



IDFA

**International
Dairy Foods Association**

IDFA Issues Briefing

Tuesday, June 2, 2020 | 1:00 – 3:00 p.m. ET



IDFA

**International
Dairy Foods Association**

Welcome

Heather Soubra – Chief of Staff



Virtual Spring Board Meetings Schedule



IDFA
International
Dairy Foods Association

Tuesday, June 2

1:00 – 3:00 PM **Issues Briefing**

All members of the IDFA Executive Council and Industry Segment Boards

3:30 – 5:00 PM **Fluid Milk Segment Board Meeting**

Wednesday, June 3

2:00 – 3:30 PM **Yogurt and Cultured Products Segment Board Meeting**

4:00 – 5:30 PM **Ice Cream Segment Board Meeting**

Thursday, June 4

1:00 – 2:30 PM **Cheese Segment Board Meeting**

3:30 – 5:00 PM **Ingredients Segment Board Meeting**

5:30 – 7:00 PM **Executive Council Meeting**



IDFA

**International
Dairy Foods Association**

Antitrust Statement



Danielle Quist – Senior Director,
Regulatory Affairs and Counsel



IDFA

**International
Dairy Foods Association**

Chairman's Remarks

Dan Zagzebski, Chairman, IDFA Executive Council,
and President & CEO, Great Lakes Cheese Co., Inc.



A New Way of Working and Connecting





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Update on IDFA activities for each of our three strategic pillars and the segment board priorities



Share progress we have made working together for our industry



Build and shape a bold new vision and future for dairy



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Dairy Foods Association**

Making a Difference for Dairy

Michael Dykes, D.V.M., President and CEO





Share progress we have made working together for our industry



Provide an update of IDFA activities



Hear results of IDFA Pulse Survey conducted by McKinsey & Company



Review progress against objectives outlined in Segment Board Strategic Priorities



Discuss key drivers that will shape future of industry and determine IDFA's role



“We will see more change in our industry over the next five years than anything we’ve experienced over the past 15.”

Our industry in January



Fluid milk sales were trending positive

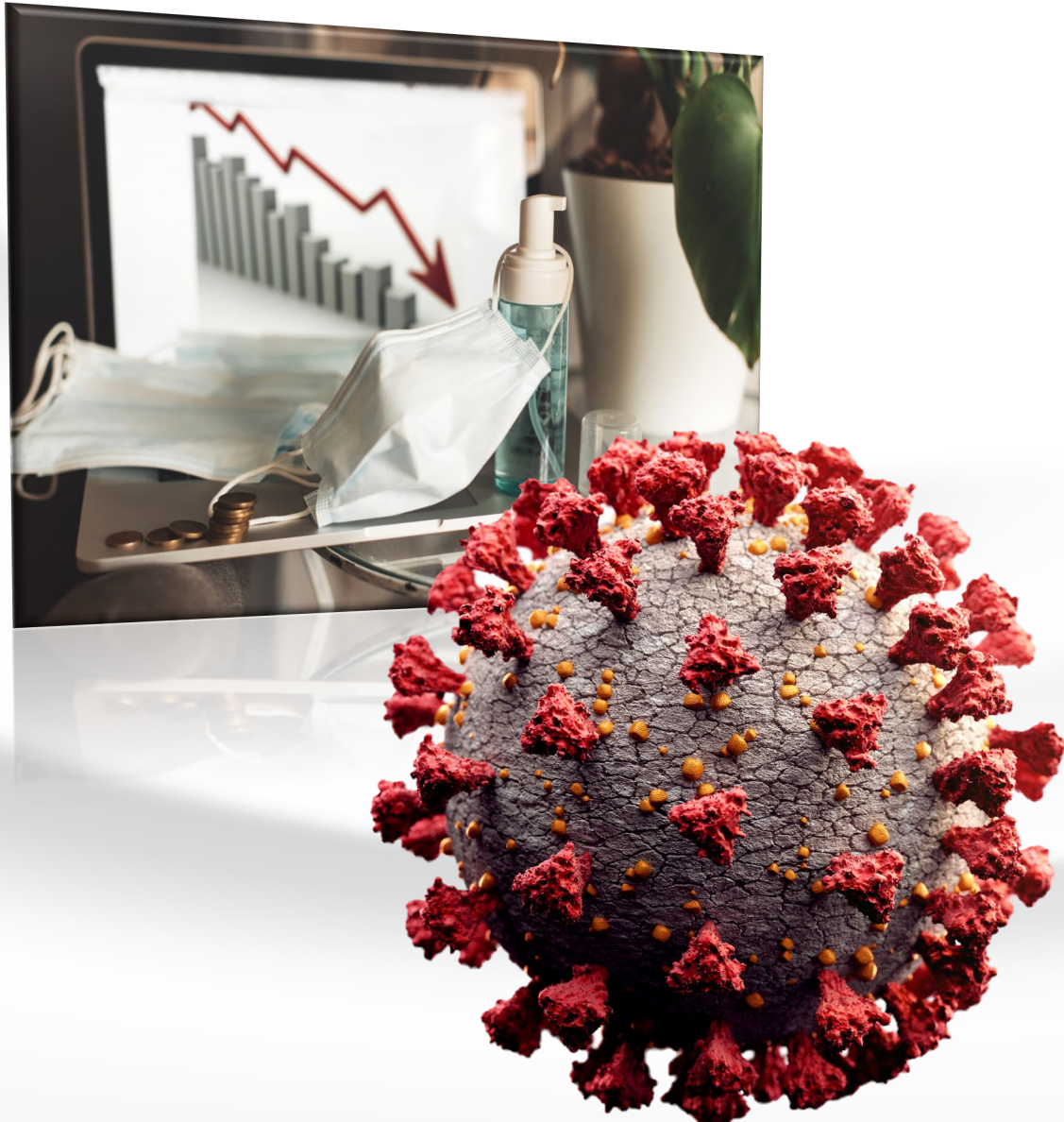
Innovation and healthy choices in the dairy case were drawing consumers back to dairy

Increased demand across all categories

Trade was gaining momentum

Focused on the next generation of leadership in our industry

Coronavirus hits....



Health and
safety of
workforce

Global
economy
shocked

Businesses
shuttered

Supply
chain
disruptions

Completely
unexpected
in scale

10% of milk
without a
home

IDFA acted quickly across the industry....



IDFA @dairyidfa · May 27

Today, IDFA President & CEO @michaeldykesdc joined U.S. Agriculture @SecretarySonny on his visit to Pennsylvania's @turnerspgh as part of the federal Farmers to Families Food Box Program - packaging fresh produce, meat & dairy products for delivery to families in need. Thank you!



Michael Dykes and 2 others

Clear Direction from IDFA Leadership: Maintain Dairy Supply Chain

- ✓ Support Dairy Farmers- \$2.9B Direct Payments
- ✓ Working Capital for Processors- \$ 500M Recourse Loan Program
- ✓ Increased food aid- nearly \$5B

IDFA acted quickly across the industry....



Dear Dairy Community,
Today's announcement by the White House and USDA—the Coronavirus Food Assistance Program—is an important first step that...



#ESSENTIAL

To the hard-working men and women ensuring the stability of our nation's food supply chain during these trying times: Thank you. We are grateful for your work to safeguard dairy from significant supply chain disruptions in the weeks and months ahead.



Thank You To Our #Essential Workers in Our Food Industry

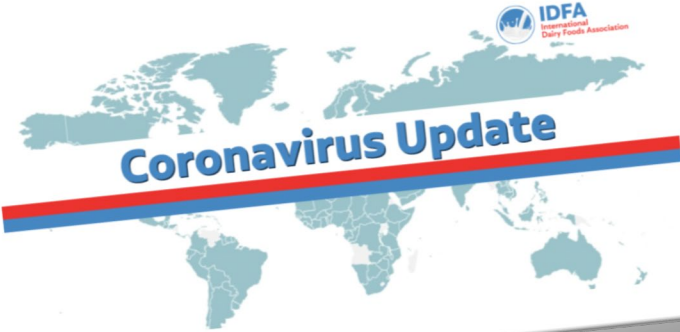


From everyone at IDFA – Thank You.

