



Dairy Checkoff Long-Term Sales Impact Analysis

**MAKING
EVERY
DROP
COUNT**

 **your
DAIRY
CHECKOFF**
Dairy Management Inc.

Confidential, Not for Distribution

Third-Party Expert Analysis

Dr. Oral “Jug” Capps, Ph. D.

- Executive Professor and Regents Professor
- Holder of the Southwest Dairy Marketing Endowed Chair
- Co-Director, Agribusiness, Food, and Consumer Economics Research Center (AFCERC)
- Certified Business Economist
- Department of Agricultural Economics, Texas A&M University



Scope of Work

This report serves to summarize work completed for DMI dealing with updating the impacts of investments in four program areas:

- (1) domestic foodservice partnerships
- (2) whole fat science
- (3) fluid milk innovation
- (4) dairy exports

The Econometric Models & Data

Data:

For partnerships, the data (annual) run from 2009 to 2024.

For whole fat science the data (annual) run from 2012 to 2024.

For fluid milk innovation, weekly data from Circana from 2018 to 2024.

For the dairy export models, quarterly data from 2013 to 2024.

Data Sources:

- Dairy Management Inc. (DMI)
- Circana (formerly Information Resources, Inc.)
- Economic Research Service (ERS), United States Department of Agriculture (USDA)
- Foreign Agricultural Service (FAS), United States Department of Agriculture (USDA)
- Federal Reserve Economic Data (FRED)
- Bureau of Labor Statistics (BLS)

Domestic Food Service Partnerships

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Pizza Chains Were Removing Cheese from their Pizzas

Farmers determined checkoff needed to partner with restaurants

- More investment in dairy-based innovation
- More advertising behind dairy-based products
- More volume growth
- More consumer trust of dairy products



Open to legal residents of the 48 contiguous United States (and the District of Columbia), 18 years of age and older, who did not purchase any equipment for purposes of entering the Contest. Enter Contest 8/20/10 through 10/17/10. Judging to occur 10/11/10 through 10/17/10. To enter and for Official Rules, including prize description, visit www.showusyourpizza.com. Void in AK, HI and where prohibited.

Your Checkoff Delivered Innovation and Invested in Product Science

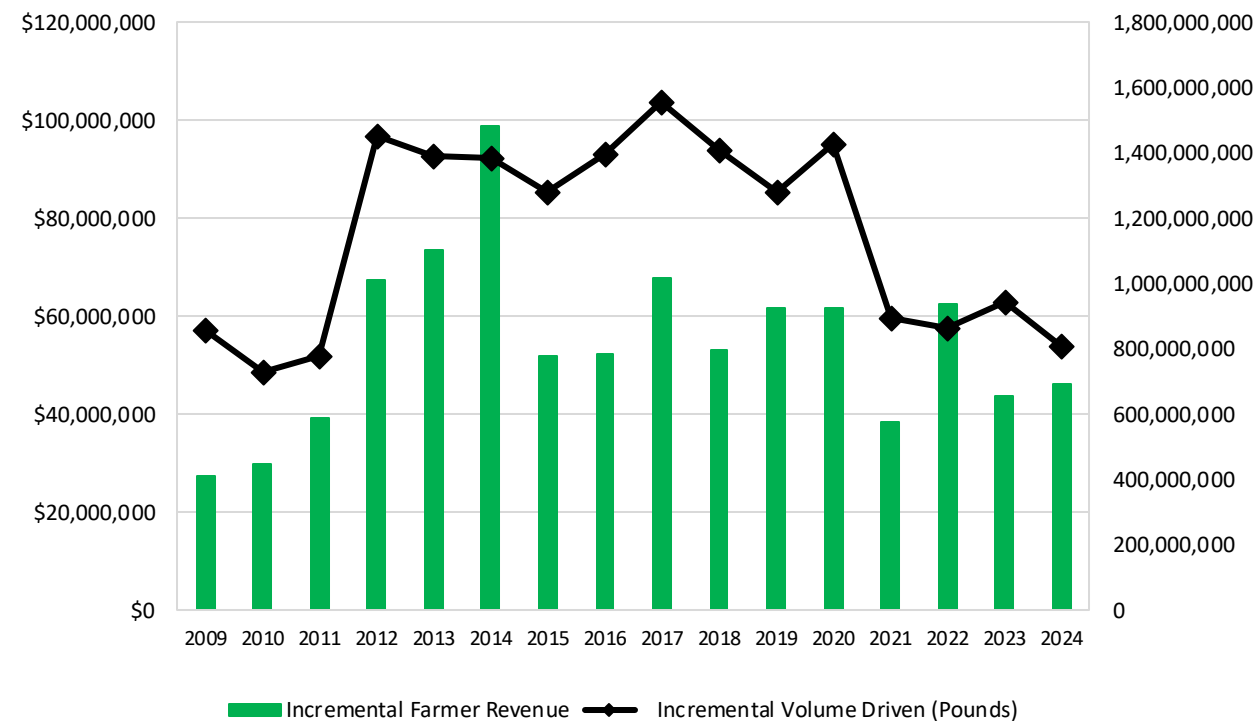
- Embedded product scientists within mega-partner companies
- Oversaw product concept development, commercialization
- Led pilots to prove concepts
- Invested in marketing programs
- Served as inspiration: Innovations copied by others in the industry



