



Fostering Dairy Sustainability in Today's Retail Environment

November 3, 2020

Today's Presenters & Panelist



Megan Sheets
Manager, Consumer Insights
Midwest Dairy



Sarah Hanson
Executive Vice President,
Innovation Center for U.S. Dairy
Dairy Management, Inc.



Martha Kemper
Vice President, Dairy
Experience - Demand
Midwest Dairy



Bob Lefebvre
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.

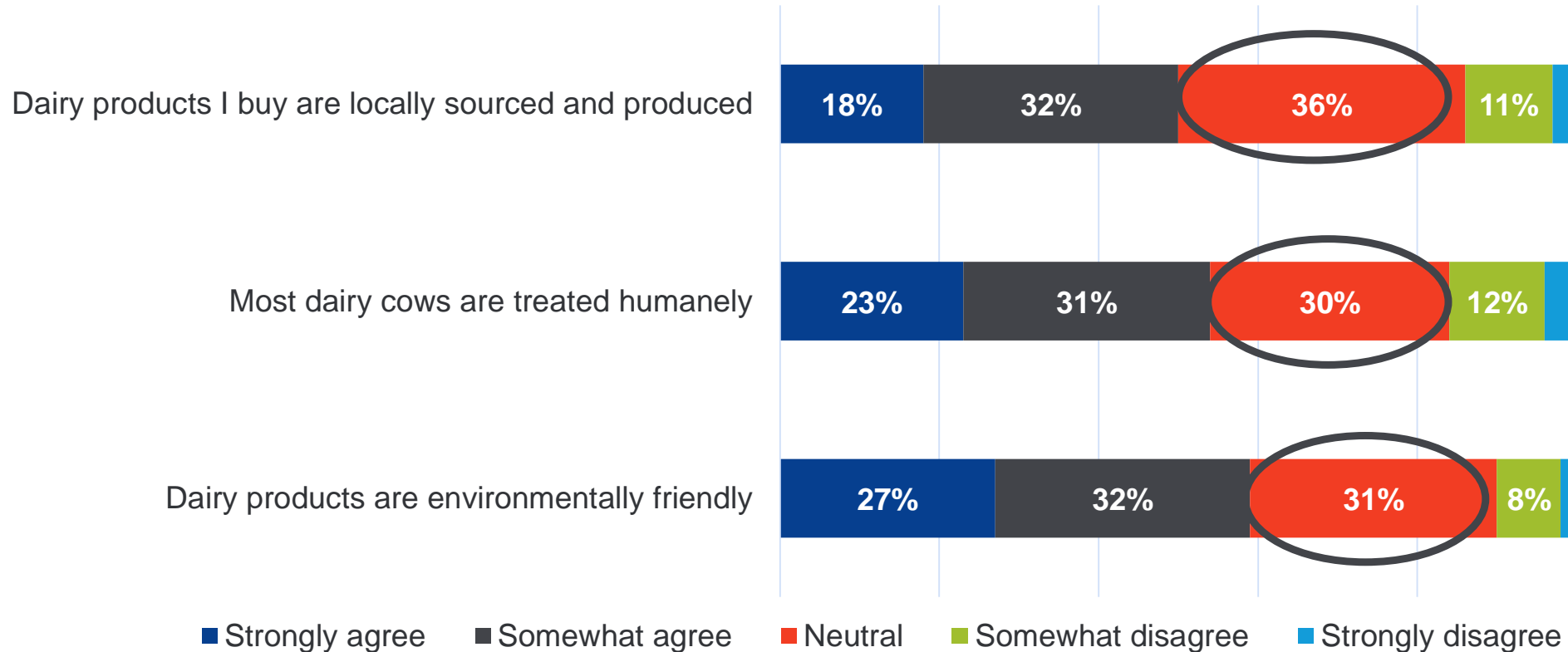


Bringing Dairy to Life!