Blog Posted May 22, 2020

IDFA Member Update on Coronavirus (COVID-19)

Coronavirus

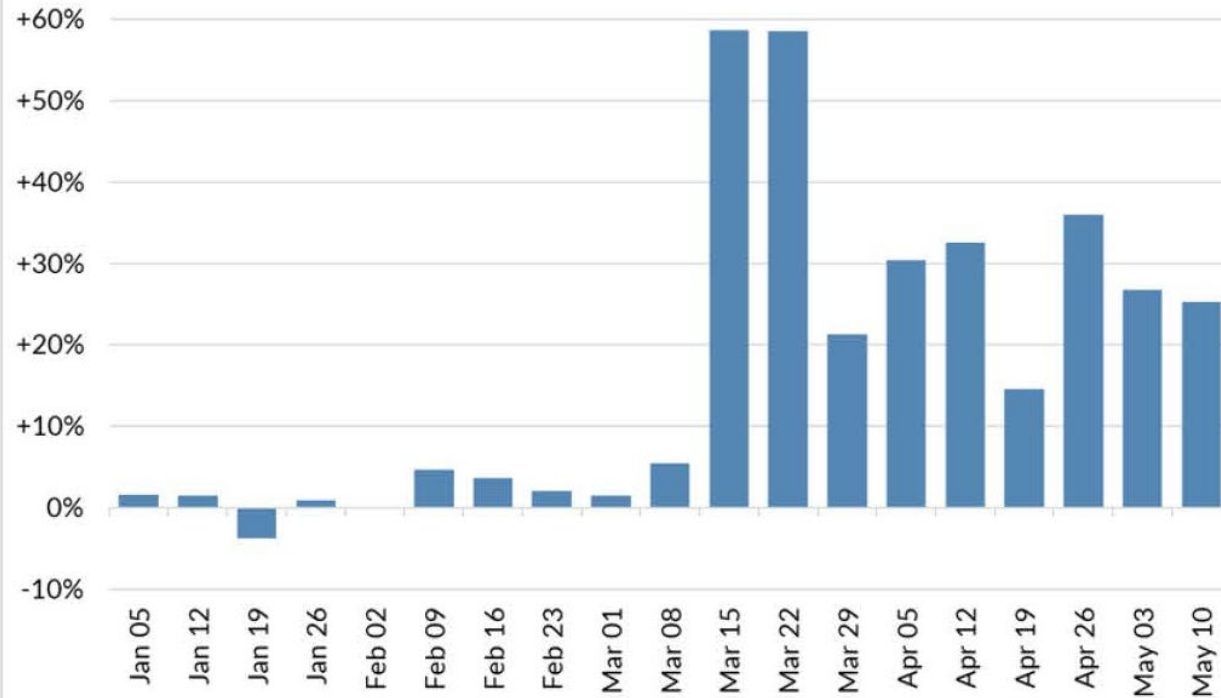


Coronavirus Update

Working Together Made a Difference for Dairy

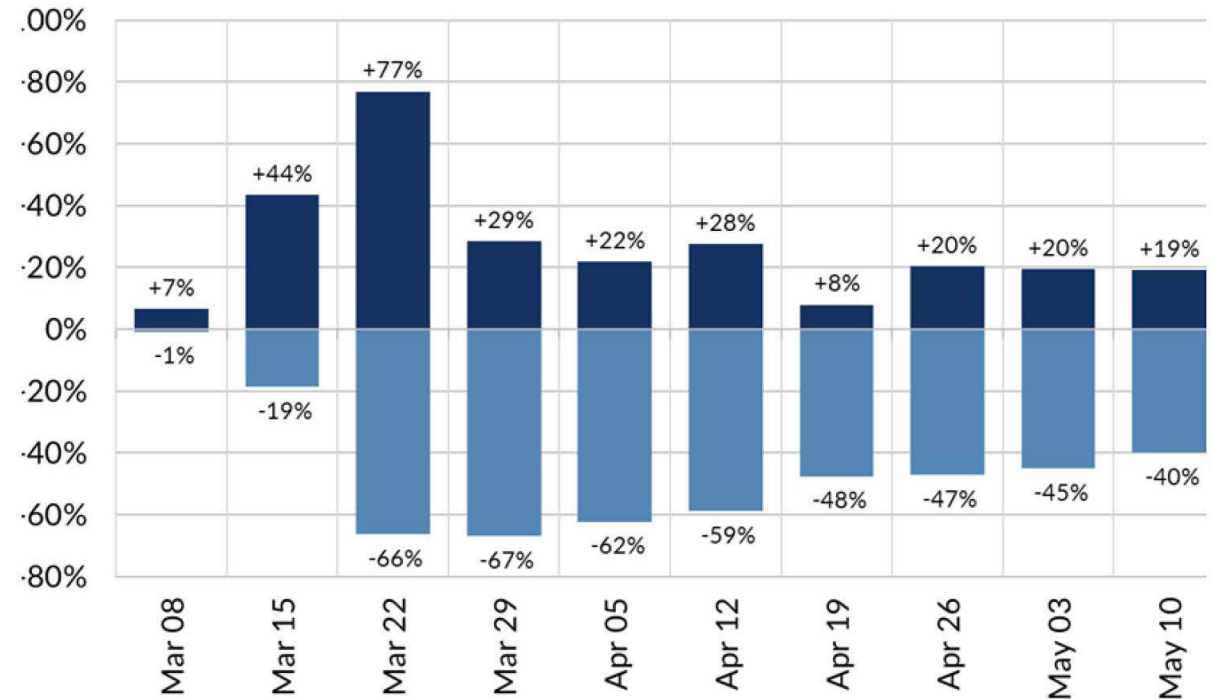
Demand for dairy products at retail remains very strong.

Dairy Aisle Sales @ Retail



Year-over-Year Volume Change; IRI

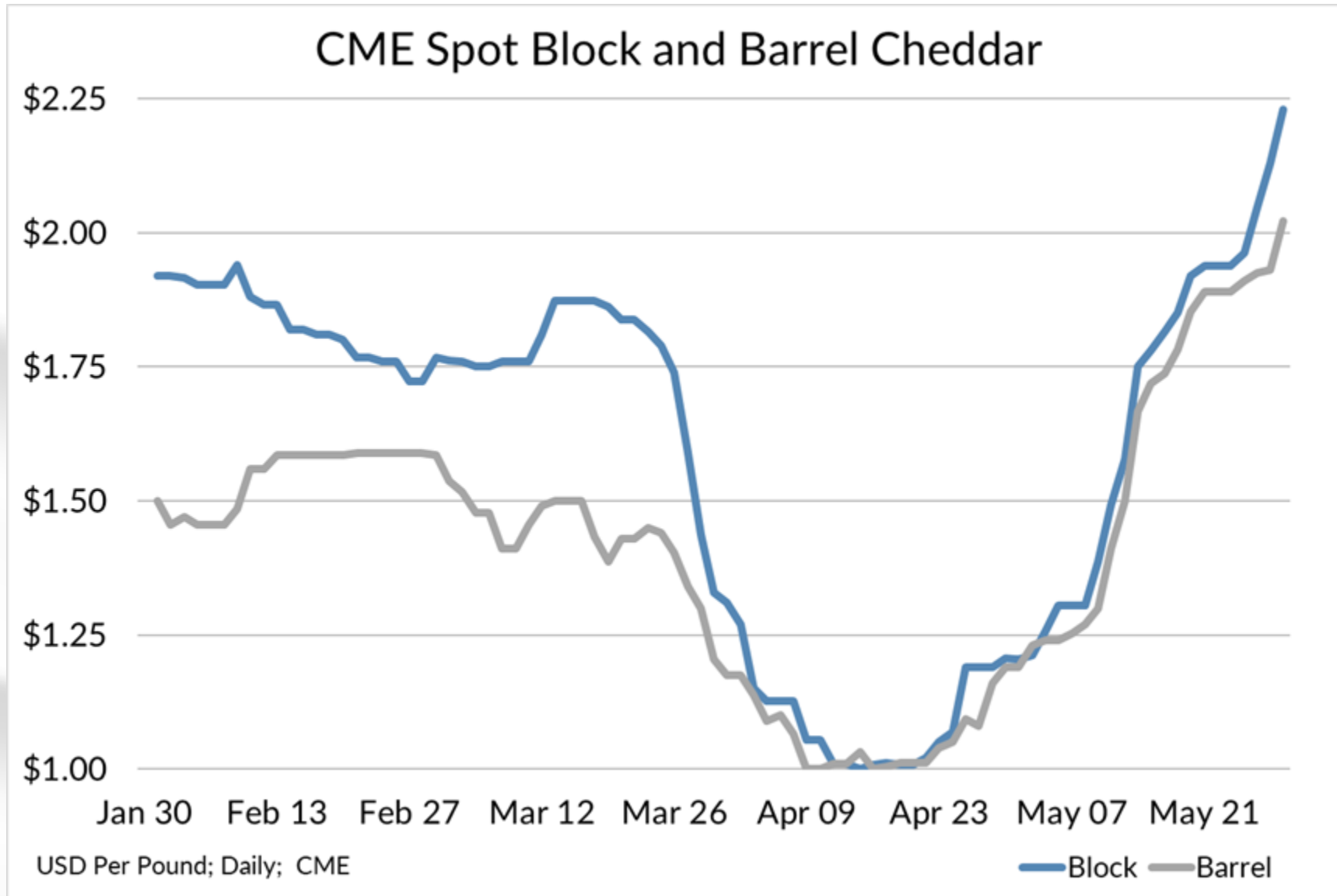
US Grocery & Restaurant Sales vs Last Year



