



 **your
DAIRY
CHECKOFF**
Dairy Management Inc.

2018
ANNUAL REPORT



2018 ANNUAL REPORT

About this Report

The 2018 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 research and promotion strategies and programs recognize the business plan does not start and stop in a single calendar year. While plans and budgets are approved annually by the DMI Board of Directors, short- and long-term strategies, programs and partnerships help to grow sales of and trust in dairy products, dairy farmers and the dairy community through a multi-year approach. Checkoff plans are created with significant farmer input, along with national and local dairy promotion staff, dairy community leaders and other stakeholders who provide industry, scientific and third-party, and/or marketing expertise.

Dairy promotion and research efforts achieve results “with and through” powerful partnerships that make a real difference. These include:

- **Targeted partners**, which consist of direct relationships with leading food companies that create an immediate sales impact and whose actions are imitated by others to create a catalytic effect.
- **Industry-wide partners**, which bring together dairy farmers, cooperatives, brand companies, and organizations to benefit the category by addressing challenges and opportunities that no single entity or player could focus on alone.
- **Coalition partners**, which include dairy science and research, health and wellness, and youth partners that can enhance and share dairy's nutrition and responsible production story.

In all, checkoff plans and partnerships are focused on core priorities that include domestic and global innovation and growth, social responsibility, sustainable nutrition and research, and youth wellness.

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

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A MESSAGE FROM THE CEO

The food and consumer landscape continues to change. The dairy community and our research and promotion program, which has provided great value to farmers, must also continue to evolve to meet changing needs and expectations.

The last few years have seen tough economic times for America's dairy farmers. Your farmer-funded promotion checkoff has been hard at work to keep your milk moving in new ways. Our mission is clear... increase sales and trust for dairy domestically and around the world to benefit U.S. dairy farmers and importers to the United States.

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 reinvigorating export initiatives
- 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 develop new products and change how fluid milk is processed, packaged and marketed
- With our industry-wide "Undeniably Dairy" campaign that is making an emotional connection with consumers by sharing dairy farmers' stories

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. So we need to keep looking for the best ways to put your milk and other dairy products into consumers' lives as their lifestyles and preferences change. And just as we know there is no singular "consumer," there is no singular "farmer." Dairy farming and the dairy community are as diverse as ever - and we need to celebrate this diversity to meet our consumer and customer needs.

All this brings us to the future. Like you, we work every day to move dairy and we are always looking for what's next. If we don't understand and adapt to the changing marketplace, dairy will lose its place in the worlds' diets.

That's why we are planning for how promotion needs to work in the future, even as we are maintaining demand for dairy today. That planning includes a better understanding of our future consumers so we can work with the rest of the dairy industry to help them meet and prepare for fast-paced and ever-changing marketplace dynamics.

Each day, your checkoff staff works to build demand and trust for dairy today and in the future. We are excited to share our results from 2018 with you.



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

The key to the success of our research and promotion efforts is unity. By working together against a single set of priorities, programs are more effective at the local, national and global levels.

DMI was formed in 1995 by the dairy farmer leaders of two dairy promotion organizations: the National Dairy Promotion and Research Board, consisting of farmers and one representative importing products into the United States, all appointed by USDA; and the United Dairy Industry Association, a federation of state and regional promotion groups.

The formation of DMI brought together two separate checkoff-funded promotion efforts that combined and streamlined staff, funding and programs into a single, more powerful unified marketing initiative. Today as one, we're better equipped to serve America's dairy farm families and those that import dairy.

The DMI board represents you, and your perspectives on the direction of promotion. The directors work and live in your communities and are part of the same industry that impacts each of you.

The key to the success of our research and promotion efforts is **unity**. Farmers were unified when they established our self-help program in 1983, and we must remain unified today. By working together aligned around a single set of priorities, local, national and international programs are far more effective.

One particularly good example is Undeniably Dairy, which shares with consumers – and our detractors – the real story of dairy foods and dairy farming. Its goal is to bolster consumer confidence in all of us.

It's the same thing with dairy farmers and the rest of the dairy industry. One of our promotion goals is to promote unity among ourselves as farmers. Moving forward together benefits all of us.

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. That's healthy and speaks to the diversity that is America and dairy farming.

