



2017 Annual Progress Report

FDA's Commitment to Sustainability

Welcome

WELCOME TO FIRST DISTRICT ASSOCIATION



BOARD OF DIRECTORS STATEMENT

At FDA, we recognize that sustainability starts with our dairy farmers by practicing farming techniques that protect the environment, public health, local communities as well as animal welfare and valued livestock.



We are proud to share with you a few of the stories that our dairy farmers are currently doing to practice sustainable agriculture. We continue to support and urge our dairy producer members, as well as our manufacturing facility, to develop new and innovative ways to produce our dairy products in a sustainable fashion.

The heart of our business is to provide this world with safe, quality dairy products while preserving our environment and communities for the next 100 years.

Josh Barka
Board Chairman

REPORT CONTENTS

- ~ Welcome
- ~ Social Responsibility
- ~ History Timeline
- ~ Sustainability Commitment
- ~ Sustainable Farms
- ~ Employee Investment
- ~ Community

CEO MESSAGE

The scope of this report recognizes that now, more than ever, the dairy community must be open, proactive and proud in telling our stories of continuous improvement and sustainability. The U.S. Dairy Stewardship Commitment demonstrates dairy's longstanding values through a transparent, multi-stakeholder, and pre-competitive process, and defines indicators and metrics that empower the dairy community to holistically document progress. As a member of the Dairy Sustainability Alliance®, we continue to engage key influencers to work directly with farmers, cooperatives, and processors on continuous improvement that provides both credibility and value to the dairy industry and endorsement and support in the global marketplace.



Our mission at FDA is to create a sustainable market for dairy products and allow family farms to prosper in the time honored Midwest dairy traditions.

Since our inception in 1921, our grass roots cooperative has grown to approximately 900 member owners. Through significant growth, our commitment to the nutritious and wholesome dairy products we bring to your table has not wavered. We attribute our success to our devoted dairy farmers, loyal employees and our stakeholders who share our history, core values and social responsibility. We are honored to keep you updated on our progress and sustainability journey.

Clint Fall
President/CEO

Social Responsibility

SHARING OUR JOURNEY!

First District Association demonstrates its corporate citizenship by adhering to all environmental regulations. We promote cooperation and coordination between industry, government and the public toward the shared goal of preventing pollution at its source. FDA has been a steward within the community involving community pride and clean-up. FDA proactively communicates and engages with its neighbors regarding future plans for growth and expansion of its facility. FDA is particularly sensitive to noise and light pollution in the areas surrounding its facility and uses up to date technology to keep them as low as possible.

Social Responsibility can encompass a wide variety of topics. Here are a few of the broad categories of social responsibility that FDA continues to focus on:

ENVIRONMENT: Businesses, such as FDA, have the potential for a large carbon footprint. Any steps we can take to reduce emissions are considered both good for the company and community as a whole.

CHARITABLE GIVING: FDA practices social responsibility through donations. Whether it involves donating dairy products, money or time, we realize that our resources can benefit charities and local community programs.

ETHICS: By treating employees fairly and ethically, FDA can also demonstrate social responsibility. We continue to strive to be a company where today's top talent chooses to work. The next generation of employees are seeking out employers that are focused on the triple bottom line: people, planet and revenue.

As you will see through this report, FDA does and will continue to improve upon practices that constitute **"Doing the Right Thing"** as well as making it a core culture within our operation. FDA will continue to be socially responsible. Through transparency and honesty, our intent is to continue to earn your trust, appeal to socially conscious consumers and employees and continue making a real difference in the world.

"First District Association has been located in Litchfield since 1921 and has always concerned itself with providing quality products while reducing its environmental and social impact within our community."

