

FALL 2011

Since its creation by dairy producers, the dairy checkoff has worked to grow sales of and demand for dairy products and ingredients. The dairy checkoff is making a difference — annual per capita consumption of total milk today is an estimated 620 pounds (milkfat basis), compared to 541 in 1981. That's a **15 percent increase!**

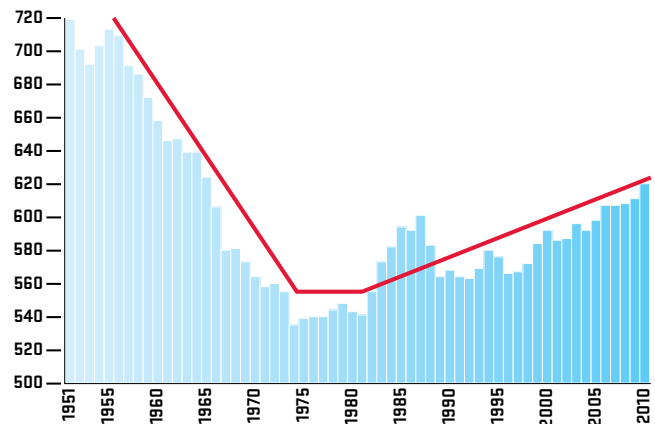
Today's dairy checkoff grows sales by *working with and through* industry partners. This approach allows program funders to have influence over how their milk is used and marketed, by working directly with those that impact consumer demand, including processors, manufacturers, retailers and foodservice operators.

The dairy checkoff now is in better control of how it can increase sales of milk. Here's how:

Partners are aligned with the checkoff's business plan through:

- **Targeted partnerships**, which include **Domino's Pizza**®, **McDonald's**® and **HP Hood**® LLC, that will help grow sales by revitalizing the pizza category, creating new dairy-friendly products in foodservice, and working to educate health professionals and consumers about how dairy can fit a healthy lifestyle for consumers with real or perceived lactose intolerance.
- **Collective partnerships**, which includes working through the broader dairy and food industry, including the 30 dairy companies that are represented on the board of directors of the **Innovation Center for U.S. Dairy**® and **Dairy Research Institute**® to accelerate innovation and sales through industry-wide participation in new products and consumer-friendly innovation.
- **Coalition partnerships**, which are primarily focused around dairy health and nutrition, to further advance dairy's position as part of a

American Dairy Consumption Continues to Rise



The U.S. continues to be a growth market for dairy. Since 1981, consumption has increased an estimated 79 pounds per person.

Note: 2010 estimated using total domestic disappearance/ U.S. population of 308.7 million. Source: USDA-ERS.

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healthy diet and increase sales. These partnerships include the **Fuel Up to Play 60** program.

This benefits program funders by:

- Growing sales that can be sustained over time.
- Using "other people's money" to advance checkoff investments, priorities and programs across the industry.
- Protecting dairy's freedom to operate.

Since January 2010, dairy checkoff efforts have contributed to **more than 7 billion additional pounds** of milk sold, based on U.S. Department of Agriculture commercial disappearance data. Also, for every \$1 that program funders invest in checkoff priorities, partners are investing \$6.



Cheese Category Moves 2 Billion-Plus Pounds of Milk



Domestic disappearance of “other than American cheese” (primarily mozzarella) was up more than 6 percent (representing nearly **2.1 billion additional pounds of milk**) for the 12 months ending June 2011, thanks in large part to the checkoff’s targeted partnerships with Domino’s and Pizza Hut®, which have revitalized the pizza category.

- Another way that Domino’s is growing cheese sales is through its carryout promotions with consumer-friendly pricing that drives traffic to its stores — and increases pizza sales! These carryout specials that the checkoff initially supported in 2009 have been so successful that Domino’s has made them a permanent offering Mondays through Wednesdays with no additional checkoff funds.
- The dairy checkoff also is working with Domino’s on its **kid-approved Domino’s® Smart Slice** school pizza program that is growing in demand. Thanks to collaboration with local dairy checkoff organizations, **Domino’s Smart Slice** is available in 317 U.S. districts, moving nearly 3.5 million pounds of milk through more than 2,000 schools. Smart Slice appeals to school nutrition professionals because it features reduced-sodium “100 percent real” light mozzarella and other reduced-fat/reduced-sodium ingredients. Domino’s Smart Slice is helping to protect cheese in schools in a way that kids want it!
- Through the producer-funded U.S. Dairy Export Council®, U.S. pizza cheese sales are displacing foreign-sourced cheese in the Asia/Pacific Rim region. Partnerships with U.S.-based companies Domino’s, Pizza Hut and Papa John’s® have resulted in:
 - More than **15 million pounds of U.S. pizza cheese** sold through these chains in 2010.
 - **Fifty million pounds of U.S. cheese** projected to move through the Asia/Pacific Rim region in 2011.