We won't always agree on everything, but we need to come together as an industry, as a people and as a community of farmers.

Our industry has tremendous opportunity to thrive. We are resilient and determined, and we love our dairy farming lifestyle. That opportunity will turn to gain as we become undeniably stronger together.

We truly believe the best is yet to come for our industry. Let's stay united in our goal to thrive and grow together.



Marilyn Hershey
Chair
Dairy Management Inc.

A handwritten signature in black ink that reads "Marilyn Hershey".



Neil Hoff
Chair
United Dairy
Industry
Association

A handwritten signature in black ink that reads "Neil Hoff".



Brad Scott
Chair
National Dairy
Promotion and
Research Board

A handwritten signature in black ink that reads "Brad Scott".

GROWING DAIRY SALES IN THE UNITED STATES

Partnering with foodservice and dairy industry leaders drives sales by meeting consumers where they are and offering the delicious dairy they love.

With nearly half of Americans' food dollars spent away from home, the checkoff's strategy of forming targeted partnerships with foodservice leaders to drive sales is more important than ever. These partnerships help ensure dairy's relevance with menu innovation and new product pipelines, leveraging more than \$1.5 billion annually in dairy-centric partner advertising and marketing support to maximize impact and reach. And, they help bolster public trust in dairy through participation in the Undeniably Dairy campaign and telling dairy's story to their customers.

In 2018, your dairy research and promotion program partnered with foodservice heavyweights **Domino's®**, **McDonald's®**, **Pizza Hut®**, and **Taco Bell®**, supporting product and technology innovation to grow dairy sales. Examples included more cheese on more pizzas and tacos, and new products that featured dairy, such as specialty milk-based coffees and smoothies, and cheese on chicken sandwiches. These successes and product launches are often imitated by the competition – growing dairy sales with no additional promotion investment!

So, when you taste new coffee offerings and other beverages with the McDonald's McCafé line or experience delicious cheese pulls in the latest pizza offerings at Domino's or Pizza Hut, that's your promotion partnerships at work.

Beyond foodservice, the checkoff continues to work with leading milk processors to help turn around the decades-long challenges facing the fluid milk category. In 2018, the checkoff partnered with **Dairy Farmers of America®**, **Darigold®**, **fairlife®**, **Kroger®**, and **Shamrock Farms®**. Through these partnerships, we offered category insights and expertise to spur new thinking and investments in infrastructure, product development, packaging innovation and marketing.

Our fluid milk partnerships focused on two core objectives. The first: **Be milk**, which aims to offer milk product innovation that addresses consumer needs and lifestyles. The second: **Be the competition**, which means stimulating milk-based beverage innovation such as smoothies and ready-to-drink coffees made with milk.

Also in 2018, dairy promotion convened category leaders, including the Milk Processor Education Program (MilkPEP), state and regional promotion organizations, processors and dairy branded companies, and co-ops to lead a conversation with retailers and fill a void related to the fluid milk and dairy category. Through this **Milk Revitalization Alliance** retailers are realizing opportunities to protect and grow dairy sales through category and shopper insights, product and packaging innovation, and the right mix of dairy products through dairy case management to optimize milk sales opportunities.



Success Stories

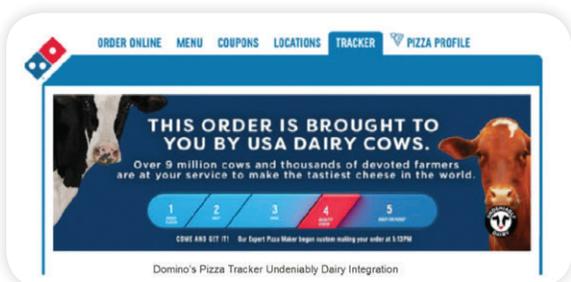
MCDONALD'S

McDonald's successfully relaunched its McCafé specialty beverage portfolio in 2018. Your checkoff played a critical role in bringing this to market in the chain's 14,000-plus U.S. locations. Promotion employees who work on-site at McDonald's led concept and product development, and checkoff-funded insights that highlighted consumers' passion for dairy that led to 90 percent of the McCafé line featuring milk and dairy. Now other chains (including Panera®, Dunkin'® and Burger King®) have followed and made investments in their own milk-based coffee beverage offerings without any additional checkoff funds.