~ Mayor of Litchfield, Keith Johnson ~

"FDA's decisions best represent and prioritize the virtues of; safety, environmentally and economically responsible and actively represents itself in the community. A simpler way to put it...**FDA just does things right!**"

~ Carlson & Stewart Refrigeration ~

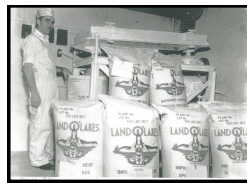
"FDA is an innovative company, continuously adapting to the changing market and investing in expansions to remain competitive and meet customers' demands. The environmental impact of its processing facility is of critical importance and established around energy and water conservation."

~ Tetra Pak, Craig Linz ~

"We applaud FDA's continued effort and stewardship of the environment and of the energy resources. In all our dealings with FDA, we never met the attitude of **leaving good enough alone**. Instead, there was a continuous search for the better solution..."

~ CALORIS CEO, Artur Zimmer ~

History Timeline



Litchfield Creamery Cooperative established. The Coop Creamery Association, Unit #1, First District Association was established.

First Powder Drying Plant Constructed for Buttermilk

Second Powder Drying Plant Constructed for Skim Milk

A unique two stage milk drying process, represented the largest operation of its kind in the world.

New Whey Plant Construct

State-of-the-art Powder Packaging Installed

Make Whey for Cheese! The conversion from butter to cheese manufacturing

A new "Stork Evaporator" was installed making FDA the most modern and energy efficient plant in the world, attracting worldwide interest.

1921

1926

1942

1943

1956

1959

1975

1984

History Timeline



Modernization was the theme in the mid 90's. Robotics automated powder packaging and the Cheese Plant saw a new cheese cooler, new cheese belt and replacement of the cheese finishing tables with seven new vats with a vision of 3.8 million lbs. of milk a day



Continued growth allowed for the installation of six new block cheese towers, four new vacuum chambers and a new packaging line of lactose and whey protein concentrate.

A state-of-the-art Laboratory and Research Center constructed



A new 42,000 sq ft cooler, central ammonia glycol plant as well as the infrastructure of the new milk processing plant was completed



Capacity reached 5 million lbs. of milk a day with the commissioning of the new milk processing plant with the addition of two new vats and whey ultra-filtration equipment



Expansion project completed allowing production of 5.5 million lbs. of milk a day. An addition of another cheese tower and vat. New cream and milk HTST construction

1997

2001

2005

2010

2012

2017

Sustainability Commitment

DAIRY INDUSTRY SUSTAINABILITY



Agriculture and the dairy industry are faced with significant challenges to produce more with less impact. Over the next 40 years, land, energy, water, and weather constraints will place unprecedented pressure on people's ability to access its most basic goods. We must produce more food in the next four decades than we have in the last 8,000 years of agriculture combined. And we must do so sustainably. Systems currently support 7 billion people worldwide. Projections are that the population will grow to more than 9 billion by 2050, requiring a 70% increase in food production.

We also realize that consumers are increasingly considering sustainability factors when making food choices for their families. They are interested in knowing that the foods they buy are produced and processed in an environmentally responsible manner. First District Association and its dairy farm families in Central Minnesota are strongly committed to utilizing sustainable practices now and in the future. Issues we will focus on include, but are not limited to the following...



ENERGY INTENSITY



GHG INTENSITY



WATER USE



WASTE DIVERSION



AGRICULTURAL PLASTICS

SUSTAINABLE BEFORE THE WORD "SUSTAINABILITY"

First District Association has been collecting data on various measurements for at least the past 20 years in an effort to show our stakeholders, community and consumers that we continue to **Do The Right Thing**. Let's look at a 20 year snapshot of sustainability within FDA.

The average pounds of milk processed has increased in the past 20 years an average of 5.2% per year. Though FDA is producing more, we continue to find ways to work smarter and more efficient...in turn, saving precious resources.



Energy Intensity gauges the amount of energy used to produce a specific quantity of product. If tracked over time, it demonstrates the results of First District Association as a major Midwest dairy processor and our efforts to reduce energy consumption and optimize production through the introduction of new technologies and energy management practices.



