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Cheese Market News®

INSIDE

Hindsight 2023: Year in Review

Dairy execs discuss markets, milk pricing, outlook for 2024

MADISON, Wis. — Welcome to Hindsight 2023: Year in Review, *Cheese Market News*' annual round table with dairy executives to discuss highlights and challenges from the past year as well as a look ahead for what to expect in 2024.

In this year's Q&A, panelists discuss federal milk marketing order reform, dairy market prices and export prospects, and how to foster more diversity and inclusion in hiring and advancement practices in the industry. They also touch on sustainability goals, innovation and the outlook for a new farm bill.

We thank our participants for taking the time in the midst of busy holiday schedules to participate in this special feature. This year's panelists include:

• Ben Biery, CEO at Biery Cheese Co., Louisville, Ohio;

• Shawn Burton, chief operations officer at High Desert Milk, Burley, Idaho;

• Katie Davey, executive director at Dairy Institute of California, Sacramento, California;

• Catherine de Ronde, vice president, economics and legislative affairs at Agri-Mark Inc., Andover, Massachusetts;

• Ralph Hoffman, executive vice president-risk management, supply chain, purchasing, government and trade relations at Schuman Cheese, Fairfield, New Jersey;

• Ron O'Brien, president at Nui Markets North America, Wilmington, Delaware; and

• Tim Trotter, CEO at Edge Dairy Farmer Cooperative, Dairy Business Association and Farmers for Sustainable Food, Green Bay, Wisconsin.

1. How do you believe U.S. dairy prices will track for key commodities in 2024? What will be the key factors affecting U.S. dairy prices over the course of 2024?

Burton: With more cheese coming online in the coming year there will be pressure keeping the price in check without more trade partners. Nonfat dry milk (NDM) pricing is not going to move far in either direction as customers are looking for value and keeping a tight hand on needed supply. Butter prices should slightly improve as supply is slightly trailing demand. High cull rates last year will be tough to overcome for replacement

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Average retail milk prices up in 2023 compared to year earlier

WASHINGTON — The average retail prices of whole and reduced-fat conventional and organic milk for the full calendar year 2023 were higher than the comparable prices in 2022, according to the most recent Retail Milk Prices Report published by USDA's Agricultural Marketing Service.

In 2023, the U.S. simple average price of all 12 months across 30 U.S. cities was $4.34 per gallon for conventional whole milk, up from $4.26 per gallon for 2022. The lowest average price for conventional whole milk in 2023 was $2.94 per gallon in Louisville, Kentucky, while the highest average was $6.05 in Kansas City, Missouri. Across all markets surveyed, January had the highest average price in 2023 at $4.43 per gallon, while April and July tied for the lowest at $4.31 per gallon.

The average retail price for conventional reduced-fat (2%) milk across all markets in 2023 was $4.29 per gallon, up from $4.21 per gallon in 2022. The lowest average price for conventional reduced-fat milk was $2.94 per gallon in Louisville, while the highest was $5.64 per gallon in Kansas City. January had the highest average retail price at $4.37 per gallon, while April had the lowest average price at $4.25 per gallon.

The average retail price for organic whole milk across the 30 markets in 2023 was $4.83 per gallon, up from $4.58 per gallon in 2022. Pittsburgh had the highest average price of organic whole milk in 2023 at $6.48 per gallon, while the lowest price of $3.98 per gallon was found in Detroit.

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Danone to sell Horizon Organic, Wallaby to U.S. investment firm

PARIS — Danone this week announced it has signed an agreement to sell its premium organic dairy activity in the United States to Platinum Equity, a U.S.-based investment firm. The sale includes Horizon Organic and Wallaby.

Horizon Organic is the largest USDA-certified organic dairy brand in the world and introduced the first organic milk available coast to coast in the United States in 1991. Horizon Organic's portfolio of organic dairy products includes milk, creamer and whiteners, yogurt, cheese and butter.

The proposed acquisition also includes the Wallaby brand, an Australian-inspired Greek-style yogurt made with organic milk and premium ingredients.

