

DAIRY FARMERS OF WASHINGTON

2022 Year in Review



A LETTER FROM OUR LEADERSHIP

The team at Dairy Farmers of Washington (DFW) approached 2022 focused on innovation and collaboration—working closely with our farmers, processors, and partners to build consumer trust and ultimately drive sales for Washington dairy. As you will see in the report ahead, we addressed barriers to consumption by positioning dairy as a sustainably nutritious product with thought leaders, we built trust by engaging consumers with positive dairy messaging through influencers and directly through relevant channels, and we drove incremental sales for the category by creating innovative channel opportunities for our brands.

We celebrated two retirements this year—Jeff Steele (19 years) and Debra French (43 years!), both of whom will leave a legacy of positive impact on the industry. We also welcomed three new employees and have an excellent team in place who are passionate about the work and dedicated to maximizing your investment.

I'm incredibly proud of the work that the team at DFW did on your behalf in 2022. We look forward to continuing to be your voice in the marketplace and commit to executing a strategy that delivers results.



Steve Seppi, Executive Director
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2022 Business Priorities

TRUST

Securing dairy's place with the next generation of consumers.

POSITIONING

Demonstrating the dairy industry's leadership as an essential and sustainable food source.

SALES

Growing new opportunities for domestic and international dairy sales.

This past year our dairy farmers continued to show resilience and above all else, dedication to taking care of their cows and people while producing the best product out there. Milk prices were elevated throughout the year; however, challenges came in the form of input costs due to geopolitical and supply chain issues. Despite the headwinds, there is a lot to be optimistic about. Dairy is a powerhouse category as indicated by record domestic consumption of 667 lbs. per capita (milkfat equivalent basis) and household penetration of 96%. Additionally, exports showed significant growth—18% of U.S. dairy production was exported in 2022 with total volume up 5% and value up 25% to \$9.6 billion.

As you will see in this report, our checkoff investment is making a difference. I am confident in the board and the leadership of this organization, and I have seen firsthand how the staff tells our story to consumers and collaborates across the supply chain to generate sales. If you have any questions or input, please don't hesitate to reach out to me or any of our board members.



Lynne Wheeler, Chair
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TRUST & POSITIONING

Our team's longstanding priority has been to grow and protect trust in dairy with our local consumers. In 2022, this work continued as we created content to reach our target audience, Gen Z and Millennial parents, focusing on dairy's relevance in their daily lives and how dairy fits in a sustainable food system while providing unmatched nutrition.



DIGITAL MEDIA

This year, we focused our digital content on advancing our key message, sustainable nutrition — positioning dairy as good for you, good for the community, and good for the planet. To engage with the next generation of consumers, we leveraged the channels they are actively using to build trust and change the perception of dairy as not only delicious, but nutritious and responsibly produced.



Digital Media Campaign

We utilized social media and display ads to reach consumers and connect through positive engagement. Content focused on easy ways to incorporate dairy into their busy lifestyles, an explainer video series that focused on dairy as part of a sustainable food system, and nutrition-focused videos addressing dairy misconceptions prompting consumers to take a closer look at dairy.

35.6M+
impressions



14M video views
185K+ campaign clicks



Impressions = number of consumers who may see content
Engagement = interaction with a post (like, share, comment...)

Influencer Campaign

We partnered with a diverse set of influencers this year including a local dietitian, recipe developers, home chefs and even a local Food Network star! We highlighted what "a day in the life" looked like for farmers in Washington and two local Gen Z Seattleites. We also focused our approach to connect with consumers in a more authentic way, building partnerships with 3 influencers to create multiple pieces of content and to be our dairy advocates through ethnically diverse recipes. Each came from a unique culinary background and highlighted WA dairy in new, delicious, and culturally authentic ways. Their content combined health and wellness and sustainability messaging with these exceptional recipes.

8 influencers

21 recipes ♥



12.8M
impressions

144.8K+
engagements

37.5K+ ad clicks

EXPERIENTIAL



Whatcom this Whey

In celebration of National Dairy Month, we welcomed consumers to Whatcom County to meet their local cheesemakers, dairy farmers, and dairy processors. Consumers experienced educational on-farm tours about a wide range of topics, including cow care innovative and responsible farming practices, and learned about how their favorite dairy products are made.

1,200+
consumers
attended



sales up **50%**
compared to a
normal Saturday

441K+ impressions through paid ads



Adopt a Cow

This nationwide program connects K-12 students with where dairy comes from. Classrooms virtually adopt a calf from a local farm, get to know their farmer, and learn what exactly goes into raising a calf and producing milk. We worked with Groeneveld Farms in Monroe again as our representative farm. Our two calves were adopted not only by over 12k students in WA state, but also in classrooms throughout Oregon and Alaska.

