

A young girl with long brown hair is smiling and giving a thumbs up. She has a white milk mustache on her upper lip. In front of her is a glass of milk on a white table. The background is a bright, blurred indoor setting.

your
**DAIRY
CHECKOFF**
Dairy Management Inc.

ANNUAL REPORT





2019 ANNUAL REPORT

About this Report

The 2019 annual report is published by Dairy Management Inc.™ (DMI), which manages the national checkoff program on behalf of America's dairy farmers and importers to the United States.

Growing Sales & Trust in Dairy

Dairy farmers and importers who direct dairy promotion and research strategies and programs recognize the work of the checkoff doesn't begin and end within a single calendar year. While plans and budgets are reviewed and approved annually by the DMI Board of Directors, short- and long-term strategies, programs and partnerships help to grow sales and trust in dairy foods, dairy farmers and the dairy community through a multi-faceted, multi-year approach.

The checkoff works with and through industry-leading partners to align the dairy industry, extend our reach and co-invest in shared priorities and programs to help achieve greater impact. Plans are created and partnerships established at the direction of our board of directors, along with national and local dairy checkoff staff, dairy community leaders and other stakeholders — all who provide industry, scientific, third-party and/or marketing expertise.

Plans and strategies are evaluated annually to ensure the work of the checkoff remains relevant, meeting people's evolving needs and wants, as well as the changing industry and business landscapes globally.

In all, checkoff plans and partnerships focus on core priorities that include driving increased dairy sales domestically and around the world, advancing social responsibility, investing in nutrition and environmental science, building trust in dairy through ongoing commitments to youth wellness and sharing dairy's sustainable nutrition story.

For more information, visit www.usdairy.com or email talktothecheckoff@dairy.org.

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A MESSAGE FROM THE CEO

As consumers and the global marketplace continue to evolve, the dairy promotion checkoff must evolve, too, in order to stay true to our original mission: to grow demand for your dairy products and to protect your image. That's what you've asked us to do.

The last few years have seen tough economic times for America's dairy farmers, but your farmer-founded and farmer- and importer-funded promotion checkoff has been hard at work to keep your milk moving in new ways, even as the landscape changes.

You ask your checkoff to keep an eye on one thing: keep finding a home for the milk your cows produce. Beyond the hauler, where will it end up, so they will continue to pick it up?

The checkoff works every day to make sure your milk is in demand around the corner, five states over, and halfway around the world. Working with cooperatives, processors, foodservice, retailers and others, we are looking to get your milk wherever it is needed.

How do we do that?

- Through partnerships that move more dairy in new ways with foodservice leaders such as Domino's, McDonald's, Taco Bell and Pizza Hut
- By increasing the amount of milk served at breakfast and throughout the day in America's schools
- Through research that demonstrates to consumers and influencers dairy's importance in diets
- By working with co-ops and processors to change how fluid milk is processed and marketed
- With our industry-wide "Undeniably Dairy" consumer confidence campaign that has people talking
- By increasing exports, which now account for more than 15 percent of production

Total dairy consumption has been rising since the national promotion checkoff started in 1983, even as total dairy production has increased — a salute to the efficiency of America's dairy farmers.

After several years of economic troubles for dairy farm families, things started to look up in 2019 and into 2020 — and then COVID-19 hit. No one could anticipate it, or the impact it is having. I hear daily about the struggles you are facing, and at the same time, I am heartened by the resilience and the optimism you are showing.

We are working in new, even more urgent ways, with the industry and partners, to get your milk where it needs to be, not only to give you a market now but also to help you feed the world as you always have.

Parallel to these daily efforts, we are looking at those changing consumers and markets and planning for how we can meet their needs in the future.

Your national and local promotion staff works for you every day, as you'll see in this report that highlights 2019 results. Rest assured we continue to work to protect your reputation and build demand for dairy, today and in the future.



Tom Gallagher
Chief Executive Officer
Dairy Management Inc.

A handwritten signature in black ink that reads "Thomas P. Gallagher".

A MESSAGE FROM THE FARMER CHAIRS

Unity among dairy farmers is always important, and key during tough times.

In 1995, the dairy farmer leaders of two promotion checkoff organizations, the National Dairy Promotion and Research Board, consisting of dairy farmers and one dairy importer, and the United Dairy Industry Association, a federation of state and regional promotion groups, came together to form DMI.

DMI combined two checkoff-funded promotion staffs, funding and programs, coming together to establish a single, more powerful unified marketing initiative. Today, as one staff locally, nationally and globally, we're best equipped to serve America's dairy farm families and those that import dairy products to the United States.

But also, as a result of COVID-19, farmers — along with everyone else — faced challenges both unforeseen and potentially devastating. In the blink of an eye, valuable markets went away, farm help became challenging, and our prices dropped like a rock.

But farmers had one vital, consistent resource working for us — dairy promotion. It exists, with close oversight, to keep dairy demand strong no matter the environment and to make sure consumers and others understand and embrace the truth about dairy.

As we've navigated our way through the pandemic and its effects (both short and long term), we've stayed focused on doing those things that can move more of your dairy right now. We're putting promotions and initiatives in place that, at their best, will also continue to spur dairy demand when the pandemic has passed. Likewise, as each of us do on our farms, we are looking at the future even as we take on today's tasks.

