Navigating Dairy Growth Post COVID-19

August 19, 2020

Today’s Presenters and Panelist

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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.

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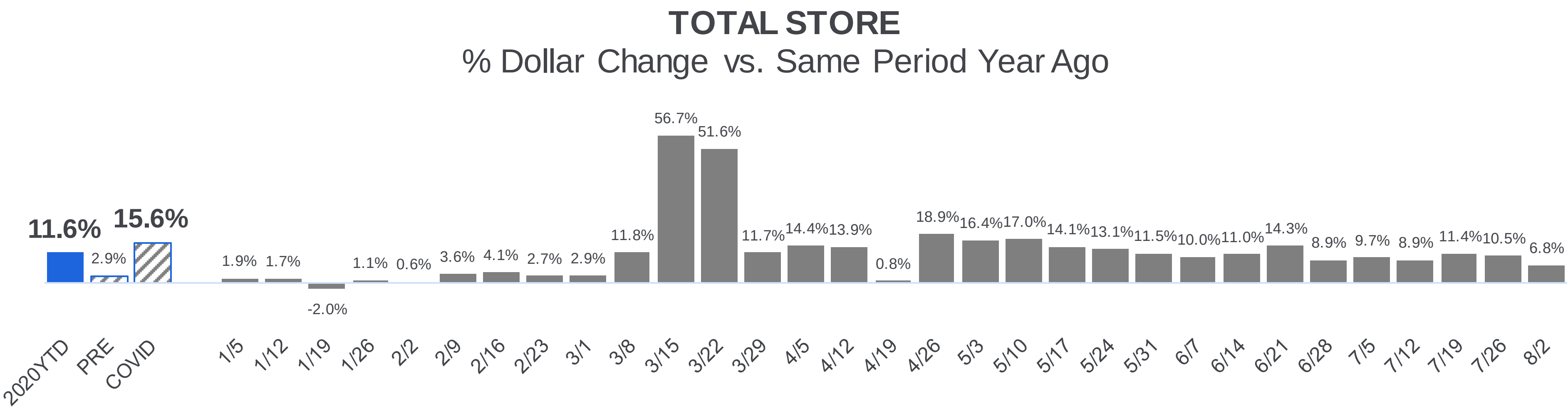
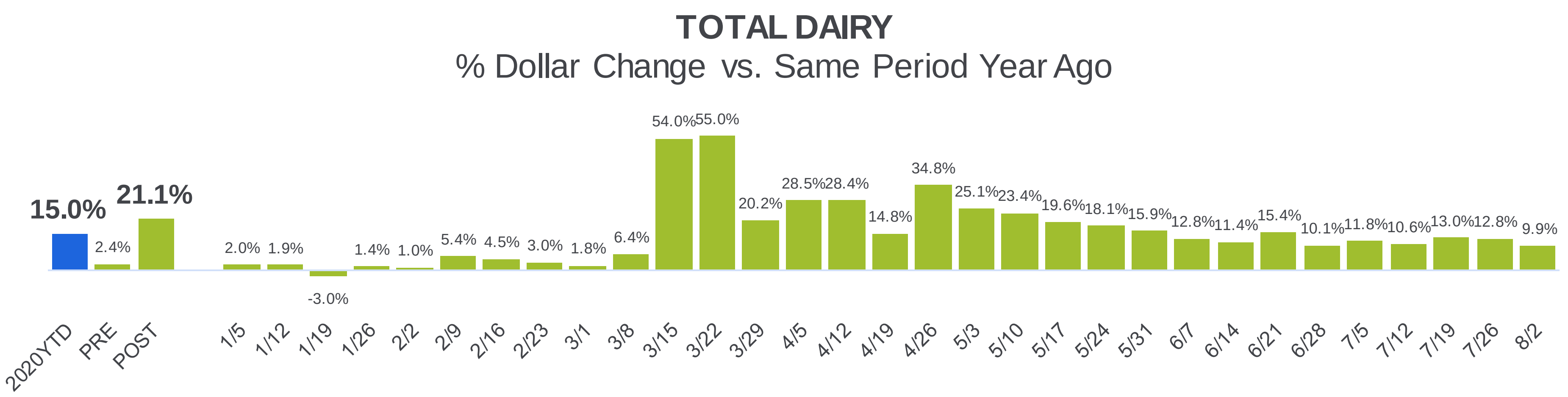
Prior to COVID-19, ~20% of the US population Ate 90% of Their Meals at Home. Now, ~50% of Households are Reporting Eating at Home at Least 90% of the Time.

Dairy aisle dollar sales have outpaced total store dollar sales throughout the pandemic





Source: IRI syndicated database
PRE-COVID: 2020 through 3-8; COVID: 3-9-2020 to 8-2-2020
Note: Easter 2020: 4/12; Easter 2019: 4/21
Total Dairy =RFG + shelf-stable milk, Natural + processed cheese, Butter + butter blends, Yogurt, Ice cream + sherbet, cottage cheese, sour cream, dairy cream, half & half

Survey Research Methodology

Survey Method

ONLINE SURVEY
12 Minutes in length, fielded June 25 – July 2, 2020

Qualified Respondents

DAIRY CATEGORY INCREASERS: MILK, CHEESE, YOGURT, BUTTER Behaviorally qualified sample of 25%+ Change during COVID-19 pandemic restrictions vs. YAG (12 wks ending 5/17/2020)

Sample Size

503 QUALIFIED TOTAL DAIRY BUYERS RESPONDENTS SURVEYED

Milk increasers N = 126

Cheese increasers N = 125

Yogurt increasers N = 127

Butter increasers N = 125

Geography

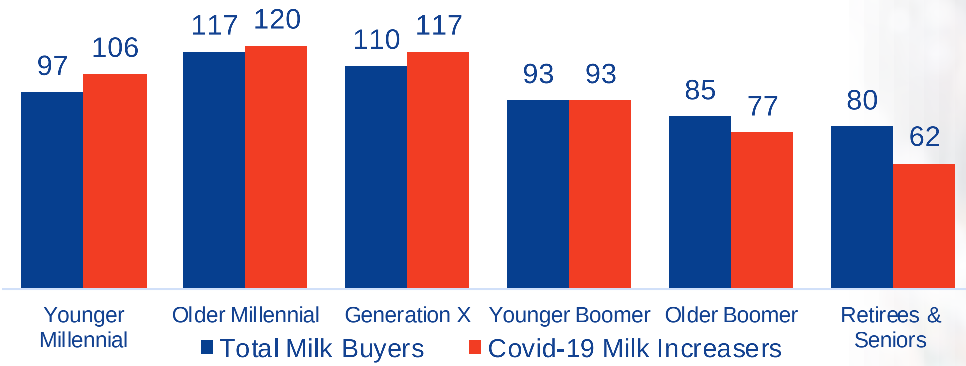
TOTAL U.S.
This study included the responses of Dairy Increasers throughout the Total U.S.

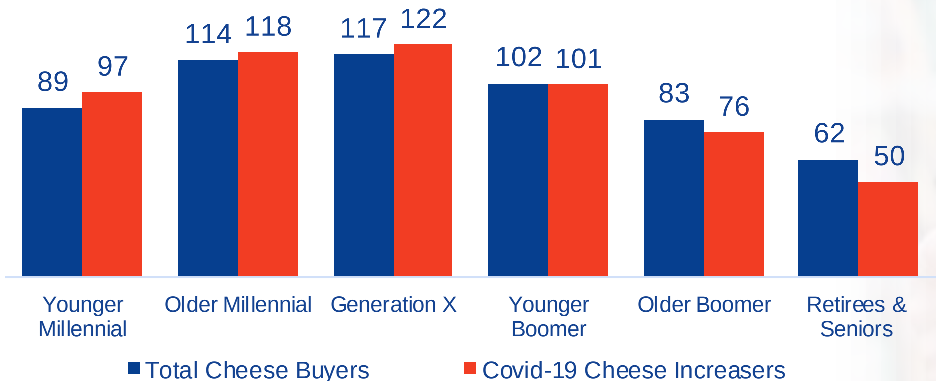
*Weighted totals will not sum to total qualified buyers as these are adjusted proportionally for each target group. Weighting is done do ensure that buyer cohorts are representative of their population in the United States. This may involve weighting-up or weighting-down specific cohorts.

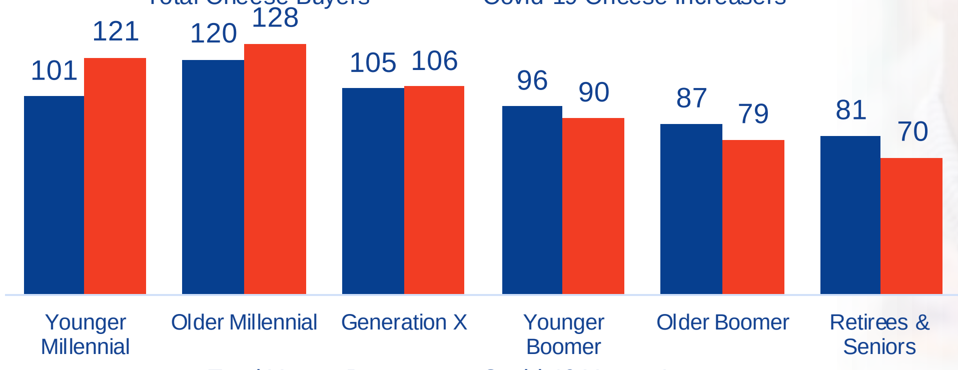
WHO?

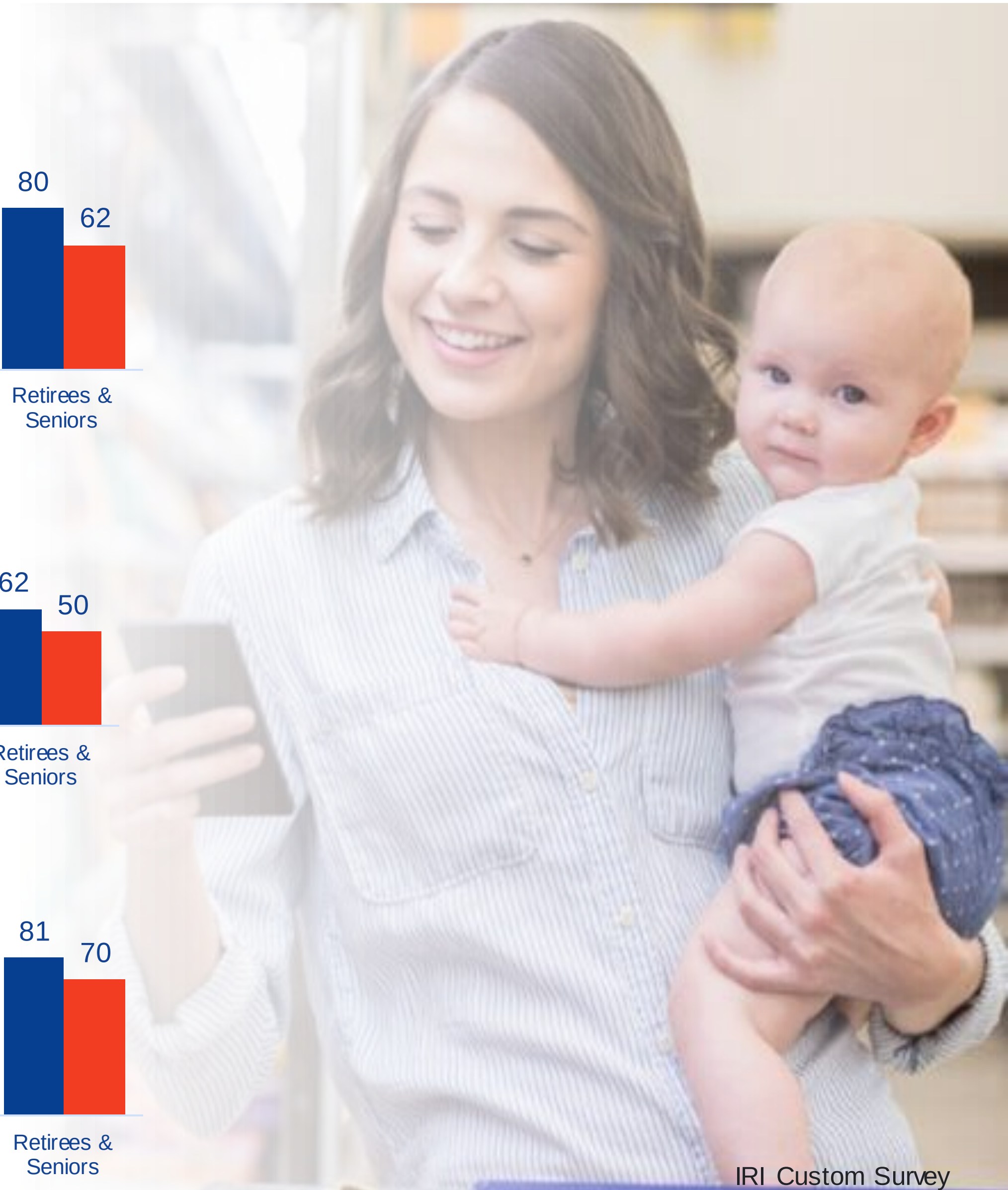
Who has increased their spending on milk, cheese, yogurt and butter by 25%+ at retail in the past 3 months?