The average kWh/CWT of milk processed has decreased in the past 20 years an average of **1.3%** per year (or a total decrease of **25.2%** over 20 years)



The average natural gas MCF/CWT of milk processed has decreased in the past 20 years an average of **1.6%** per year (or a total decrease of **29.6%** over 20 years)

Sustainability Commitment

ELECTRICITY USE IMPACT

The environmental impact of kWh efficiencies gained, equates to roughly 9,375,000 kWh saved annually or 6,980 metric tons of CO₂.



...OR equivalent to 785,000 galls of gas consumed annually



...OR equivalent to 2,430 tons of waste rescued from the landfill



...OR equivalent to emissions from 1,050 homes' electricity for 1 year

FUEL USE IMPACT

The environmental impact of Natural Gas MCF's efficiencies gained, equates to roughly 98,700 MCF's saved annually or 5,430 metric tons of CO₂.



...OR equivalent to 12,570 barrels of oil consumed



...OR equivalent to 30 railroad cars of coal burned

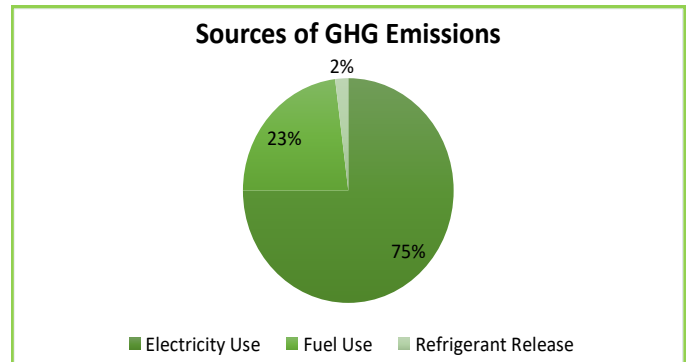


...OR equivalent to 221,870 propane cylinders used for home BBQ's



Greenhouse Gas Intensity is the evaluation of the process of milk's total carbon footprint and how First District Association as a processor can reduce greenhouse gas (GHG) emissions by using energy efficient materials and processing equipment and establishing energy conservation measures.

Energy used in FDA's milk processing process produces greenhouse gas emissions within the total life cycle of fluid milk. These emissions come from electricity use, fuel use and refrigerant releases. Energy efficiency best practices can help milk processing plants reduce energy use, emissions and operating costs.



Water Use is directly linked to other local, regional and national sustainability concerns. Water is a finite resource under increasing pressure from human activities as well as changing climate. Water availability and quality have implications to human health, the economy, food security and ecosystem health. As a result, water management remains a key issue for our milk processing facility.

First District Association has a unique and complex multi-stage water reclamation system that recovers almost 100% of the water contained in the incoming milk. This process goes through various steps to be able to wash the facility and equipment and be reused in the production process; in some instances 2 or 3 times.

As we continue to process more milk, the total well water usage continues to decrease and we continue to re-balance the water resources to use less well water resources and more and more reclaimed and recycled cow water.



The average total gallons of well water used per CWT of milk manufactured has DECREASED in the past 20 years an average of **2.6%** per year. A total DECREASE of **49.7%** over 20 years.

168
Million



Gallons of water recycled in our processing plants annually

Sustainability Commitment



Waste Diversion aims to extract the maximum practical benefits from products, delay the consumption of natural resources and generate the minimum amount of waste to landfill. Dairy processing plants like First District Association can implement waste management plans which help reduce waste before it is created through conscious purchasing and equipment efficiencies.



There is a culture developing that in order to take care of our planet, it needs to start at the plant level with a concentrated effort of recycling with a “Zero to Landfill” mentality. Each year we continue to grow our efforts and look for new options to be better at recycling. This includes getting more employees involved with the recycling process and building relationships with recycling centers in an effort to capture more items prior to landfill. These relationships are priceless and have already shown promising environmental benefits in our waste collection. From better collection statistics, more efficiencies and more collection bins at various sites on our campus.

