Fostering Dairy Sustainability in Today’s Retail Environment

November 3, 2020
Today’s Presenters & Panelists

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Midwest Dairy

**Sarah Hanson**  
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Innovation Center for U.S. Dairy  
Dairy Management, Inc.

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Experience - Demand  
Midwest Dairy

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Vice President, Agriculture Affairs  
Midwest Dairy
Anti-Trust Statement

Industry Statement for Anti-Trust Compliance

There shall be no discussion or activities for the purpose of arriving at any understanding or agreement regarding price, the terms or conditions of sale, distribution, volume of production, territories, or customers.

There shall be no discussion or activity for the purpose of preventing any person or persons from gaining access to any market or customer for goods or services, nor any agreement or understanding to refrain from purchasing or using any material, equipment, services, or supplies.

There shall be no discussion or activity that may be construed as forestalling or limiting research and development.

Each meeting will be governed by a written agenda prepared in advance and the meeting will be summarized in a document prepared after the conclusion of the meeting.

Your consideration and full compliance with these guidelines is expected, both while in attendance at meetings of Midwest Dairy including but not limited to its Board or Committees, and at all times in your business.
Market Research Sources

DATA AND RESEARCH REPORTS:

• Mintel
• Global Data
• The Hartman Group
• Aimpoint Research
• Innovation Center for U.S. Dairy

Market research is all information used to identify and define market opportunities. This can be in the form of survey data, sales data, syndicated reports, etc. Insights are the interpretations and/or key takeaways that come from analyzing and synthesizing the research.
1. Shopper Sustainability Definitions & Expectations
2. Dairy Community Sustainability Initiatives
3. Sustainability Activations at Retail
Shopper Sustainability Definitions & Expectations
While most consumers have positive associations of dairy and sustainability, there is a moveable middle looking for more information.

Dairy products I buy are locally sourced and produced
- Strongly agree: 18%
- Somewhat agree: 32%
- Neutral: 36%
- Somewhat disagree: 11%

Most dairy cows are treated humanely
- Strongly agree: 23%
- Somewhat agree: 31%
- Neutral: 30%
- Somewhat disagree: 12%

Dairy products are environmentally friendly
- Strongly agree: 27%
- Somewhat agree: 32%
- Neutral: 31%
- Somewhat disagree: 8%

Source: Aimpoint 2020 AAU, Midwest consumer sample, “Please indicate how much you agree or disagree with each of the following statements”, 914 Midwest respondents, fielded July 2020
Sustainability’s association with responsible farming and land management, animal welfare and the climate has risen since 2013.

Definitions of Sustainability
Trended to 2013

| Definition                          | 2013 Percentage | Change 2013-2019
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource conservation</td>
<td>48%</td>
<td></td>
</tr>
<tr>
<td>Ability to last over time</td>
<td>48%</td>
<td></td>
</tr>
<tr>
<td>Environmentally friendly</td>
<td>44%</td>
<td>+7pp</td>
</tr>
<tr>
<td>Recycle, reuse, reduce</td>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>Responsible farming</td>
<td>39%</td>
<td>+11pp</td>
</tr>
<tr>
<td>Responsibility</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>Reducing carbon footprint</td>
<td>35%</td>
<td>+8pp</td>
</tr>
<tr>
<td>Self-reliance</td>
<td>31%</td>
<td></td>
</tr>
<tr>
<td>Maintaining clean water</td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>Stewardship of land</td>
<td>25%+6pp</td>
<td></td>
</tr>
<tr>
<td>Green</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Economic viability</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>Humane animal care</td>
<td>15%+4pp</td>
<td></td>
</tr>
<tr>
<td>All-natural</td>
<td>14%</td>
<td></td>
</tr>
</tbody>
</table>
Consumers are also making a strong **connection** between **sustainability** and **wellness**.

81% “Living an ethical or sustainable lifestyle is important in creating a feeling of wellness.”

Source: Global Data TrendSight Analysis: Health & Wellness 360 Degree Wellness December 2019
Roughly 1 in 4 consumers have a perception of **local** food and beverage to have a **reduced environmental impact** of carbon footprint.