Increasers of Milk, Cheese and Yogurt Were More Likely to be Younger



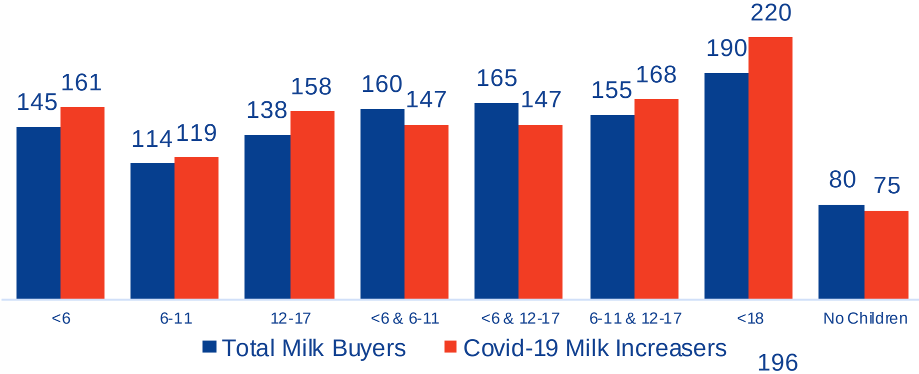


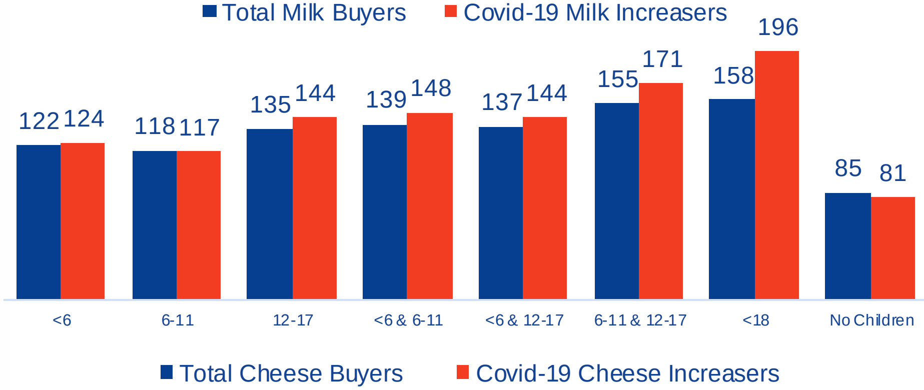


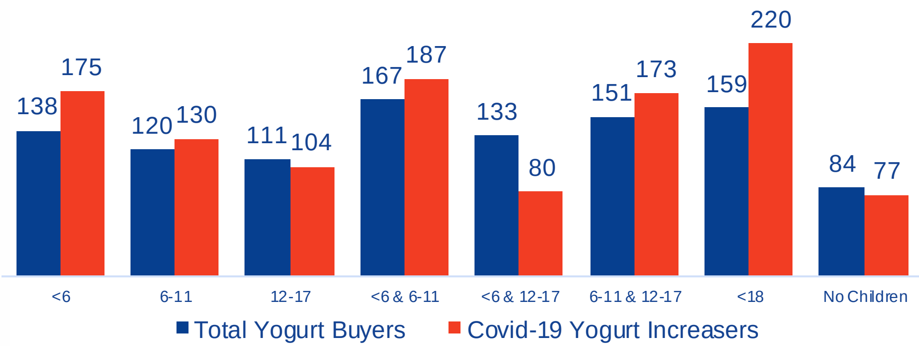


IRI Custom Survey

Consumers with Children in the Household Have Over Indexed for Increased Spending on Milk, Cheese and Yogurt

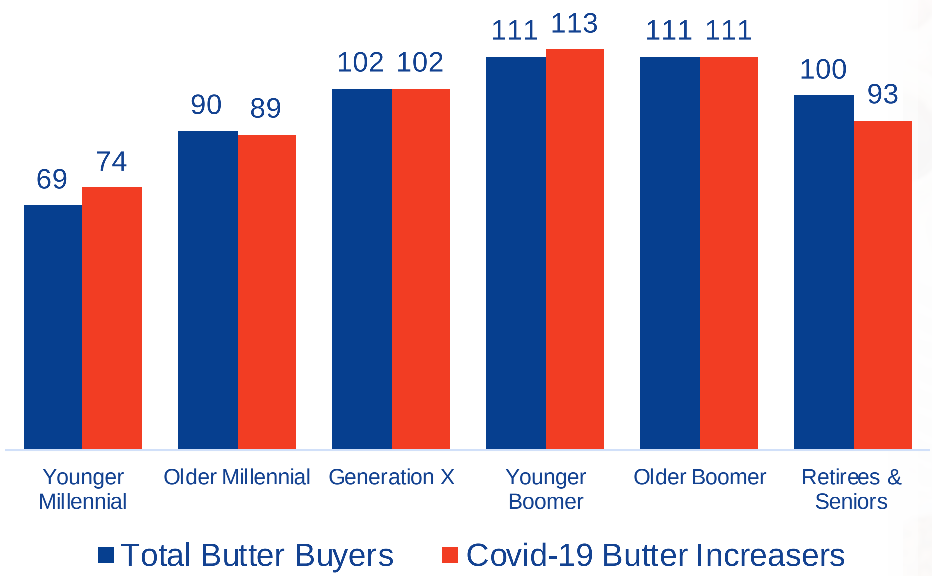






Uniquely, Butter's Growth Was Driven By Primarily Existing Category Buyers, with Slight Increases Among Younger Millennials and Younger Boomers

Volume Index Comparison By Generation



IRI Custom Survey

Those Buying More of One Dairy Food are Increasing Spending Across the Dairy Case, Suggesting that Managing Across the Portfolio will be Beneficial

% CONSCIOUSLY BUYING MORE ACROSS CATEGORIES

Categories Purchased More during COVID	Category Increasers: Milk	Cheese	Yogurt	Butter
Milk	-----	28%	31%	20%
Cheese	28%	-----	26%	23%
Yogurt	20%	21%	-----	20%
Butter	28%	35%	23%	-----

Q1. Which of the following best describes how your household's dairy purchase has changed over the last 2-3 months, since the COVID-19 restrictions began, for the following?

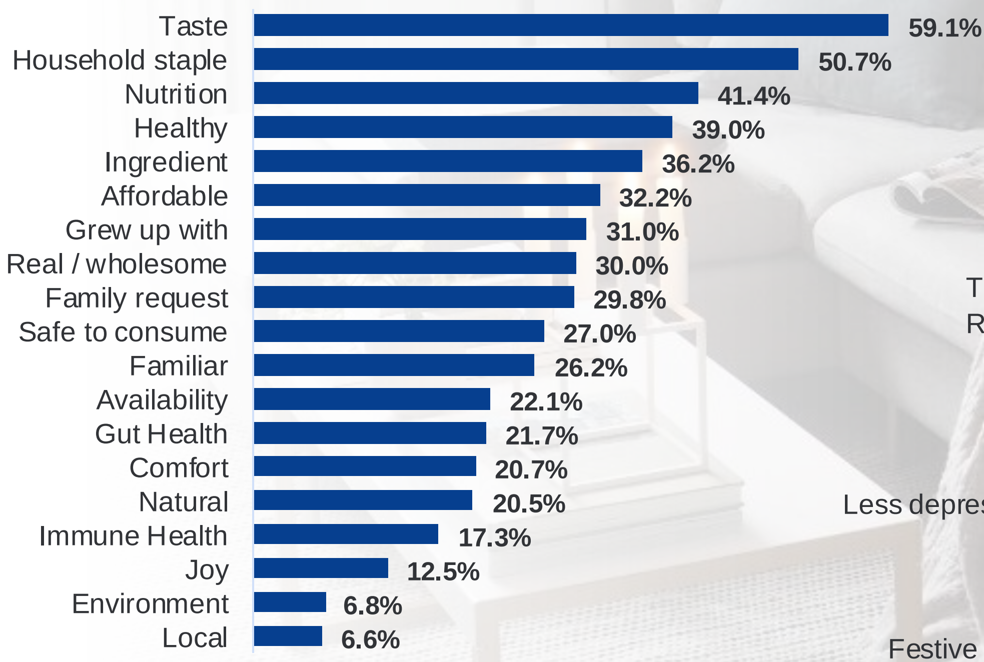
Source: IRI Custom Survey

WHY, WHEN & HOW?

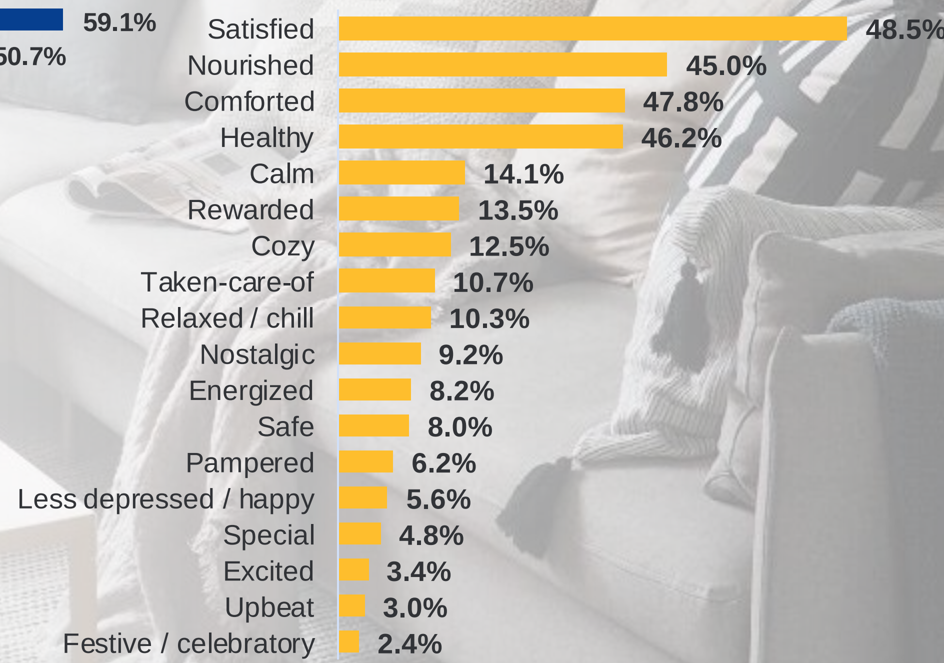
Why, when and how has dairy consumption changed during the pandemic?

Respondents Increased Their Dairy[1] Consumption Due to **Taste**, **Habitual Consumption** and **Nutrition** Resulting in the Feelings of Satisfaction and Nourishment

Why Consumption Increased During COVID Restrictions



How Did Consumption Make You Feel



Source: IRI Custom Survey

[1]: Dairy = Butter + Cheese + Milk + Yogurt

Butter Snapshot: Changes Since COVID-19

Over half of those spending more on butter say they are preparing more meals and baked goods from scratch

+32.6%
Year-To-Date Volume Growth

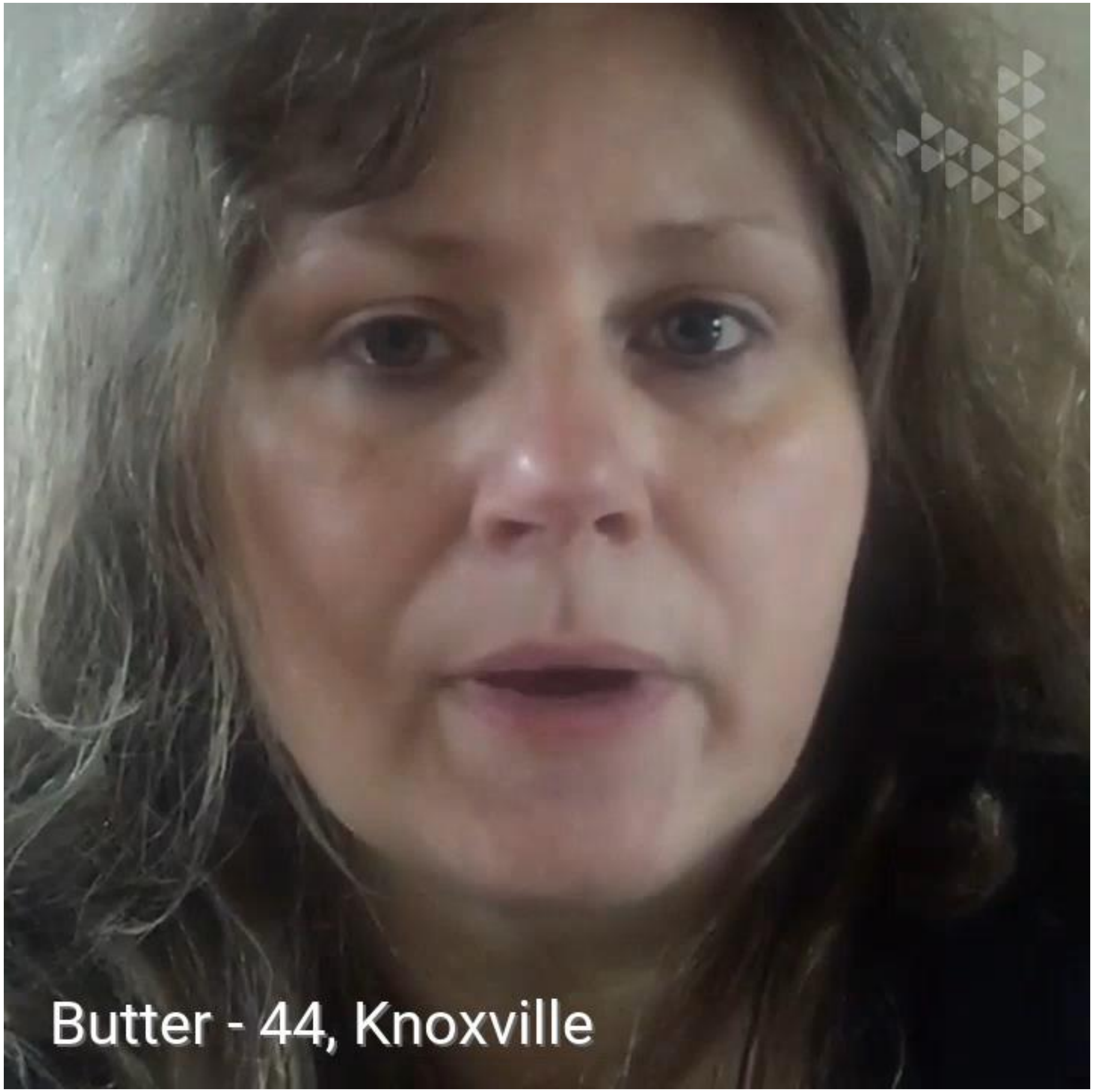
WHEN IS CONSUMPTION INCREASING?

