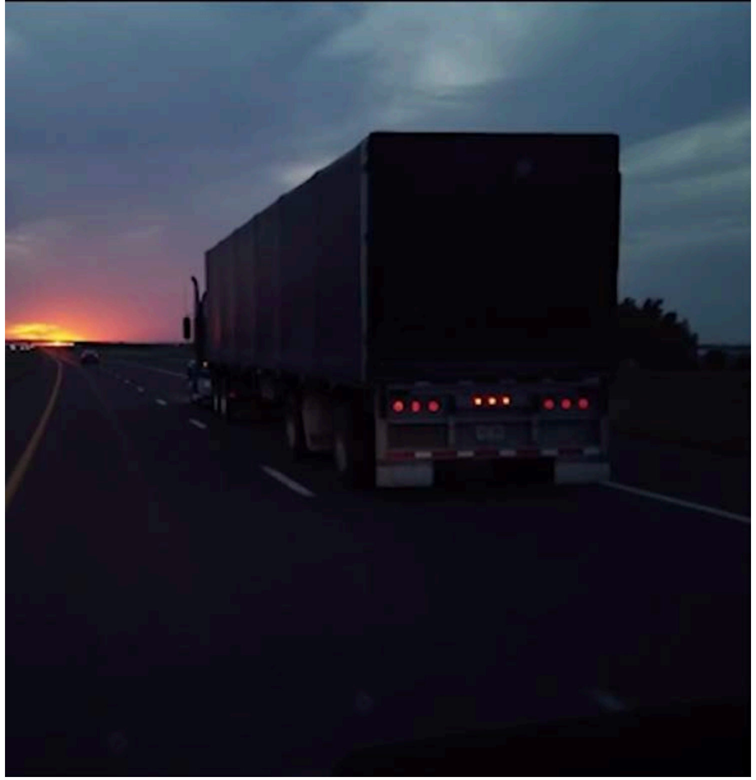
COVID-19 and Impact at the Dairy Case

APRIL 1, 2020



Unprecedented Times Require Unprecedented Action

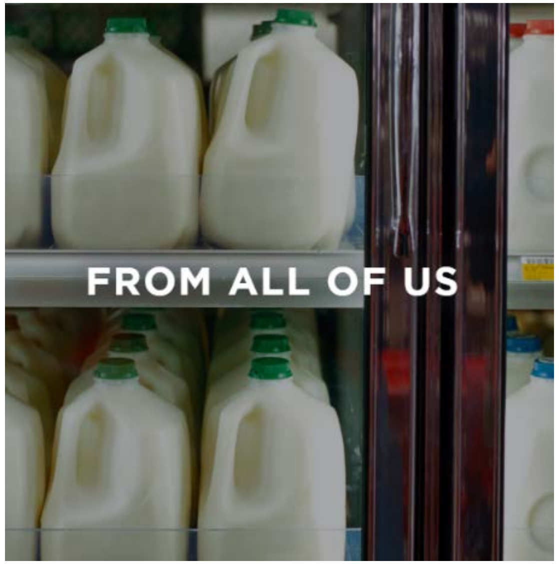
Now more than ever,

WE CAN REINFORCE MILK’S ESSENTIAL ROLE

FEEDING AMERICA

CONSUMER ENGAGEMENT

BRAND ACTIVATION SUPPORT



YOUR STORIES

Email us:
kpurcell@milkpep.org

DMI DAIRY MANAGEMENT INC. milkpep

Coming next week

- Feeding America's more than 200 food banks and 60,000 pantries across the country are in need of support now more than ever. And, milk is one of the most requested and least donated items
- Together, **Feeding America®** – the nation's largest domestic hunger relief organization – and America's dairy community have delivered more than 33 million servings of fresh milk to children and families who need it most.
- Now, we can do more to help. Stay tuned for more information next week on how you can take part.

- On Monday, March 30th, GENYouth launched a COVID-19 school nutrition fund and campaign to donate to in order to provide grants to help facilitate meal distribution and delivery. https://www.genyouthnow.org/donate
- **For Schools' Sake — Help Us Feed our Nations Kids!**
- 124,000 schools are now closed, affecting nearly 55 million children. Thirty million of those children depend on the U.S.D.A.'s school meal program for a substantial portion of their daily nutrition.

Please help us drive awareness, and ensure that those who can help, and those who need help, have the opportunity to donate or apply for this critical funding.

Sample Social Media Posts: (Request - Include picture of you, your family, etc. “raising your hand.”)

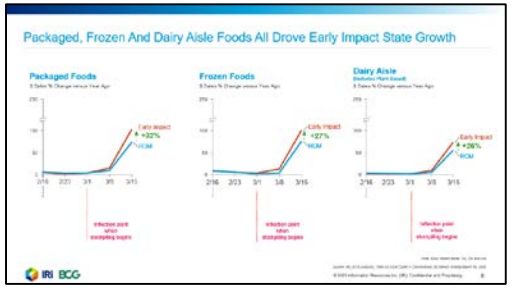
- **Twitter:** #SchoolClosures are impacting millions of food-insecure kids. Raise your hand & donate to @GENYOUthNow’s #COVID_19 Emergency School Nutrition Fund to provide grants for critical #school #resources. Visit genyouthnow.org/donate #ForSchoolsSake

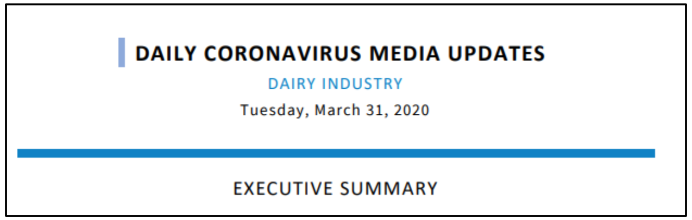
- **Facebook:** Help @GENYOUthOrg Feed Our Nation’s Kids! As schools are closed due to #COVID_19, millions of food insecure students still need access to their school meals. Raise your & donate now to GENYOUth’s COVID-19 Emergency School Nutrition Fund, which is providing grants to help facilitate meal distribution and delivery. The need is URGENT! Visit genyouthnow.org/donate #ForSchoolsSake

- **Instagram:** Not all heroes wear capes. For our nation’s school food service professionals, teachers and volunteers, @GENYOUthNow is raising funds #ForSchoolsSake to help Feed Our Nation’s Kids! We’ve already raised $1M but the need is URGENT to provide meals to food insecure students. Your donation enables grants that help schools get the meal distribution and delivery resources they need. Link in bio to donate now.
- https://www.genyouthnow.org/donate

How can we help?

Insights and Information




DAILY CORONAVIRUS MEDIA UPDATES
DAIRY INDUSTRY
Tuesday, March 31, 2020
EXECUTIVE SUMMARY

Resources and Activation Support

milk
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GENYOUth
EXERCISE YOUR INFLUENCE™

DAIRY MANAGEMENT INC.™

Visit MilkPEP.org for more information and stay tuned for information on our next webinar taking place next Wednesday, April 8.

DAIRY MANAGEMENT INC.™ milk pep

What you'll see today:

QUESTIONS, IMPLICATIONS & CONSIDERATIONS FOR YOUR BUSINESSES

CHRIS COSTAGLI | IRI

A Topline View Of Impact At Retail, Including E-comm

DOUG ADAMS | PRIME CONSULTING

A Specific Look At Milk Sales Across The Country

DAIRY MANAGEMENT INC. milk pep

What you'll see today

Swift and huge retail impact

Impact varies across channels and product categories

Region timing tied to 'stay-at-home' orders

Americans going back to basics

As concerns heighten, people are shifting to stress reduction,
comfort foods and staples

Product volatility varies

Based on expiration, availability and practical ability to pantry load

Milk is an essential

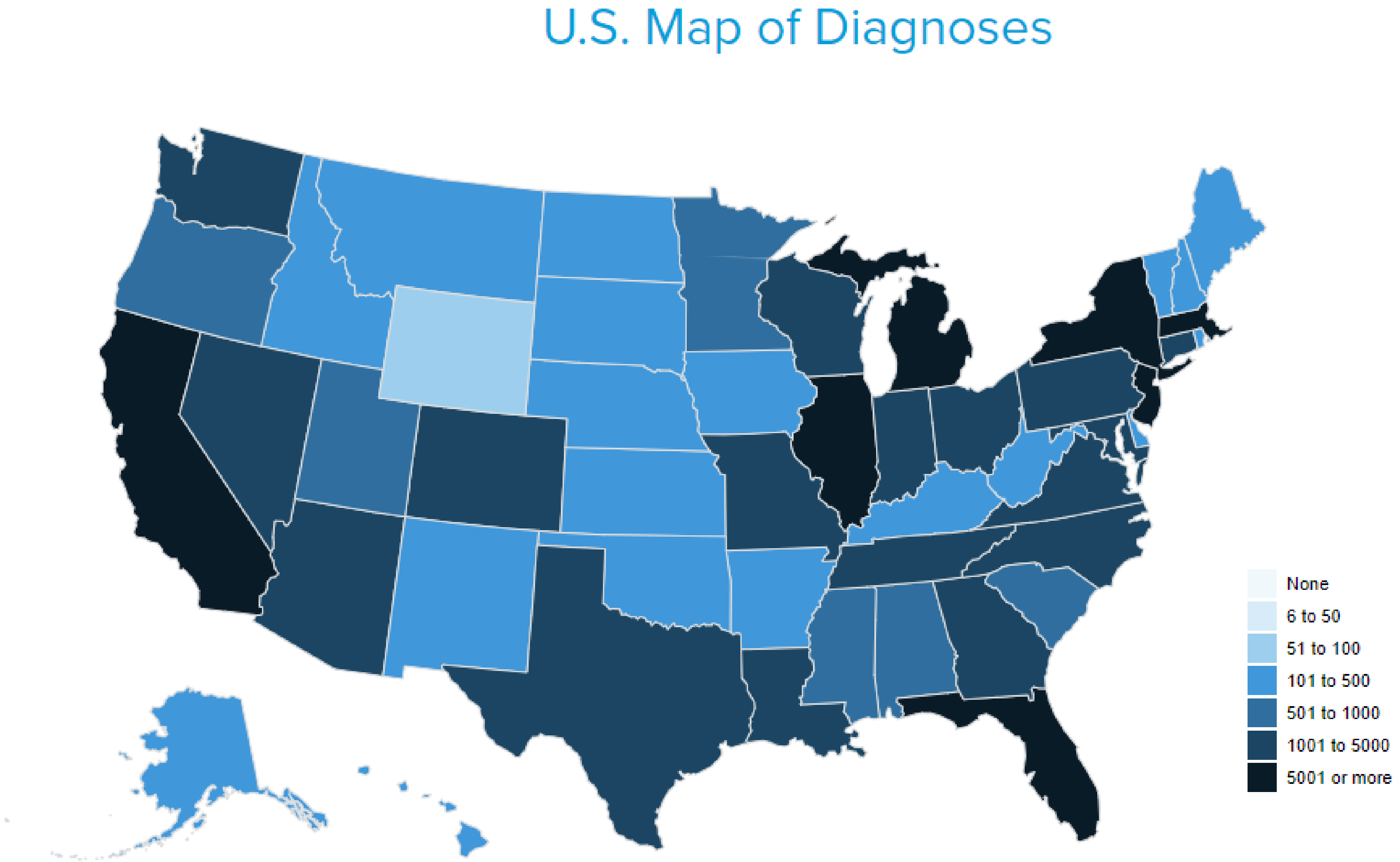
Across all products segments– and the longer the shelf life, the bigger the impact

Net impact for milk TBD

Will be affected by length of home stays, extent of out of home losses and channel changes (e-comm and beyond)

Overall Retail Landscape

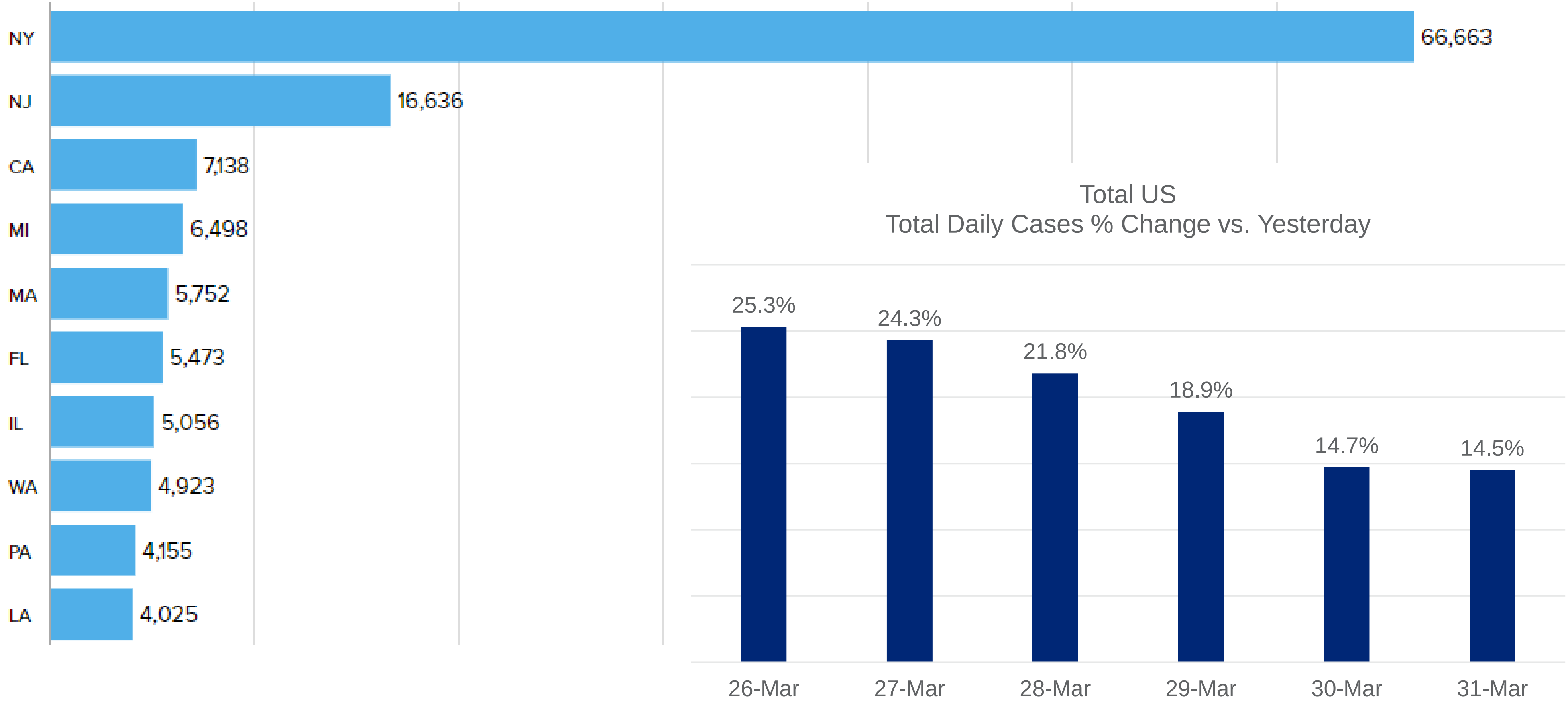
The Infection Rate Around The Country Continues To Grow



Source: John Hopkins University, Updated March 30, 2020

New York Has The Greatest Number Of Infections And When We Look At The Change In Daily Cases Day-Over-Day, Rates Are Slowing

