



# **Report to Congress**

on the

**National Dairy Promotion and Research Program**

and the

**National Fluid Milk Processor Promotion Program**

**2012 Program Activities**

**U.S. Department of Agriculture  
Report to Congress**

**on the**

**National Dairy Promotion  
and Research Program**

**and the**

**National Fluid Milk  
Processor Promotion Program**

**2012 Program Activities**

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## **Executive Summary**

The enabling legislation of the dairy producer and fluid milk processor promotion programs requires the U.S. Department of Agriculture (USDA) to submit an annual report to the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition, and Forestry. The dairy promotion programs are conducted under the Dairy Production Stabilization Act of 1983 (7 U.S.C. 4501 *et seq.*) (Dairy Act); the Dairy Promotion and Research Order (7 CFR § 1150) (Dairy Order); the Fluid Milk Promotion Act of 1990 (7 U.S.C. 6401 *et seq.*) (Fluid Milk Act); and the Fluid Milk Promotion Order (7CFR § 1160) (Fluid Milk Order), respectively. This report includes summaries of the activities for the dairy and fluid milk programs, including an accounting of funds collected and spent; USDA activities; and an independent analysis of the effectiveness of the advertising campaigns of the two programs. Unless otherwise noted, this report addresses program activities for the fiscal period January 1 through December 31, 2012, of the Dairy Promotion and Research Program and the Fluid Milk Processor Promotion Program.

### **National Dairy Promotion and Research Program**

Mandatory assessments collected under the Dairy Act totaled \$102.6 million in 2012, including assessments and interest income. The National Dairy Promotion and Research Board (Dairy Board) portion of the revenue from the 15-cent-per-hundredweight producer assessment was \$99.7 million and the 7.5-cent-per-hundredweight dairy importer assessment was \$2.8 million. Qualified Programs revenue was \$197.2 million for 2012.

Expenditures by the Dairy Board and many of the Qualified Programs are integrated through a joint process of planning and program implementation so that the programs work together on the national, regional, State, and local level. The Dairy Board continued to develop and implement programs to expand the human consumption of dairy products by focusing on partnerships and innovation, product positioning with consumers, and new places for dairy product consumption.

During 2012, the Dairy Board continued its support for Fuel Up to Play 60, a partnership between the National Dairy Council (NDC), the National Football League (NFL), and in collaboration with the USDA, to combat childhood obesity in schools. The Innovation Center for U.S. Dairy (Innovation Center) co-hosted a “Future of Food: Food Security in the 21st Century” forum to discuss the role of American agriculture, and the dairy industry, in food security and the growing global population. The Innovation Center also continued its focus on maintaining consumer confidence in dairy products through food safety workshops that provide education to dairy processors on best practices and techniques for in-plant pathogen control. The Dairy Board continued its support of sustainability research and created an industry-wide Stewardship and Sustainability Guide for voluntary measurement to help companies answer increasing customer and consumer questions about dairy’s sustainability in a consistent way. Details of the activities of the dairy producer and dairy importer program are presented in Chapter 1.

## **National Fluid Milk Processor Promotion Program**

The National Fluid Milk Processor Promotion Board (Fluid Milk Board) continued to administer a generic fluid milk promotion and consumer education program funded by America's fluid milk processors. The program is designed to educate Americans about the benefits of milk, increase milk consumption, and maintain and expand markets and uses for fluid milk products in the lower 48 States and the District of Columbia. In 2012, the fluid milk marketing plans shifted focus and moved forward with an occasion-based strategy, based on the long-range plan and strategic roadmap that identified breakfast at home as having the best potential to stem the decline in fluid milk consumption.

The Fluid Milk Board launched The Breakfast Project in 2012 and focused on highlighting breakfast at home as the ideal opportunity to drink milk. Through the use of its Social Media Command Center, a comprehensive social listening and engagement program, the Fluid Milk Board was able to engage with consumers and influencers and share why milk should be a part of breakfast each day. During 2012, the Fluid Milk Board continued and intensified its efforts to position chocolate milk as the refuel beverage of choice for athletes. The Fluid Milk Board also continued its national Hispanic advertising campaign as part of the industry's outreach to the growing Hispanic population. In early spring 2012, the Fluid Milk Board partnered with Univision to conduct the "Saborea el Éxito con Leche" contest, where 27 consumers were awarded a year's supply of milk along with a grand prize of appearing in local *got milk?*<sup>®</sup> commercials.

Assessments generated \$103.3 million in 2012. The Fluid Milk Order requires the Fluid Milk Board to return 80 percent of the funds received from California processors to the California Milk Processor Board. The amount returned to California from the 2012 assessments was \$9.6 million. The California fluid milk processor promotion program uses the funds to conduct its promotion activities, which include the *got milk?*<sup>®</sup> advertising campaign. The 2012 activities of the National Fluid Milk Processor Promotion Program are presented in the Fluid Milk Board section in Chapter 1 of this report.

## **USDA Oversight**

USDA has oversight responsibility for the dairy and fluid milk promotion programs. The oversight objectives ensure that the Boards and Qualified Programs properly account for all program funds and that they administer the programs in accordance with the respective Acts and Orders. All advertising, promotional, research, and educational materials are developed under established guidelines. All Board budgets, contracts, and advertising materials are reviewed and approved by USDA. USDA employees attend all Board and Committee meetings, monitor all Board activities, and have responsibility for obtaining an independent evaluation of the programs. Additional USDA responsibilities relate to nominating and appointing Board members, amending the Orders, conducting referenda, assisting with noncompliance cases, and conducting periodic program audits. The Boards reimburse the Secretary of Agriculture, as required by the Acts, for all of USDA's costs of program oversight and for the independent analysis discussed in Chapter 3. In 2012, the Secretary of Agriculture appointed 11 members to the Dairy Board and 5 members to the Fluid Milk Board. Chapter 2 details USDA's oversight activities.



## **Independent Analysis**

Chapter 3 presents the results of the independent econometric analysis, conducted by Texas A&M University, on the effectiveness of the programs implemented by the Dairy Board and the Fluid Milk Board. It is estimated that the generic fluid milk marketing activities sponsored by the programs have helped mitigate the decline of fluid milk consumption. Specifically, gains in revenue at the farm level were far greater than the costs of the programs. The benefit-cost ratios for fluid milk were calculated to be \$2.14 for every dollar invested; for cheese, \$4.26 for every dollar invested; and for butter, \$9.63 for every dollar invested.

## **Chapter 1**

### **The Dairy and Fluid Milk Promotion Programs**

The Dairy Board and the Fluid Milk Board continued to develop and implement programs to expand the human consumption of fluid milk and dairy products. This chapter details the activities of each board.

#### **National Dairy Promotion and Research Board**

The mission of the Dairy Board is to coordinate a promotion and research program that maintains and expands domestic and foreign markets for fluid milk and dairy products. The Dairy Board is responsible for administering the Dairy Order, developing plans and programs, approving budgets, and monitoring the results of the programs.

The Secretary of Agriculture (Secretary) appoints 38 members to the Dairy Board, 36 of whom are dairy producers who each represent one of 12 geographic regions within the United States, and 2 of whom represent dairy importers. The appointments are made from nominations submitted by producer organizations, importer organizations, general farm organizations, and qualified dairy product promotion, research, or nutrition education programs. Members serve staggered 3-year terms with no member serving more than two consecutive terms.

Total Dairy Board actual revenue for 2012 was \$102.6 million (including assessments and interest). The Dairy Board amended its budget to \$109.1 million by incorporating program development funds not budgeted previously and carry-forward from their 2011 budget. The Dairy Board budget for 2013 projects total revenue of \$101.7 million from domestic and import assessments and interest. The Dairy Board's administrative budget continued to be within the 5 percent of revenue limitation required by the Dairy Order. A list of actual income and expenses for 2012 is provided in Appendix B-1. USDA's oversight and evaluation expenses for 2012 are listed in Appendix B-2. Appendix B-3 displays the Dairy Board's approved budget for 2012. An independent auditor's report for 2012 is provided in Appendix C-1.

The Dairy Board has two standing committees: the Finance and Administration (F&A) Committee and the Executive Committee. The F&A Committee consists of the Dairy Board officers and appointees named by the Dairy Board Chair. The Dairy Board Treasurer is the chair of the F&A Committee, and the full Dairy Board serves as the Executive Committee. The remaining committees for the Dairy Board are joint program committees with the United Dairy Industry Association (UDIA).

Dairy Management Inc. (DMI), a management and staffing corporation, is a joint undertaking between the Dairy Board and UDIA. UDIA is a federation of 19 of the 66 Qualified Programs under the direction of a board of directors. DMI manages the Dairy Board programs as well as those of the American Dairy Association<sup>®</sup> and National Dairy Council<sup>®</sup>. The mission of DMI is to drive increased sales of and demand for dairy products and ingredients, on behalf of dairy producers and dairy importers. DMI works proactively in partnership with leaders and innovators to increase and apply knowledge that leverages opportunities to expand dairy

markets. The DMI Board of Directors comprises all Dairy Board (38) and all UDIA (45) members. Voting is equalized between the Dairy Board and UDIA.

DMI serves both boards and facilitates the integration of promotion funds through a joint process of planning and program implementation so that the programs on the national, regional, State, and local level work together. The Dairy Board and UDIA Board must separately approve the DMI budget and annual plan before they can be implemented. In December 2011, both boards approved the 2012 unified dairy promotion plan budget and national implementation programs. During 2012, DMI continued to implement a national staffing structure which utilizes personnel throughout DMI and the UDIA federation to plan and execute the national programs.

DMI funds 1 to 3 year research projects that support marketing efforts. Six Dairy Foods Research Centers and one Nutrition Institute provided much of the research in 2012. Their locations and the research objectives are listed in Appendix E-1. DMI's dairy foods competitive research activities and nutrition competitive research projects can be found in Appendices E-2 and E-3, respectively. Universities and other industry researchers throughout the United States compete for these research contracts.

The joint Dairy and UDIA Board committee structure provides the framework for DMI program activities. The Dairy Board and UDIA Board Chairs assign their respective board members to the following joint program committees: Research and Insights; Health and Wellness; Export and Ingredients; and Producer Relations and Consumer Confidence. Each committee elects a Chair and Vice-Chair. The joint committees and the DMI staff set program priorities, plan activities and projects, and evaluate results. During 2012, the Dairy and UDIA Board met jointly six times.

In 2012, DMI again hosted dairy director regional planning forums across the country to review and create marketing strategies for the unified dairy promotion plan. These forums are designed to create one unified dairy promotion plan and allow opportunity for grassroots dairy farmers to ask questions, raise concerns, and offer their thoughts on the plan's direction and development.

The following information describes Dairy Board and UDIA program activities along with new programs and initiatives implemented in 2012.

### **National Dairy Council®**

The National Dairy Council® <http://www.nationaldairycouncil.org> (NDC), the nutrition marketing arm of DMI, has been the leader in dairy nutrition research, education, and communication since 1915. NDC provides timely, scientifically sound nutrition information to the media, physicians, dietitians, nurses, educators, consumers, and other health professionals. Additionally, NDC funds independent research to aid in the ongoing discovery of information about dairy foods' important role in a healthy lifestyle. This research provides insights to industry for new dairy product innovation.

In 2012, NDC launched a partnership with Feeding America and the Academy of Nutrition and Dietetics. This partnership aims to help fight hunger and make additional resources available for the nearly 50 million Americans who are food insecure. As part of this partnership, these organizations will identify ways to improve access to milk and other dairy foods at local food banks.

Health professional outreach remained a critical component of NDC and the 3-Every-Day™ program. The American Academy of Family Physicians, the American Academy of Pediatrics, the Academy of Nutrition and Dietetics, the National Medical Association, the School Nutrition Association, and the National Hispanic Medical Association all continued their support and partnership with DMI and 3-Every-Day™. By working with key health professional partners like these, DMI continued to provide a clear, practical message to the public on the importance of consuming three daily servings of low-fat or fat-free dairy. Combined, these organizations represent more than 250,000 health professionals nationwide.

As an extension of its online engagement of health professionals, NDC continued its blog, “The Dairy Report” ([www.thedairyreport.com](http://www.thedairyreport.com)). Blog contributors include NDC registered dietitians, Ph.D. nutritionists, and communication experts, as well as guest experts. Through the blog, NDC provides the latest news, analysis, and opinion on nutrition and health research related to dairy.

### **Fuel Up to Play 60**



Fuel Up to Play 60 (FUTP60) is an in-school program that combines the nutrition expertise of NDC and the fitness expertise and star power of the NFL to combat childhood obesity and provide youth with resources necessary to improve their personal health and school environment. FUTP60 is based on the USDA’s Dietary Guidelines for Americans that recommend the consumption of more fruits, vegetables, low-fat and fat-free dairy foods, and whole grains, and getting 60 minutes of daily physical activity.

FUTP60 reached more than 38 million students in more than 73,000 schools during the 2012/2013 school year. Students and schools joined the program by signing up at [www.fueluptoplay60.com](http://www.fueluptoplay60.com). Each enrolled school received a School Wellness Kit that contained in-school promotional materials and a “Playbook” containing healthy eating and physical activity strategies or “plays.” Each of the plays could be tailored to individual school health and wellness needs. Students were encouraged to form teams, with supervision from an adult program advisor, to carry out the plays and generate excitement for making healthy changes throughout the student body.

