



THE DAIRY ALLIANCE

Georgia Dairy Conference General Session
January 16, 2018

Goals

- Establish The Dairy Alliance
- Clarity – role, funding, results
- Change
- Invite/Challenge



Vision

Global advocates for dairy as an essential ingredient to life

Mission

Everything we do is market-focused and proactively promotes and protects the interests of the SE dairy farm families.

USDA Oversight

- Dairy and Tobacco Adjustment Act of 1983
 - Authorized a national dairy product promotion, research, and nutrition education program
 - Established National Dairy Board
 - Changes to Act require Congressional action
- Approves State & Regional promotion programs annually for eligibility to receive check-off funds (up to 10¢ of the 15¢)
- Attends Board, Committee and select staff meetings
- Provides legal counsel for all check-off related issues
- Prepares an Annual Report to Congress on Dairy Promotion and Research Programs;

Benefit Cost Ratio (BCR)

All Dairy	4.97	Butter	32.06
Fluid milk	2.99	Exports	5.59
Cheese	7.72		

Source: Calculations by the authors. 2015

Dairy Act/Order Regulations

CAN...

- Conduct product marketing
- Conduct nutrition, product, food safety, consumer research
- Provide issues/crisis management programs to maintain public confidence
- Provide consumer education
- Provide info and education to legislator and regulators if requested
- Increase *human* consumption

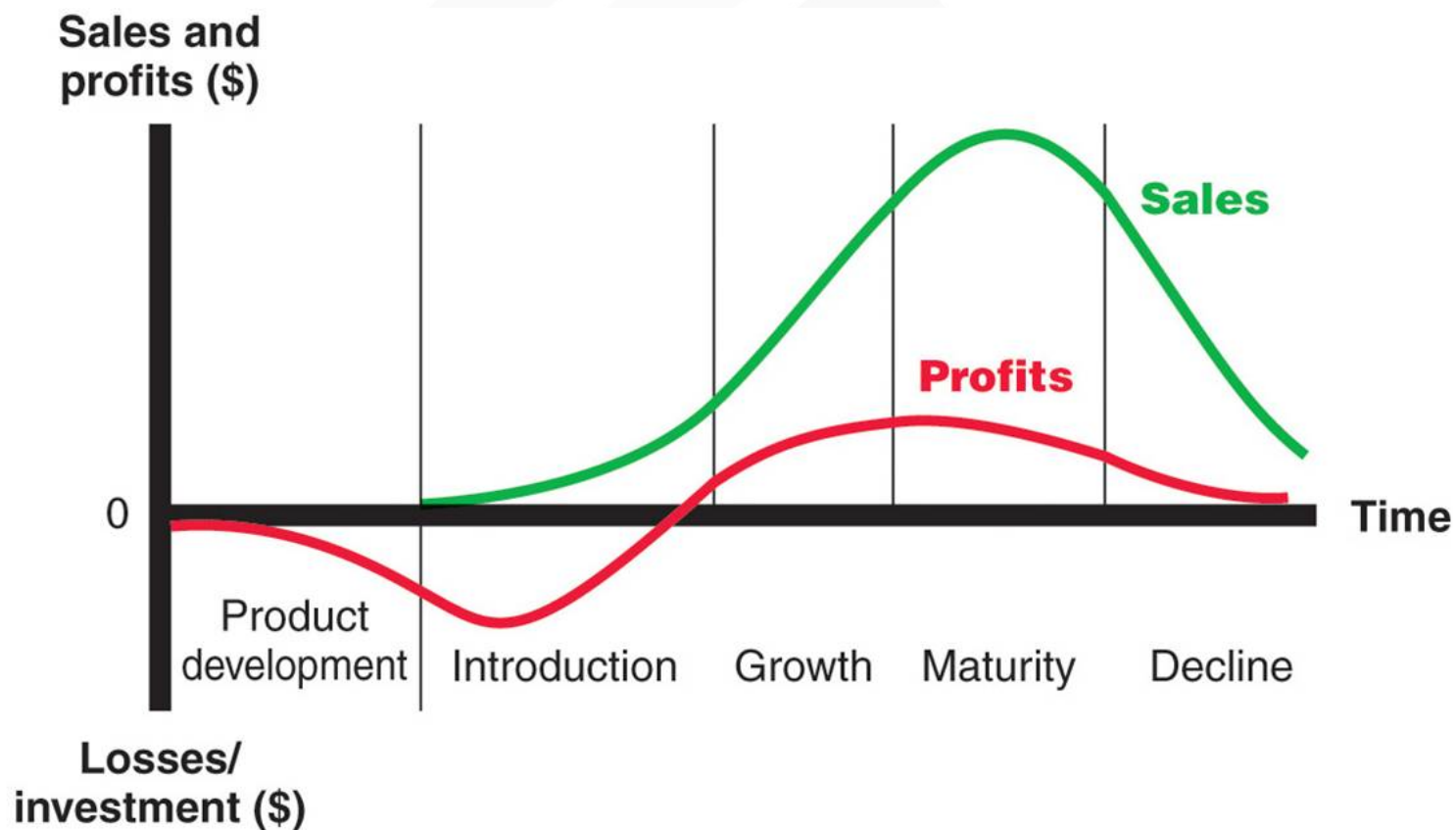
CANNOT...

