



**2020
Annual
Report**



**MAKING
EVERY
DROP
COUNT**

**your
DAIRY
CHECKOFF**
Dairy Management Inc.



About This Report

The 2020 annual report is published by Dairy Management Inc.™ (DMI), which manages the national dairy 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 know that the work of the checkoff doesn’t start and stop within a single calendar year. This was especially true in 2020. To say that 2020 represented a year of unprecedented challenges is an understatement as marketplace realities caused disruption to dairy markets and channels.

In 2020, this required your checkoff to adapt how it works – quickly and often. Your checkoff staff remained focused on the strategies put forward by our national

and local boards, while pivoting when needed to ensure that we delivered on our mission: to move more dairy, and protect and enhance the image of milk and dairy foods, dairy farmers and the dairy community.

We did – and continue to do – this with a focus on three core priorities:

- Growing sales of dairy products and ingredients in the U.S. and around the world
- Building trust in dairy with an emphasis on youth and Millennial families
- Advancing U.S. dairy’s role in a global, sustainable food system today and in the future

This work comes to life by working with and through industry-leading partners that extend and co-invest in priorities and programs to make an even bigger impact. Plans are created and partnerships established at the direction of our farmer-led board of directors, along with checkoff staff, dairy community leaders and other stakeholders who all provide industry, marketing, scientific, and/or third-party expertise.

Plans are evaluated annually to ensure the checkoff’s work remains relevant – meeting consumers’ evolving needs and wants, along with adapting to the changing industry and business landscapes domestically and globally.

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A Message from the Farmer Chairs

When the going gets tough, farmers keep going.

For more than 25 years, local and national dairy promotion checkoff programs have been united through DMI, and globally under the DMI-founded U.S. Dairy Export Council. Never has that unity been more valuable to dairy farmers than over the last year as we faced the pressures of a global pandemic.

DMI brought together checkoff-funded promotion staffs, funding and programs into a single, more powerful, unified marketing initiative that was best-equipped to serve America's dairy farm families and those that import dairy to the United States.

Our role today is the same as it was back in 1995: Increase sales of our milk even as we produce more each year and promote and protect the good image of dairy and dairy farmers.

As your representatives in overseeing the checkoff plan and staff, we were all too aware of what the pandemic meant to dairy farmers over the last 18 months: valuable markets shrinking overnight, problems with farm help,

challenges with supplies coming in and channels going out. Every one of us has lived through the pain, on top of the everyday concerns that come with running a dairy.

Through it all, our dairy checkoff has been with us, changing priorities, strategies and plans quickly to meet the intense challenges of COVID-19. Teams from all across the country came together fast to find ways to keep our milk moving in key places, such as schools, foodservice, feeding programs, exports – anywhere.

While the methods may have changed somewhat, the checkoff's focus on serving us as dairy farmers has never wavered. This report showcases those efforts.

Meanwhile, staff has kept a sharp eye on the here-and-now even as they look to the future. Consumers were already changing what they demand of their food, and the pandemic has only accelerated that process.

We are proud to provide dairy farmer oversight over this invaluable investment you make. We want you to be aware of what the checkoff is doing for you – and we hope to hear from you. Look us up on www.usdairy.com/for-farmers and send us your thoughts through talktothecheckoff@dairy.org.



Marilyn Hershey

Marilyn Hershey
Dairy Farmer
Cochranville, Penn.
Chair
Dairy Management Inc.



Neil Hoff

Neil Hoff
Dairy Farmer
Windthorst, Texas
Chair
United Dairy Industry
Association



Alex Peterson

Alex Peterson
Dairy Farmer
Trenton, Mo.
Chair
National Dairy Promotion
and Research Board

Checkoff adapts to ever-changing consumer and market dynamics.

This last year and a half have been nothing short of extraordinary, and the effects have been felt virtually everywhere, including the checkoff. Even as consumers and the global marketplace have continued their long-term evolution, the pandemic has caused changes all its own, with new shopping and dining habits joining supply-chain disruptions to present a whole set of unforeseen challenges. But your national, local and global checkoff program has kept at its mission to grow sales and protect your reputation.

When the significance of COVID-19 became apparent in early 2020, your checkoff staff was able to quickly change how we do your business, a testament to them and to the relationships we've built with partners over the last few years – partners that were reassessing their own plans. Those partners are crucial, as many of them are the ones who actively market dairy products here and around the world.