DOMESTIC FOODSERVICE PARTNERSHIPS



ADDITIONAL REVENUE AND VOLUME GENERATED

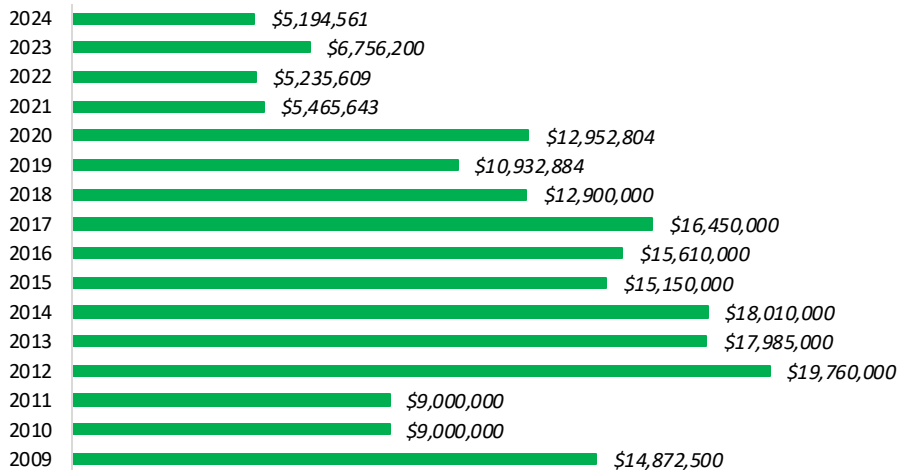


SUMMARY, 2009 - 2024

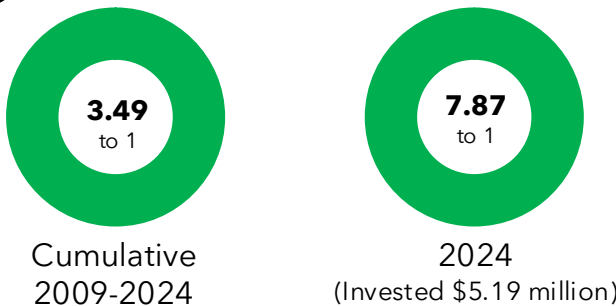
Cumulative Incremental Volume Driven = 18.48 billion pounds
Cumulative Incremental Farmer Revenue = \$875.93 million



DMI ANNUAL INVESTMENTS



RETURN ON INVESTMENT



Whole Fat Science

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Butter Was Considered “Bad” & Lower Fat Dairy Was Growing

Farmers determined checkoff needed to change negative perceptions that whole milk fat is bad for you