- Influence government policy at any level!
- Influence production - on farm or processing
- Support production or processing efficiency projects
- Directly affect or target on-farm or retail pricing
- Disparage other foods or agricultural products
- Promote non-human consumption of dairy

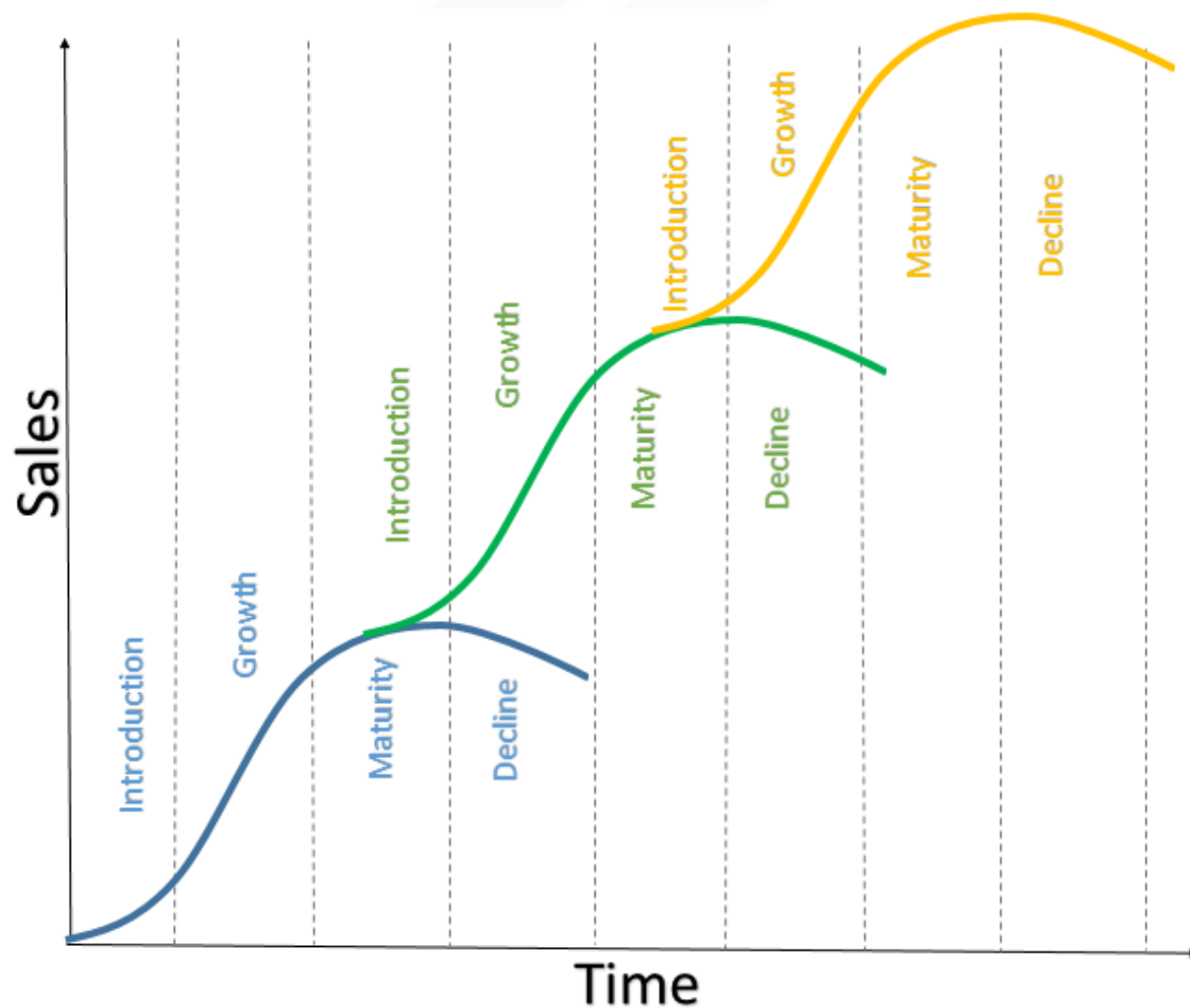
4P's of Marketing Mix

- **Product** – form the product is purchased, product life cycle strategies
- **Price** - perceived value, affects sales
- **Place** – distribution channels and mix
- **Promotion** – specific marketing and communication strategies, advertising, public relations, sales promotion

Product Life Cycle



Product Life Cycle



4P's – Key Takeaway

- Takes all elements of the 4P's working together to form a successful marketing program
- We cannot advertise our way out of our current situation.
- Awareness building tools – billboards, sampling, sponsorships are not the answer (introductory, growth, (branding \$\$))
- Strategies for product in decline stage – harvest, new markets, product innovation
- We must build cohesive, functional partnerships

DMI Structured to Maximize Farmer Investment



Together. Forward.



**THE DAIRY
ALLIANCE**

Unified Business Plan Priorities



Together. Forward.

Executed With and Through Others



Together. Forward.

Unified Marketing Plan

- UMP developed and launched - 2000
- UDIA Exec Committee, July 6, 2010
 - 2.5 cents for national UMP program spend
 - 7.5 cents to “fully implement local UMP plan components”
 - Established an equalization fund committee “to provide guidance and parameters for the utilization of any equalization funding”

Seamless Delivery of Dairy Promotion



15¢ Allocation



UMP Today

- Strengths:
 - Focused spend
 - Uniform execution
 - Pool resources
- Challenges:
 - Lack of clarity
 - Supplemental funding/Not market-focused
 - Limits local