- 1. Shopper Sustainability Definitions & Expectations**
- 2. Dairy Community Sustainability Initiatives**
- 3. Sustainability Activations at Retail**

Shopper Sustainability Definitions & Expectations

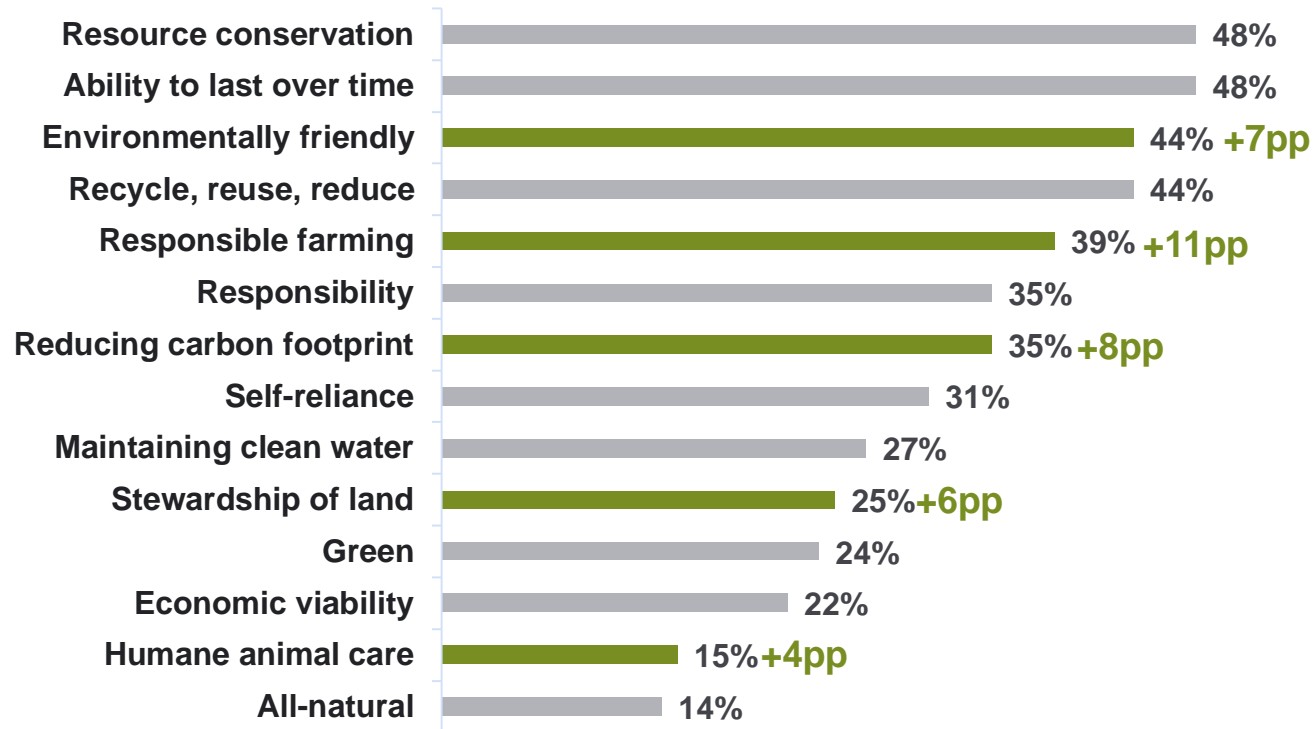
While most consumers have positive associations of dairy and sustainability, there is a **moveable middle** looking for **more information**.



Sustainability's association with **responsible farming and land management, animal welfare** and the **climate** has risen since 2013.

Definitions of Sustainability

Trended to 2013



Consumers are also making a strong **connection** between **sustainability** and **wellness**.

