



**IDFA**

**International  
Dairy Foods Association**

# **IDFA Cheese Board Meeting**

**Thursday, October 8, 2020 | 3:00 – 4:30 p.m. ET**

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# Welcome and Roll Call

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Heather Soubra, Chief of Staff





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# Antitrust Statement



Danielle Quist, Vice President,  
Regulatory Affairs and Counsel





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# Welcome and Roll Call

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## Chairman's Remarks

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Louie Gentine, Chair, IDFA Cheese Board, and CEO, Sargento Foods Inc.

Doug Simon, Vice Chair, IDFA Cheese Board, and President, Agropur U.S. Operations



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# Strategic Priorities Review

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David Carlin, SVP, Legislative Affairs & Economic Policy

Joe Scimeca, SVP, Regulatory & Scientific Affairs

# Cheese Board– Strategic Priorities



	Standards	Trade	FMMO	Labor	Nutrition	Natural Cheese
Strategic Priorities	<ul style="list-style-type: none"> <li>Flexibility to use microfiltered milk in cheese making with the ingredient labeled as milk</li> </ul>	<ul style="list-style-type: none"> <li>Expand global market opportunities for cheese</li> </ul>	<ul style="list-style-type: none"> <li>Modernize FMMO system to encourage greater innovation and investment</li> </ul>	<ul style="list-style-type: none"> <li>Advocate for changes to immigrant visas through the Agriculture Workforce Coalition (AWC) that accommodate the needs of the dairy industry</li> </ul>	<ul style="list-style-type: none"> <li>Defend cheese's role in dairy food group in the 2020 Dietary Guidelines for Americans (DGA)</li> </ul>	<ul style="list-style-type: none"> <li>Protect members from frivolous lawsuits related to natural cheese</li> </ul>
Goals	<ul style="list-style-type: none"> <li>FDA regulatory discretion granted for using microfiltered milk in cheese making with the ingredient labeled as milk</li> </ul>	<ul style="list-style-type: none"> <li>IDFA is recognized as the preeminent U.S. dairy organization on international trade policy by ensuring cheese is prioritized in trade negotiations, enforcement, and facilitation</li> </ul>	<ul style="list-style-type: none"> <li>Consensus Class III and spot market rules priority issues are identified</li> <li>Member-supported changes are adopted in a federal order hearing or legislatively</li> </ul>	<ul style="list-style-type: none"> <li>Immigration legislation, if passed by Congress, includes a visa proposal that meets the needs of dairy processors and farmers, including a workable year-round visa program accommodating worker families and not requiring "touchbacks"</li> </ul>	<ul style="list-style-type: none"> <li>Updated DGA maintains three servings a day recommendation for dairy foods that include cheese. Allow one serving of dairy to be reduced fat</li> </ul>	<ul style="list-style-type: none"> <li>Pass the CURD Act</li> </ul>



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# Standards





- Written comments submitted Aug 13, 2020
- Advocating for adoption of proposed fluid UF milk proposed rule and expand to include MF
- Remove labeling requirement indicating UF/MF milk

- Collaborated with AMS in the creation of a Commercial Item Description (CID) for Swiss Cheese
- Enabled Section 32 Purchase of Swiss Cheese
  - 1.7M lbs awarded; value of \$5M
- Also enabled Swiss Cheese to be part of the dairy fulfillment requirements for FFFBP



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**Nutrition**

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## **Update on 2020-2025 Dietary Guidelines for Americans**

- Anticipated DGA release in December
- Multi-year DGAC advocacy effort that included written and oral comments
- Multi-pronged outreach campaign to USDA/HHS



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# Natural Cheese Update

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## Legislation Status:

### House Version:

- Bipartisan bill introduced in 2019
- Hearing held in January – IDFA testified in support
- Bill did not advance to markup in Committee before October recess

### Senate Version:

- Bipartisan bill introduced in 2019.
- Asking lead Senate sponsor to attach Senate bill to larger bill during upcoming lame-duck session.

## Process Verified Program:

- Historically developed in mid-1990s for BSE marketing claims and typically used for meat products to date.
- Focused on verifying a marketing claim by use of third-party auditors under AMS oversight or AMS auditors.
- Not related to FDA oversight of label.
- May result in use of PV “shield” or another logo specific to the program.
- Voluntary, fee for service, but facility must participate in USDA plant survey program as pre-requisite.
- Time to develop based primarily on auditing/oversight staff hiring.