- *Short-term:* Change perceptions of consumers, leading scientists and influencers
- *Mid-term:* Re-establish volume, growth and momentum
- *Long-term:* Reset narrative that whole is the gold standard and dairy fat is not the enemy





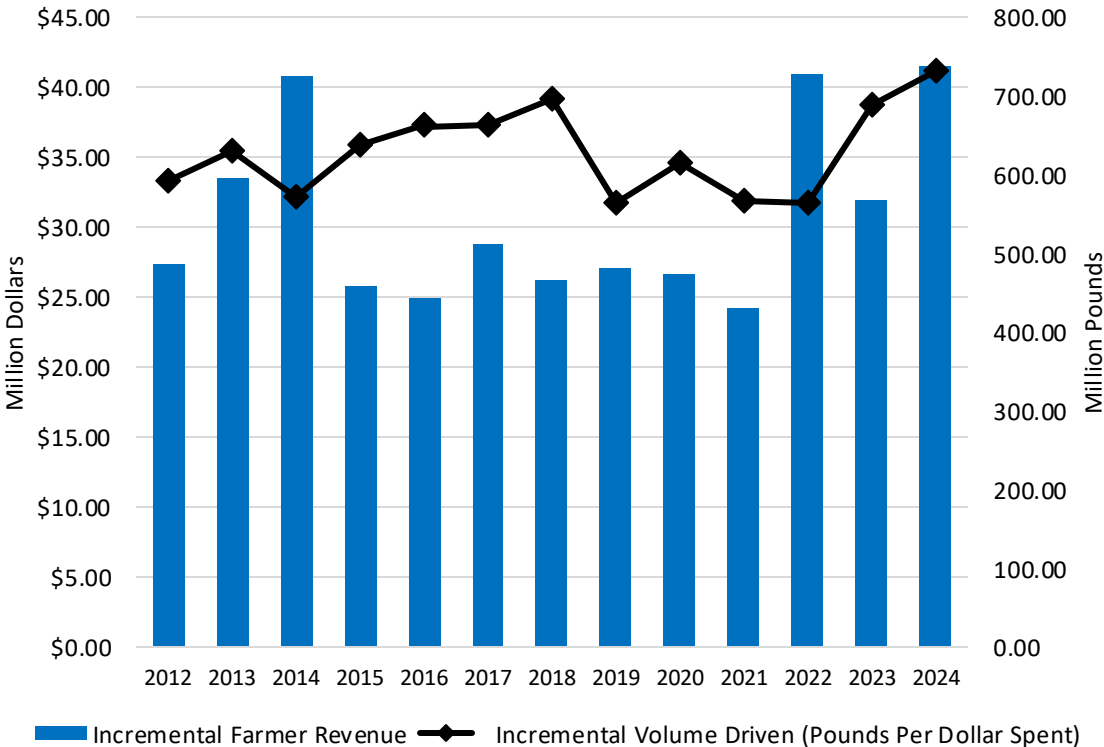
Your Checkoff Invested in Human Health Studies Showcasing Dairy's Benefits

- Together with State/Regional Checkoffs
 - Funded 83 research studies
 - Encouraged other scientists to investigate and further invest in dairy's role and benefits to human health
 - Resulted in 606 non-checkoff funded research papers over 10 years