In 2019, as you'll see in this report, your promotion continued to put programs in place with powerful partners in foodservice, retail, schools and other countries. This unity with the folks who bring your milk to the end consumer has moved hundreds of millions of pounds of dairy products. Even better? These partnerships have led others to follow suit at no additional cost to the checkoff. The relationships with all our partners are most apparent during this time and will continue to be important as we move forward.

Our farms are as different from one another as we are ourselves. Large and small; conventional and organic; north, east, south and west — each of us has our own method and our own perspective. Our uniqueness is also our strength, as we come together with one voice to have a stronger, more sustainable impact on our farms and in our communities.

Reflecting that diversity, the DMI board represents you and your perspectives on promotion. Our directors, who work dairies of all types and in all geographies, live in your communities and are part of the same industry that impacts us all.

Dairy has tremendous opportunity to thrive, despite what we've been going through lately. We are resilient and determined, and we love our farming lifestyle. That opportunity will turn to gain as we become undeniably stronger together.

Let's stay united in our goal to thrive and grow together.



Marilyn Hershey
Cochranville, Penn.
Chair
Dairy Management Inc.

Marilyn Hershey



Neil Hoff
Windthorst, Texas
Chair
United Dairy
Industry Association

Neil Hoff



Brad Scott
San Jacinto, Calif.
Chair
National Dairy
Promotion and
Research Board

Brad Scott

GROWING DAIRY SALES IN THE UNITED STATES

Driving domestic dairy sales and advancing trust in dairy through strategic partnerships.

Partnerships play a foundational role in the checkoff's work and its mission to move more milk and dairy by working with, and through, food and beverage industry leaders. These partnerships focus on immediate and long-term sales opportunities with a concentrated focus on product, menu, packaging and marketing innovation along with advertising.

Foodservice Partnerships

In 2019, DMI continued its partnerships with foodservice leaders **Domino's®**, **McDonald's®**, **Pizza Hut®** and **Taco Bell®**. These partners contributed more than 100 million pounds in additional use of milk in 2019 — continuing a long-term dairy volume growth trend over the last few years. In fact, the checkoff's foodservice partners have averaged 3 percent growth (milk equivalent pounds) since the cumulative start of each partnership.

This growth is accomplished in many ways. DMI employs dairy food scientists and other experts in consumer insights, innovation, marketing and nutrition. They work in collaboration with their foodservice partner colleagues to advance dairy-focused product innovation, menu development, marketing and technology efforts that help drive sales and trust. This means leveraging dairy in new ways to meet evolving consumer needs, such as new foods at new opportunities, including breakfast and snacking.

And, even more important, these partners are category leaders — and capture the attention of their competitors. Their actions are often followed by others, creating a “catalytic effect.” For example, when McDonald's revamped their McCafé specialty coffee portfolio to include frappes, lattes and other options, other chains followed — with no additional investment from the dairy checkoff.

Fluid Milk Partners

Revitalizing the fluid milk category remains a checkoff priority. To accomplish this, DMI works with targeted fluid milk processors who share farmers' commitment to invest in innovation, packaging and branded marketing efforts to address two core goals:

- Stabilizing the 40-plus year decline in fluid milk sales with a focus on growing “milk as milk” through new products
- Growing milk-based beverages that lets milk “be the competition.” This means milk serves as a primary ingredient in coffees, teas, smoothies and other ready-to-drink beverages

Through this initiative, DMI partnered with four core dairy/food companies: **Dairy Farmers of America®**, **Darigold®**, **Kroger®** and **Shamrock Farms®**.

These efforts have led to real, sustainable change for the category through more than \$1 billion invested in new plant construction, upgraded facilities and other infrastructure changes to produce new products and packaging; branded advertising and marketing investment that is nearly double the pre-partner commitment; processor staffing that brings necessary new product and marketing expertise; and product innovation.



In 2019, this product innovation included several new beverages in growth-driving segments that include:

- Value-added milk from Darigold, which led to Borden, Horizon and Meijer launching similar products
- Indulgent, flavored whole milk Private Selection “Primo Pastures” from Kroger, which was followed by a premium flavored milk from Dean Foods’ TruMoo brand
- On-the-go energy drinks made with milk and developed in partnership with Shamrock Farms, which extended its Rockin’ Protein™ line to include a Rockin’ Energy option (a single-serve energy beverage made with milk)
- Dairy milk + plant blended beverages by Dairy Farmers of America, under their Live Real Farms brand, to meet consumer demand for plant-based products and keep them in the milk category

DMI and the Milk Processor Education Program (MilkPEP), which represents U.S. milk companies, formed the **Milk Revitalization Alliance**. The Alliance aims to leverage category and consumer insights to educate brands and retailers on opportunities to market, innovate and merchandise fluid milk. The Alliance also helps “prove” growth opportunities by educating on advertising best practices and vehicles and informing on-package messages and data to maximize shelf space to grow sales. Further, the Alliance works with retailers and others to show them the opportunities to grow sales through innovation that meets consumer needs for white and flavored milk, as well as high-protein options, lactose-free and emerging areas focused on nutritious products centered on reinventing the milk experience for youth.