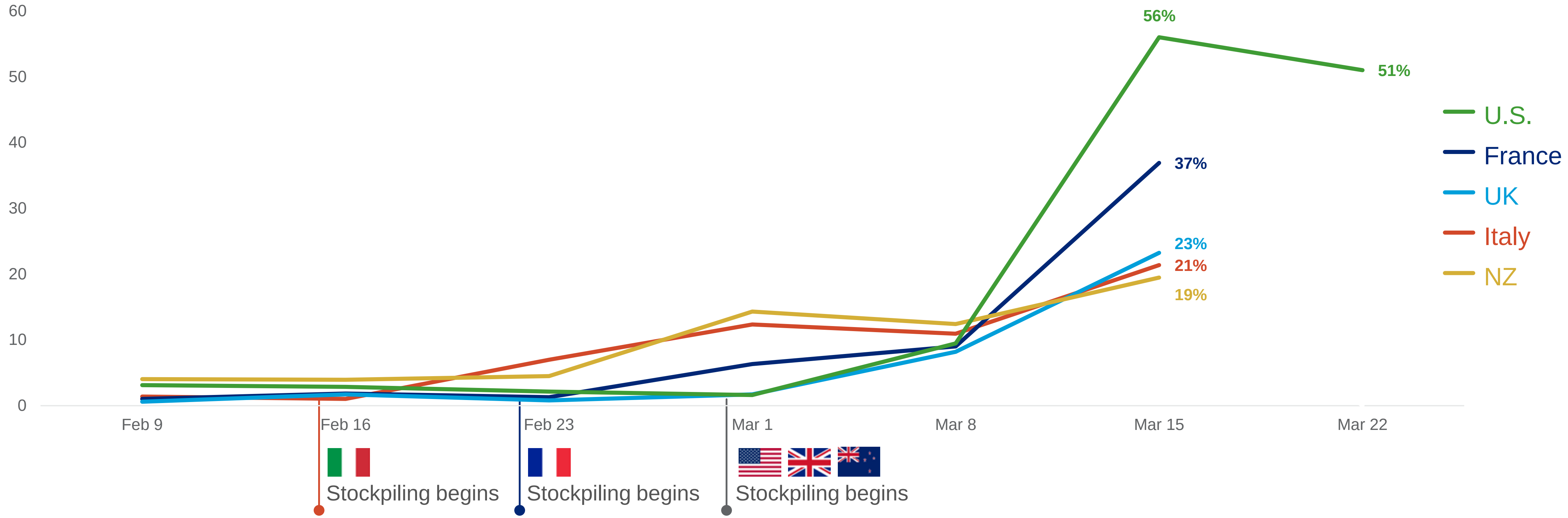
Top 10 U.S. States with Diagnoses



Source: John Hopkins University, Updated March 30, 2020

A Few Weeks Further Into The Crisis, Italy And France Are Still Showing High Consumer Spending, Although Italy Is Beginning To Stabilize

Local Currency Sales % Change vs. Year Ago
Week Ending February 9 – March 15, 2020



Source: IRI International, Total Store Sales

Consumers Are Likely To Continue To Shift Their Spending And Shopping Behavior In Response To COVID-19

Suspend Brand Loyalty

Consumers are buying what is available

Revival Of Center Store

Reintroduction to shelf-stable categories / brands as well as meal components to support return to cooking

Continued Stock-Up

Spending diverted from restaurants and away-from-home venues paired with shortage and run-out fears

Comfort, Indulgent & Entertainment

Seeking products to deliver some joy during difficult days of at-home confinement

Shift To Online / Click & Collect

Reducing contact with others and seeking products they cannot find in-store

Close-To-Home Shopping

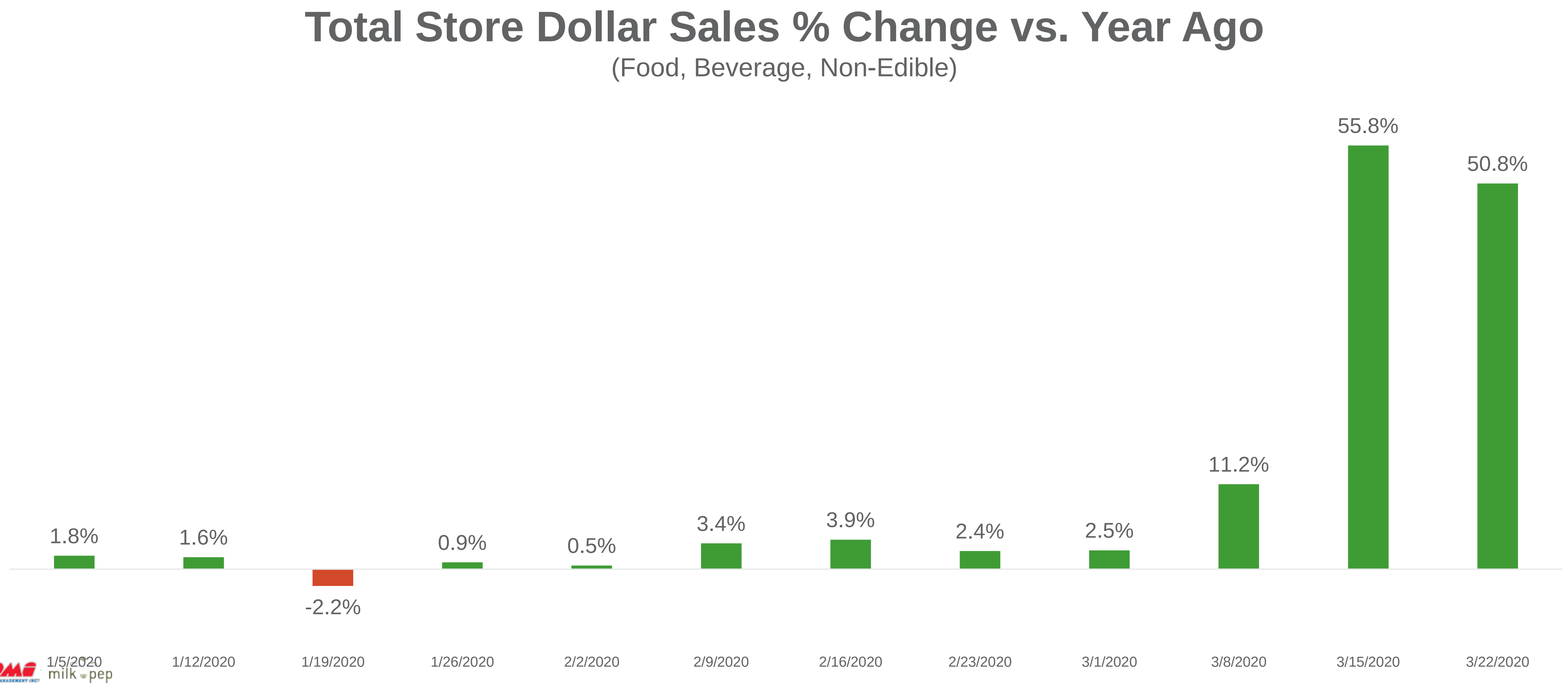
C-store and Gas channels potential to emerge as easy-access options to necessities

Feeling The Void

As non-essential retailers close their doors, open retailers can fill the voids
(gourmet coffee, prepared foods, etc.)

Source: IRI Archives, IRI Consulting Analysis

Stockpiling Drove Double-Digit Dollar Growth For Total Store In The Latest Three Single-Week Periods

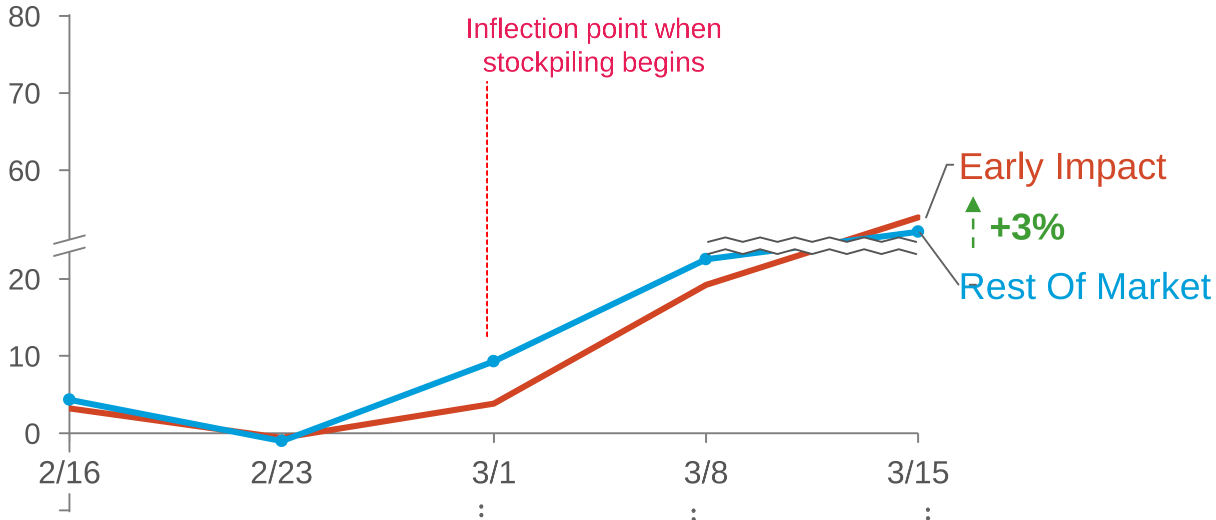


Source: IRI Unify, Syndicated Weekly Database, POS: Total US Multi Outlet + Convenience, Year-To-Date 2020

Early Impact States Across The US Saw Differentiated Lifts On Edible Sales, But Were Similar To The Rest Of The Country On Non-Edibles

Nonedible

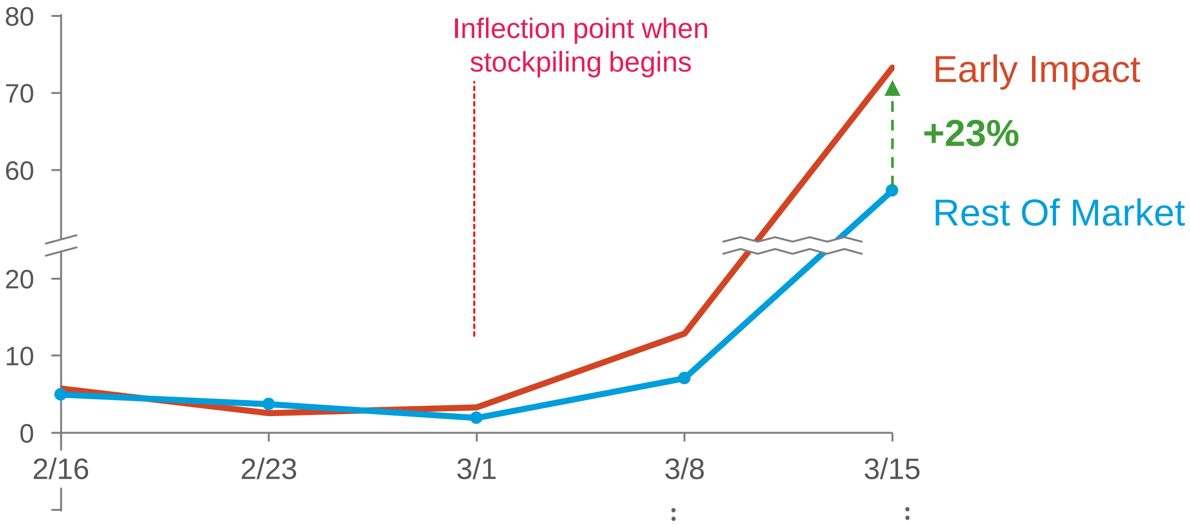
$ Sales % Change versus Year Ago



				Average
Early impact	**4%**	**19%**	**54%**	**26%**
California	5%	21%	59%	28%
Ohio	-1%	13%	47%	20%
Washington	10%	27%	47%	28%

Edible

$ Sales % Change versus Year Ago



				Average
Early impact	**3%**	**13%**	**73%**	**30%**
California	3%	13%	81%	32%
Ohio	0%	11%	63%	25%
Washington	8%	16%	58%	28%

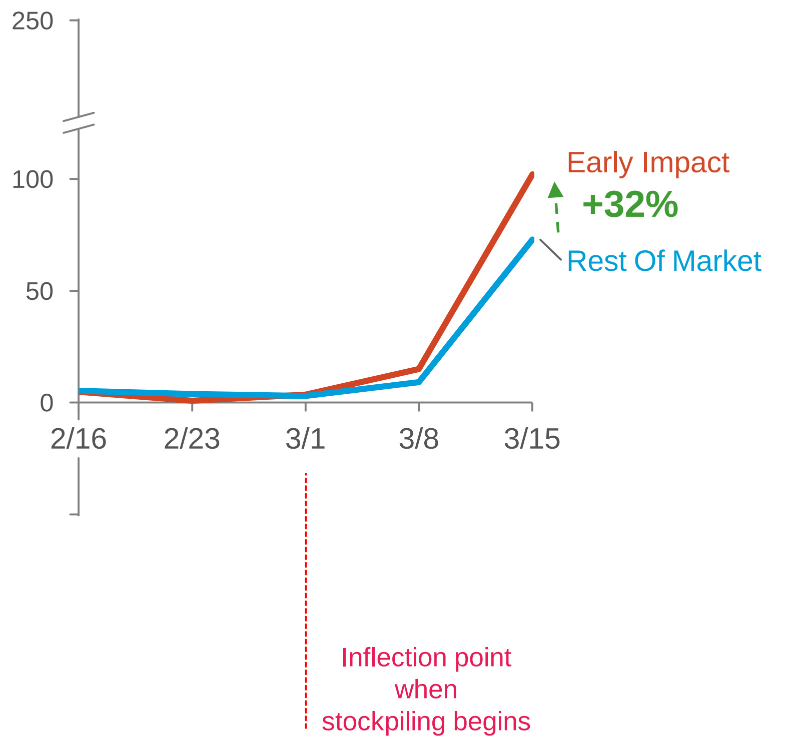
Note: Early impact areas: CA, OH and WA

Source: IRI, BCG Analysis, Total US Multi Outlet + Convenience, 52 Weeks Ending March 15, 2020