WHOLE FAT SCIENCE



ADDITIONAL REVENUE AND VOLUME GENERATED

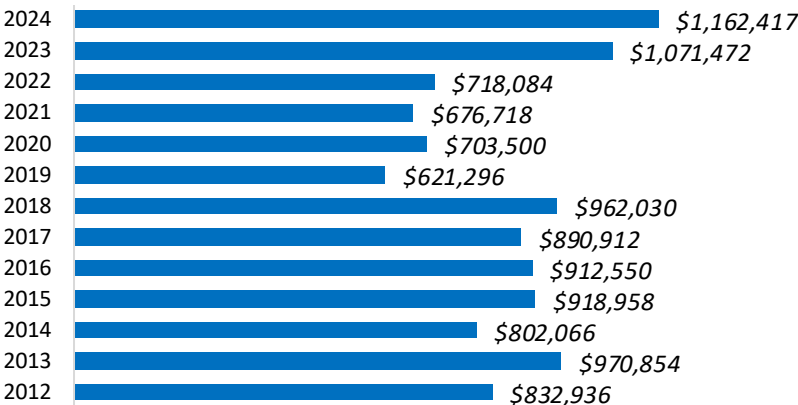


SUMMARY, 2012 - 2024

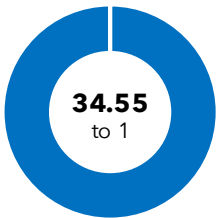
Cumulative Incremental Volume Driven = 8.19 billion pounds
Cumulative Incremental Farmer Revenue = \$399.73 million



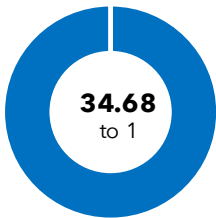
DMI ANNUAL INVESTMENTS



RETURN ON INVESTMENT



Cumulative
2012-2024



2024
(Invested \$1.16 million)