Highlights

- **Domino’s** increased its 2019 annual cheese growth by nearly 6 percent (compared to 2018), expanded its school-targeted Smart Slice pizza to more than 12,000 schools, reaching 600,000 students and helped advance public trust by sharing dairy’s story in its popular Pizza Tracker technology during National Dairy Month.
- **McDonald’s** continued its focus on menu development with the introduction of its donut sticks made with 16 percent real butter, and its “Worldwide Favorites” menu that featured dairy-friendly menu items, including the Grand McExtreme Bacon Burger that used two slices of natural Gouda, The Tomato Mozzarella Chicken sandwich, cheesy bacon fries and the popular Stroopwafel McFlurry. *(see photo on page 6)*
- **Pizza Hut** relaunched its popular P-Zone, a calzone-style pizza that fits consumer needs for both an on-the-go snack and a cheese-friendly meal. Additionally, Pizza Hut launched their spin on a favored consumer snack, Cheez-It®, with their portable, cheese-centric Cheez-It pizza.
- **Taco Bell** offered its \$5 Grande Nachos Box, which transitioned nachos from a side to a meal fit for sharing, that featured cheese and sour cream. The chain also launched the Toasted Cheddar Chalupa that included six-month aged cheddar baked into the flatbread shell, topped with grated cheddar cheese and reduced-fat sour cream.

CHECKOFF STIMULATES FLUID MILK INVESTMENT

\$1 billion +

INVESTMENT IN PLANT INFRASTRUCTURE AND PACKAGING INNOVATION

2x

THE MARKETING INVESTMENT

\$1 billion +

OPPORTUNITY FOR NEW GROWTH OPPORTUNITIES, INCLUDING INNOVATION AND PACKAGING

GROWING U.S. DAIRY AROUND THE WORLD

Expanding U.S. dairy export sales, volume and market access by building our global presence through the U.S. Dairy Export Council® with expert staff, partnerships and promotional activity, and co-investment with partners to support menu, product, marketing and packaging innovation.

Global markets play an important role for U.S. dairy farmers and the dairy community. As dairy farmers continue to innovate and efficiently produce milk, international customers and consumers are critical to the viability of U.S. dairy, which is poised to meet global demand for high-quality proteins.

The **U.S. Dairy Export Council®** (USDEC) helps meet this demand. USDEC was founded in 1995 by dairy farmers and is primarily funded through the dairy checkoff to work with processors, trading companies and other members to enhance global demand for U.S.-produced dairy products and ingredients. (USDEC also receives funding from the U.S. Department of Agriculture to expand U.S. dairy markets globally and collects dues from its 100-plus members to support trade policy and lobbying efforts.)

In 2019, U.S. dairy exports continued to improve export value — an increase of 8 percent compared to 2018 data. In fact, between 2016 and 2019, exports increased 25 percent in value.

Global demand for U.S.-produced cheese was a key contributor. The United States maintained its title as the largest, single-country cheese exporter in the world. In 2019, U.S. cheese exports increased 3 percent to more than 356,000 metric tons. This growth was driven by record sales to Southeast Asia and Central America, along with five-year highs in exports to South Korea, Japan and the Middle East/North Africa region.

Global Partnerships

DMI also worked in collaboration with USDEC to drive export growth through partnerships with companies who supply or purchase U.S. dairy to accelerate international sales. This effort builds on the successful domestic partnership model by providing marketing, packaging, insights,

product innovation, supply chain and social responsibility support to advance U.S. dairy.

Global foodservice partners include **Pizza Hut® Asia Pacific** and **KFC® in Latin America**. In 2019, Pizza Hut Asia Pacific increased its U.S. cheese sales by 64 percent across 14 markets in the region through the launch of several limited-time offers. This included the launch of the “Salted Egg Sensation Stuffed Crust” pizza in Hong Kong that features U.S. string cheese in the crust and the “Cheese Bomb” in Indonesia that offers a crust with a breaded mozzarella ball border available in salsa, BBQ and truffle flavors.

KFC also grew U.S. dairy sales in its Latin America and Caribbean market by pairing chicken with U.S.-produced cheese. The “Chicken & Cheese Pop” offered customers a mix of popcorn chicken and cheese curds that are breaded with KFC’s 11 herbs and spices. This product is available in various sizes and contains more than 2 ounces of cheese in each serving.