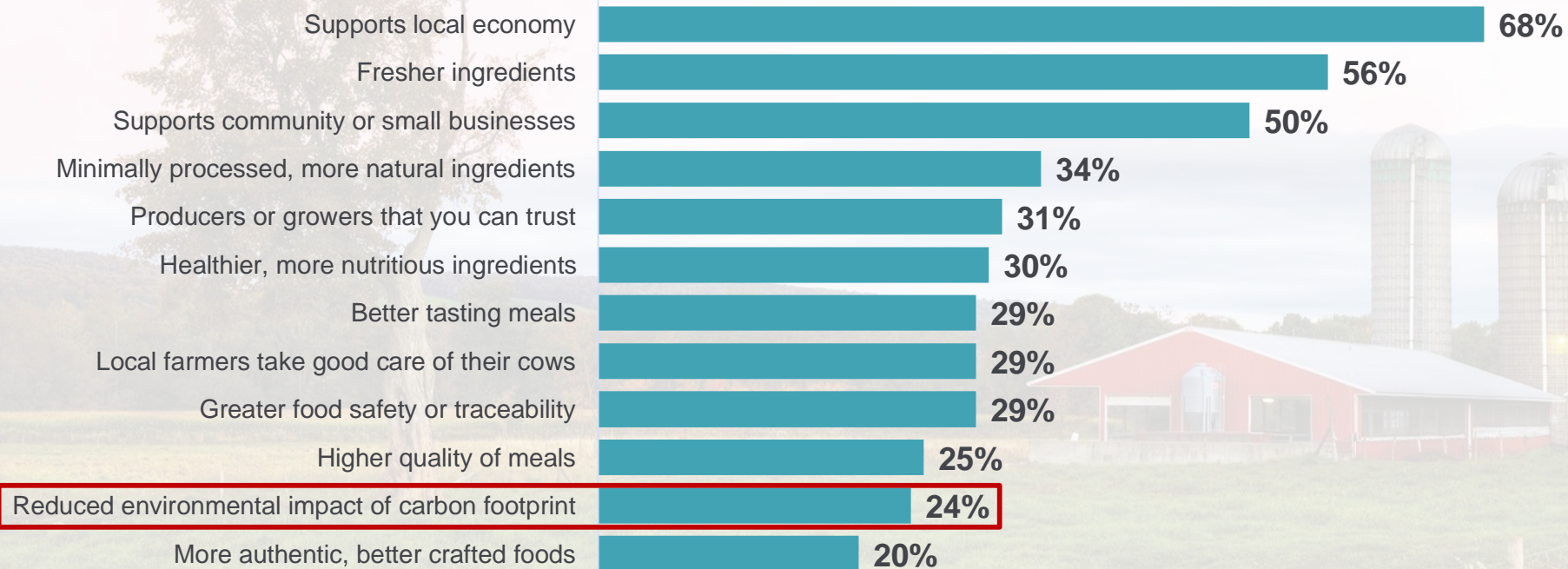


“Living an ethical or sustainable lifestyle is important in creating a feeling of wellness.”



Roughly **1 in 4** consumers have a perception of **local** food and beverage to have a **reduced environmental impact** of carbon footprint.

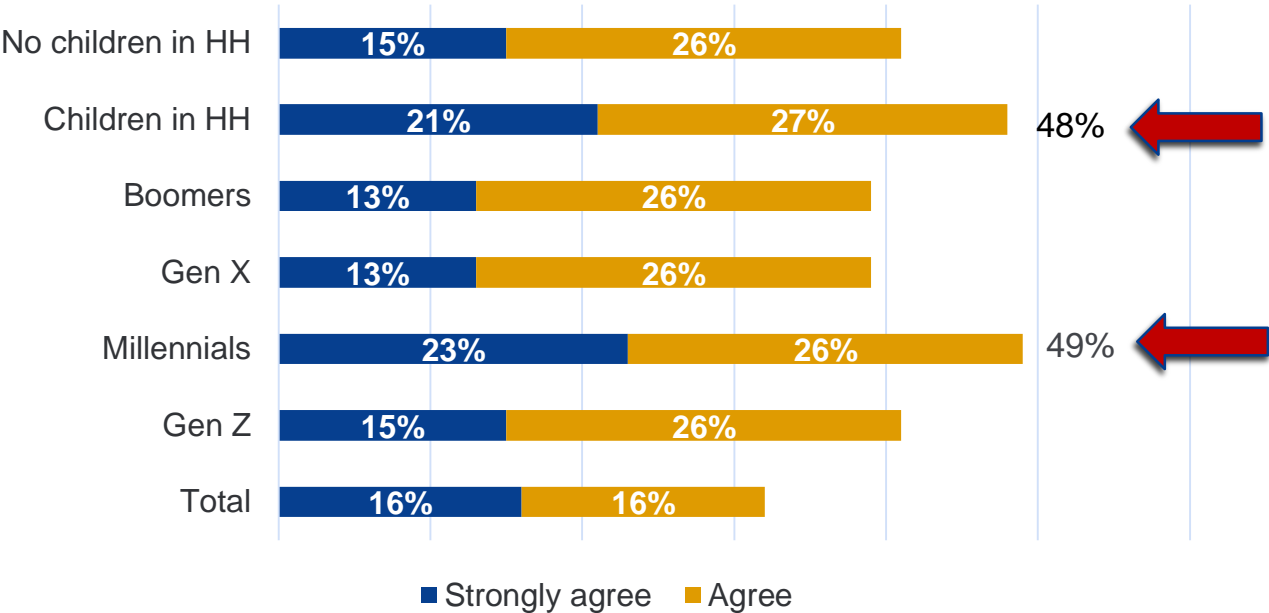
What drives you to purchase locally produced foods and beverages?