DOMINO'S

Domino's continues to help bolster public trust by sharing dairy's story with their customers through their mobile pizza tracker, on the pizza box, and through in-store TVs in more than 3,000 U.S. locations. Throughout National Dairy Month, the chain added cheese and dairy farmer messages through the Undeniably Dairy campaign to its mobile pizza tracker, reaching tens of millions of customers throughout June.



fairlife

The checkoff's partnership with fairlife concluded at the end of 2018 after the brand demonstrated that consumers wanted – and will pay for – value-added milk. In 2018, total sales exceeded \$450 million and drove innovation among its competitors in the value-added space, bringing other new offerings such as Horizon Protein and Meijer Protein to consumers without the use of additional checkoff funds.



PARTNER HIGHLIGHTS

FOODSERVICE PARTNERS HAVE DRIVEN ADDITIONAL SALES OF

1.2+ billion pounds (TOTAL MILK EQUIVALENT) SINCE 2015

PARTNERS INVEST **\$10** FOR EVERY **\$1** THE CHECKOFF INVESTS

FOODSERVICE PARTNERS INVEST MORE THAN **\$1.5 billion** IN DAIRY-RELATED ADVERTISING ANNUALLY

GROWING U.S. DAIRY AROUND THE WORLD

Promotion leaders create and expand export markets and relationships to drive sales and establish U.S. dairy as a high-quality, consistent supplier through U.S. Dairy Export Council and global partnerships.

U.S. dairy plays an important role in global markets. U.S.-produced dairy products and ingredients are desired by global customers looking to serve a growing middle class that seeks high-quality protein sources around the world.

To meet the needs of consumers globally, the **U.S. Dairy Export Council®** (USDEC), founded by dairy farmers and primarily funded through the dairy checkoff, works with its members to grow U.S. dairy market share by consistently meeting customer demands. It also receives additional financial support from the U.S. Department of Agriculture to expand global markets for U.S. dairy. USDEC also collects dues from its 100-plus member companies that are used to support trade policy and lobbying efforts.

In 2018, U.S. dairy exports represented nearly 16 percent of total U.S. milk solids production. This progress was achieved through USDEC's aggressive plan to achieve the "Next 5 Percent" in global demand. Implemented through the leadership of USDEC President and CEO Tom Vilsack (and former U.S. Secretary of Agriculture), the plan aims to increase U.S. dairy export volume to 20 percent of total U.S. milk solids production by 2022 by building U.S. dairy's visibility and credibility as a value-added and consistent global supplier.



The checkoff also support U.S. dairy exports by expanding successful domestic foodservice and dairy company partnerships that grow sales within the United States to reach people beyond our borders. In 2018, we **expanded our Yum!® partnerships** by working with Pizza Hut® in Asia Pacific and KFC® in the Caribbean and Latin America to introduce the high-quality, great-tasting and versatile benefits of U.S. dairy to international customers. This approach allows us to build on the equity of our partners and their global footprint.



USDEC staff and international guests attend the U.S. Dairy Innovation Seminar in Singapore.



Chef Jill Sandique presents examples of how U.S. dairy ingredients can be applied across the baking category at an event in the Philippines.

Success Stories

PIZZA HUT ASIA-PACIFIC PARTNERSHIP

As part of the Pizza Hut Asia-Pacific partnership, five new pizzas were introduced in 2018 that used U.S. cheese, helping **grow U.S. cheese sales by 29 percent** at Pizza Hut in Asia Pacific (compared to 2016, before the partnership was established). Prominent “made with U.S. cheese” messages were incorporated into the promotion plans to introduce the pizzas.



NEXT 5 PERCENT

As part of its “Next 5 Percent” plan, USDEC placed seven new staff members in strategic locations across Asia, the Middle East/North Africa and Latin America to meet the needs of emerging markets for U.S. cheese, ingredients and other dairy products.

USDEC PARTNERSHIPS

USDEC partnered with 11 key players (including culinary institutions, retail and foodservice) in important export markets to reach potential customers (including chefs and food formulators) about the benefits of U.S. dairy and establish relationships to grow future demand.