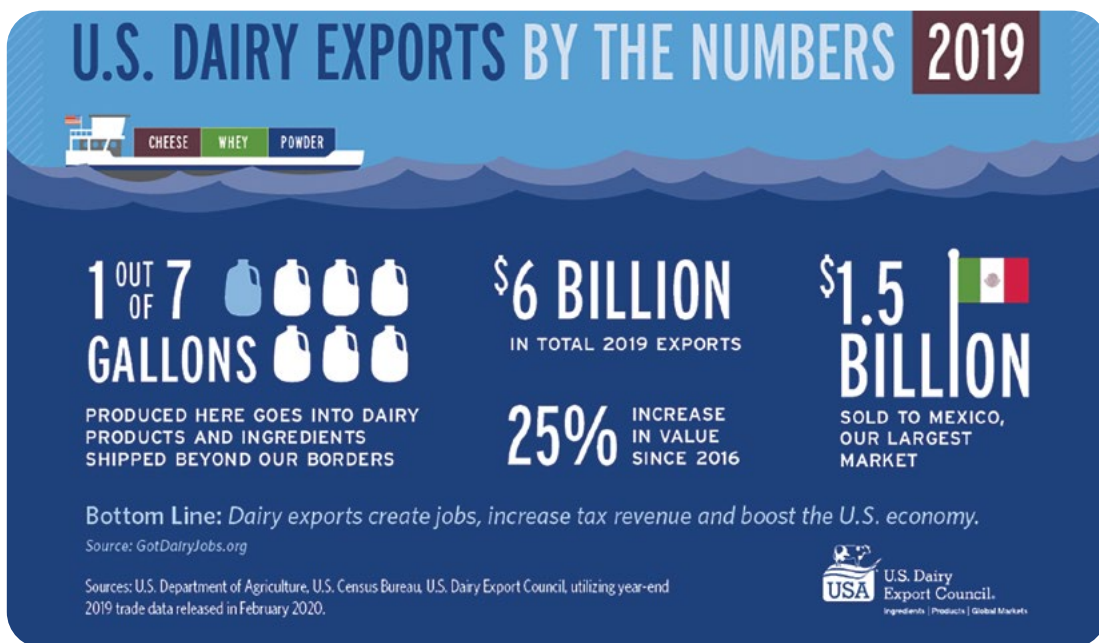


Highlights

- USDEC expanded its **USA Cheese Specialist Certification Program** in 2019, working with three new culinary school partners in South Korea, Japan and Taiwan to teach future chefs how to cook with U.S. cheeses. This certification program helps turn influential chefs into lifelong users and advocates of U.S. cheeses. Over time, their knowledge and enthusiasm are expected to create a ripple effect of awareness and demand for U.S. cheeses around the world.
- In 2019, checkoff partner **Domino's Japan** launched its “New Yorker” pizza that features 1 kilogram (2.2 pounds) of U.S. cheese per pizza. DMI provided marketing support that helped raise awareness among Japanese consumers. In all, these efforts contributed to a 25 percent growth (compared to 2018) in U.S. cheese use.
- In Malaysia, **Pizza Hut Asia Pacific** introduced the “Black Volcano” pizza — a charcoal-infused dough that anchors 25 “poppable” crust bites with melted U.S. string cheese and is topped with crispy chicken bites.



- USDEC continues its partnership with the **Food Innovation and Resource Center (FIRC)** at Singapore Polytechnic. FIRC, a technology and information hub in the region, provides U.S. dairy a platform to tell its sustainable production story, build potential customer relationships and spur innovation using U.S. dairy. These graduates — some of the more than 175 who attended workshops in 2019 — completed a U.S. dairy permeate workshop and show off products they developed.



ADVANCING DAIRY'S COMMITMENT TO SOCIAL RESPONSIBILITY

Working through the Innovation Center for U.S. Dairy, founded by dairy farmers in 2008, the checkoff brings together leaders across the dairy value chain to advance a shared social responsibility platform and commitment that supports consumer trust and the long-term viability for U.S. dairy farmers and the dairy community.



In recent years, a growing number of consumers and customers have demanded more information about where their food comes from as they seek to purchase foods that are produced with care for people, the planet and communities.

While the checkoff continues to share stories that demonstrate dairy's commitment and progress, we know storytelling isn't enough. Today, consumers expect companies and industries to demonstrate and document their impact in social responsibility areas, including environmental stewardship, animal care, food safety and contributions to communities. Social responsibility commitments and reporting are no longer optional for doing business.

Dairy farmers had the foresight to found the **Innovation Center for U.S. Dairy** in 2008, bringing together leaders from across the dairy value chain — with farmers at the center — to proactively identify and address industry-wide opportunities, such as sustainability. Today, the Innovation Center convenes leaders to strengthen U.S. dairy's story by demonstrating a collective commitment to ongoing progress in social responsibility, as well as engaging critical stakeholders that include customers, non-governmental organizations and others to build trust in U.S. dairy practices, farmers and the dairy community.

The ability to demonstrate U.S. dairy's leadership in an increasingly competitive global marketplace is more important than ever. That's why in 2018 the Innovation Center established the **U.S. Dairy Stewardship Commitment**, which is a voluntary pledge through which the U.S. dairy community can document and demonstrate collective progress in key social responsibility areas, including the environment, animal care and community. In 2019, 11 additional companies adopted the Stewardship Commitment, which now represents 68 percent of total U.S. milk production.

Building on progress made and featuring programs developed over the last decade, companies who adopt the Stewardship Commitment work together and transparently report progress through consistent measurement and tools. This information will then be aggregated to demonstrate the collective impact of U.S. dairy — from dairy farms and co-ops to processors, retailers and dairy customers.

This information helps build trust with customers here and globally, and provides important proof points that will be incorporated into consumer efforts, including the Undeniably Dairy campaign. The Stewardship Commitment illustrates a shared U.S. dairy pledge — with dairy farmers helping to shape and lead the conversation — to nourishing people, the planet and communities for generations to come. More information can be found in the [2018 U.S. Dairy Sustainability Report](#) and at www.usdairy.com.

Highlights

- Providing nutritious dairy foods to the food insecure underscores U.S. dairy's commitment to communities. In 2019, 353 million pounds of milk and dairy foods were distributed through the **Feeding America** network of 200 food banks that serve 37 million people annually.
- In 2019, more than 115 dairy and food safety experts volunteered their time and contributed to Innovation Center-led **food safety workshops** that included 11 in-person training classes with nearly 400 participants. Also, in collaboration with the International Dairy Foods Association, the Innovation Center launched an [online ice cream safety](#) course to help maintain public trust by ensuring the highest levels of safety in dairy foods.
- A partnership among DMI, the Innovation Center, Newtrient, National Milk Producers Federation, and U.S. Dairy Export Council led to the establishment of the **Net Zero Initiative (NZI)** in 2019. NZI is a collective, industry-wide effort that benefits farms of all sizes by helping to knock down barriers and provide greater access to resources to achieve greater reductions in greenhouse gas emissions and improvements in water quality and use. NZI focuses on the key areas of feed production, manure handling and nutrient management, cow care and efficiency, and on-farm energy efficiency and renewable energy use. This work builds on dairy farmers' long-standing commitment to taking care of their animals and the land and, along with a companion effort through the Innovation Center's Processor Working Group, helps U.S. dairy achieve progress against its industry-wide goals to become carbon neutral or better, optimize water use and improve water quality by 2050.
- Stakeholders are critical allies. They bring unique perspectives to the work we aim to achieve. That's why the Innovation Center provides a collaborative forum that brings multiple stakeholders together through the