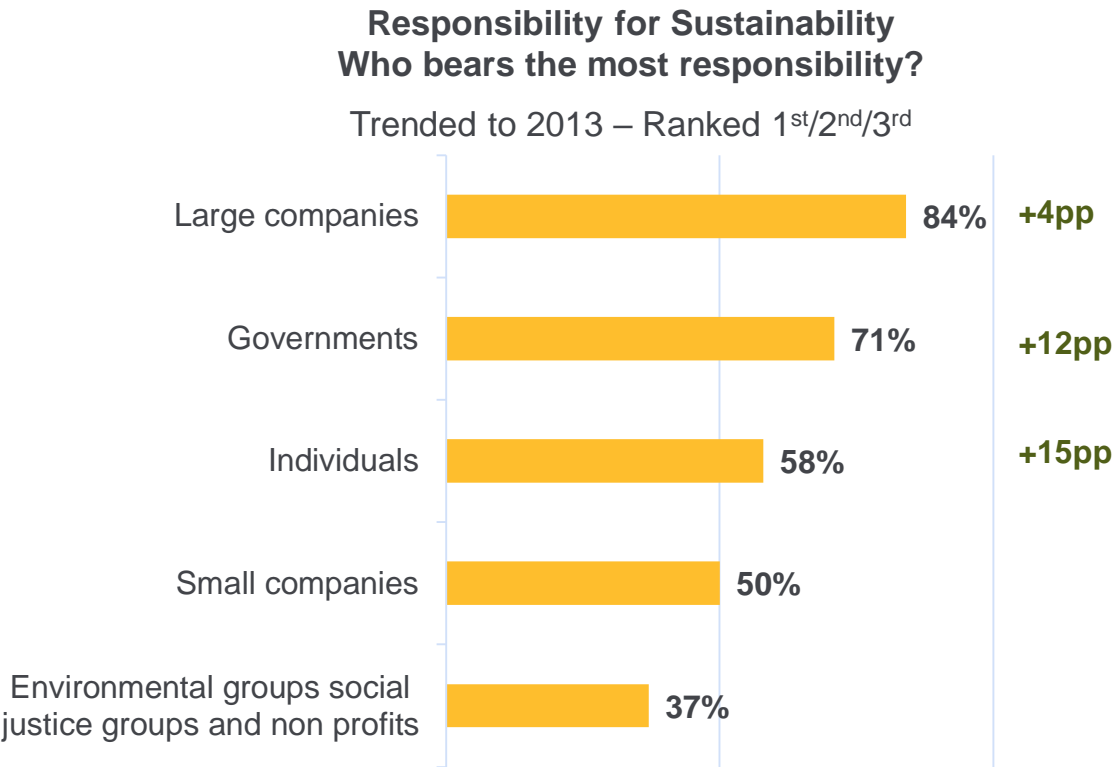
There is **demographic overlap** with those striving to live more **sustainability** and those who **consume dairy**.