In July, FUTP60 recognized students’ commitments to making healthy changes by hosting a Student Ambassador Summit in Washington, D.C. The student leaders were chosen from thousands of applicants to attend the summit to collaborate on in-school solutions to the childhood obesity epidemic. Student ambassadors along with their program advisors participated in leadership training sessions, shared success stories and tips, and provided feedback on the

program. Special guests included Matt Cassel, then Quarterback of the Kansas City Chiefs, LaVar Arrington, NFL Alumni, and Byron Sackett, Director of Child Nutrition, Lincoln County Schools, North Carolina, who discussed healthy eating plays that work in schools.

### *Gen YOUth Foundation*

The Gen YOUth Foundation (Foundation), launched in 2011 by NDC, is a non-profit organization whose mission is to create a movement that will inspire youth to change their behavior. The Foundation works with schools, communities, and business partners to develop and support programs that create lasting changes in the child health and wellness arena, including FUTP60. The Foundation is governed and managed by a board of directors that covers multiple fields of expertise, including agriculture, health and nutrition, sports and fitness, media, education, and the culinary arts. The Foundation board meets twice a year to identify sustainable solutions to the childhood obesity epidemic.

In September 2012, the Foundation, NDC, the American College of Sports Medicine, and the American School Health Association co-hosted a Learning Connection Summit (Summit). The Summit was organized to help school stakeholders and thought leaders recognize the link between good nutrition, especially breakfast consumption, and physical activity and improved learning and behavior in schools. The attendees examined the growing body of research focused on the “learning connection” that physical activity and nutrition have to learning and behavior and explored innovative solutions to address the challenge of reversing the child health crisis and positively impacting academic performance.

The Summit also featured a Leadership Round Table discussion that brought together business leaders, health and education panelists, and Fuel Up to Play 60 Student Ambassadors to discuss their own experiences, goals, obstacles, and successes, and identify collaborative solutions to improve nutrition and physical activity in schools. A report resulting from the Summit is expected to be released in 2013 summarizing the science-based concept that improved nutrition coupled with increased physical activity helps lead to better academic performance.

### **Export and Dry Ingredients**

DMI’s export enhancement program is implemented by the U.S. Dairy Export Council (USDEC). Supported through the checkoff program since it was established by U.S. dairy producers in 1995, USDEC receives primary funding from three sources: DMI, USDA’s Foreign Agricultural Service’s (FAS) Market Access Program and Foreign Market Development Program, and other FAS promotion programs, as well as membership dues. In 2012, DMI provided \$17.9 million; FAS \$5.6 million; and membership dues \$1.1 million for a total budget of \$24.6 million.

USDEC has offices in Washington, D.C.; Mexico City, Mexico; Tokyo, Japan; Seoul, South Korea; Hong Kong, Taipei, and Shanghai, China; Ho Chi Minh City, Vietnam; Bangkok, Thailand; Beirut, Lebanon; Oxford, England; and São Paulo, Brazil (Figure 1–1).

In 2012, USDEC put in place a framework to begin to realign and evolve resources and programming to help U.S. suppliers to meet their commercial needs within a vastly new global dairy business environment. As part of the organization’s “strategic evolution” that began 2 years earlier, USDEC began to place a greater emphasis on its market access, trade policy, and strategy and insights programs, while still delivering channel-driven global marketing services and promotion in emerging markets.

U.S. member suppliers leveraged USDEC programs in market development, market access, and trade policy to improve their sales to overseas customers in 2012. As well, through the Innovation Center for U.S. Dairy, USDEC continued work to solidify the U.S. dairy industry as a consistent global supplier so that it can withstand new and emerging suppliers.

In 2012, U.S. dairy export value reached \$5.2 billion while volume totaled 3.2 billion pounds (Figure 1-2). This export volume equated to 13.2 percent of U.S. milk solids product in 2012, nearly identical to the previous year when the equivalent of 13.3 percent of U.S solids headed overseas. Meanwhile, imports as a percent of milk solids production were just 3.2 percent in 2012 (Figure 1-3).

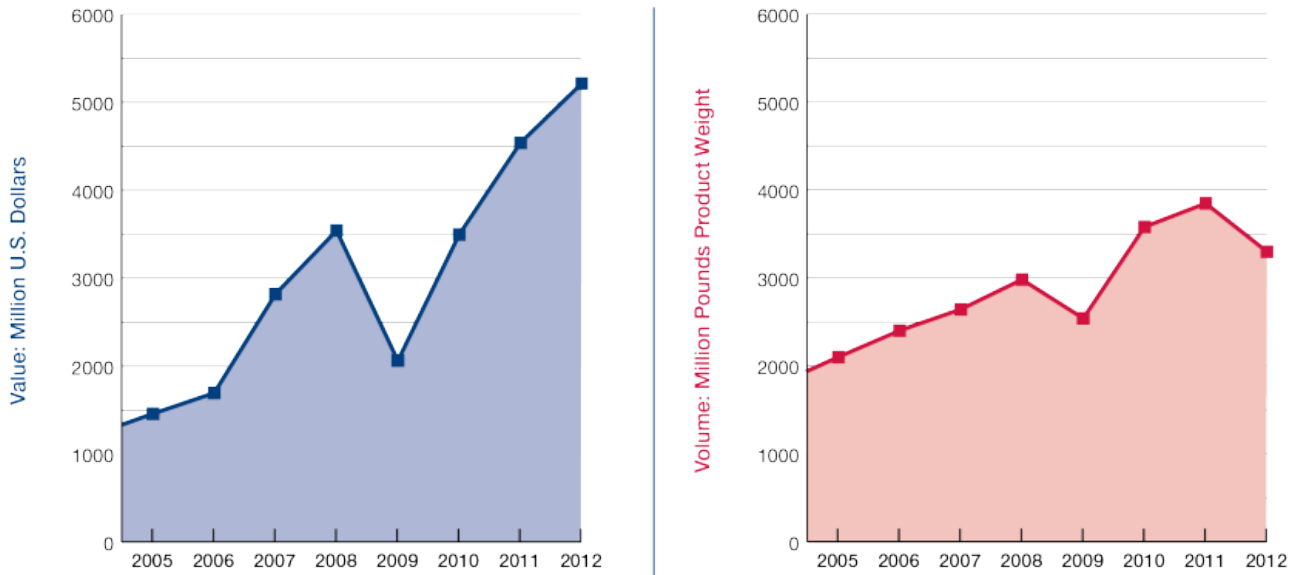
Exports represented 45 percent of the nonfat dry milk and skim milk powder produced in the United States in 2012, 47 percent of dry whey, 66 percent of the lactose, 5.5 percent of the butter, and a record 5.3 percent of the cheese.

U.S. dairy exports to Mexico, the number one market, totaled \$1.23 billion for the second straight year topping the \$1 billion mark. Other major markets were Southeast Asia (\$921 million), Canada (\$554 million), China/Hong Kong (\$443 million), Middle East/North Africa (\$431 million), Japan (\$284 million), South America (\$255 million), South Korea (\$227 million) and Australia/New Zealand (\$213 million).

Figure 1–1. USDEC Offices.

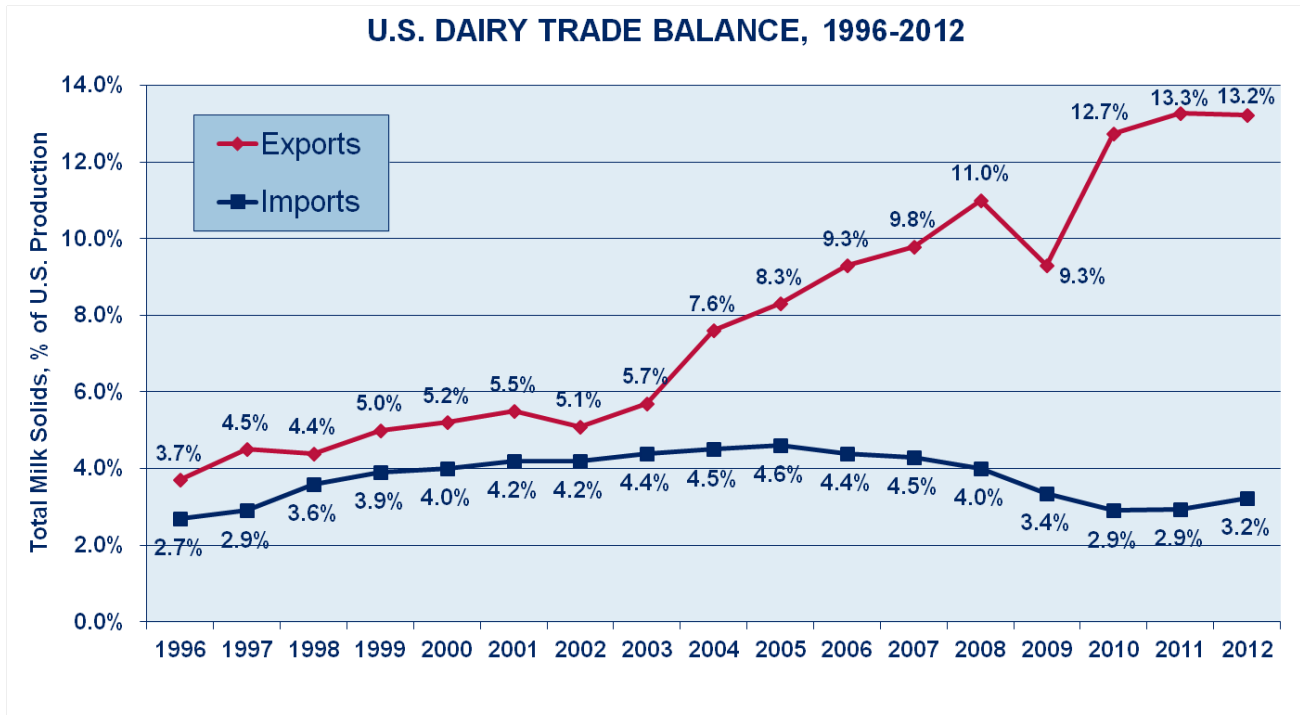


**Figure 1–2.** Value and Volume of U.S. Dairy Exports, 2012.



Source: USDEC, National Milk Producers Federation (NMPF), USDA

**Figure 1–3.** U.S. Dairy Trade Balance, 1996–2012.



Source: USDEC, NMPF, USDA

USDEC, with the support of the dairy checkoff, continued working to improve the global (export and U.S.) ingredient capabilities of domestic dairy companies by providing up-to-date information on market conditions, global trade trends, and regulatory requirements for export.

USDEC continued the use of the Web site [www.innovatewithdairy.com](http://www.innovatewithdairy.com) to help increase demand for U.S. dairy ingredients by promoting how dairy adds the difference in taste, functionality, and convenience. The ingredient program supports dairy product and nutrition research, ingredient applications, development, and technical assistance for the dairy, food, and beverage industries. Dairy, food, and beverage manufacturers use this program to find know-how, laboratory, and professional resources to help develop or improve foods using dairy ingredients.

Publications that support the innovation and ingredients program include: (1) *Ingredient Specification Sheets*—cover technical basics of a variety of dairy ingredients and are updated as new data is available; (2) *Dairy Herald*—reports periodically on how food formulators and markets can take advantage of taste, cost, functional and nutritional appeal of dairy ingredients; (3) *Application Monographs*—published as necessary, provide a comprehensive look at how whey protein and other dairy ingredients can be used in foods and beverages for different functionality needs; (4) *Tools for Innovation*—a periodic supplement from DMI and *Dairy Foods* magazine that covers dairy product trends and research; (5) *Innovations in Dairy*—a technical bulletin, published two to three times a year on specific topics in dairy products, ingredients, processing, and packaging; and (6) *Dairy Business View*—an e-newsletter published bi-monthly with *Dairy Foods* magazine that covers dairy industry news, new technologies, business trends, innovation, and research.

### **Innovation Center for U.S. Dairy**

Dairy producers, processors, and manufacturers announced an unprecedented agreement in 2008 to collaborate on pre-competitive initiatives through a new Innovation Center for U.S. Dairy (Innovation Center). The goal of the agreement is to accelerate industry innovation throughout the supply chain to increase sales in an increasingly competitive consumer marketplace.



The Innovation Center was established by dairy farmers through DMI. It is the first organization of its kind to bring together milk producers, processors, and manufacturers under one organization to collaborate on major issues affecting the industry.

The Innovation Center provides a forum for the entire dairy industry to work together to offer consumers the products they want—when and where they want them—and increase dairy sales through pre-competitive collaboration. It combines the collective resources of the industry to provide consumers with nutritious dairy products and foster industry innovation for healthy people, healthy products, and a healthy planet. The board of directors for the Innovation Center represents leaders from across the dairy value chain, including producers and chief executives of the Nation’s leading processors, manufacturers, and brands. DMI staffs and supports the Innovation Center.



The Innovation Center moves its priorities forward through enlisting cross-industry operational committees charged with developing action plans. These committees and purposes include: Health and Wellness Committee – to increase category sales and demand for dairy products by identifying and meeting the health and wellness needs and desires of consumers; Research and Insights Committee – to act as the steward of the pre-competitive innovation assets and resources of the industry; Globalization – to provide a strategic analysis of the global dairy landscape and a common understanding of the challenges, opportunities, and threats posed by increasing globalization to the U.S. dairy industry; Sustainability – to provide consumers with the nutritious dairy products they want in a way that is economically viable, environmentally sound, and socially responsible; and Food Safety – to improve food safety practices and to protect trust in dairy.