Packaged, Frozen And Dairy Aisle Foods All Drove Early Impact State Growth

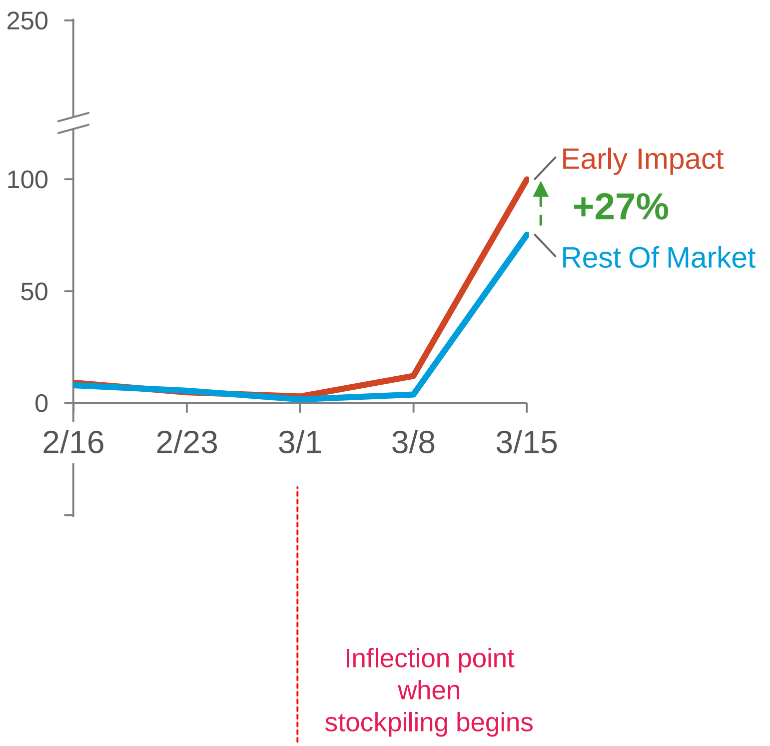
Packaged Foods

$ Sales % Change versus Year Ago



Frozen Foods

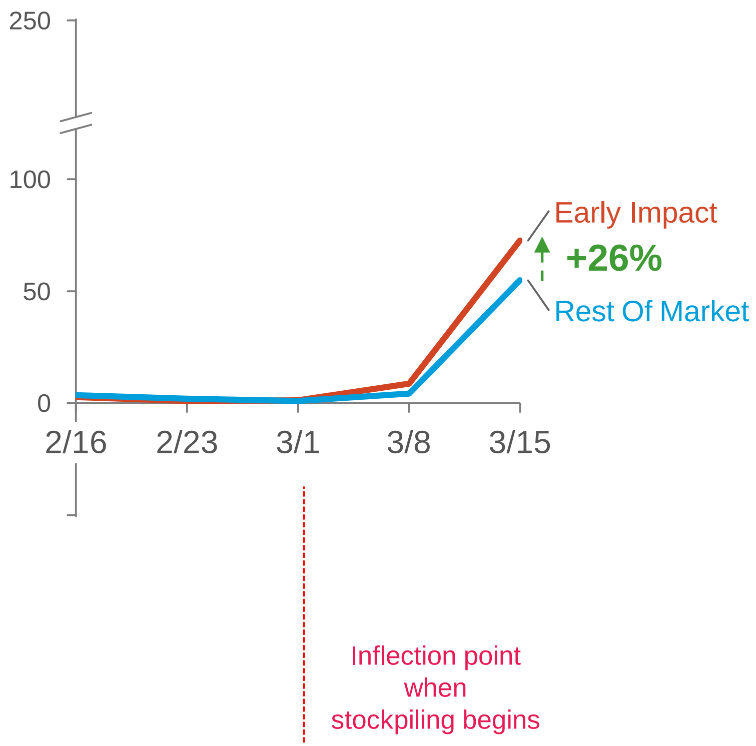
$ Sales % Change versus Year Ago



Dairy Aisle

(Includes Plant-Based)

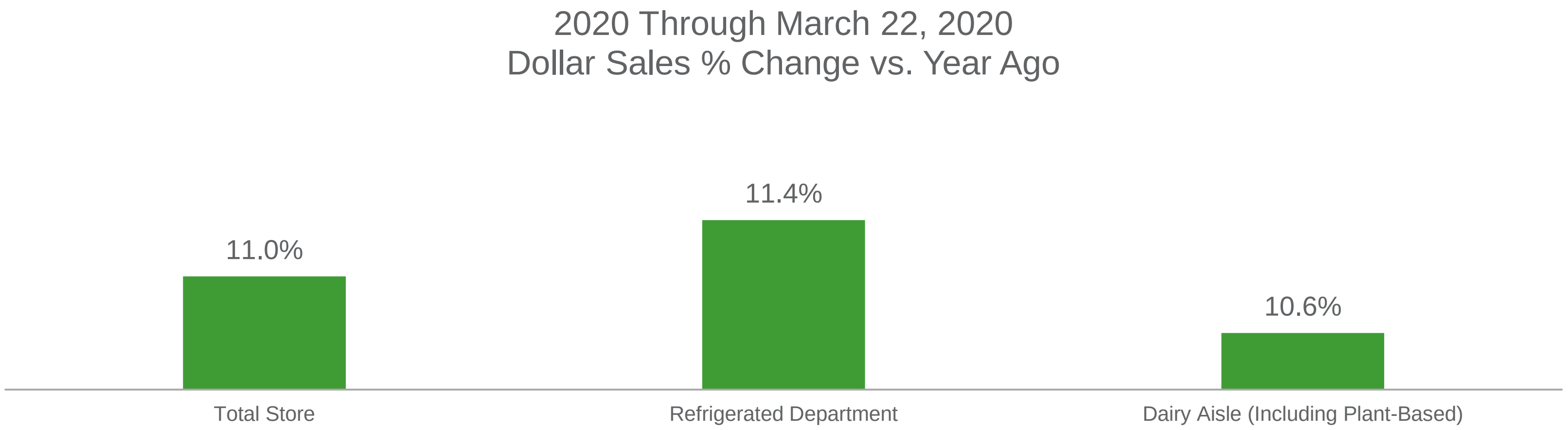
$ Sales % Change versus Year Ago

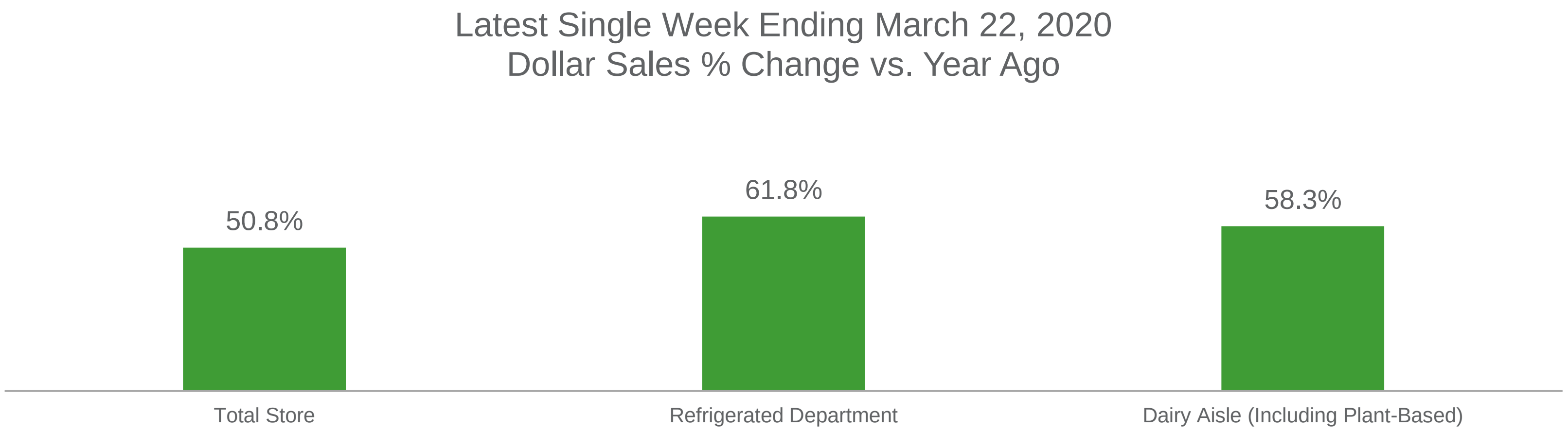


Note: Early impact areas: CA, OH and WA

Source: IRI, BCG Analysis, Total US Multi Outlet + Convenience, 52 Weeks Ending March 15, 2020

Total Store Dollar Sales In 2020 Are Up $20.7B Over The Same Period In 2019 With Sizable Growth In The Refrigerated Department And Dairy Aisle





Total Store

+$20.7B vs. YA

RFG Department

+$2.8B vs. YA

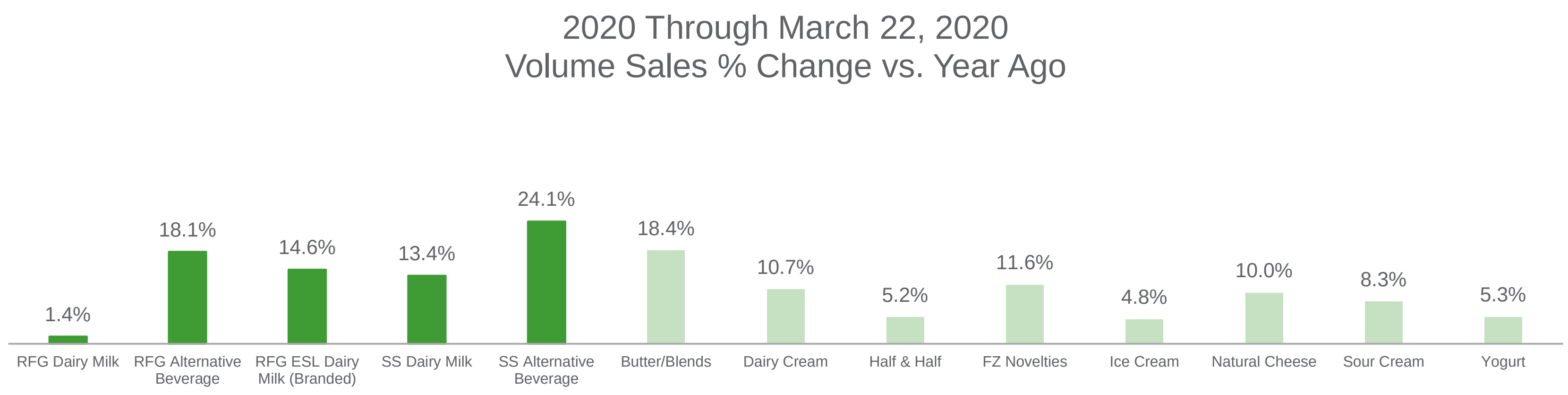
Dairy Aisle

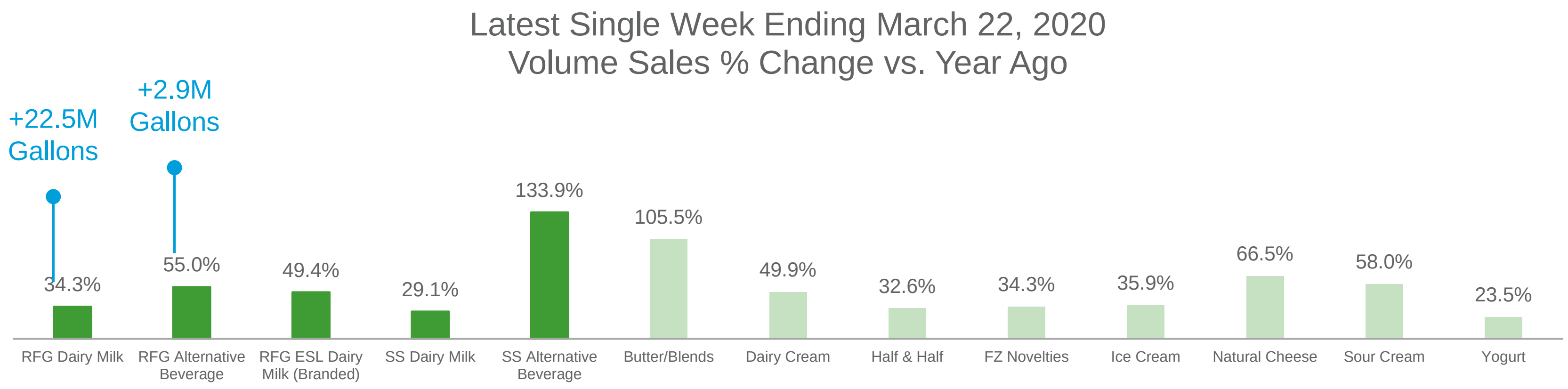
Includes Dairy & Plant-Based

+$1.4B vs. YA

Source: IRI Unify, Syndicated Weekly Database, POS: Total US Multi Outlet + Convenience, Year-To-Date 2020

Many Dairy Categories Report Large Volume Gains In 2020 Through March 22nd Fostered By Significant Growth In The Most Recent Weeks





2020 Through March 22nd

RFG Dairy Milk
835.1M Gallons Sold
+11.3M Gallons vs. Year Ago

RFG Alternative Beverage
75.8M Gallons Sold
+11.6M Gallons vs. Year Ago

RFG ESL Branded Dairy Milk
60.3M Gallons Sold
+7.7M Gallons vs. Year Ago

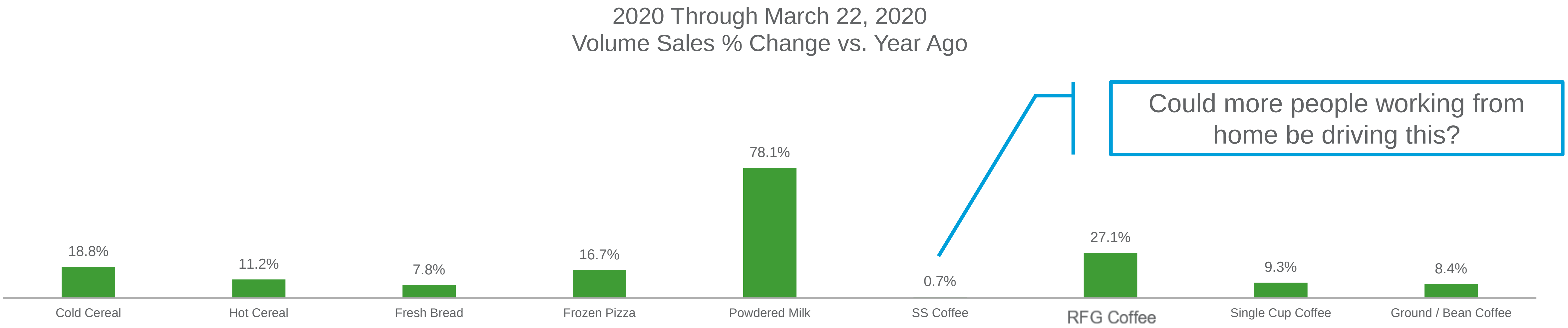
SS Dairy Milk
7.8M Gallons Sold
+0.9M Gallons vs. Year Ago

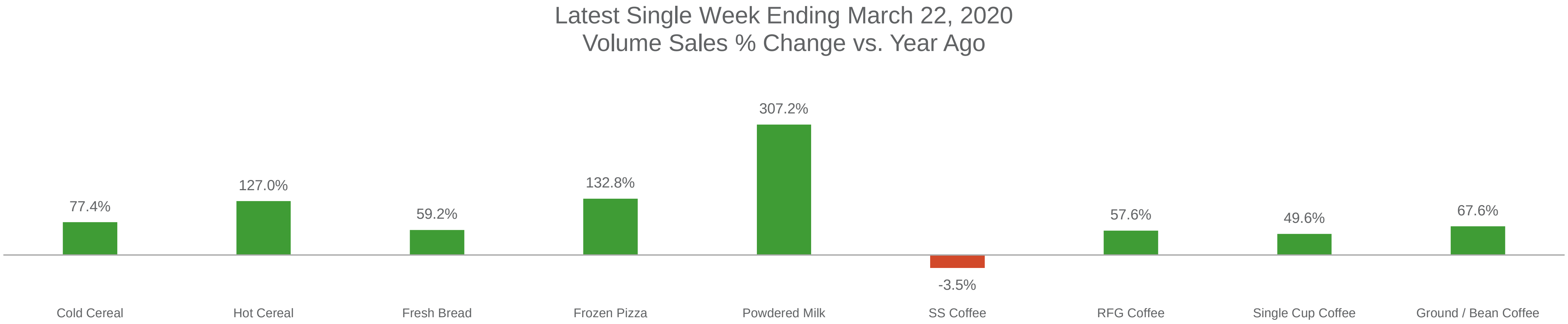
SS Alternative Beverage
6.7M Gallons Sold
+1.3M Gallons vs. Year Ago