GLOBAL HIGHLIGHTS

U.S. DAIRY EXPORTS
REPRESENTED NEARLY
16%
OF TOTAL U.S. MILK SOLIDS
PRODUCTION IN 2018, A
1.2%
INCREASE COMPARED TO 2017

THE CHECKOFF PARTNERS
WITH YUM! BRANDS
(KFC® AND PIZZA HUT®) IN
6,000+
restaurants
IN MORE THAN
50 countries
AND TERRITORIES



SOCIAL RESPONSIBILITY

The Innovation Center for U.S. Dairy, founded by dairy farmers in 2008, brings together dairy value chain leaders to seize opportunities and address challenges to advance the long-term viability of U.S. dairy farmers and the dairy community.



Dairy farmers, through their national dairy research and promotion program, established the Innovation Center for U.S. Dairy to bring together the U.S. dairy community to align on shared social responsibility priorities, promote the industry's progress and speak with a unified voice to share U.S. dairy's story. Through the Innovation Center, the community demonstrates its collective commitment to provide the world responsibly produced dairy foods that nourish people, strengthen communities and foster a sustainable future.

The Innovation Center provides a forum that brings together multiple stakeholders through the Dairy Sustainability Alliance®. Members – all of which have a stake in advancing U.S. dairy sustainability – include 40 farmer representatives from across the country, along with more than 370 professionals from 100-plus member organizations that include cooperatives, processors, industry suppliers, retailers, academia, government, and advocacy organizations, all who support the priorities.

In late 2018, the progress and trust built throughout the dairy community led to the launch of the **U.S. Dairy Stewardship Commitment**, a voluntary pledge through which the U.S. dairy community can document and demonstrate progress in important areas that include animal care, environmental stewardship and community contributions. Bringing together the initiatives developed over the last 10 years, it shows consumers and customers here and around the world that U.S. dairy is working collectively to continuously improve and

transparently report its positive social, economic and environmental impact. In just its first two months, 15 dairy cooperatives and processors that represent 60 percent of U.S. milk production voluntarily adopted the Stewardship Commitment.

The commitment and ongoing work of the Innovation Center strengthens important proof points behind dairy's positive story, helping U.S. dairy earn trust over the short and long term, and advance its position in the global marketplace. It also illustrates a continued commitment to a shared U.S. approach where farmers help shape and lead the conversation. You can find out more by visiting www.commitment.usdairy.com and reading the 2018 U.S. Dairy Sustainability Report.



The dairy community recognizes the need to do more with less and minimize waste.

Success Stories

FOOD SAFETY TRAINING

U.S. dairy remains committed to ensuring the quality and safety of dairy products from grass to glass. Between 2011 and 2018, more than 3,500 dairy company, co-op and artisan/farmstead dairy farm employees participated in food safety training workshops. Dairy processors funded the development and implementation of these workshops. In addition, 10 research projects were underway in 2018 to address *Listeria* through the Innovation Center's *Listeria* Research Consortium.

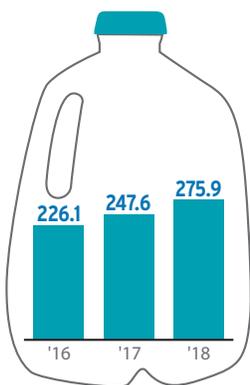
FARM ANIMAL CARE

In 2018, the FARM (Farmers Assuring Responsible Management) Animal Care program became the first livestock animal care program in the world to comply with the International Organization for Standardization requirements and guidance. This provides assurance that U.S. dairy comes from farms that follow internationally recognized standards for animal care and positions U.S. dairy as a leader to customers around the world.

FEEDING AMERICA

In partnership with Feeding America, the checkoff-funded National Dairy Council and the Innovation Center's Dairy Nourishes America initiative increased the distribution of milk and dairy products to 200 food banks by nearly 750 million pounds between 2016 and 2018.

MILLION POUNDS OF DAIRY DISTRIBUTED IN THE FEEDING AMERICA NETWORK (2016-2018)



From 2016 to 2018, pounds of dairy donations **increased nearly 22%**.

The 2018 value translates into **686 million servings** of nutritious milk, cheese and yogurt, which are highly desired by food banks and the people they serve.