Cheese and Butter Drive Dairy Growth

Per Capita **PRODUCT** Consumption
Product Pounds



CHEESE

2016

Highest Level Ever



BUTTER

2016

Highest Level
Since 1968



FLUID MILK

2016

Smallest Decline
in 6 Years



ICE CREAM

2016

Flat



YOGURT

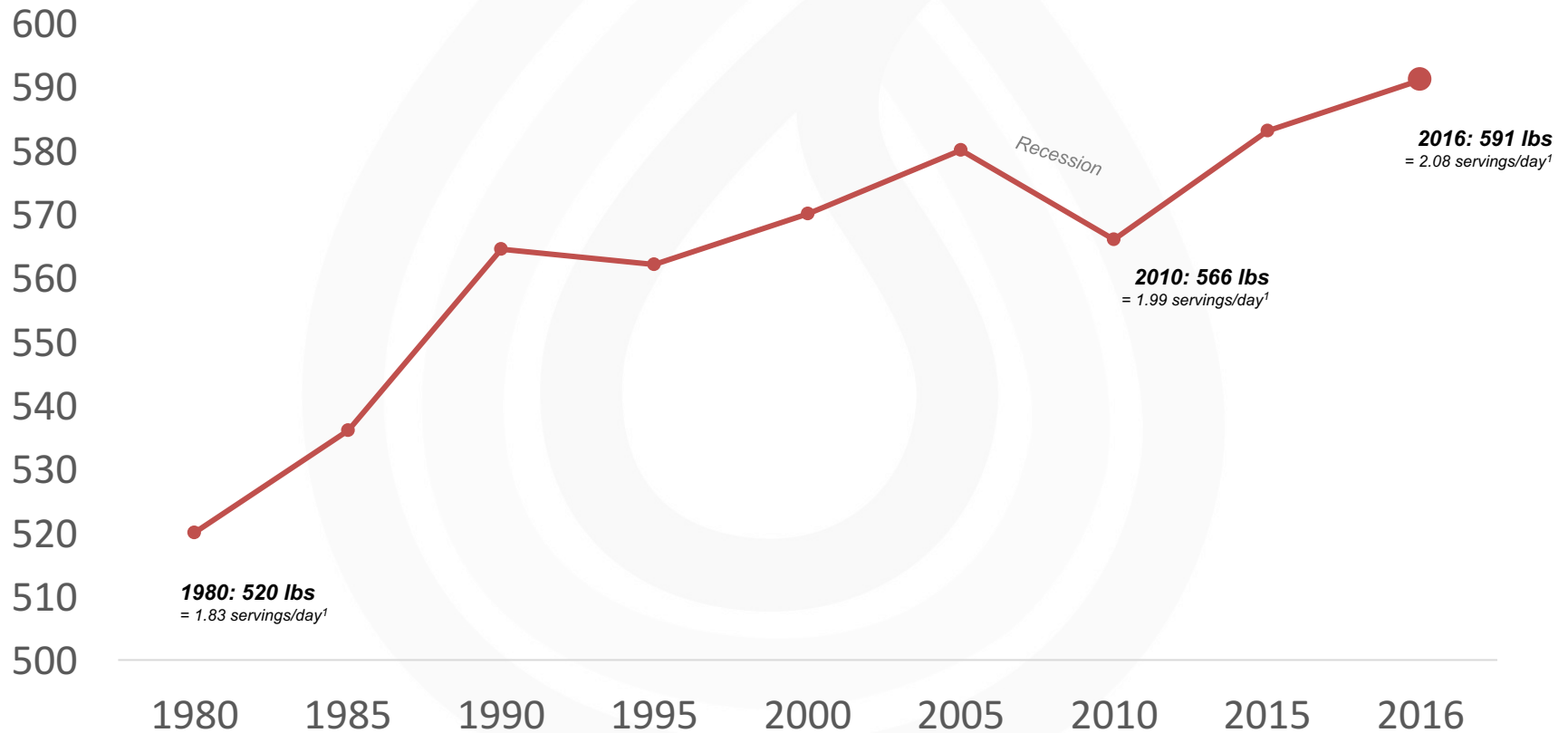
2016

Relatively Flat

Source: USDA ERS
Note: Cheese does not include cottage cheese

Per Capita DOMESTIC Dairy Consumption

*Pounds of Milk**



Source: Domestic Disappearance provided by NIMPF

¹servings per day estimate has been adjusted for waste based on USDA rate of 31% food waste

²Growth in domestic disappearance

* Milk equivalent, total solids basis

Together. Forward.

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*** **Benefit Cost Ratio (BCR)** ***

