice of more
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The **National Milk Producers Federation** (NMPF), established in 1916 and based in Arlington, VA, develops and carries out policies that advance the well-being of dairy producers and the cooperatives they own. The members of NMPF’s cooperatives produce the majority of the U.S. milk supply, making NMPF the voice of more than 32,000 dairy producers on Capitol Hill and with government agencies.

NMPF provides a forum through which dairy farmers and their cooperatives formulate policy on national issues that affect milk production and marketing. NMPF’s contribution to this policy is aimed at improving the economic interests of dairy farmers, thus assuring the nation’s consumers an adequate supply of pure, wholesome, and nutritious milk and dairy products.

The policies of NMPF are determined by its members from across the nation. Therefore, the policy positions expressed by NMPF are the only nationwide expression of dairy farmers and their cooperatives on national public policy.



Election years offer Americans both a referendum about the past and a choice about the future. The same can be said about years in which Congress writes a new Farm Bill. NMPF and its members worked extremely hard in 2012 to help our elected officials write a new bill last year that would give farmers the choice of using a new risk management tool to help protect them from the types of economic hardship that we actually experienced in 2012.

Unfortunately, despite our best efforts to build a better safety net for farmers in the future, the political momentum behind a new farm bill faltered, and we were left with a repeat of the past. Nevertheless, I am proud of the unity and determination our members demonstrated in 2012, and not just on farm policy. As you'll read in these pages, we made important strides in the areas of animal care, food safety, fair trade, environmental policy, taxes, and more.

I want to thank our Board and our staff for their work on these issues, and I know we all will be redoubling our efforts in 2013 to create a better future for the entire dairy industry.

Jerry Kozak

President & CEO – NMPF



“
The Dairy
Security Act
received strong
bipartisan
support on
Capitol Hill.”



NMPF First Vice Chairman Ken Nobis speaks at the Farm Bill Now rally in September.

the new policy provisions in the Dairy Security Act (DSA) almost made it into law at the end of last year, only to falter in the final hours of 2012.

The Dairy Security Act received strong bipartisan support on Capitol Hill, as NMPF worked closely with Agriculture Committee Chairwoman Debbie Stabenow (D-MI) and Ranking Member Pat Roberts (R-KS) to include the DSA in the Senate version of the Farm Bill. This legislation passed



(left to right) Senators Harkin, Stabenow, and Klobuchar urged bipartisan passage of the farm bill before the end of 2012.

overwhelmingly, both in the Senate Agriculture Committee, and later in the full Senate. The Dairy Security Act's inclusion in the overall Farm Bill was one reason

the measure had broad support from both parties and from every region of the country. During the Senate's farm bill process, Senator Jim DeMint (R-SC) offered an amendment to eliminate producer-funded checkoff programs. The amendment was handily defeated by a vote of 79-20. NMPF worked with other commodity groups educating Senators about the importance of checkoff programs with regards to research, promotion and innovation.

Similarly, NMPF worked with House Agriculture Chairman Frank Lucas (R-OK) and Ranking Member Collin Peterson (D-MN) to develop the House version of the Farm Bill. Once again, the Dairy Security Act was a key factor in building strong bipartisan support for this legislation.

During the Committee's mark-up of the bill, Reps. Bob Goodlatte (R-VA) and David Scott (D-GA) introduced an amendment that would have threatened the carefully balanced proposal NMPF and its members cooperatives worked nearly

Dairy Security Act Comes Close To Passage In 2012

After a year of extensive deliberation on the 2012 Farm Bill,

three years to create. The amendment, championed by the dairy processor community, was easily defeated by a vote of 29 – 17. The Agriculture Committee overwhelmingly approved the Farm Bill – with the Dairy Security Act – and sent it to the full House for consideration.

Ultimately, Speaker John Boehner declined to hold a vote on the new Farm Bill prior to the expiration of the 2008 Farm Bill in September 2012. In the waning days of 2012, as Congress negotiated with the White House on preventing the so-called “fiscal cliff,” NMPF helped make the case that a return to permanent agriculture law would also produce a “dairy cliff.” Even though Congress came close to passing the DSA as a means of averting the dairy cliff, they ultimately decided to extend existing 2008 Farm Bill programs through September 2013, setting the stage for another year of Farm Bill deliberations in Washington.

Economic Staff Supports Cooperative Members

NMPF's department of Marketing and Economic Research provided support to all of NMPF's other program areas. This included analytical support for the Cooperatives Working Together Export Assistance Program; the development and advancement of the Dairy Security Act and the rest of NMPF's legislative agenda; work to ensure that environmental, food safety, and other regulations met required cost-benefit tests; and analysis in support of NMPF policy on international trade issues. NMPF economic staff also:

- Provided timely and effective market outlook services to members through the monthly Dairy Market Report, as well as through direct contact with NMPF members on an individual basis;
- Provided substantial support to the national producer promotion organizations through Dairy Management Inc., as well as to the dairy product trade associations NMPF manages; and
- Compiled the annual international dairy statistics for the “World Dairy Trade Trends” online searchable database for the U.S. Dairy Export Council.



Record Year of CWT Activity Benefits Farmers' Milk Checks

When dairy farmers needed it most, the Cooperatives Working Together (CWT) Export Assistance Program provided record assistance in 2012, helping member cooperatives to make 676 export sales in 42 countries on five continents. According to an economic analysis by Dr. Scott Brown, University of Missouri economist, the exports shipped with CWT assistance in 2012 added 45 cents per hundredweight to dairy farmers' milk prices.