500+

Washington classrooms



19.3K+
students impacted
in WA, OR, AK

PARTNERSHIPS

WIAA



This long-time partnership with Washington Interscholastic Activities Association (WIAA) directly connects us to student-athletes and their coaches. Leveraging chocolate milk's status as "the official refuel beverage", we developed and distributed digital content and nutrition resources like our sports nutrition manual. Through this, we were able to educate these key audiences on why dairy should be part of their active lives, in turn, supporting WIAA's mission of strengthening the lives of students.

student athletes refueled
with **11.7K+ BOTTLES**
— of chocolate milk —

2.98M+
digital impressions

reached →
800+ COACHES
through coaches school



500+
sports nutrition
manuals distributed
to coaches



Sports Nutrition
Manual for High
School Athletes

DEVELOPED BY
Kadi Grise (MS) and Kelly Pitcher PhD,
RD, CSSD, Central Washington University



featured stories & recipes

— from three graduates in —
collaboration with Darigold



The Pastry Project

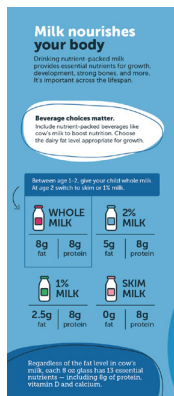


The Pastry Project is a nonprofit organization that provides free baking and pastry training to individuals with barriers to education and employment. As part of our partnership, we integrated local dairy into their program by supplying product and embedding messaging into their pastry kits for their 350+ subscribers, as well as sharing their story on social media. This year we also celebrated National Ice Cream Day by giving away free cones to the first 100 customers at their soft-serve window, which was covered by four local media outlets.

SUSTAINABLE NUTRITION POSITIONING

Our work in positioning is always backed by science. In addition to leveraging nationally-funded research, we funded one environmental and two nutrition research projects at regional universities as part of the BUILD program.

Department of Health (DOH) Watch Me Grow Program



Think Drink Grow

We created a brochure highlighting the importance of milk and making smart beverage choices in the healthy development of young children. The brochures were distributed in English and Spanish via direct mail and online to parents as part of the DOH Watch Me Grow program and to prepare for well-child visits.



Mealtime with Your Little One

Based on the current Dietary Guidelines for Americans, we provided an infant feeding guide including easy, dairy-friendly mealtime recommendations for 6-month to 23-month-olds. The brochures were distributed in English and Spanish to new parents in Washington as part of the DOH Watch Me Grow program.

reached **39.5K+** WA families

reached **81.3K+** WA families

PNW Partnership

The Pacific Northwest Partnership is a new twice-a-year forum including more than 35 participants (including customers, farmers, policymakers, and processors) from WA, OR, ID, and UT. Conversations focused on our regional supply chain as we work towards the industry's 2050 Net Zero Initiative through communication, research, and action, and included topics such as the Inflation Reduction Act, NRCS funding, carbon markets, and cap and trade.

Continuing our connection with universities to support the next generation of scientists, we worked with two graduate students, one from Central Washington University and one from the University of Northern Colorado, who created nutrition materials for WIAA and worked in collaboration with DOH resulting in the distribution of more than 500+ materials created.

University Connections

SALES

As the dairy landscape continues to evolve, our 2022 sales efforts focused on driving sales demand across channels and establishing programs and partnerships to improve accessibility of dairy throughout the state.

In 2022, we launched new initiatives like the Start Strong program which provided grants to support dairy in the cafeteria, and our Coffee+Milk campaign which focused on reclaiming share from plant based alternatives with coffee consumers in the PNW. In addition, our programs leveraged partnerships with Instacart, Safeway/Albertsons, Smith Brothers, and the Boys and Girls Club. These efforts helped support and drive local dairy sales.

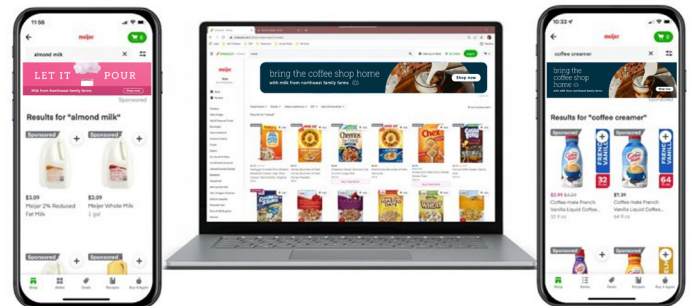


DRIVING DEMAND

Ecommerce

Instacart Category Campaign

In partnership with DMI and Stackline, our Instacart campaign was a multi-state activation for WA and OR to amplify our impact. The goal of this activation was to drive Instacart shoppers to the dairy category using campaign messaging focused on fluid milk and real dairy's superiority in the coffee occasion. Our spend was focused on sponsored product and display ads across the fluid milk category. Overall the campaign drove over 1M impressions.



