



Making a Difference for Dairy

INTERNATIONAL DAIRY FOODS ASSOCIATION

ISSUES BRIEFING

WEDNESDAY, OCTOBER 2, 2019

8:00 A.M. – NOON

CONRAD HOTEL

INDIANAPOLIS, IN

I. Welcome and Agenda Overview

Heather Soubra welcomed attendees, reviewed the agenda and asked for any questions.

II. Welcome and Roll Call

Dan Zagzebski, IDFA Executive Council Chair, opened the meeting with a roll call. In attendance were the following:

Members

Gary Aggus, Hiland Dairy Foods Co., LLC

Troy Ammann, Agropur U.S. Operations

Dale Andersen, Delkor Systems, Inc.

Brad Anderson, California Dairies, Inc.

Chad Baker, Crystal Farms Dairy Company

Martin Bates, Dairy Farmers of America, Inc.

Courtney Bidney, Yoplait-USA, General Mills, Inc.

Robert Bohn, Tetra Pak Inc.

Terry Brockman, Saputo Cheese USA Inc.

Michael Brown, The Kroger Co.

Rob Byrne, Schreiber Foods, Inc.

Philippe Caradec, Danone North America

Carmine Catalana, IV, Cumberland Dairy/Dairy
Farmers of America, Inc.

Steven Cooper, Continental Dairy Facilities, LLC

Wilf Costello, Glanbia Nutritionals

Peter Cotter, The Kraft Heinz Company

Luconda Dager, Velvet Ice Cream Company

Bruce Daily, All Star Purchasing

Ricky Dickson, Blue Bell Creameries, L.P.

Joe Diglio, Michigan Milk Producers
Association

Crystal Dohner, Crystal Creamery

Heather B. Draper, The Ice Cream Club, Inc.

Rich Draper, The Ice Cream Club, Inc.

Robin Dubuc, The Kroger Co.

Kurt Epprecht, Great Lakes Cheese Co., Inc.

Trevor Farrell, Schreiber Foods, Inc.

Tim Galloway, Galloway Company

Ann Gent, Ecolab

Jeff Gentine, Masters Gallery Foods, Inc.

Louie Gentine, Sargento Foods Inc.

Mike Giles, Plains Dairy, L.L.C.

Douglas Glade, Dairy Farmers of America, Inc.

Cary Grover, Hudsonville Creamery & Ice
Cream Co., LLC.

Darin Hanson, Foremost Farms USA

Chris Hoeger, Prairie Farms Cheese Division

Ted Jacoby, III, T.C. Jacoby & Company, Inc.

Ken Jorgensen, H-E-B

Jerry Kaminski, Land O'Lakes, Inc.

Jeffrey Kaneb, HP Hood LLC

Niamh Kelly, Glanbia Nutritionals

Jeff Kent, Foremost Farms USA

Mary Ledman, Rabobank

Brian Linney, Maryland & Virginia

Milk Producers Cooperative Association., Inc.

Mike McCully, The McCully Group

Scott McGinty, Aurora Organic Dairy

Andrei Mikhalevsky, California Dairies, Inc.

Ed Mullins, Prairie Farms Dairy, Inc.

Tom Murphy, Brewster Cheese Company

David Nelsen, Albertsons Companies

Mike Neu, Chr. Hansen, Inc.

Chris Olsen, Tate & Lyle Ingredients Americas LLC

Tony Pallios, Hilmar Ingredients
Pat Panko, Dairy Farmers of America, Inc.
Kim S. Parks, Dairy Farmers of America, Inc.
Brian Perry, Perry's Ice Cream Company, Inc.
Michael Peuroi, Scott Brothers Dairy, Inc.
Brian Phelan, Glanbia PLC
Vinith Poduval, Schreiber Foods, Inc.
Mike Reidy, Leprino Foods Company
Brian Rice, Rice Dairy LLC
Randy Rich, Rich Ice Cream Company
Shelley Roth, Pierre's Ice Cream Company
Stan Ryan, Darigold, Inc.