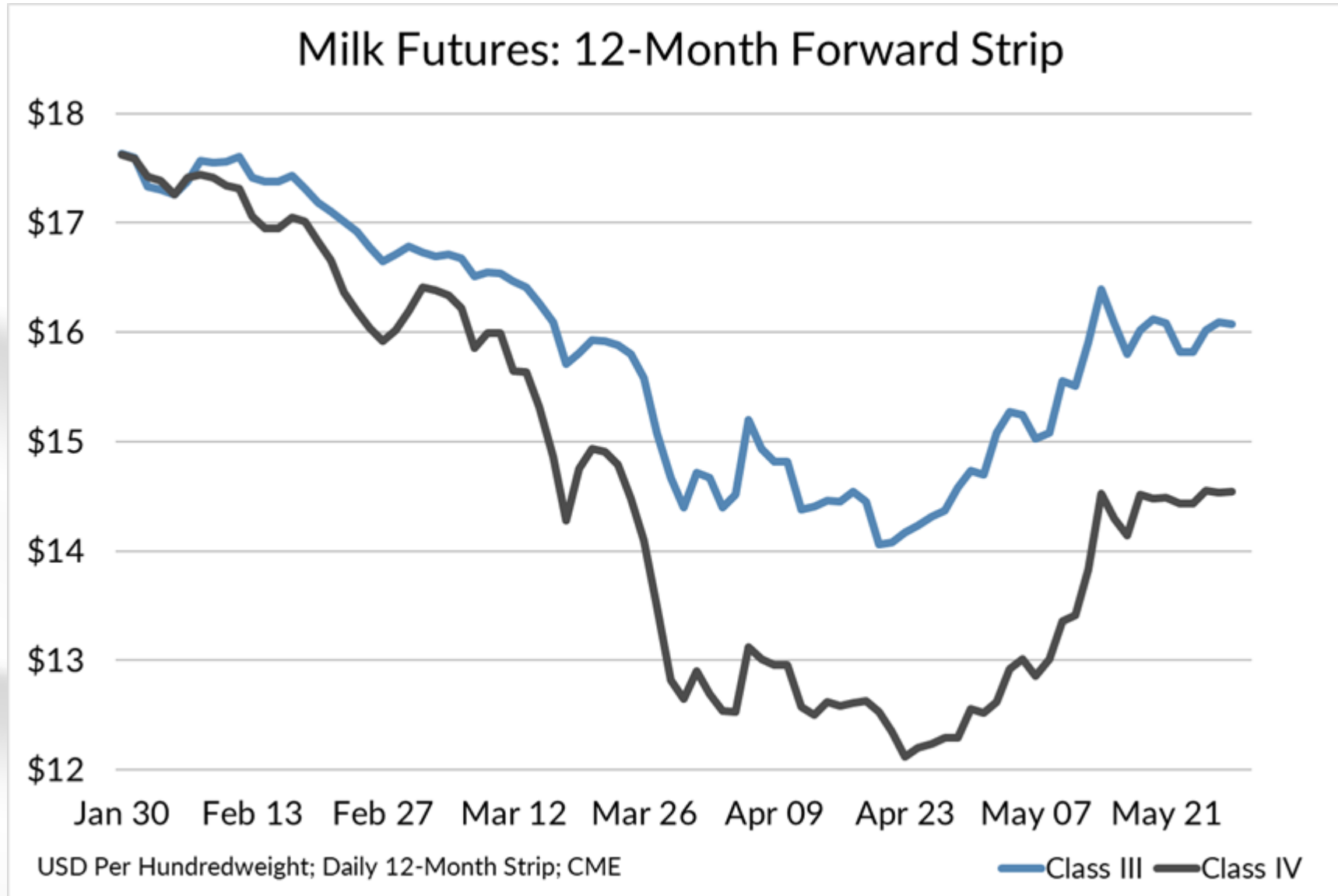
AC Nielsen, Black Box Intelligence, The Wall Street Journal

■ Grocery ■ Restaurant

Working Together Made a Difference for Dairy



Working Together Made a Difference for Dairy



Strong IDFA Leadership

IDFA Executive Council

Industry Segment Boards

IDFA Fluid
Milk Board

IDFA Ice
Cream Board

IDFA Cheese
Board

IDFA Yogurt
and Cultured
Products
Board

IDFA
Ingredients
Board

- Focused on delivering value to all parts of the industry
- Shaping dairy policy and regulation



Inclusive and Dynamic



All Dairy Segments Represented



Engaged and Committed



Unified Voice for Dairy



Results-Driven Action Plans

As we work to affect change today, we also must work in parallel to continue to position the association to lead on the emerging and strategic issues of tomorrow.





IDFA **Vision** for the **Future**

Drivers and Direction



IDFA *Vision* for the *Future*

Drivers and Direction



Global
Competitiveness



Sustainability



Industry Evolution



Innovation &
Technology



Workforce of the
Future



Political Outlook



Share progress we have made working together for our industry



Provide an update of IDFA activities



Hear results of IDFA Pulse Survey conducted by McKinsey & Company



Review progress against objectives outlined in Segment Board Strategic Priorities



Discuss key drivers that will shape future of industry and determine IDFA's role



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**International
Dairy Foods Association**

Advocacy



David Carlin – SVP, Legislative Affairs & Economic Policy



Advocacy

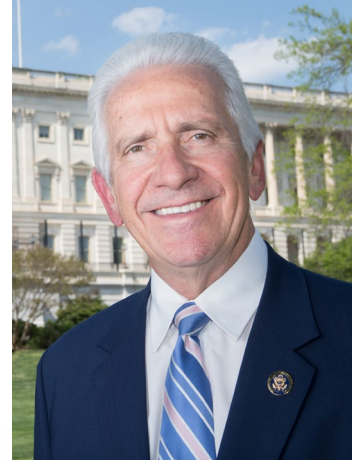
- **COVID-4 Legislative Package Priorities**
 - Dairy recourse loan program – authority needed
 - Essential workers – tax relief
 - Grassroots campaign update

www.idfa.org/advocate

Past Events



Chairman Collin Peterson
(MN-7)
Fundraiser



Rep. Jim Costa
(CA-16)
Fundraiser



Rep. Tom Tiffany
(WI-7)
Meet & Greet

Upcoming Events

RSVP: cnewman@idfa.org



Fundraiser
June 11th
2:00pm EST

Rep. John
Moolenaar
(WI-4)



Meet & Greet
June 10th
1:00pm EST

Candidate
Peter Meijer
(MI-3)

Advocacy – June Fly-In Month

- Virtual fly-in meetings via video conference and phone calls
- Targeting key Members of Congress
- June 8th – June 30th
- Thank you in advance for your willingness to participate





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**International
Dairy Foods Association**

Regulatory

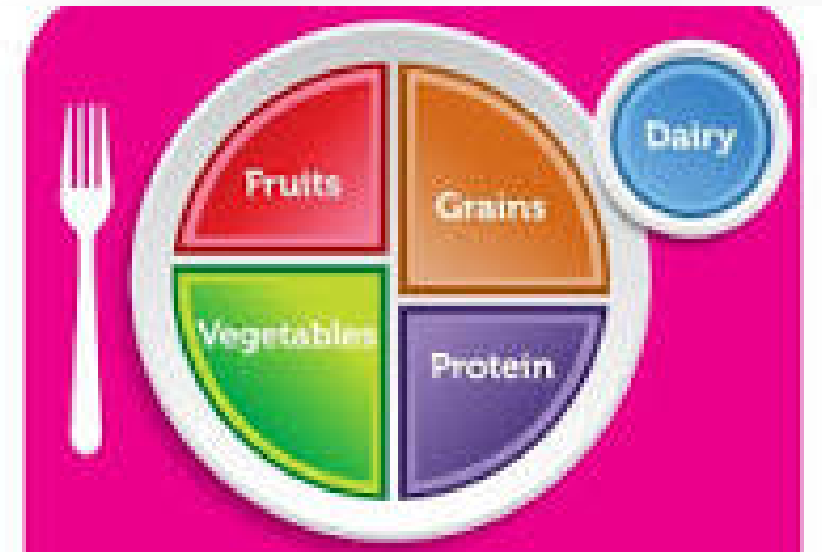


Cary Frye, SVP, Regulatory Affairs
Joe Scimeca – SVP, Regulatory & Scientific Affairs

- **Support During COVID-19**
- **FDA Labeling Flexibilities**
 - Nutrition labeling extension until January 1, 2021
 - Allowance for food service packages to be sold at retail
 - Omission or substitutions for minor ingredients changes from supply chain disruptions
- **Working with USDA to provide milk & dairy to those in need**
 - Waivers for packages size and fat levels for school meals and WIC
 - USDA Sec. 32 purchases for cheese, butter, yogurt and milk \$120 M for Q 3 (Approved Vendors)
 - Guidance and assistance on USDA's Farmers to Families Food Box Program



- **Standards**
 - Advocating for modernization using a horizontal approach
 - Rulemaking pending for yogurt and UF/MF milk for cheese
- **Protect milk and dairy's role in 2020 Dietary Guidelines**
 - Keep dairy as a separate food group
 - Eating patterns should include 3 servings of dairy each day
 - Consider recent science on variety of fat levels in dairy
 - Final DGAC report June 17th via webinar – DGA on track for end of year



Food Safety, Worker Protection and Compliance

- FDA inspections temporary limited to mission critical
- FDA issued guidance on a voluntary system to report plant closures or need for assistance due to CV19
- USDA-FDA created a MOU on a process for USDA to exercise authority under DPA to use for FDA-regulated operations
- USDA AMS BE labeling disclosure rule compliance extension has been requested
- CDC/OSHA published interim guidance for manufacturing workers and employers to limit CV19 transmission
 - multiple complimentary industry guidance docs have been developed
- OSHA issued guidance on CV19 reporting and on compliance expectations
- EPA storm water discharge rule comments submitted