### *Sustainability*

In 2012, dairy leaders continued their industry-wide commitment and action plan to reduce the dairy industry's carbon footprint while increasing business value from farm to consumer. The action plan was an outcome of the industry's June 2008 Sustainability Summit for U.S. Dairy, a gathering of 250 leaders representing producers, processors, non-governmental organizations, university researchers, and government agencies, held in Rogers, Arkansas.

The plan focuses on operational efficiencies and innovations to reduce greenhouse gas emissions while ensuring financial viability and industry growth. The dairy industry has committed to a goal to reduce the carbon footprint of fluid milk by 25 percent by the year 2020 — equivalent to taking more than 1.25 million cars off the road every year. The industry will reduce greenhouse gas emissions throughout the entire dairy value chain – from production of feed for dairy cows through retail. Based on goals from the Sustainability Summit, the following projects and resources have been created to help reduce greenhouse gas emissions:

1. Farm SMART – Provides dairy producers with their farms' environmental footprint. It also allows them to compare energy use, greenhouse gas emissions, and water use against regional and national averages compiled by the U.S. dairy industry's Comprehensive Life Cycle Assessment for Fluid Milk.
2. Cow of the Future – Reduction of enteric methane by accelerating identification and adoption of new practices and technologies.
3. Farm Energy Efficiency – Online resources for producers to learn how energy audits can add value and reduce costs to dairy producer operations.
4. Dairy Power – Focused on realizing the significant potential of anaerobic digester systems for U.S. dairy farmers by helping put 1,300 methane digesters on dairy farms by 2020. Working with regional and national programs, the project addresses existing barriers, such as technology and financing.
5. Dairy Plant Smart and Next Generation Cleaning – Development and testing of the Dairy Plant Smart toolkit to support energy management in fluid milk processing plants.
6. Next Generation Processing - The use of UV technology as an alternative method to heat-based pasteurization.

7. Processing and Packaging Lifecycle Assessment (LCA) – Study findings on processing and packaging white and value-added milks and creamers to be published, after peer review, in 2012.
8. Dairy Fleet Smart – Development and testing of a tool to support fuel and cost reductions in milk transport and distribution of dairy products.

At a special awards ceremony in March 2012, the first ever U.S. Dairy Sustainability Award winners were announced. The awards recognize dairy farms, businesses, and collaborative partnership efforts that deliver economic, environmental, and/or social benefit and help advance the sustainability of the dairy industry. The awards are divided into three categories: dairy farm, dairy processing/manufacturing and energy, and energy conservation/generation. Nominations were evaluated based on the program's or project's results and by triple bottom-line success – economic, environmental, and social. Judges also considered the potential for adoption of the idea by the dairy industry. Members of the dairy supply chain, academia, government, media, business, and nongovernmental organizations comprised the judging panel.

In the fall of 2012, the Innovation Center's Sustainability Council completed a draft version of a Stewardship and Sustainability Guide for U.S. Dairy (Sustainability Guide). The goal of the Sustainability Guide is to provide a useful and meaningful approach to voluntary sustainability tracking and communication. An important motivator in the creation of the guide was a lack of a comprehensive sustainability measurement and communication system for the dairy industry based on science and developed with practical input from the dairy industry and its stakeholders.

The draft Sustainability Guide offers a systematic, unified approach for dairy farms and companies to evaluate performance and identify opportunities for improvement. The Sustainability Guide addresses dairy farms and companies of all sizes and helps to optimize performance identify opportunities for improvement and efficiency. The Council provided a draft of the Sustainability Guide to the dairy industry for review and feedback. A completed document is expected in 2013.

#### *Future of Food: Food Security in the 21<sup>st</sup> Century*

The global population is expected to reach 9 billion by 2050. Recognizing the challenge of providing nutritious, affordable food to feed a growing population while using fewer resources, the Innovation Center, the Academy of Nutrition and Dietetics, and the *Washington Post* co-hosted a live, online panel discussion at the Washington Post headquarters in June 2012. Panel participants discussed the role of American agriculture and the dairy industry in food security, availability, and affordability in the United States and around the world. The forum set the backdrop for the National Dairy Council's Feeding America partnership announcement.

#### *Food Safety*

The Food Safety Committee was created to improve manufacturing conditions in all dairy processing facilities to prevent food safety recalls that could compromise the reputation of the dairy industry across all plants in the United States. In 2012, the Food Safety Committee,

through the International Dairy Foods Association and the Innovation Center, held several dairy plant food safety workshops. Nearly 400 attendees were trained in dairy processing and manufacturing pathogen control as well as supply chain safety.

The pathogen control workshops focused on food-safety prerequisite programs to Hazard Analysis and Critical Control Point that will prevent the growth and establishment of pathogens in dairy plant environments and on product contact surfaces. Specific attention was devoted to components of the Innovation Center's pathogen-control program, which includes good manufacturing procedures, controlled floor conditions, separation of raw and ready-to-eat products, sanitation, sanitary design and environmental monitoring.

The Food Safety Committee's supply chain workshops concentrated on total food safety performance of the supply chain. The course curriculum is designed to diminish risks from suppliers of ingredients, equipment, and service through to the finished products of dairy manufacturing facilities. The course provides best supply chain food safety practices for dairy industry companies and includes a "tool kit" to address food safety hazards assessment, prevention, and mitigation practices.

### **Dairy Research Institute**



The Dairy Research Institute (DRI) was created by DMI in 2010 to conduct research on behalf of the Innovation Center, the National Dairy Council, and other sponsors, by building on the dairy promotion program's investment in research. The nonprofit organization works with and through industry, academic, government, and commercial partners to increase pre-competitive, technical research in nutrition, products, and sustainability. DRI is the first organization of its kind to provide an industry wide approach to technical research for the dairy industry.

The Innovation Center board of directors identifies pre-competitive priorities that address industry research issues and opportunities. DRI then defines an industry wide research plan and identifies funding.

DRI research priorities are categorized into four areas. Nutrition Research includes blood pressure, dairy protein, digestive health, milk fat/cheese, obesity, metabolic, health, body composition and performance, and the relationship of food and beverage nutrient density to climate impact. Product research includes applications and technical support, cheese, fluid milk/cultured products, milk ingredients/fractions, partnerships, and whey/co-products. Sustainability research projects include greenhouse gas reduction opportunities and lifecycle assessments. Finally, planning/partnership/regulatory research includes business development strategy, planning and partnerships, and regulatory affairs guidance.

In 2012, DRI continued its monthly e-newsletter, *Dairy Research Insights*, to provide updates on recent technical research to dairy industry stakeholders. The e-newsletter features summaries of published research related to DRI's nutrition, product, and sustainability priority areas.

The e-newsletter also provides a list of upcoming events, such as conferences, short courses, and workshops.

## **Industry and Image Relations**

Each year, fewer consumers are connected to food production and receive mixed messages through the media about the agriculture industry. As part of an effort to help protect the image of dairy producers and the dairy industry among the public, DMI continued its Web site, [www.dairyfarmingtoday.org](http://www.dairyfarmingtoday.org). The site educates the public about how today's dairy producers care for their animals, protect the land, and produce safe, wholesome milk.

In 2012, DMI launched [www.dairygood.org](http://www.dairygood.org), as a new platform for the dairy industry to collectively come together and tell its story using unified messaging. The Web site's goal is to put a "face" on the industry and amplify conversations that take place in other dairy social media channels, such as NDC and FUTP60, to demonstrate dairy's commitment to food and nutrition security, and drive conversation to promote consumer confidence in the dairy industry and its products.

To help dairy producers directly communicate with consumers about dairy farming practices, DMI continued its "Telling Your Story" (TYS) program. TYS provides dairy producers with public relations, presentation, and media training to build and maintain consumers' confidence in the dairy industry's production practices and products.

DMI continued the social media component of its TYS program, which utilizes Facebook, YouTube, blogs, and other social media. The goal is to develop a network of social media-savvy dairy advocates who use online communication to tell the dairy industry's story, reinforce and build its positive image, and counter inaccurate or uninformed online commentary about dairy farming practices. Dairy producers and industry representatives are provided with an online toolkit of social media and dairy resources that can be used to tell dairy's story through blogs, social networking sites, and positive dairy videos and photos.

DMI also worked to inform dairy producers about how their assessment dollars were being used. The organization continued to communicate to dairy producers and other industry audiences through the TYS program, publications (such as the annual report, joint newsletters with Qualified Programs, and dairy cooperative check inserts), dairy industry events (including major trade shows and producer meetings), and media relations (including press releases, feature placement, and farm broadcast interviews).

DMI continued its Issues Management and Crisis Readiness programs in 2012. DMI staff and related dairy industry representatives work to monitor and identify current and potential issues where the safety, benefit, or reputation of dairy producers or dairy products may be publicly called into question. As needed, the network of representatives respond to media requests, train dairy spokespeople, build third-party relationships within the agricultural industry, and distribute media alerts with key messages to maintain consistent industry-wide responses. Primary areas of focus include animal welfare, environment, sustainability, food safety, child nutrition, and modern farming practices.

The Crisis Readiness program continued to develop a strong network of dairy industry and agricultural representatives. Through this coordinated effort, a communication plan was developed to communicate quickly, accurately, and effectively in the event of a crisis, such as disease outbreak, product contamination, or food-borne illness. The checkoff led several regional crisis drills in 2012 that engaged many sectors of the industry, focusing on hypothetical scenarios ranging from animal disease outbreaks to the international tampering of dairy products. These drills help to maintain the industry's state of readiness and reinforce the critical nature of steps taken within the first 24 hours of a crisis.

DMI continued its support for butter through cooperation and public relations activities with the American Butter Institute, including the Web site [www.butterisbest.com](http://www.butterisbest.com), a consumer resource center with current cooking trends and ideas, butter recipes, and links to other butter-related Web sites. DMI also continued to work with the Wisconsin Milk Marketing Board to execute co-funded retail butter promotion activities. The national effort helped to drive incremental retail butter sales in select markets across the United States.

### **Qualified Dairy Product Promotion, Research, or Nutrition Education Programs**

The Secretary annually certifies Qualified Programs. To receive certification, the Qualified Program must: 1) conduct activities that are intended to increase human consumption of milk and dairy products generally; 2) have been active and ongoing before passage of the Dairy Act, except for programs operated under the laws of the United States or any State; 3) be primarily financed by producers, either individually or through cooperative associations or dairy importers; 4) not use a private brand or trade name in its advertising and promotion of dairy products (unless approved by the Dairy Board and USDA); and 5) not use program funds for the purpose of influencing governmental policy or action (7 CFR §1150.153). A list of the Qualified Programs is provided in Appendix F.

The aggregate revenue from the assessment directed to the Qualified Programs in 2012 was \$197.2 million (approximately 10 cents out of the 15-cent producer assessment and 2.5 cents out of the importer 7.5-cent assessment). See Appendix B-7 and Appendix B-8 for aggregate income and expenditure data of the Qualified Programs.

Some of these Qualified Programs participate in cooperative efforts conducted and coordinated by other Qualified Programs and/or other organizations such as DMI, the Dairy Board, and UDIA. Their goal in combining funding and coordinating projects is for more effective and efficient management of promotion dollars through larger, broad-based projects. For example, to support the unified marketing plan, UDIA coordinates nationally through DMI the programs and resources of 19 federation members and their affiliated units.

### **National Fluid Milk Processor Promotion Board**

The National Fluid Milk Processor Promotion Board (Fluid Milk Board) as authorized in the Fluid Milk Act administers a fluid milk promotion and consumer education program that is funded by fluid milk processors. The program is designed to educate Americans about the benefits of milk, increase fluid milk consumption, and maintain and expand markets and uses for

fluid milk products in the contiguous 48 States and the District of Columbia. The fluid milk marketing programs are research based and message focused for the purpose of positively changing the attitudes and purchase behavior of Americans regarding fluid milk.

The Secretary appoints 20 members to the Fluid Milk Board. Fifteen members are fluid milk processors who each represent a separate geographical region, and five are at-large members. Of the five at-large members, at least three must be fluid milk processors and at least one must be from the general public. Four fluid milk processors and one public member serve as at-large members on the current Fluid Milk Board. The members of the Fluid Milk Board serve 3-year terms and are eligible to be appointed to two consecutive terms. The Fluid Milk Promotion Order (Fluid Milk Order) provides that no company shall be represented on the Board by more than three representatives. Current Fluid Milk Board members are listed in Appendix A-2. A map of the Fluid Milk Board regions is shown in Appendix H-2.

The Fluid Milk Board elects four officers: Chair, Vice-Chair, Secretary, and Treasurer. Fluid Milk Board members are assigned by the Chair to the Fluid Milk Board's new occasion-based program committees (Breakfast at Home-General Market, Breakfast at Home-Hispanic, Refuel, and Business Development and Research) to address the Fluid Milk Board's concern that it provide the best possible oversight of program spending. The program committees are responsible for setting program priorities, planning activities and projects, and evaluating results. The Fluid Milk Board maintained the Finance Committee that reviews all program authorization requests for funding sufficiency, the Fluid Milk Board's independent financial audit, and the work of the board's accounting firm. The Fluid Milk Board met three times during 2012.