IDFA Staff

John Allan
Tracy Boyle
Dave Carlin
Michael Dykes
Tony Eberhard
Cary Frye
Michael Goodin
Matt Herrick
Beth Hughes
Neil Moran
Colin Newman
Danielle Quist (counsel)
Heather Soubra
Josie Wagler
Tom Wojno

Jim Sartori, Sartori Company
Richard Shehadey, Producers Dairy Foods, Inc.
Sue Taylor, Leprino Foods Company
Lawrence Webster, Upstate Niagara
Cooperative, Inc.
Mike Wells, Wells Enterprises, Inc.
Doug Wilke, Valley Queen Cheese Factory, Inc.
Philip Vanderpol, Vitalus Nutrition, Inc.
Dan Zagzebski, Great Lakes Cheese Co., Inc.
Dan Zastoupil, Marathon Cheese Corporation

Guests

Christina Adams, McKinsey & Company
Nathan Arnold, Hixson Architects & Engineers
Mitchell Bowling, Abbott
Patrick Carroll, IMA Dairy & Food USA
Anne Divjak, Dean Foods Company
Matt McClelland, Prairie Farms Dairy, Inc.
Ludovic Meilhac, McKinsey & Company
Keith Murfield, United Dairyman of Arizona
Phil Plourd, Blimling and Associates, Inc.
Mike Suever, HP Hood LLC

Zagzebski continued by expressing support for the changes at IDFA over the last few years that have set up IDFA to now focus on working towards achieving the goals set out for the dairy industry. He noted that IDFA has also established performance standards, the implementation of which will improve the viability not only of IDFA, but of the member businesses.

III. Antitrust Reminder

Danielle Quist read the antitrust statement explaining IDFA's antitrust policy to members as it governs their conduct at all meetings and all activities associated with IDFA.

IV. State of the Industry

Michael Dykes thanked members for their continued engagement and support for IDFA. Dykes provided an update on the McKinsey research project and expected presentation at the 2020 Dairy Forum. He also informed members about IDFA's retention of executive search firm EgonZehnder to identify a Senior Executive Vice President replacement for the retiring Cary Frye. Finally, he informed members of a new member education initiative led by Heather Soubra, entitled "The Power of People" which is aimed at assisting member companies in hiring and retaining talented employees scheduled for October 6-7, 2020.

V. Legislative Priorities

a. Trade

Beth Hughes reported on several trade issues including updates on a possible vote in Congress on USMCA, outcomes of the interim deal with Japan, the possibility of a US-UK free trade agreement, the status of the EU airbus case and the EU products that will be affected by tariffs. Hughes also updated members on the recent US-India talks and a recent US dairy delegation trip to Indonesia.

b. FMMO Reform

Dave Carlin reported on the Economic Policy Committee's work to identify incremental improvements to the FMMO system that IDFA can try to advance over the next two years. Working groups have been formed to study possible improvements in how each milk class is currently regulated, as well as possible changes to the CME spot market rules. He also noted that the committee leaders will provide substantive updates to each of the segment boards and solicit feedback regarding the committee's work to date.

c. Natural Cheese

Carlin reported on IDFA-supported bills to define the term "natural cheese" have been introduced in the House and Senate. Staff is currently working to recruit additional bipartisan cosponsors for the legislation which hopefully will pave the way for a possible House hearing in early 2020 and utilization of the "hotline" process to pass the bill on the Senate floor. He also thanked Cheese Board members who have contacted their constituent Members of Congress in support of the bill.

d. Child Nutrition Reauthorization

Tony Eberhard reported that IDFA is working to ensure that any Child Nutrition Reauthorization (CNR) bill include provisions that would expand access and choices for dairy products in the School Meals Program and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). IDFA is making progress on codifying USDA Secretary Perdue's final rule allowing low-fat flavored milk in schools and allowing all WIC participants to have access to 2% milk.

e. Appropriations

Eberhard reported an additional priority for FY2020: \$1 million for the newly authorized Supplemental Nutrition Assistance Program (SNAP) fluid milk incentive pilot program. This builds on the success of IDFA's FY2019 appropriation agenda, which saw passage of legislation providing \$1.5 million for Agricultural Research Service (ARS) ice cream waste solutions research and a \$2 million increase for FDA's Office of Nutrition and Food Labeling for standards of identity regulations. Both the House and Senate Appropriations Committees have passed FY 2020 funding bills that include all three of IDFA's FY2020 priorities. Accordingly, IDFA is well positioned as Congress considers the final versions of its appropriations bills.