<table>
<thead>
<tr>
<th>What drives you to purchase locally produced foods and beverages?</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supports local economy</td>
<td>68%</td>
</tr>
<tr>
<td>Fresher ingredients</td>
<td>56%</td>
</tr>
<tr>
<td>Supports community or small businesses</td>
<td>50%</td>
</tr>
<tr>
<td>Minimally processed, more natural ingredients</td>
<td>34%</td>
</tr>
<tr>
<td>Producers or growers that you can trust</td>
<td>31%</td>
</tr>
<tr>
<td>Healthier, more nutritious ingredients</td>
<td>30%</td>
</tr>
<tr>
<td>Better tasting meals</td>
<td>29%</td>
</tr>
<tr>
<td>Local farmers take good care of their cows</td>
<td>29%</td>
</tr>
<tr>
<td>Greater food safety or traceability</td>
<td>29%</td>
</tr>
<tr>
<td>Higher quality of meals</td>
<td>25%</td>
</tr>
<tr>
<td>Reduced environmental impact of carbon footprint</td>
<td>24%</td>
</tr>
<tr>
<td>More authentic, better crafted foods</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: Aimpoint Research, 101 Midwest respondents, fielded August 2020
There is **demographic overlap** with those striving to live more **sustainability** and those who **consume dairy**.

**Commitment to Change**

*I’m willing to drastically change my lifestyle to live in a more sustainable way*

<table>
<thead>
<tr>
<th>Demographic</th>
<th>Strongly agree</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>No children in HH</td>
<td>15%</td>
<td>26%</td>
</tr>
<tr>
<td>Children in HH</td>
<td>21%</td>
<td>27%</td>
</tr>
<tr>
<td>Boomers</td>
<td>13%</td>
<td>26%</td>
</tr>
<tr>
<td>Gen X</td>
<td>13%</td>
<td>26%</td>
</tr>
<tr>
<td>Millennials</td>
<td>23%</td>
<td>26%</td>
</tr>
<tr>
<td>Gen Z</td>
<td>15%</td>
<td>26%</td>
</tr>
<tr>
<td>Total</td>
<td>16%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: The Hartman Group Sustainability 2019 Beyond Business as Usual, page 14
Over half of consumers take responsibility for sustainability as individuals, however the majority see **large companies** as carrying the most responsibility.

### Responsibility for Sustainability

<table>
<thead>
<tr>
<th>Who bears the most responsibility?</th>
<th>Trended to 2013</th>
<th>Ranked 1st/2nd/3rd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large companies</td>
<td>84%</td>
<td>+4pp</td>
</tr>
<tr>
<td>Governments</td>
<td>71%</td>
<td>+12pp</td>
</tr>
<tr>
<td>Individuals</td>
<td>58%</td>
<td>+15pp</td>
</tr>
<tr>
<td>Small companies</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Environmental groups social justice groups and non profits</td>
<td>37%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Hartman Group Report Summary 2019 Q3 Sustainability: Beyond Business as Usual
88% of consumers would like brands to help them be more environmentally friendly and ethical in their daily lives.

Source: Futerra, November 2018
38% of consumers say **retailers are responsible** for environmentally friendly food and beverage choices.

Respondents said they would like to see retailers play an active role in supporting these efforts through clear communication.

Source: Mintel Food Packaging Trends – US – July 2019
How Has the Pandemic Impacted Sustainability Concerns?
COVID didn’t pump the brakes, it hit the accelerator.

65% Of U.S. adults have maintained their commitment to caring for the environment during the pandemic. (1)

50% Of consumers say the pandemic has made them more aware of the environment. (2)

58% Of Americans believe we should respond to climate change with the same urgency as we have responded to COVID-19. (3)

Roughly half of younger consumers say that ethical or sustainable production methods are important to them now as a result of the COVID-19 pandemic.

Generally, the older the shopper, the less likely they are to have made a food choice based on environmentally friendly packaging. 