CWT assisted members in selling 125 million pounds of Cheddar, Monterey Jack and Gouda cheese. The majority of the cheese sold was cheddar – 106 million pounds, followed by 16 million pounds of Monterey Jack. Asia accounted for 50 million of the total pounds sold, with two-thirds of those sales to Japan. The Middle East was the next most popular export region, with sales totaling 35 million pounds. Egypt was the market for 13 million pounds of those sales, followed closely by Saudi Arabia at 11 million pounds, then Bahrain at 7 million pounds.

CWT also assisted member cooperatives in exporting 73 million pounds of butter in 2012. Sales of butter were more regionally concentrated, with almost 77% of the butter sold to the Middle East. Saudi Arabia's 2012 purchases of CWT-assisted butter accounted for 21 million of the 59 million pounds of butter sold to the Middle East. North Africa was the second most popular destination, with Asia a distant third.

The Export Assistance Program has been part of CWT since it was founded in 2003. However, it has been during the last two years that CWT focused its attention and funding solely on export assistance. While generating a tangible return since 2004, the last two years' exports provided a significant return on farmers' investment.

In 2012, every dollar spent assisting members in exporting products returned over \$20. Put another way, the CWT Export Assistance Program shipments were the equivalent of 2.232 billion pounds of milk on a milkfat basis. That was equal to 1.1% of national milk production.

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In 2012, every

dollar spent

assisting members

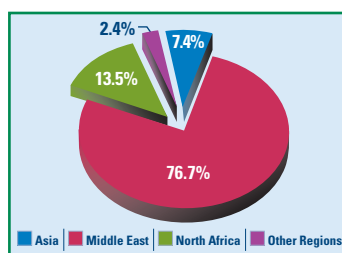
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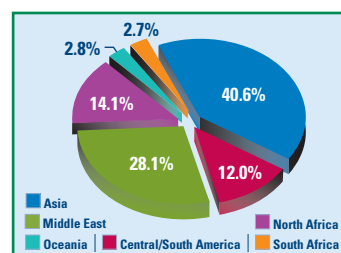
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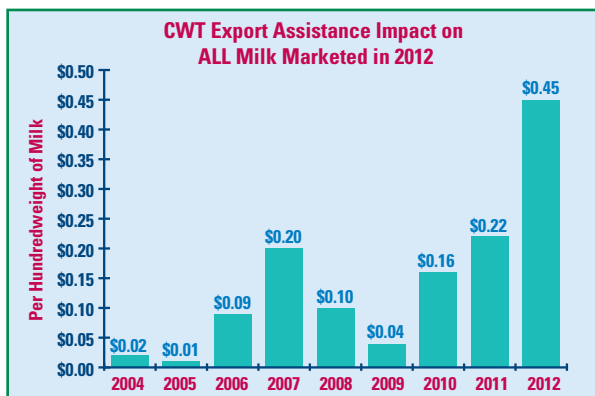
CWT Activity in 2012



CWT Regional Sales of Butter



CWT Regional Sales of Cheese





Higher Estate Taxes Avoided As Part Of Fiscal Cliff Deal

The estate tax issue was resolved favorably for dairy farms in 2012, thanks to intensive lobbying by NMPF and other groups concerned about a huge hike in the death tax.

Nearly 98% of the nation's two million farmers are family partnerships, family corporations, or individuals. With 85% of farm and ranch assets, such as land, buildings, and equipment, being illiquid, farmers have few options when it comes to generating cash to pay estate taxes without crippling the farming operation.

On January 2, 2013, Congress partially extended some expiring tax provisions in the fiscal cliff package, which was officially known as the American Taxpayer Relief Act of 2012. Most notable was the permanent extension of the

estate tax at the current exemption level of \$5 million. The tax rate was increased to 40% from 35%. However, this outcome was much better than expected, as tax proposals were traded back and forth during the overall fiscal cliff talks at the end of December. If Congress had failed to act, then farmers would have been saddled with a much lower exemption level of only \$1 million per estate, with larger values taxed at a 55% rate in 2013.

The American Taxpayer Relief Act also extended through 2013 an additional 50% bonus depreciation for the purchase of new capital assets, including agricultural equipment. Another win for farmers in the fiscal cliff package was a permanent capital gains tax provision that retained lower rate, as was the inclusion of enhanced expensing provisions for businesses.

“A win for farmers in the fiscal cliff package: the permanent capital gains tax provision.”



Sarah Leonard of Midland, Virginia, spoke at a Senate news conference last June about the importance of passing a new farm bill. Leonard, who operates a 100-cow dairy along with her parents, spoke about her experiences as a young farmer on a multi-generational farm. Leonard said the Farm Bill legislation contained a variety of provisions to help beginning farmers like her continue to make a living from family farms, including access to capital, crop insurance, and mentoring programs.



National Dairy FARM Program Continues Growth and Success

The National Dairy FARM (Farmers Assuring Responsible Management) Program™ capped another successful year, with record levels of participation and the completion of the first round of a third-party verification of farms to assess the program's effectiveness. At the conclusion of



2012, the FARM Program had been implemented on dairy farms accounting for nearly 45 percent of the nation's milk supply. This included the

completion of over 7,300 on-farm, second-party evaluations. With continued expansion of enrollment, participation in the FARM Program is anticipated to exceed 70 percent of the nation's milk supply in 2013.