"Horizon Organic is an iconic name in dairy that is well recognized and beloved by consumers," says Louis Samson, co-president, Platinum Equity. "Horizon Organic is a pioneer of that segment and is in position to continue capitalizing on and accelerating the trend."

Platinum Equity has decades of experience acquiring and operating global businesses that have been part of large corporate entities. The firm recently announced the pending acquisition of Kohler Energy from Kohler Co. In recent years, Platinum Equity also has acquired businesses from firms like Ball Corp., Caterpillar, ConAgra, Emerson Electric, Ingersoll Rand and Johnson & Johnson, among others. Platinum Equity's current portfolio includes private label sweet biscuit manufacturer Biscuit International, wine producer Fantini Group Vini and seafood provider Iberconsa. Previous Platinum Equity investments include JM Swank, a food ingredients distributor acquired

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Ben Biery
BIERY CHEESE CO.

Shawn Burton
HIGH DESERT MILK

Katie Davey
DAIRY INSTITUTE OF CALIFORNIA

heifer availability. This all stems from a challenging return price to the farm versus the cost to produce. Interest rates will continue to be a factor for everyone.

de Ronde: First half of 2024 will be a grind, with markets stuck between bullish supply and lousy demand fundamentals. Negative to flat domestic and international milk production will keep a floor in the markets, but sluggish demand will restrain upward movement. Second half has the potential for improvement. Signs of cooling inflation and signals from the Federal Reserve of interest rate cuts will be welcome news to domestic consumers who have slowed spending in recent months. Improved domestic demand will help balance dairy markets, in particular the cheese market, which continues to show signs of weakness due to an imbalance in supply and demand. Consequentially, Class III prices are expected to lag Class IV prices throughout the year.

Hoffman: Dairy prices during 2024 will likely be the tail of two halves. 2023 saw counter-seasonal pricing, but we expect 2024 to follow more normal seasonality, but with subdued prices in Q1 and through the spring flush. As we enter the summer and fall, we expect prices to increase to more historical levels, with some potential for higher-than-anticipated prices. Moderate demand will weigh on prices early in the year, but lower milk prices should offset demand and drive prices higher later in the year.

O'Brien: The balance between the supply and demand of dairy products is a key factor impacting prices. An increase in global demand for dairy products, changes in consumer preferences and spending power, disruptions in supply due to weather conditions or other factors all affect prices.

Domestically speaking, considering we have witnessed and shall continue to witness substantial decreases in milk production in the Southwest region of the United States and its subsequent reduction in local butter and NDM production, burdensome Class IV milk supplies, which historically pull markets lower, shouldn't be a headline in 2024. However headlines of excess Class III supplies in the Midwest and news of heavy cheese production and increasing inventories likely will keep a lid on all milk prices. Higher interest rates disincentivize carrying large inventories at both the manufacturing plant level and at end user warehouses. Both should pressure futures forward curves into more contango structures than in years past.

With respect to global trade, after being down 4.2% during 2022 and forecasted by the Food and Agriculture Organization of the United Nations to be down 1% during 2023, international trade in dairy products is still witnessing declines in imports by China, the Philippines, Indonesia and Malaysia. China continues to face an increased supply of domestic dairy products and higher stocks, which has them importing less whole milk powder (WMP). Higher dairy imports by Brazil, Mexico, Algeria, Saudi Arabia and Australia during 2023, however, have been welcomed by producers and are expected to climb in 2024.

My expectation would be for higher lows and lower highs during 2024 compared to the trading ranges of 2023.

2. What is your outlook on the likelihood of passing a new farm bill in 2024? What are some key priorities or changes you wish to see implemented in this legislation?