SPONSORED PRODUCT:

16X ROI
(8x benchmark for success)
\$270K in sales

SPONSORED DISPLAY ADS:

10.7X ROI
\$150K in sales

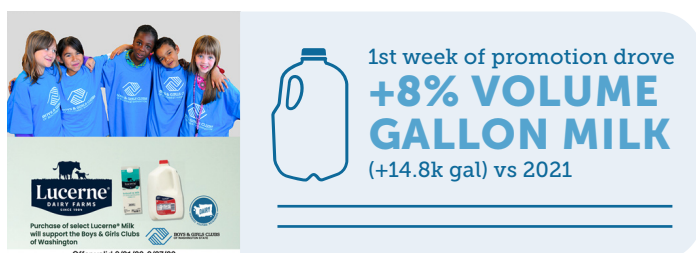
ROI = return on investment

Retail

Safeway Promotion



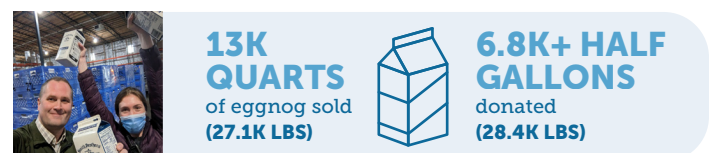
This new sponsorship, in collaboration with Safeway and the Boys and Girls Club, focused on generating fluid milk sales during back-to-school season along with driving positive media around dairy and the Boys and Girls Club. During September, all Lucerne gallon and 1/2-gallon milk purchases made across 184 stores in WA generated a .05 cent giveback to Boys and Girls Club of Washington.



Eggnog Nation



Eggnog Nation was a promotion in partnership with Smith Brothers Farms and Food Lifeline to drive sales of Smith Brothers eggnog during the holidays. The promotion offered a matched donation with every consumer purchase of eggnog during a 2-week window in December, with Smith Brothers making a matched donation of milk to Food Lifeline. The goal was to create excitement for Smith Brothers customers, ultimately generating incremental sales through the disruption of typical order patterns.



IMPROVING ACCESS TO DAIRY

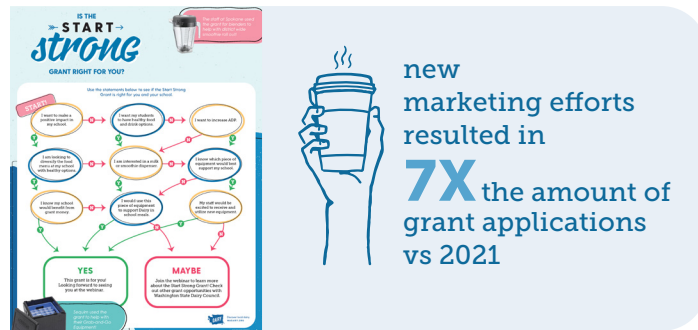
Tom's Turkey Drive

Tom's Turkey Drive is a local food drive in Eastern Washington in partnership with Darigold, Rosauers (retailer), KREM 2 News (media), and 2nd Harvest (food bank) to get milk to consumers via Thanksgiving dinner boxes and area food banks during the holiday season. Our sponsorship enabled Darigold to donate 15k half-gallons of milk to be distributed to people facing hunger in the Spokane, Mid-Columbia, and Yakima Valley areas.



K-12: Start Strong Grants

The Start Strong grant program supports school meals by providing school nutrition professionals with equipment to increase access and enhance the dairy experience for students. The primary goal being to increase dairy consumption and inspire lifelong dairy consumers. We awarded grants that supported innovative dairy programs such as coffee bars, milk dispensers, hot chocolate milk, and smoothie bars.