Analysis of the 2011 third-party verification of the FARM Program was completed in 2012. This analysis, designed to provide 95 percent confidence in the on-farm data collected, confirmed that effective implementation of the FARM Program was occurring through producer education and on-farm evaluation. The 2012 Year in Review released in October provided a more detailed review of the third-party verification and adoption of on-farm animal care practices. The third-party verification for 2012 has been completed and analysis of the data is currently underway.

The FARM Program also gained international recognition through invited presentations at prestigious international events in 2012. These events included the Food and Agriculture Organization of the United Nations (FAO) 1st Global Multi-Stakeholder Forum on Animal Welfare held in Brussels, Belgium March 1-2, 2012, and the International Dairy Federation 2012 World Dairy Summit held November 4-8, 2012 in Cape Town, South Africa.

USDA Finalizes Animal Disease Traceability Rule

After several years of conflicting direction, the U.S. Department of Agriculture (USDA) announced late last year a final rule establishing general

regulations for improving the traceability of U.S. livestock moving interstate. Under the rule, all female dairy cattle, regardless of age, and all male dairy cattle (including dairy steers) that are born after March 11, 2013, will be required to be officially identified, by a device or method approved by USDA, prior to interstate movement. All dairy cattle moving interstate must be accompanied by an Interstate Certificate of Veterinary Inspection or other documentation as agreed to by the receiving state.

This is an important first step in a full traceability system for animal disease. Rapid response to an intentional or accidental introduction of an animal disease is necessary to minimize economic losses to dairy farms and maintain consumer confidence in the food supply. NMPF supports a national animal traceability system that allows tracking of all animal movements within 48 hours to enhance the ability of animal health professionals to trace and contain an animal disease. While this USDA rule does not go as far as NMPF had wanted, it will provide better clarity for livestock owners and handlers about best practices in traceability.



NMPF Opposes Federal Egg Legislation

The Humane Society of the United States (HSUS) and the United Egg Producers (UEP) began working on federal legislation affecting animal

care standards for egg laying hens in 2011 – a precedent that greatly concerned NMPF. Since then, bills codifying that hen housing agreement were introduced in the House of Representatives and Senate.

NMPF is not opposed to UEP and HSUS coming to an agreement regarding specific cage guidelines, but remains opposed to legislation that would involve the federal government regulating animal care practices. While there were hearings held on the bill in the Senate, the bill was not included in either version of the Farm Bill passed by the full Senate and House Agriculture Committee in 2012.

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NMPF helped lead
the charge to
defeat a proposal
that would have
prevented children
from participating
in basic
agriculture
work.



Immigration Reform Work In 2012 Sets Stage For 2013 Action

In 2012, NMPF utilized principles developed by its Immigration Task Force to craft detailed dairy worker visa legislation. The draft legislation created a framework which NMPF used to clearly present our need and goals for any broad agricultural worker visa legislation.

NMPF played a critical role in the founding of a new political alliance called the Agriculture Workforce Coalition (AWC). Through this new coalition, NMPF worked to unite various agricultural sectors to present a common front



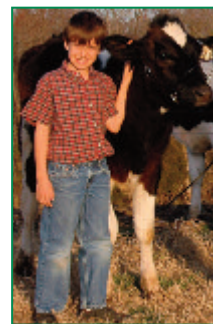
to Congress and the White House. AWC is now playing a leading role in the negotiations with legislators and

administration officials on the creation of an immigration reform plan, including special treatment for agricultural workers.

NMPF worked closely with organizations such as the U.S. Chamber of Commerce and the American Farm Bureau Federation in 2012 to defeat legislation which would have mandated E-Verify and other forms of enforcement without allowing dairy farmers to legalize our current workers or bring in new workers from abroad. NMPF communicated to members of Congress that this enforcement-only approach would have had dire consequences for dairy farms and the agricultural sector as a whole.

During 2012, NMPF also worked with several key legislators to raise awareness of dairy ag labor

issues. The "Gang of Eight" immigration reform framework presented the last week of January 2013 included the following language: "Individuals who have been working without legal status in the United States agricultural industry have been performing very important and difficult work to maintain America's food supply while earning subsistence wages. Due to the utmost importance in our nation maintaining the safety of its food supply, agricultural workers who commit to the long term stability of our nation's agricultural industries will be treated differently than the rest of the undocumented population." This provision calling for special treatment for agricultural workers is the result of many months of intense lobbying by NMPF and its affiliated organizations.



Misguided Child Labor Rule Defeated

NMPF helped lead the charge in 2012 to defeat a proposal that would have prevented children from participating in basic agriculture work. The regulations would have

prevented young people – even those who were working on a family farm – from operating farm equipment or even painting a barn. After significant push back from NMPF, members of Congress, and organizations such as 4-H and FFA, the Department of Labor withdrew the proposed rule and pledged to not raise it again in the next four years. However, language relating to power driven equipment and farm animals is still of a concern to NMPF.

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Trans-Pacific Partnership Negotiations Grow In 2012

NMPF has continued to devote significant resources to the Trans-Pacific Partnership (TPP) Free Trade Agreement (FTA) talks, given the wide range of interests that U.S. dairy farmers have in this negotiation. Last year brought welcome news that Canada was finally permitted to join TPP discussions, as NMPF had urged. Canada and Mexico joined simultaneously and participated in their first round of TPP negotiations in December.

Canada's participation offers the prospect of significant additional dairy market access opportunity in an agreement that previously was sorely lacking in substantial dairy export opportunity. In addition to a strong focus on fully opening the Canadian dairy market, NMPF has remained committed to insisting on major reform of New Zealand's dairy policies, which permit excessive dairy market concentration by one company, as a necessary precursor to any discussion about expanding U.S.-New Zealand dairy trade. NMPF has also strongly championed the necessity of using TPP to bolster Sanitary and Phytosanitary and Intellectual Property standards in order to help keep markets open to U.S. dairy products.