Burton: I am optimistic we will see a bill pass. It will take the whole year to find agreeable solutions as the challenge of a U.S. deficit pits legislators regularly supportive of a farm bill in opposition to continued spending. There are also widely different views on how to administer subsidies and whether more should be tied to environmentally sustainable practices.

de Ronde: I prefer to predict milk prices; however, I am hopeful that a farm bill will be passed in 2024. We are advocating for continued investment in dairy's future through improvements to the dairy farm safety net program, investments in sustainability, disaster assistance programs, mandatory cost studies and maintenance of programs that support food security, nutrition and dairy consumption. In Title I specifically, we wish to seek improvements to the Dairy Margin Coverage (DMC) program, including adjusting production history into the future to ensure it is reflective of reality, increasing the Tier 1 production cap to 6 million pounds and strengthening Tier 2 to make catastrophic coverage more affordable.

Hoffman: A new farm bill will most likely pass in 2024 as this is largely a non-partisan bill. Ideally, a new farm bill increases spending on Supplemental Nutrition Assistance Programs (SNAP), continues to fund and support trade promotion programs, includes language to modernize the federal milk marketing orders (FMMOs), supports the Dairy Margin Coverage programs and has realistic programs to support sustainable dairy farming.

O'Brien: Besides the glaring argument over fluid milk versus manufacturing milk and how we deal with the legacy premiums and the future demand diverging for both products, the main argument from my perspective seems to be around basis risk (input costs versus output revenue) and who wants to hold it or pay for it. Both sides see their basis risk growing, yet unfortunately it's impossible to legislate away. The federal order system might be altered with new legislation but will not be changed enough to prevent the largest milk producers

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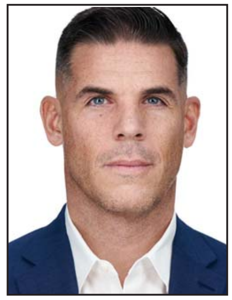
Catherine de Ronde
AGRI-MARK INC.

Ralph Hoffman
SCHUMAN CHEESE



Ron O'Brien
NUI MARKETS NORTH AMERICA

Tim Trotter
EDGE DAIRY FARMER COOPERATIVE

FARM BILL

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from wanting to lower costs through increased production while becoming more efficient per cow in the process. Just as it will not stop the biggest, most efficient manufacturing plants from producing 24/7/365 and becoming even more efficient. The focus needs to be on demand legislation.

Trotter: Edge remains keenly focused on building better relationships between our members and the processors they ship to. Enhancing fairness in contracting and flexibility in how we approach milk pricing will help generate a partnership built on trust and transparency between dairy farmers and their processors. We remain committed to helping implement legislation that will do this in the next farm bill — hopefully next year. However, the reality of a federal election looms large. It will be up to legislators to facilitate a successful farm bill.

3. While U.S. dairy exports continue to grow, overall volume versus the previous year has been down in recent months. What can the industry do to become more competitive on a global scale?

Biery: Continuing to invest in continuous improvements, sustainability and food safety will help continue to push our industry outside of the U.S. Some factors are out of our control such as currency value and weather patterns, which drastically affect our ability to be competitive year in and year out on price.

Burton: U.S. exports are not only driven by what U.S. processors can do; they are affected by whether the world views U.S. products as the greatest value now. When the U.S. dollar (USD) is strong, export markets will certainly see contraction. A more successful model is to deliver higher-quality/cleaner products that cannot be duplicated in all areas of the world. Whether it be Latin America or Vietnam, if U.S. products solve foreign customer quality or yield concerns, the organizations supplying solutions will continue to build export portfolio.

de Ronde: I believe the U.S. dairy industry is well positioned to continue its growth in exports in the long term. Continuous performance in quality, sustainability and reliability will position us as the global supplier of choice. In the short term, however, especially considering today's global marketplace, we will need to learn to better align our prices with the world market and remain competitive on price.

Hoffman: The U.S. is generally competitive with the rest of the world but can only influence the balance of global supply and demand so much. The U.S. economy has been more resilient than many other countries, which has kept our domestic demand from cratering vis-à-vis other nations. Certainly, China's faltering demand impacts all exporters and creates excess supply in various pockets, but the U.S. is well positioned to continue growing exports. From a trade perspective, we have fallen behind the European Union (EU) in signing free trade agreements, which grant more access for the EU at lower tariff rates and reduce non-tariff barriers to trade.