CUSTOMER ENGAGEMENT

Dairy customer engagement continued throughout 2018. Foodservice, retail and food company sustainability professionals participated in on-farm visits, webinars, one-on-one meetings and in national dairy sustainability conferences. Through education and relationship building, customers continue to adopt and support the FARM Animal Care program and show strong interest in support of the FARM Environmental Stewardship and other programs to help them meet their individual corporate social responsibility goals.

INNOVATION CENTER HIGHLIGHTS

IN 2018,
80 volunteers
FROM MORE THAN
30 dairy cooperatives
AND COMPANIES CONTRIBUTED
TO INNOVATION CENTER-LED
FOOD SAFETY PROGRAMS.

CURRENTLY
98%
OF THE U.S. MILK SUPPLY COMES
FROM NATIONAL DAIRY FARM
ANIMAL CARE PARTICIPANTS.

SUSTAINABLE NUTRITION AFFAIRS & RESEARCH

Research, nutrition guidance and educational outreach efforts led by National Dairy Council (NDC) establish and strengthen U.S. dairy's role as part of healthy, sustainable food systems. Staff engages with nutrition, health and wellness professionals and others here and around the world to activate science through conversations, collaboration and partnerships.



Dairy's role as a responsibly-produced, nutritious source of enjoyable, affordable and

accessible food is at the core of U.S. dairy's contribution to healthy, sustainable food systems. Through your investment in dairy research, NDC is able to explore, understand and educate on the science supporting these multiple dimensions - health, economics, social and environment.

NDC's registered dietitian nutritionists (RDNs) work hand-in-hand with NDC's research and scientific affairs experts to translate science and insights. They engage and activate health and wellness professionals and reputational thought leaders so they will share and advocate for how responsibly produced dairy foods benefit people, communities and the planet.

This is accomplished in many ways - from hosting dairy farm-to-table tours and presenting at world-renowned conferences to advancing dairy innovation through research that fuels new opportunities for dairy product and ingredient applications.

In 2018, science-based dairy nutrition and health research findings were shared with key stakeholders. Examples include the role yogurt plays in reducing inflammation in women and a comprehensive review of the science around whole milk dairy foods within healthy eating patterns.

Current checkoff-funded product research aims to identify innovation and technical advancements that will improve the shelf life and quality of cheese and milk powders to meet growing export demand.

Coordinating environmental, nutrition and product research and extension activities, NDC works with third-party experts to ensure dairy is a sustainable, nutritious and safe food source that meets consumer needs. You can find out more about this research by visiting www.nationaldairycouncil.org or www.usdairy.com.

These investments in nutrition, product and environmental research help maintain trust in dairy and support long-term sales opportunities.



National and local dairy council staff engage with health and wellness leaders here and around the world to share dairy's role as part of healthy, sustainable food systems.

Success Stories

HEALTH AND WELLNESS PARTNERSHIPS

NDC collaborated with health and wellness professional partners on a joint statement — “building healthy, nutritious eating patterns with three servings of dairy every day.” This statement is supported by eight partners, including the Academy of Nutrition and Dietetics (AND), Feeding America and the President’s Council on Sports, Fitness & Nutrition, representing more than 300,000 members.



REACH FUTURE HEALTH PROFESSIONALS

Dairy Council staff engaged dietetic students at universities and in AND’s healthy and sustainable food systems curriculum that highlighted the vital role dairy plays.

NEW PRODUCT COMPETITION

As part of the collegiate new product competition, student entries tackled how dairy products and ingredients can meet consumer needs for taste, functionality, health and wellness. Product concept winners included a Quark-based French vanilla ice cream that delivers indulgence while supplying protein and a chocolate-coated bakery snack that combined the benefits of buttermilk and oat fiber that serves as an excellent source of protein and calcium.

SHARE NUTRITION SCIENCE

Checkoff-funded research highlighting dairy’s role in reducing chronic inflammation was published in the *British Journal of Nutrition* and presented at the American Academy of Family Physicians’ Family Medicine Experience, reaching 5,000-plus family doctors.