f. Labor/Immigration

Eberhard reported that IDFA remains engaged in the immigration debate on Capitol Hill in order to further members' need for a workable, year-round agriculture worker visa program. IDFA is working with its champions on the Hill, as well as the Agriculture Workforce Coalition (AWC) and the Essential Worker Immigration Coalition (EWIC), to forward these objectives.

g. Transportation

Carlin reported that IDFA is working with other business and manufacturing groups in urging Congress to require the U.S. Department of Transportation to study the safety aspects of allowing 91,000 pound trucks

with 6 axles to operate on interstate highways. According to a recent Blimling analysis, dairy product transportation costs would decrease significantly if the current 80,000 truck weight limit was increased nationwide. He reported that House Transportation and Infrastructure Committee leaders have signaled that they may be open to including a truck weight study requirement in broader infrastructure legislation that could be taken up over the next 12 months. He also noted that staff would continue to engage with members of IDFA's Environment, Sustainability and Safety Committee to identify additional transportation policy priorities that could benefit the dairy industry.

VI. Political Affairs

Colin Newman provided an update on the IDFA PAC. He discussed the importance of having IDFA member executives engage in IDFA's political affairs programs. He also encouraged board members to participate in future fly-ins and fly-outs.

VII. Regulatory Priorities

Cary Frye provided an update on the regulatory issues that IDFA's regulatory team is working on. She noted that the board materials include a detailed summary of the 17 regulatory priorities that outline issues, goals and actions, as well as which regulatory committee was providing input.

a. Nutrition Policies

Dietary Guidelines for Americans 2020 Update: Frye shared information on the process to review and update the Dietary Guidelines for Americans (DGA) every five years, which serves as the basis for federal nutrition policy for government programs such as the National School Lunch and Breakfast Programs. She noted that two out of the five planned public meetings have occurred. At the July 11 meeting, stakeholders provided oral testimony in a town hall format, with several groups promoting plant-based diets and anti-animal groups using medical professionals to urge removal of dairy. The dairy industry spoke about the importance of dairy in healthy eating patterns as it delivers many short-fall nutrients in an affordable manner. As the Dietary Guidelines for Americans Council's (DGAC) work progresses, IDFA will be providing input in written comments and oral testimony at January's meeting to defend the role of three servings of milk and dairy products per day and urge for consideration of higher fat levels in the updated dietary recommendations.

FDA's Voluntary Sodium Reduction Targets: Frye reviewed FDA's 2016 efforts to enact draft guidance for 2-year and 10-year sodium targets for 150 food categories including cheeses, dairy dips and butter. IDFA filed joint comments with NMPF opposing these targets and requesting dairy products be removed, as sodium is required for technical and quality purposes, not to enhance flavor. She explained that FDA is interested in taking up this matter again. IDFA is working with the Sodium Coalition to provide an economic impact analysis using process cheese and white bread as models that show that lowering sodium in foods would have a billion-dollar impact on the industry. This information was shared in meetings with FDA, HHS and OMB. Although IDFA still wants dairy exempted from the targets, the Coalition is asking for a longer implementation period to test only tier-1 smaller sodium reductions and that any guidance must go through the administrative procedures of rulemaking which must include economic analysis.

New York City - National Salt & Sugar Reduction Initiative: Frye reported that New York City (NYC) has recently proposed a sugar reduction initiative for foods that was similar to their 2009 sodium reduction plan. IDFA and the Nutrition and Health Committee provided detailed comments requesting an exemption for dairy due to small amounts of sugar that contribute to palatability of a nutrient dense food. Additionally, IDFA urged that NYC consider that targets be based on added sugar and not total sugars. A copy of the written comments is included in the Board materials.

b. Labeling Policy Updates

Frye provided information on the content of IDFA's updated milk and yogurt, cheese, ice cream and frozen dessert manuals which are a valuable resource for dairy companies. IDFA also offers an annual dairy product labeling webinar which resides on the IDFA Knowledge center. IDFA staff is available for personal and confidential consultation on labeling and standards questions. Frye also announced that IDFA recently submitted a written request to the FDA Commissioner for an additional 6 months beyond the current January 1, 2020 compliance date for companies to complete the nutrition facts label changes. We explained that companies needed more time so that large amounts of obsolete labeling and packaging would not need to be wasted.