Commitment to Change

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



Over half of consumers take responsibility for sustainability as individuals, however the majority see **large companies as carrying the most responsibility.**



88% of consumers would like **brands to help them** be more environmentally friendly and ethical in their daily lives

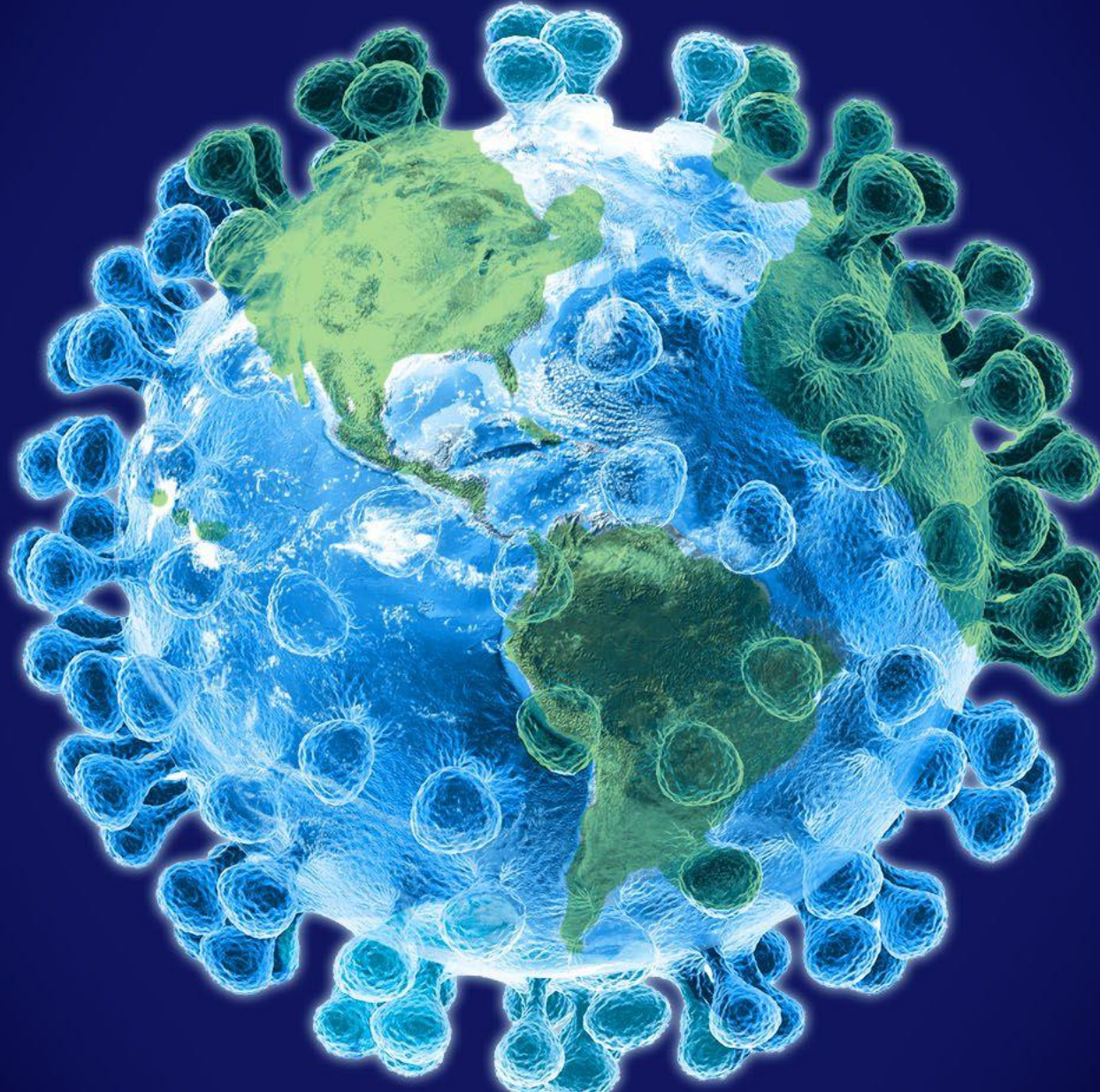


38% of consumers say **retailers are responsible** for environmentally friendly food and beverage choices.