Regulatory



IDFA

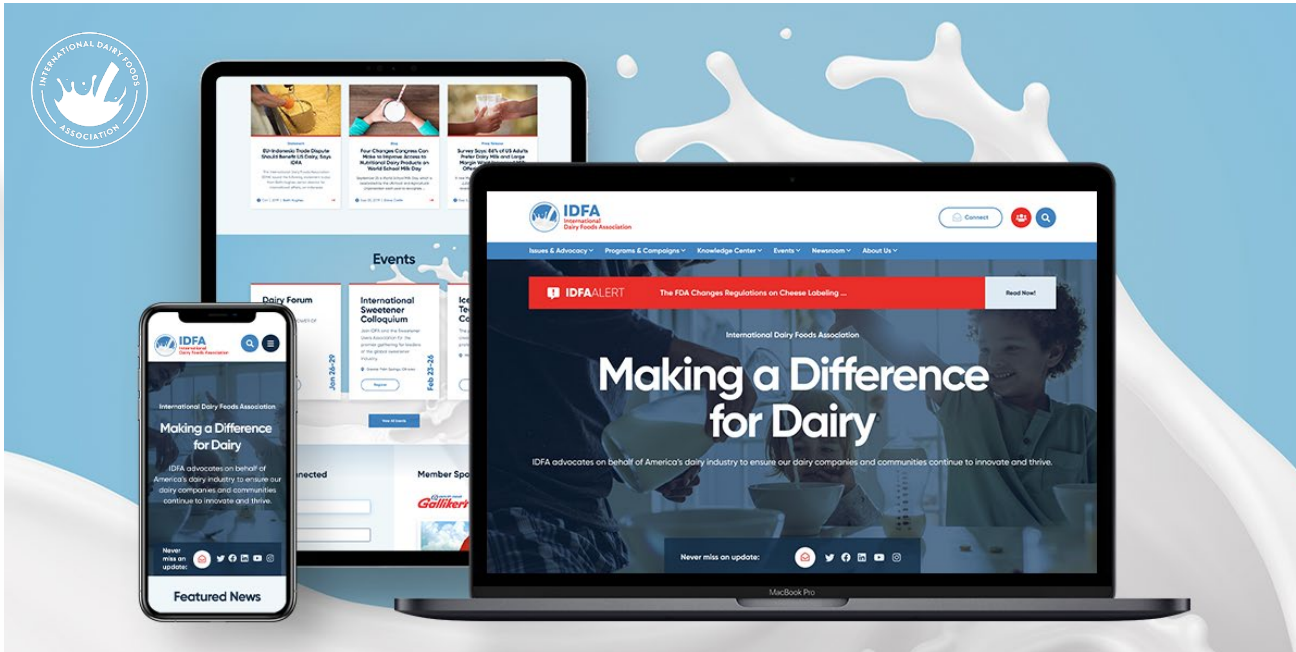
**International
Dairy Foods Association**

Communications



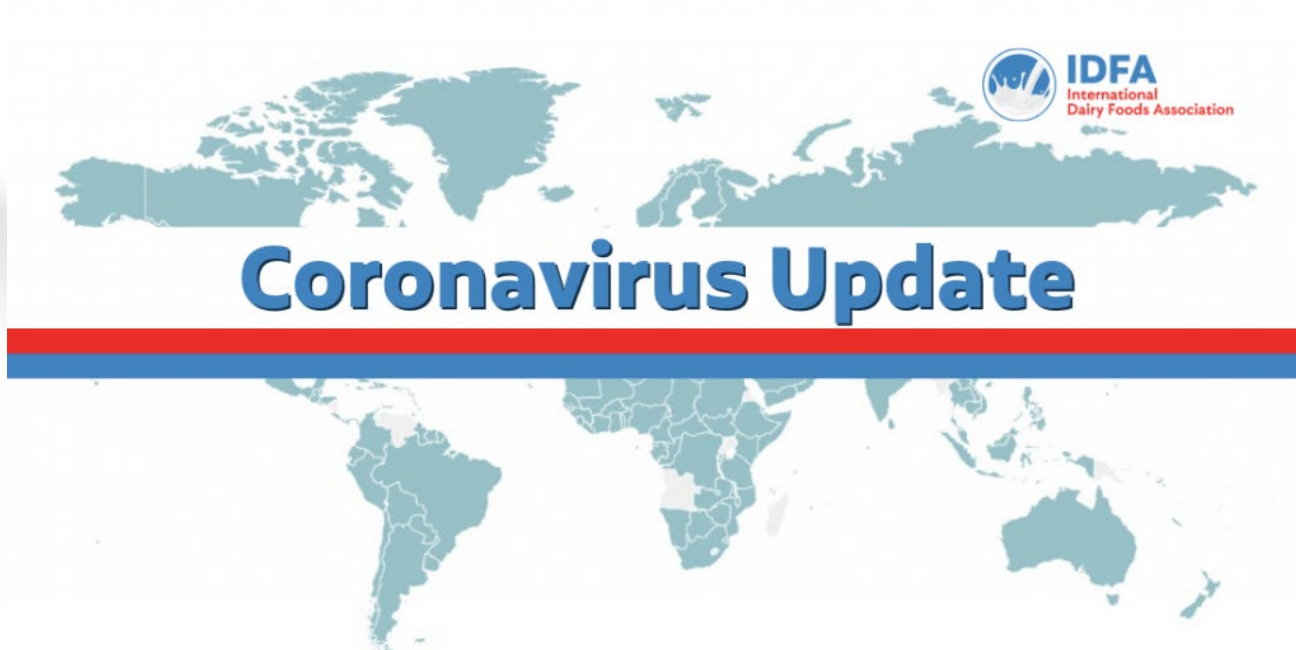
Matt Herrick – SVP, Strategic & Executive Communications

Communications – New Website & Branding



- Attracting 11% more visitors YOY
- +82,000 visitors since launch
- +122,000 views of Coronavirus page
- 2,200 new followers on LinkedIn; Twitter growth up 2%; 1 million impressions of #Essential campaign
- IDFA People Strategy generated more than 4,600 page views, 46 new member sign-ups for Women in Dairy, 13 new member sign-ups for HR Leaders in Dairy, 4 applications for NextGen Leadership





- Coronavirus resources most searched, bringing in 40-70%
- Steady cadence of timely, informative email alerts, blog posts, webinars and social media content reaches tens-of-thousands of members/non-members
- Lessons Learned: Over communicate; streamlined IDFA capabilities to offer webinars, virtual conferences and online networking events; partner with IDFA member experts to expand knowledge

Communications – Membership Campaign



Making a Difference for Dairy

Explore the Ways IDFA Can Benefit Your Business



We're Your Advocates

By deploying a mix of government relations, regulatory expertise, strategic communications, and grassroots and coalition-led engagements, IDFA advocates on behalf of the dairy industry on the most important policy, regulatory and business issues of the time. In addition, IDFA continues to offer its members access to state and federal regulators, policymakers, and decision-makers at the highest level on the issues most relevant to their businesses and the dairy industry.

Hear It From Leaders Across the Industry



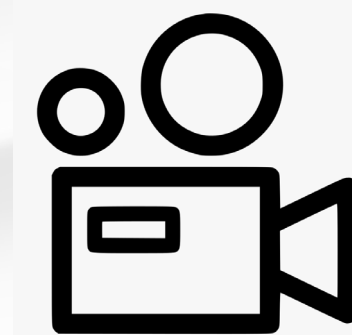
IDFA is the voice and advocate for the dairy industry. They are an invaluable resource for us on everything from food safety to exports to government relations. Their expertise and support enhances our ability to contribute to the growth of the industry.

Dan Zagzebski
President & CEO
Great Lakes Cheese

Join IDFA Today

DAIRY INNOVATOR DIALOGUES

LISTEN TO THE
FULL EPISODE AT
[IDFA.ORG/DAIRYINNOVATES](https://idfa.org/dairyinnovates)





IDFA **Vision** for the **Future**

Drivers and Direction



IDFA *Vision* for the *Future*

Drivers and Direction



Global
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Political Outlook



Global Competitiveness



Expand trade agreements and enforce existing agreements to ensure a level playing field



Defend science-based principles in Codex, WHO, and WTO



Discuss the current federal milk marketing order (FMMO) system and its impact on our ability to compete at home and abroad.



Sustainability

Five Key Areas on Sustainability



Standards for
Animal Care

Ethical Sourcing and
Human Rights Code of
Conduct

Environmental
Stewardship

Workforce Wellbeing
and Workplace Safety
at the Plant and Farm

Technology that
Complements
Workforce and
Reduces
Environmental Impacts



Industry Evolution

Delivering Value for Members

Advocacy

Regulatory

Communications

Providing Value in an Evolving Industry



Enhance and strengthen advocacy, regulatory and communications offerings to support members managing change related to consolidation and realignment

Evaluate gaps and overlaps in services offered to members with the goal of reducing redundant costs and enhancing value to members across the dairy supply chain.

Ensure representation of all segments of the industry—small and large, various business models, and evolving markets.



Innovation & Technology

Technology and innovation will....



Drive dairy's unfolding success story

Increase efficiency and output

Respond to consumer demand and preferences

Produce and process safe, high quality products

Keep workers safe and secure

Protect natural resources



Workforce of the Future





Political Outlook

Political Outlook



Opportunity to execute a 'Bold Initiative' for industry



Defend or advance dairy in federal nutrition policy



Continued trade uncertainty or execute a more liberalized trade agenda



Change in Administration, Congress, Courts impacts labor, environment, antitrust

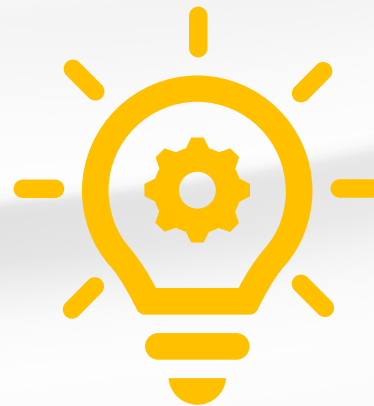


Increased need to educate more urban policy makers and increased importance of working in broad coalitions



Next Steps

Process Moving Forward



Leading Dairy Forward

October 2019



October Segment Board Meetings—
Strategic Priorities aligned and clarified.