PARTNERSHIPS

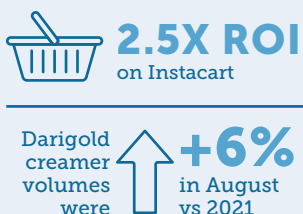
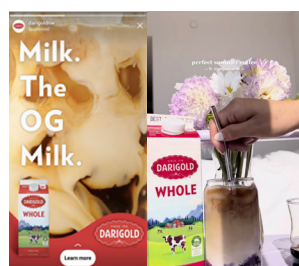


The D3 partnership is co-funded by DFW, DMI, and Darigold and is focused on revitalizing fluid milk sales in the northwest and driving value-added dairy exports in key international markets. Domestically, the partnership leverages product innovation, category leadership, and channel marketing activations. Internationally, the partnership supports export development through a direct sales business model to establish a long-term, sustainable U.S. dairy export business.

Domestic Fluid Milk Partnership

Coffee + Milk Campaign

Partnering with Darigold and DMI, we worked to position real milk and cream as the superior coffee pairing and experience. We engaged with three popular coffee artists and recipe developers, who highlighted fun ways to make coffee at home via multiple digital channels, and drove nearly 150M impressions through activations in Q3 and Q4.



Extended Shelf Life Fluid Milk

Value-added and lactose-free continue to be growth drivers within the fluid milk category.

+80% increase in FIT volume shipped vs 2021

+91% increase in FIT dollar sales vs 2021

International Partnership

value-added exports growth:

+81%
vs 2021

+50M LBS
over goal





INDUSTRY OVERVIEW

This dairy industry snapshot provides a look at local dairy sales growth and exports growth for Washington state. Overall, the impact of inflation has boosted dollar sales growth for Dairy in 2022 while volumes remain flat. Cost of food at home rose +11.4% and dairy prices were up 12%. Inflation is projected to slow in 2023 but value will continue to be top of mind for consumers and retail will remain the primary go-to channel for meals.

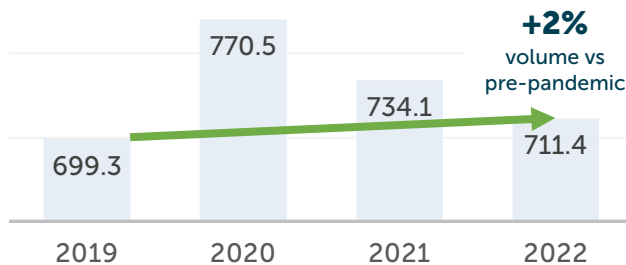
Looking more closely at category performance, total fluid milk category volume continues to trend down driven by declines in conventional gallon sizes. The bright spot in fluid milk is the value-added segment which is posting double digit volume growth. Cheese volumes are slightly down in 2022 but still posting +18.5% growth vs 2019.

Report Sources: IRI Retail Volume Sales Total MULO, Geography-Washington State| IRI Panel, All outlets- Dairy Aisle, Geography- Washington State | AAU Study by Aimpoint Research, September 2022 | Total Dairgold Exports Volume-2021-2022

WASHINGTON DAIRY SALES

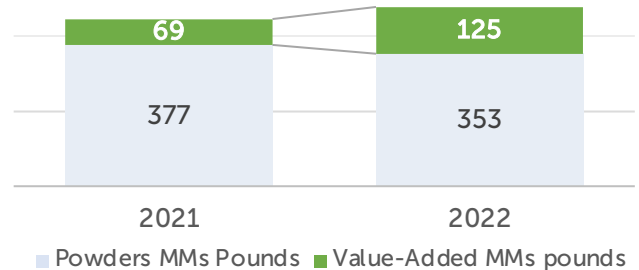
DAIRY RETAIL SALES VOLUME

5-Year CAGR for total dairy is flat (+0.2%) with moderate growth vs pre-pandemic (+2%)



DAIRY EXPORTS VOLUME

Value-added now makes up 35% of total Export Volume



TOTAL DAIRY HOUSEHOLD %



WA Household penetration for Dairy is growing in homes with children

TOTAL FLUID MILK

Declines driven by traditional milk. Inflation driving dollar sales increase.

5-year CAGR (2017-2022)

-3.2% Volume

+2.5% Sales

TOTAL CHEESE

Cheese volume sales continue to grow, up double digits vs 2019.

5-year CAGR (2017-2022)

+2.1% Volume

+5.9% Sales

DAIRY HOUSEHOLD PENETRATION

WA Households with Children

+0.70 vs National



LACTOSE-FREE & REDUCED VOLUME SALES

+37% volume since launch of FIT



CHEESE VOLUME SALES (MMs LBS)

+18.5% vs pre-pandemic



CONSUMER STUDY

To better understand consumer sentiment, we issue an annual consumer survey that allows us to track consumer trust in key areas for dairy and help strategically focus our programs and messaging. The 2022 AAU study results reflects most consumers view dairy as nutritious and crucial to their diet but to improve overall trust- there is opportunity to further highlight sustainability efforts.