Dairy Sustainability Alliance®. Alliance members — all of whom have a stake in advancing U.S. dairy sustainability — include 40 dairy farmers and representatives from 120 cooperative, processor, industry supplier, retailer, academia, government and advocacy companies and organizations.



Participants in Dairy Sustainability Alliance meeting

Left to Right

Lisa Watson, social responsibility officer,
Innovation Center for U.S. Dairy

Mike Durkin, president & chief executive officer,
Leprino Foods Company Inc.

Cortney VanOeffelen, dairy farmer,
Conklin, Michigan

Kevin O'Donnell, global director, sourcing & operations sustainability,
General Mills

Michael Doyle, (past) president & chief executive officer,
Foremost Farms USA

- In 2019, U.S. dairy became the first agricultural sector to obtain the **“Built on GHG Protocol”** endorsement from the World Resources Institute. This honor recognizes the accounting and reporting guidance outlined in Innovation Center environmental stewardship programs and initiatives.
- The Innovation Center continued its outreach with **leading dairy food chain customers**. These efforts contributed to customer awareness of and support for the National Dairy F.A.R.M. (Farmers Assuring Responsible Management) program and brought new voices and expertise to the Dairy Sustainability Alliance. This work also led to more than 100 customer participants engaging in educational workshops, webinars and on-farm visits to learn more about dairy's responsible production practices.

ADVANCING RESEARCH & OUTREACH THROUGH SUSTAINABLE NUTRITION AFFAIRS & RESEARCH

Working through the farmer-founded National Dairy Council® to demonstrate dairy's role in a healthy lifestyle as part of sustainable food systems.



For over a century, dairy farmers and National Dairy Council® (NDC) have delivered on a

commitment to advance health and wellness through dairy. What started in 1915 has evolved into a comprehensive strategy to develop and share science-based nutrition, product, technical and environmental research with thought leaders and other third parties who can serve as champions for dairy.

This work is accomplished through NDC's scientists, scientific and regulatory affairs experts and registered dietitian nutritionists who translate science into actionable insights. This information is then shared through long-standing relationships and formal partnerships that national and local dairy council staff have with health and wellness, public health, environmental and other leaders who help support and educate about dairy's role in health and sustainable food systems.

In 2019, partners helped advance dairy's story, such as the **American College of Sports Medicine**, **Feeding America**, the **Food Research Action Center** and the **School Nutrition Association**, among others. NDC reaches these critical thought leaders in many ways — webinars, in-person meetings and symposia, articles in scientific publications, media and social media. This work helps raise awareness regarding the latest in dairy nutrition and product research among peers and influential third-party scientific and health and wellness experts who can help shape relevant conversations and amplify dairy's story.

In 2019, NDC launched its **Dairy Nourishes Life** webinar series to share research and educate thought leaders about dairy's role in health and sustainable food systems. NDC reaches tens of thousands through real-time participation and presentation resources made available at usdairy.com/dairy-nutrition. Webinar topics shared how dairy contributes to a well-nourished world, a review of the science of whole milk dairy foods within healthy eating patterns, a review of fermented dairy foods and a general “do you know” to answer common questions about dairy. State and regional dairy council staff also play a critical role in sharing dairy's story. In 2019, local dairy council staff gave formal remarks and presentations to reach over 4,000 additional health and wellness thought leaders and partner organizations across the country.

DAIRY
NOURISHES LIFE

Helping
people thrive
at every age

WEBINAR SERIES



Highlights

- NDC launched a series of **Nourish Dialogue Dinners** in 2019, working in collaboration with local dairy councils to host 24 dinners nationwide. There were 242 participants — from dairy farmers, food and beverage companies and retailers to health and wellness professionals, educators, decision makers and hunger relief experts — making connections and gaining understanding on how to collectively improve sustainable food systems, including dairy’s role within them.



- Through the **Dairy Nourishes Network**, NDC developed a team of nearly 900 people who serve as grassroots dairy champions. This network includes health and wellness professionals, educators, media spokespeople, practitioners and others interested in learning more about dairy. NDC provides regular communications, shares new research, provides dairy recipes and hosts special events, including farm tours, to empower these experts to engage in the dairy dialogue.
- NDC shared **environmental research** on improved cattle efficiency and sustainability profitability through farmer breeding and culling decisions. This research, which was funded through a joint commitment between the Council on Dairy Cattle Breeding and the Foundation for Food and Agriculture Research, plays a critical role in helping achieve industry-wide sustainability goals and helps advance dairy’s story of responsible production with consumers and thought leaders.