Schools remain a key to dairy consumption and the place where we can reach your future consumers. And, as the dynamics with student feeding shifted, we continued our decades-long work there – in new ways

– to make sure America's kids and their families were provided nutritious meals, including dairy.

In addition, we developed some new partnerships and new avenues for moving your milk, given the stark reality of rising food insecurity in the face of the pandemic. You'll find plenty of examples in this report.

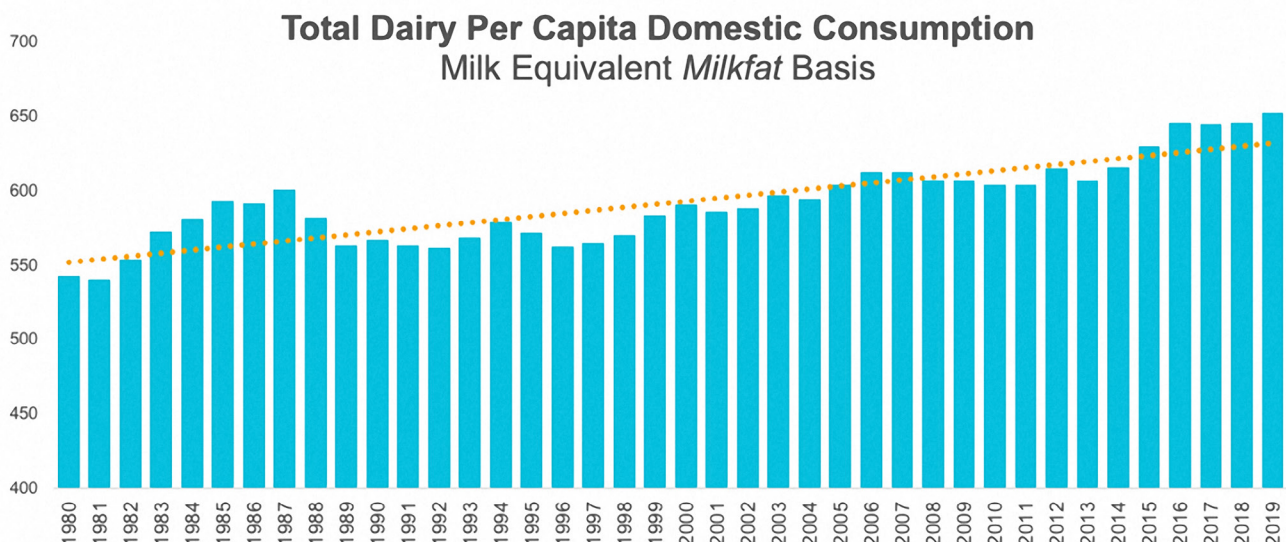
And this ongoing evolution in how the checkoff serves dairy farmers and importers is not only aimed at finding solutions today, but also looks at the future. The Dairy Transformation initiative is a checkoff-led, industry-wide movement to identify and act on the future needs of consumers and the marketplace now, so dairy farmers and the dairy community are in the best position possible to meet those needs tomorrow.

The checkoff plan, and the staff here and around the world who put it into action, must be as flexible as they are strategic. The pandemic has made that “must” even more important, and I'm proud to say your staff have answered that call.



Tom Gallagher
Chief Executive Officer
Dairy Management Inc.™

U.S. Dairy Consumption is on a Long-term Growth Path



Source: USDA ERS Food Availability 1924-1974; USDA ERS Dairy Data 1975-2019. Product availability is a proxy for dairy consumption



Growing Sales in the U.S. & Around the World

Sales-driving efforts help ensure a consistent milk supply, remove dairy purchase limits at retail, and drive sales in the United State and globally.

In 2020, national and local checkoff organizations worked together with dairy and food industry partners to address the immediate disruptions resulting from COVID-19. And while domestic partners, including McDonald's® and Taco Bell®, were affected by the loss of in-store dining, **the checkoff's foodservice partners outperformed the overall foodservice category.** (See next page for examples.)

Beyond foodservice, checkoff staff worked closely with major national and regional retailers last spring to help ensure a continuous supply of fluid milk, working with both corporate headquarters and individual stores to remove unnecessary fluid milk purchase limits in the dairy case.

Dairy checkoff organizations nationally and locally also worked closely with co-ops, processors and retailers to [donate milk and other dairy products](#) to food banks and



Built by the U.S. Dairy Export Council with funding from dairy farmers, the U.S. Center for Dairy Excellence in Singapore provides a gateway to the rapidly growing Southeast Asia market.