SUSTAINABLE NUTRITION & RESEARCH HIGHLIGHTS

COMPLETED

19 research projects

TO GROW SALES FOR CHEESE, POWDER AND OTHER DAIRY PRODUCTS GLOBALLY

PUBLISHED

30+ scientific papers

TO REINFORCE/STRENGTHEN DAIRY’S ROLE IN NUTRITION, HEALTH AND ENVIRONMENTAL RESEARCH THAT REACHED THOUSANDS OF HEALTH AND WELLNESS PROFESSIONALS AND OTHER THOUGHT LEADERS

20 presentations

FEATURING RESEARCH FINDINGS AND OUTCOMES GIVEN TO THOUGHT LEADERS WORLDWIDE

YOUTH WELLNESS

Reaching more than 38 million students in 73,000-plus schools nationwide, the Fuel Up to Play 60 program helps build trust in dairy among youth.

Dairy farmers continued their 100-plus-year commitment to youth health and wellness in 2018, following the proven adage that “what’s good for kids is good for dairy.” Youth-focused efforts are largely driven through the Fuel Up to Play 60 school program.

Fuel Up to Play 60, which celebrates its 10-year anniversary in 2019, delivers resources and provides solutions to develop healthy, high-achieving youth and healthier schools. The program was founded in partnership with the National Football League (NFL), which brings its “star power” and a legacy of physical fitness to the table – with support from the U.S. Department of Agriculture. Fuel Up to Play 60 offers more than 38 million students in 73,000-plus schools healthy eating and physical activity tools and grants that work best within their schools and communities.

The program also has the endorsement of some of the nation’s most influential organizations – including the Centers for Disease Control and Prevention, GENYOUth, and the U.S. Departments of Education and Health and Human Services – that grows interest and participation.

Fuel Up to Play 60 helps childhood nutrition by making healthy foods – including dairy – more accessible to students. Since 2010, the program has helped increase school breakfast participation, contributing to a cumulative increase of 1.2 billion pounds of milk. This means that today more than 2.9 million additional students eat school breakfast, which includes nutritious foods, such as milk, cheese and yogurt, each school day.

Our partnership with GENYOUth, which was formed by National Dairy Council and the NFL, also advances farmers’ goals by engaging communities, business partners and thought leaders to help provide financial and other resources to support Fuel Up to Play 60. GENYOUth allows the dairy community to attract unique, unexpected partners that bring resources, prestige, credibility and business perspective to create opportunities and access to students participating in the program. For example, at a GENYOUth fundraiser in 2018, other companies and organizations invested \$2 million to support dairy-led efforts that will help keep milk in our nation’s schools.



Success Stories

SCHOOL BREAKFAST

A GENYOUth partnership with PepsiCo Foundation to battle student hunger expanded “Grab-n-Go” school breakfast programs in 25 schools across 18 states. The program provided around 2.25 million nutritious school breakfasts to students throughout the school year.

SCHOOL PARTNERSHIPS

Fuel Up to Play 60 partnered with Chelan Fresh™ to increase student access to nutritious foods, serving an additional 1.3 million meals in 11 states through a donation of portable breakfast/salad bar carts that offered dairy foods, fruits and vegetables, and whole grains.

DISCOVERY EDUCATION

The checkoff continued its partnership with Discovery Education to provide a virtual dairy farm field trip, featuring a 360-degree video and farm images, classroom guides and lesson plans. More than 2 million students nationwide learned more about where their food comes from, and the people, science and technology behind it all.



YOUTH HIGHLIGHTS

MORE THAN
2.9 million

ADDITIONAL STUDENTS
PARTICIPATE IN SCHOOL
BREAKFAST PROGRAMS
SINCE 2010

8 million

ADDITIONAL POUNDS OF
MILK USED AS A RESULT OF
PARTNERSHIPS WITH GENERAL
MILLS AND LAND O'LAKES TO
EXPAND DAIRY-FOCUSED
RECIPES IN SCHOOLS



CONSUMER CONFIDENCE & INTEGRATED COMMUNICATIONS

Undeniably Dairy brings together hundreds of dairy community members to reach consumers and other critical stakeholders to share U.S. dairy's - and dairy farmers' - story.