The National Fluid Milk Processor Promotion Education Program (MilkPEP) is funded by a 20-cent per hundredweight assessment on fluid milk products processed and marketed commercially in consumer-type packages in the contiguous 48 States and the District of Columbia. The program exempts from assessment those processors who process and market 3 million pounds or less of fluid milk products each month, excluding fluid milk products delivered to consumer residences. Assessments generated \$103.3 million in 2012. The Fluid Milk Order requires the Fluid Milk Board return 80 percent of the funds received from California processors to the California Milk Processor Board. The amount returned to California from 2012 assessments was \$9.6 million. The California fluid milk processor promotion program uses the funds to conduct its promotion activities which include the *got milk?*<sup>®</sup> advertising campaign.

The actual income and expenses for 2011-2012 are provided in Appendix B-4. The Fluid Milk Board's administrative expenses continued to be within the 5-percent-of-assessments limitation required by the Fluid Milk Order. USDA's oversight and evaluation expenses for 2012 are detailed in Appendix B-5. Appendix B-6 contains the Fluid Milk Board's approved budget for 2012. Appendix C-2 contains an independent auditor's reports for the period of January 1 through December 31, 2012.

## **Medical Advisory Board**

The Fluid Milk Board's Medical Advisory Board (MAB), comprised of academic, medical, and health care professionals with expertise relevant to the health benefits of fluid milk, met twice in 2012. The MAB provides guidance to the Fluid Milk Board's development of key nutritional and health messages for consumers and health professionals. As in previous years, the MAB members assisted the Fluid Milk Board in continuing relationships with health and health professional organizations such as the American Academy of Pediatrics, The Academy of Nutrition and Dietetics, and the American Heart Association. They also continued to appear as medical professionals in the media, providing science-based statements supporting the health benefits of milk.

The medical and scientific activities of the Fluid Milk Board also included preparing press materials and acting as spokespersons on breaking research with relevance to fluid milk. The MAB continued to inform others in the scientific community about the strong research that showed that consuming milk after exercise can aid in muscle recovery and rehydration.

## **National Fluid Milk Programs**

In 2012, the fluid milk marketing plans shifted focus and moved forward with an occasion-based strategy, based on a long range plan and strategic roadmap that identifies breakfast at home as having the best potential to stem the decline in fluid milk consumption. The Breakfast Project launched in 2012 and focused on highlighting breakfast at home as the ideal opportunity to drink milk. Retailers and processors were all engaged, conducting marketing and promotional activities around breakfast at home. MilkPEP's Social Media Command Center was used to engage with consumers and influencers across a wide array of social media channels. Additionally, MilkPEP intensified its efforts to position chocolate milk as the refuel beverage of choice for athletes and also promoted the importance of refueling after exercise with chocolate milk. As in previous years, MilkPEP used various communication media to accomplish these objectives, including television and print advertising, press releases, promotions, Internet, and social media. A description of the 2012 program activities follows.

### **Breakfast at Home – General Market and Hispanic**

The Breakfast Project, a multi-faceted campaign encouraging consumers to eat breakfast at home each day and include milk, was the centerpiece of the Fluid Milk Board's 2012 activities. Within the social media sphere, it is estimated that 18 million conversations occur annually around the topic of breakfast. The Breakfast Project used these statistics to develop programs and shareable content each month, all themed to support why milk should be a part of breakfast each day. The MilkPEP employed the Social Media Command Center, a comprehensive social listening and engagement program, in order to fully engage with consumers and influencers across Facebook, Twitter, Pinterest, YouTube, and other social media channels. To engage processors, MilkPEP made all of the breakfast at home content available to processors each month, who in turn used the content to engage their own customers and create their own on-line communities and amplify the breakfast at home messages.

Salma Hayek, popular actress and mother, joined MilkPEP's well-known milk mustache and *got milk?*<sup>®</sup> equities as a spokesperson for television, print, and public relations in the 2012 general market and Hispanic campaigns. Ms. Hayek was featured in two television commercials and two print advertisements and delivered messages consistent with the breakfast at home theme.

Appendix G includes thumbnail images of the Fluid Milk Board's print advertisements and promotional activities.

### **Refuel with Chocolate Milk**

MilkPEP continued to promote its chocolate refuel message to adult (ages 18-34) audiences in 2012. The Grassroots REFUEL with Chocolate Milk tour traveled across the country to 32 milk events with the Ironman Rock 'n' Roll Marathon race series and the Challenged Athletes Foundation. Processors were highly engaged in the race events, and distributed over 215,000 samples of low fat chocolate milk to athletes as they completed the races. Processors also participated in events at Life Time Fitness and other Ironman related venues to reach athletes and amplify the REFUEL message.

New in 2012, MilkPEP launched the "My After" national campaign at "Endurance Live" in Los Angeles, California, and featured USA Basketball Men's National Team member Carmelo Anthony, swimming medalist Dara Torres, five other 2012 USA Swimming Team members, plus 2010 Ironman World Champion Mirinda Carfrae. The featured athletes delivered messaging at the event about how refueling with chocolate milk can play an important role during an athlete's after-workout ritual. "My After" differed from traditional milk mustache advertising campaigns wherein all of the content was "mustache-free" and highlighted the importance of chocolate milk in after-workout rituals.

Additionally, the new Web site [www.gotchocolatemilk.com](http://www.gotchocolatemilk.com) was launched and provided extensive information about the science supporting refueling with chocolate milk. The Web site also featured webisodes of top athletes and invited everyday athletes to apply to join Team REFUEL for a chance to get sponsored and win the opportunity to be featured in their very own *got chocolate milk?* advertisement.

Appendix G includes thumbnail images of the Fluid Milk Board's "My After" print advertisements.

### **Breakfast at Home – Hispanic**

MilkPEP continued its Hispanic campaign in 2012 as part of the industry's outreach to the growing Hispanic population. The Hispanic campaign activities mirrored many of the general market programs and activities to MilkPEP's occasion-based strategy shift. The messaging reinforced milk's role during the breakfast occasion. Similar to the general market campaign, Salma Hayek served as the spokesperson for the Hispanic programs, commercials, and print advertisements.



Consistent with previous years, MilkPEP also created programs to recognize cultural differences and meet the unique needs of this increasingly growing population. In early spring, MilkPEP partnered with Univision to conduct the “Saborea el Éxito con Leche” contest. Twenty-seven consumers were awarded a year’s supply of milk along with a grand prize of appearing in local *got milk?*<sup>®</sup> commercials. The milk with breakfast at home messaging was delivered in 27 media markets and garnered over 62 million media impressions.

MilkPEP also celebrated milk’s role in Latino nutrition and culture during Hispanic Heritage Month and developed a milk mustache print advertisement that featured television host Karla Martínez, NFL player Victor Cruz, and astronaut José Hernández. The advertisement delivered messaging about the importance of a healthy breakfast to fuel active and successful days.

Appendix G includes thumbnail images of the Fluid Milk Board’s promotional activities for Hispanic in the Breakfast Project section.

### **Business Development and Research**

The Business Development and Research committee (BDR) is a joint effort of the Fluid Milk Board, processors, and suppliers. This ongoing effort was established to address barriers to fluid milk consumption not targeted by the advertising, promotions, and public relations activities. Over the years, BDR has conducted market tests and studies in various business channels to develop ways to increase milk sales and subsequently turn these studies into customer-friendly processor materials which may be found at [www.milkpep.org](http://www.milkpep.org).

In 2012, MilkPEP continued its commitment to conducting research and providing the guiding light to build the strategy for the consumer campaign. MilkPEP conducted groundbreaking research that has helped shape the direction of the consumer-facing breakfast program.

In addition to the breakfast segmentation research, MilkPEP conducted additional research against the Refuel message strategy to lead the effort in research campaign development. Ongoing efforts such as the Consumption Tracker, Attitude and Awareness Tracker, All Channel Tracking, and the Annual School Survey help the industry keep a pulse of what is happening in milk consumption and help develop new plans that drive better business practices. In 2012, MilkPEP also introduced a series of topline reports to give processors a monthly look at the state of the industry as it related to fluid milk sales and school consumption of flavored milk.

Complete reports, studies, executive summaries, and press releases for the Fluid Milk Board’s ongoing processor initiatives are available for processors on the Web site [www.milkpep.org](http://www.milkpep.org). Customers can also visit [www.milkdelivers.org](http://www.milkdelivers.org), or call the milk hotline at 1-800-945-MILK (6455) for copies of presentations, videos, and printed materials.

## **Chapter 2**

### **USDA Activities**

The USDA's Agricultural Marketing Service's (AMS) Dairy Programs has day-to-day oversight responsibilities for the Dairy Board and the Fluid Milk Board. AMS Dairy Programs' oversight activities include reviewing and approving the Dairy and Fluid Milk Boards' budgets, budget amendments, contracts, advertising campaigns, and investment plans. Approval of program materials is a major responsibility of AMS Dairy Programs. Program materials are monitored for conformance with provisions of the respective Acts and Orders, the U.S. Dietary Guidelines for Americans, and other legislation such as the Nutrition Labeling and Education Act. AMS Dairy Programs also uses the "Guidelines for AMS Oversight of Commodity Research and Promotion Programs" to govern oversight and facilitate the application of legislative and regulatory provisions of the Acts and the Orders.

AMS Dairy Programs continues to ensure that the collection, accounting, auditing, and expenditure of promotion funds is consistent with the enabling legislation and Orders; certify Qualified Programs; and provide for evaluation of the effectiveness of both promotion programs' advertising campaigns. AMS Dairy Programs assists the boards in their assessment collection, compliance, and enforcement actions.

Other AMS Dairy Programs responsibilities relate to nominating and appointing board members, amending the Orders, conducting referenda, and conducting periodic management reviews. AMS Dairy Programs representatives attend full board and committee meetings, and other meetings related to the program.

#### **National Dairy Promotion and Research Board Oversight**

##### *Nominations and Appointments*

The Dairy Board is composed of 38 members, including 36 domestic dairy producers and 2 dairy importers, who administer the program. Dairy Board members serve 3-year terms, with no member serving more than two consecutive terms. Dairy Board members must be active dairy producers or dairy importers. The Secretary selects dairy producer members from nominations submitted by producer organizations, general farm organizations representing dairy producers, Qualified Programs, or other interested parties. The Secretary selects dairy importer members from nominations submitted by individual importers of dairy products or by organizations representing dairy importers.

A list of Dairy Board members appears in Appendix A-1. Appendix H-1 depicts the 12 geographic regions under the Dairy Promotion and Research Order (Dairy Order).

##### *Organic Exemption*

Effective February 14, 2005, any persons producing and marketing solely 100 percent organic products were exempted from paying assessments to any research and promotion program administered by the AMS (70 FR 2743, published January 14, 2005). The final rule amended

Section 1150.157 of the Dairy Order. In States that have mandatory assessment laws, dairy producers are exempt only from the Federal assessment. Producers are still responsible for remittance of State assessments. In 2012, approximately 1,112 dairy producers were granted exemptions, representing approximately 1.9 billion pounds of production. The Dairy Order requires producers to re-apply annually to continue to receive the exemption.

#### *Amendment to the Dairy Act*

Section 781 of the Dairy Act was amended in 2005 to allow the Dairy Board to obligate and expend funds for any activity to improve the environment and public health, and required the Secretary to review the impact of any such expenditure and include the review in the annual report to Congress.

The Dairy Board authorized the expenditure of up to \$6 million during 2006 to fund a portion of the National Air Emissions Monitoring Study (NAEMS). The NAEMS is a multi-year research effort to collect air emission data and create tools that all dairies can use, whether they are participating in the Environmental Protection Agency (EPA) Air Quality Compliance Agreement (Consent Agreement) or not, to determine whether their air emission levels are in excess of the Clean Air Act thresholds and Comprehensive Environmental Response, Compensation, and Liability Act, and Emergency Planning and Community Right-to-Know Act reporting requirements. The Consent Agreement was developed to offer protection to operations while research is conducted to determine the size and type of farms that may have regulatory responsibilities. Currently, little air emissions data exists for dairy operations.

Data collection for the study was completed during the first half of 2010, and Purdue University and principal investigators completed an initial summary of the data that was transferred to the EPA. The EPA will have up to 18 months to complete its data interpretation. The Dairy Board owns the equipment used to conduct the study, and at a May 2010 meeting, the Board passed a motion to donate the equipment to universities to be used for further research. Additionally, the Dairy Board will use \$100,000 of the remaining NAEMS money to fund an interpretive summary that will compare the NAEMS data with previous studies, identify future research needs, create an outreach document, evaluate the NAEMS data quality in terms of completeness and representativeness, and determine relationships of other measured variables on farm emissions.

#### *Foreign Agricultural Service*

The Secretary of Agriculture has delegated oversight responsibility for all foreign market development activities outside the United States to the Foreign Agricultural Service (FAS) (7 CFR 2.43(a)(24)). FAS reviews the USDEC foreign market development plan and related contracts. AMS Dairy Programs also reviews USDEC contracts to ensure conformance with the Dairy Production Stabilization Act of 1983 (Dairy Act), Dairy Order, and with established USDA policies. AMS Dairy Programs reviewed 87 USDEC contracts during 2012.

### *Contracts*

The Dairy Act and Dairy Order require that all contracts expending assessment funds be approved by the Secretary (7 CFR 1150.140). During 2012, Dairy Programs reviewed and approved 185 Dairy Board and DMI agreements, amendments, and annual plans. Appendix D-1 lists the contractors and corresponding board initiatives approved by USDA.