Globally, U.S. dairy exports grew more than 10 percent in 2020, compared to 2019.

pantries across the country at a time when Americans faced increasing food insecurity.

Globally, U.S. dairy exports grew **more than 10 percent** in 2020, compared to 2019. Checkoff-led efforts helped support this growth through foodservice partners that included Domino's Japan, which unveiled its Ultra-Cheese Portfolio that featured more than three times the cheese than a regular pizza. Checkoff partner Pizza Hut Asia-Pacific grew its U.S. cheese volume growth by 12 percent through items such as the Cheesy-7 Iberian Pork Bomb in Japan, the Fantasy Cheesy-7 in South Korea and the Cheese Bomb in Hong Kong, among other offerings.

Also in 2020, the U.S. Dairy Export Council® (primarily funded through the checkoff) opened its **U.S. Center for Dairy Excellence in Singapore** – an education and training hub for global food leaders to learn about how U.S. dairy brings the highest-quality ingredients, cheeses and other products to Southeast Asia customers.

For more information about checkoff sales-building efforts visit our [website](#) for information about [fluid milk](#), [foodservice](#) and the [USDEC's U.S. Center for Dairy Excellence](#) in Singapore and other [USDEC](#) marketing efforts, among other 2020 results.

Foodservice Partner Innovation

This was accomplished in large part through the work of on-site scientists who helped develop and launch dairy-centric menu items. In all, 15 new dairy-centric menu items were launched with our foodservice partners in 2020, including:



- **Domino's®** launched the Chicken Taco and Cheeseburger specialty pizzas that use 50 percent more cheese than the traditional Domino's pizza, which are now permanent menu items.



- **McDonald's** conducted its first national launch of the Shamrock Shake and the new Mint OREO® Shamrock McFlurry® (with more than 75 percent dairy) and the Chips Ahoy!® McFlurry® to celebrate the shake's 25th anniversary.



- **Pizza Hut®** introduced its limited-edition Mozzarella Poppers Pizza that used more than a pound of cheese per pizza - using 60 percent more cheese than their traditional hand-tossed pizza - with crispy mozzarella-stuffed squares that included a mix of parmesan, garlic, onion and other seasonings.



- **Taco Bell®** rolled out its Pineapple Whip Freeze, the chain's first dairy-based beverage with a vanilla cream swirl; the Cinco de Mayo meal kit that featured more than 10 ounces of dairy; and the Grilled Cheese Burrito that used 10 times the cheese of the chain's regular taco.



Building Trust with Consumers & Youth

Being nimble in connecting consumers to dairy and dairy farming helped build trust in dairy as COVID-19 upended lives among consumers, farmers and across the value chain.

Maintaining and strengthening the trust consumers have in dairy foods, dairy farmers and the dairy community was more important than ever in 2020. **To help meet the changing marketplace conditions**, national and local checkoff programs worked to meet people in new ways as American families were upended with a global pandemic, with a goal of reminding consumers that they can count on dairy during uncertain times.



For example, the checkoff-created and industry-wide Undeniably Dairy initiative launched an extensive [media campaign](#) to reassure consumers of dairy farmers' essential role and commitment to communities nationwide. Examples include a national media interview featuring a farmer on "Fox & Friends" and a special promotion with the checkoff and Pizza Hut to celebrate 2020 high school graduates (many of whom were missing their graduations) on "The Tonight Show Starring Jimmy Fallon."



A lack of in-person events led to creative ways to use NFL players as influencers online, including a 6-video series that paired players with chefs, bloggers and fitness professionals to take a look inside their real refrigerators. Jerome Bettis, DK Metcalf, TJ and Derek Watt and more were featured in the **Home Fridge Advantage** series, showing consumers how dairy fits into the lifestyles (and fridges!) of these popular influencers. The content was amplified by player, team and NFL properties, as well as state and regional checkoff organizations. With consumers increasingly cooking at home and looking for inspiration online, the series received positive feedback and generated more than **35 million impressions**.