Note: RFG = Refrigerated and SS = Shelf-Stable

Source: IRI Unify, Syndicated Weekly Database, POS: Total US Multi Outlet + Convenience, Year-To-Date 2020

Other Categories Like Cereal, Frozen Pizza And Powdered Milk Also Report Significant Growth Driven By Consumer Stock-Up Shopping

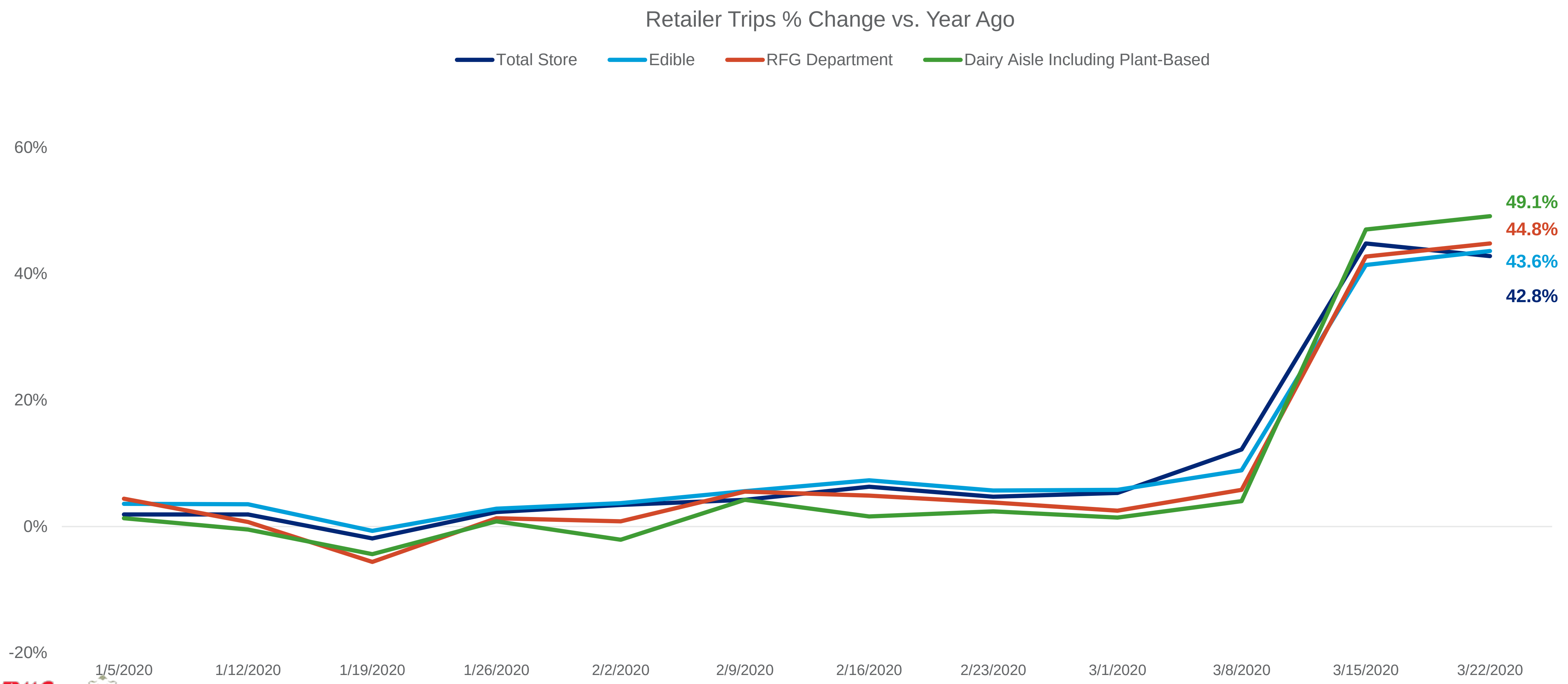




Note: RFG = Refrigerated and SS = Shelf-Stable

Source: IRI Unify, Syndicated Weekly Database, POS: Total US Multi Outlet + Convenience, Year-To-Date 2020

As More Households Took To Stocking Up, The Number Of Trips Made Grew And By Mid-March Weekly Trips Rose >40% Compared To The Same Period In 2019



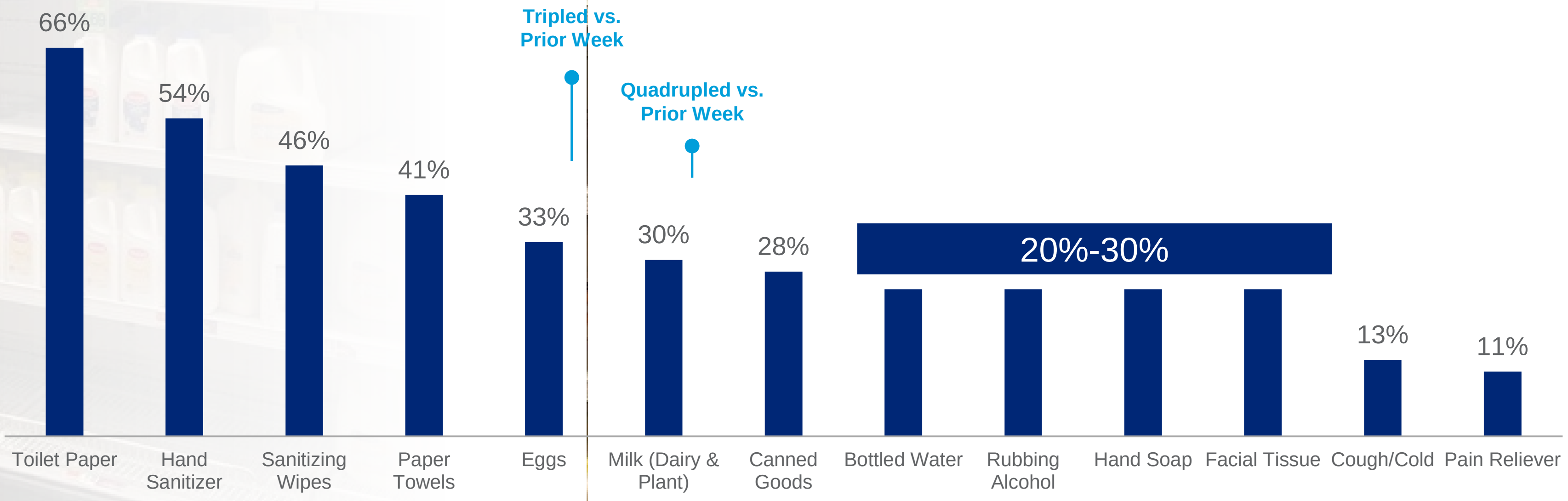
Source: IRI Unify, Syndicated Weekly Database, PANEL: National Consumer Panel, Total US All Outlets

Out-Of-Stocks Present An Issue For Consumers…

86% ***report at least ONE of these, +23 Points vs. Prior Week***

March 20-22 Survey

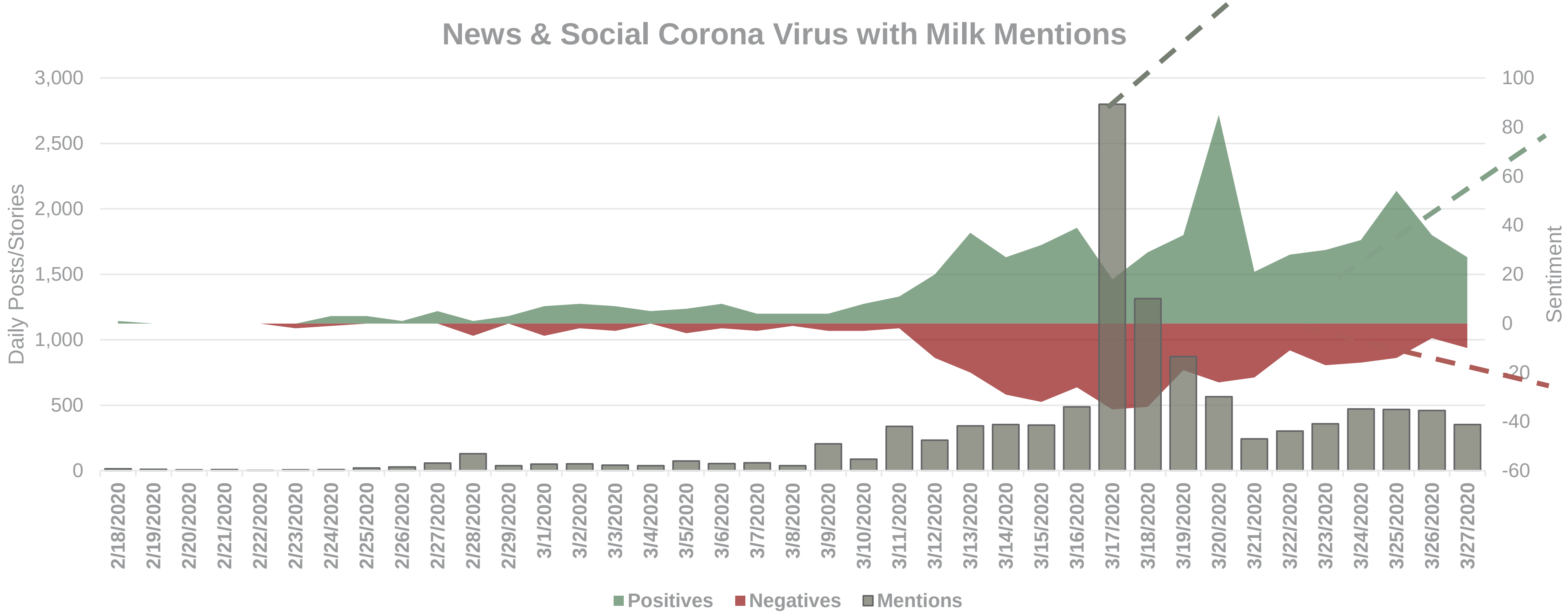
Survey Respondents Reporting Out-Of-Stocks



Source: IRI Survey, March 20-22 vs. Prior Week

Social Frustration Peaked on 3/17 and is Now Generally Positive

3/17: "Out of Milk" Conversation



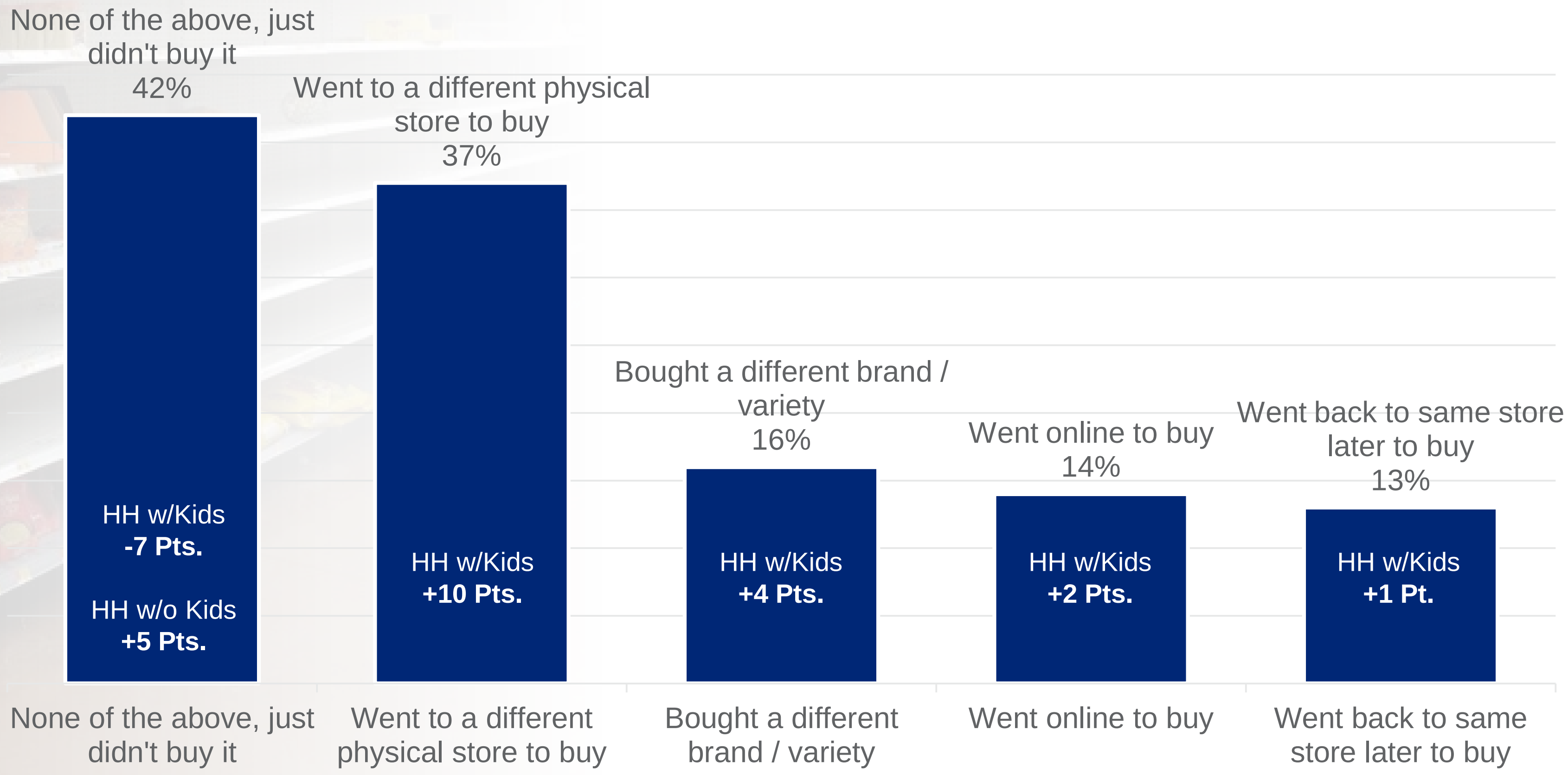
Sentiment is now net positive… Focused on value of milk at home

Any negatives are focused on "out of stock" and lack of milk (departure from typical conversation)

Source: News, social, blogs and forum conversations tracked via NetBase. Social media analysis is predominantly driven by Twitter, due to data privacy restrictions

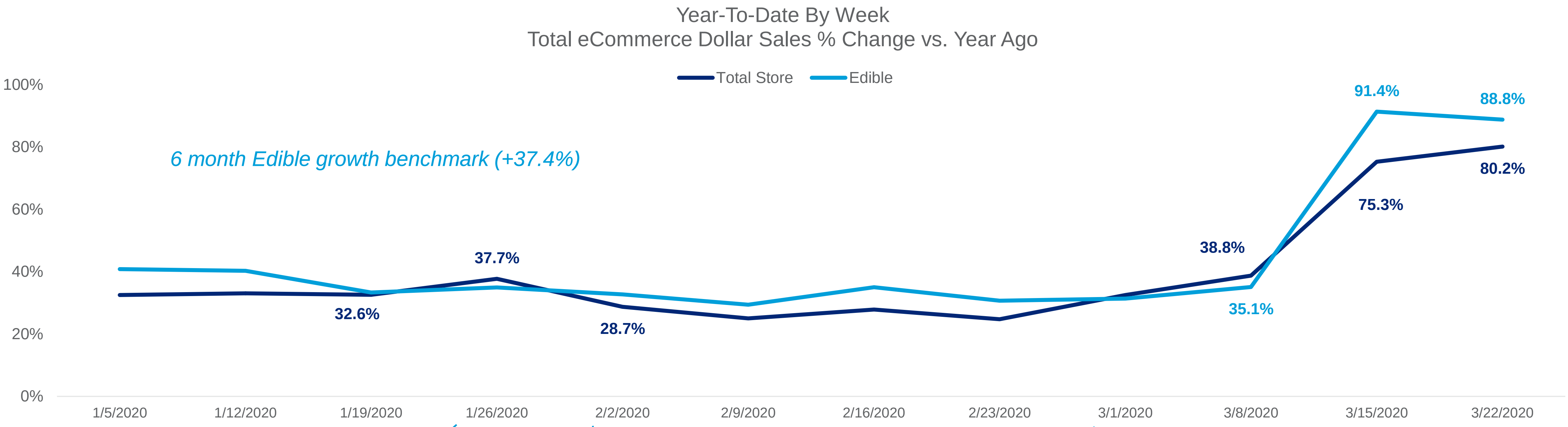
Driving Many Consumers To Shop Multiple Outlets In Order To Satisfy All Of Their Needs