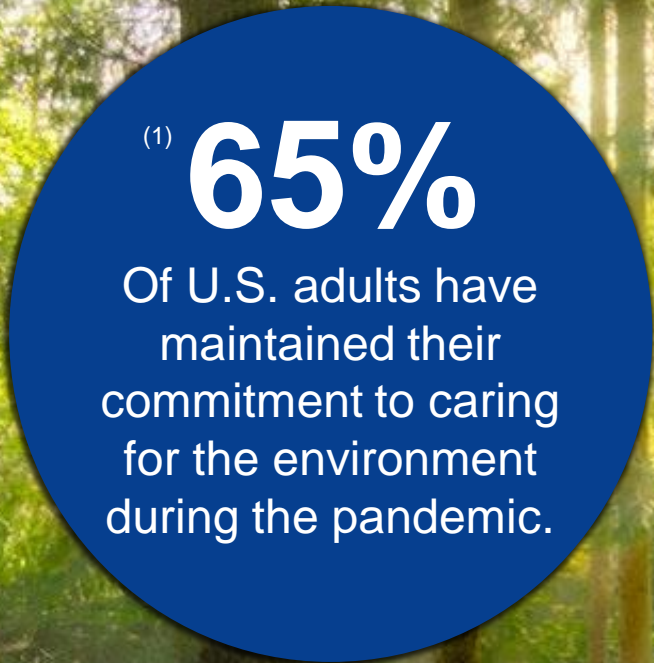
Respondents said they would like to see retailers play an active role in supporting these efforts through clear communication.



How Has the Pandemic Impacted Sustainability Concerns?



COVID didn't pump the brakes, it hit the accelerator.

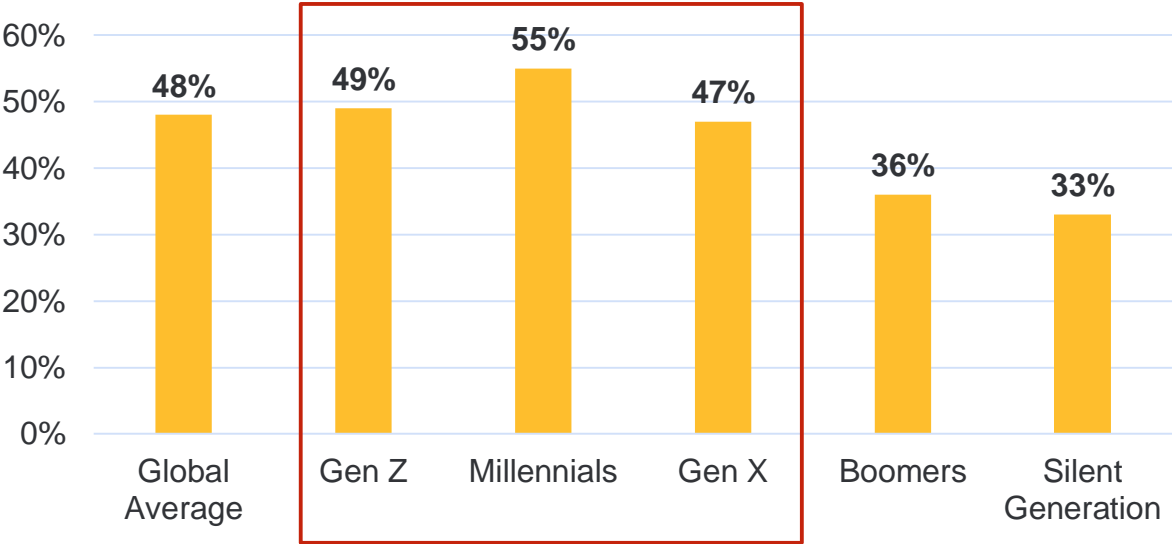


Source: (1) Mintel Food Packaging Trends: Incl Impact of COVID-19 – US- July 2020; (2) Kearney Consulting, April 2020; (3) Futerra Survey, April 2020