Common Food Names Challenge Will Preserve High-Value Sales Opportunities

Last spring, NMPF joined a U.S. Dairy Export Council-led effort to devote greater focus to defending American companies' use of common food names. In particular, the U.S. is marshaling a defense against the European Union's (EU) attempt to monopolize the use of many cheese names that have long been generic in the U.S. and many other countries around the world.

The creation of the Consortium for Common Food Names, an independent international organization, has allowed the U.S. to join forces

with a broader spectrum of concerned allies around the world to preserve the rights of all to use generic food terms. Value-added products such as varietal cheeses offer the prospect of higher returns for U.S. companies as demand for additional types of cheese continues to grow – both in the U.S. and abroad. NMPF believes it is critical to ensure that we oppose any attempt to outlaw usage of generic names in the U.S. market, and that we are also able to take full advantage of opportunities for these products in export markets, particularly with our FTA partners.



Resolution Reached with China On Dairy Certificate

As 2013 began, the U.S. received final confirmation that the dairy certificate agreement with the government of China, negotiated at the very end of 2012, was successful. During the course of nearly three years, NMPF had worked closely with USDEC to help bring about resolution to this issue so that U.S. access to this major market was not disrupted. NMPF applauded the collaborative working relationship between Chinese and U.S. regulatory authorities that led to the certificate's successful conclusion. China proved itself to be a reliable trading partner who was willing to work together with the U.S. to preserve the market, while still upholding its strong food safety requirements.

Reopening the Russian Dairy Market – One Step At A Time

The Russian market has been closed to U.S. dairy products since 2010, a situation NMPF views as unacceptable. In repeated government to government discussions last year aimed at reopening the Russian dairy market, it became clear that Russia had no intention of working together with the U.S. to find a way forward so long as the U.S. continued to not recognize Russia as a World Trade Organization (WTO) member. NMPF joined with a broad coalition to argue the merits of approving Permanent Normal Trade Relations (PNTR) with Russia in

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order to help remove this roadblock to continued dairy negotiations with Russia. Russia joined the WTO in August of 2012, and in December, Congress finally passed a bill establishing PNTR with Russia. NMPF welcomed this action as taking us one step closer to restoring U.S. access to one of the world's largest butter and cheese markets.

Fixing the Trans-Atlantic Trade Balance

Throughout last year, the U.S. and EU actively debated the merits of moving forward with a major trade negotiation. NMPF played a leading role in that debate by vocally insisting that: 1) agriculture not be left behind in such an arrangement, given the negative precedent that would create for future agreements; 2) sanitary/phytosanitary and other non-tariff barriers to

trade be fully addressed as a core part of the agreement to truly open trade and not merely reduce tariffs; and 3) EU efforts to monopolize many generic food terms be curtailed through stand-alone negotiations on common names and geographical indications. At the time of this report's publication, efforts on each front appeared to be faring well, with President Obama mentioning the need for a trade agreement with Europe in his recent State of the Union address.

The EU maintains a large trade surplus with the U.S. in dairy. NMPF believes that a considerable portion of this is due to unjustified EU barriers to U.S. dairy exports. Given that, addressing nontariff trade issues plays a critical role in remedying this tremendous imbalance in the U.S.-EU dairy trade relationship.



In December 2012, Congress finally passed a bill establishing Permanent Normal Trade Relations with Russia.

U.S. Dairy Export Growth





FDA Issues Rule On Drug Storage, Residue Testing, and Prevention

The Food and Drug Administration (FDA) released a rule last summer to clarify that there are no changes in the Grade A Pasteurized Milk Ordinance for storage requirements of drugs on the dairy farm. NMPF had raised concerns in a letter to FDA about a February 21, 2012, notification from the FDA Center for Veterinary Medicine (CVM), which noted that “the term non-lactating dairy cattle does not include dry dairy cows.” Since the inception of the drug storage requirement, drugs administered to dry dairy cows have been stored with drugs for non-lactating dairy cattle to prevent those drugs not intended for use in lactating animals from entering the milk supply. In the new rule, FDA reaffirmed that current Grade A storage requirements remain in effect, despite the changed definition from FDA/CVM.

In a related development, a milk sample collection and laboratory analysis for the FDA/CVM residue survey for dairy farms with a cull dairy cow tissue residue violation was completed in 2012. NMPF served as a watchdog for the dairy industry as sample collection and laboratory analysis proceeded. Numerous times, NMPF intervened on behalf of members to resolve issues so that voluntary participation by the industry could continue. NMPF also worked with the Dairy Communications Management Team on developing an industry-wide response plan for when the



residue survey results are released. Results of the FDA CVM residue survey are expected in early 2013.

In October 2012, NMPF released an update of the Milk and Dairy Beef Drug Residue Prevention Manual

for 2013. Residue prevention is one of the core areas of focus of the National Dairy FARM Program™. Additions to the 2013 manual version include a section on avoiding potential residue violations from extra-label drug use in an unapproved class of cattle, extra-label use prohibitions for cephalosporin, as well as an updated drug and test kit list. The 2013 manual includes a certificate of participation that can be

signed by a producer and his/her veterinarian to demonstrate their commitment to the proper use of antibiotics. Additionally, the 2013 manual has been published for the first time in both English and Spanish.