You mentioned grocery or household essentials were out of stock when you tried to buy them. What did you do in this scenario most often? (Select All)



Source: IRI Survey, Fielded 3/13-3/15 Among National Consumer Panel, Total US, Primary Grocery Shoppers

eCommerce Growth Rates In The US Saw A Spike For Total Store After The First Reported US Case; Online Sales Have Accelerated In The Latest Weeks



Jan. 21 - Washington State confirms the first case on U.S. soil

Jan. 30 – first confirmed case of person-to-person transmission of virus

Feb. 29 – US reports first death in Washington state

March 8 – reported cases in 35 states

Source: IRI TSV eMarket Insights Model, Total Store is an aggregate of the 204 releasable eMarket Insights categories; F&B is an aggregate of the releasable Edible Categories

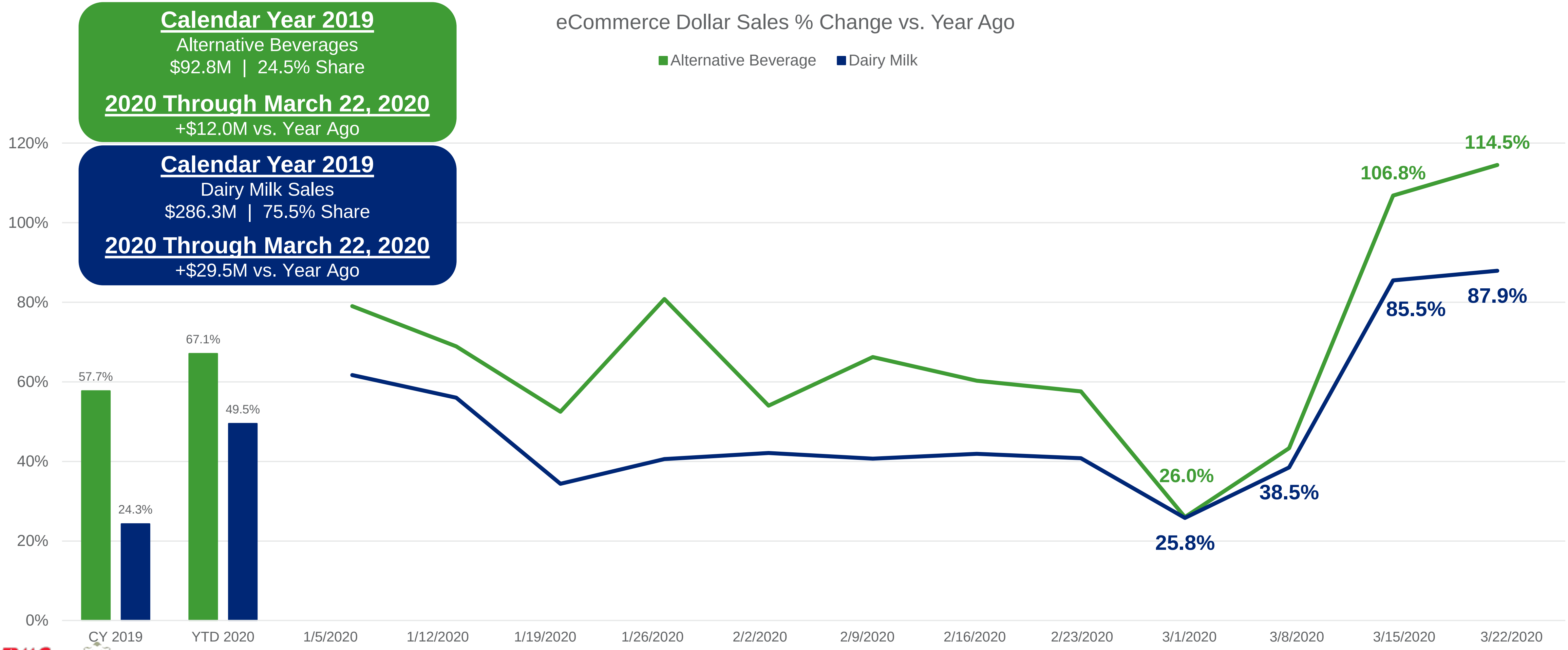
Dairy Milk & Alternative Beverages Have Benefitted From The Surge In eCommerce Purchasing Driven By Those Shopping Online To Avoid Exposure In Physical Stores

Calendar Year 2019
Alternative Beverages
$92.8M | 24.5% Share

2020 Through March 22, 2020
+$12.0M vs. Year Ago

Calendar Year 2019
Dairy Milk Sales
$286.3M | 75.5% Share

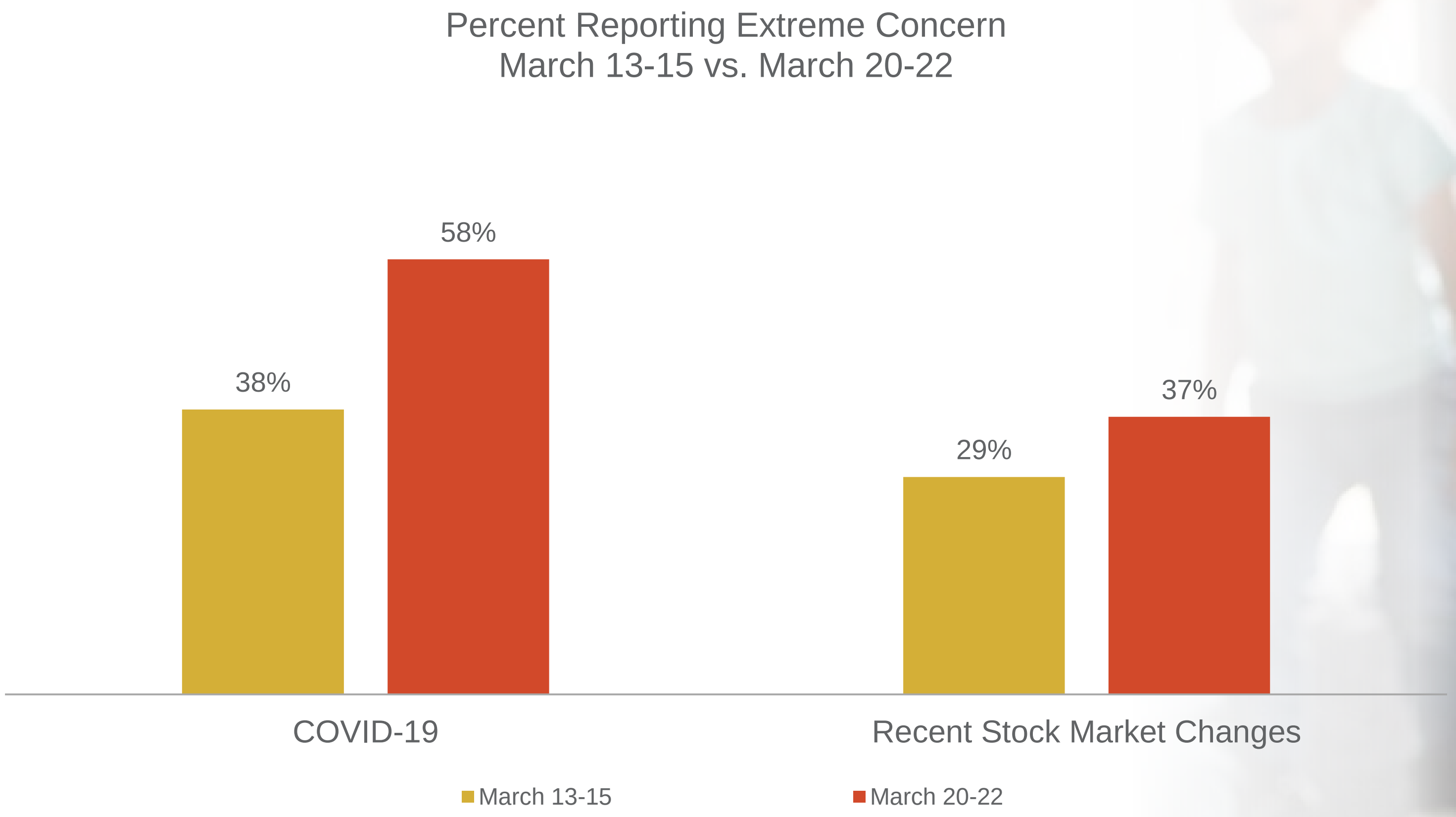
2020 Through March 22, 2020
+$29.5M vs. Year Ago



Source: IRI TSV eMarket Insights Model, Total Store is an aggregate of the 204 releasable eMarket Insights categories; F&B is an aggregate of the releasable Edible Categories

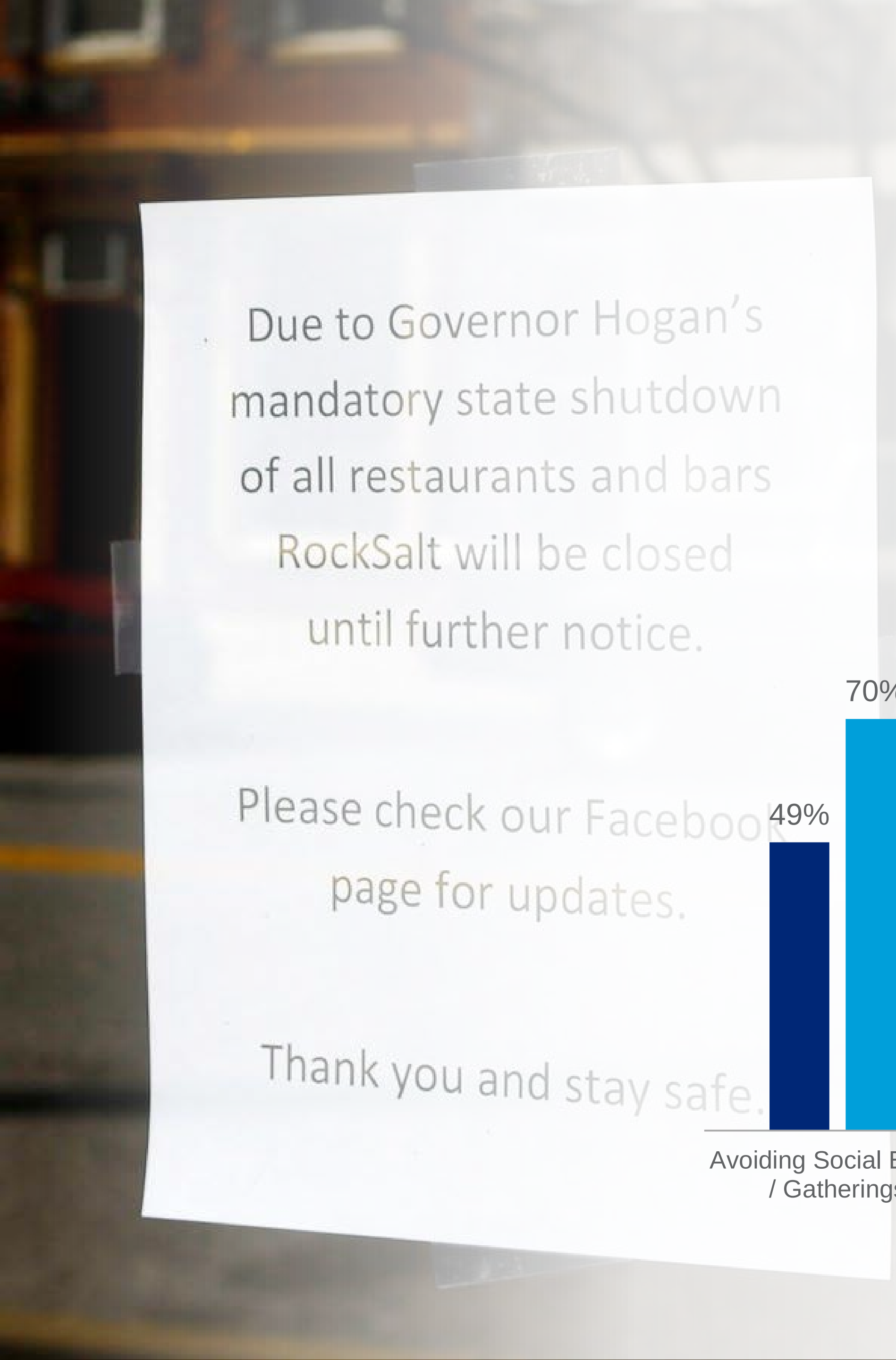
Extreme Concern Over COVID-19 And Also To Recent Stock Market Volatility Is Increasing…

59% ***report being MORE CONCERNED about COVID-19 than a week ago, +5 Pts.***



Source: IRI Survey, Fielded 3/13-3/15 & 3/20-3/22 Among National Consumer Panel, Total US, Primary Gı