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.⁽²⁾

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



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 41

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



+19%

METAL CANS/TINS



+21%

GLASS BOTTLES OR JARS



+19%

METAL CANS/TINS



+21%

GLASS BOTTLES OR JARS

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

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

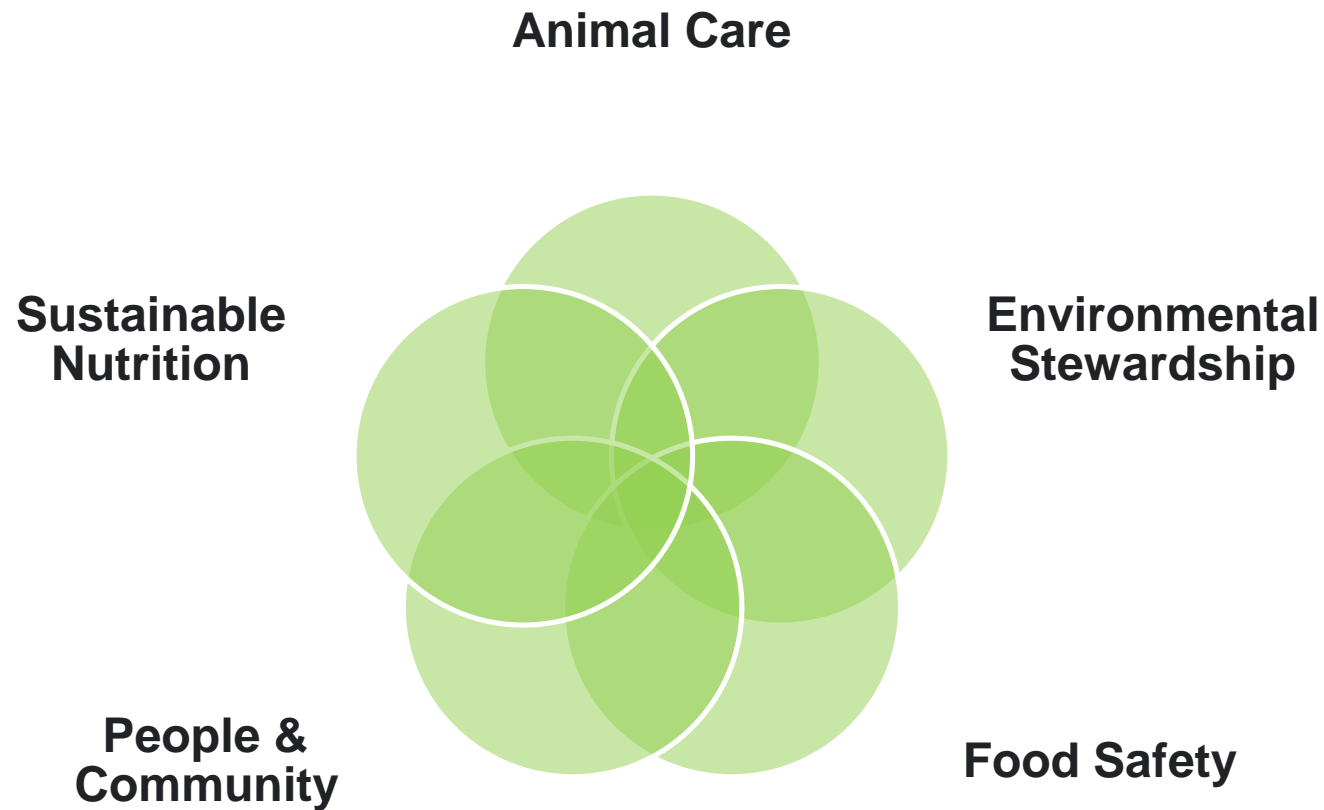


Dairy plays an essential role in nourishing people, the planet and our communities