- Morning Snack (+54.6%)
- Breakfast (+30.9%)

USED MORE FOR…

- Baking (+42.4%)
- As an ingredient (+36.8%)
- Dessert recipe (+33.6%)
- Breakfast (+30.4%)

Source: IRI Unify, Total US Multi Outlet + Conv., Year To Date Through 6/14/2020
IRI Custom Survey
Appendix:


Butter - 44, Knoxville

Cheese Snapshot: Changes Since COVID-19

+16.7%
Year-To-Date Volume Growth

WHEN IS CONSUMPTION INCREASING?

- Breakfast (+44.9%)
- Afternoon snack (+46.7%)
- Nighttime snack (+47.4)

USED MORE FOR…

- In a sandwich (+40.0%)
- As a snack (+36.8%)

Source: IRI Unify, Total US Multi Outlet + Conv., Year To Date Through 6/14/2020
IRI Custom Survey
Appendix:


Cheese - 25, Glen Allen

Milk Snapshot: Changes Since COVID-19

+4.5%
Year-To-Date
Volume Growth

WHEN IS CONSUMPTION INCREASING?

- Breakfast (+30.9%)
- Morning Snack (+54.6%)

USED MORE FOR…

- Baking (+42.4%)
- As an ingredient (36.8%)
- Dessert recipe (+33.6%)
- Breakfast (+30.4%)

Source: IRI Unify, Total US Multi Outlet + Conv., Year To Date Through 6/14/2020
IRI Custom Survey
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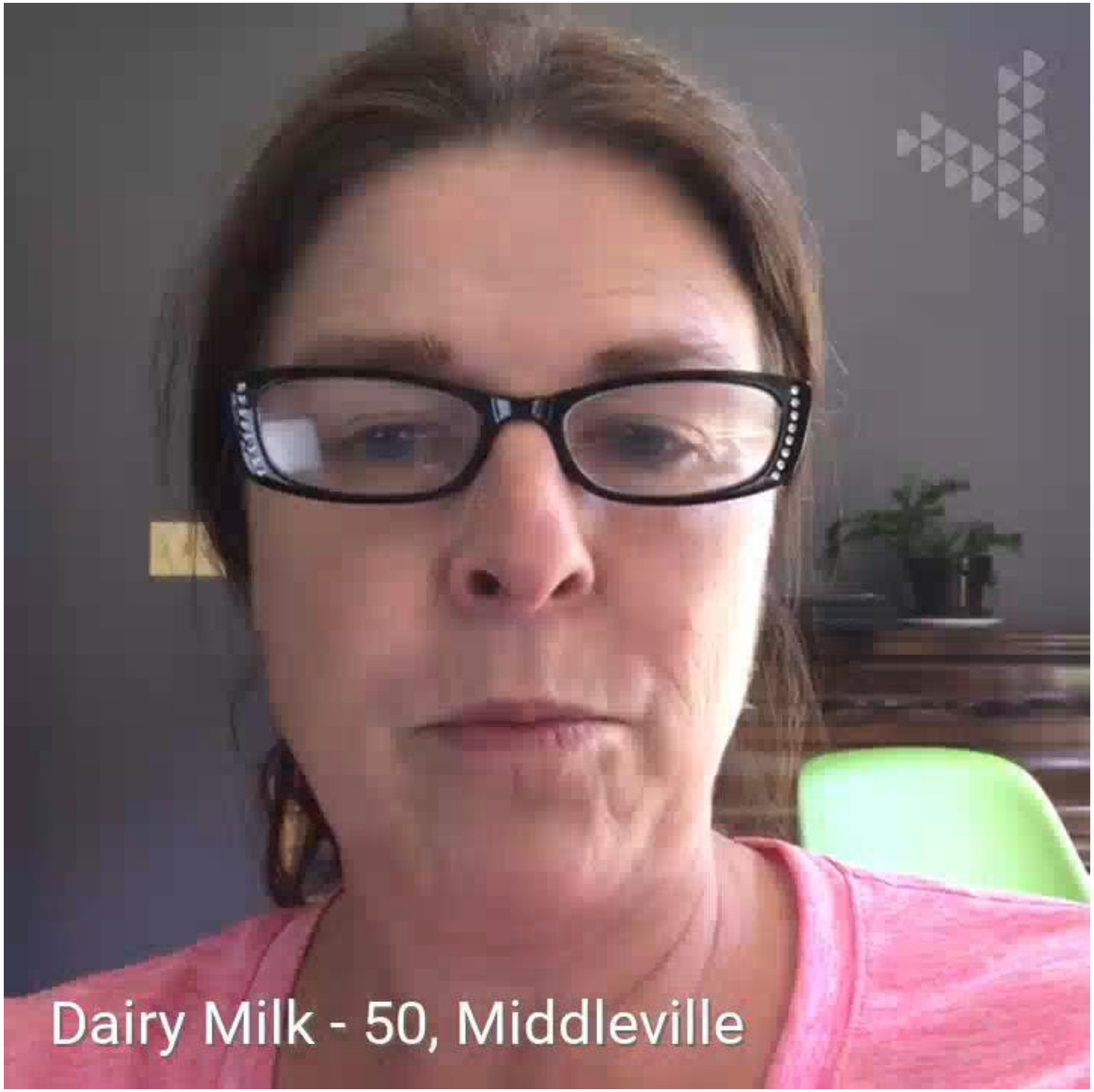

Dairy Milk - 50, Middleville

Yogurt Snapshot: Changes Since COVID-19

+3.2%
Year-To-Date Volume Growth

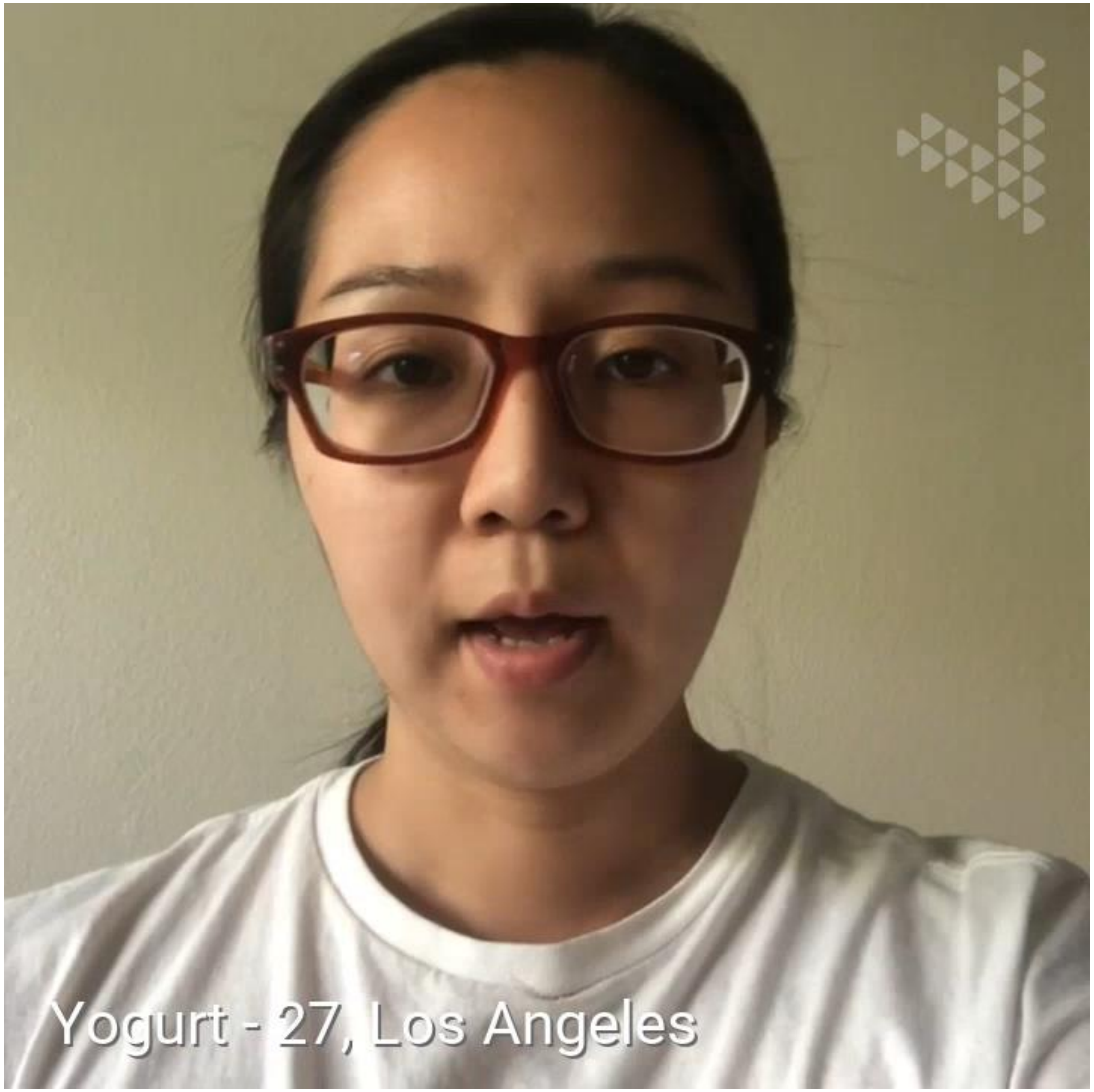
WHEN IS CONSUMPTION INCREASING?

- Breakfast (+30.9%)
- Morning Snack (+54.6%)

USED MORE FOR…

- Baking (+42.4%)
- As an ingredient (36.8%)
- Dessert recipe (+33.6%)
- Breakfast (+30.4%)

Source: IRI Unify, Total US Multi Outlet + Conv., Year To Date Through 6/14/2020
IRI Custom Survey
Appendix:

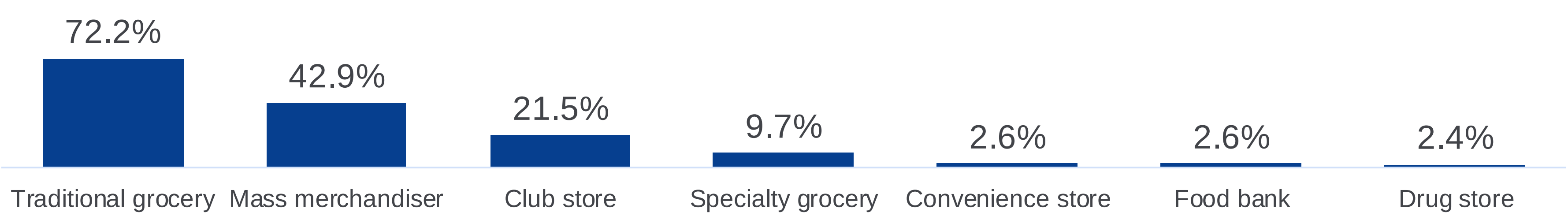

Yogurt - 27, Los Angeles

WHERE?

How has the location of where milk, cheese, yogurt and butter shifted during the pandemic?

For Dairy[1] Respondents, In-Store Shopping at Traditional Grocery Stores was still the Primary Method and Location, but Many did go Online to Shop

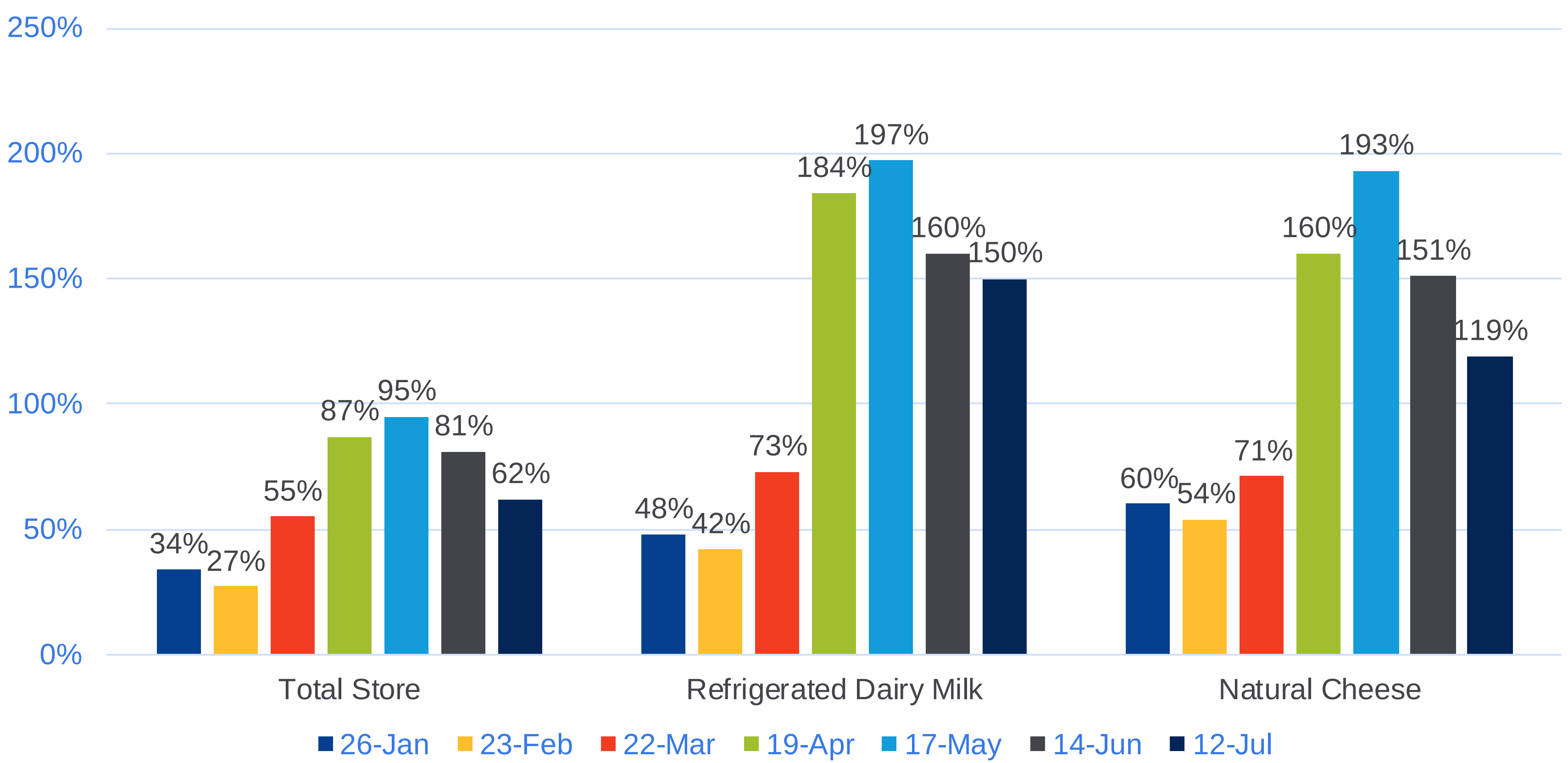
	Traditional Grocery	Mass Merchandiser	Club Store	Specialty Grocery
In-Store	92.3%	87.5%	94.4%	89.8%
Online	18.7%	25.9%	8.3%	14.3%
Online For In-Store Pickup	3.9%	5.1%	3.7%	0.0%
Online For Curbside Pickup	10.5%	18.5%	4.6%	4.1%
Online For Home Delivery (Instacart For Example)	6.6%	4.6%	2.8%	12.2%
Had Another Person Shop For Me	5.2%	4.6%	7.4%	4.1%