A woman with long brown hair, wearing glasses and a black and white striped shirt, is standing in a grocery store aisle. She is holding a white carton of fluid milk and looking at it. The background shows shelves stocked with various dairy products, including milk cartons and cheese. The image is slightly blurred, emphasizing the woman and the milk carton.

Fluid Milk Innovation

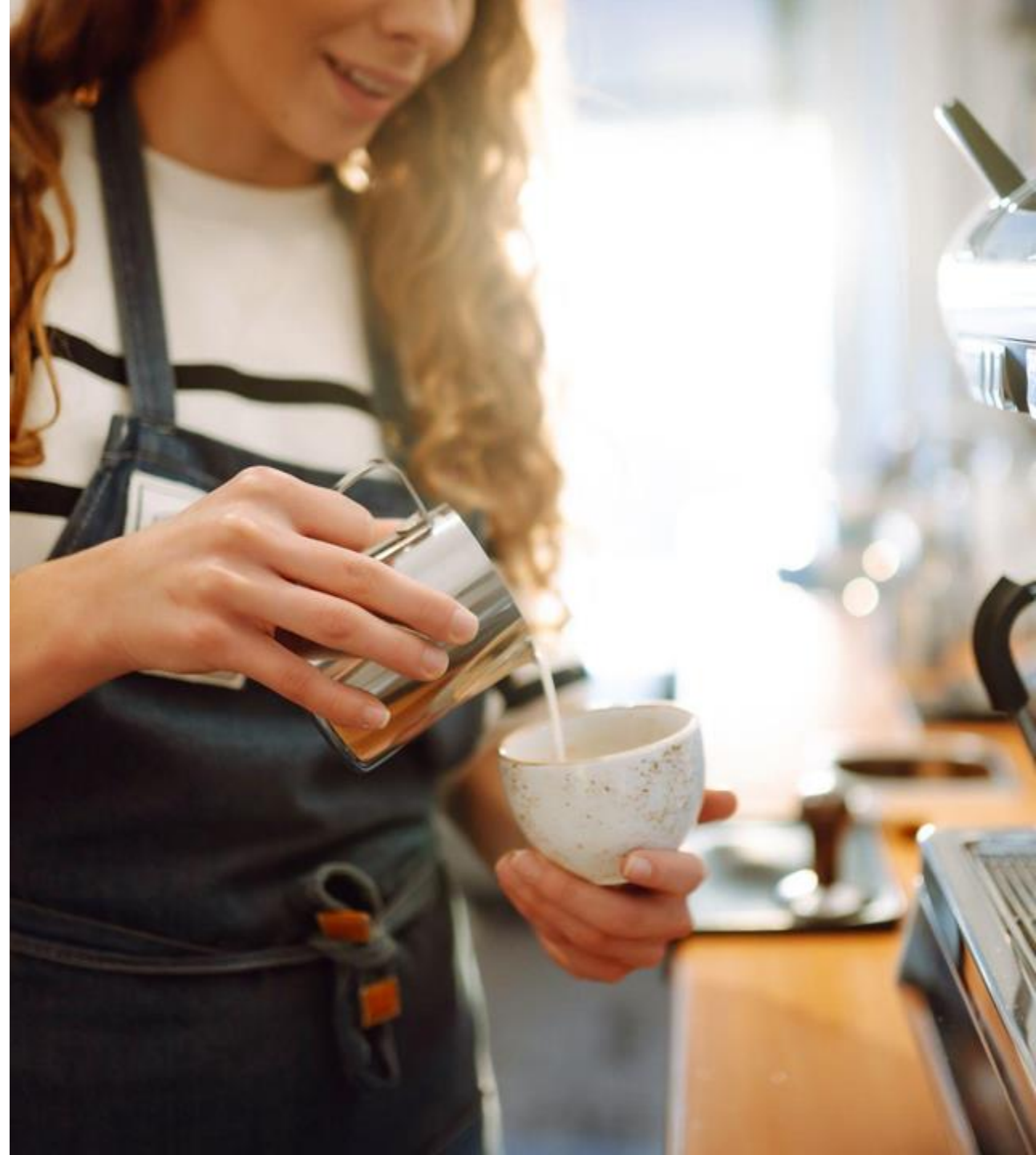
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Milk Lacked Relevance and Demand Was Declining