### *Contractor Audits*

In 2012, DMI retained the certified public accounting firm of Ernst & Young to audit the records of the following contractors: American-Mexican Marketing (export activities), North Carolina State University (product research), SymphonyIRI Group, Inc. (market research), Team Services (strategic consulting), and Universal McCann Worldwide, Inc. (lactose free public relations).

### *Collections*

The Dairy Act specifies that each person making payments to a producer for milk produced in the United States and purchased from the producer shall, in the manner prescribed by the order, collect an assessment based upon the number of hundredweights of milk for commercial use handled for the account of the producer and remit the assessment to the Dairy Board. The current rate of assessment is 15 cents per hundredweight of milk for commercial use or the equivalent thereof as determined by the Secretary.

The Dairy Act provides that dairy producers can direct up to 10 cents of their 15-cent per hundredweight assessment to Qualified Programs. During 2012, the Dairy Board received about 5.03 cents per hundredweight of the 15-cent assessment. The Dairy Act also provides that dairy importers can designate 2.5 cents of their 7.5-cent per hundredweight assessment to Qualified Programs. If dairy producers or dairy importers do not specify designation to a Qualified Program, then the entire assessment is retained by the Dairy Board for use by the national program.

### *Compliance*

Compliance by responsible persons in filing reports and remitting assessments continues in a timely manner and at a high rate. No significant differences were discovered when comparing the audit results to what was reported by the responsible persons. The Dairy Board verifies that the credits claimed by responsible persons are actually sent to Qualified Programs. This verification is done by contract with each Qualified Program. When noncompliance exists, the Dairy Board takes initial action on the matter. If the Dairy Board is unsuccessful in resolving the violation, the matter is referred to USDA for further action.

### *Qualified Programs*

In 2012, Dairy Programs reviewed applications for continued qualification from 66 Qualified Programs. A list of the active Qualified Programs is provided in Appendix F. Consistent with its responsibility for monitoring the Qualified Programs, Dairy Programs obtained and reviewed

income and expenditure data from each program. The data reported from the Qualified Programs are included in aggregate form for 2012 in Appendix B-7 and Appendix B-8.

## **National Fluid Milk Processor Promotion Board Oversight**

### *Nominations and Appointments*

The 20 members of the Fluid Milk Board serve 3-year terms, with no member serving more than two consecutive terms. The Fluid Milk Promotion Order (Fluid Order) provides that no company shall be represented on the board by more than three representatives. Fluid Milk Board members who fill vacancies with a term of 18 months or less may serve 2 additional 3-year terms. The Secretary selects Fluid Board members from nominations submitted by fluid milk processors, interested parties, and eligible organizations.

A list of Fluid Milk Board members appears in Appendix A-2. Appendix H-2 shows a map depicting the 15 geographic regions under the Fluid Milk Order.

### *Program Development*

The Fluid Milk Board contracted directly with Deutsch Worldwide; Draftfcb; Weber Shandwick; and Machado/Garcia-Serra, LLC, to develop its mom and teen advertising, promotions, consumer education/public relations, and Hispanic advertising/public relations, respectively.

### *Contractor Audits*

As noted in the 2011 Report to Congress, the Board determined that beginning in 2012 it would conduct audits of specified periods on all primary contractors each year. The Fluid Milk Board retained the certified public accounting firm of Snyder, Cohn, Collyer, Hamilton & Associates, P.C. (Snyder Cohn), in 2012 to audit the records of Deutsch Worldwide, Inc., for the periods of October 2011 and May and July 2012; Draftfcb, Inc., for the periods of November 2011, and February and April 2012; Machado/Garcia-Serra, LLC, for the period of July through September 2012; and Weber Shandwick, for the periods of August and December 2011, and June 2012. Snyder Cohn's engagement and agreed-upon procedures were to determine if the agencies had conformed to the financial compliance requirements specified in their individual agreements with the Board.

The Board continues to enhance its internal contract control system in order to ensure that the amounts invoiced to the Board are in compliance with established contracts and procedures. No material exceptions were found.

### *Compliance*

Compliance by fluid milk processors in filing reports and remitting assessments continues in a timely manner and at a high rate.

## Chapter 3

### **Quantitative Evaluation of the Effectiveness of Marketing and Promotion Activities by the Milk Processor Education Program, Dairy Management, Inc., and Qualified Programs**

The Dairy Act and Fluid Milk Act require an annual independent analysis of the advertising and promotion programs that operate to increase consumer awareness and sales of fluid milk and dairy products. Texas A&M University researchers were awarded a competitive contract to complete the study. Chapter 3 summarizes the quantitative evaluation of the effectiveness of the dairy and fluid milk checkoff programs, specifically the marketing and promotion programs.

#### **Introduction**

Dairy farmers, dairy importers, and dairy processors contribute to a variety of marketing and promotion activities for dairy products. The objective of these programs is to increase the consumption of fluid milk and manufactured dairy products. The legislative authorization for these programs requires an independent analysis of the overall effectiveness of the marketing and promotion efforts. This report provides a summary of the second year of the required evaluation conducted by researchers at the Agribusiness, Food, and Consumer Economics Research Center at Texas A&M University (<http://afcerc.tamu.edu>).

The scope and organization of this summary are as follows: First, the objectives are stated. Next, the trends in dairy product consumption and the history of marketing and promotion expenditures are reported. Subsequently, the main findings from the quantitative analysis are provided, highlighting the benefit-to-cost ratios (BCRs) of the investments made. The BCRs are shown for the aggregate of all dairy products, fluid milk, cheese, butter, dairy exports, and the partnership program with Domino's Pizza. The BCR is the dollar value of gains to the checkoff funders from a one-dollar investment in promotion.

As a supplement to the summary of results, three major quantitative studies which comprise the work are featured: (1) econometric models of specific dairy products; (2) a producer-level simulation model of the dairy industry that incorporates farm supply; and (3) a quantitative study of the partnership program between Dairy Management, Inc. (DMI) and Domino's Pizza. The latter two models are additions to the analysis provided in earlier years' Reports to Congress, evaluating the dairy program.

The producer-level simulation model provides a more complete picture of the linkage between retail demand, market prices, and farm supply. No previous evaluation of dairy marketing and promotion activities has included this explicit treatment of supply response. Because of this feature, the study contains estimates of the benefits to farmers in terms of producer profit above costs. The fact that benefits are in terms of producers' net profits, not simply a comparison of revenue-to-cost, provides the industry with more relevant information as to how demand-enhancing investments affect dairy farmers' bottom lines. Collaboration with researchers at the University of Missouri has made the development of the retail-to-farm simulation model

possible. As a result of this approach, the BCRs are based on an economic model of the interactions of supply and demand since 1995.

The study of the Domino's Pizza partnership is another unique feature of this research project. It addresses the change in the marketing strategies of the DMI board of directors to focus more on business-to-business partnerships, of which the Domino's partnership was just one. This DMI effort leverages well-known consumer brands and assures that more dairy products are used in value-added foods.

## **Summary of Findings**

The overall finding of this evaluation is that the U.S. dairy checkoff programs have effectively increased the supply, demand, prices, and exports of dairy products. The gains in profit at the farm level were far larger than the costs of the checkoff programs. The impact on producers is summarized with a BCR. The BCRs are based on the demand-enhancing expenditures only; therefore they do not account for certain operating expenses such as overhead, technical support, industry relations, and corporate technology.

It has been a typical practice for analysts investigating demand response to aggregate all dairy products into a single category. This practice requires that the unlike goods – cheese, fluid milk, and butter – be measured on a common unit basis. This measurement can be done on the basis of skim solids or on the basis of fat content. The findings under either of these means of measurement indicate a significant positive relationship between demand for dairy and the checkoff program expenditures, in both the short-run and the long-run. The aggregate, all-dairy BCR is 3.05, meaning that the producer profit increases by \$3.05 for a one-dollar investment in demand-enhancing activities.

The BCRs in terms of producer profit were calculated to be \$2.14 for every dollar invested in demand-enhancing activities of fluid milk; \$4.26 for every dollar invested in demand-enhancing activities of cheese; and \$9.63 for every dollar invested in demand-enhancing activities of butter. The BCR of export promotion is \$5.12 per dollar invested. The BCR of the DMI partnership with Domino's Pizza is approximately \$4.31 in terms of farm revenue per dollar of DMI expenditure, depending on the amount of cheese used on the typical serving of pizza.

With regard to methodology, the structural econometric models that are the basis for these findings are statistically valid and largely consistent with prior studies in the literature on evaluation of generic commodity promotion.

## **Objectives of the Evaluation Study**

The dairy checkoff programs are evaluated with the following two key questions in mind:

1. Have the demand-enhancing activities conducted by dairy producers, dairy importers, and fluid milk processors actually increased the demand for fluid milk and manufactured dairy products?

2. Is the dairy industry better off as a result of the demand-enhancing programs initiated by DMI, MilkPEP, and the Qualified Dairy Product Promotion, Research, or Nutrition Education Programs (QPs)? In other words, have these marketing and promotion programs generated sufficient additional dairy industry revenues to more than cover their associated costs?

Historically, the effectiveness of the dairy marketing and promotion programs has been measured through econometric studies focusing on the relationships between the consumption of dairy products and the dairy checkoff demand-enhancing expenditures. These demand relationships are estimated in a structure that controls for the impacts of market forces.

Economic returns to the dairy checkoff funders that result from marketing and promotion activities and the associated changes in consumption are calculated using the parameters obtained from the demand models. The summary indicator of economic return on investment is a BCR. It is interpreted as the dollar value of net profit gains associated with a one-dollar investment in demand-enhancing activities.

The objectives of this report are threefold:

1. Determine the combined effects of the programmatic activities of MilkPEP, DMI, and QPs on the consumption of fluid milk, cheese, butter, all dairy products, and dairy exports.
2. Develop a simulation model to calculate the impacts of the dairy checkoff program on the dairy industry as well as calculate BCRs for dairy producers, dairy importers, and fluid milk processors.
3. Quantitatively assess the impacts of the DMI partnership with Domino's Pizza.

This evaluation covers the time period from 1995 to 2012 and captures the joint efforts of DMI, MilkPEP, and QPs.

### **Checkoff Expenditures Made by DMI, MilkPEP, and QPs**

Data for the analysis were acquired from DMI, MilkPEP, and QPs. The demand-enhancing expenditures from all three entities were aggregated. While the three entities are administratively distinct, they are well coordinated and have similar objectives for enhancing dairy demand.

The dairy checkoff programs use a variety of methods to reach consumers. The programs direct advertising dollars to media outlets, including television, outdoor, print, radio, and the Internet. Marketing activities other than advertising are directed at the retail level of the marketing channel or at intermediaries. The non-advertising marketing expenditures include health and nutritional educational programs; public relations; food service and manufacturing programs; sales promotion programs; school milk programs; school marketing activities; retail programs; child nutrition and fitness initiatives; and single-serve milk promotion.



Certain checkoff expenditures are not directed at the retail level of the marketing channel; these types of expenditures include crisis management, trade service communications, and strategic research activities. Although they are not retail, these expenditures are included in the classification of demand-enhancing expenditures. Expenditures for overhead, technical support, industry relations, and corporate technology were excluded from the analysis because they are not primarily demand-enhancing.

Table 3-1 and Figure 3-1 depict annual checkoff expenditures made by DMI, MilkPEP, and the QPs over the period 1995 to 2012. On average, slightly more than \$350 million in total was spent annually by the respective entities over this period, and about \$400 million in each year from 2010 to 2012. Median DMI expenditures were close to \$90 million per year, ranging from \$65.3 million to \$99.7 million. Similarly, median MilkPEP expenditures were about \$95 million per year, ranging from \$38.7 million to \$101.9 million. Finally, median expenditures made by QPs were about \$175 million per year, nearly double the expenditures made by DMI and MilkPEP individually.

The data associated with the demand-enhancing activities initiated by DMI and MilkPEP are also available on a quarterly basis. The same is not true for the programmatic activities associated with the QPs. Consequently, to place the marketing and promotion expenditures made by DMI, MilkPEP, and QPs on a quarterly basis, interpolations of the QP data were necessary.