Source: IRI Custom Survey

[1]: Dairy = Butter + Cheese + Milk + Yogurt

Dairy Milk and Natural Cheese Have Gained Momentum on eCommerce During the Pandemic with Triple Digit Increases



Source: IRI emarket insights
Note: 2020 YTD is through 7-12-2020

Personal Shopping Preference, Delivery Fee/Tip and the Ability to see and Touch are Common Barriers to Online Purchasing of Dairy

Top Barriers To *Continued* Online Purchasing Of Dairy

Delivery fee / tip
Personal preference
Like to see / touch
Miss / like human interaction
Walking aisles reminds me what I need
Gets me out of the house
Immediate need
Don't get some deals as in-store

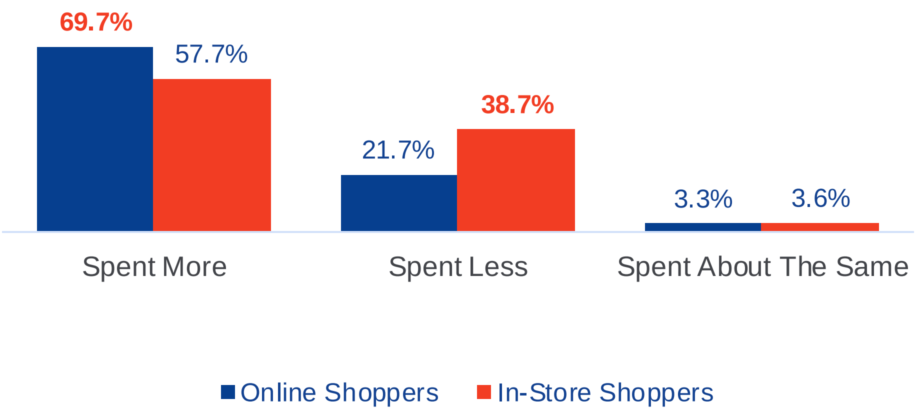
Top Barriers To *Trying* Online Purchasing Of Dairy

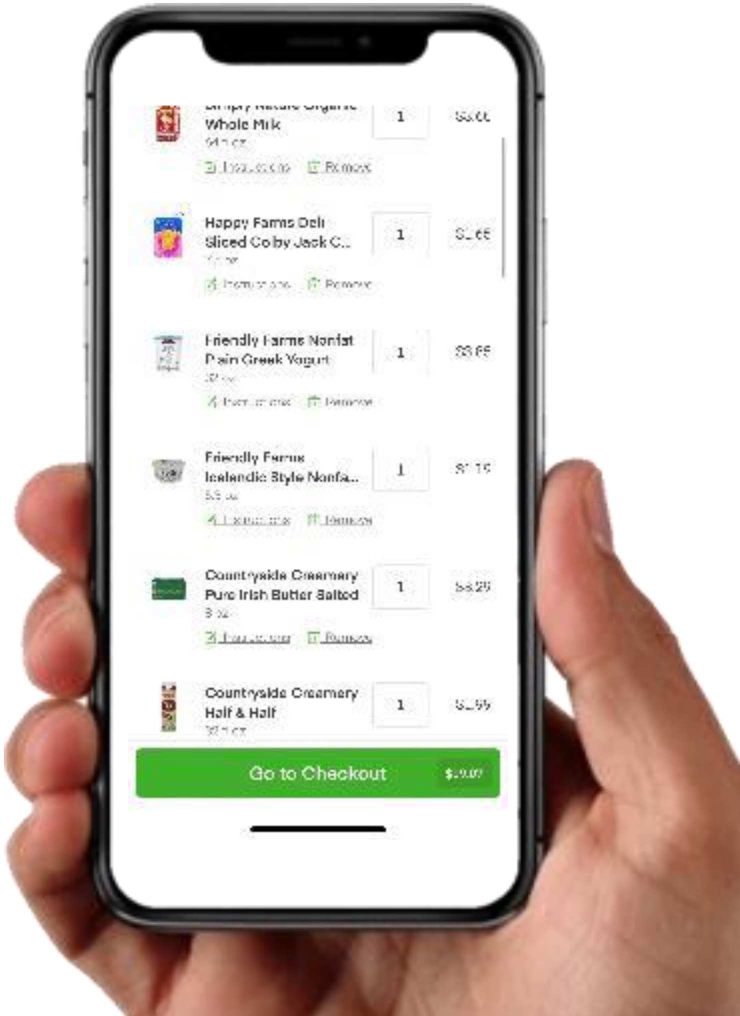
Personal preference
Not comfortable buying online
Delivery fee / tip
Immediate need
Like to see / touch
Walking aisles reminds me what I need

Source: IRI Custom Survey

Online Shoppers say They are Spending More than In-Store Shoppers. These Shoppers were Motivated by Limited Interaction with others and Contactless Experiences.

How Has Spending Changed Since COVID Restrictions Began





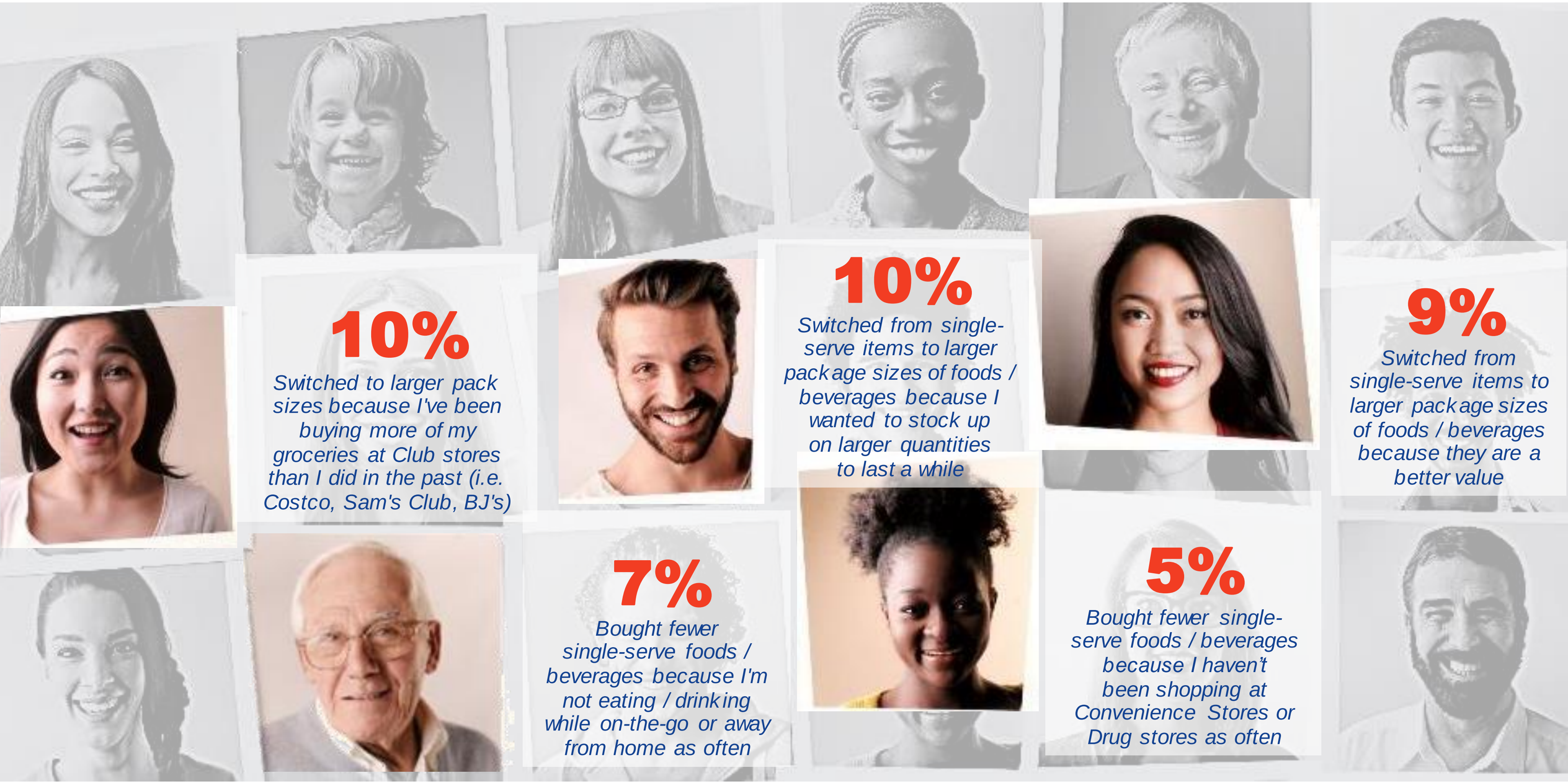
Indicates statistically significant difference

Source: IRI Custom Survey
Appendix:

WHAT’S NEXT?

Implications for the future of dairy

Recessionary Behaviors are Starting to Take Hold; A Third of Shoppers have made Purchase Changes



10%
Switched to larger pack sizes because I've been buying more of my groceries at Club stores than I did in the past (i.e. Costco, Sam's Club, BJ's)

10%
Switched from single-serve items to larger package sizes of foods / beverages because I wanted to stock up on larger quantities to last a while

9%
Switched from single-serve items to larger package sizes of foods / beverages because they are a better value

7%
Bought fewer single-serve foods / beverages because I'm not eating / drinking while on-the-go or away from home as often

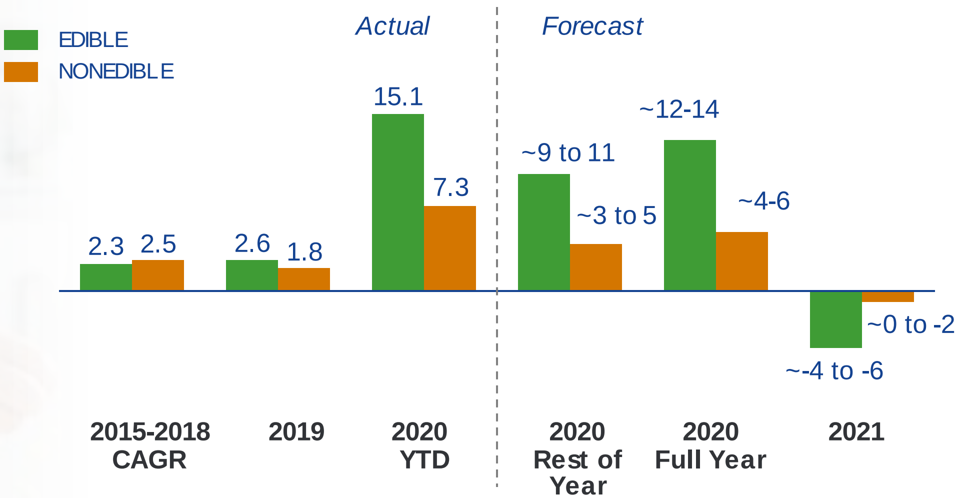
5%
Bought fewer single-serve foods / beverages because I haven't been shopping at Convenience Stores or Drug stores as often

MIDWEST Dairy™

Source: IRI Survey 2020, IRI Consumer Network™ Panel representing Total U.S. Primary Grocery Shoppers, April 17-19, 2020.