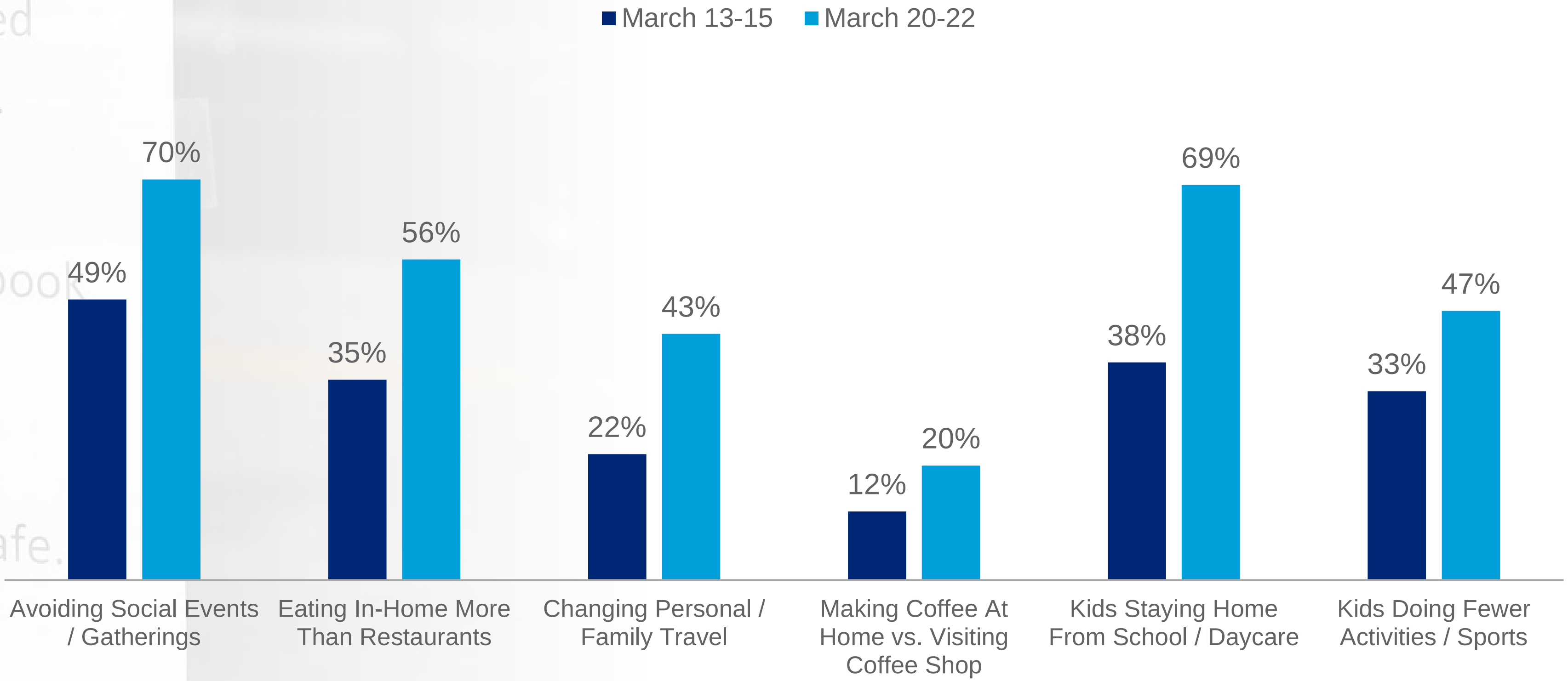
…And Daily Routines Are Being Replaced By A New, Hopefully Temporary Normal



88% ***report at least ONE of these, +25 Points vs. Prior Week***

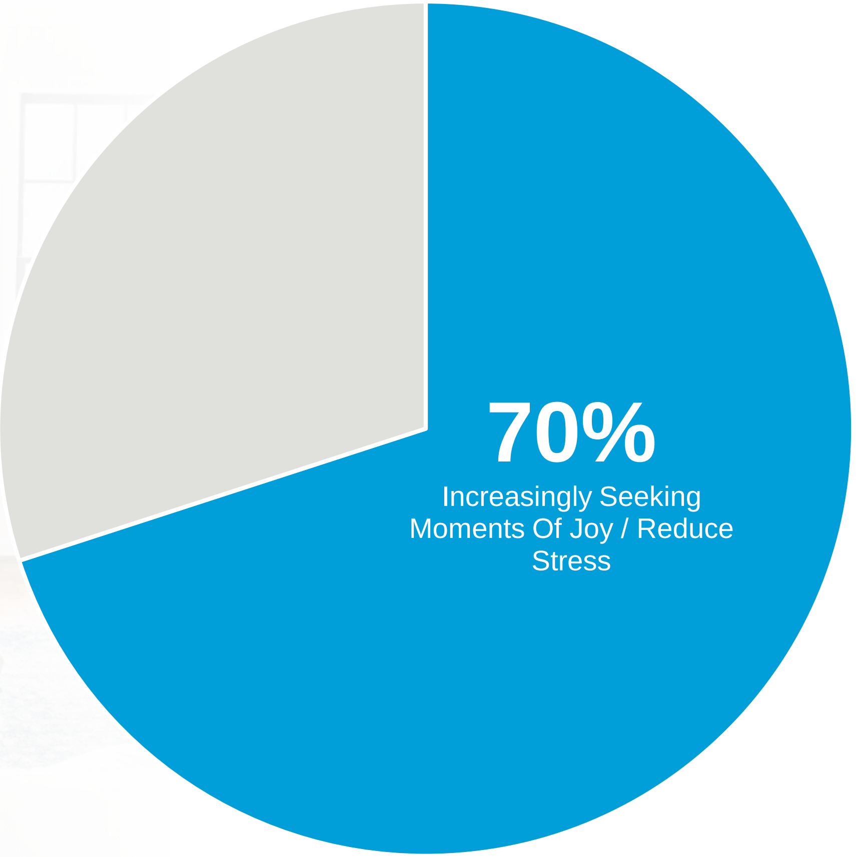
March 20-22 Survey

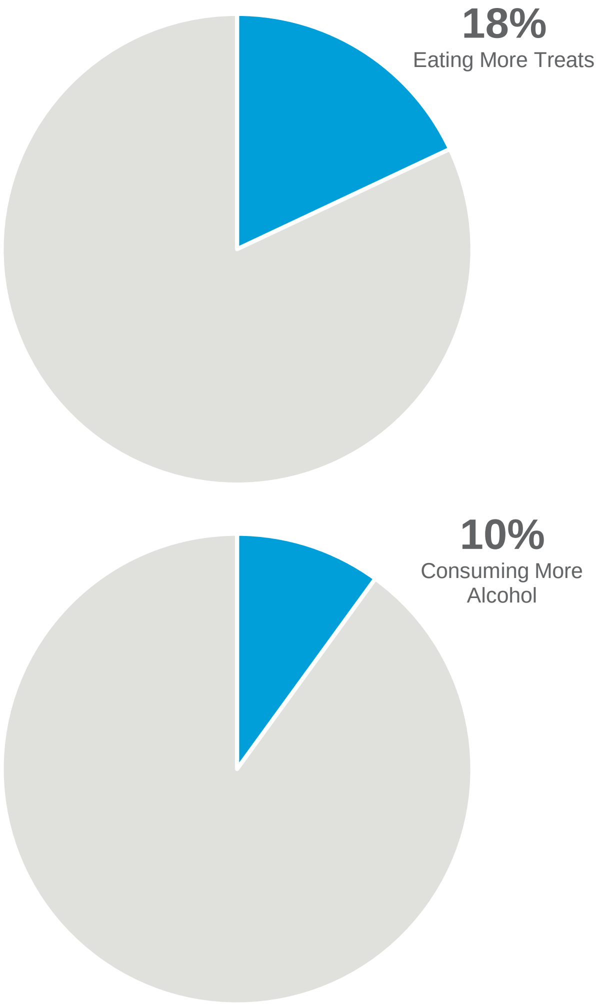
Survey Respondents Reporting Lifestyle Changes



Source: IRI Survey, March 20-22 vs. Prior Week

Many Are Increasingly Seeking Moments Of Joy To Help Navigate These Uncertain And Stressful Times





Source: IRI Survey, March 20-22 vs. Prior Week

There Are Ways To Support Consumers During The COVID-19 Crisis

Stem The Emotional Toll On Consumers

Offer tiny moments of joy through comfort and indulgent options

Help Sustain Daily Routines

Help consumers maintain a healthy in-home nutrition plan including protein, calcium, vitamin D and probiotics

Bolster Click & Collect Service

Help social distancing by empowering consumers to shop at home, especially those most at-risk

Homemade From Scratch

Home cooking is a great way to help with boredom, encourage social posting, recipe experimentation, simple ideas to cook with…

In-Home Entertainment

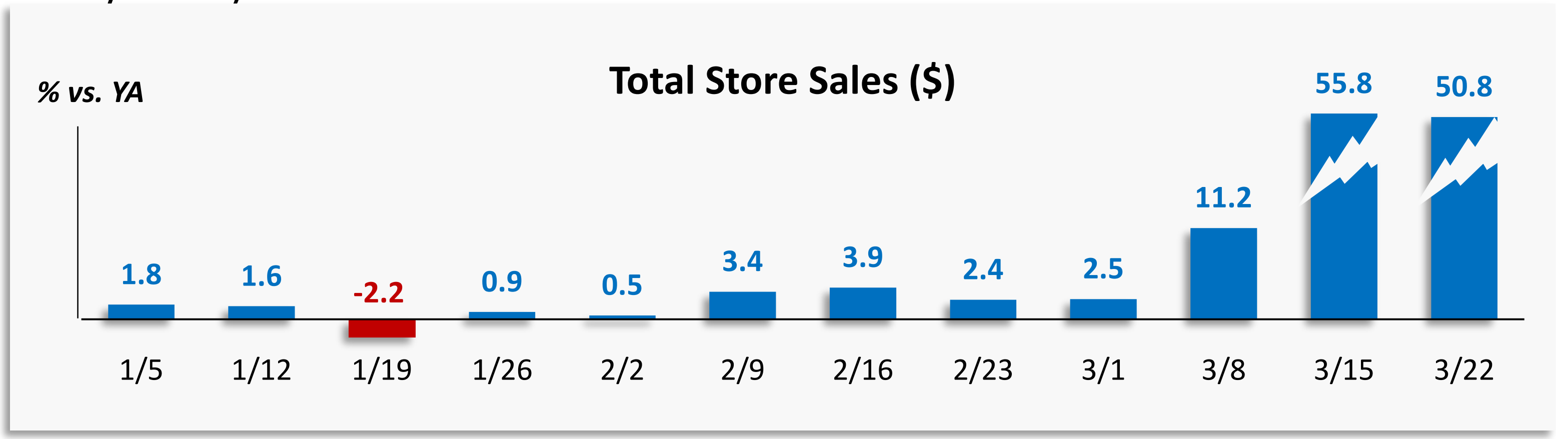
DIY tutorials, kits, supplies can offer adults, teens and kids ways to stay entertained while confined at home

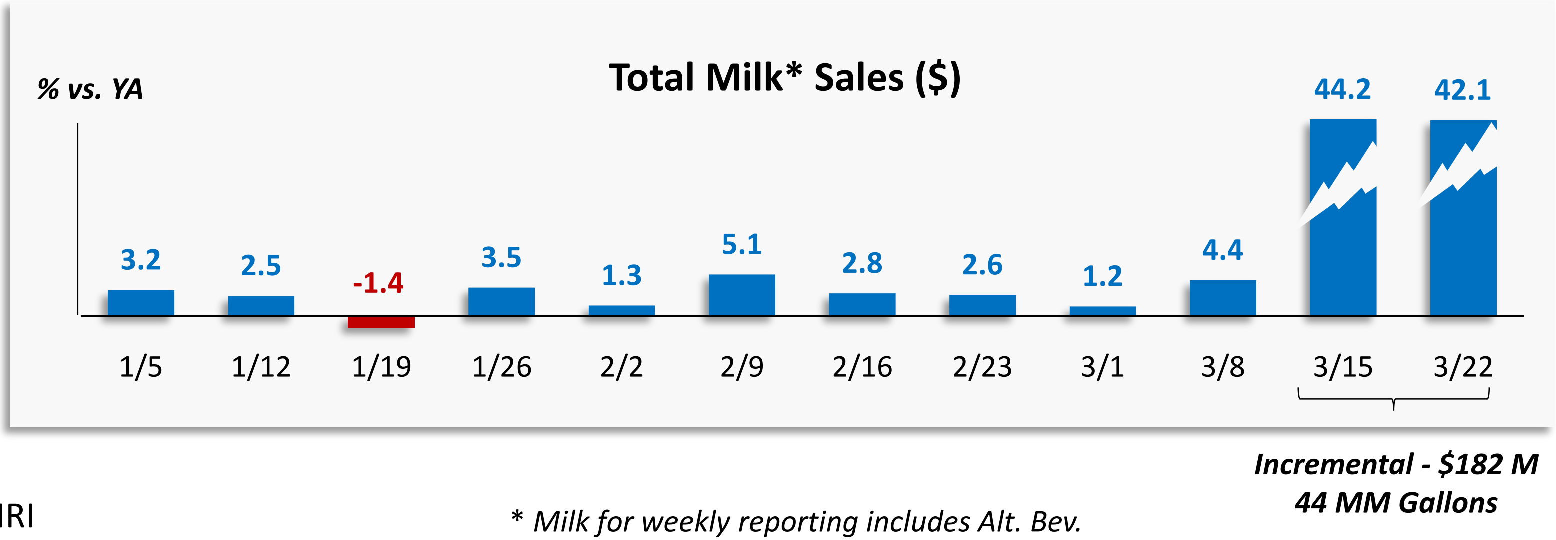
Source: IRI Archives, IRI Consulting Analysis

A Closer Look at Milk

Total Store Sales +51%, Milk* +42% for week ending 3/22

Retail sales surged as consumers stocked-up. Milk sales have increased $182MM in the past two weeks, vs. an average week, an incremental 44MM gallons (+22mm gallons/week).





Source: IRI

* Milk for weekly reporting includes Alt. Bev.

Weekly Trends in Various Categories

Milk growth was +44% and +42% over the past two weeks – but performance by segment varies.

Milk complements grew significantly. Cereal rose +80%, and ground coffee grew +69%.

DOLLAR SALES % vs. YA

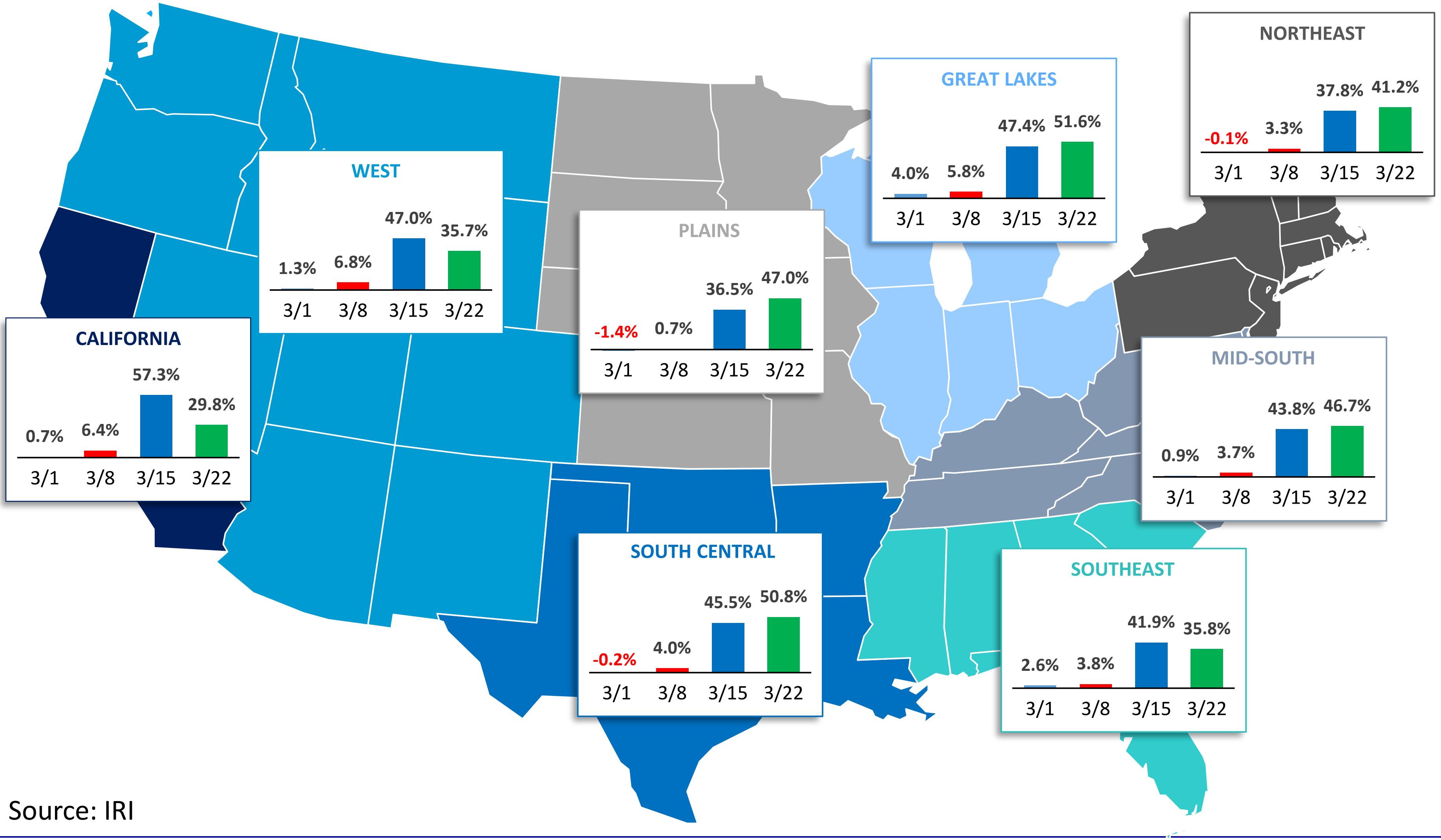
	3/1	3/8	3/15	3/22
TOTAL STORE SALES	**+2**	**+11**	**+55**	**51**
TOTAL MILK *	**+1**	**+4**	**+44**	**42**
White	+1	+5	+47	47
Flavored	-2	-1	+20	17
Ext. Shelf Life Milk Brands	+8	+13	+70	49
Shelf Stable Milk	+12	+19	+54	19
Powdered Milk	+115	+129	+319	257
Rfg. Alt Beverages	+10	+13	+72	55
Shelf-Stable Alt Beverages	+12	+26	+168	131
Frozen Pizza	-2	+3	+117	141
Cheese (Natural + Processed)	+3	+8	+71	79
Yogurt	-1	+4	+41	21
Cold Cereal	-5	+5	+79	81
Fresh Bread	-2	+3	+58	62
Rfg. RTD Coffee	+16	+19	+53	52
Coffee Ground	-3	+6	+69	69