O'Brien: We need to focus on increasing the business that is geographically close — Canada, Mexico and Latin America. Take advantage of the cheaper freight, expand the buying base and grow according to that demand. It's a tough proposition to sell U.S. dairy products on the other side of the world more competitively than our competitors that are geographically closer and able to offer long-term fixed sales well under our federal order futures curves.

Exchange rate fluctuations can also directly impact the competitiveness of U.S. dairy products in export markets. A strong U.S. dollar can make U.S. dairy products relatively more expensive, potentially reducing demand and affecting the competitiveness of U.S. dairy exporters. Solid fiscal policy in the states would support a strong dollar; however, it is clear that policymakers in the United States have no intention of slowing down spending or debt levels that are growing exponentially.

Different regulatory standards and requirements between countries also create challenges for the export of dairy products. Compliance with foreign regulations and standards can be costly and time-consuming for our producers. Additionally, differing regulatory standards can affect market access and competitiveness. Time and money must continue to be invested by our trade delegations and processors to bridge the gap between what is needed globally and what is produced in America.

The imposition of trade barriers such as tariffs or import restrictions can hinder the flow of dairy products across borders. These trade barriers can make U.S. dairy products more expensive and less competitive in the international market, limiting export

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EXPORTS

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opportunities and potentially leading to an oversupply of dairy products domestically. Considering we protect so many of these global dairy import markets with our military and currency funding, it's surprising that tighter deals cannot be struck with our allies.

Achieving low prices is still high on the list of priorities when buying dairy products. When we aren't competitive, our suppliers have to take significant risk and potential future losses to go after demand. Not saying it's impossible, but global dairy trade is very competitive.

Trotter: First and foremost, we need to uphold our existing agreements. The ongoing situation with the U.S.-Mexico-Canada Agreement (USMCA) has been increasingly disappointing; what was a once-promising new trade agreement for our dairy farmers has evolved into a continuous headache of obstacles. If we enter into trade agreements with other countries, we need to ensure they will uphold their commitments to our dairy farmers.

4. What are your thoughts on the ongoing federal milk marketing order hearings? What issues do you feel are the most pressing in terms of pricing reform?

Burton: The challenge to find a balance that supports the viability of dairy farming while maintaining a resilient market for dairy products is daunting. Proposals dealing with increased costs associated with processing milk have traction, and it is imperative they be adopted as COVID-related cost increases in labor and materials accumulate daily. If adopted, the proposed make allowance adjustments stand to benefit most processors but do not specifically help dairies.

de Ronde: Comprehensive changes to the federal milk marketing orders are critical for aligning federal order pricing with today's marketplace. In my opinion, the most pressing issue in terms of pricing reform is an overdue update to make allowances, which are threatening the financial health of manufacturing cooperatives and their farmer owners.

Hoffman: FMMO modernization is long overdue, but striking a balance to satisfy all stakeholders will be difficult at best, whether it's adjusting make allowances or the Class I formula differentials across the nation.

Trotter: We monitored the hearing on many topics, including standard component levels, surveyed commodity products, Class III and IV pricing factors (make allowances), and the base Class I skim milk price. Many farmers voiced support for the compromises Edge brought forth to find common ground between various proposals from other groups. At the end of the day, we want to improve price discovery, maintain strong risk management and sustain federal orders for dairy's benefit.

5. While post-COVID supply chain issues have improved, where do you still see gaps? What are some of the major challenges facing the dairy industry when it comes to supply chain flow?

Biery: The biggest challenge where we still see gaps is in recruiting additional labor, both in trucking and operations. Trucking has an aging workforce, and it continues to struggle to bring in a youthful workforce to replace retirees, causing difficulties in growth. Within the operation and as the cheese and dairy industry continues to grow, emphasis on recruiting young, diverse talent to the industry will need to continue to be a priority. We will need to continue to focus on automation with a blend of highly skilled youthful talent.

