About the
2013 U.S. Dairy Sustainability Report
A valuable resource for sharing our industry progress
4th Annual Sustainability Report

2013 progress on shared industry goals and efforts
SUSTAINABILITY VISION We commit to being leaders in sustainability, ensuring the health and well-being of our planet, communities, consumers and the industry.

THE GUIDING PRINCIPLES OF THE U.S. DAIRY SUSTAINABILITY COMMITMENT

The U.S. dairy industry supports socially responsible, economically viable and environmentally sound dairy food systems that promote the current and future health and well-being of:

OUR CONSUMERS through access to safe, nutritious, high-quality products.

OUR COMMUNITIES through contributing, participating and investing where we live and operate.

OUR COWS through animal stewardship.

OUR EMPLOYEES through ensuring a safe and respectful workplace.

OUR PLANET through the stewardship and responsible use of natural resources.

OUR BUSINESSES through a focus on long-term economic vitality.

We apply leadership, measurement, science, education, innovation and continuous improvement to enhance our stewardship of sustainable food and agricultural systems.
Sustainability Council

A pre-competitive stakeholder advisory group, the Sustainability Council directs our efforts to meet the U.S. Dairy Sustainability Commitment.
Key Partnerships

Strategic partnerships provide valuable expertise and resources that lend credibility and strength to our efforts.

“Ultimately, meaningful progress will continue to come from a true commitment to collaborate with stakeholders both inside and outside the dairy industry.”

JED DAVIS
Director of Sustainability
Cabot Creamery Cooperative
Milk and dairy foods play a vital role in a healthy diet.

Milk and dairy foods are affordable — for example, an 8-ounce serving of milk costs about 20 cents.

Dairy farmers and companies strive to conserve natural resources and minimize environmental impacts.

List includes nutrients for which dairy contributes 10 percent or more to the U.S. diet. Source: Dairy Research Institute®, NHANES (2003-2006). Ages 2+ years.
Continuous Improvement Path

We’ve invested several years of working across the dairy value chain to develop and test the science-based tools and resources we need to understand, measure and improve the dairy industry’s sustainability impacts.

Dairy farmers, cooperatives and companies are on a PATH to CONTINUOUS IMPROVEMENT >

START WHERE YOU ARE.
Use science-based tools and resources to focus on topics that matter most for stewardship and sustainability.

SET GOALS
Identify areas for improvement and set targets.

COMMUNICATE
Communicate goals and performance improvements.

MEASURE
The Smart Tools gather data to establish a baseline using metrics that are in the Guide.
And they help you track progress over time.

REPEAT
That’s the continuous part! Continue on the path as you assess progress and identify additional improvement and innovation opportunities.

SMART TOOLS
Resources & Best Practices
Stewardship and Sustainability Guide for U.S. Dairy

IMPROVE PERFORMANCE
- Farm Energy Efficiency
- Cow of the Future™
- Smart Tools
- Participation in national programs:
  - EPA’s ENERGY STAR Challenge for Industry
  - EPA’s SmartWay
  - USDA’s U.S. Food Waste Challenge
  ... and others

Built on scientific research and designed to work together.

These efforts add up to increased consumer trust in nutritious, high-quality dairy foods and beverages.
Nutrient-rich milk and dairy foods help foster health and wellness among people of all ages.

**Commitment to children’s health**

Fuel Up to Play 60 has been adopted by three-fourths of all the schools in the U.S.

“Food insecurity and health are interconnected. Americans, especially growing and developing children, need and deserve quality nutrition for their well-being.”

JEAN RAGALIE-CARR, RND
President
National Dairy Council
Our Communities

Dairy families and businesses are committed to supporting local communities through community volunteerism, donations and education.

“When we start talking about community involvement and sustainability and an industrywide approach, we see all the things we can do to make a big difference.”

KENTON HOLLE
Owner
Northern Lights Dairy
OUR COWS

Dairy farmers work hard to ensure that their cows are healthy, comfortable and cared for at all phases of their life.

The National Dairy FARM Program: Farmers Assuring Responsible Management™ (FARM), is a voluntary, third-party-verified animal care and quality program created by the National Milk Producers Federation with the support of Dairy Management Inc.

In 2013, the Innovation Center endorsed the National Dairy FARM Program as the dairy animal care program for the U.S. dairy industry.
OUR EMPLOYEES

The dairy industry strives to ensure a safe and respectful workplace.

OSHA Incidence Rates (2006-12)
- Dairy cattle and milk production (NAICS code 11212), excludes farms with fewer than 11 employees.
- Dairy product manufacturing (NAICS code 3115)

<table>
<thead>
<tr>
<th></th>
<th>2012 Employment</th>
</tr>
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<tbody>
<tr>
<td>Milk Production</td>
<td>94,327 jobs</td>
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<tr>
<td>Dairy Product Manufacturing</td>
<td>132,437 jobs</td>
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OSHA Incidence Rates for Milk Production and Dairy Product Manufacturing from 2006 to 2012.

See slide notes for sources.
Opportunities for improvement exist at every step in the dairy value chain.

OUR PLANET | Sustainability Projects

Innovation Center sustainability projects deliver science-based decision-support tools and resources to help dairy farms and businesses manage their environmental impacts and reduce costs.