Source: IRI

** Milk for weekly reporting includes Alt. Bev.*

Milk Dollar Sales vs. Year Ago

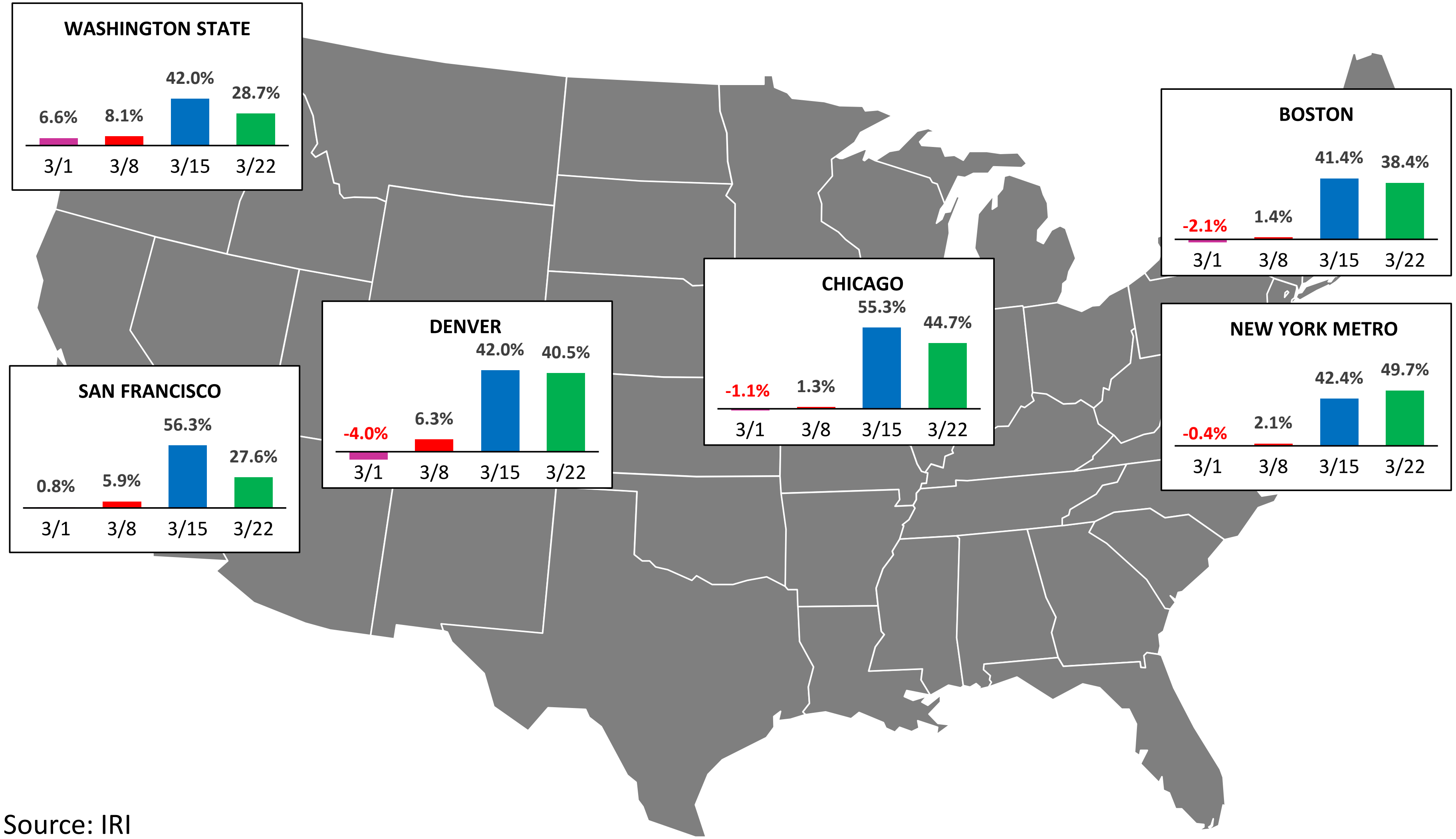
Last week the California and State of Washington spikes slowed as their 'shelter-in-place' orders started a week. The other regions generally accelerated a bit from 3/15 to 3/22.



Source: IRI

Milk Dollar Sales vs. Year Ago

San Francisco and Washington slowed a bit, while New York Metro accelerated, reflecting the timing of their shelter orders and reporting of new cases.



Source: IRI

Regional Trends

The California spike last week was only half as much growth this week, while other regions generally accelerated a bit. Looking at key markets, San Francisco and Washington slowed a bit, while New York Metro accelerated, reflecting the acceleration in new cases.

	TOTAL STORE $ % vs. YA				MILK* $ % vs. YA			
	3/1	3/8	3/15	3/22	3/1	3/8	3/15	3/22
TOTAL U.S. MULO+C	**2.1%**	**10.7%**	**55.2%**	**50.8%**	**1.1%**	**4.3%**	**44.2%**	**42.1%**
California	3.9%	15.8%	**73.5%**	**46.0%**	0.7%	6.4%	**57.3%**	**29.8%**
Great Lakes	0.7%	8.5%	54.1%	55.9%	4.0%	5.8%	47.4%	51.6%
Mid-South	1.8%	10.2%	51.9%	51.5%	0.9%	3.7%	43.8%	46.7%
Northeast	2.4%	12.5%	54.7%	58.2%	-0.1%	3.3%	37.8%	41.2%
Plains	1.2%	7.9%	47.4%	51.7%	-1.4%	0.7%	**36.5%**	**47.0%**
South Central	1.9%	9.7%	53.6%	49.6%	-0.2%	4.0%	45.5%	50.8%
Southeast	1.4%	7.6%	49.8%	43.6%	2.6%	3.8%	41.9%	35.8%
West	4.5%	15.5%	**61.4%**	**48.2%**	1.3%	6.8%	47.0%	35.7%
Washington State	8.9%	19.2%	54.8%	44.0%	6.6%	8.1%	**42.0%**	**28.7%**
San Francisco	9.5%	20.4%	**80.2%**	**41.5%**	0.8%	5.9%	**56.3%**	**27.6%**
New York Metro	3.9%	15.7%	**69.8%**	**75.7%**	-0.4%	2.1%	42.4%	49.7%
Denver	1.9%	22.4%	69.3%	49.8%	-4.0%	6.3%	42.0%	40.5%
Chicago	0.5%	10.5%	74.1%	58.6%	-1.1%	1.3%	55.3%	44.7%
Boston	5.1%	13.8%	64.2%	60.9%	-2.1%	1.4%	41.4%	38.4%

Source: IRI

** Milk for weekly reporting includes Alt. Bev.*

Major Channel Volume Trends – Milk (excl. Alts.)

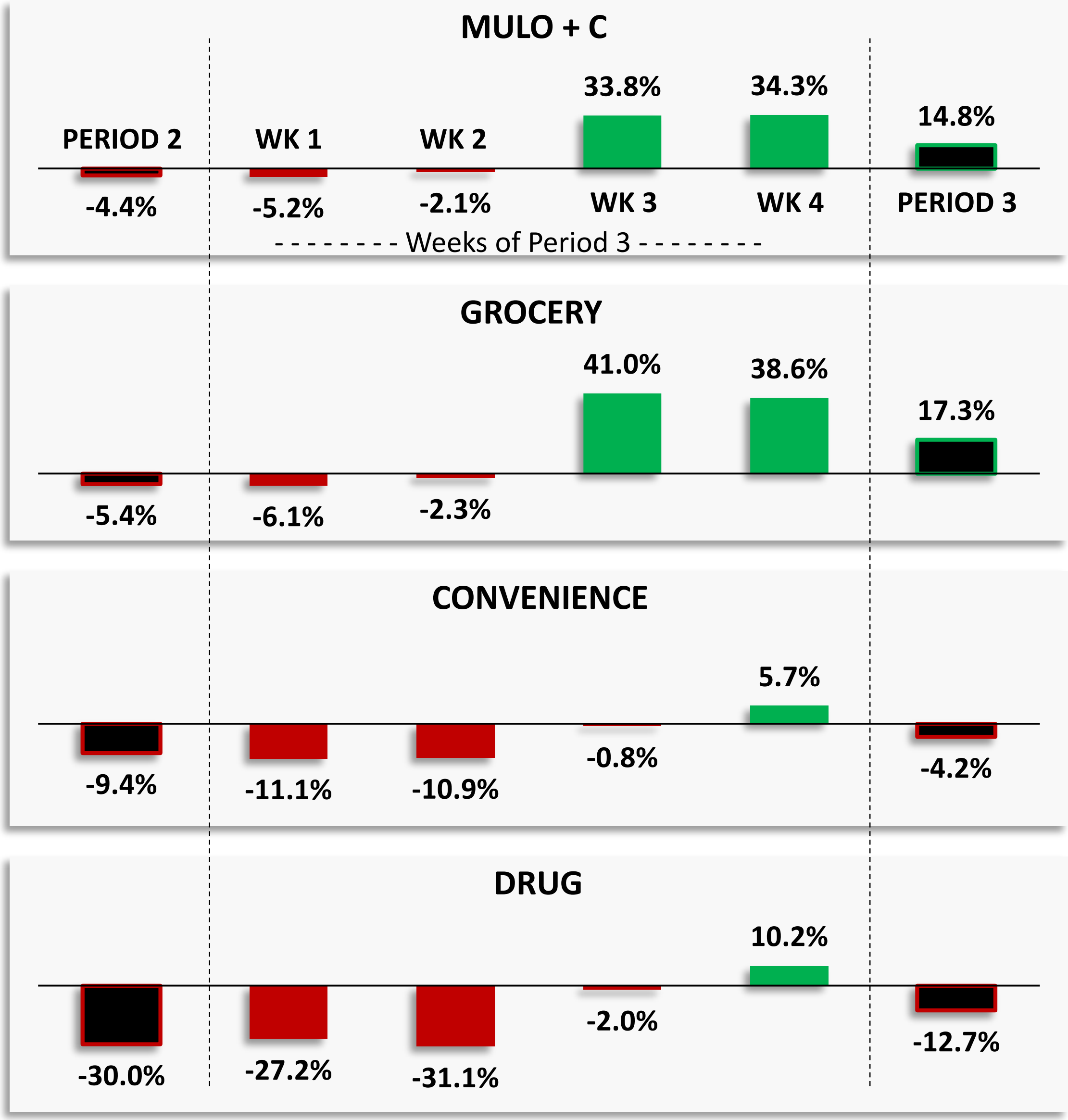
MULO + C
100% of Volume
2 weeks of +34%

GROCERY
55% of Volume
2 weeks of +40%

		Weeks 3+4
Conv WH	+40%	+40%
Conv FL	+27	+14
Org WH	+63	+33

CONVENIENCE
7% of Volume
Minimal use of C-Stores for stock up, still below YA

DRUG
2% of Volume
Small use of Drug stores but still running below YA



Source: IRI

Deeper Look in Grocery – Milk Volume (gallons)

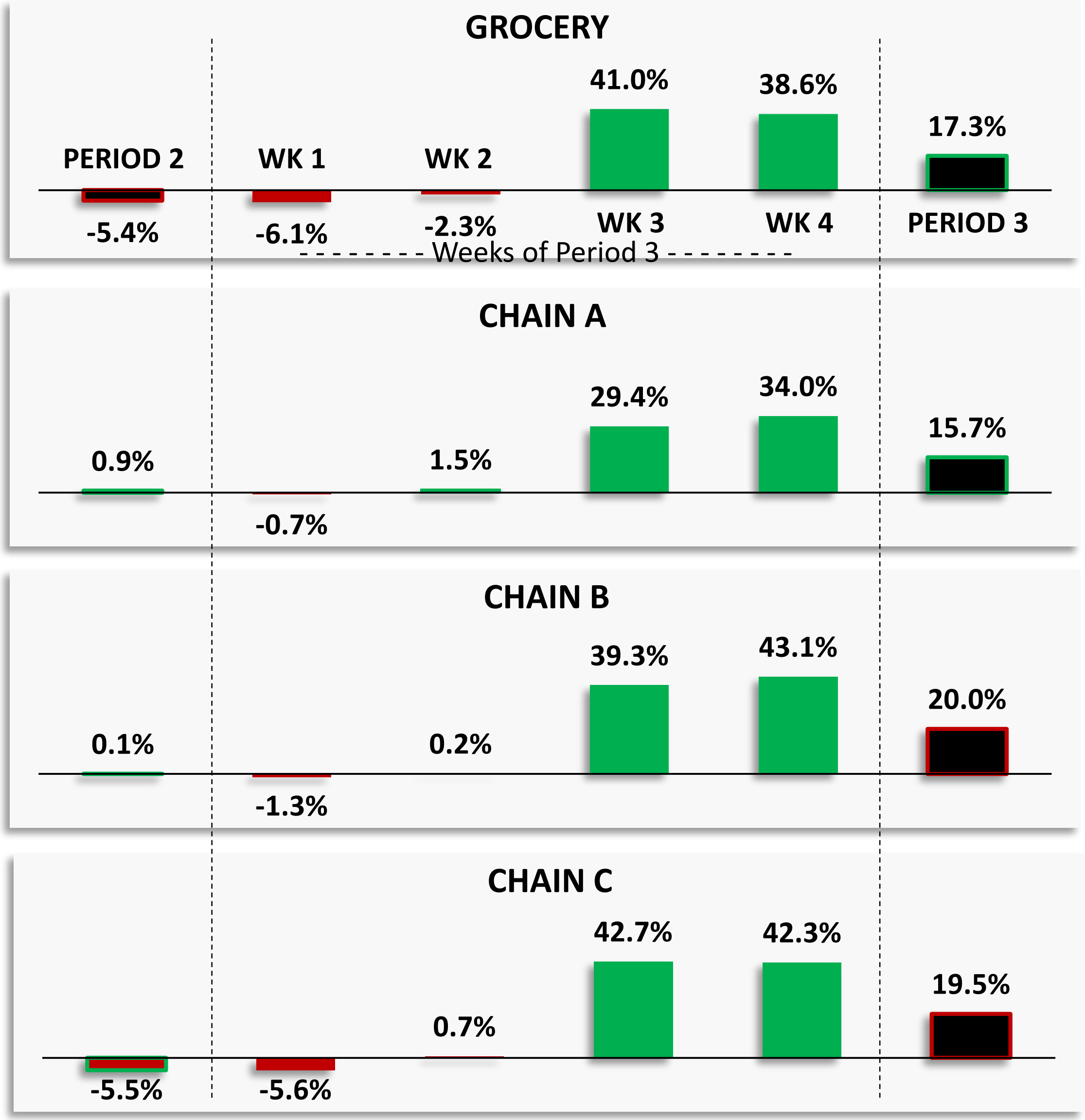
GROCERY
(Period 2 to Period 3)
+22 pts

All 3 rose to the occasion. Local Regional jumped earlier and sustained Wks. 3 + 4.