**Table 3-1.** Annual Checkoff Expenditures from DMI, MilkPEP, and QPs, 1995 to 2012<sup>1</sup>

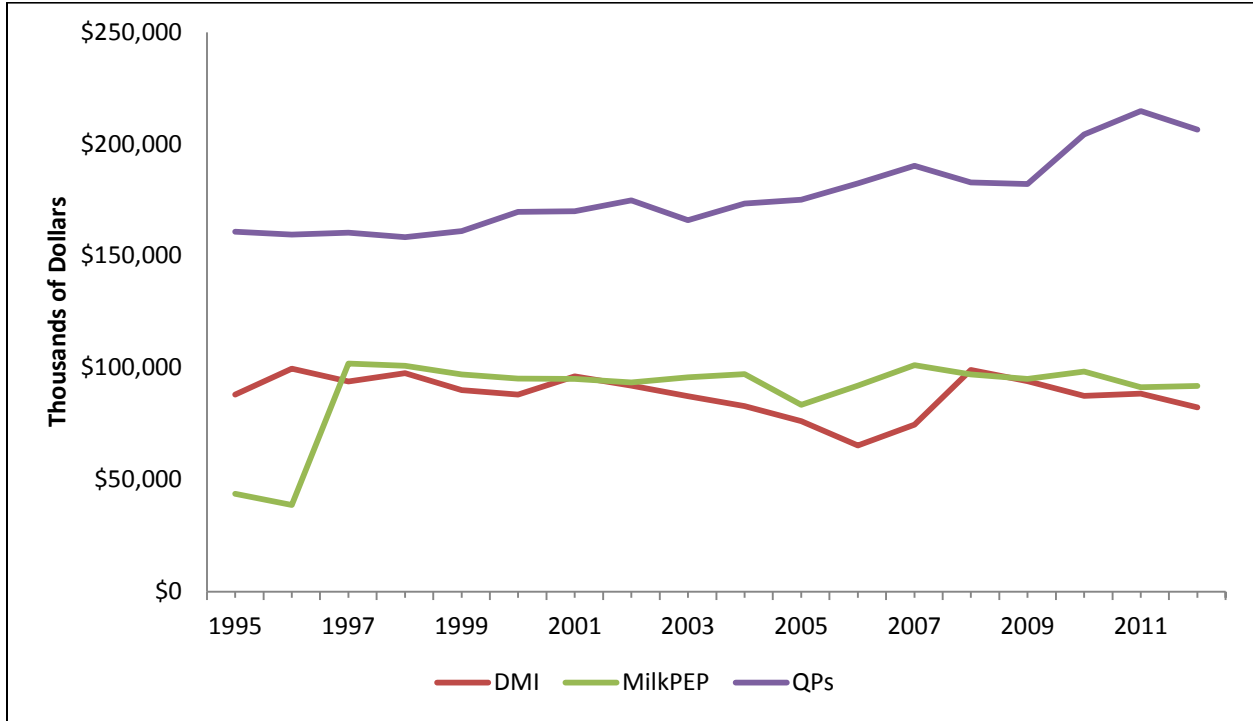
Year	DMI	MilkPEP	QPs	Total
1995	\$88,105	\$43,654	\$160,832	\$292,592
1996	\$99,674	\$38,690	\$159,600	\$297,964
1997	\$93,859	\$101,850	\$160,379	\$356,088
1998	\$97,570	\$100,901	\$158,348	\$356,819
1999	\$90,055	\$97,023	\$161,161	\$348,238
2000	\$88,068	\$95,158	\$169,654	\$352,880
2001	\$96,185	\$95,112	\$169,967	\$361,264
2002	\$92,012	\$93,511	\$174,857	\$360,380
2003	\$87,301	\$95,688	\$165,973	\$348,962
2004	\$82,871	\$97,167	\$173,434	\$353,472
2005	\$76,125	\$83,527	\$175,079	\$334,731
2006	\$65,296	\$92,029	\$182,443	\$339,768
2007	\$74,623	\$101,125	\$190,290	\$366,038
2008	\$99,051	\$97,003	\$182,887	\$378,941
2009	\$94,071	\$95,109	\$182,103	\$371,283
2010	\$87,512	\$98,316	\$204,380	\$390,208
2011	\$88,456	\$91,289	\$214,764	\$394,509
2012	\$82,360	\$91,893	\$206,448 <sup>2</sup>	\$380,701 <sup>2</sup>

<sup>1</sup>Thousands of dollars.

<sup>2</sup>Projected.

Source: DMI, MilkPEP, and USDA.

**Figure 3-1.** Annual Checkoff Expenditures Made by DMI, MilkPEP, and QPs, 1995 to 2012



Source: DMI, MilkPEP, and USDA

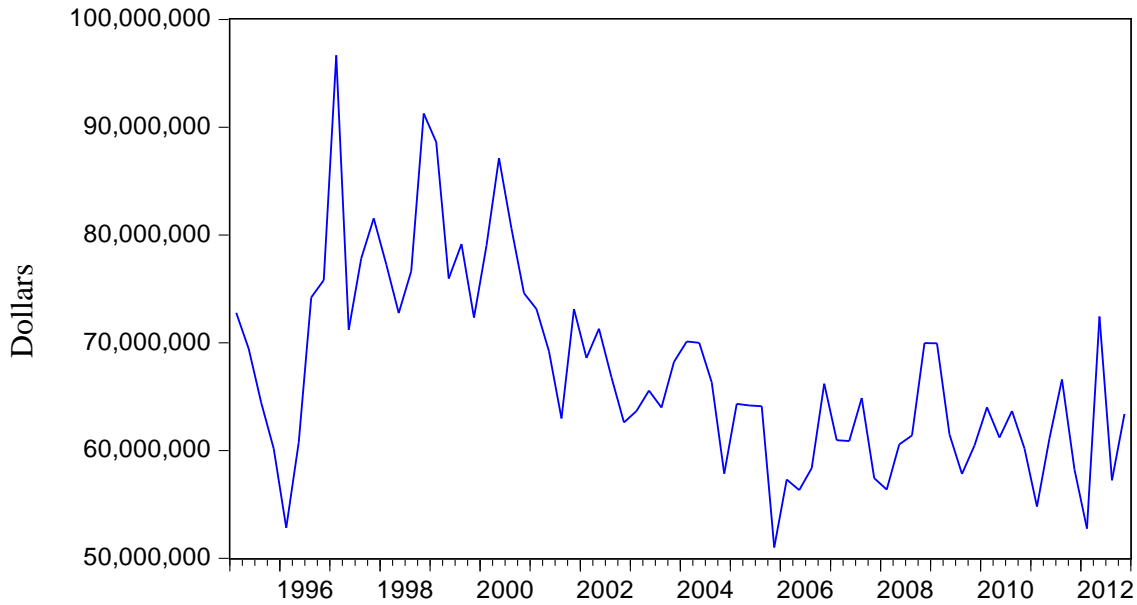
The details of this interpolation process were described in the [Report to Congress on 2011 program activities](#). The estimation of these data on a quarterly basis is important in allowing for sufficient observations to conduct the econometric analysis of demand for dairy products.

Figure 3-2 shows nominal seasonally-adjusted demand-enhancing expenditures by DMI, MilkPEP, and QPs on a quarterly basis from 1995 to 2012. These demand-enhancing expenditures varied from \$51.0 million to \$96.7 million per quarter, averaging \$67.3 million.

Figure 3-3 exhibits nominal seasonally-adjusted demand-enhancing expenditures for fluid milk from DMI, MilkPEP, and QPs on a quarterly basis from 1995 to 2012. From 1995 to 2006, nominal seasonally-adjusted quarterly marketing and promotion expenditures for fluid milk ranged from roughly \$23.6 million to \$62.9 million per quarter. After 2006, marketing and promotion expenditures for fluid milk fell noticeably, ranging from \$23.6 million to \$32.3 million per quarter. Over the period from 1995 to 2012, nominal seasonally-adjusted demand-enhancing expenditures for fluid milk averaged \$35.5 million per quarter.

As exhibited in Figure 3-4, nominal seasonally-adjusted demand-enhancing expenditures for cheese ranged from \$12.9 million to \$27.3 million from 1995 to 2004, averaging \$21.5 million per quarter. From 2005 to the third quarter of 2008, marketing and promotion expenditures associated with cheese were much smaller compared to 1995 to 2004. On average, expenditures on marketing and cheese promotion were \$12 million during the period. Owing to partnerships with the pizza industry, notably Domino’s Pizza, expenditures on cheese increased from the

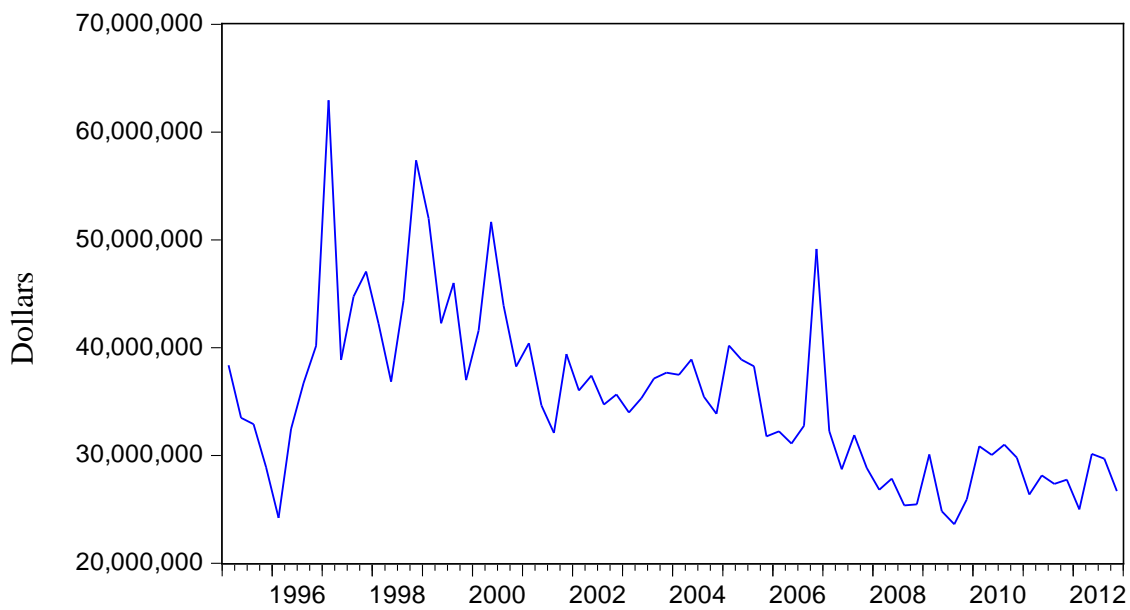
**Figure 3-2.** Nominal Seasonally-Adjusted Demand-Enhancing Expenditures from DMI, MilkPEP, and QPs for All Dairy Products, 1995.1 to 2012.4<sup>1</sup>



<sup>1</sup>Includes expenditures not only for advertising and promotion but also for dairy foods and nutrition research, nutrition education, and market and economic research.

Source: DMI, MilkPEP, and USDA

**Figure 3-3.** Nominal Seasonally-Adjusted Demand-Enhancing Expenditures for Fluid Milk from DMI, MilkPEP, and QPs, 1995.1 to 2012.4



Source: DMI, MilkPEP, QPs, and calculations by the authors.

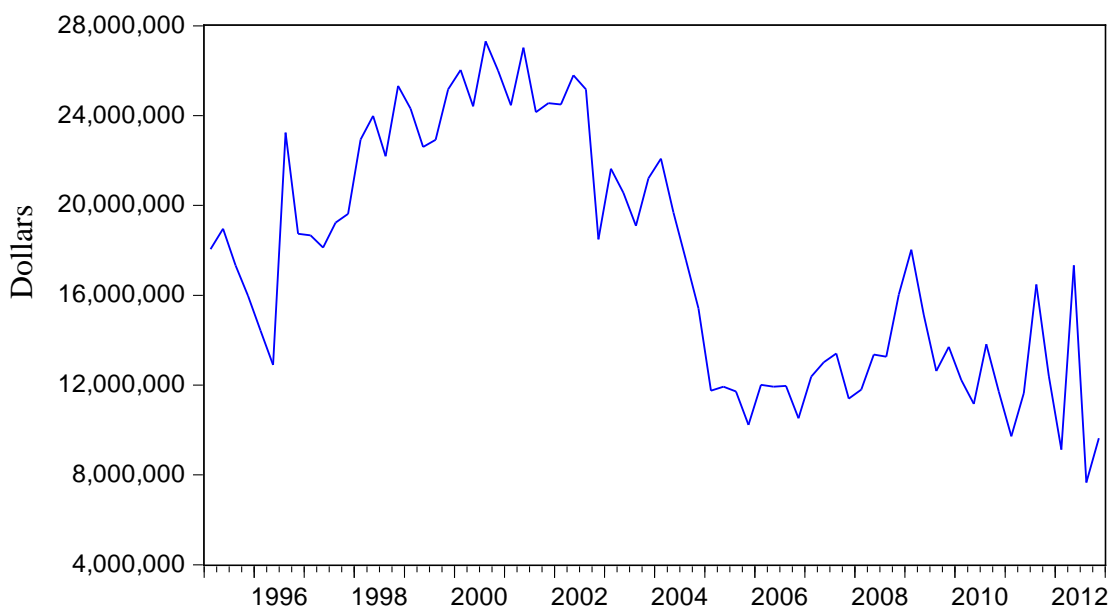
fourth quarter of 2008 to the end of 2012. During this latter time frame, nominal quarterly expenditures on marketing and promotion activities ranged from \$7.7 million to \$18 million, averaging \$12.8 million per quarter. Over the period 1995 to 2012, nominal seasonally adjusted demand-enhancing expenditures for cheese averaged \$17.5 million per quarter.

As shown in Figure 3-5, nominal seasonally-adjusted demand-enhancing quarterly expenditures on marketing and promotion of butter ranged from \$60,000 to \$6.0 million, averaging slightly more than \$1.0 million per quarter over the period 1995 to 2012. Marketing and promotion expenditures for butter represent a fraction of comparable expenditures for fluid milk and cheese.

Beginning in 2006, DMI moved from featuring milk, cheese, and butter in product-specific promotions to broader campaigns that relate to a number of dairy products. Examples of these campaigns include Fuel Up to Play 60, the Child Nutrition Fitness Initiative, and Action for Healthy Kids. As a result of an increasing number of campaigns affecting multiple products, it is important to assess demand-enhancements for the aggregate of dairy products as well as within specific product markets.