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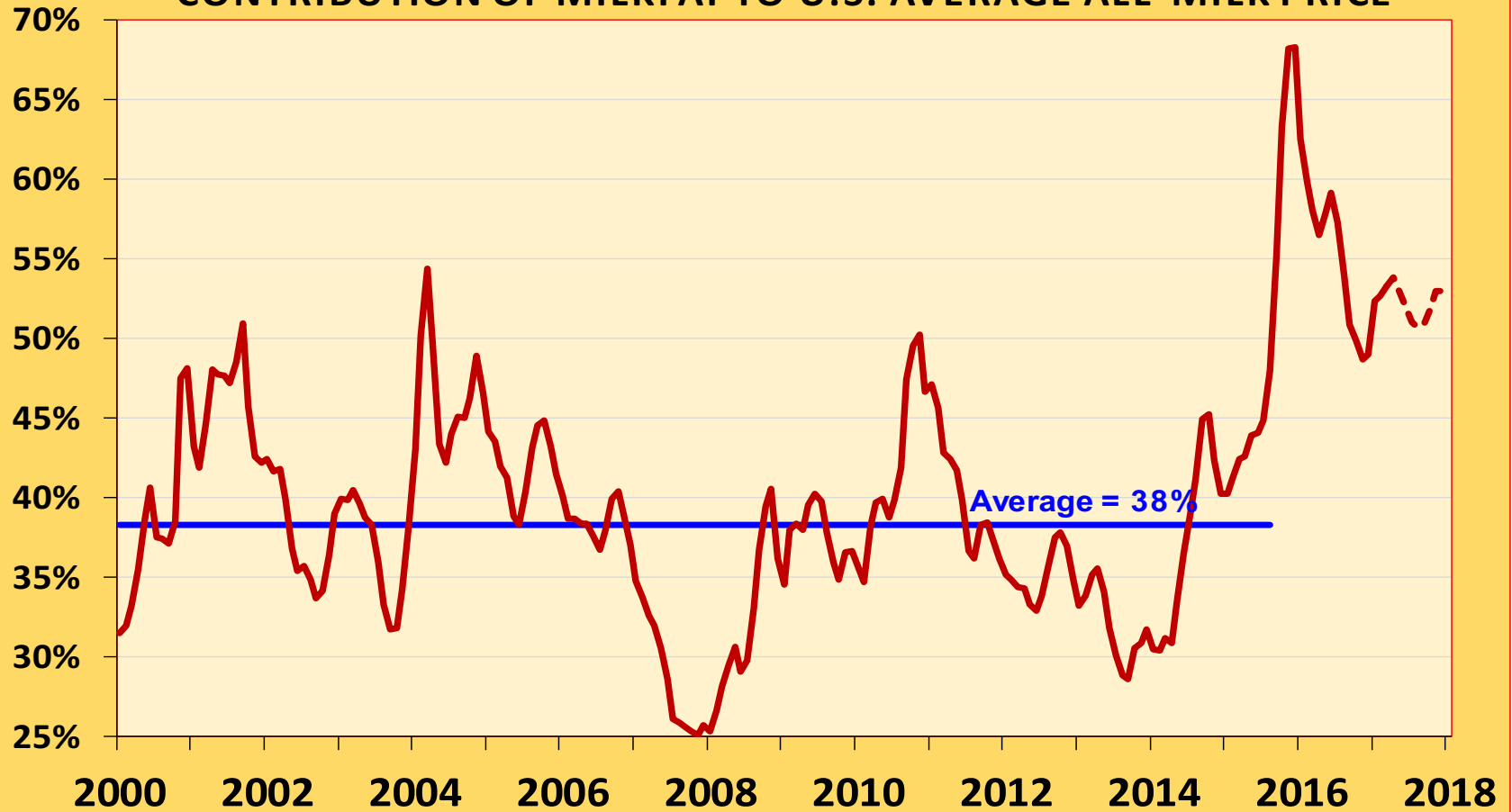
Milkfat Contribution to Farmers' Milk Check

“Without the strong butter prices during the recent period of weak world prices, domestic milk prices would, for instance, have averaged about \$1.20 per cwt. lower than they did during the entire 12-month period of August 2015-July 2016, **costing U.S. dairy farmers an additional \$2 billion in lost income during that time.**”