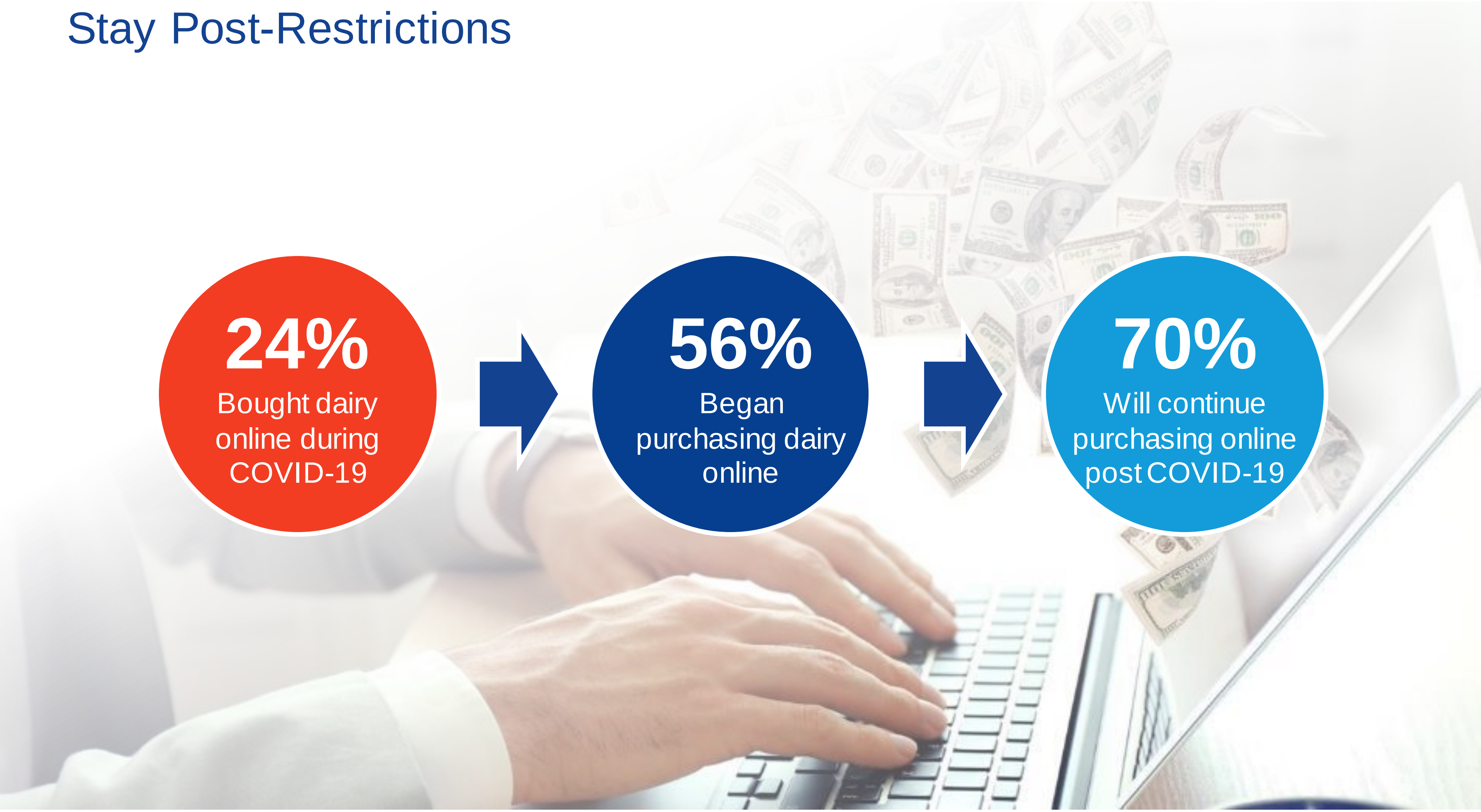
We Expect Measured Channels CPG Sales to Remain Elevated Through 2021, Driven by Lingering Stay-at-Home Behaviors

CPG $ Sales % Chg. vs. YA Actual & Forecast – Multi-Outlet (MULO+C)



Source: 1. Google Mobility Report Total US retail and recreation mobility as of June 12, 2020. 2. JP Morgan Chase Consumer Card Spending as of June 12, 2020. Assumes no major national quarantine event after March –May 2020 / Source: IRI Strategic Analytics proprietary forecasting models, IRI Growth Consulting analysis.

Among Those 1 In 4 Who Bought Dairy Online, Majority Began Purchasing During COVID Restrictions, and the Trend Is Here to Stay Post-Restrictions



Source: IRI Custom Survey

[1]: Dairy = Butter + Cheese + Milk + Yogurt

Working From Home will Become the Norm for Some; Continued Snacking and In-Home Meals will Play a Key Role in Future Dairy Demand

25% Are Working From Home More Often Rather Than Going to an Office Due to COVID-19

After Stay-at-Home Restrictions End, Those Who Have Been Working from Home More Plan to:

18% **Work from home much more often** than I did before COVID-19

19% **Work from home a little more often** than I did before COVID-19

63% **Return to my usual schedule** for work location

Source: IRI Survey 2020, IRI Consumer Network™ Panel representing Total U.S. Primary Grocery Shoppers, April 10-12, 2020.

More Home Cooking Means Growth For Ingredient-Centric Categories Like Butter And Cheese

Total US Survey Fielded May 1-3

68%

*Eating at Home More Often Instead of at Restaurants**

35%

Creating More Meals from Scratch

After Stay-at-Home Restrictions End, Those Who Made Changes Plan to…

34% **Wait a *FEW EXTRA WEEKS*** after restrictions end before returning to restaurants

47% **Wait a *MONTH OR MORE*** after restrictions end before returning to restaurants

53% **Continue to create meals from scratch** more than before

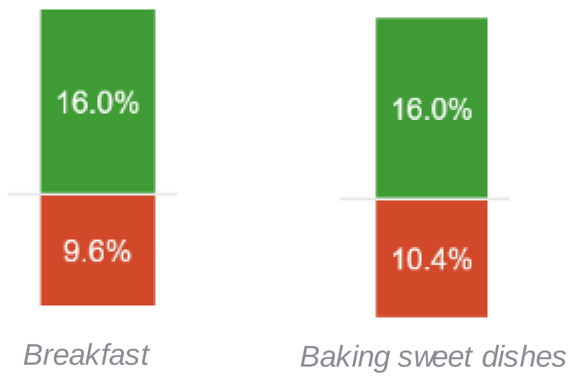
* IRI Survey Fielded 5/1-5/3

Source: IRI Survey 4/24-4/26 among National Consumer Panel representing Total US Primary Grocery Shoppers

Once COVID Restrictions are Lifted, Consumers Expect…

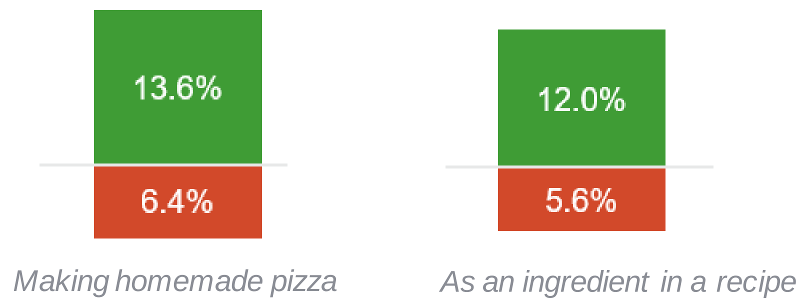
BUTTER

To use butter more with **breakfast** and **baking**



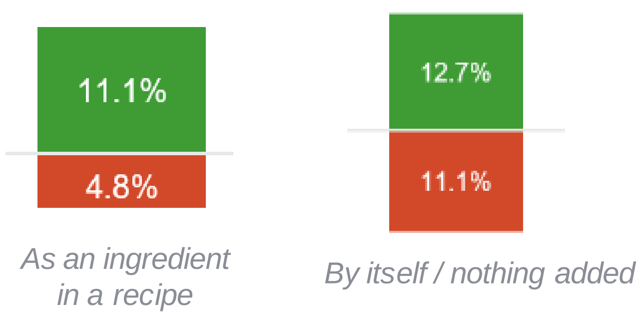
CHEESE

To use more cheese in **making pizza at home** and **as an ingredient** in other meals



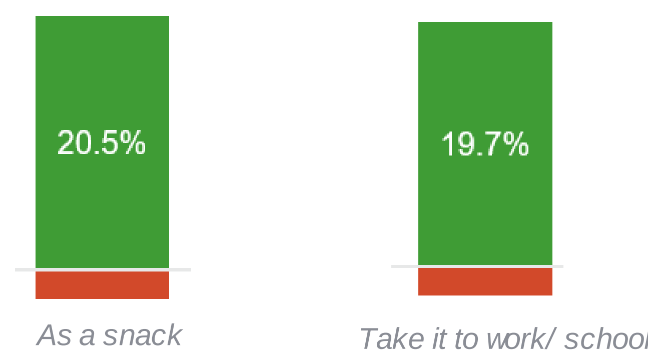
MILK

To use more milk as an **ingredient in a recipe;** other use gains are offset by declines



YOGURT

To use more yogurt as a **snack** and to **take it to work or school**



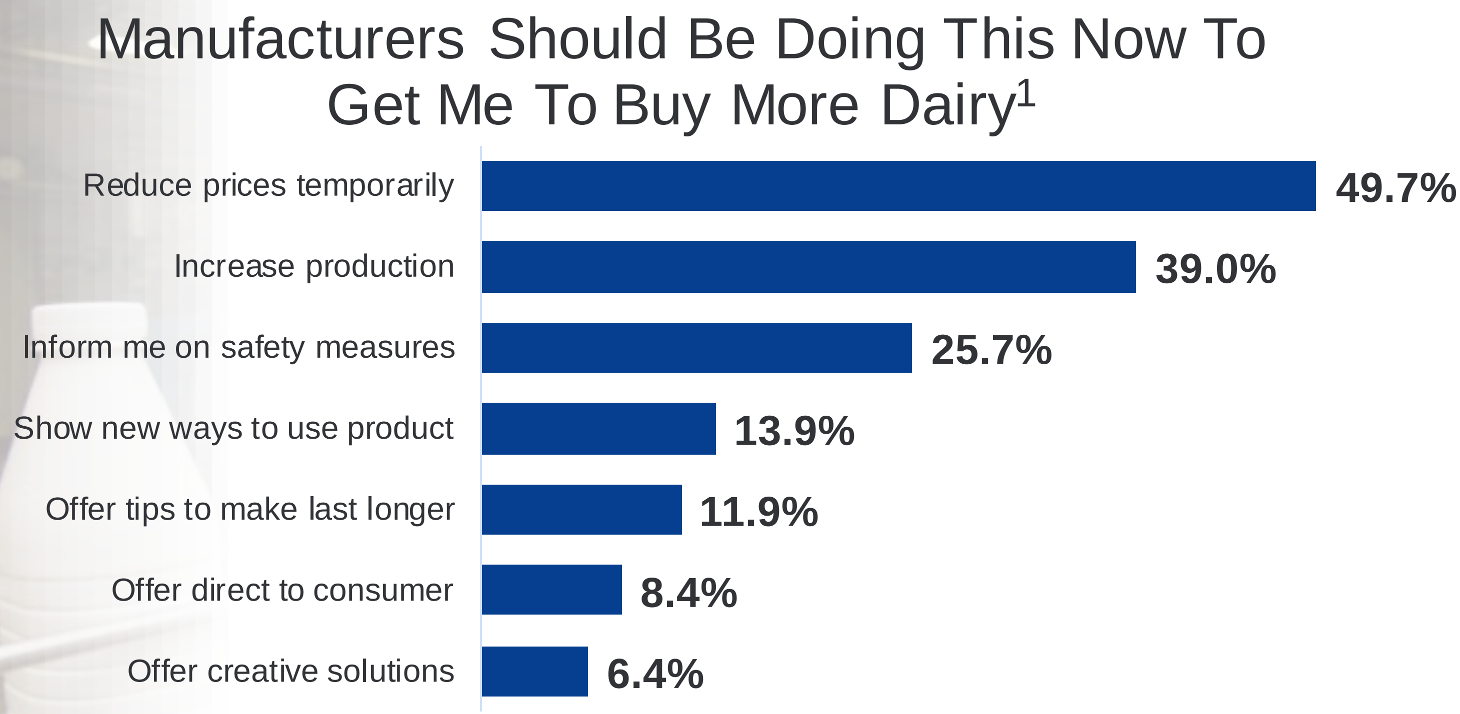
■ Will Use More ■ Will Use Less

Source: IRI Custom Survey
Appendix:

HOW TO SUSTAIN DAIRY GROWTH?

INDUSTRY ACTIVATIONS

To Keep Product In Reach, Consumers are Looking for Savings & Increased Production by Manufacturers

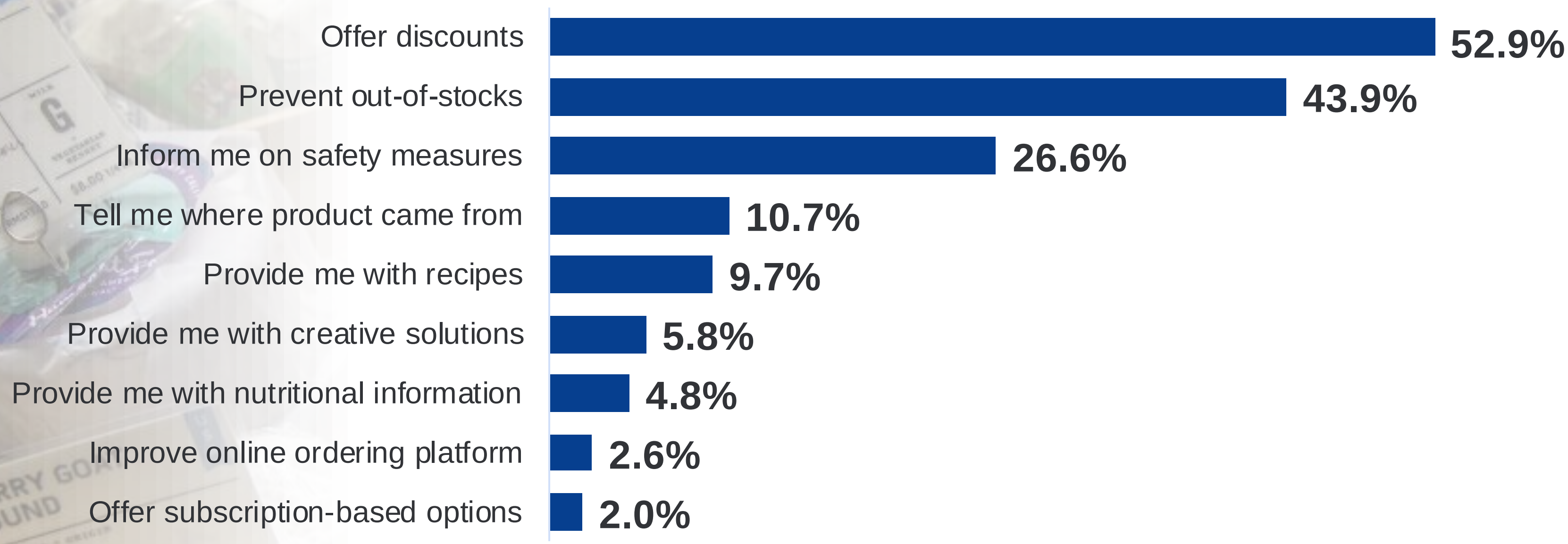


Source: IRI Custom Survey

[1]: Dairy = Butter + Cheese + Milk + Yogurt

Similarly Consumers are Looking to Retailers for Discounts and Strong Product Availability

Retailers Should Be Doing This Now To Get Me To Buy More Dairy[1]



Source: IRI Custom Survey

[1]: Dairy = Butter + Cheese + Milk + Yogurt

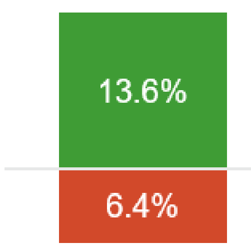
1

Customize Shopper Marketing Promotions Based on Future Usage Occasions

Dine Out @ Home Promotion

Supplementing the dine-out experience and exciting shoppers to dine at home

Inspiring shoppers and garneting excitement about recreating the dine-out experience right in their kitchen through ease of use with meal kits, cross-promotions and reminders for needed ingredients.