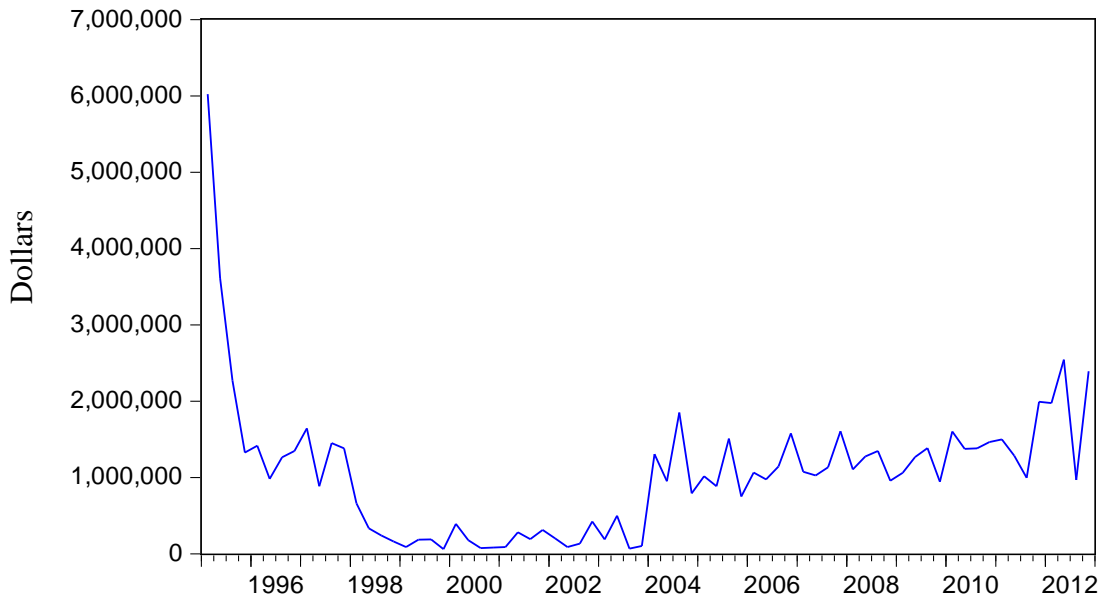
Global dairy markets are another arena in which dairy checkoff funds are invested. Figures 3-6a through 3-6c show the export promotion programs of the United States. Nominal seasonally-adjusted DMI expenditures directed to dairy exports on a quarterly basis ranged from \$763 to approximately \$5.0 million, as seen in Figure 3-6a. The trend in these DMI expenditures has been upward from 1995 to 2012, averaging about \$2.0 million per quarter over this period. As exhibited in Figure 3-6b, nominal seasonally-adjusted expenditures by USDA's

**Figure 3-4.** Nominal Seasonally-Adjusted Demand-Enhancing Expenditures for Cheese from DMI and QPs, 1995.1 to 2012.4



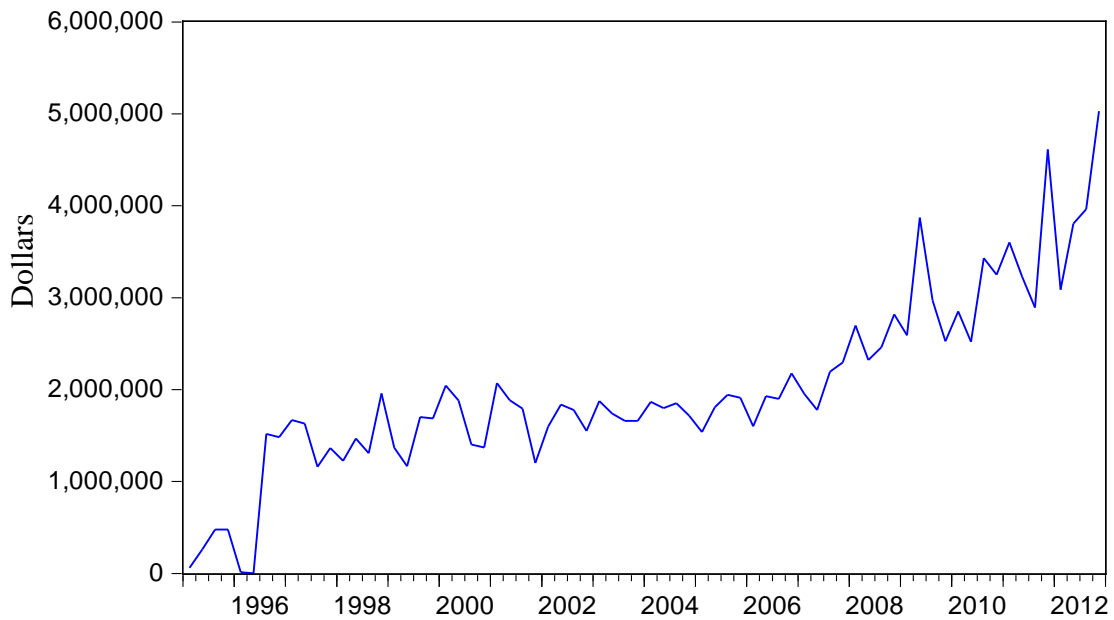
Source: DMI, QPs, and calculations by the authors.

**Figure 3-5.** Nominal Seasonally-Adjusted Demand-Enhancing Expenditures for Butter from DMI and QPs, 1995.1 to 2012.4



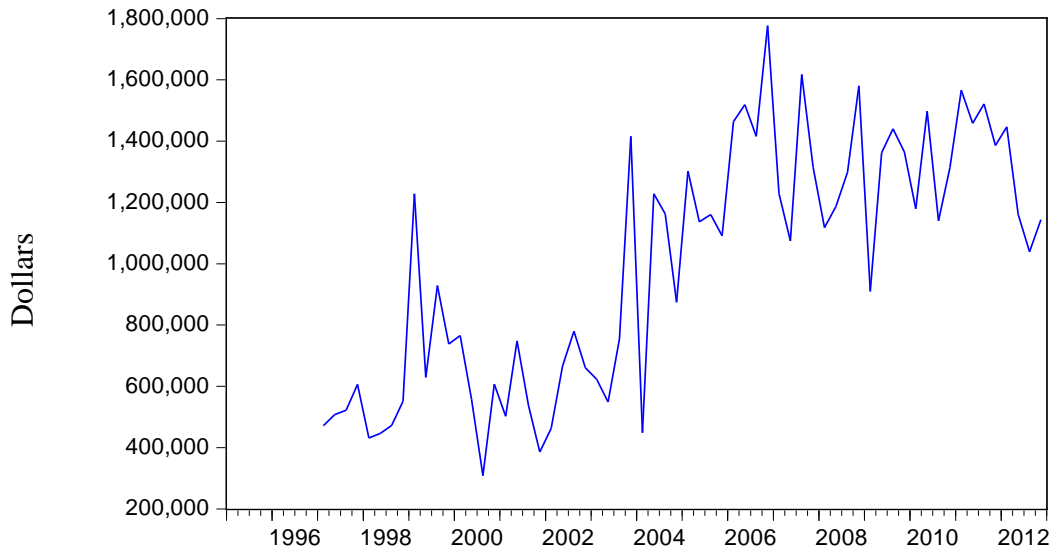
Source: DMI, QPs, and calculations by the authors.

**Figure 3-6a.** Nominal Seasonally-Adjusted DMI Expenditures Directed to Commercial Exports of Dairy Products, 1995.1 to 2012.4



Source: DMI and calculations by the authors.

**Figure 3-6b.** Nominal Seasonally-Adjusted USDA FAS Expenditures Directed to Commercial Exports of Dairy Products, 1997.1 to 2012.4<sup>1</sup>

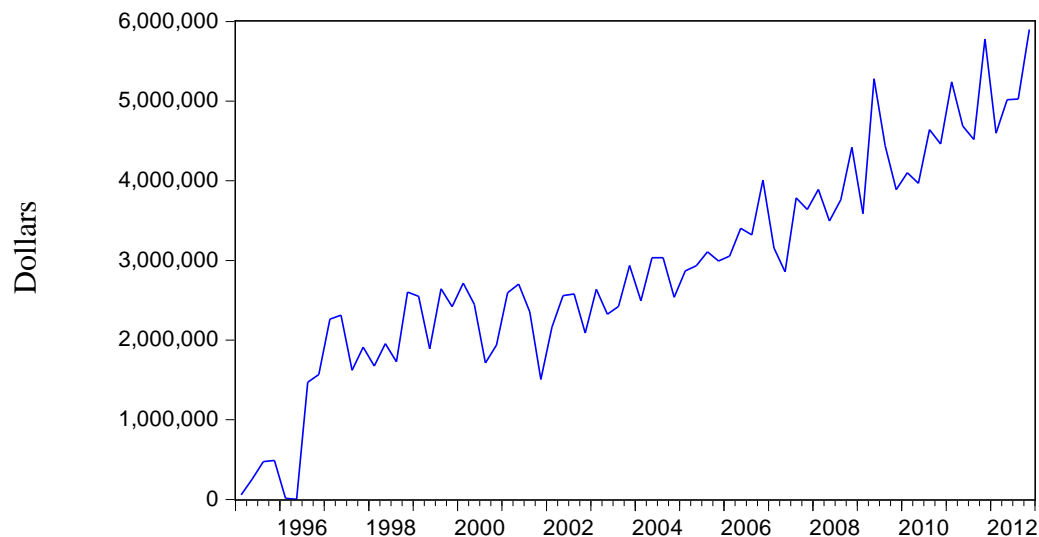


<sup>1</sup>Data were not available prior to 1997. Also, only annual data were available for 1997 and 1998. Quarterly interpolations were made for these years.

Source: USDA, FAS and calculations by the authors.

FAS directed to commercial exports of dairy products on a quarterly basis varied from just under \$310,000 to about \$1.8 million over the period of 1997 to 2012. On average, USDA FAS expenditures were nearly \$1.0 million per quarter. As presented in Figure 3-6c, nominal seasonally-adjusted sum of DMI and USDA FAS expenditures ranged from \$763 to \$5.9 million per quarter, averaging \$2.9 million on a quarterly basis from 1995 to 2012.

**Figure 3-6c.** Nominal Seasonally-Adjusted DMI and USDA FAS Expenditures Directed to Commercial Exports of Dairy Products, 1995.1 to 2012.4



Source: Calculations by the authors.

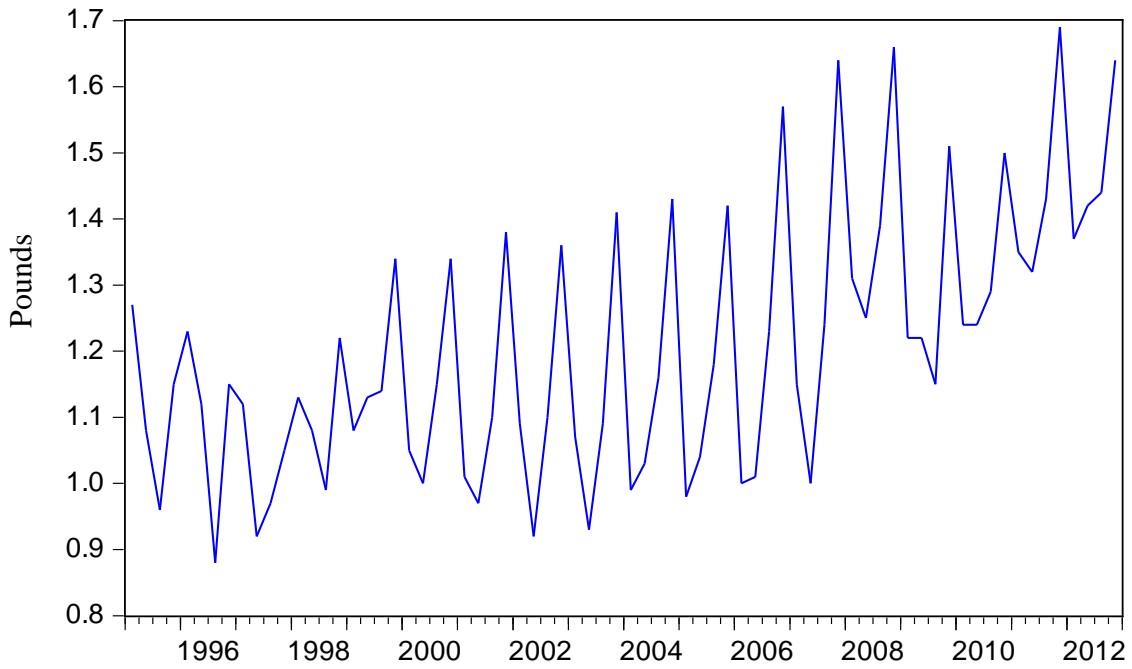
## Trends in Consumption

On average, over the 1995 to 2012 period, quarterly per capita consumption (measured specifically with data on domestic commercial disappearance) of butter, cheese, and fluid milk were 1.2 pounds, 7.9 pounds, and 47.3 pounds respectively. The range of quarterly consumption for butter was from 0.9 pounds to 1.7 pounds (Figure 3-7), for cheese from 6.5 pounds to 9.3 pounds (Figure 3-8), and for fluid milk from 40.8 pounds to 53.3 pounds (Figure 3-9). Figures 3-10 and 3-11 show the trends in total domestic dairy consumption on a milkfat and skim solids basis. Fluid milk consumption has been trending down over the period, on a per-capita basis. Cheese consumption per capita has grown modestly to partly compensate the industry for the reduction in per capita milk consumption. Recent research found that declining consumption reflects changes in the frequency of fluid milk intake, rather than changes in portions (Stewart, Dong, and Carlson, 2013). Americans born in the 1990s tend to consume fluid milk less often than those born in the 1970s and earlier.