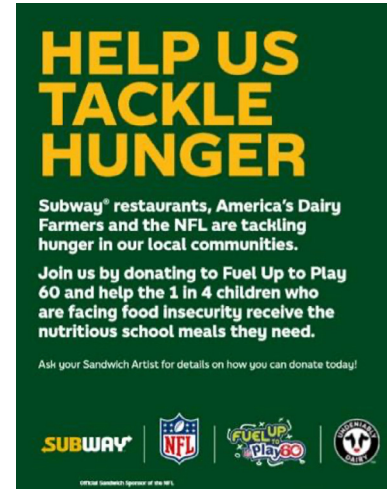
Other work focused on meeting 2020's challenges included:

- Adapting to at-home learning through 77,000 Fuel Up to Play 60 (FUTP60) participating schools, including creating an online [Fuel Up to Play 60 Homeroom](#) experience that housed educational materials that students, educators, and parents could access using the popular Google Classroom platform. The experience, which included virtual farm tours and recipes, resulted in **more than 250,000 visitors to the classroom** (including thousands of educators who used content with their students) and generated more than 40 million impressions.



- Piloting a gamer-focused “[Barnstorming](#)” effort that reached Generation Z (representing 20 percent of the total population and with more than \$100 billion in spending power). This interactive promotion told dairy’s sustainability story to next-generation consumers through Minecraft (an online game in which players create three-dimensional worlds – including those in farming/dairy) that generated more than 120 million impressions and more than 12 million video views. This approach focused on reaching new consumers in new ways that resonated with this increasingly important consumer segment.
- In 2020, the checkoff, through the NFL, partnered with **Subway** to expand the reach of FUTP60 through two promotions to Subway customers at the chain’s 20,000-plus restaurants that promoted the school

program - and dairy. The partnership invited students K-12 to complete a tracker of healthy eating and activity, for discounted kids’ meals, which could be paired with milk. Customers also were encouraged to make donations on top of their meal purchases to support America’s dairy farmers and program grants, which helped advance school meal distribution support through GENYOUth.



- Through GENYOUth, checkoff efforts focused on ensuring schools had resources and tools needed to continue to provide kids with healthy food choices through the school meal program and combat hunger. In all, the “[For Schools’ Sake: Help Us Feed Our Nation’s Kids Fund](#)” provided **more than \$10 million in financial and in-kind support to more than 8,600 school meal programs**, including food donations, breakfast carts, milk barrels and other mobile equipment, and personal protective equipment for school workers.



Together, these efforts had a positive impact on consumer perception as research showed a **9 percent increase in trust** for dairy farmers after seeing Undeniably Dairy-related content.





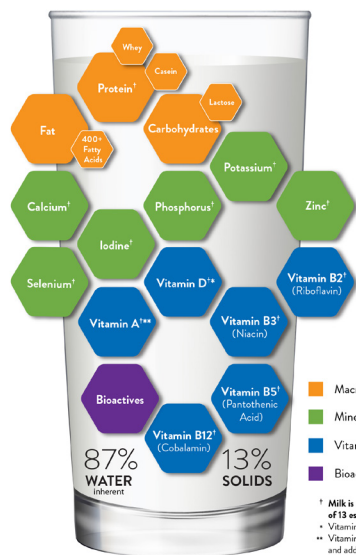
Positioning Dairy Globally

Through the efforts of the checkoff, U.S. dairy continued to be recognized as an essential and sustainable food source.

As environmental considerations continue to play an increasing role in global nutrition and sustainability conversations and policies, the need to frame dairy's role in nourishing a global population and protecting our planet is more important than ever. This means advancing and sharing dairy's story among consumers and thought leaders as their attention about food production and environmental stewardship/sustainability practices continue to grow.

That's why the checkoff, in partnership with other local, national and global dairy organizations, continued to advance its science-based approach to nutrition, product, environmental and technical research that demonstrates dairy as a positive contributor to nourishing people, strengthening communities and fostering a sustainable future for our planet.

The Milk Matrix



Milk provides numerous nutrients and its unique matrix and the interaction between nutritive and non-nutritive components may explain the association with positive health outcomes.