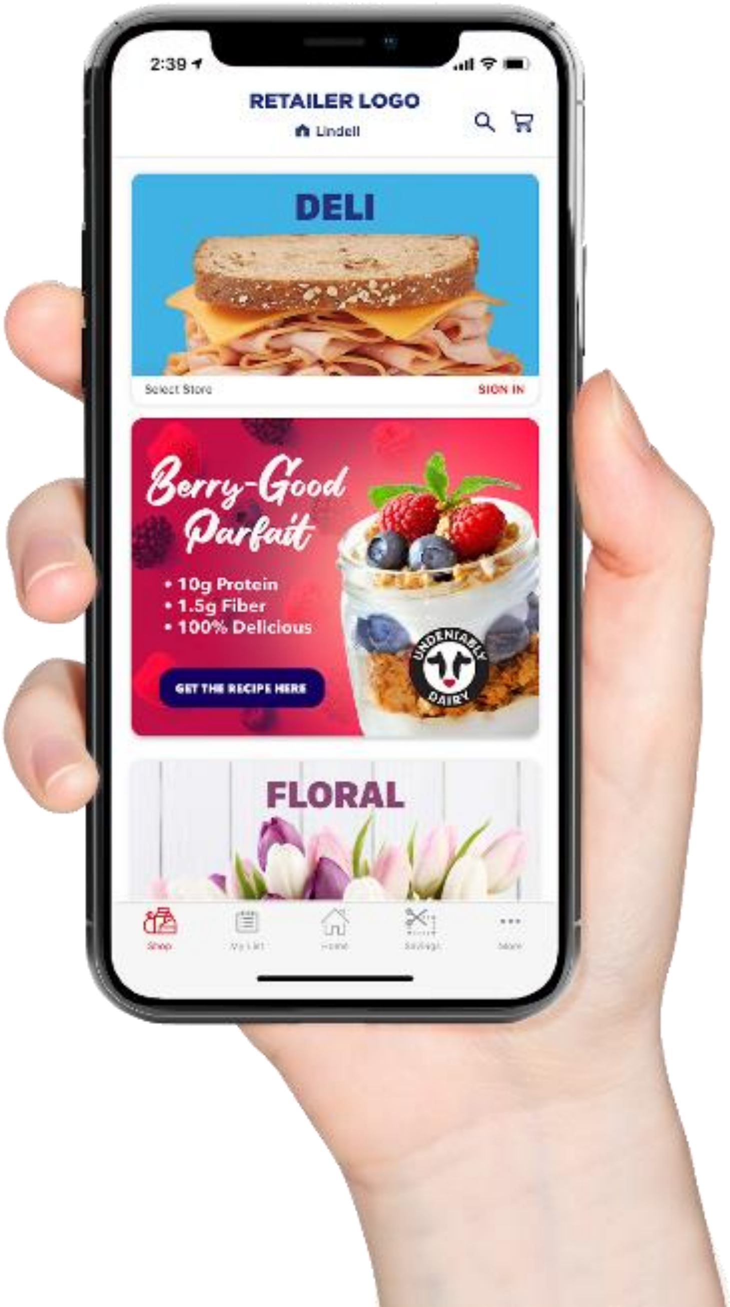


Increase cheese usage, making homemade pizza

Address Shoppers Need For Snacking

Embracing increased snacking demands

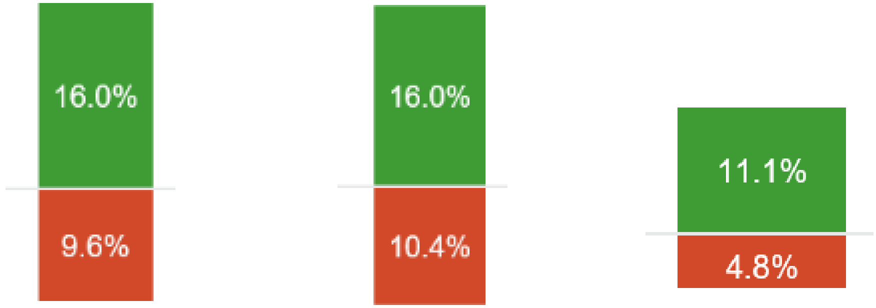
Cross promoting categories with dairy at the center, we can support a shopper’s desire to snack better and build basket size with different ideas on how to Snack Smarter.



Increase yogurt usage, as a snack

Provide Seasonal Recipe Inspiration with a Focus on **Breakfast** and **Baking**

Focus on butter and milk recipes with a consideration for seasonal inspiration and holiday gift giving.



Increase butter usage, breakfast

Increase butter usage, baking sweet dishes

Increase milk usage, ingredient in a recipe

2

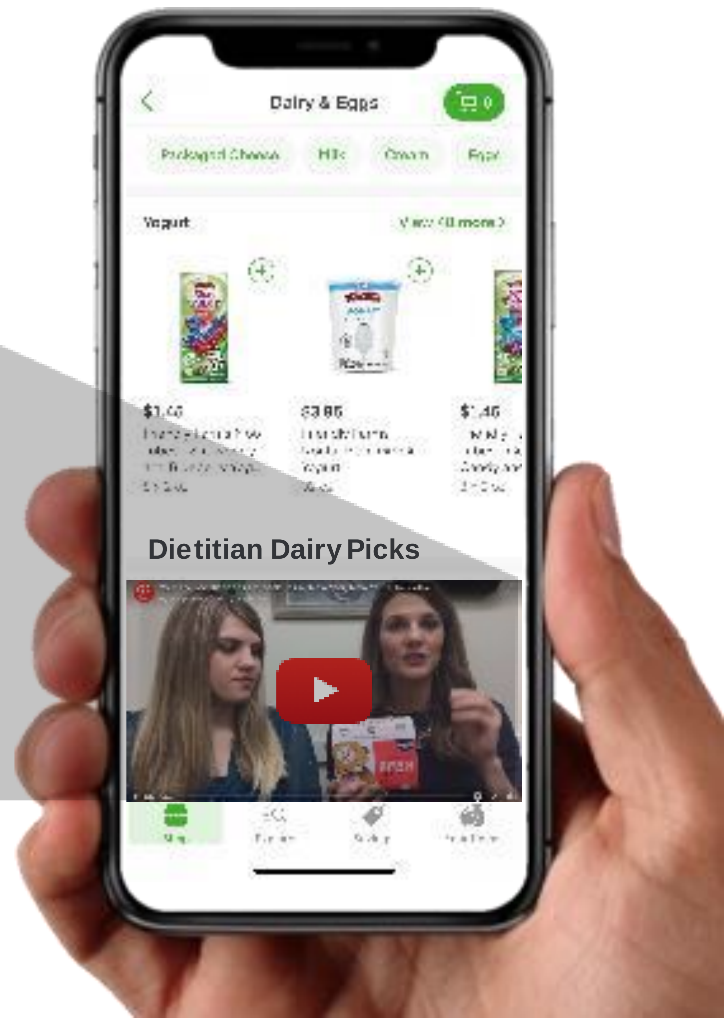
Address Dairy's Online Shopping Barriers

Stay Connected with Your Shoppers

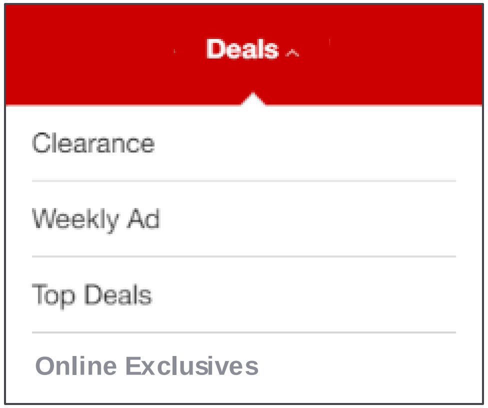
Include videos at the point of sale for your shoppers to learn more about seasonally recommended dairy products from their local retail dietitian

Top Barriers to *Continued* Online Purchasing of Dairy

- ✓ Delivery fee / tip
- ✓ Personal preference
- ✓ Like to see / touch
- ✓ **Miss / like human interaction**
- ✓ Walking aisles reminds me what I need
- ✓ Gets me out of the house
- ✓ Immediate need
- ✓ Don't get some deals as in-store



Offer Special Dairy Deals for Online Shoppers and Enhance Browsing Ability



Top Barriers to *Continued* Online Purchasing of Dairy

- ✓ Delivery fee / tip
- ✓ Personal preference
- ✓ Like to see / touch
- ✓ Miss / like human interaction
- ✓ **Walking aisles reminds me what I need**
- ✓ Gets me out of the house
- ✓ Immediate need
- ✓ **Don't get some deals as in-store**

Top Barriers to *Trying* Online Purchasing of Dairy

- ✓ Personal preference
- ✓ Not comfortable buying online
- ✓ Delivery fee / tip
- ✓ Immediate need
- ✓ Like to see / touch
- ✓ **Walking aisles reminds me what I need**

Browse this aisle

3

Spotlight Dairy Nutrition and Wellness Information

Highlight Dairy's Health Benefits through QR Codes

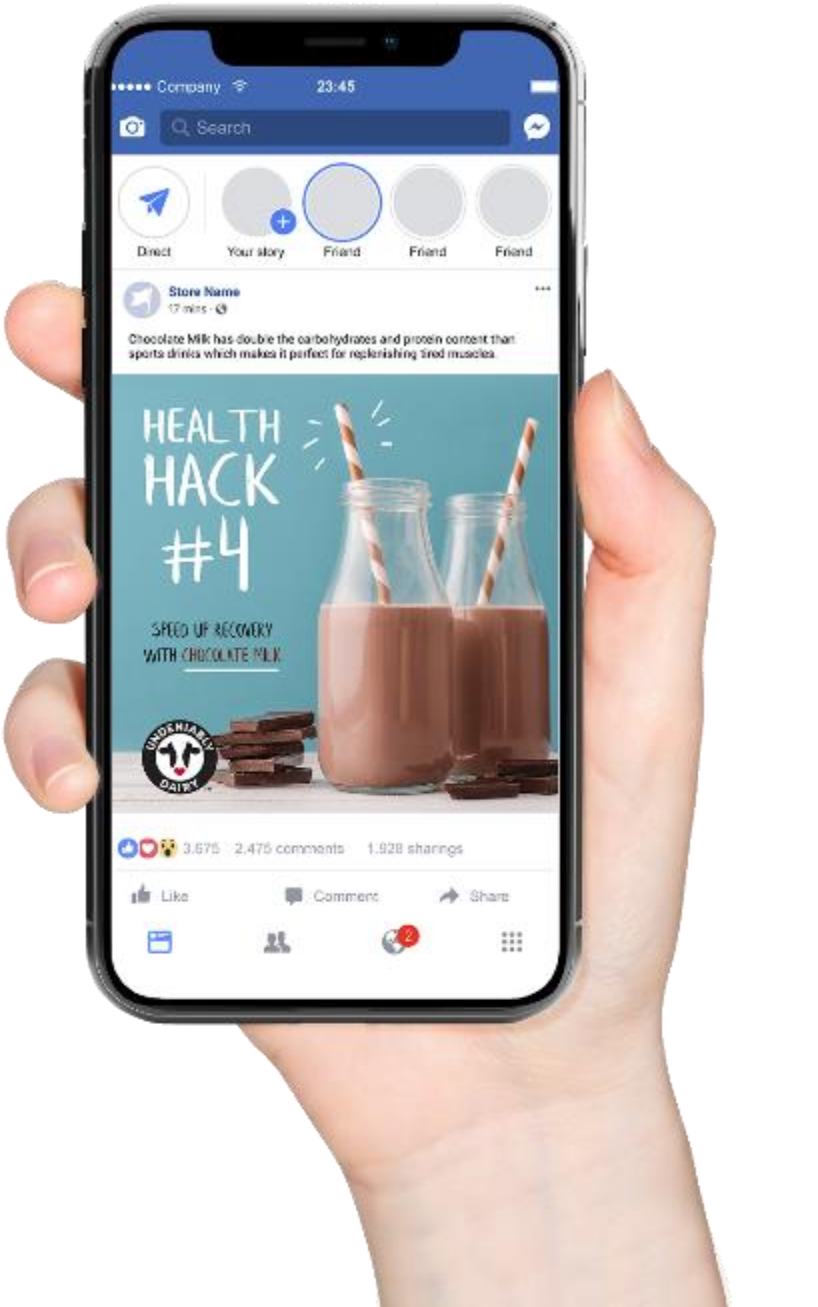
QR codes are having their moment, especially as brands look for ways to engage and connect with more users digitally (Mintel May 2020).

Help consumers maintain a healthy in-home nutrition plan through sharing dairy's product benefits. Dairy provides nutrition and comfort, meeting both physical and emotional wellness goals as consumers continue to navigate the changes of the pandemic.

Dairy as a Wellness Event

Meet the evolving lifestyle demands of your shopper

Hosting a Dairy Wellness Week across events and social media helps educate your shoppers, enabling them to feel great about the nutritious benefits of incorporating dairy into their everyday lifestyles.



4

Personalize Dairy Shopper Marking Campaigns to Meet the Needs of Families

Add a Gallon of Milk Campaign

Launch family meal deals and promotions to provide an excellent dairy experience for family shoppers.

Offering an “Add a Gallon of Milk” incentive with pizzas and meal kits helps shoppers to remember to provide a nutritious beverage for their family at-home meals. Meal kits and pizza have both experienced surges in popularity since the beginning of the pandemic.

Provide Tips to Inspire Added Usage Occasions

"Show me new ways to use the product" was the #4 on the consumer list of "what a manufacturer could do to get them to purchase more dairy."