### Agricultural Marketing Service

## PVP: What It Is Not

- NOT a regulatory program or regulatory-based
  - versus Organic Program, which is a USDA regulatory program that includes standards development and enforcement
- NOT a “label approval program or process”
  - Labels are regulated and approved by USDA FSIS or FDA as truthful and not misleading (for calories, ingredients, etc.)
- NOT a stand-alone “Standard” – PVP merely verifies a standard submitted by a company



## Process Verified Program:

### Pros:

- Consumer-facing statement of “natural cheese”
- Can be third-party or AMS auditor based
- Voluntary, only those facilities interested in the label need to participate
- Possibly more flexible/appealing label design
- Most large facilities likely already in USDA plant survey program (~350)
- Likely most appropriate program for “natural cheese”-style marketing
- Does not require lot-based grading

### Cons:

- More expensive hourly rate than other AMS dairy programs
- No precedent PVP dairy program to serve as model
- Requires participation in USDA plant survey program as pre-requisite
- Requires AMS to hire auditing/oversight staff



## Grade & Quality Specification Standards:

- Already exists for some dairy products on processing basis (e.g. NFDM).
- AMS grades each lot of product in order to permit its use of the shield.
- Little/no industry use of non-grade quality specifications, likely similar frequency of audit as grading.
- Not related to FDA oversight of label.
- May result in use of grade or quality “shield”.
- Voluntary, fee for service, but facility must participate in USDA plant survey program as pre-requisite.



*USDA grade shield for labels*



*USDA quality shield for labels*

## Grade & Quality Specification Standards:

### Pros:

- Consumer-facing label shield
- Voluntary, only those facilities interested in the label need to participate
- Most large facilities likely already in USDA plant survey program (~350)
- Less expensive than a PVP on hourly basis

### Cons:

- Requirement to grade on a lot basis.
- Requires participation in USDA plant survey program as pre-requisite
- Shield likely not flexible to show “natural cheese” statement



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# USDA Cheese Purchases



## **Collaborating with USDA to provide cheese to Underserved Americans**

- USDA Sec. 32 purchases for Cheddar, Mozzarella, and Process Cheese
  - 23.2M lbs awarded; value of nearly \$60M
- USDA's Farmers to Families Food Box Program

# Cheese Board– Strategic Priorities



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## IDFA Vision for the Future

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Michael Dykes, D.V.M., President and CEO, IDFA  
Pradeep Prabhala, Partner, McKinsey & Co.

# Cheese Working Group



**Jim Sartori**, Sartori  
Company



**Neal Schuman**,  
Schuman Cheese



**Sue Taylor**, Leprino  
Foods Company



**Caleb Robinson**,  
Saputo Dairy Foods  
USA, LLC

**McKinsey Facilitator:** Christina Adams/Pradeep Prabhala

**Staff Liaisons:** Dave Carlin/Joe Scimeca/Matt Herrick

# IDFA Scenario Planning

Update: Board meetings

October 2020



\*All work is pre-competitive



## Recap of Context

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- Industry faced with significant disruptions/uncertainties e.g. industry dynamics, consumer preference shifts, regulatory and policy uncertainties
- Opportunity to shape the future of our industry in the context of these uncertainties by using Scenarios thinking
- Help identify ways in which IDFA could evolve its programming and support models to help the industry navigate the uncertainties
- Embarked on the scenario planning journey by identifying a task force and co-creating futures

## Journey so far...

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- The taskforce members engaged in 4-5 working sessions over the last two months
- Focus of our working sessions:
  - Reflected on drivers shaping the industry
  - Identified uncertainties and plausible outcomes
  - Prioritized critical uncertainties: high level of importance and high degree of uncertainty
  - Developed 1-2 scenarios
- In addition, we have sought input from other board members on drivers and uncertainties using a survey

# Uncertainties

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Future requirements on end to end traceability – mandated by FDA

Sustainability is a key consumer purchase driver

Political stance on sustainability

Customer definition and adoption of sustainability standards – retail and food service

Sustainability standards set up by other countries limiting our ability to access other markets

Continued uncertainty on the definitions on sustainability

Sustainability definitions adopted by consumers detrimental for dairy industry

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# Scenario: Sustainability is new normal (Cheese)

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## Description

Sustainability will have become a priority in terms of **supply chain transparency** (including ingredient sourcing and localized production), **environmental impact from dairy farming, and animal welfare**.

Manufacturers would have undertaken significant process changes and established **quality control mechanisms, along with certifications around “organic” or “GMO free”**. With the move towards end-to-end transparency, manufacturers will make **significant capital investments to move away from legacy assets** that don't meet specifications, or investments in opportunities that allow dairy companies to shorten their supply chain to **localize production** by getting closer to the farm and end customers.

Internationally, US dairy products will lose market share for **lack of market access to other countries** from increase in localized production. Domestically, the category will **lose volume from alternative protein sources** (though this may happen gradually since non-dairy protein sources are still developing in the taste/texture/nutrition delivery).