NMPF Revitalizing REAL® Seal

As part of its efforts to revitalize one of the most recognized product symbols in the food industry, the NMPF announced that the REAL® Seal



is undergoing a makeover.

The first step in that process was taken last October, with the launch of a revamped website: www.realseal.com.

The previous website primarily served as a resource for dairy product manufacturers and marketers interested in putting the REAL® Seal on their packaging. The new website contains more content to educate consumers about why they should look for the REAL® Seal on the foods they buy, while also continuing to provide information for those companies using the REAL® Seal to enhance their product marketing.

The new website is an outgrowth of the transfer of management of the REAL® Seal program from the United Dairy Industry Association to NMPF last March. This change resulted from an agreement between the two organizations that the transfer was the best opportunity to place a renewed emphasis on highlighting the importance and value of American-made dairy foods.

As a result of this change in management, the program will now strive to educate new generations of dairy consumers about the significance of the REAL® Seal, revitalizing the brand and talking to them about the good taste, nutritional value, and wholesomeness associated with dairy foods and dairy food ingredients made from milk produced in the United States.

NMPF Comments on Sodium Reduction and “Added Sugars”

As the public health community continues to scrutinize food ingredients and their impact on diet and health, NMPF has been engaged in a dialogue with the federal government about

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NMPF's comments on sodium reduction focused on the benefits of multiple interventions in reducing hypertension, rather than reduction of sodium consumption alone.



Milk continues to be an important part of school meals.



FDA's small sampling assignment will collect the data needed to respond to the EU to maintain the U.S. export market.

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responsible ways to regulate sodium and sugar. On January 27, 2013, NMPF submitted comments in response to a Food and Drug Administration (FDA) and USDA Food Safety and Inspection Service (FSIS) request for data and information relevant to the dietary intake of sodium. FDA and USDA are considering ways to promote gradual, achievable and sustainable reduction of sodium intake over time. NMPF's comments focused on the benefits of multiple interventions (including weight loss, physical activity, and diet) in reducing hypertension, rather than reduction of sodium consumption alone. The comments explained multiple roles sodium plays in cheese manufacture, the technological challenges in replacing sodium in cheese, and the labeling challenges with reducing sodium in cheese.

Last July, NMPF submitted comments to FDA about an experimental study on consumer responses to Nutrition Facts labels with declarations of the amount of "added sugars." NMPF's comments questioned the effectiveness and utility of adding this information to the Nutrition Facts panel without having a universally accepted definition of "added sugars," and discussed the technical difficulties associated with establishing such a definition.

NMPF maintains that the declaration of "added sugars" on food labels should not discourage the consumption of nutrient-dense foods, such as low-fat and fat-free milk and dairy products. As defined by the 2010 Dietary Guidelines, naturally-occurring sugars (such as fructose and lactose) should not be considered "added sugars." However, NMPF pointed out there are challenges in consistently identifying sugars as "natural" or "added" when these carbohydrates are part of ingredients used in formulated foods – i.e., lactose as an ingredient. NMPF also discouraged FDA from including a functional application (such as sweetness) into the definition of "added sugars."

Additional FDA Sampling Assignment Focuses on Environmental Residues

A 2010 European Union (EU) Food and Veterinary Office audit for residues included a recommendation

for additional residue monitoring of the U.S. milk supply. The final outcome of the EU-U.S. discussion was that FDA would conduct a one-time residue survey for various chemicals, including environmental pollutants, pesticides, mycotoxins, and heavy metals. Trade with the EU would continue, and the results of the residue survey would be evaluated with respect to their impact on public health before considering any changes to the current U.S. compliance programs.

In 2012, FDA proposed a small sampling assignment (320 raw milk samples from dairy farm bulk tanks) to gather data in response to the EU. FDA assured NMPF that there will be no regulatory activity as a result of this survey and all samples would be thoroughly blinded. As a result, NMPF developed a sampling scheme to meet FDA's guidelines, allowing FDA to collect the data needed to respond to the EU to maintain our export market. Working broadly with the dairy industry, NMPF developed a sampling scheme to collect milk samples using certified milk samplers. The sampling assignment has proceeded according to the developed plan, and will conclude in February 2013.

USDA's School Nutrition Standards Finalized

After several years of intensive efforts, NMPF was pleased to see last January the final updates to the nutrition standards for meals served through the National School Lunch and School Breakfast programs. The final rule brings federal school meal nutrition standards in line with the Dietary Guidelines for Americans. The updated standards increase the availability of fruits, vegetables, whole grains, and fat-free and low-fat milk in school meals. Milk continues to be an important part of school meals, and eight ounces of fluid milk must be offered with breakfast and lunch. Schools must offer at least two different milk options, however, the new standards allow only for low-fat (1 percent) or fat-free white milk, or fat-free flavored milk in the school meal programs. The strong commitment to include mandatory dairy servings is a reflection of the NMPF contributions to the broad work by the dairy industry.



“NMPF continued to oversee the National Air Emissions Monitoring Study (NAEMS) for the dairy industry.”

EPA Retains Existing Dust Standard



The Environmental Protection Agency late last year confirmed its pledge to not revise standards for coarse particulate matter (PM10) under the

National Ambient Air Quality Standard (NAAQS), by announcing retention of the previous standard for the next five years. Agricultural producers in arid parts of the country already have a difficult time complying with current regulations, and had the PM10 standards been tightened, it would have been virtually impossible for many producers to comply. Under the Clean Air Act, EPA is required to review the dust standard every five years, and that review keeps producers in a constant state of regulatory uncertainty. Therefore, NMPF has been supportive of efforts to give farmers permanent relief from dust regulations.