Checkoff Helps McDonald’s Move 1 Billion Additional Pounds of Milk



The dairy checkoff continues to partner with McDonald’s to create a “dairy destination” at the chain’s 14,000-plus locations in the United States. The current partnership led to movement of an additional **1 billion pounds of milk** through the introduction of new dairy-friendly menu offerings, including:

- McCafé® concept featuring several varieties of specialty coffee drinks in which milk is the dominant ingredient
- Frappés made with 50 percent dairy
- Caramel apple ice cream sundaes and yogurt parfaits
- Improved shakes topped with real whipped cream
- New McFlurry® flavors
- Angus Third Pounder with two slices of cheese
- McChicken® Jalapeno Cheddar and Cheddar Onion Sandwiches
- Real Fruit Smoothies with low-fat yogurt
- New fat-free chocolate milk



The dairy checkoff has six employees at the McDonald’s headquarters, including three dairy scientists, a chef, a nutrition advisor and a marketing manager. This allows the dairy checkoff to be involved in all stages of new product innovation and in-store launches — making dairy front and center at McDonald’s.



U.S. Dairy Export Volume Represents 13 Percent of Total Production



Dairy export volume represents more than 13 percent of total milk production,

cementing the role of international markets in helping grow the U.S. dairy industry. Thanks in part to the checkoff-funded U.S. Dairy Export Council® and its 110-plus industry members, one out of every three new pounds of milk produced domestically is being sold overseas.

- This year's exports have been driven by growing international demand for U.S.-produced ingredients and butterfat that has been driven by USDEC market development assistance.
- U.S. cheese exports have grown at a record pace. January-through-June shipments represented 5 percent of total U.S. cheese production, compared with 3.7 percent for the full year of 2010. Markets for U.S. dairy include South Korea, Mexico, Japan and the Middle East/North Africa.

Fuel Up to Play 60 Reaches 70,000-Plus Schools With More Dairy Options



Fuel Up to Play 60 (FUTP 60) — a partnership between the National Dairy Council® and National Football League® with

support from the U.S. Department of Agriculture — encourages and rewards students and schools who make healthier food choices, including dairy, and stay active. The program — now in more than **70,000 schools** serving 36 million students — benefits checkoff funders by helping to grow dairy sales, building lifelong dairy consumers and continuing to give dairy the “freedom to operate” in our nation's schools.

- FUTP 60 continues to be *the* program that nutrition, health and thought-leader communities look at because of its unique solution to obesity, the nation's No. 1 public health issue.
- FUTP 60 empowers and rewards youths to take action for their health by implementing long-term, positive changes for themselves and their schools, including the consumption of nutrient-dense dairy.

Innovation Center Unites Industry, Addresses Checkoff Priorities



The dairy checkoff is working with the industry to make wholesale changes that will increase total dairy growth. The Innovation Center for U.S. Dairy®, established by dairy producers in 2008, is a forum for the industry to address checkoff priorities including health and wellness, consumer confidence and research, for example. It is a virtual organization — **800 people from 200 dairy and partner companies** are engaged in Innovation Center activities that are aligned with checkoff priorities. With that comes “other people's money” that extends the checkoff's investment and leads to innovation and increased sales over the long term.

- The industry collectively works to address barriers such as consumers' perception of lactose intolerance. One in four adults — or about 52 million Americans — say they suffer symptoms of lactose intolerance and are avoiding or restricting their dairy consumption as a result. Bringing those consumers back to dairy — or presenting them with dairy-first options — could result in 2.3 billion pounds of new sales annually.
- A food safety committee, funded solely by processors and manufacturers, was established to reinforce the checkoff's priority of advancing food safety and supporting consumer confidence in dairy. This effort helps diminish the risk of a potential food safety incident that could compromise the reputation of the entire dairy industry.





Dairy Research Institute Committed to Magnifying Checkoff Investment



The checkoff's investment in research pays off. Dairy producers formed the Dairy Research Institute® in 2010 as a primary driver to help coordinate and fund dairy product, nutrition and sustainability research. Since the formation of this collective partnership, the checkoff's \$13 million annual investment in research is being paired with **nearly \$45 million** in additional research funding from non-checkoff sources. This advances checkoff research priorities by making investments work bigger, faster and more broadly than ever before.

For More Information, Please Visit:

dairycheckoff.com
fueluptoplay60.com
nationaldairycouncil.org

usdairy.com
usdec.org

State & Regional Promotion Organizations

American Dairy Association & Dairy Council, Inc.
315-472-9143 • adadc.com

American Dairy Association Midwest
614-890-1800 • drink-milk.com

Arizona Milk Producers
480-966-7211 • dairycouncilofaz.org

California Milk Advisory Board
650-871-6455 • realcaliforniamilk.com

Dairy MAX
972-603-4700 • dairymax.org

Florida Dairy Farmers
407-647-8899 • floridamilk.com

Maine Dairy Promotion Board
207-287-3621 • drinkmainemilk.com

Mid-Atlantic Dairy Association
215-627-8800 • dairyspot.com

Midwest Dairy Association
651-488-0261 • midwestdairy.com

Milk Promotion Services of Indiana, Inc.
317-842-3060 • indianadairycouncil.org

Mountain West Dairy Promotion
801-487-9976 • dairycouncilutnv.org

New England Dairy Promotion Board
617-734-6750 • newenglanddairy.com

Oregon Dairy Products Commission
503-229-5033 • dairyfarmersor.com

Southeast United Dairy Industry Association, Inc.
770-996-6085 • southeastdairy.org

United Dairy Industry of Michigan
517-349-8923 • udim.org

United Dairymen of Idaho
208-327-7050 • idahodairycouncil.com

Washington Dairy Products Commission
425-672-0687 • havemilk.com

Western Dairy Association
303-451-7711 • westerndairyassociation.org

Wisconsin Milk Marketing Board
608-836-8820 • wmmb.org



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