This market shrinkage will be accompanied by **changes in the production landscape due to reduction in overall supply**. Consequently, **larger farms will be advantaged in segments where technology investments are relevant, and smaller farms being advantaged where local/organic trends** play out.

The supply drop will also create a bifurcation in the marketplace, where **companies that adapt to new sustainability practices will use that proposition to raise prices**. However, there will also be room for companies competing on price selling commoditized products at scale.

## Preliminary implications

- Margin erosion increasing costs to redesign supply chain and achieve certifications
- Sales decline due to localized production internationally, and growth of non-dairy alternatives in the domestic market
- Rise in overall prices and market restructure favoring different players

# Next Steps

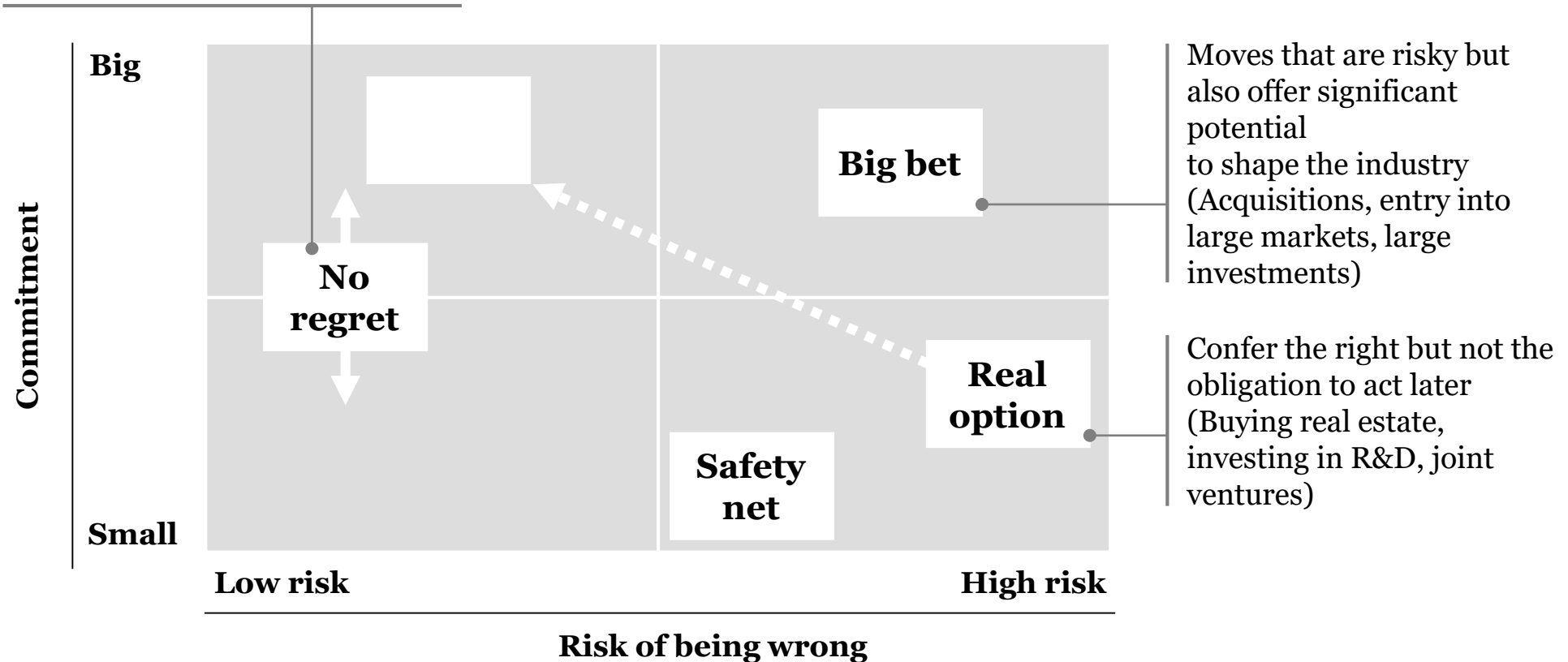
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- Develop additional scenarios
- Consolidate scenarios across segment boards to develop 5-7 industry wide scenarios
- Develop detailed narratives of scenarios
- Develop industry wide strategic responses across scenarios
- Identity roles of different industry bodies/ stakeholders to support industry wide priorities
- Identify potential “new” strategic priorities for IDFA

# Next Steps: Strategic options

## Conceptual depiction of the building blocks of a flexible strategy

Actions that will pay off regardless of how the future unfolds (e.g., cost cutting)





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# New Business

Louie Gentine





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