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> BIERY CHEESE CO.

Burton: The short answer is most of the hard goods, like stainless valves and pumps and electrical equipment, needed today are still not on the shelf. Fewer vendors are keeping safety stock due to borrowing costs, and this posture is not going away soon. There are positive signs that commodities have turned the corner as fewer ingredients and cleaning chemicals are "on allocation."

Davey: The post-COVID supply chain has improved, but there currently is a pressing shortage of half-pint milk cartons used for school lunches. This is a serious threat to Dairy Institute of California members, school children and dairy farmers alike. This supply chain gap underscores the challenges our industry faces as we move into 2024.

de Ronde: One of the biggest regional issues for us is a labor shortage, particularly in Vermont where we have two production facilities, a cut and wrap facility, and distribution operations. Vermont has record-low unemployment, an aging population and a shortage of affordable housing, which makes it hard to attract labor and creates a very competitive environment among manufacturers for workers.

Hoffman: Most supply chain issues faced during COVID have subsided; however, the industry is still facing extended lead times and elevated costs for most property, plant and equipment investments. The costs to expand or automate production are close to twice pre-COVID levels, and combining that with high interest rates makes the return-on-investment decisions more difficult. Refrigerated freight costs have come off their highs but are still elevated and make sourcing dairy from long distances more expensive.

O'Brien: Issues with cross-border traffic with our two largest trading partners is a huge vulnerability for U.S. dairy markets. The influx of mass immigration from the south and steps to curb the flow of immigrants could disrupt cross-border traffic and impact dairy markets. Retaliatory tariffs or other trade measures in response to political disagreements can restrict or deter dairy trade, leading to reduced market access and financial losses for U.S. dairy producers.

Regarding supply chain flow, smooth cross-border traffic or even domestic traffic relies on efficient logistics and transportation systems. Any disruptions, delays or inefficiencies in these systems can have detrimental effects on the timely delivery of dairy products, affecting their quality and freshness. Issues such as customs procedures, border delays or transportation infrastructure problems can hinder trade flow

Increased focus on sustainability and environmental impact adds another layer of complexity to the dairy supply chain. Reducing greenhouse gas emissions, optimizing energy consumption, and managing waste and byproducts are areas that the industry needs to tackle to align with sustainability goals.

Trotter: Labor continues to be a thorn in the side of every level of the supply chain, from the dairy farms to the grocery stores. Some processors have shared with us reports of having to reduce the number of shifts they run because they are having such trouble finding people to work. Supporting labor solutions needs to be a continued focus for dairy policy moving forward.

6. What types of dairy products do you see the most opportunity for in the coming year in terms of innovation and/or growth?

Biery: For cheese, snacking and party planning convenience, i.e. Party

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INNOVATION

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Trays, continue to grow and show interest from consumer and retailers. Providing them with fresh, new on-trend ideas will be how the industry continues to jump ahead and build off of this continued demand.

Burton: Products containing both milkfat and protein in concentration seem to have legs. Research continues to come out in favor of butter over other oils, which will bolster both butter and cream cheese. Drink mixes that have high concentrations of milk proteins will continue to grow but will compete with an ever-growing number of nutritionally inferior plant-based offerings … clean label and flavor win this challenge.

Davey: Dairy Institute of California members like Hilmar are doing exciting things when it comes to inventive and expanded uses of whey protein powder and lactose ingredients. These innovations will bring exciting new protein products to market to help meet consumer demand.

de Ronde: We continue to see strong growth in several cultured categories, such as cottage cheese, certain configurations of yogurt and whipped cream. In addition to those specific product segments, we also believe generally there are opportunities for innovation and growth in snacking, indulgent flavors and products, probiotics and gut health, reducing sugar content, and sustainably marketed products.

"Depreciation of the USD should help clear local inventories and create equilibrium in our domestic market compared to global competitors."