Farmers decided checkoff needed to make milk relevant again

- Ignited investment in innovation, infrastructure and marketing
- Stabilized “milk as milk” in alternatives landscape
- Grew milk as an ingredient in emerging beverages



Your Checkoff Helped Innovate the Products, Packaging, Supply Chain and Marketing Approach

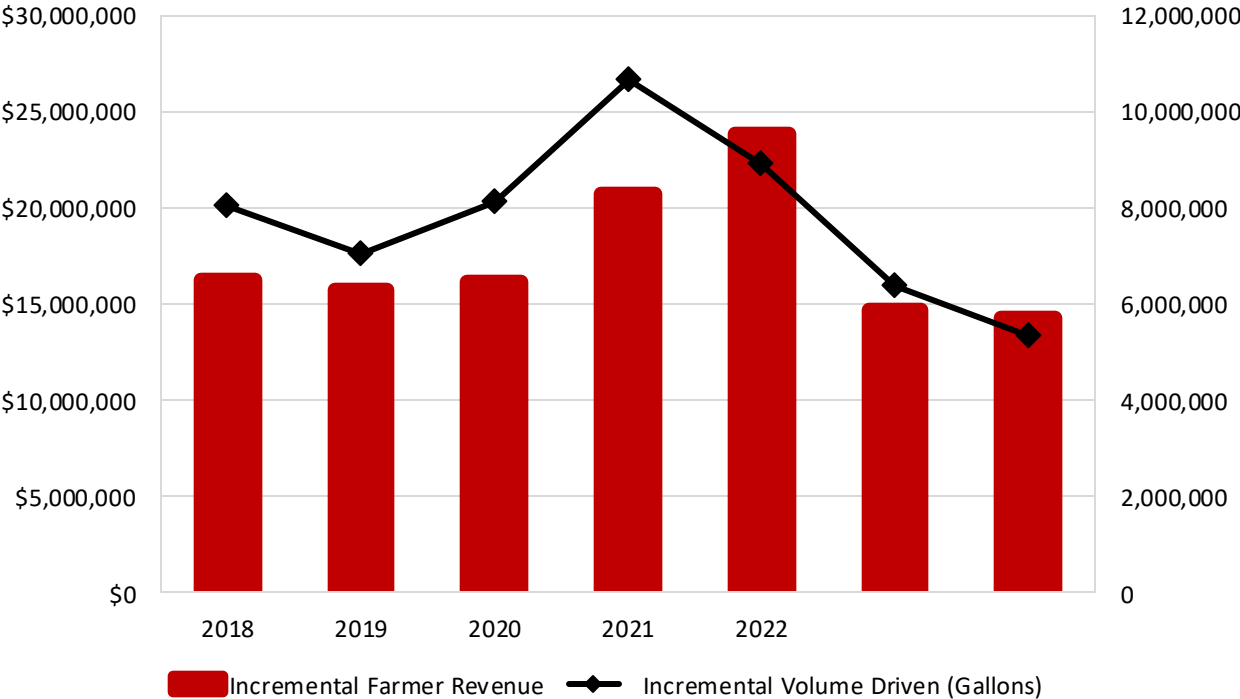


- Invested in fluid milk innovation and partners followed
- New plant infrastructure
- New advertising from brands

FLUID MILK INNOVATION



ADDITIONAL REVENUE AND VOLUME GENERATED

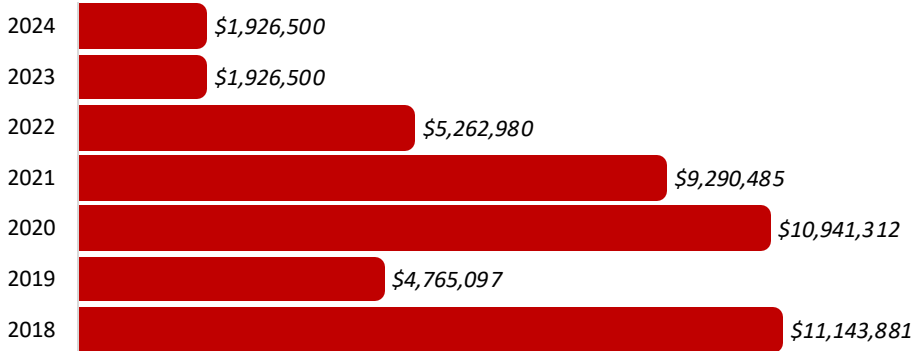


SUMMARY, 2018 - 2024

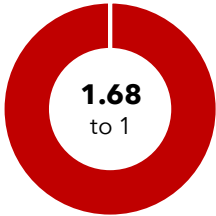
Cumulative Incremental Volume Driven = 468.55 million pounds
Cumulative Incremental Farmer Revenue = \$121.5 million



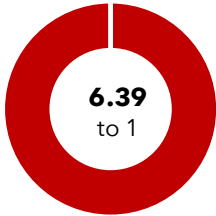
DMI ANNUAL INVESTMENTS



RETURN ON INVESTMENT



Cumulative
2018-2024



2024
(Invested \$1.9265 million)