CHAIN A - National
+15 pts

CHAIN B – Multi-Regional
+20 pts

CHAIN C – Regional
(Strong in Single Market)
+25 pts



Source: IRI

Package Size Trends – Milk Volume

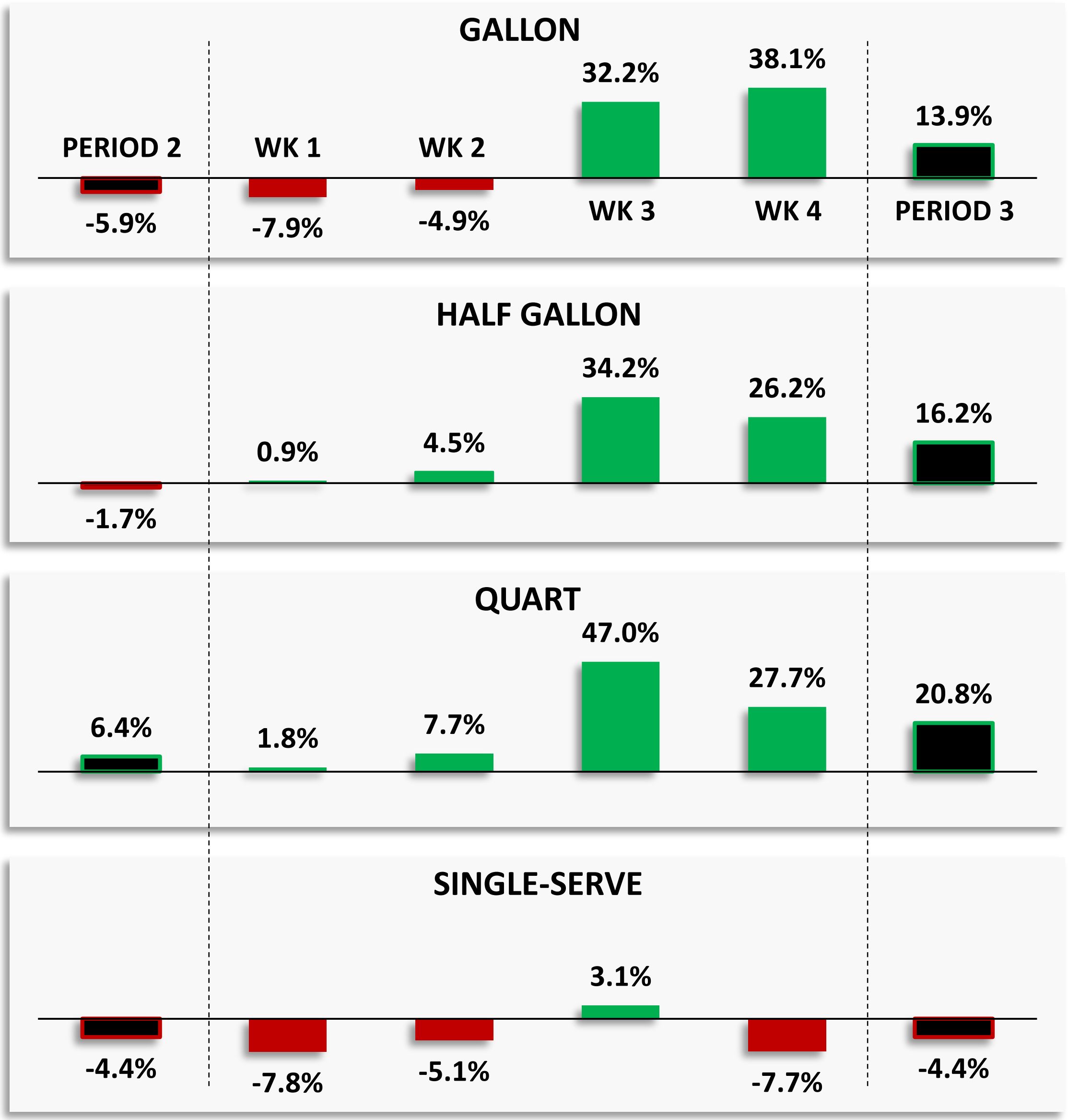
GALLON
68% of Volume*
(Period 2 to Period 3)
+20 pts

All Multi-serve package sizes surged.

HALF GALLON
16% of Volume*
+18 pts

QUART **(32 oz. package only)**
2.6% of Volume*
+14 pts

SINGLE-SERVE
0.5% of Volume*
Consumers not stocking up with single-serve



Source: IRI * % Mix (normally)

Gallon View Shows Interesting Differences by Channel and Product

		M GALLONS (AVG)			% vs. YA	
		Wks 1 & 2	*Wk 3*	*Wk 4*	*Wk 3*	*Wk 4*
	Conv WH	30,947	43,749	43,765	+40.3%	+40.5%
GROCERY	Flavored	2,016	2,556	2,263	+27.8%	+13.9%
	Organic WH	2,771	4,273	3,425	+63.3%	+33.0%
	Total Milk	**4,283**	**4,743**	**5,121**	**-0.8%**	**+5.7%**
C-STORE	Conv WH	3,442	3,918	4,354	+0.6%	+10.2%
	Flavored	830	810	750	-7.4%	-15.0%
DRUG	**Total Milk**	**916**	**1,194**	**1,413**	**-2.0%**	**+10.2%**

Source: IRI

Estimated Impact on Total Milk Volume

Estimate is developed based on IRI data, insights from processor interviews and secondary analyses.

MM Gallons	Typical Week	3/15	3/22	Change/Week
Retail IRI-Tracked	66.5	88.6	88.5	+22 MM
Not Tracked	10	14e	14e	+4
TOTAL RETAIL	**76.5**	**102.6**	**102.5**	**+26**
Foodservice	15	6e	6e	-9
Schools	9	2e	2e	-7
	100.5 MM Gal	**110.6**	**110.5**	**+10 MM each week**

Schools projected at 22-25% of normal, a bit stronger than summer feeding.

Foodservice includes normal ops for senior living, hospitals and corrections. Partial volume for coffee shops and quick serve and no volume in fine dining, travel, colleges, catering and office coffee services.

+20 MM GALLONS OVER 2 WEEKS

Source: IRI and Prime estimates

Future Outlook

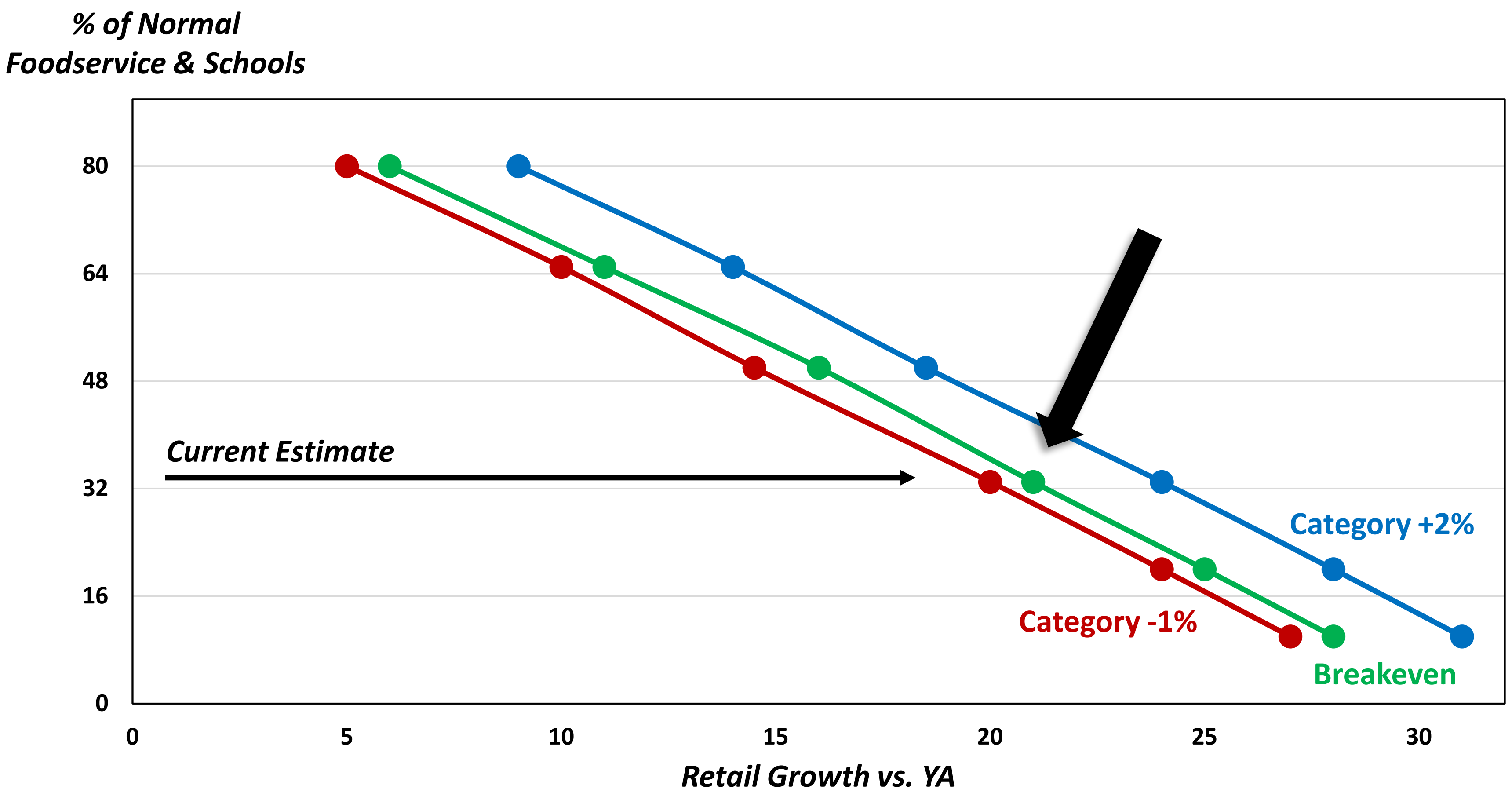
- Retailer limits on milk quantities are coming off – so greater confidence in supply chain and milk availability.

- Shelf stable and non-edible categories that people can buy in bulk without expiration saw dramatic increases and likely will see dramatic valleys to come, since it will take time for shoppers to burn through in-home inventory.
  - The restocking cycle is shorter for perishables such as milk and bread, which makes volatility less severe.

- Category trends will be driven by a couple of key variables.
  - Length of stay-at-home/social distancing which translates to:
    - Retail traffic/ volume trend.
    - Portion of foodservice/school volume that continues.

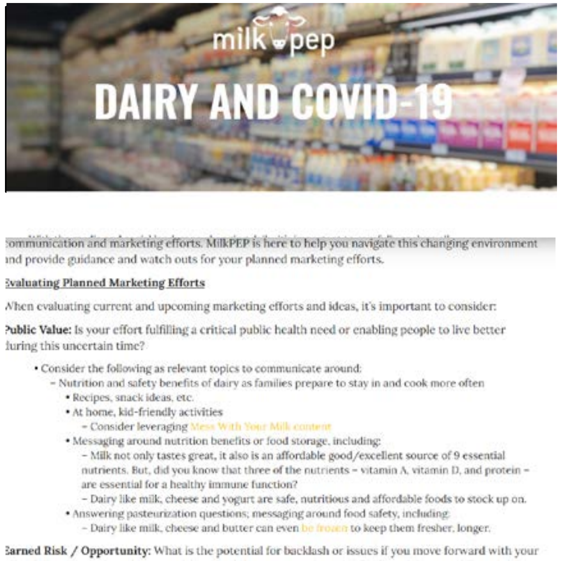
Milk Category Outlook: *Short Term Channel Trend Tradeoffs*

Given the estimated decline in school and foodservice, IRI-reported channels need to be up about +20% for processors (as a whole) to make-up the lost volume (roughly +16mm gallons/week) from the other channels.



What’s next?

Join us on
April 8 for
Activation Support


milkpep
DAIRY AND COVID-19

ommunication and marketing efforts. MilkPEP is here to help you navigate this changing environment
nd provide guidance and watch outs for your planned marketing efforts.

Evaluating Planned Marketing Efforts

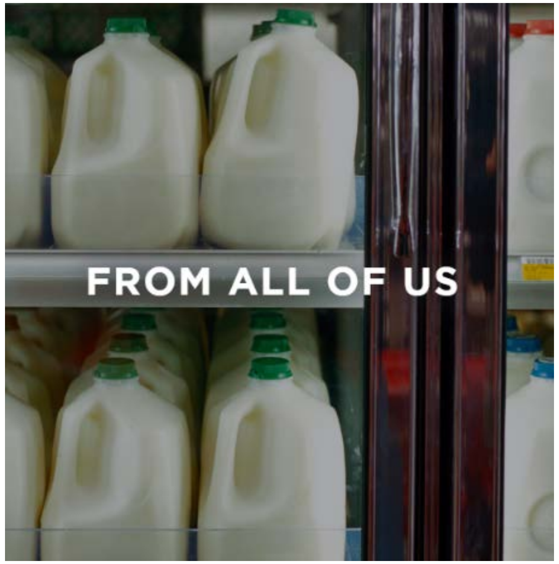
When evaluating current and upcoming marketing efforts and ideas, it's important to consider:

Public Value: Is your effort fulfilling a critical public health need or enabling people to live better during this uncertain time?

- Consider the following as relevant topics to communicate around:
  - Nutrition and safety benefits of dairy as families prepare to stay in and cook more often
    - Recipes, snack ideas, etc.
    - At home, kid-friendly activities
      - Consider leveraging Mess With Your Milk content
    - Messaging around nutrition benefits or food storage, including:
      - Milk not only tastes great, it also is an affordable good/excellent source of 9 essential nutrients. But, did you know that three of the nutrients – vitamin A, vitamin D, and protein – are essential for a healthy immune function?
      - Dairy like milk, cheese and yogurt are safe, nutritious and affordable foods to stock up on.
    - Answering pasteurization questions; messaging around food safety, including:
      - Dairy like milk, cheese and butter can even be frozen to keep them fresher, longer.

Earned Risk / Opportunity: What is the potential for backlash or issues if you move forward with your

Visit MilkPEP.org for
Information and
Resources



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