Ron O'Brien
NUI MARKETS NORTH AMERICA

O'Brien: Proteins such as WPCs, whey protein concentrates, milk protein concentrates as well as caseinates should be very competitive on the world market, specifically toward Asia due to tight supplies. Depreciation of the USD should help clear local inventories and create equilibrium in our domestic market compared to our global competitors. Cheese exports should be in a prime position to see record numbers considering prices will enter 2024 depressed and inventories will only continue to grow.

Trotter: We would like to see a continued push for innovation. In the last year, we have seen investments in new facilities, new products and new technologies that will move dairy forward. Programs like the Dairy Business Innovation Initiative help in this regard. We need to continue finding ways to use dairy to reach consumers beyond our conventional products, and we have seen companies develop products like whey spirits, sports drinks and more through these investments.

7. When it comes to diversity, equity and inclusion (DEI), how do you feel the dairy industry stacks up? Are there certain initiatives or practices in place at your company or organization that address this?

Biery: In the last decade, the dairy industry has worked hard on reinventing and promoting itself to new, youthful and diverse candidates. Bringing in different ways of thinking and different viewpoints has been critical and proven for growth for the industry. As an organization, we focus on our core values when we look for talent. We look for team members that help us push our company forward, and we feel that different views and vantage points will help continue to evolve our organization.

Burton: Every individual should be valued, views listened to and recognized for what they offer our organizations. While DEI is a hot-button topic, rural dairy, cooperative and converting operation initiatives vary. Potential team members at High Desert Milk are given respect and expected to reciprocate from Day 1. Employee contributions are valued and rewarded without consideration of personal lives and likes. It is rewarding when employees gain confidence in themselves and what they can do knowing they are not judged by color, preference or caste. The challenge many of us in dairy have is finding more potential team members willing to hire, move and stay in rural areas of the U.S.

Davey: As the new female executive director of Dairy Institute of California, I am honored to be part of an organization that prioritizes

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DEI

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and demonstrates a commitment toward further diversifying the dairy industry in California. On a national level, I look forward to participating in the International Dairy Foods Association's Women in Dairy program, which is a fantastic initiative to empower, encourage and support women in our industry.

de Ronde: This past year Agri-Mark implemented a pilot program for general DEI training to a small subset of employees. In 2024 we will be rolling out that program to all employees. Our goal is to focus on DEI education and awareness.

Trotter: Our farms have a very diverse workforce that shares a passion for farming and exceptional animal care. Finding ways to support farmers in building inclusive workplaces is critical to maintaining an engaged, motivated workforce.

8. What progress would you like to see in terms of sustainability measures within the dairy industry in the coming year? Does your company have plans or initiatives in place to advance this?

Biery: Cheese film recyclability and carbon footprint is at the forefront of every retailer's and manufacturer's mind. PCR (post-consumer recycled material) and mono resin co-extruded films will be two areas that we focus on, and we have already launched one film into the marketplace. The film industry has a progressive time line on execution, and we hope to be releasing additional product lines in 2024 after we have proven the technology provides for the same care of product as the previous material.

Burton: Our industry is responding admirably to the market pressures that are presented to us. We need to share more assertively the 100-year journey dairy has taken to get to 2024. Cow numbers are 60% down (from the early 1900s), but milk volume is up, methane mitigation has become viable and is being adopted, and FARM (Farmers Assuring Responsible Management) Program initiatives have been implemented almost without exception. Some larger organizations have set science-based target initiatives (SBTI). Being aware of dairies' impact in several areas, our environment being one area, will keep products derived from milk in consumers baskets long term.

Davey: California's dairy industry has long taken a leading role in pioneering sustainability measures across a variety of sectors. From cutting-edge water conservation efforts to innovative regenerative farming practices and advanced methane reduction programs, Dairy Institute of California members are taking important steps toward sustainable stewardship of our environment.

de Ronde: Overall, we continue to be bullish on dairy sustainability as an opportunity to amplify the benefits and opportunities that dairy farming and dairy farm families bring to their local communities.