June 2020



Virtual Spring Board Meetings

- 1. Update Segment Boards**—
share progress against priorities and modify as necessary
- 2. Discuss Vision of the Future**—
share perspectives on key industry drivers

Summer 2020



Vision for the Future

- 1. Co-Creation** —
solicit participation
- 2. Design Vision for the Future**— based on key drivers and forces

October 2020



Fall Board Meetings
Vision of the Future
shared, discussed, and refined.

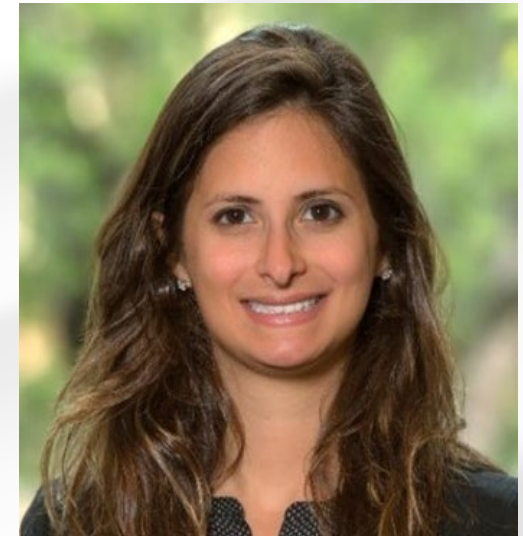
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Christina Adams – Partner



Ludovic Meilhac – Partner



Isabella Maluf – Associate Partner

McKinsey
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Dairy in the Next Normal

June 2nd, 2020

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- **COVID-19 is first and foremost a global humanitarian challenge.** Thousands of health professionals are heroically battling the virus, putting their own lives at risk. Governments and industry are working together to understand and address the challenge, support victims and their families and communities, and search for treatments and a vaccine.
 - **Solving the humanitarian challenge is, of course, priority #1.** Much remains to be done globally to respond and recover, from counting the humanitarian costs of the virus, to supporting the victims and families, to finding a vaccine.
 - **This document is meant to help with a narrower goal: provide facts and insights on the current COVID-19 situation to help marketers and business decision-makers.** In addition to the humanitarian challenge, there are implications for the wider economy, businesses, and employment. This document outlines some of those challenges and how organizations can respond in order to protect their people and navigate through an uncertain situation.

Basis for our perspective



Industry NA dairy
executives – you!

~20

Responses per pulse

In 2

Pulses (week 3, April and
May)

Dairy
Consumer survey

~600

Consumers
(cumulative)

In 3

Pulses

Proprietary
McKinsey
research

~2000

Consumers

weekly

Pulses

Scenario-based macroeconomic outlook,
in partnership with Oxford Economics

On the third weeks of April and May, the IDFA sent a “pulse” survey to the member base, with the objective of understanding the impact of COVID-19; the purpose to today is to share results from this pulse, along with consumer insights and analyses that highlight trends for the “next normal”

When poll is active, respond at **Pollev.com/idfa705**

Text **IDFA705** to **22333** once to join

What is the biggest change you expect for the dairy industry coming out of the COVID-19 crisis?

5 trends impacting dairy during COVID-19



A category in redemption

Positive intent and sellout for dairy momentum across almost all sub-categories



Dairy goes digital

The perimeter is now part of the normal online shopping cart



Changing offline channel landscape

Share across different Brick & Mortar outlets is changing as “value seeking” channels grow



Demand shifts to “in-home”

Consumer consumption shifting to home, with retail capture a share of the lost foodservice sales



Signs of stabilization, but the end is still far

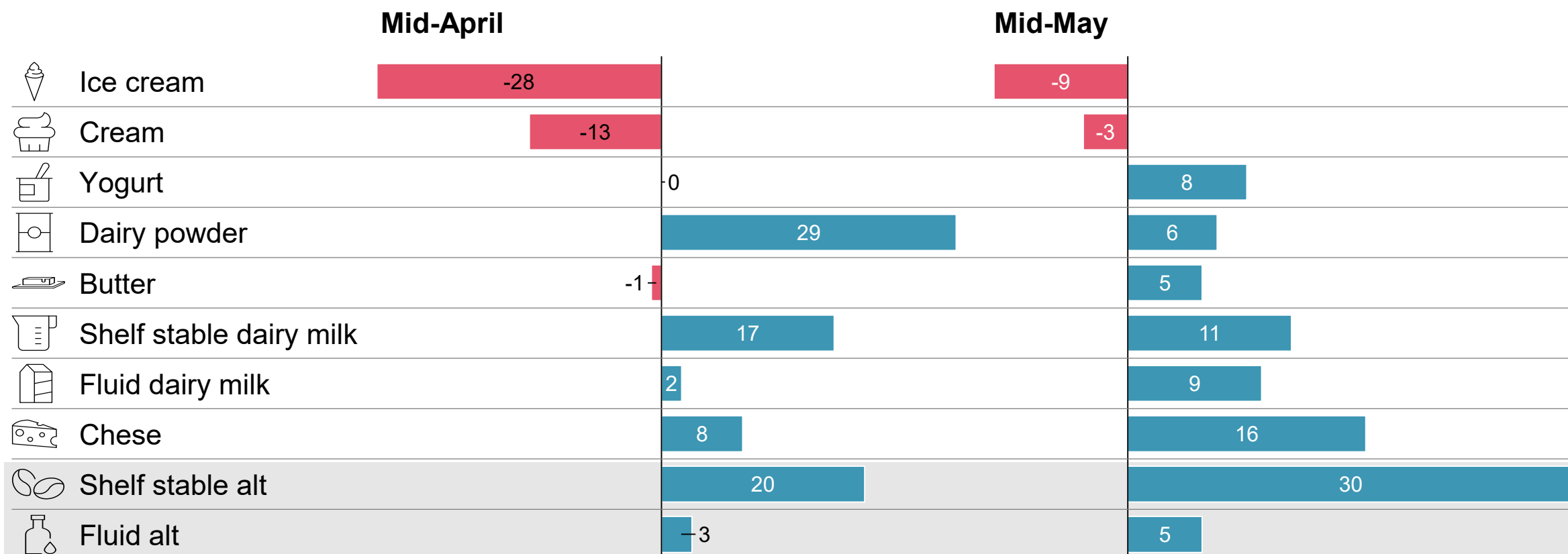
While still early, there are signs of stabilization, but the effects are expected to last 12+ months

Consumers report positive net purchase intent across almost all dairy categories

Non-dairy

Change across dairy categories

Net intent, % (people who responded “spending more” - % people who responded “spending less”)



With the exception of ice cream and ESL milk, retail sellout trends across categories align with intent and show momentum