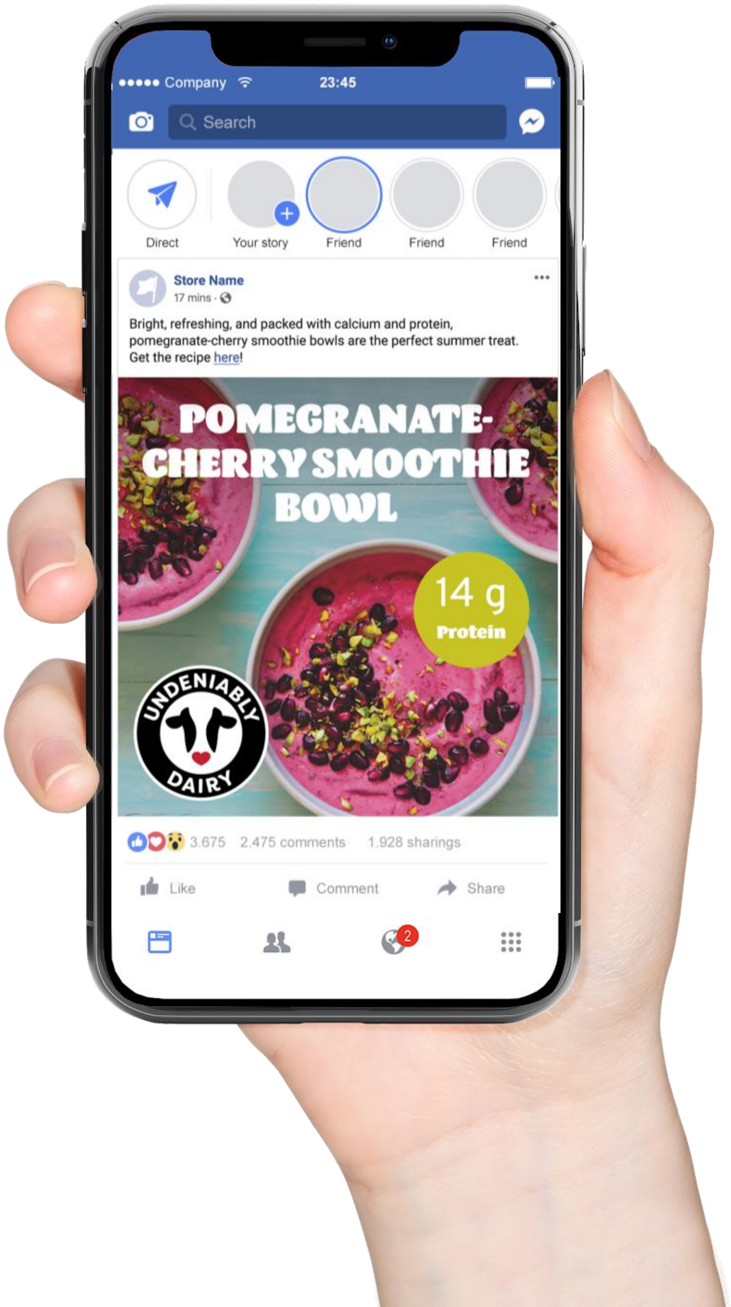
Mix into a homemade or prepared soup for extra vitamins, nutrients and flavor.

Top a frozen or take-and-bake pizza with Half & Half greens during the last 5 minutes of baking.

Cross-Promote Dairy Categories Together to Build Baskets

On average, **1 in 4** Category Increasers also increased consumption of other dairy products

Dairy-rich recipes like Mac and Cheese, Overnight Oats and Dairy Desserts all provide inspiration to dairy lovers during their pre-shop activities. Consider including these dairy recipes in social media activations, email blasts and other digital campaign platforms.



Summary of Key Insights

WHO?

Millennials and households with children are key audiences driving dairy growth at retail.

WHY?

Dairy increasers are buying more dairy because of taste AND nutrition.

WHEN?

While dairy has seen an increase in consumption across all day parts, the biggest increases are at breakfast and as a snack.

WHERE?

In-store shopping at traditional grocery stores is still the primary method and location, but many did go online to shop for dairy.

WHAT'S NEXT?

Consumers are adapting to the new normal, embracing at home lifestyles. The dairy category will need to adjust to evolving consumer needs.

NEXT UP….

FOSTERING DAIRY SUSTAINABILITY IN TODAY'S RETAIL ENVIRONMENT

TUESDAY | 11.03.2020 | 12:00 pm CST

After registering, you will receive a confirmation email containing information about joining the webinar.

REGISTER TODAY!

MIDWEST Dairy™

Questions?

CONTACT US TO LEARN HOW WE CAN SUPPORT YOUR DAIRY CASE GROWTH

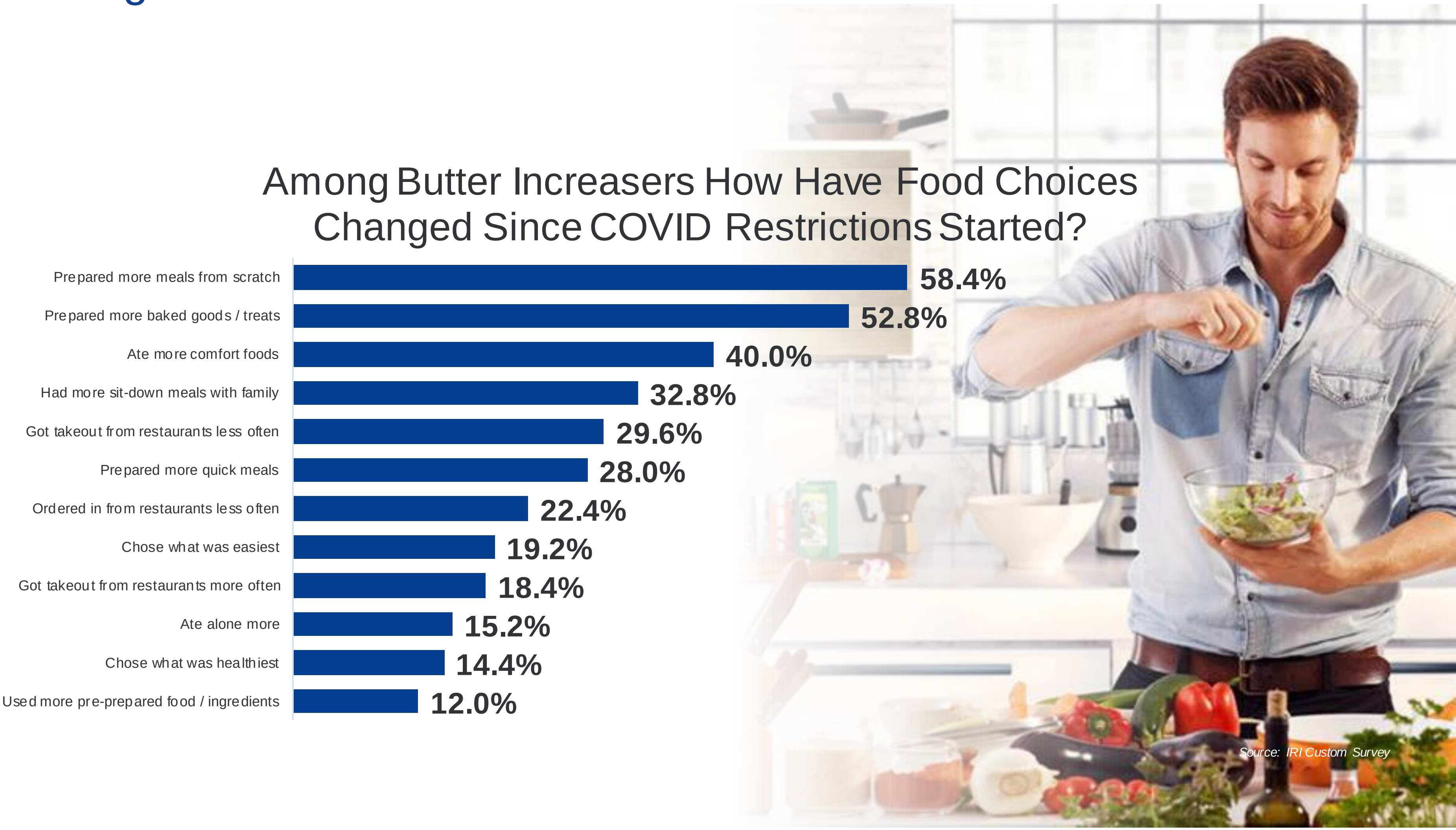
INSIGHTS@MIDWESTDAIRY.COM

MIDWEST Dairy™ | Bringing Dairy to Life!

APPENDIX

Source: IRI Custom Survey

All that additional butter is being used at home in cooking and baking



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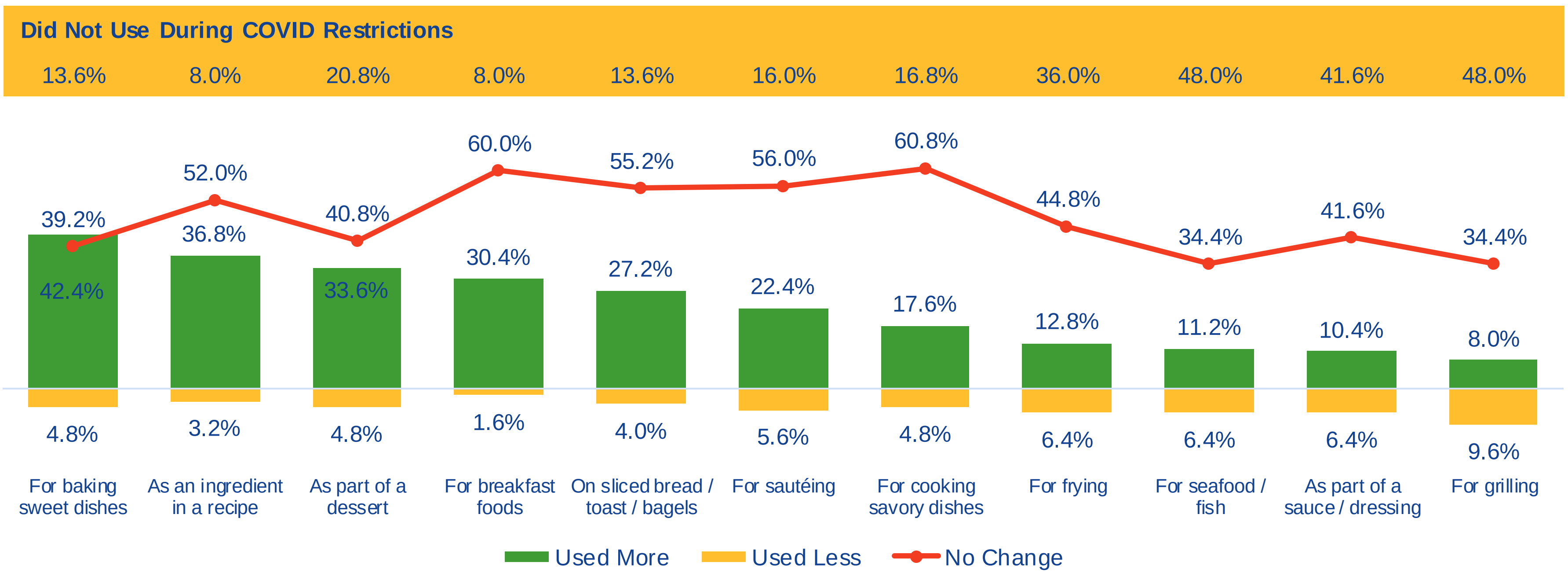
Source: IRI Custom Survey

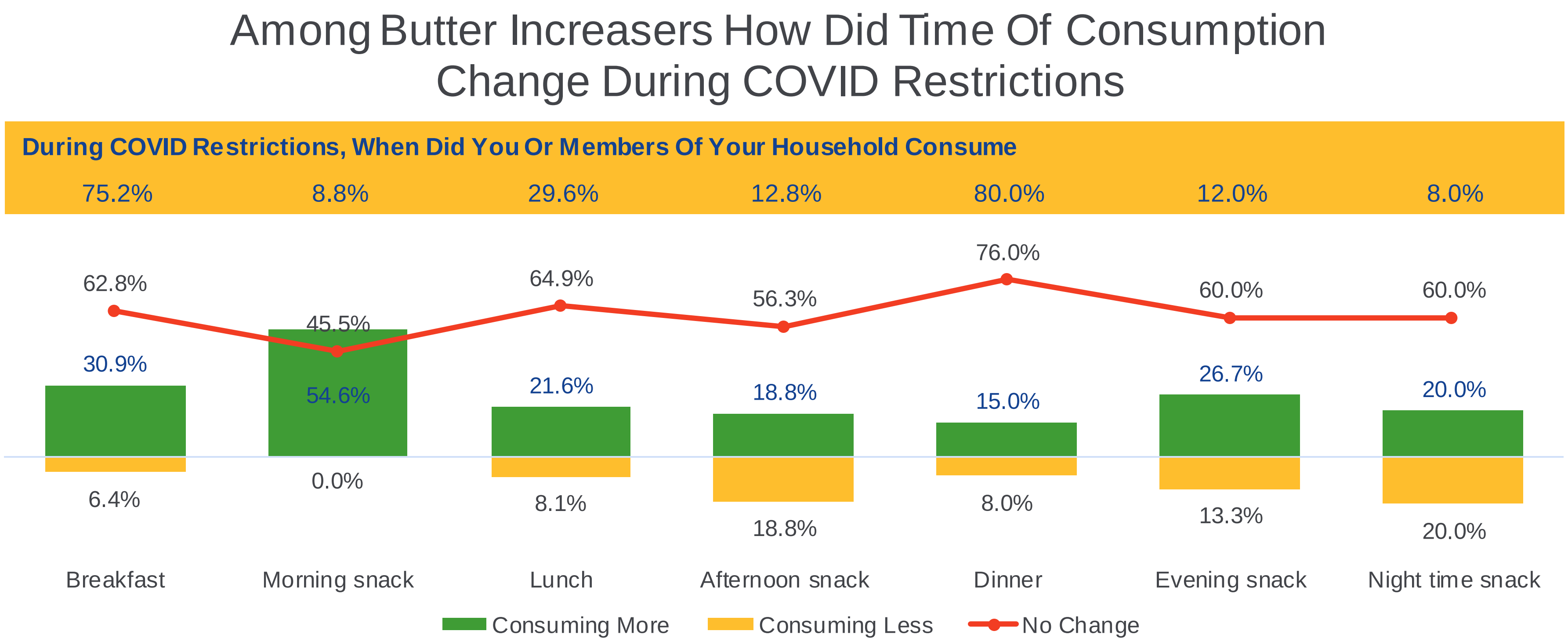
Consumers Have Been Treating More Since COVID Restrictions Began And Butter Has Played An Important Role In Baking And Dessert Making

How Did Your Usage Of Butter Change During COVID Restrictions?