NPDES CAFO Rule Issued



On July 30, 2012, the EPA issued a final rule to revise the concentrated animal feeding operation (CAFO) permit regulation.

The EPA removed the requirement that CAFOs which propose to discharge must seek National Pollutant Discharge Elimination (NPDES) permit coverage – the so called “duty to apply” requirement.

This rule revision was in response to a 2011 U.S. Court of Appeals decision in *National Pork Producers Council v. EPA*, which vacated portions of the Agency’s 2008 CAFO rule. In addition, this action removed from the CAFO permit regulation the option to voluntarily certify that a CAFO does not discharge, or propose to discharge. The voluntary certification provision was unnecessary because the “propose to discharge” requirement has been removed.

National Air Emissions Monitoring Study

Throughout 2012, NMPF continued to oversee the National Air Emissions Monitoring Study (NAEMS) for the dairy industry – the air research required as part of the Environmental Protection Agency (EPA) Air Consent Agreement with the livestock industry. The air emissions monitoring study, which is being funded by a one-time use of dairy checkoff money, has been measuring emissions from dairy operations around the country since the study began in 2007.

On March 13, 2012, the EPA released two draft documents related to the National Air Emissions Monitoring Study (NAEMS) for public comment: Draft Emissions Estimating Methodologies (EEMs) for Broiler Animal Feeding Operations, and Draft Emissions Estimating Methodologies (EEMs) for Lagoons and Basins for Swine and Dairy Animal Feeding Operations.

On June 11, 2012 NMPF submitted comments to EPA on the two draft documents, including recommending EPA ensure that the National Academy of Science recommendations on air emissions from animal feeding operations are adhered to in the emission estimating methodologies, and that separate emission estimating methodologies be developed for swine and dairy lagoons.

The EPA Scientific Advisory Board also formed a review panel to assess these documents. In their December 2012 draft final report, the SAB Review Panel determined that the models and the estimating methodologies described in the draft have limited application to farms across the United States. Thus, the SAB review panel draft recommended that the EPA not apply the current versions of the statistical and modeling tools for estimating emissions beyond the farms in the data set. At this time, NMPF anticipates that EPA will undertake extensive rework on the emission estimating methodologies, delaying the final action for the dairy industry until at least 2014.

Scholarship Program



In 2012, the National Dairy Leadership Scholarship Program continued to fund graduate-level research projects of immediate interest to NMPF member cooperatives in areas such as animal health, economics, food safety, and nutrition. NMPF's Scholarship Committee received a record number of applications in 2012 from students conducting research in areas that will benefit dairy cooperatives and producers. Ultimately, two students were awarded a total of \$12,000.

The 2012 Hintz Memorial Scholarship, given to the top scholarship candidate, was awarded to **Rosemarie Cabral**, a Ph.D. candidate in Animal Science at the University of New Hampshire. Her research project was "Improving immunity in the neonatal dairy calf." A scholarship was also awarded to **Ryan Higgs**, a Ph.D. candidate in Animal Science at Cornell University, with his research project, "Predicting amino acid flows and improving nitrogen utilization in lactating dairy cows."

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NMPF's Scholarship Committee received a record number of applications in 2012.

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The 2012 NMPF Scholarship Recipients



Rosemarie Cabral – Ph.D. candidate in Animal Science at the University of New Hampshire



Ryan Higgs – Ph.D. candidate in Animal Science at Cornell University



Throughout 2012, the Young Cooperator (YC) program continued to grow and provide educational programs and networking activities to rising dairy industry leaders within the NMPF membership. A record number of cooperatives participated in the program and sent their YCs to NMPF events.

In June, a large group of nearly 70 YCs and YC coordinators arrived in Washington, DC to attend a briefing on NMPF's priority legislative issues, and lobby their congressional representatives. At NMPF's annual meeting in Orlando, over 100 YCs attended a full program developed by the 2012 YC Advisory Council before joining the general programming sessions.

Members of the council who provided the leadership behind NMPF's 2012 YC program included: Chaircouple Lonny and Michelle Schilter, Northwest Dairy Association; Vice

Chaircouple David and Addi Foster, Dairy Farmers of America, Inc.; Secretary Kelly Dugan, United Dairymen of Arizona; Brian and Jennifer Lynch, Agri-Mark, Inc.; Walt and Jessica Gamblin, Dairy Farmers of America, Inc.; Todd and Heather Hyman, Dairyalea Cooperative Inc.; Rachael Crane, Foremost Farms USA; Michael and Jackie Oosten, Land O'Lakes, Inc.; James and LaVaun Janney, Maryland & Virginia Milk Producers Cooperative; Jeremy and Jody Sharrard, Michigan Milk Producers Association; Doug Lindauer and Jessica Beck, Prairie Farms Dairy, Inc.; Rebecca and Patrick Howrigan, St. Albans Cooperative Creamery, Inc.; Matt and Kristi Strief, Swiss Valley Farms Company; Derrick Josi, Tillamook County Creamery Association; and Bradley Almeter, Upstate Niagara Cooperative, Inc.



The Young
Cooperator (YC)
program continues
to grow
and provide
educational
programs and
networking.



The 2012 Young Cooperator (YC) Program



The 2012 YC Advisory Council provided the leadership behind the year's YC program activities and attended both the June and annual meetings.



During the June meeting, YCs Matt and Kristi Strief, Swiss Valley Farms Company, visited one of their congressional offices to lobby for dairy issues.