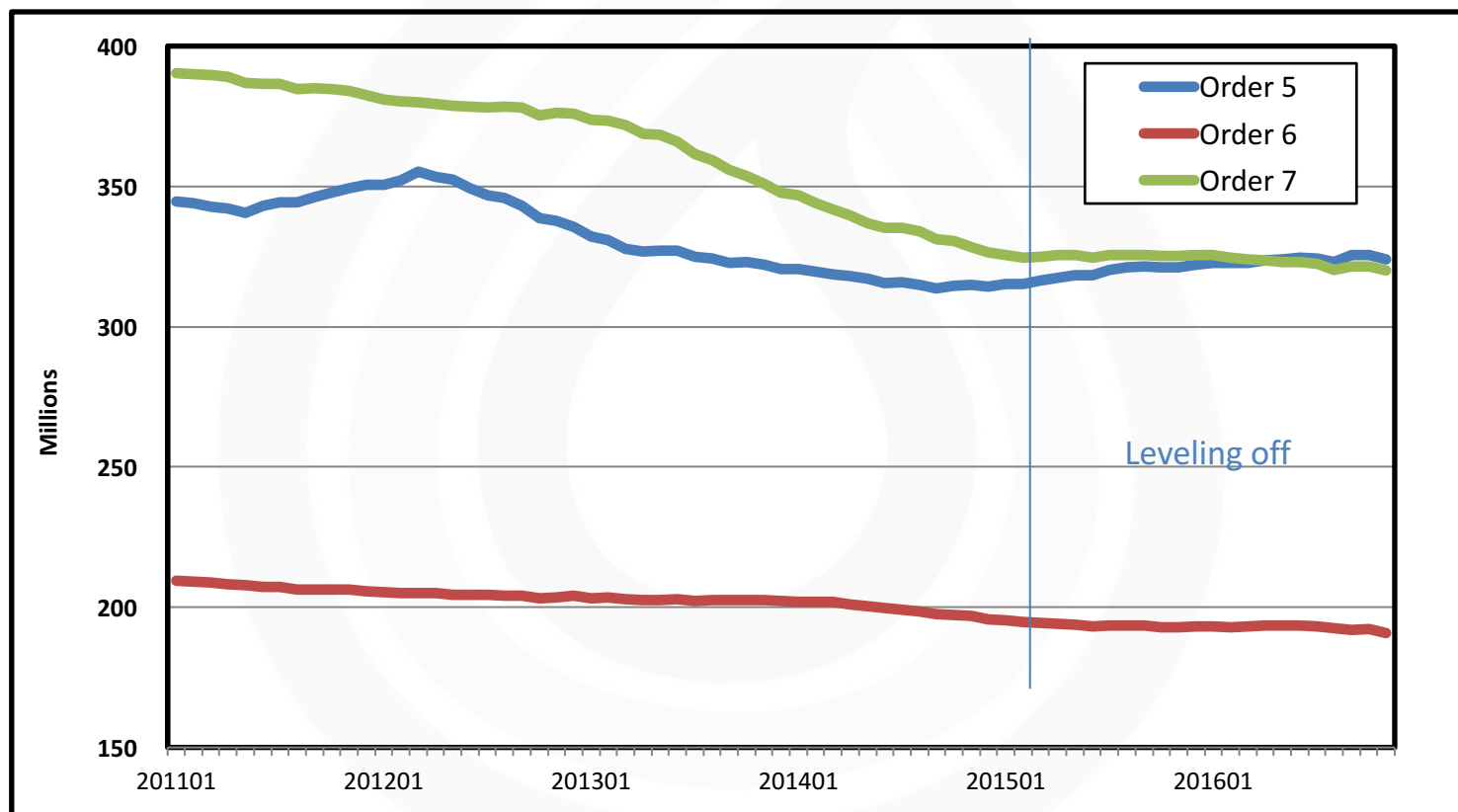
- Peter Vitaliano,
Economic Policy &
Market Research NMPF