Source: IRI Custom Survey

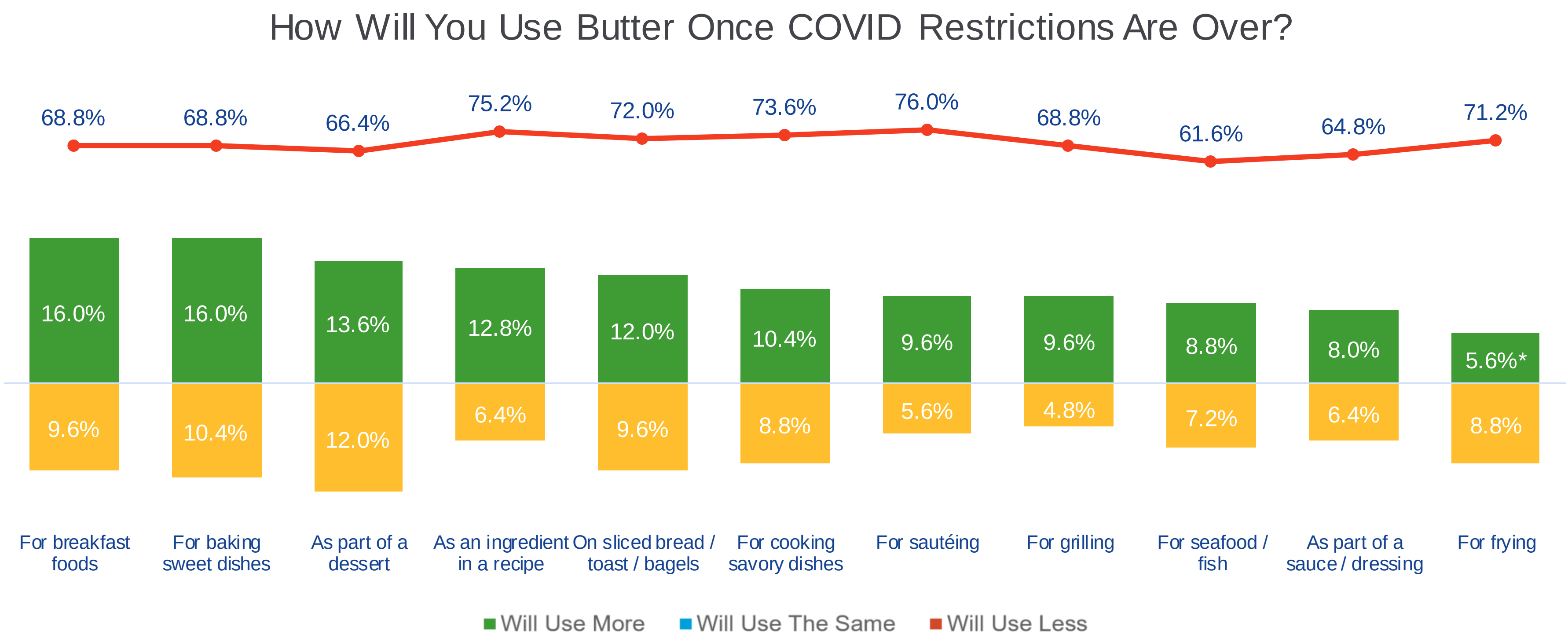
Butter Increasers Reported Consuming More Across All Day Parts, But At Breakfast And Morning Snack Time Especially



Note: Respondents claiming, "Will Not Consume" Are Not Shown On This Slide

Source: IRI Custom Survey

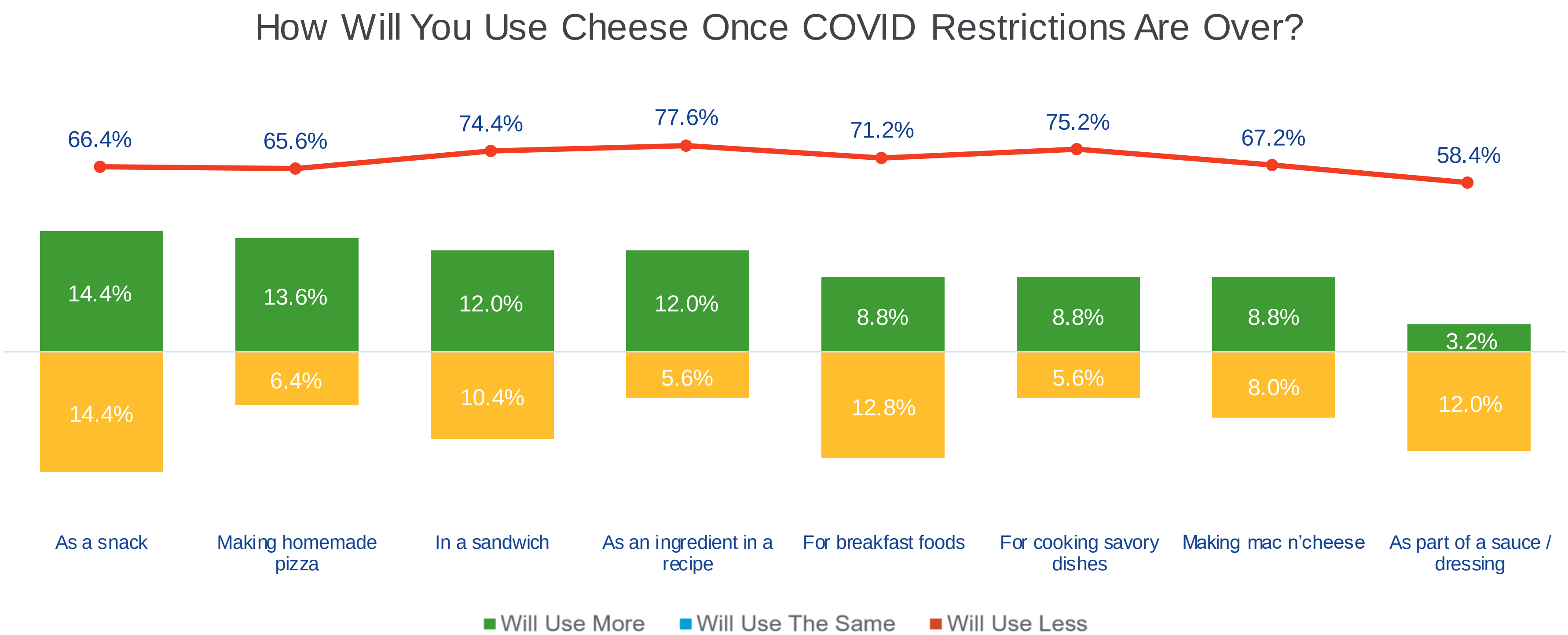
While The Majority Of Respondents Expect Butter Usage To Remain The Same After COVID, Many Plan To Use More With Breakfast Preparation And Baking



Source: IRI Custom Survey

*: Low sample, use directionally

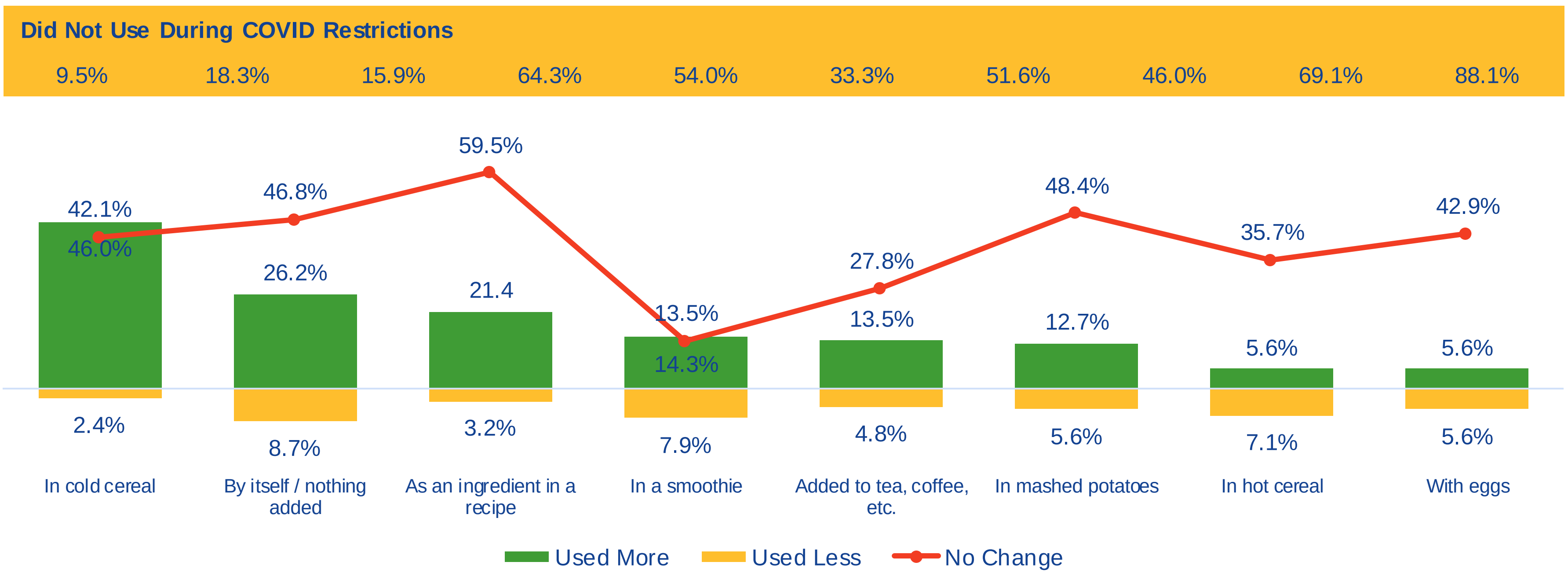
Once COVID Restrictions End, Respondents Expect To Use More Cheese In Pizza Making And As An Ingredient In Other Meals



Source: IRI Custom Survey

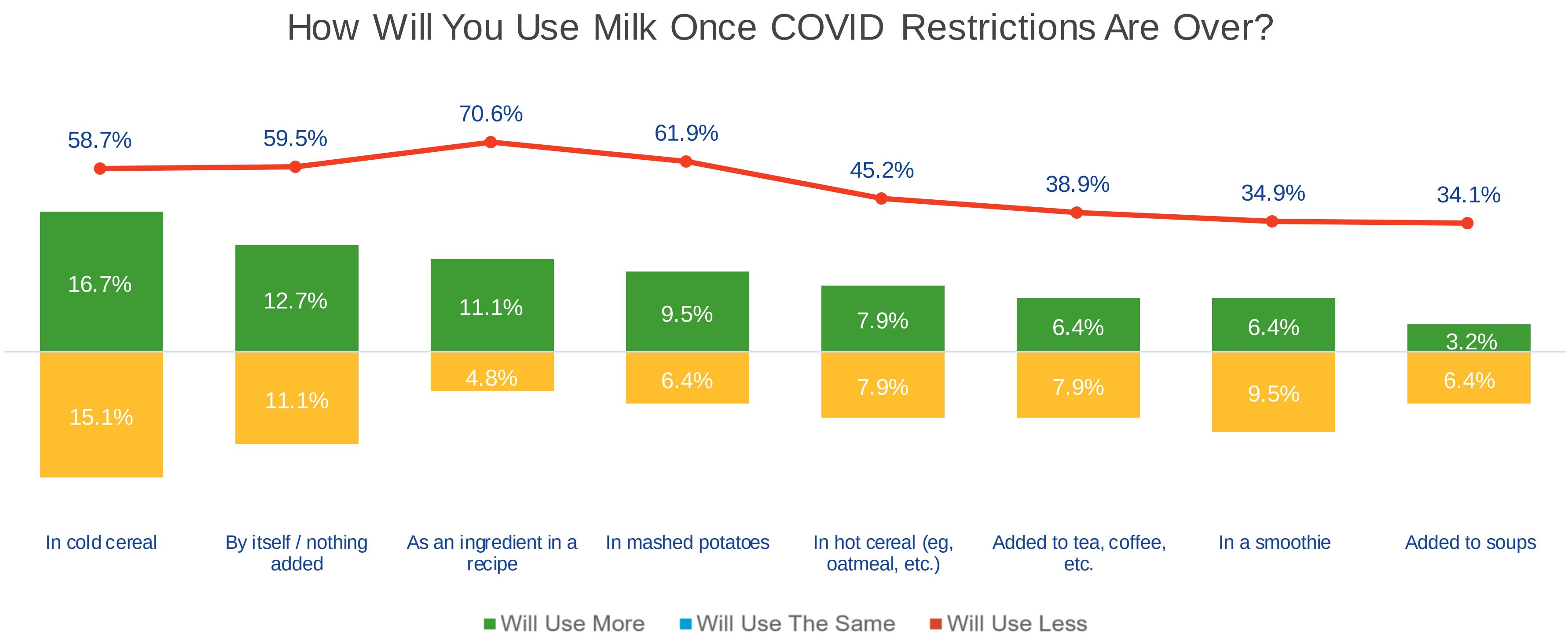
During COVID Restrictions, Milk Increasers Claimed Greater Usage Of Milk In Cold Cereal, As A Standalone Beverage And As An Ingredient In Other Meals

How Did Your Usage Of Milk Change During COVID Restrictions?



Source: IRI Custom Survey

Once COVID Restrictions End, Respondents Expect To Use More Milk As An Ingredient In A Recipe, Many Other Expected Usage Gains Are Offset By Declines



Source: IRI Custom Survey