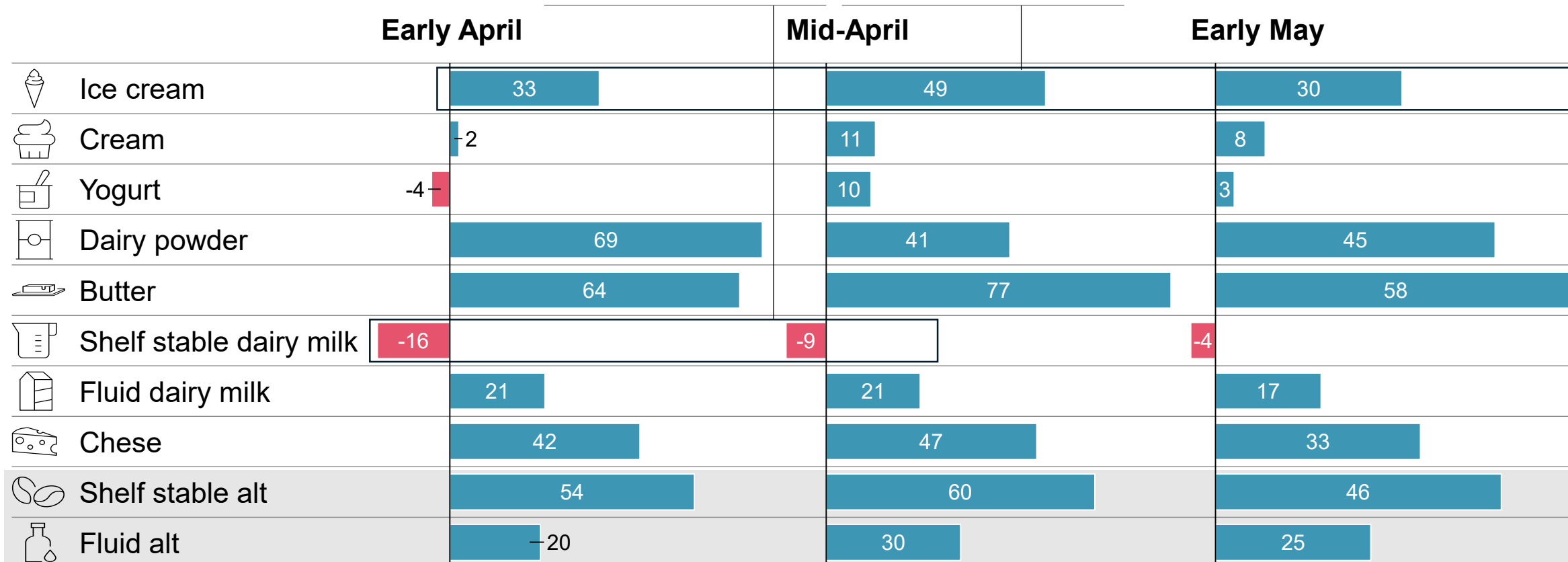
■ Non-dairy

Dollar sales

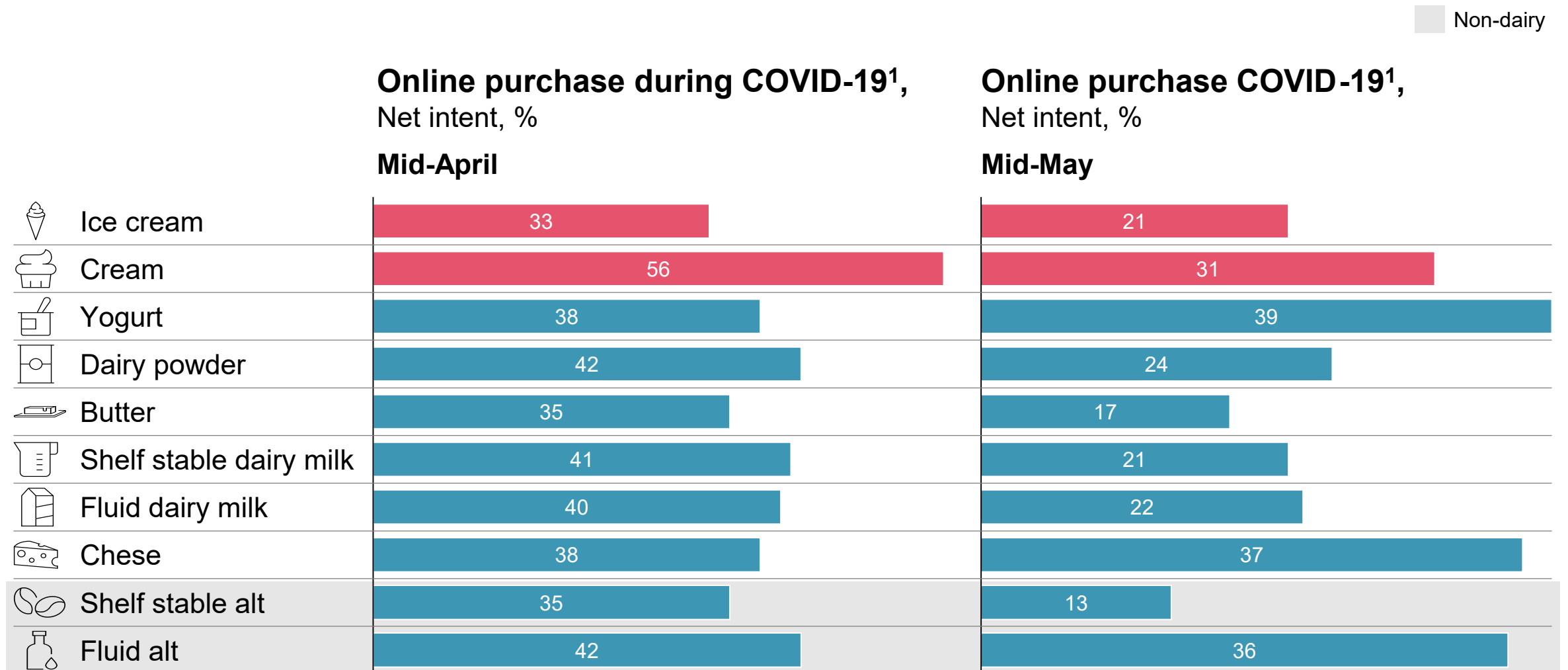
% change compared to a year ago

Trend positive through to week ending March 22 - **sales dip could be a result of early stock-up**

Ice cream trend is opposite of claimed purchase intent, likely because of impulse purchase

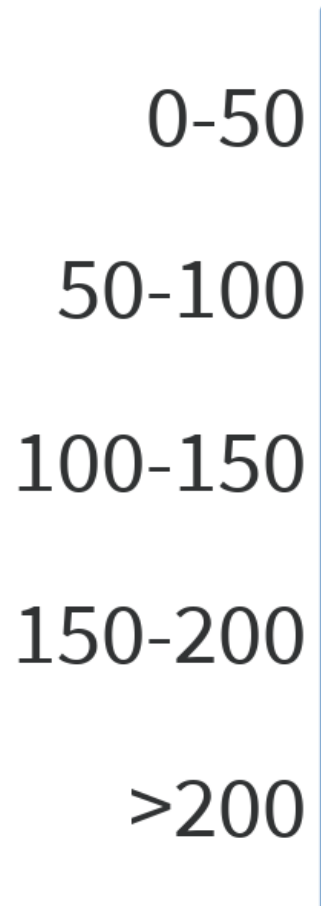


Dairy has broken the digital buying barrier and will likely stay there



1. Q: How has the coronavirus (COVID-19) situation affected your dairy product buying locations for [INSERT CATEGORY]? Please note, if you don't buy in one of these places today, please select "N/A"

How have you seen online sales for your category change since the start of the category (%)?