c. FDA Food Standards Modernization

Frye shared information on FDA's Multi-Year Nutrition Innovation Strategy (NIS) launched last year that focused on five topics including food standards modernization. She reviewed the written comments that IDFA filed with FDA on these topics, as much of the NIS work is of importance to the dairy industry, especially IDFA's ongoing work to have FDA modernize outdated dairy standards and the completion of the yogurt standard. Frye also reviewed the request that fluid forms of microfiltered milk be labeled as milk and be permitted as an ingredient for cheeses.

Additionally, she explained that IDFA is urging FDA to reconsider a petition filed by the Grocery Manufacturers Association (GMA), IDFA and 11 other food trade associations that would modify regulations to allow for a horizontal approach for food standards. She shared 6 principles of the petition with examples on how this would provide flexibility in ingredients, sweeteners, salt substitutes and new technologies like milk filtration. FDA recently held a public meeting to solicit stakeholder views on horizontal approaches to food standards modernization. IDFA provided oral testimony supporting the GMA petition principles and urged FDA to complete work on existing pending petitions such as yogurt modernization. She reported we expect the final rules for yogurt to be issued by the end of the year.

d. National Council of Interstate Milk Shipments (NCIM)/Grade "A" Program

John Allan gave an overview of several key issues related to the National Conference on Interstate Milk Shipments (NCIMS) including the status of FDA's coordination with the NCIMS to develop plans for reducing the inspection burden of plants that produce both Grade "A" and non-Grade "A" products. Additionally, IDFA is working with NCIMS to resolve an issue related to defining yogurt parfaits and similar products as Grade "A" milk products.

e. International Standards

Allan provided an update on IDFA's advocacy work on international standard-setting, specifically ongoing efforts to defend the scientific basis of Codex food standards and preventing damaging labeling and marketing restrictions from being included in Codex standards that could negatively impact dairy consumption and U.S. dairy exports.

f. Litigation Update

Danielle Quist updated members on recent class action trends. This topic included updates on "natural" claims and challenges to the labeling of "vanilla" as it relates to dairy products. She informed members of recent litigation targeting brands for "greenwashing" marketing and advertising campaigns. Quist alerted members about the recent *Marchand* decision from the Delaware Supreme Court and the court's statements regarding Board-level involvement in company food safety management. Finally, Quist noted that IDFA was considering whether to establish an IDFA legal community to facilitate networking and communication among member general counsel offices.

g. Per-and-Polyfluoroalkyl Substances (PFAS)

Quist reviewed IDFA member-focused actions and member resources. She updated members on pending Congressional and federal regulatory actions regarding PFAS contamination. She reiterated FDA guidance and protocols for testing of water and milk for PFAS. Finally, she gave an overview of likely next steps and events that could influence how PFAS is regulated.

h. Bioengineered Food Labeling

Quist reminded members of regulatory compliance deadline and resources to assist member compliance.

VIII. Communications

Matt Herrick explained the ongoing plans in the executive and strategic communication team to build a more integrated system of communications. Matt introduced Jennifer Martin and Michael Goodin on the team and spoke about their roles and capabilities. He also gave a brief overview of three advocacy and education campaigns—Dairy Delivers, Dairy Innovates, and Dairy Nourishes. Matt summarized the new resources and tools IDFA is creating to accompany the campaigns and gave a brief update on IDFA’s new website and brand refresh on schedule for a post-Dairy Forum release. Finally, he covered the objectives of the newly reformed Communications Committee and discussed nominations for three IDFA awards to be awarded at Dairy Forum 2020.

IX. Dairy Forum and McKinsey & Company: Research Study Preview

Ludovic Meilhac and Christina Adams provided an update on on-going research and preview of research conclusions that will be presented to attendees at the 2020 Dairy Forum.

X. Closing Remarks and Housekeeping

Dan Zagzebski thanked IDFA staff and asked for additional questions. Being none, the meeting was adjourned.

Adjourn