Measurement continues to be more and more important to our collaborative efforts. We need data to support and verify our sustainability efforts. The FARM program has done tremendous work in providing the framework for farmers to measure and monitor continuous improvement in the areas of animal care, and more recently environmental stewardship and workforce development.

We are encouraged to see agriculture recognized at the global level for providing critical sustainability solutions, whether that be greenhouse gas emissions, water or nutrient stewardship. Being able to directly participate in those global conversations is a significant 2024 goal for the U.S. dairy industry.

Hoffman: Consistency in the types of programs, terminology and expectations in sustainability programs would benefit all stakeholders significantly — there are different interpretations of sustainability depending on what part of the dairy value chain in which companies participate. Many programs are in the infancy and data collection stages. We expect more clarity and expectations to come from large retailers who seem to be leading the early-stage initiatives. We are investing in additional resources to better define and execute our sustainability programs.

Trotter: There is going to be a continued push for increased transparency on supply chain data from the farm. Through our USDA climate-smart program, we are continuing to support farmers as they lead on the road to a more sustainable supply chain. Edge, along with our sister organization, Farmers for Sustainable Food, are proactively empowering farmers to innovate and collaborate to find on-farm solutions. A healthy environment and thriving farms are not mutually exclusive; Edge and our partnering organizations are working to ensure we have both.

9. In addition to the topics already addressed, what key issues will impact the dairy industry in 2024?

Biery: Election and unrest around the world. Elections always bring new ideas and policies that can either insert a catalyst and add growth or suppress the progress that the industry has had. Global exports and trade policies are a key factor in the U.S. dairy industry continuing to increase. U.S. consumption continues to grow for cheese, but without global exports, the industry would not grow at projected rates. Global unrest is a big factor that can affect U.S. demand; whether there is a need for additional exports or the removal of U.S. dairy products, disruption will cause disruption.

Burton: 2023 and early 2024 interest rates will keep costs of goods and services up throughout the year, and the expense of borrowing will keep dairy from continuing its 2023 pace of expansion. With few large new markets to sell into, cheesemaking capacity slated to come online this year will affect price returned to the farm. The global economy, in particular China's economic stability and consumption, will certainly affect U.S. dairy. Business plans and strategies developed and adhered throughout 2023 should keep organizations on solid financial footing through 2024.

Davey: In 2024, the dairy industry will work to continue to maintain a sustainable and reliable water supply in California and will have a seat at the table as state regulators implement two pieces of landmark legislation regarding greenhouse gas emissions and corporate climate data reporting. Furthermore, California is facing a $68 billion deficit because of severe revenue decline. We will have to work to protect funding for programs that help the dairy industry meet our climate goals.

de Ronde: We foresee that processing capacity expansions will evolve regional milkshed dynamics, as well as increase the competitiveness of commodity markets. Here in the Northeast, labor constraints at the farm and on manufacturing level will continue to challenge producers and processors. We see the signs of cooling inflation and the potential of interest rate cuts as a positive for operating costs.

> **"We foresee that processing capacity expansion will evolve regional milkshed dynamics, as well as increase the competitiveness of commodity markets."**
>
> Catherine de Ronde
> AGRI-MARK INC.

Trotter: Two issues that come to mind are school nutrition and dairy labeling. We need to continue working on increasing options for our children in school lunches. The House passed the Whole Milk for Healthy Kids Act before the holidays, marking an important first step in getting kids access to whole milk in schools. Milk's nutritional benefits for school-age children have been proven time and again, and offering expanded options encourages the consumption of nutrient-dense milk.

Dairy labeling also continues to be an issue of concern for many dairy farmers. We need to see the long-standing standards of identity upheld. Efforts like the DAIRY PRIDE Act would sort out consumer confusion caused by how imitation dairy products are marketed. There are labeling standards for a reason. Most food products are subject to strict labeling rules, but in the dairy aisle, the lack of enforcement is extensive. **CMN**