Category growth across Amazon platforms supports this trend



% YoY growth



+258%



+174%



Other Dairy Foods

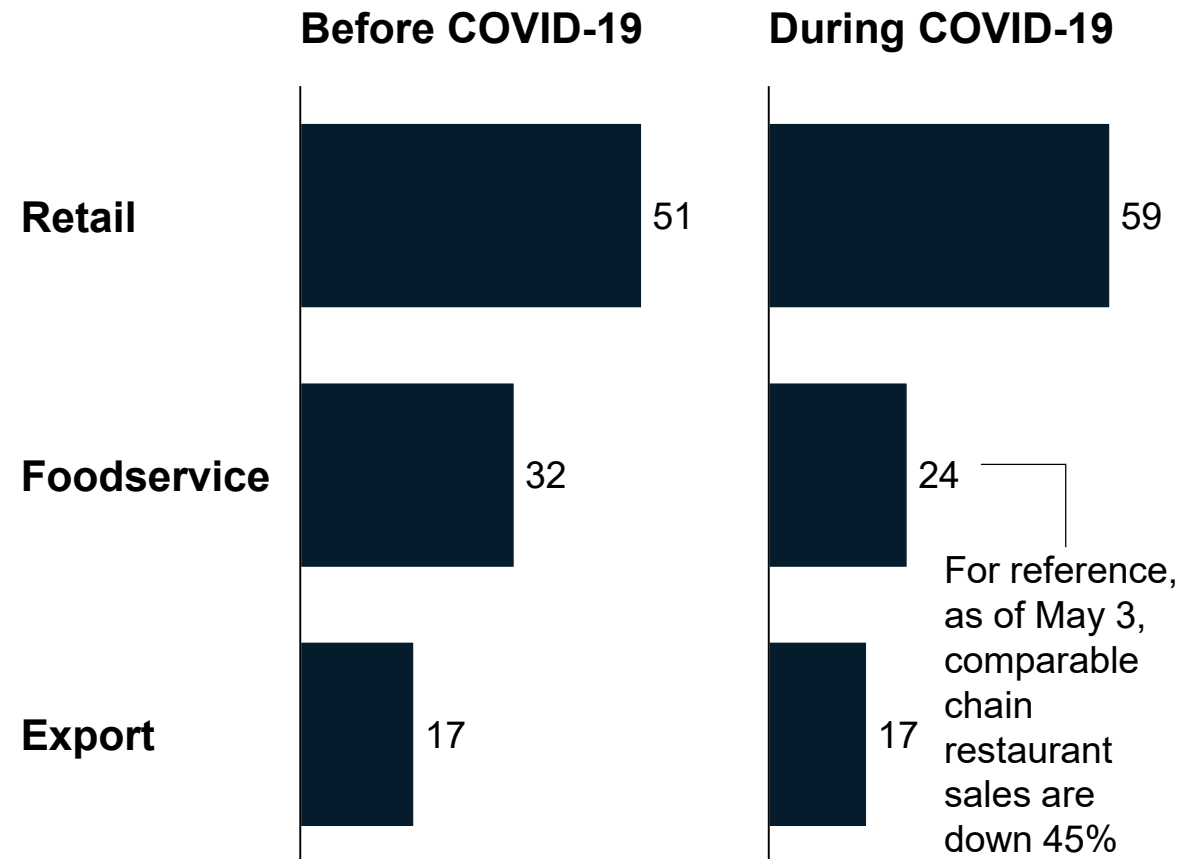
+103%

18 weeks ending 5/2/2020 compared to same 8 weeks in 2019

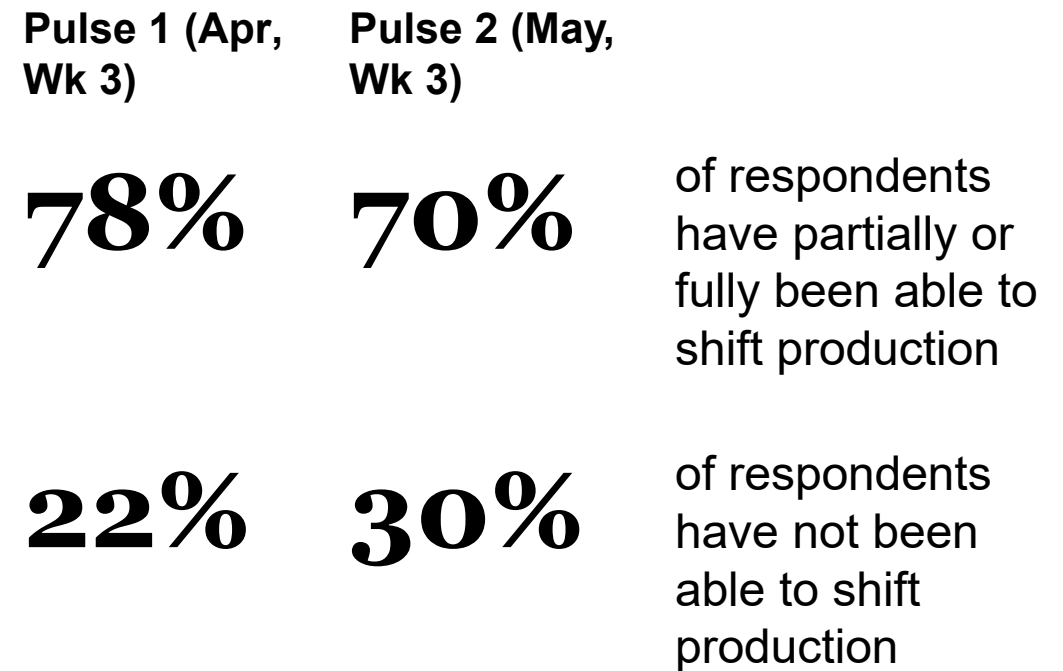
Source: Stackline as of 5/2/2020

While shifts between retail and foodservice are evident, an increasing share of members report difficulties shifting production

Reported % sales breakdown (Pulse 2, May Wk 3)



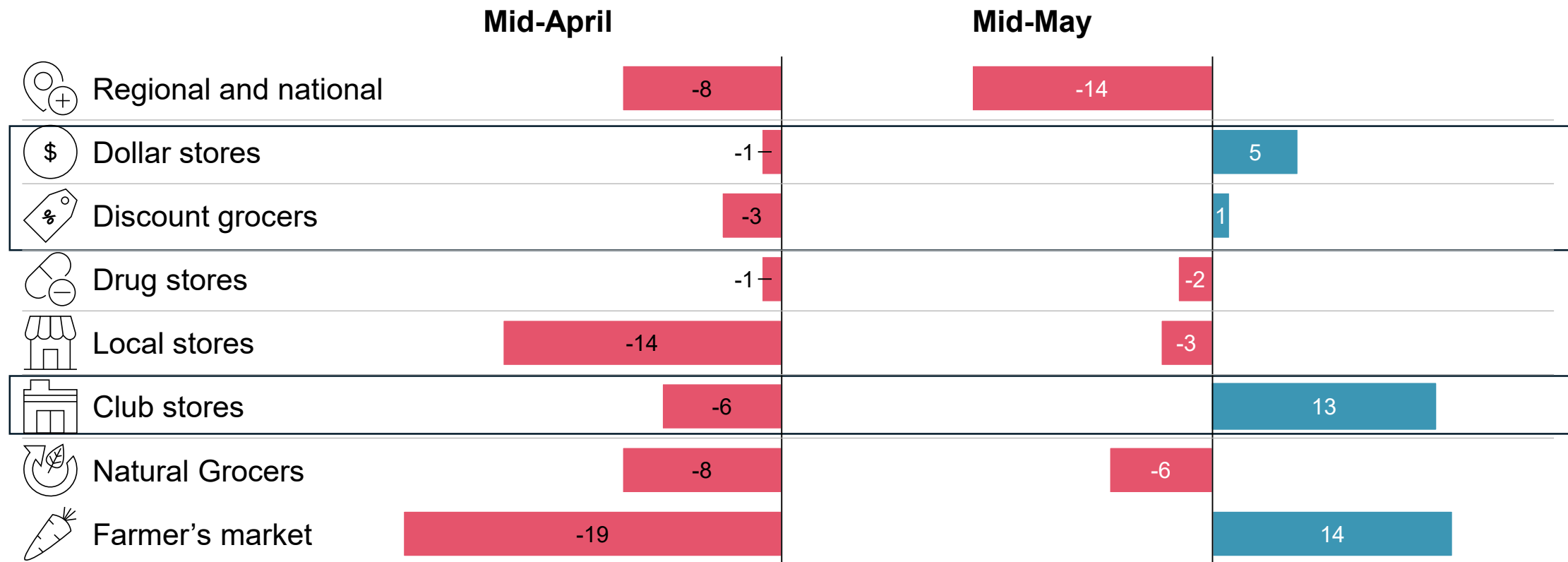
Ability to shift production



Offline channel intent is shifting towards value offerings such as dollar, discount and club

Current COVID-19 behavioral intent during COVID-19¹,

Net intent, %



1. Q: How has the coronavirus (COVID-19) situation affected your dairy product buying locations for [INSERT CATEGORY]? Please note, if you don't buy in one of these places today, please select "N/A"

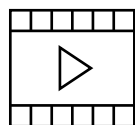
Consumers intend to spend more time at home and increase the use of light / no contact shopping options

Change to time allocation over the next two weeks¹, Net intent %



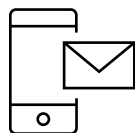
Cooking

46%



Movies & shows

31%



Texting, messaging

26%



Home improvement

23%

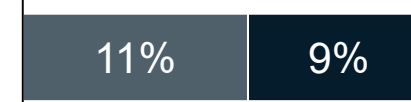
Have you used or done any of the following since COVID-19 started², % of respondents