Exports

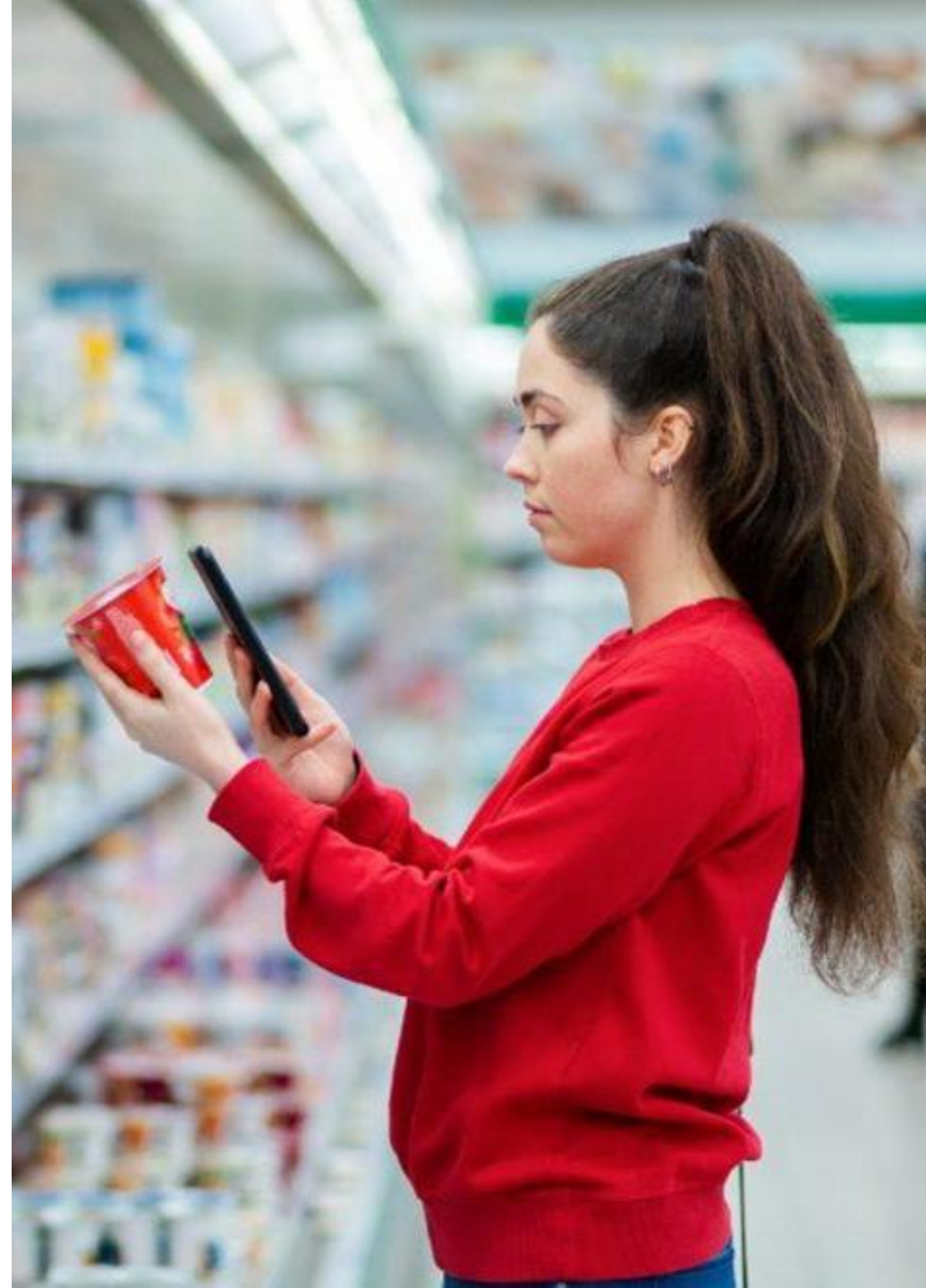
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Milk Production Outpaced U.S. Consumption

Farmers decided checkoff needed to create new markets and opportunities around the world

- Exports are essential for
 - Market balance
 - Farmer milk check
 - Driving demand growth



Your Checkoff Built Relationships and Innovated to Meet International Demand

- Learned to offer products made for local diets, not for Americans
- Identified how to reach businesses and consumers amid cultural differences
- Created food service gateways to larger markets
- Built local advocates for U.S. dairy overseas
- Partnered successfully with USDEC on critical growth