To top off the end of a successful meeting, California YCs James Silva, Dairy Farmers of America, Inc. (left) and Michael Oosten, Land O'Lakes, Inc. (right) had a few moments to visit in person with Senator Dianne Feinstein.



YC Mike Fincham, Dairy Farmers of America, Inc., takes a tour of the United States Capitol with the youngest member of the family.

The 2012 YC Chaircouple Lonny (left) and Michelle (center) Schilter made the rounds on Capitol Hill during the June meeting.



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NMPF Chairman Randy Mooney

At the end of October, dairy producers from member cooperatives, Young Cooperators (YCs), industry representatives, staff, and others from all over the country met at the Walt Disney World Dolphin Hotel in Orlando, FL for NMPF’s 2012 annual meeting,

which was held jointly with the National Dairy Promotion and Research Board and the United Dairy Industry Association.

During the meeting, NMPF Chairman **Randy Mooney** and President & CEO **Jerry Kozak** addressed the NMPF membership and discussed the organization’s progress over the past year. They provided updates on efforts to pass a new Farm Bill that included NMPF’s dairy policy reform package, known as the Dairy Security Act.

They also discussed other priority issues that the organization dealt with in the past year, touching on topics like the National Dairy FARM (Farmers Assuring Responsible Management) Program, the Trans-Pacific Partnership Free Trade Agreement, and NMPF’s management of the REAL® Seal program.

Mooney and Kozak’s joint presentation emphasized the proactive attitude the organization assumed throughout the year, partly because “we face a future of reduced government support on the one hand, and more government intrusion on the other,” Mooney explained.

NMPF’s Board of Directors met during the meeting and seated two new members. Donald De Jong from Dalhart, Texas was elected to represent Select Milk Producers, Inc., while Larry Webster from Buffalo, New York, was elected to represent Upstate Niagara Cooperative.

The eight officers that had been currently serving NMPF were reelected to their existing positions. They included:

- Chairman Randy Mooney, from Rogersville, Missouri, representing Dairy Farmers of America;

- First Vice Chairman Ken Nobis, from St. Johns, Michigan, representing Michigan Milk Producers Association;
- Second Vice Chairman Cornell Kasbergen, from Tulare, California, representing Land O’ Lakes, Inc.;
- Third Vice Chairman Mike McCloskey, from Fair Oaks, Indiana, representing Select Milk Producers, Inc.;
- Treasurer Pete Kappelman, from Two Rivers, Wisconsin, representing Land O’ Lakes, Inc.;
- Assistant Treasurer Adrian Boer, from Jerome, Idaho, representing Northwest Dairy Association;
- Secretary Dave Fuhrmann, from Baraboo, Wisconsin, representing Foremost Farms USA;
- Assistant Secretary Doug Nuttelman, from Stromsburg, Nebraska, representing Dairy Farmers of America.

In addition to the officer elections, NMPF recognized three outgoing directors for their service on the NMPF Board of Directors: Tom Croner, from Berlin, Pennsylvania, and Les Hardesty, from Greeley, Colorado, both



NMPF President & CEO Jerry Kozak

representing Dairy Farmers of America, and Clyde Rutherford, Syracuse, New York, representing DairyIdea Cooperative. NMPF also recognized four Honorary Directors, who provided exemplary service not only to NMPF, but also to the entire dairy industry.

That group included Lew Gardner from Galeton, Pennsylvania, along with Croner, Hardesty, and Rutherford.

In other news at the annual meeting, a Parmesan cheese made by Associated Milk Producers Inc. (AMPI) was awarded the Grand Champion Cheese plaque at the 2012 NMPF cheese competition. The cheese, made in Hoven, South Dakota, received a score of 99.0 from the judges.

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The AMPI Parmesan was selected from among 176 entries to the 2012 NMPF cheese contest – a record number of entries. A total of 3,006 pounds of cheese was judged.



AMPI took home the Grand Champion Cheese award for their Parmesan cheese made in Hoven, South Dakota.

Every year, member cooperative communicators participate in NMPF's Communications Competition. The competition recognizes excellence among NMPF cooperative communicators, provides an outside evaluation of communications efforts, and offers feedback for improvement opportunities. In 2012, 134 entries were submitted in 15 categories. The Outstanding Achievement in Communications Award (which recognizes exceptional accomplishment in the fields of public relations, publishing, writing, advertising, and special projects that advances the interests and objectives of America's dairy farmers) was awarded to Amber DuMont Sheridan of Maryland & Virginia Milk Producers Cooperative Association in Reston, Virginia.

U.S. Farmers & Ranchers Alliance



USFRA Continues Dialogue About Farming with Consumers



Dairy farmer and veterinarian Karen Jordan used her expertise to help answer questions during a USFRA panel about antibiotics.

their food, and how. As a farmer-led coalition, USFRA is serving to marshal the resources

In its second year of operation, the U.S. Farmers and Ranchers Alliance (USFRA) continued to unite the major farm groups (including NMPF) in a dialogue with consumers about who produces

throughout the food chain to help farmers better communicate in their own words with those who have questions about conventional agriculture.

In 2012, USFRA created several experiences where audiences, either in person, on-line, or by reading the news media, could learn about American farming in the 21st century. One such session was a Food Dialogues meeting last November in New York City, where dairy farmer and veterinarian Karen Jordan joined a panel discussion on why antibiotics are used in farm animals and how dairy producers work to minimize the use of such products. USFRA will continue in 2013 to help engage farmers in additional discussions of issues that raise concerns with the public.