■ Just started using ■ Using more

Restaurant curbside pickup



Store curbside pickup



Grocery delivery



Buy online for in-store pickup



Restaurant delivery

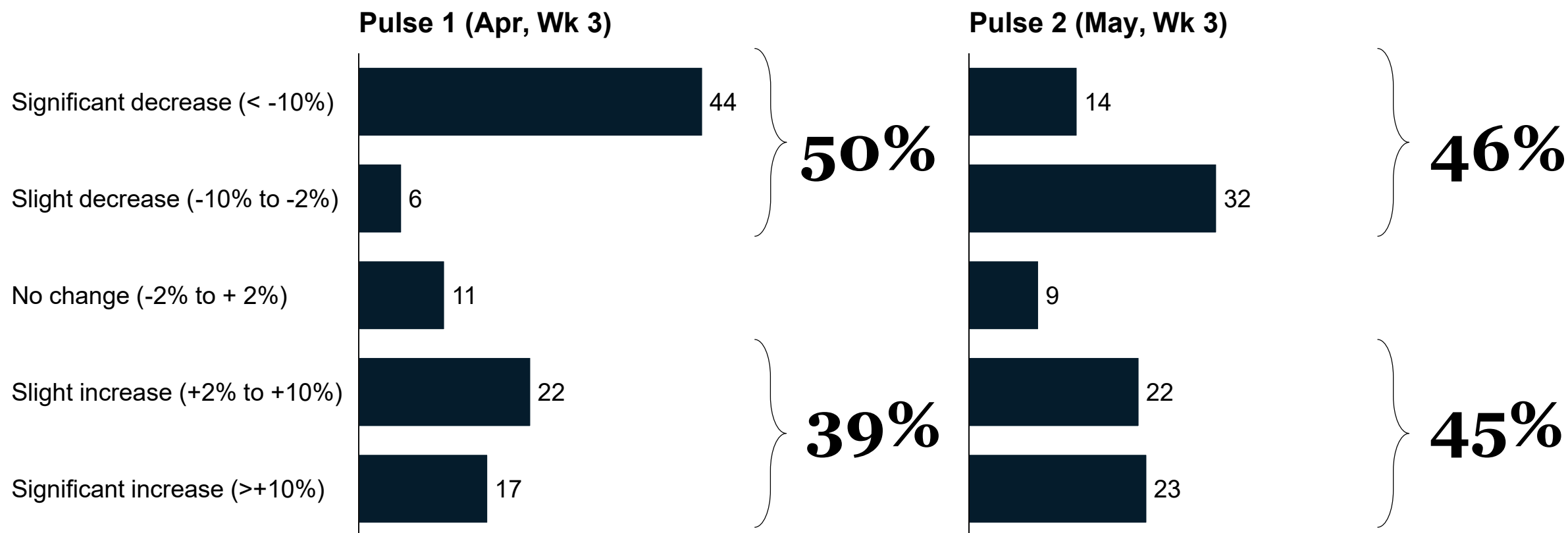


Quick-serve restaurant drive-thru



Demand trends show signs of stabilization and even slight recovery

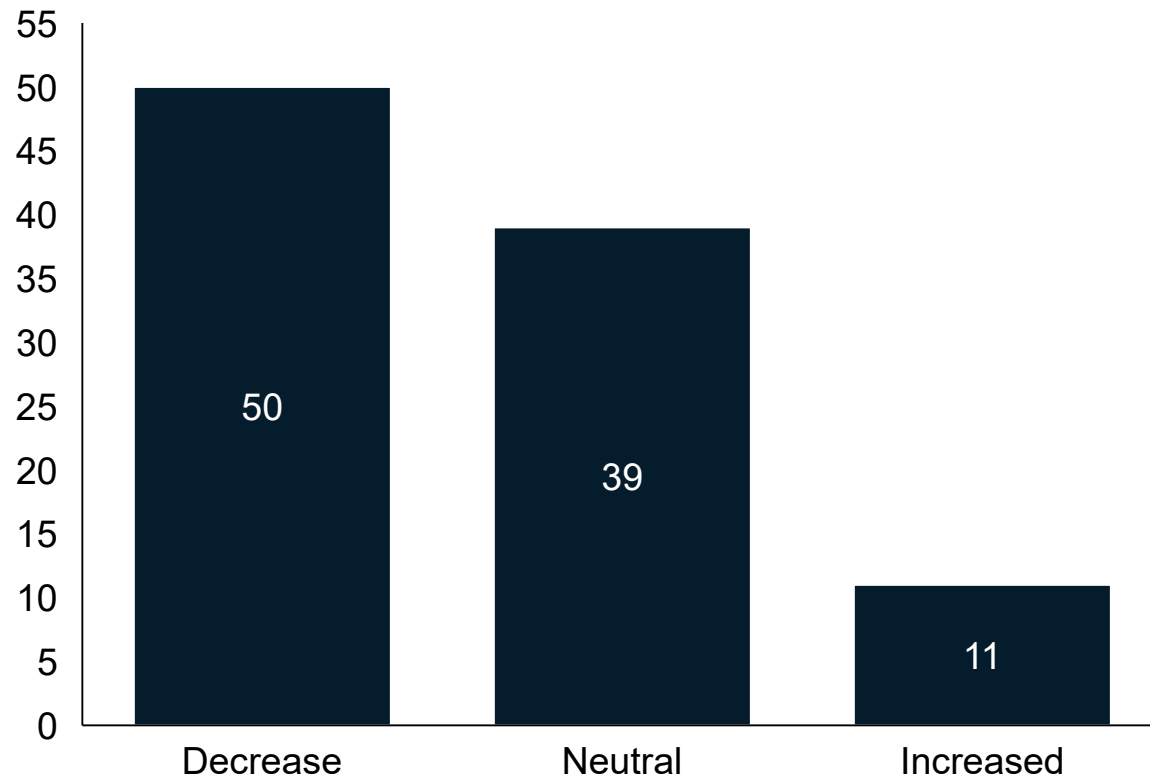
Member reported demand for dairy, 2019 vs COVID-19 2020,
%



Channel shifts and new may place further strain on already negative margin trends

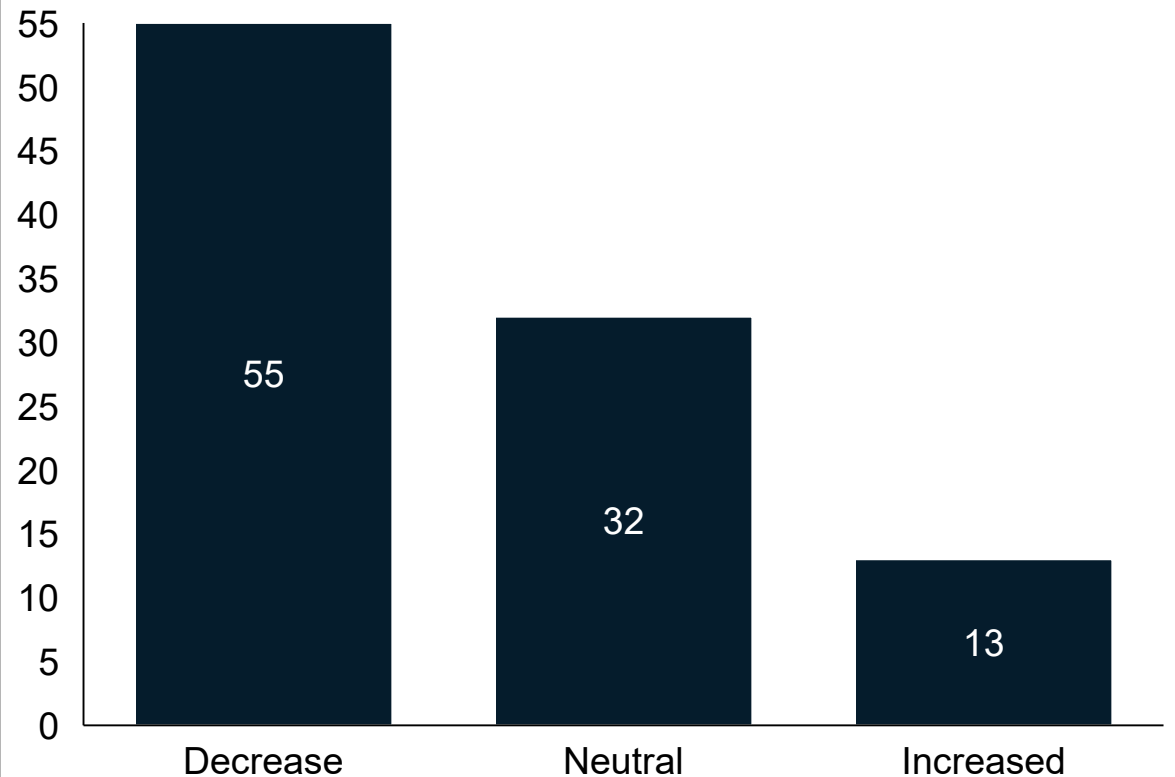
Pulse 1

How have your YTD margins been impacted %



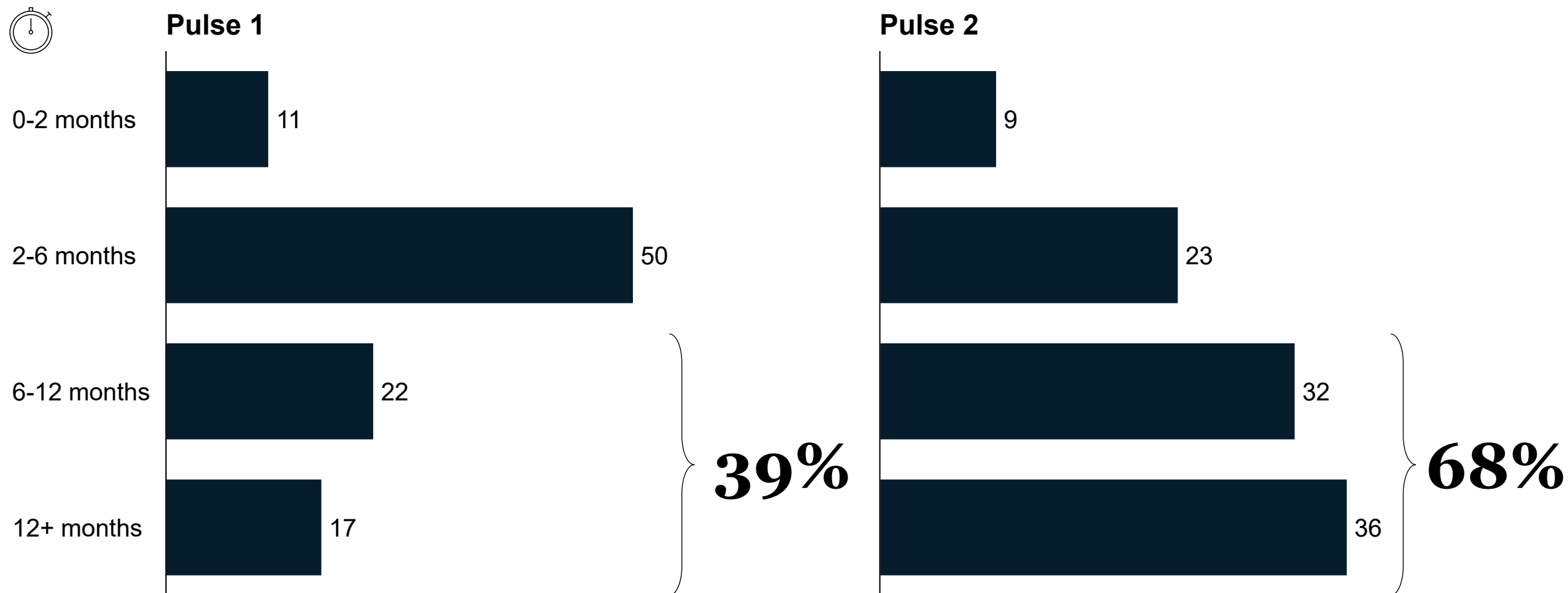
Pulse 2

How have your YTD margins been impacted %



Share of members who anticipate the impact of COVID will last >6 months on their business increased ~1.75x

How many months members believe COVID -19's impact on their business will last %



Actions to consider as we approach the “Next Normal”



A category in redemption

Important to find the pockets for how to maintain this critical momentum



Capitalize on the momentum and reset where to play choices, defining new attractive portfolio



Dairy goes digital

What used to be the “capability of the future” is suddenly needed now



Pull forward digital and advanced analytics plans



Changing offline channel landscape

Critical to be winning with formats that deliver value for where consumers will be shopping



Actively reallocate resources to get in front of channel and format shifts



Demand shifts to “in-home”

Products must be designed with the new “at home” in mind



Fill the out of home chasm – for new occasions



Signs of stabilization, but the end is still far

Agility will be the new normal



Invest, don’t retreat

I would like a deeper understanding of...

🗨️ When poll is active, respond at PolleEv.com/idfa705

📱 Text **IDFA705** to **22333** once to join

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Closing Remarks and Next Steps

Michael Dykes





IDFA

**International
Dairy Foods Association**

IDFA Issues Briefing

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