Average of
135 Tons
Recycled Annually



DIVERSION FROM LANDFILL IMPACT

In the past 5 years, there has been an average of 135 tons/year of recyclable materials kept out of area landfills due to recycling and waste diversion efforts.



Resource Recovery may also extend from processing plants to the dairy farm through opportunities such as the important issue focused around the over-abundance of agricultural plastics, such as bunker covers, bale wrap, etc.

FDA remains dedicated to being socially responsible by growing recycling opportunities outside of our plant gates. As part of that effort we have partnered with The Recycling Association of Minnesota, Revolution Plastics and the 9 County Ag Plastic Recycling Project to develop a program that will help collect and recycle agricultural film plastic from our current FDA dairy farms. The project is intended to provide an environmentally responsible option for disposal of Ag Plastics versus the alternative of delivering it to the landfill or improperly disposing of it on the farm.



220 FDA Farms
Collecting an Estimated
110 Tons
Of Ag Plastics Monthly!!!



Pounds diverted...
2.64 million
From Landfills Annually!!!

Sustainable Farms

FARM CONTINUOUS IMPROVEMENTS

As a grass roots cooperative, FDA has around 900 member owners. We are confident in our best farm management practices and the vast array of educational and regulatory resources to assist them with all areas of sustainability and compliance.

Farms are monitored using various criteria of farm management tools by our Field Representatives, the Minnesota Department of Agriculture, as well as the Food & Drug Administration through federal surveys and inspections. Farm protocols and improvement plans are also initiated through the voluntary FARM (Farmers Assuring Responsible Management) Program.



FDA Farms Are
100%
FARM Certified!

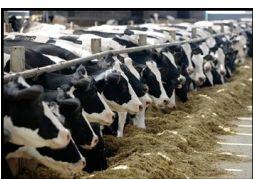
PROGRAM EMPHASIS

Dairy Cow Care/Animal Welfare—The FARM program is recognized as the dairy industry standard in animal care. The “See It, Stop It” campaign is a valuable resource to assist with employee on-farm protocols for animal welfare. FDA has been an active participant for animal welfare programs within Minnesota.

Agrochemicals and Fuels—Comply with all areas of nutrient management, agricultural fertilizers and pest management.

Soil Management—Encourage and assure best soil management and conservation practices.

Water Management—Comply with scheduled water testing as well as following proper Milkhouse Wastewater Treatment Conservation Practices.



Biodiversity—Responsible interactions among resources, the environment and the management systems and practices used by our farmers.

Waste Management—Invest in manure digestion systems and other forms of recycling and waste management to reduce waste to landfill quantities.

Energy Management—Pursue alternatives such as solar, wind, etc. and commit and participate in energy efficiency studies to minimize and reduce usage.

Social and Human Capital—Encourage strong, ethical working relationships and farm safety and awareness on its farms.

The evolution of the dairy farm has significantly evolved in the overall efficiency of the cow, land, crops, and equipment. It is exciting and evident that the footprint continues to shrink and dairy farmers are definitely doing more with less in an effort to conserve our resources.

Employee Investment



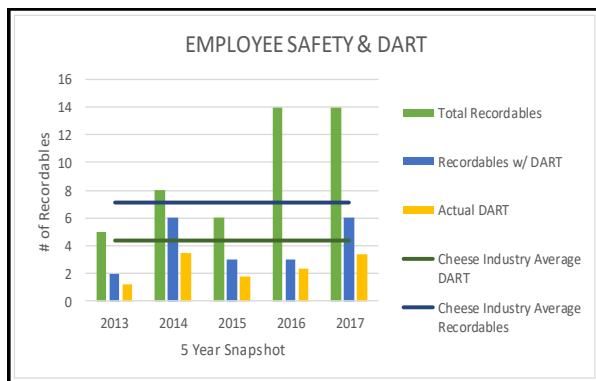
Labor Management is closely watched by external stakeholders to help ensure employee safety and worker livelihoods. As a responsible processor, First District Association monitors labor management not only to ensure employee health and safety, but also because employee satisfaction and productivity are essential to a positive culture, labor retention, profitability and business success.