- Macronutrients
- Minerals
- Vitamins
- Bioactives

[†] Milk is a good or excellent source of 13 essential nutrients.
^{*} Vitamin D is added to milk.
^{**} Vitamin A is naturally occurring in whole and added to reduced-fat, low-fat and 1



In 2020, checkoff-funded research, relationships and communications led to the following outcomes:

- The [2020-2025 Dietary Guidelines for Americans](#) continued to recommend dairy as its own food group, and three servings of dairy per day in Healthy U.S. and Healthy Vegetarian eating plans. These guidelines are important as they serve as the basis for federal feeding programs – including school lunch and breakfast, summer feeding and the Supplemental Nutrition Assistance Program – and move billions of pounds of milk, cheese, yogurt and other dairy foods each year.
- Building on the [100-plus year legacy of science and research](#), the checkoff-created [National Dairy Council](#)[®] published 41 peer-reviewed research pieces focused on nutrition and sustainability, and engaged 48,000 thought leaders and others to share research findings through webinars, virtual conferences, social content and more.
- Through U.S. dairy's [Net Zero Initiative](#) (NZI), the [Innovation Center for U.S. Dairy](#) and participating organizations secured an additional \$30 million in funding for this important work from global leaders, including the Foundation for Food and Agriculture Research, Nestlé and Starbucks. These resources support projects that help farmers make progress



NZI Four Key Areas of Focus

Feed production & practice changes:

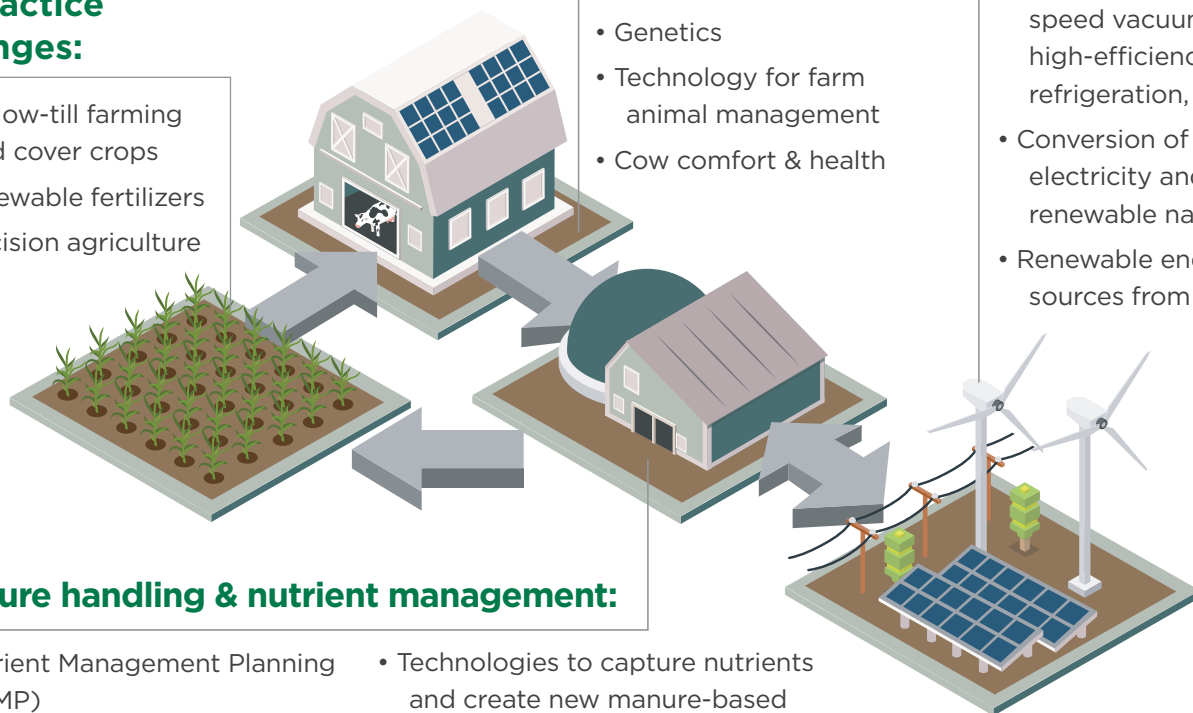
- No/low-till farming and cover crops
- Renewable fertilizers
- Precision agriculture

Cow care & efficiency:

- Feed additives
- Optimized feed rations
- Genetics
- Technology for farm animal management
- Cow comfort & health

On-farm energy efficiency & renewable energy usage:

- LED lighting, variable speed vacuum pumps, high-efficiency refrigeration, and fans
- Conversion of biogas into electricity and/or renewable natural gas
- Renewable energy sources from wind/solar



Manure handling & nutrient management:

- Nutrient Management Planning (NMP)
- Anaerobic digesters turn manure into biogas
- Technologies to capture nutrients and create new manure-based products
- Reduced liquid manure storage and proper maintenance

Visuals do not represent all possible practices, technologies or benefits. Each farm can voluntarily contribute to net zero efforts based on their individual operation.