2022 Consumer Trust Index

WA: 14.9 (-0.5 vs 21')
 National: 15.8 (-0.1 vs 21')

Dairy products are generally viewed as nutritious and a crucial part of diets.

8 in 10

(83%) which is +2% vs 2021 and +2% higher vs National

WA consumers feel Dairy products are healthy and nutritious

The top two most trusted sources for dairy information:



1. Health Professionals
2. Government Agencies

The importance of sustainability is growing amongst consumers.

46%

vs 49% nationally

of WA consumers say environmental sustainability efforts are important in purchase decisions

Less than 1/2 vs 60% Nationally

of WA consumers believe Dairy Products are environmentally friendly

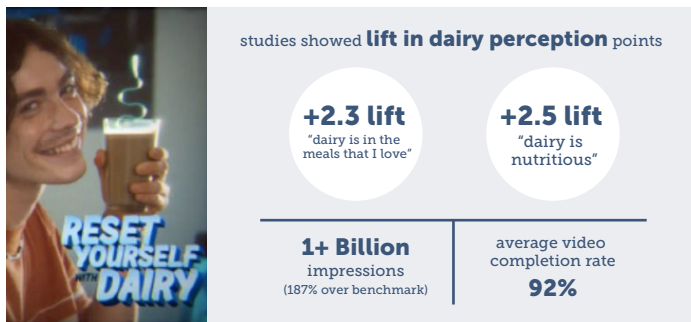
2022 NATIONAL CHECKOFF HIGHLIGHTS



TRUST & POSITIONING

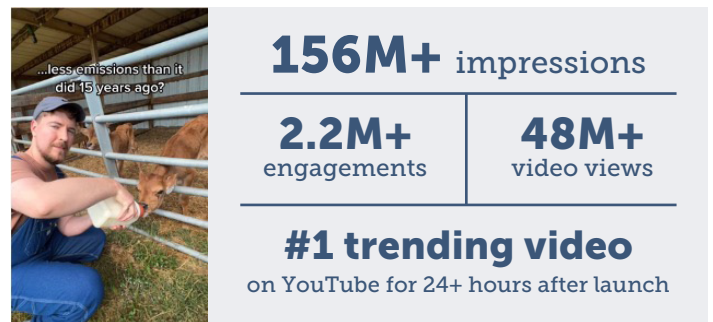
Digital Campaign: Reset Yourself with Dairy

The "Reset Yourself with Dairy" campaign utilized a variety of media channels and marketing strategies to grow trust and sales with Gen Z consumers. This included crafting digital content that focused on combining humor, gaming, and influencers that highlighted dairy's contributions related to immunity, calmness, energy, and digestive health.



Influencer Campaign: MrBeast

MrBeast, a popular YouTuber with over 137M subscribers, launched a video on National Farmer's Day in his second partnership with the Checkoff, challenged six YouTubers to compete on a dairy-dedicated level in Minecraft. During the video, he discussed dairy sustainability, nutrition, and an overall appreciation to America's dairy farmers.



Mayo Clinic Collaboration

Dairy Management Inc. (DMI) and its affiliated entities entered a 5-year collaboration with Mayo Clinic to advance shared science around the role of dairy foods, particularly whole milk dairy foods, in cardiovascular and metabolic conditions in three areas of focus.

Research: including dairy's role on calm, sleep, digestive health, and immunity

Education and Outreach: communicating dairy's strong body of evidence, research and insights

Digital Healthcare Transformation: exploring dairy's role via digital platforms to help people managing their wellness

SALES

Raising Canes Partnership



DMI has a new partnership with Raising Canes, one of the fastest growing quick service restaurants (QSRs), representing a great opportunity for dairy with a focus on expanding beverages, menu items, and meal occasions. Raising Canes is outpacing other chicken QSRs and reaches a younger audience with 60% of consumers within the Gen Z/Millennial category, and is second in market to Chick-Fil-A.

+21% sales growth vs 2021

estimated impact
100M+ lbs of milk in growth

National Dairy Exports



U.S. Dairy Export Council

Growth in exports driven by Checkoff-supported organizations like USDEC who help drive global strategy for U.S. dairy exports.

\$9.6 Billion in dairy products (+\$1.9 Billion vs 2021)

18% of U.S. milk production

U.S. reached record global market share
25%

U.S. dairy exports grew over **3x** vs domestic consumption

DAIRY FARMERS OF WASHINGTON BOARD & STAFF



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CHECK OUT
OUR WEBSITE &
SOCIAL MEDIA