- International dietary recommendations and NDC-funded research supported flexibility for people to **enjoy dairy foods across the spectrum of fat levels in milk** — from whole to fat-free — as part of healthy eating patterns. Six NDC-funded studies were cited in a position statement from the Australian Heart Foundation, which recommended the inclusion of milk, yogurt and cheese — regardless of fat level — as part of healthy eating patterns.

REACHING LEADERS WITH DAIRY SCIENCE

5 SETS OF SCIENCE-BASED, SUBSTANTIATED COMMENTS

REGARDING DAIRY’S ROLE IN HEALTH AND HEALTHY EATING PATTERNS SUBMITTED FOR REVIEW BY THE U.S. DIETARY GUIDELINES FOR AMERICANS SCIENTIFIC COMMITTEE

26 SCIENTIFIC PRESENTATIONS REACHING
13,000 INFLUENCERS AND THOUGHT LEADERS

16 PEER-REVIEWED SCIENTIFIC PUBLICATIONS

HIGHLIGHTING NDC-FUNDED NUTRITION, ENVIRONMENTAL AND PRODUCT RESEARCH

8 NDC-AUTHORED/ CO-AUTHORED RESEARCH ABSTRACTS, PEER-REVIEWED PUBLICATIONS AND TRADE JOURNAL ARTICLES

BUILDING TRUST IN YOUTH

Reaching today's — and tomorrow's — consumers to help develop future dairy champions through youth-focused initiatives, such as the nationwide Fuel Up to Play 60 program.

Through their investment in the checkoff, farmers and importers continued their commitment to youth wellness through school-based programs that aim to optimize dairy consumption and sales opportunities, along with programs that engage students directly.

This work happens through strong relationships nationally and locally with foodservice directors and other school officials, health and wellness partners, and food and industry leaders to create and grow programs that align around checkoff goals.



Fuel Up to Play 60 was founded by the checkoff and in partnership with the National Football League (NFL), which brings

physical activity expertise and generates “star power,” along with support from the U.S. Department of Agriculture. The program today offers more than 38 million students in 73,000-plus schools healthy eating and physical activity resources for their local schools and communities.

Since 2010, more than \$52 million in grants and resources have been given directly to schools through the checkoff, the NFL Foundation and other supports, including businesses, corporate philanthropy and non-profit organizations. This

support helped jumpstart sustainable changes to eating and physical activity environments in schools across the country, with more than 60 percent of these resources going to low-income and underserved school communities.

The 2019 Fuel Up to Play 60 **Student Ambassador Summit** brought together youth leaders from across the country to enhance their program engagement for the upcoming school year, elevate their voices as advocates for dairy and celebrate the program's 10th anniversary. The Summit was supported by 24 partners that included Lowe's, Sleep Number, UnitedHealthcare, Land O'Lakes, and Giant Eagle to help fund programming that included field trips to a dairy farm, a “Farm to School” panel discussion that included dairy farmers and students, and a conversation around food insecurity and the impact on today's youth. In all, non-checkoff resources contributed more than \$1 million in funds and other in-kind support for the Summit.

Youth efforts also focus on increasing dairy sales through the school channel. In 2019, **dairy optimization** efforts helped grow milk, cheese and yogurt sales through partnerships with Land O'Lakes and General Mills. The promotions contributed to more than 8 million additional pounds of milk used through school breakfast programs and recipe creation with local foodservice directors.



Highlights

- In-school Fuel Up to Play 60 grants led to an increase of more than 2 percent in the average daily participation (ADP) rates for school breakfast, along with an increase in ADP for lunches. This helped support average **annual school milk sales increases by nearly 5 percent**, and **average annual school yogurt sales increases by more than 20 percent**.
- Through GENYOUth, which was formed by National Dairy Council to engage communities, business partners and thought leaders to provide financial and other resources to support Fuel Up to Play 60, more than **\$1.5 million in non-checkoff funds** were raised to help advance dairy-based priorities.
- The NFL's 2019 "My Cause, My Cleats" campaign, which allows players to visually showcase initiatives that are important to them, featured 10 players supporting Fuel Up to Play 60, helping to raise the program's visibility. The NFL also produced a 15-second TV spot that featured San Francisco 49ers player Matt Breida and Fuel Up to Play 60. This spot was in addition to an **NFL-produced public service announcement** that featured farmers' commitment to youth and nourishing kids through school meals, which aired on the NFL Network more than 1,000 times during the 2019-20 season.
- Now in its 10th year, the checkoff's partnership with Chelan Fresh Apples provided funding for **school meal carts** that reached 9,000 students and served more than 1.1 million school breakfasts and lunches featuring milk, cheese and yogurt, along with apples and other fresh fruit.



YOUTH HIGHLIGHTS

NEARLY
3 million
ADDITIONAL STUDENTS
PARTICIPATED IN SCHOOL
BREAKFAST SINCE 2010

1 billion+
FUEL UP TO PLAY 60 LOGOS/
ARTWORK ON MILK CONTAINERS

\$52 million
IN GRANTS AND RESOURCES
TO SUPPORT HEALTHY EATING
(INCLUDING DAIRY) AND
PHYSICAL ACTIVITY EFFORTS



BUILDING PUBLIC TRUST IN DAIRY

Leading an industry-wide effort to grow trust and relevance in dairy with consumers, customers and other key stakeholders.

Today, people want to know more than just the nutrition, taste and other traditional attributes of the foods and beverages they and their families consume. They want to feel good about where it came from and how it was produced. This means knowing the people and practices behind their favorite foods, including how foods contribute to a sustainable food system in relation to animal care, environmental stewardship, food security and impact on the community.