NET ZERO INITIATIVE

and find new revenue opportunities that advance environmental stewardship/sustainability goals.

- Additionally in 2020, 32 companies and co-ops adopted the [U.S. Dairy Stewardship Commitment](#), representing 74 percent of U.S. milk production. This commitment formalizes their organization's support and measure against agreed-upon social responsibility priorities. The U.S. Dairy Stewardship Commitment lays a stake in the ground for U.S. dairy to define for itself what it means to be sustainable – and use consistent standards when sharing dairy's story with consumers and other key audiences.

- Also in 2020, the checkoff created and led [global alliances to engage key stakeholders](#) that advanced conversations and identified dairy advocates in the United States and around the world.

This collaborative approach leveraged the expertise of DMI, U.S. Dairy Export Council, National Milk Producers Federation and others to share U.S. dairy's unique story. Examples include sharing U.S. Dairy's 2050 Environmental Stewardship goals with leading organizations that included the World Economic Forum, the Food and Agriculture Organization of the United Nations and more.



Engaging Farmers & the Dairy Community

National and local promotion organizations adjusted outreach to reach funders in new ways and share the work of their research and promotion investment.

The checkoff's farmer and community relations work focuses on serving the 31,000-plus dairy farmer funders, along with those importers who fund the program. Nationally and locally, staff reach funders in many ways: visits with individual farmers, participation in dairy farmer meetings and trade shows, dairy/agriculture and trade media relations, and digital communications that include the "[for farmers](#)" section at [usdairy.com](#) and a farmer-focused [checkoff Facebook group](#).

This outreach is required through the congressional Act & Order that created the checkoff program, and is critically important to the work of the checkoff as it:

1. Provides updates and progress on the vision, priorities, strategies and results/outcomes of checkoff work
2. Creates a forum to seek funder input into the direction of the checkoff

In 2020, outreach shifted as meetings and events were either cancelled or held virtually in response to COVID-19. However, virtual outreach also provided opportunities to reach more and new people interested in learning about and engaging with the checkoff.

Activities in 2020 included:

- National and local checkoff staff represented at **4,400-plus virtual meetings and events**
- Checkoff-led trade media, digital and social media generated more than **35 million impressions**, meaning checkoff funders had well over 100 unique opportunities to read, hear, watch and/or engage in checkoff activities.
- The creation of checkoff-led "**Open Mics**" for farmers across the country to hear from checkoff farmer and staff



Dairy farmers participating in checkoff-sponsored "dinners on the square" get to share input and ask questions of national and local checkoff farmer and staff leadership.

leadership about priorities, programs and partners, and consumer trends, and offer forum to ask questions and provide input in real time.

- More than **3,900 farmers across the country** engaged in key checkoff activities, including consumer-led promotions, presentations to health professionals and other thought leaders, virtual farm tours and more.

For more information about your checkoff investment you can:

- Visit www.usdairy.com/for-farmers for checkoff-related resources and an interactive map to find your local checkoff organization
- Join the [dairy checkoff farmer Facebook group](#) for regular dairy news, videos with checkoff farmer and staff leadership, and more
- Sign up for DMI's weekly [Dairy Checkoff E-newsletter](#) for a weekly roundup of relevant national and local news www.usdairy.com/for-farmers
- Listen to the monthly Your Dairy Checkoff podcast as farmer hosts take a deeper dive on checkoff-related topics <https://dairycheckoffpodcast.com>



2020 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.

2020 Dairy Checkoff Unified Marketing Plan

Program Revenues (in millions)¹

National Dairy Promotion & Research Board	\$117.8
United Dairy Industry Association (UDIA)	\$118.3
Total Revenues	\$236.1

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. NDB funds, in part, Dairy Management Inc., which manages the national dairy checkoff program.

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 41 dairy farmers elected by the respective boards of their member organizations.

2020 Dairy Checkoff Unified Marketing Plan

Program Expenses (in millions)²

Domestic & International Partners ³	\$66.5
Consumer Confidence & Integrated Communications ⁴	\$65.5
Sustainable Nutrition & Research ⁵	\$36.6
Youth Wellness ⁶	\$34.6
Export Marketing ⁷	\$20.6
Strategic Intelligence ⁸	\$ 8.3
General & Administration ⁹	\$ 4.0
Total Expenditures	\$236.1

¹ Reflects both national and local Unified Marketing Plan funding.