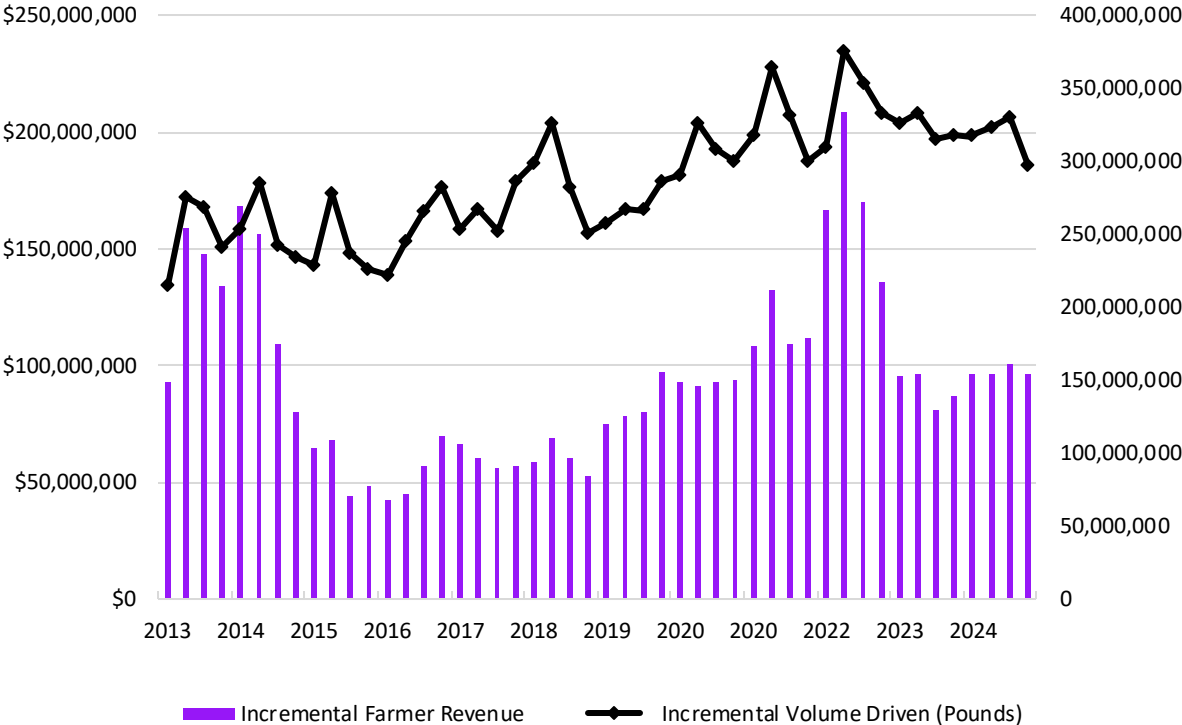


DAIRY EXPORTS

SKIM-SOLIDS BASIS



ADDITIONAL REVENUE AND VOLUME GENERATED

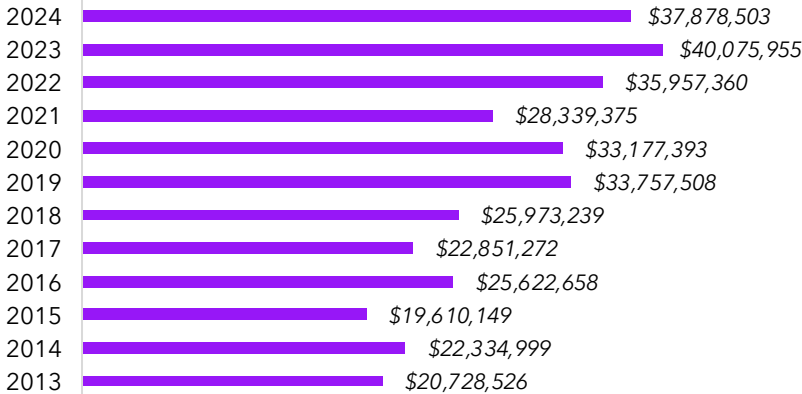


SUMMARY, 2013 - 2024

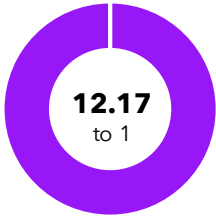
Cumulative Incremental Volume Driven = 13.771 billion pounds
Cumulative Incremental Farmer Revenue = \$4.56 billion



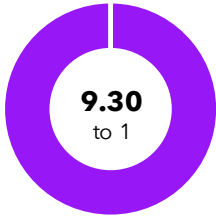
DMI ANNUAL INVESTMENTS



RETURN ON INVESTMENT



Cumulative
2013-2024



2024
(Invested \$37.88 million)

Summary

The work is replicable, done by a credible, independent third party, and has been peer reviewed. The respective econometric models satisfy all requirements of statistical and economic analysis.