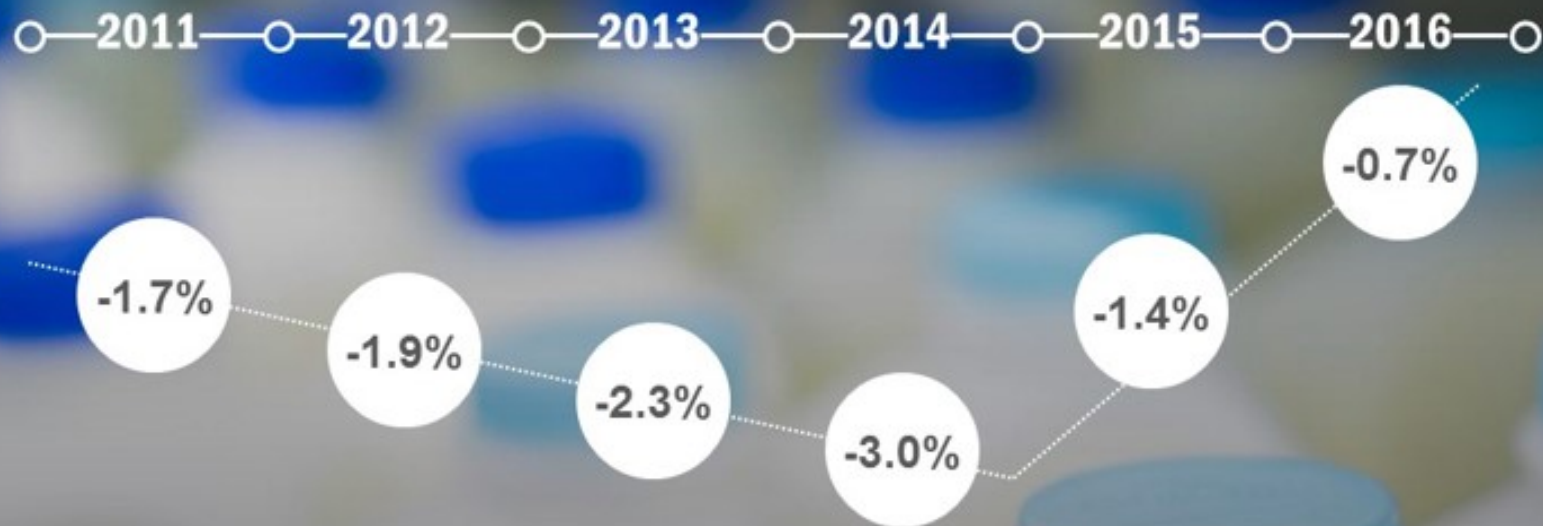
CONTRIBUTION OF MILKFAT TO U.S. AVERAGE ALL-MILK PRICE



Class I sales Appalachian, Southeast and Florida FO's

12 month moving average





Milk sales decline cut in half again in 2016

Source: USDA; 2016



The Dairy Alliance Programs

•One Regional Program

- Maximize promotion funds regionally
- No state lines
- Larger broad based projects
- Complements and extends DMI's Unified Marketing Plan
 - School Health and Wellness
 - Food and Nutrition Outreach
 - Communications and Farmer Relations
 - Issues and Crisis Management
 - Marketing and Partner Relations
- Integrate more regional based thinking and investment within the UMP while working through DMI and UDIA to build a better plan

The Dairy Alliance Strategic Plan

2. Improve Internal/External Communication

- Focus on relationship building/rebuilding
- Rebrand
- Newsroom
- Media Campaigns
- Issues & Crisis Management

The Dairy Alliance Strategic Plan

3. Develop Optimal Organization Structure
 - Communications and Farmer Relations - One Team
 - Board Size and Meeting Frequency/Maximum Value-added Content
 - Management Team and Responsibility Changes

The Dairy Alliance Strategic Plan

4. Evaluate programs

- Focus/Prioritize programs based on ROI
- The Dairy Alliance strategic goals woven into 2018 UMP
- Metrics determination/evaluation with DMI/UDIA
- School Health and Wellness
 - Analysis of 17-18 school milk movement per student

The Dairy Alliance Strategic Plan

5. Assess market expansion activities

- Global Summit
- Food Service focused programs

Please join us for the

2018 | GLOBAL DAIRY SUMMIT

March 12 – 13, 2018

Atlanta Airport Marriott Gateway

**As it stands now, the Industry in the Southeast
has limited relevance with this new shift in focus
and in order to survive, we must evolve.
To evolve, we need your help.**

Keynote speaker USDEC CEO and President, Secretary Tom Vilsack, will present key strategic initiatives to combat the U.S. milk surplus and low milk prices impacting the bottom lines of hard-working dairy farm families. Join us as we unite the key stakeholders behind the development of a long-term plan to ensure a viable dairy industry in the Southeast.