That's why the checkoff developed (through the Innovation Center for U.S. Dairy) **Undeniably Dairy**, an industry-wide, multi-year campaign to remind consumers of dairy's role as a relevant,

trusted, essential and fun part of people's lives. This means reaching people to share dairy's story as it relates to the topics and areas they care about — such as the people behind their favorite dairy foods, on-farm practices and the wellness benefits of eating dairy. And, it means providing stories in a way that is relevant and shareable.

The campaign also works with influencers nationally and locally — including lifestyle, health and wellness, culinary and cultural voices — that help raise awareness largely through their social media presence and in-person relationships. The dairy community, which includes cooperatives, processors, cheesemakers, foodservice partners and agribusiness, also plays a critical role in bringing stories to life through personal and organizational examples of animal and environmental stewardship and contributions to communities.

In 2019, industry-wide efforts helped advance positive movement in consumer perceptions about dairy. A survey among targeted consumers exposed to Undeniably Dairy content showed an **8 percent gain** in consumers agreeing with the statement that “dairy farmers are critical to the health of the planet.”



Highlights

- To celebrate **National Dairy Month and World Milk Day**, DMI, state and regional checkoff organizations and 125-plus dairy community companies and organizations generated more than 600 million media impressions through positive content focused on how farmers responsibly produce the milk and dairy foods people love.

June also kicked off the **“Real Love Convoy”** initiative — a partnership among Undeniably Dairy, Fuel Up to Play 60, GENYOUth, Feeding America and the Milk Processor Education Program (MilkPEP) to bring awareness to child hunger. The initiative included a “convoy,” complete with an interactive school bus experience, which travelled across the country for a summer tour to feed people and bring awareness around the benefits of dairy — including a visit to “Good Morning America” that featured champion boxer and lifestyle influencer Laila Ali. In all, this work contributed to a 6 percent increase in consumer “trust in farmers,” as noted in a survey. In all, efforts generated more than 600 million impressions.

- DMI hosted a **Sustainable Nutrition Roundtable** that featured Harley Pasternak, a dairy advocate and celebrity fitness trainer. The roundtable focused on a discussion with chefs, fitness trainers, registered dietitian nutritionists, sustainable living experts and farmers that resulted in social media posts, reaching millions. Content centered around where food comes from, the dedication of America’s dairy farmers to produce milk and the positive impact these relationships have on our lives.

- DMI partnered with ATTN:, a digital news outlet popular among millennials and Gen Z consumers, to create content with the site’s influential sustainability host — including a dairy farm tour to see firsthand how farmers care for their land and animals, produce safe and wholesome milk, and farmers’ legacy for future generations of farmers and food providers.
- Throughout 2019, DMI led an initiative to shine a light on dairy’s powerful **sustainable nutrition story** and the work farmers do in caring for their cows, communities and the planet. This work included a national op-ed for Earth Day that celebrated farmers’ commitment to the land. During the fall, DMI created and distributed two videos that highlighted farmers’ sustainable on-farm practices that were amplified through paid channels to reach conflicted health seekers. The content also was leveraged during a community rally to celebrate National Farmers Day that demonstrated that these messages can impact trust. In fact, conflicted health seekers who saw the videos indicated they were more likely to agree that dairy farmers are critical to the health of the planet (61 percent agreement) versus those who did not see it (53 percent agreement).

UNDENIABLY DAIRY HELPS INCREASE TRUST

+6 point

**INCREASE IN TRUST
IN FARMERS AND
FARMERS TAKING
CARE OF THE LAND**

+8 point

**INCREASE IN TRUST IN
FARMERS TREATING
COWS HUMANELY**

+5 point

**INCREASE IN CONSUMERS
TRUSTING DAIRY AS
SUPERIOR TO PLANT-
BASED PROTEINS**

SOURCE: JUNE 2019 DMI EQUITY TRACKER THAT MEASURES CONSUMER PERCEPTIONS ON DAIRY/DAIRY FARMING

2019 DMI FINANCIAL REPORT

National dairy research and promotion program plans and budgets are reviewed and approved annually by the DMI Board of Directors, which consists of dairy farmers from across the country who are elected by their peers or appointed by the U.S. Secretary of Agriculture. In addition, one board member representing companies that import products into the United States serves on the National Dairy Promotion and Research Board (NDB).

Board members — along with national and local staff who develop and implement programs on behalf of farmers and other members of the dairy community — help the national dairy research and promotion program realize its vision and accomplish its mission to grow sales and trust in dairy foods, dairy farmers and the dairy community.

2019 Dairy Checkoff Unified Marketing Plan Program Revenues (in millions)¹

| | |
|---|---------|
| National Dairy Promotion & Research Board | \$114.7 |
| United Dairy Industry Association (UDIA) | \$115.4 |

Total Revenues..... \$230.1

NDB was established by the U.S. Department of Agriculture under the Dairy Production Stabilization Act of 1983. The 37-member board carries out coordinated promotion, research and nutrition education programs to help build demand for and expand domestic and international markets for dairy.

UDIA is a federation of state and regional dairy farmer-funded promotion organizations that provides marketing programs developed and implemented in coordination with its members. UDIA is overseen by a board comprised of 43 dairy farmers elected by the respective boards of their member organizations.

NDB and UDIA both fund Dairy Management Inc., which manages the national dairy checkoff program.