² Includes national program and allocated core costs, and local program and implementation spend

³ Includes domestic and international foodservice, dairy processor and fluid milk partnerships

⁴ Includes consumer, issues management, crisis preparedness, business-to-business, farmer relations and thought leader communications

⁵ Includes dairy-focused nutrition, product, technical, sustainability,

stewardship and environmental research; nutrition, health and wellness partner organization education, outreach and activation

⁶ Includes development and implementation of Fuel Up to Play 60 and youth wellness programs

⁷ Includes export market development and promotion, and excludes trade policy efforts

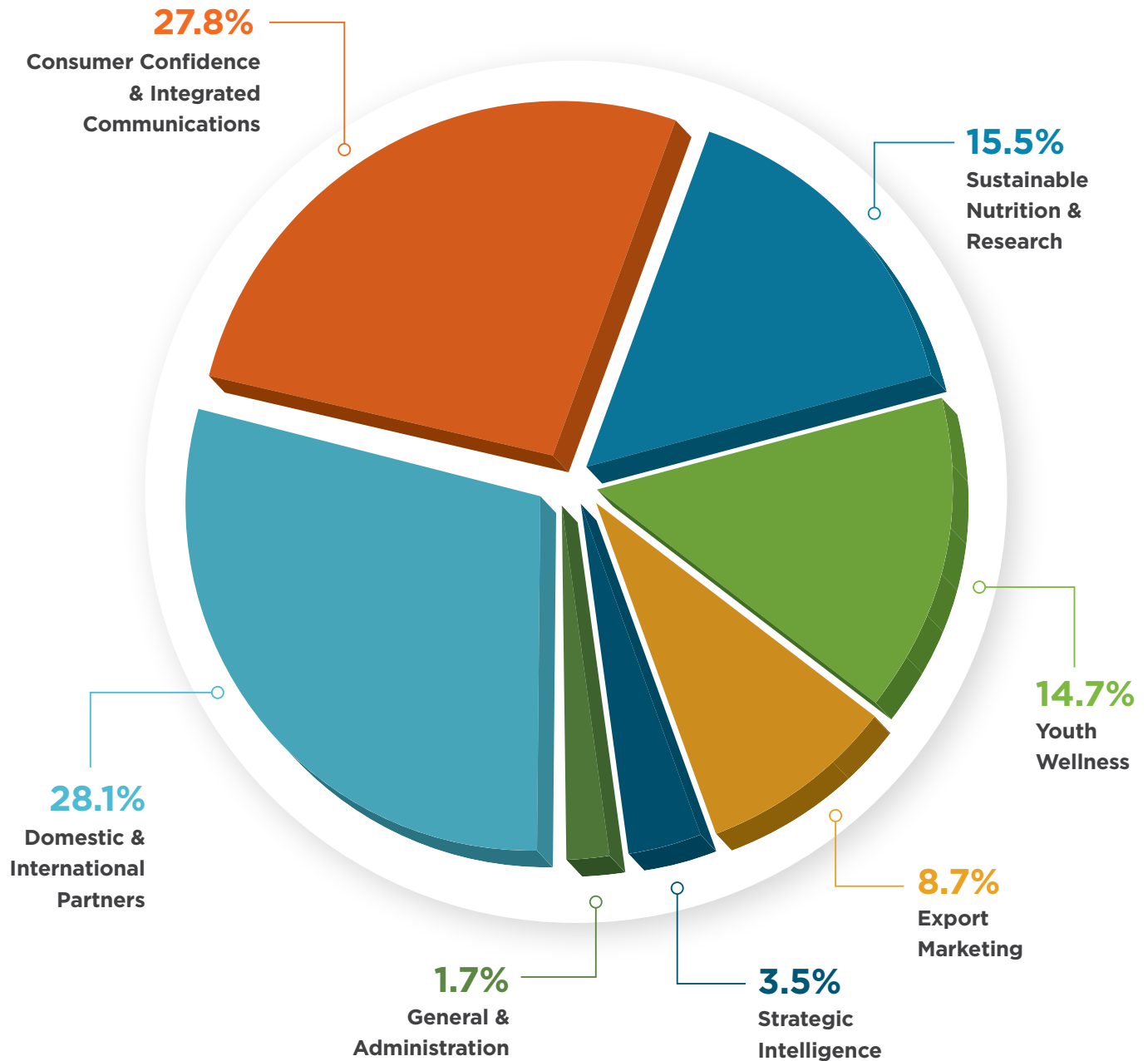
⁸ Includes consumer and stakeholder market research/insights and dairy transformation