(1) Global: How important are the following aspects to you now, as a result of the COVID-19 pandemic – Ethical/ sustainable production methods

<table>
<thead>
<tr>
<th></th>
<th>Global Average</th>
<th>Gen Z</th>
<th>Millennials</th>
<th>Gen X</th>
<th>Boomers</th>
<th>Silent Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical/ sustainable production methods</td>
<td>48%</td>
<td>49%</td>
<td>55%</td>
<td>47%</td>
<td>36%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Source: (1) Global Data Robust Sustainability Strategies for Brands, pg.11, 2020 COVID-19 Recovery Tracker Week 7 “includes slightly/significantly more important than before, and now my top priority.” (2) Mintel Food Packaging Trends: Incl Impact of COVID-19 – US – July 2020
More consumers are opting for **plastic-free dairy packaging options** since the outbreak of COVID-19.

U.S.: How has your choice of pack type of *white dairy milk* products changed since the outbreak of Coronavirus (COVID-19)?

% of consumers buying more than before

<table>
<thead>
<tr>
<th>Pack Type</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metal Cans/Tins</td>
<td>+19%</td>
</tr>
<tr>
<td>Glass Bottles/Jars</td>
<td>+21%</td>
</tr>
</tbody>
</table>

U.S.: How has your choice of pack type of *Dairy food products* – e.g. cheese, yogurt products changed since the outbreak of Coronavirus (COVID-19)?

% of consumers buying more than before

<table>
<thead>
<tr>
<th>Pack Type</th>
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Global Data 2020 COVID-19 Recovery Tracker U.S. Week 10 “includes slightly/significantly more important than before, and am now buying this in bulk or stockpiling this item.” Fielded May 26-31, 2020
Dairy Community Sustainability Initiatives
The Innovation Center for U.S. Dairy works across the dairy community to

**Align** on pre-competitive priorities,

**Advance** an industry-wide social responsibility platform, and

**Share dairy’s story** about the good work of farmers and the dairy community
Dairy Sustainability Alliance engages 130+ member organizations

We commit to being leaders in sustainability, ensuring the health and well-being of our planet, communities, consumers and the industry.
Dairy plays an essential role in nourishing people, the planet and our communities
Industry-wide social responsibility platform

CORE AREAS OF FOCUS

Animal Care

Sustainable Nutrition

Environmental Stewardship

People & Community

Food Safety
First Fluid Milk LCA - Set the record straight on GHG - less than 2% total U.S. emissions

98% of U.S. milk production participates in the FARM Animal Care program, ISO certified

Adopted by 32 U.S. dairy processors - 80%+ of U.S. milk production

Established best practices in food safety; trained 3500+ at 300 companies

Developed models to increase sustainable supply of dairy in the hunger system; 353 million lbs. dairy distributed through Feeding America in 2019

28 companies representing 70% of U.S. milk production
Demonstrates and documents how U.S. dairy:

▪ Responsibly produces milk and dairy products
▪ Brings value to the communities we serve
▪ Acts transparently and meets globally accepted standards
Local to Global Sustainability Leadership

TRANSPARENTLY DEMONSTRATE PROGRESS

Stewardship Commitment I Metrics at a Glance

**DAIRY FARM**

**Priority**
- Energy Use
- Water Use
- Waste

**Indicators**
- Energy Intensity
- Water Use
- Waste Generation

**Metrics**
- Energy Use: Total energy use measured in MMBTUs (mtoe)
- Water Use: Total water use measured in Mm^3
- Waste: Total waste generated

**Example**
- Energy Use: Reduce energy use by 5% by 2025.
- Water Use: Decrease water use by 10% by 2025.
- Waste: Reduce waste generation by 15% by 2025.