Industry-wide social responsibility platform

CORE AREAS OF FOCUS



Build alignment, advance best practices, demonstrate impact



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

U.S. Dairy's social responsibility pledge



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

FIELD		
Priority	Indicator	Metric
Feed Impact	Field to Market* indicators for water, soil, land use and biodiversity	* The Innovation Center for U.S. Dairy® (Innovation Center) continues to work with Field to Market to ensure the indicators and metrics are useful and relevant to dairy.
	Innovation Center indicators for greenhouse gas (GHG) and energy intensity	* U.S. dairy's Comprehensive LCA for U.S. Milk is used to measure the GHG and energy intensity of feed production. These metrics mirror those used at the dairy farm and are reported in aggregate.
DAIRY FARM		
Priority	Indicator	Metric
Energy Use	Energy intensity	* Total energy use (converted to MMBTU)/lb. of milk (FPCM)
GHG Emissions	GHG intensity	* Total GHG emissions (tonnes CO ₂ e)/lb. of milk (FPCM)
Water Quantity	Water use (on-farm)	* Gallons of water withdrawn (for lactating cows)/lb. of milk (FPCM)
Nutrient Management	Nutrient Management Plan	* Do you implement and maintain a written Nutrient Management Plan? (Y/N)
Animal Care	Farm animal care	* Do you participate in the FARM Animal Care program? (Y/N)
PROCESSOR / MANUFACTURER		
Priority	Indicator	Metric
Energy Use	Energy intensity	* Total energy use (converted to MMBTU)/lb. of production output
GHG Emissions	GHG intensity	* Total GHG emissions (tonnes CO ₂ e Scope 1 and 2)/lb. of production output
Water Quantity	Water withdrawal	* Gallons of water withdrawn by source of water supply/lb. of production output
	Water efficiency	* Gallons of water withdrawn/lb. of production output
	Water recycling and reuse	* (Gallons of water supplied that are captured for reuse within the facility + milk water captured for use)/lb. of production output
	Milk water use	* Gallons of water captured from milk for use within facility/lb. of production output
Water Quality	Surplus water	* (Discharge volume - water withdrawn)/lb. of production output
	Water discharge and quality	* Do you have a policy, program or monitoring system that ensures routine compliance with industrial or storm water permit parameters? (Y/N)
	Resource Recovery	
Resource Recovery	Waste diversion	* Percent by weight total waste stream (lbs.) diverted from landfill or incineration without recapturing energy
	Throughput efficiency	* Total waste stream/lb. of production output
	Resource utilization	* Food donated or repurposed as animal feed and non-food recycled or composted (lbs.)/total waste stream (lbs.)
		* Food repurposed for industrial uses or compost and non-food repurposed for energy recovery (lbs.)/total waste stream (lbs.)
Workforce Development		* Waste sent to landfill or incineration without recapturing energy (lbs.)/total waste stream (lbs.)
	Human resources	* Total number of jobs supplied (includes full- and part-time employees and consultants)
		* Indirect and non-monetary benefits available to employees
Community Contributions	Worker safety	* Total number employed during the past year and percentage of employees who have been employed for 5, 10 and 20 years
		* Do you have leading indicators to measure/enforce safe worker behavior? Describe measurement systems employed, and how this has led to a safer workforce
		* Days of restricted work activity or job transfer (DART) rate
Product Safety & Quality		* Explain why this has changed over time.
	Community volunteering	* Volunteer activities performed by employees
	Monetary and product donations	* Monetary and product donation activities
	Educational opportunities	* Describe community educational events per year and the total number of participants.
Traceability	Product contributions	* Servings of dairy donated or consistently supplied to a non-profit organization to feed food insecure people. (For Stewardship Commitment reporting, companies report in lbs.)
	Food safety	* Do you have validated, verifiable food safety programs and management systems in place? (Y/N)
		* Do you frequently reassess your food safety programs to ensure efficacy and to reflect new food safety tools/practices and ensure continuous improvement? (Y/N)
		* Commitment to voluntary U.S. Dairy Traceability Guidelines (Y/N)



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



VISION

U.S. Dairy as an Environmental Solution

GOALS

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



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.



A high-speed photograph of a thick stream of white milk falling into a pool of milk, creating a large splash with many droplets and bubbles. The background is a solid light gray.

Questions?

insights@midwestdairy.com



Bringing Dairy to Life!