For more information and to register, visit

thedairyalliance.com/dairysummit

Hosted by

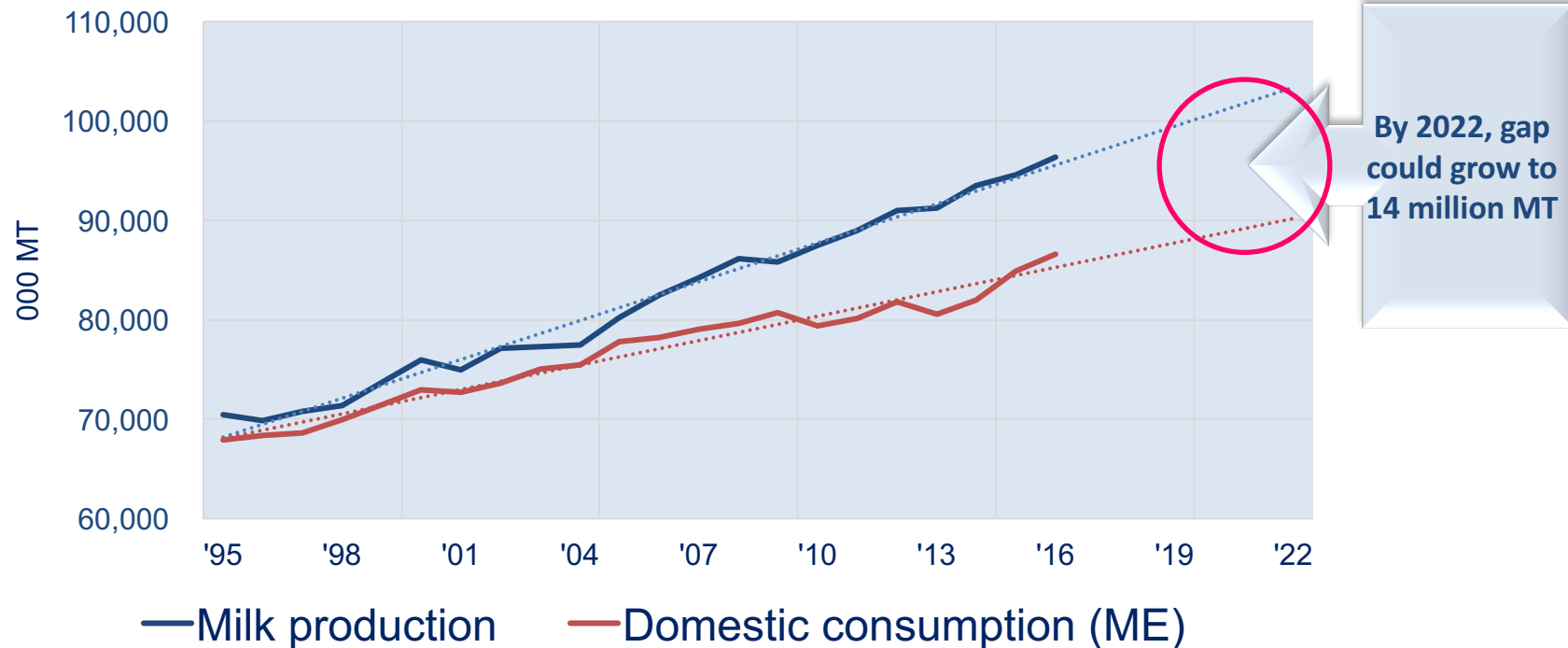


Together. Forward.



Production Growing Faster Than Domestic Use

U.S. Milk Production and Domestic Consumption



Invitation

- We are your team. We manage your investment in your future and we want you to be involved. We want you to know what we are doing.
- Full accountability for things we are responsible for – we only have 1 of the traditional 4 P's of marketing.
- We cannot advertise our way out of the situation we are in.
- WE MUST UNITE if we are going to be viable and relevant in the Southeast moving forward.
- Please, join The Dairy Alliance.