As an increasingly urban population becomes further removed from the farm, people want to know more about where their food comes from, along with the people and practices behind the foods they love. That's why your dairy research and promotion program developed (through the Innovation Center for U.S. Dairy) Undeniably Dairy, an industry-wide, multi-year campaign to grow trust and relevance in dairy foods, dairy farmers and the dairy community.

Through the campaign, we are able to meet today's consumers where they are by engaging in an ongoing conversation and putting the content they want at their fingertips, Undeniably Dairy brings U.S. dairy's story to life by engaging consumers in fun, relevant ways to showcase how their favorite nutrient-rich dairy foods are produced responsibly from farm to table.

The campaign brings together farmers, co-ops, dairy brands, retailers, and others via a unified voice and through partnerships and programs that reach people where they seek information (including a strong digital and social media presence) while also creating opportunities for people to connect face-to-face with farmers (and others) - both on the farm and in their own backyards.



In 2018, this included spotlighting the people who produce the foods that ends up on consumer tables - from farmers to chefs and everyone in between through "Stories of Devotion." These stories were shared in media articles, podcasts and videos.

Beyond traditional and online storytelling, we also used a true, eye-catching platform - painted murals that appeared in high-profile locations from coast to coast to tell dairy's story. Murals were created on the walls of a famed New York City restaurant to the side of a multi-story dairy processor's visitor center.



Undeniably Dairy reminds consumers of all the good that is dairy through four key pillars:

- **Nutrient Rich:** Dairy foods provide a unique nutrient package that comes with health benefits for children and adults.
- **Responsibly Produced:** Farmers are the original environmentalists, and have used new technologies and resources to take exceptional care of their land and animals.
- **Locally Driven:** Dairy farmers operate in all 50 states, and farmers and the people who make dairy foods are telling their stories to those who have questions.
- **Real Enjoyment:** Dairy is the milk in your cereal and the cheese on your pizza. It's part of all the things people love to eat and drink, and is present at some of the most special moments in life.

Success Stories

CONSUMER IMPACT

A digital consumer study of 2018 programming and content showed that targeted consumers who were exposed to Undeniably Dairy digital and podcast stories were 12 percent more likely to agree that farmers care for the land and the environment, and were 25 percent more likely to agree that farmers treat cows humanely.

PARTNER ENGAGEMENT

Dairy promotion partners support Undeniably Dairy. More than 8 million customers were exposed to the campaign each week through outreach by Domino's and Pizza Hut, both of whom featured the Undeniably Dairy logo on their pizza boxes, websites, social media channels and ordering apps.

NATIONAL FARMERS DAY

To celebrate National Farmers Day and connect people to where their food comes from, 21 dairy farmers from across the United States participated in two food festivals in New York City in October 2018. Farmers reminded thousands of dairy lovers about the joy of dairy, shared their stories of devotion and answered questions while serving samples of grilled cheese and chocolate milk every 10 seconds.



COMMUNICATIONS HIGHLIGHTS

300+

DAIRY COMMUNITY PARTNERS PARTICIPATED IN UNDENIABLY DAIRY - AND MANY DID SO MULTIPLE TIMES

MORE THAN

4 billion

MEDIA IMPRESSIONS, WHICH MEANS REACHING TARGET CONSUMERS MORE THAN FOUR TIMES WITH DAIRY'S STORY

MORE THAN

40%

OF PEOPLE ARE MORE LIKELY TO TRUST DAIRY AFTER LISTENING TO SPONSORED PODCASTS



2018 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 80 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.

2018 Dairy Checkoff Unified Marketing Plan Program Revenues (in millions)¹

National Dairy Promotion & Research Board.....	\$117.9
United Dairy Industry Association (UDIA)	\$115.1

Total Revenues.....\$233.0

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 research, promotion and nutrition education programs to help build demand for and expand domestic and international markets for dairy. NDB funds, in part, Dairy Management Inc., which manages the national dairy checkoff program and oversees the annual Unified Marketing Plan.