FDA adheres to all federal, state and local laws regarding employment and is fully committed to attracting, retaining, developing and promoting the most qualified employees. We also seek to provide a work environment free from discrimination and insist that all employees be treated with dignity, respect and courtesy.



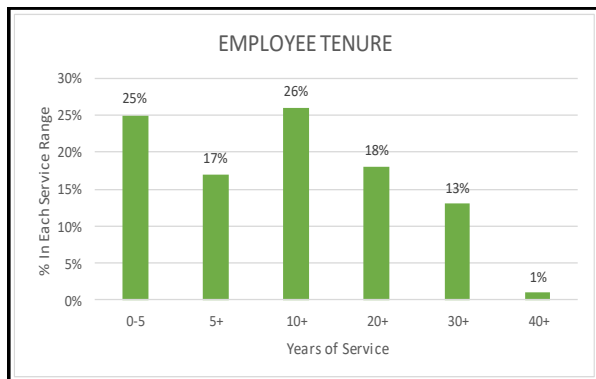
Safety, Health and Well-being of our employees and their families is a very important and integrated part of FDA. We are committed to the safety and well-being of our employees and believe excellent safety performance not only prevents injuries, but reflects the total human condition at our cooperative and has a positive impact on the bottom line.



There is a true *"Culture of Safety"* through continuous safety awareness and 60+ effective safety training classes per year. Our goal annually is an accident free workplace and to identify and eliminate safety hazards when possible. All of this in an attempt to have limited *Days Away From Work, No Restrictions or Transfers (DART)* that is regularly below the Cheese Industry average, while striving to improve from previous years numbers.



Effective and Stable Workforce is a big component of establishing our quality dairy products. Succession planning is tied to FDA's strategic business plan along with long term changes in direction, company growth, and staffing needs. FDA recognizes an ongoing effort is required to prepare people to meet our organizational needs for talent over time. We will continue to evaluate critical roles within our aging workforce. Currently the workforce is made up of 159 employees with 75% of those employed 5 years +.



Of course, any effective work force requires a devotion to employee development where through internal and external means, employees continue to find purpose through stretching their limits through education and continued leaning.



FDA Employees Working 10+ Years 60%

Community



First District supports the communities in which our members and employees are actively involved. As a farmer-owned cooperative, local agriculture and dairy-related organizations are a top priority. FDA supports: Agriculture and dairy organization meetings, dairy farm breakfasts, June dairy month, dairy promotions at local businesses, K-12 education programs, farm management education, local emergency health services, county fairs, cattle shows and dairy expos, 4-H & FFA, ag-related government organizations, local festivals and groups/clubs that are ag and dairy-related.

Food for Kidz



Packaged
850+ Meals
For Area Kids



FDA annual scholarships totaling @\$7,000 to member-owners or the children of member-owners who are pursuing a career in the agricultural field.

Ag Related
Internships
Available!

2017 Scholarships
Totaling
\$7,200

Economic Development

FDA realizes the impact of farming on the local economy and its ability to provide good jobs for Minnesotans. We just don't work in Litchfield, MN, we live here too, and want to help make it a great community.

"Growth"
7.5
Million Lbs.
Expansion!



Focus on community engagement through employee volunteerism and providing employee resources for community related projects.

Splash Pad
Donation
\$27,500



2017 Product
Donations
\$40,000

Numerous educational tours to youth organizations, FFA, 4-H and milk, dairy and agricultural related and organizations.



PROUD SUPPORTERS OF:

Supporting agricultural education,
our local schools and area
mentorship programs

