

Dairy Checkoff's Success in Fluid Milk

Fluid milk is a powerhouse category found in 94% of American households delivering \$14B in sales. However, fluid milk consumption has been steadily declining for decades due to changing consumer preferences and the increasing availability of alternative beverages. Checkoff has been working with partners to revitalize the fluid milk category and drive investment in milk.

PAST SUCCESS

Investing in Innovation

Checkoff has invested in research to uncover growth segments in fluid milk driving nearly \$1B in growth over the last 5 years.

Checkoff worked closely with HP Hood on their **Lactaid** fluid milk, supporting their investment in innovation with product and nutrition science along with research that proved consumers were eager to find a good-tasting lactose-free milk option. Today, lactose-free milk is one of the fastest-growing segments in dairy, growing \$604M over the last 5 years, with more brands offering lactose-free options due to Lactaid's success.

Another example of checkoff's impact is partnering to bring **fairlife** to market (a Select Milk Producers and Coca-Cola partnership). Select and Coke invested heavily in this new product, which is ultra-filtered, lactose free, low in sugar and high in protein – all the benefits consumers want. fairlife forecasts over \$500M in sales in 2019, signaling unheard-of new product success. fairlife's dollar sales growth has outpaced plant-based alternatives for the last three years. fairlife can be found in 7M households and has a greater than industry average repeat rate of 62%. fairlife continues to grow with a \$200M investment in an Arizona plant.

In foodservice, the checkoff worked with **McDonald's** to switch from outdated cardboard cartons of milk to round resealable single-serve bottles, driving significant growth. Milk sales increased from 49 cartons per store per week to **more than 350 bottles per store per week**, and soon after, other quick-service restaurants followed.

Foodservice Partners

In 2016, the checkoff team identified a re-launch opportunity for partner McDonald's McCafé line to help elevate the mainstream coffee experience. Checkoff resources led product development, conducted consumer research, and supported the national re-launch, and all products included dairy milk featuring the "Real Seal". McDonald's invested over \$200M in this effort and others, including Dunkin', Panera and Burger King, quickly followed with café drinks with milk. McDonald's also expanded retail efforts, launching a ready-to-drink, single serve dairy-inclusive Frappe to boost milk sales.

PRESENT WORK

Fluid Milk Partners

The checkoff is partnering with four fluid milk partners to drive sales through innovation and marketing: **Dairy Farmers of America**, **Darigold**, **Kroger** and **Shamrock Farms**. All partners are introducing new products in 2019:

- ✓ **DFA:** Expanding whole-milk smoothies and a new flavored milk platform launches summer of 2019
- ✓ **Darigold:** Launched FIT Milk, including new packaging and robust marketing plan
- ✓ **Kroger:** Launched whole-fat premium flavored milk
- ✓ **Shamrock:** Launched new single-serve products in foodservice, club stores and colleges/universities

FUTURE FOCUS

New Products, New Occasions

To turn the category around, checkoff has expanded milk revitalization efforts to retailers which represents 65% of sales volume. The focus includes innovation, product assortment, and packaging, showing immediate benefits. Checkoff convinced a retailer to stop a planned milk space reduction of four feet. This retailer has 2300+ stores and \$500M of fluid sales.

ABOUT YOUR CHECKOFF

The checkoff business plan is focused on programs and innovations that build sales and trust in dairy. This means ensuring your perspective is shared and heard across the industry on topics and issues important to your dairy farm business. It also means helping consumers and dairy customers understand what you do, how you do it, and why it matters.

2019 Dairy Checkoff's Percentage of Program Budget for Fluid Milk