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

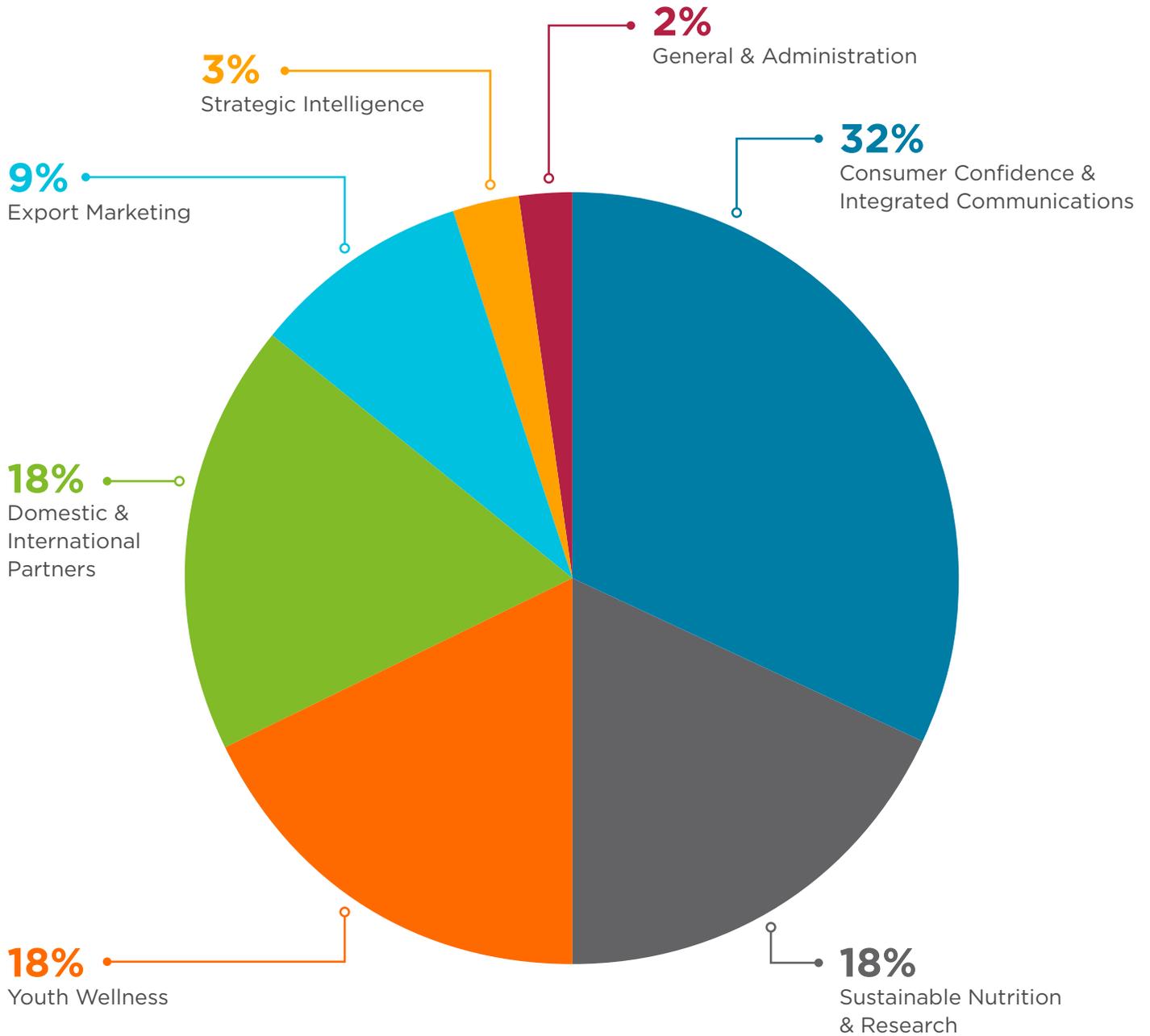
2018 Dairy Checkoff Unified Marketing Plan Program Expenses (in millions)²

Consumer Confidence & Integrated Communications ³	\$74.5
Sustainable Nutrition & Research ⁴	\$42.7
Youth Wellness ⁵	\$42.6
Domestic & International Partners ⁶	\$40.5
Export Marketing ⁷	\$21.7
Strategic Intelligence ⁸	\$6.0
General & Administration ⁹	\$5.0

Total Expenditures\$233.0

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 development and implementation of Fuel Up to Play 60 and dairy optimization programs
6. Includes domestic and international foodservice and fluid milk partnerships
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

2018 Expenses (Percentage of Total)





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