⁹ General administration costs for DMI-related expenditures only



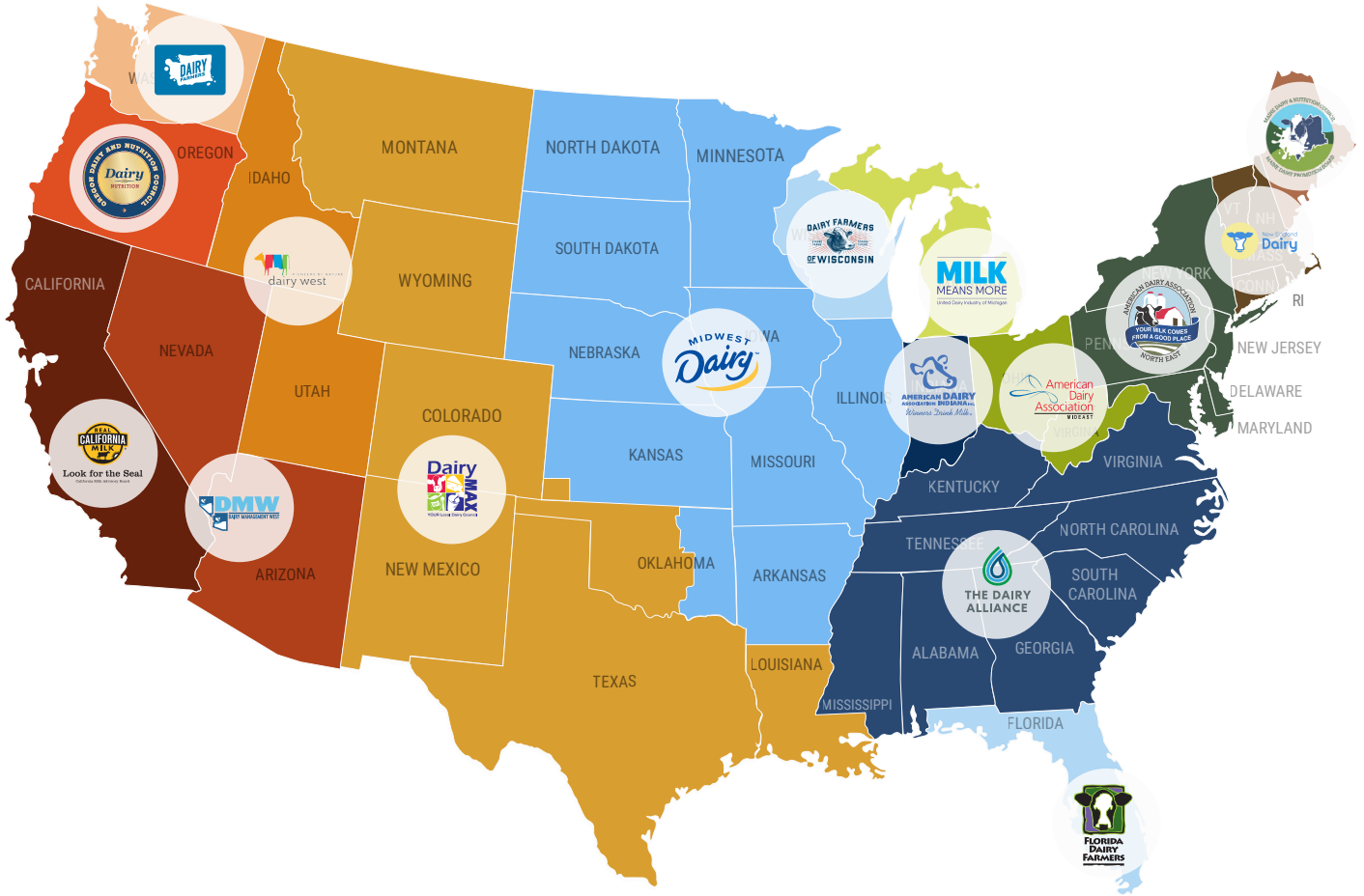
2020 Financial Report

2020 Expenses (Percentage of Total)





Local Promotion Organizations



For local UDIA promotion organization information, visit <https://www.usdairy.com/for-farmers/local-checkoff>.

MAKING EVERY DROP COUNT

your DAIRY CHECKOFF
Dairy Management Inc.