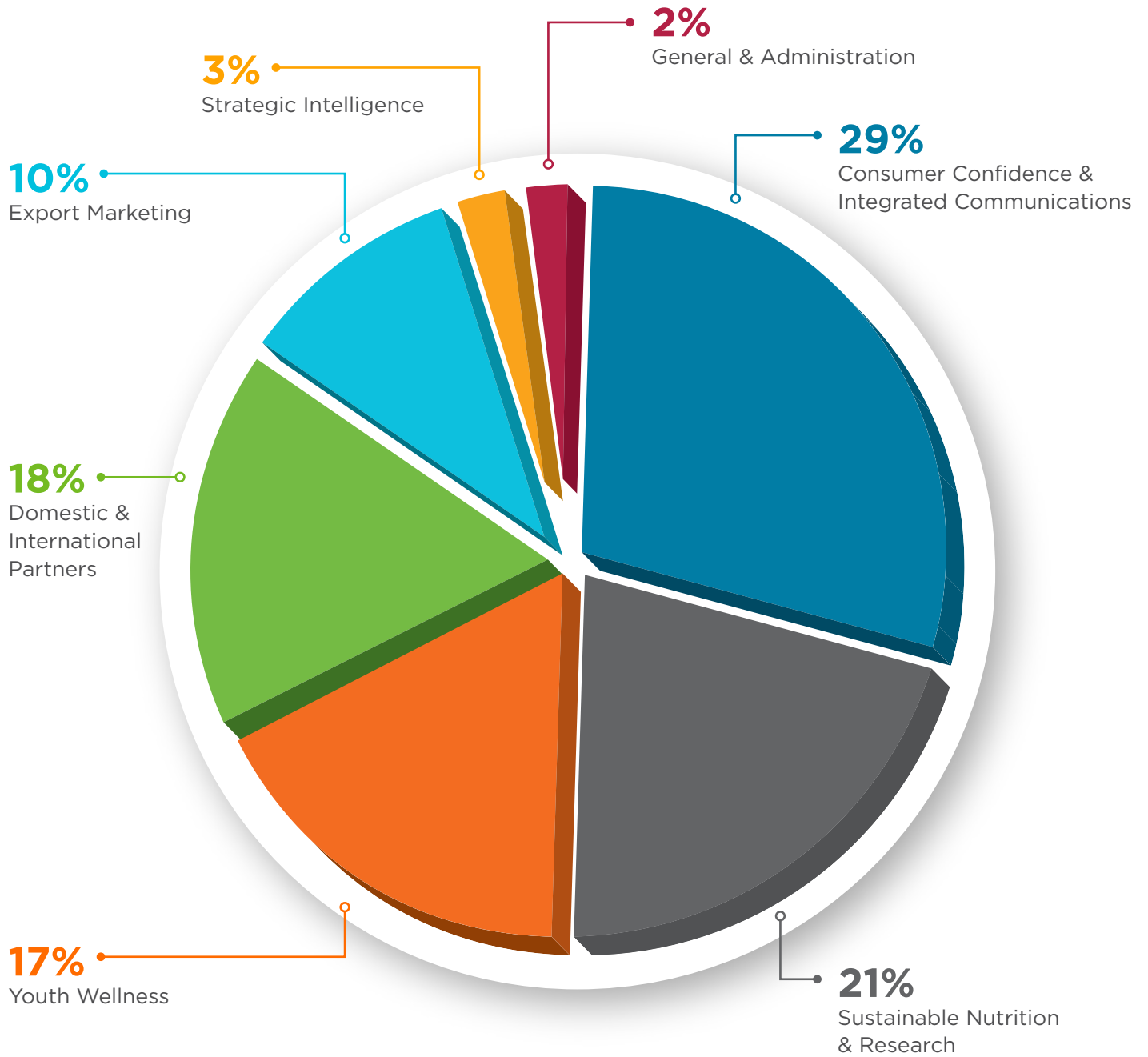
2019 Dairy Checkoff Unified Marketing Plan Program Expenses (in millions)²

| | |
|--|--------|
| Consumer Confidence & Integrated Communications ³ | \$67.6 |
| Sustainable Nutrition & Research ⁴ | \$47.7 |
| Domestic & International Partners ⁵ | \$40.2 |
| Youth Wellness ⁶ | \$38.6 |
| Export Marketing ⁷ | \$23.8 |
| Strategic Intelligence ⁸ | \$6.8 |
| General & Administration ⁹ | \$5.4 |

Total Expenditures \$230.1

1. Reflects both national and local Unified Marketing Plan funding
2. Includes national program and allocated core costs, and local program spend
3. Includes consumer, issues management, crisis preparedness, business-to-business, farmer relations and thought leader communications
4. Includes dairy-focused nutrition, product, technical, sustainability/stewardship research; nutrition, health and wellness partner organization education, outreach and activation
5. Includes domestic and international foodservice and fluid milk partnerships
6. Includes development and implementation of Fuel Up to Play 60 and dairy optimization programs
7. Includes export market development and promotion, and excludes trade policy efforts
8. Includes consumer and stakeholder market research and insights
9. General administration costs for DMI-related expenditures only

2019 Expenses (Percentage of Total)



State and Regional CHECKOFF ORGANIZATIONS



To learn more about national and local dairy promotion activities and results, visit www.usdairy.com/for-farmers. For local promotion organization contact information visit <https://www.usdairy.com/for-farmers/local-checkoff>.



www.usdairy.com