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DSF Dairy Sustainability Framework

- Greenhouse Gases
- Nutrients
- Waste
- Water
- Soil
- Biodiversity
- Market Development
- Rural Economies
- Working Conditions
- Product Safety
- Animal Quality

Sustainable Development Goals

- 1. No Poverty
- 2. Zero Hunger
- 3. Good Health and Well-being
- 4. Quality Education
- 5. Gender Equality
- 6. Clean Water and Sanitation
- 7. Affordable and Clean Energy
- 8. Decent Work and Economic Growth
- 9. Industry, Innovation and Infrastructure
- 10. Reduced Inequalities
- 11. Sustainable Cities and Communities
- 12. Responsible Consumption and Production
- 13. Climate Action
- 14. Life Below Water
- 15. Life on Land
- 16. Peace and Justice
- 17. Partnerships for the Goals
U.S. Dairy as an Environmental Solution

By 2050, U.S. dairy collectively commits to:

- **Become Carbon Neutral or Better**
- **Optimize Water Use While Maximizing Recycling**
- **Improve Water Quality by Optimizing Utilization of Manure and Nutrients**

**OVERARCHING STRATEGIES**

**FOR FIELD AND FARM**

**Net Zero Initiative**

A collaboration of dairy organizations with the aim to knock down barriers and create incentives for farmers that will lead to economic viability and positive environmental impact, in the areas of feed production, cow care, energy efficiency and manure management.

**FOR PROCESSORS**

**Processor Working Group**

Led by the Innovation Center, a working group of more than 50 participants representing over 30 processing organizations convenes regularly and engages in facility-focused workstreams for waste, water, packaging, and GHG emissions to drive action and demonstrate progress towards the goals.
Register today for the 2020 Dairy Sustainability Alliance® Fall Meeting and the Sustainable Agriculture Summit

Additional details including full agendas are available at each of the two event websites:

AllianceMeeting.USDairy.com

&

SustainableAgSummit.org
Sustainability Activations at Retail
Join the Dairy Sustainability Alliance

Why Join?
• To accelerate progress towards sustainability goals.

What is the Dairy Sustainability Alliance?
• The Dairy Sustainability Alliance® is a multi-stakeholder group consisting of individuals from across the dairy community. Through in-person meetings, webinars and newsletters, Dairy Sustainability Alliance® members share knowledge, collaborate on issues affecting the industry at large.

Interested?
• Contact angela.hessinger@dairy.org
Local: Home is Where The Heart is
Local:
Home is Where The Heart is

In-Store Signage:
• Highlights locally-sourced milk products.
• QR code leads shoppers to learn more about their local farmers and sustainable practices.

Social Media Content:
• Video content spotlighting the local farm families behind the dairy products.

Program Thought-Starters for Retailers:
• A pop-up farmer’s market where the farmers themselves sell their local products.
• A “Home Is Where The Heart Is” social media contest, where users post a photo with their families enjoying a locally-sourced dairy product. The post that earns the most “hearts” (i.e. engagement) wins a prize.
• Loyalty Rewards for qualified purchases.
• A Facebook profile picture frame for Loyal Local / Hometown Hero.
Empowering Shoppers: Earth Day Giveaway
Empowering Shoppers: Earth Day Giveaway

Earth Day Giveaway Ideas:
- Co-branded Reusable Bag Giveaway With Net-Zero Initiative
  - Use water soluble bags if reusable bags are still prohibited due to COVID-19
  - Limit the bag giveaway to shoppers who purchase dairy for curbside pickup
- Badge (Earth Day-focused)

Other Program Thought-Starters for Retailers:
- Sustainability education video and social content to support retail shopper education
- A retailer-focused giveaway, where stores give away the most bags are awarded a prize
Sustainable Influencers: Join Team Green
Sustainable Influencers: 
Join Team Green

Social Media Content

Through video content distributed via social channels and on the web, Team Green members educate shoppers on sustainability, while inviting them to do their part by joining Team Green too.

Other Program Thought-Starters for Retailers:

- Social media campaign that challenges shoppers to creatively show how they’re contributing to Team Green and “passing” it forward.
- Shopper giveaway: a Team Green sustainability toolkit. Everything the consumer needs to shop sustainably—recipes, reusable bags, even sustainably-sourced ingredients for meals—all in biodegradable, low-waste packaging.
- Retailers can win the opportunity for the Team Green ambassador to come to the store for fan meet & greets, photos, and more.
Questions?

insights@midwestdairy.com