**Selected 2013 Project Results**

- **Since 2011,**
  - 667 farm energy audits identified
  - >55,500 million MMBtu in potential energy savings.
  - Resulting in
  - >$2 million in potential cost savings

- **Since 2011,**
  - Digesters on dairy farms reduced GHG emissions by >4.7 million MTCO₂e.
  - Equivalent to
  - 999,096 cars off the road for a year

- **Since 2010,**
  - 29 dairy plants achieved the ENERGY STAR Challenge for Industry, collectively contributing >1.2 million MMBtu in est. energy savings.
  - Enough to power
  - 27,818 homes for a year

See slides notes for additional information.
2012 PRODUCTION
U.S. milk production and production of dairy products exceeded the 200-billion-pound mark for the first time.

MILK PRODUCTION
200.3 BILLION POUNDS

PRODUCTION OF DAIRY PRODUCTS
203.4 BILLION POUNDS

OUR BUSINESSES

Milk and dairy foods create jobs and generate income, taxes and indirect economic impacts in every state.

Dairy is the No. 1 or No. 2 ranked agricultural commodity in 16 states.

In 2012, the top five dairy states produced more than half of the milk in the U.S.


Source: USDA/ERS. Farm Business Economics Report, Table 8: Importance of the Dairy Sector by State 2012
Recipients demonstrate results that are specific and measurable; learning, innovation and improvement; and initiatives that can be adopted by other dairy farms or businesses.

**Outstanding Dairy Farm Sustainability**
- Maddox Dairy of Riverdale, Calif.
- McCarty Family Farms of Rexford, Kan.

**Outstanding Dairy Processing & Manufacturing Sustainability**
- Joseph Gallo Farms of Atwater, Calif.

**Outstanding Achievement in Renewable Energy**
- Vander Haak Dairy of Lynden, Wash.

**Outstanding Achievement in Energy Efficiency**
- Marshik Dairy of Pierz, Minn.
Industrywide Contributions

The report highlights some of the actions taken and commitments made by Sustainability Council member organizations to promote dairy sustainability.

Agri-Mark/Cabot Creamery Cooperative
Bel Brands USA
Dairy Farmers of America
The Dannon Company
Darigold, Inc.
Dean Foods
DeLaval
Foremost Farms USA
General Mills, Inc.
Glanbia USA
HDR Engineering Inc.
Hilmar Cheese Company
Kraft Foods Inc.
The Kroger Co.
Land O’Lakes, Inc.
Maryland & Virginia Milk Producers Cooperative Association, Inc.
McDonald’s Corporation
Michigan Milk Producers Association
Nestlé
Oakhurst Dairy
PepsiCo Inc.
Prairie Farms Dairy
PrairieLand Dairy Farms
Publix Super Markets, Inc.
Reid Dairy Farm
Retail Industry Leaders Association
Safeway
Saxon Homestead Farm
Schreiber Foods Inc.
Starbucks Coffee Company
Stonyfield Farm, Inc.
Syngenta
Tillamook County Creamery Association
Triple A Farms
Unilever
United Dairymen of Arizona
Wal-Mart

Each step is adding up to real progress across the industry.
### Supplemental Funding

#### Source | 2011 | 2012 | 2013
---|---|---|---
Direct Funding | $8,038,630 | $4,732,305 | $3,094,305
Partnerships | 500,000 | 525,000 | 326,184
Grants/Awards | 1,168,000 | - | -
Sponsorships | 165,000 | 253,892 | 290,000
In-kind Contributions | 6,205,630 | 3,953,413 | 2,478,121
Indirect Funding* | - | $840,000 | $3,008,915

**Total Direct and Indirect Funding** | $8,038,630 | $5,572,305 | $6,103,220

*Tracking started in 2012 for grants and awards given to external organizations for efforts to advance a sustainable dairy industry.

### Supplemental Funding (2008-13)

- **320% increase** from 2008 to 2013
- 2013 in-kind support from 626 stakeholders
"We see the value in an industrywide standard for tools and reporting, and the work we’re doing with the Innovation Center is key to making that happen."

DAVE LATTAN
Vice President, Engineering
Prairie Farms Dairy

Looking Ahead

We are driving toward meaningful and lasting improvements for our businesses, our communities and our planet. Let’s move forward together.
Let us know what you think of the 2013 report at USDairy.com!

- Download the *2013 U.S. Dairy Sustainability Report* and access the Guide and Smart Tools at USDairy.com/Sustainability.
- Access graphics, photos and other communication resources in the Communication tools section of USDairy.com/Sustainability/Commitment.
- Follow the stories at dairygood.org.
Slide 10. **OSHA results:** The DART rate is based on trending over 200,000 hours based on those injuries and illnesses severe enough to warrant days away/restricted and job transfers. Source: U.S. Department of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages. Milk production includes only producers covered by unemployment insurance.

**Employment source:** U.S. Department of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages. Milk production includes only producers covered by unemployment insurance.

Slide 11. **Farm Energy Efficiency:** Estimated audit results are updated as historical program data becomes available. The 2011 and 2012 audit results are restated from the 2012 report, and 2013 audit results are expected to be revised in future reports.


**Dairy Plant Smart™/ENERGY STAR Challenge For Industry:** Data was provided by EPA ENERGY STAR Industrial Communications and Networking Manager (email communication, Feb. 11, 2014).