“NMPF continues to provide the leadership to help dairy producers.”

Of NMPF's 30 cooperative members, 26 were listed in Hoard's Dairyman's most recent list of the top 50 dairy cooperatives in the country. NMPF cooperative members represented about 32,000 member producers in 2012, which is about 60% of the total licensed dairy farms that year. In 2012, NMPF member cooperatives marketed about 118 billion pounds of milk, which also represented about 60% of the total milk marketed in the United States in 2012.

NMPF member cooperatives were leading processors of fluid milk, cheese, butter, milk powder, and specialty dairy products.

The associate membership category continued to grow with current membership exceeding 75 members representing a wide variety of the dairy industry, including two international cooperatives, various processor organizations, state associations, lending institutions, consultants, law firms, media, and academia.

NMPF continued to provide the necessary leadership to help dairy producers and supplier organizations in understanding and dealing with the ever-changing environment. This effort would not have been complete without the active involvement of NMPF's producer members and member cooperatives as well as many of our associate members. We strongly believe that NMPF's strength continues to be in its membership base. Without its continued support, the organization's staff would not be able to carry out the policies set forth by the NMPF Board of Directors.

2012 NMPF Officers

Randy Mooney – *Chairman*
Dairy Farmers of America

Ken Nobis – *First Vice Chairman*
Michigan Milk Producers Association

Cornell Kasbergen – *Second Vice Chairman*
Land O'Lakes, Inc.

Mike McCloskey – *Third Vice Chairman*
Select Milk Producers, Inc.

Dave Fuhrmann – *Secretary*
Foremost Farms USA

Doug Nuttelman – *Assistant Secretary*
Dairy Farmers of America

Pete Kappelman – *Treasurer*
Land O'Lakes, Inc.

Adrian Boer – *Assistant Treasurer*
Northwest Dairy Association

2012 NMPF Board of Directors

Neal Rea
Agri-Mark, Inc.

Steve Schlagen
Associated Milk Producers, Inc.

Ed Welch
Associated Milk Producers, Inc.

Tim den Dulk
Continental Dairy Products, Inc.

Bill Blalock
Cooperative Milk Producers Association, Inc.

Mickey Childers
Dairy Farmers of America, Inc.

Brian Hardy
Dairy Farmers of America, Inc.

Jerrel Heatwole
Dairy Farmers of America, Inc.

Jackie Klippenstein
Dairy Farmers of America, Inc.

George Mertens
Dairy Farmers of America, Inc.

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Dairy Farmers of America, Inc.

Doug Nuttelman
Dairy Farmers of America, Inc.

Wayne Palla
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Rick Smith

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John Wilson

Dairy Farmers of America, Inc.

Bill Beeman

Dairylea Cooperative, Inc.

Greg Wickham

Dairylea Cooperative, Inc.

Albert Knegendorf

Ellsworth Cooperative Creamery

David Newhouse

Farmers Cooperative Creamery

Clint Fall

First District Association

Dave Fuhrmann

Foremost Farms USA

David Scheevel

Foremost Farms USA

Pete Kappelman

Land O'Lakes, Inc.

Cornell Kasbergen

Land O'Lakes, Inc.

Chris Policinski

Land O'Lakes, Inc.

Tom Wakefield

Land O'Lakes, Inc.

Jim Baird

Lone Star Milk Producers

Dennis Donohue

Manitowoc Milk Producers Coop

Randy Geiger

Manitowoc Milk Producers Coop

Jay Bryant

Maryland & Virginia Milk Producers

Ken Nobis

Michigan Milk Producers Association

Dennis Tonak

Mid-West Dairyman's Company

Adrian Boer

Northwest Dairy Association

Jim Wegner

Northwest Dairy Association

Jim Werkhoven

Northwest Dairy Association

Paul Mills

Prairie Farms Dairy, Inc.

Mike McCloskey

Select Milk Producers, Inc.

Joe Wright

Southeast Milk Producers, Inc.

Ralph McNall

St. Albans Cooperative Creamery, Inc.

Pat Schroeder

Swiss Valley Farms, Co.

Keith Murfield

United Dairyman of Arizona

Bobby Hall

Upstate Niagara Cooperatives, Inc.

Frank Sheckarski, Sr.

Zia Milk Producers



2013

Spring Board of Directors Meeting

March 11 – 12, 2013

Ritz-Carlton Pentagon City – Arlington, VA

National Dairy Producers Conference

April 7 – 9, 2013

Hyatt Regency - Indianapolis, IN

Summer Board of Directors & YC Meeting

June 11 – 12, 2013

Westin Alexandria – Alexandria, VA

NDB/NMPF/UDIA Joint Annual Meeting

November 11 – 13, 2013

Arizona Biltmore – Phoenix, AZ

2014

Spring Board of Directors Meeting

March 11 – 12, 2014

Ritz-Carlton Pentagon City – Arlington, VA

Summer Board of Directors & YC Meeting

June 3 – 4, 2014

Ritz-Carlton Pentagon City – Arlington, VA

NDB/NMPF/UDIA Joint Annual Meeting

October 27 – 29, 2014

Gaylord Texan – Grapevine, TX

2013 NDB/NMPF/UDIA Joint Annual Meeting



NMPF's joint annual meeting with the National Dairy Promotion and Research Board (NDB) and the United Dairy Industry Association (UDIA) will take place at the Arizona Biltmore November 11 – 13, 2013 in Phoenix, Arizona.



For more information
on NMPF meetings, visit
www.nmpf.org/events.





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