Total U.S. dairy exports grew over the 1995 to 2012 period, due largely to strong growth in exports of low fat dairy products such as nonfat dry milk. On a milk equivalent skim solids basis, the growth in U.S. dairy exports was strikingly large, nearly exponential, from an average 1.3 billion pounds per quarter in 1995 to just over 8.3 billion pounds on average per quarter in 2012 (Figure 3-12). Over the same period, however, measured on a milk equivalent fat basis, average quarterly U.S. dairy exports followed a positive but much less robust trend from a quarterly average of 765 million pounds in 1995 to nearly 2.2 billion pounds in 2012 (Figure 3-12).

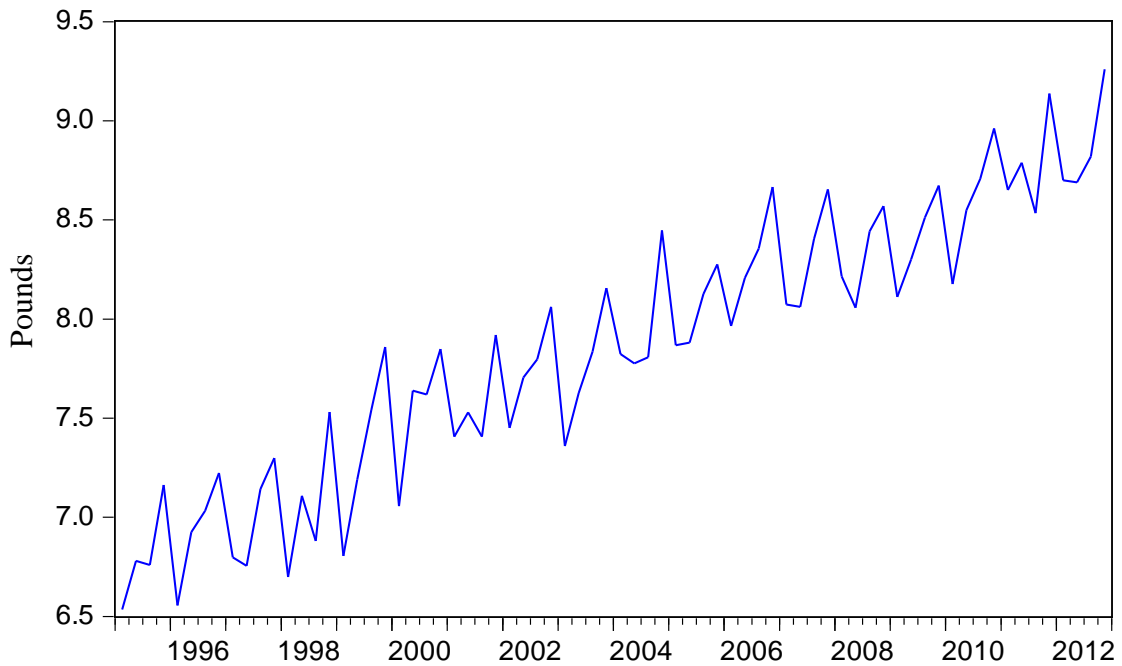
Overall, the long-run trend of declining consumption of fluid milk continues, while per capita consumption of other dairy products has been growing. Given this setting, the analysis must address whether consumers responded to the demand-enhancing expenditures by the dairy checkoff programs. Structural economic models were developed to isolate the sensitivity of consumers to the demand-enhancing expenditures from the effects of fundamental economic forces such as prices and income. The next section reports the results.

**Figure 3-7.** Per Capita U.S. Consumption of Butter, 1995.1 to 2012.4



Source: USDA

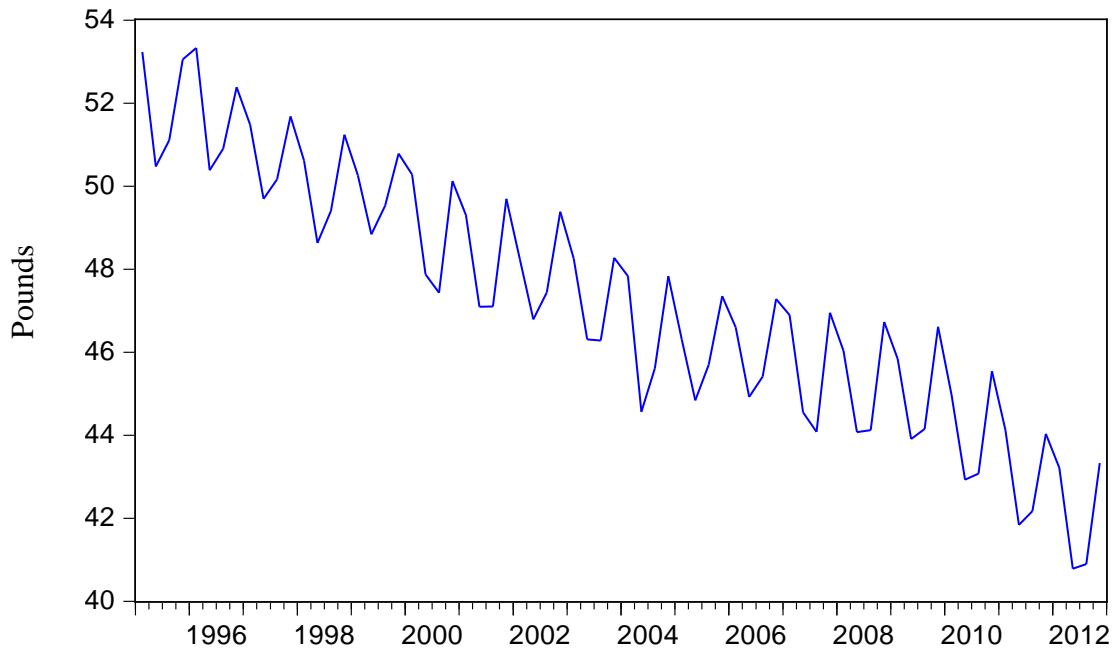
**Figure 3-8.** Per Capita U.S. Consumption of Cheese, 1995.1 to 2012.4



Source: USDA

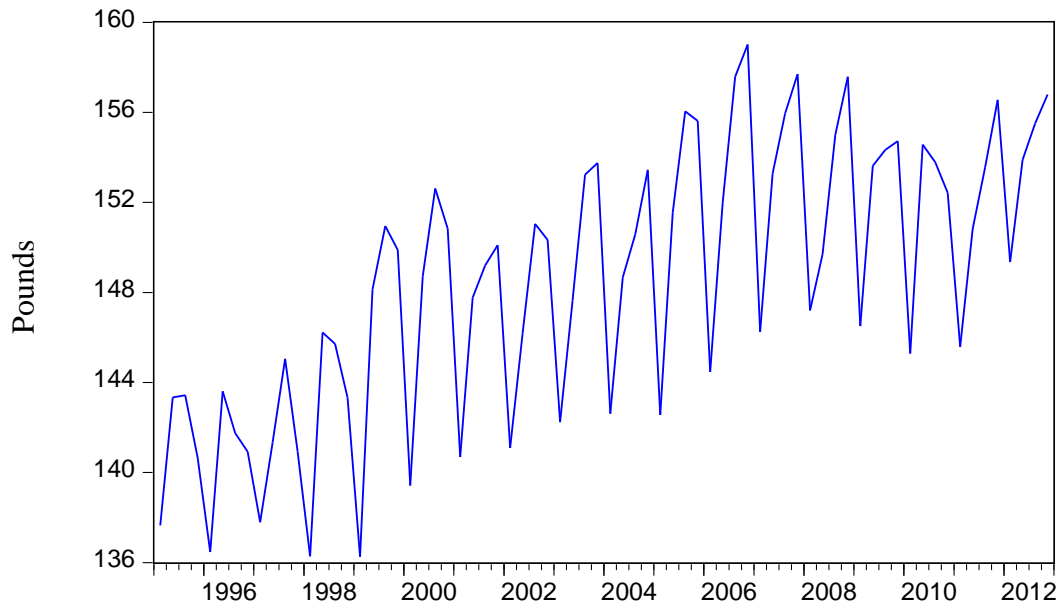


**Figure 3-9.** Per Capita U.S. Consumption of Fluid Milk, 1995.1 to 2012.4



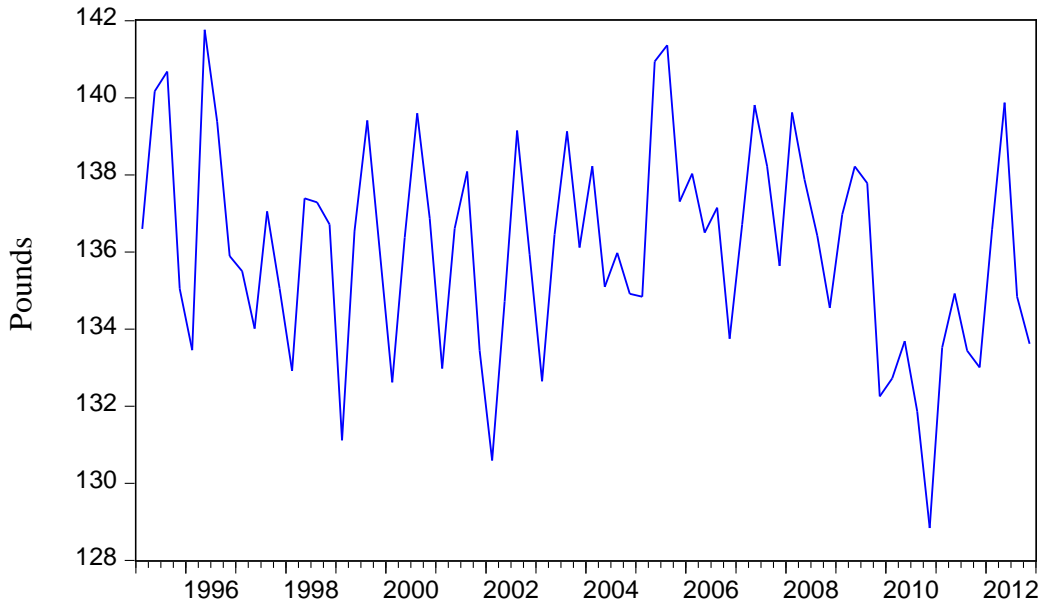
Source: USDA

**Figure 3-10.** Per Capita U.S. Consumption of All Dairy Products on a Milk Equivalent Fat Basis, 1995.1 to 2012.4



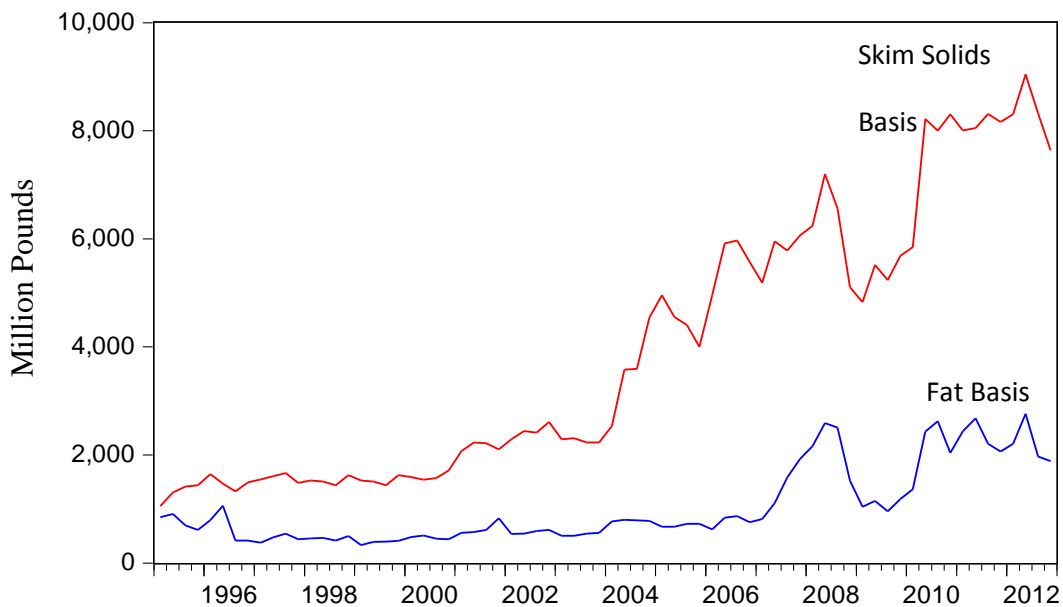
Source: USDA and calculations by the authors.

**Figure 3-11.** Per Capita U.S. Consumption of All Dairy Products on a Skim Solids Basis, 1995.1 to 2012.4



Source: USDA and calculations by the authors.

**Figure 3-12.** U.S. Dairy Commercial Exports on a Milk Equivalent Fat Basis and Skim Solids Basis, 1995.1 to 2012.4



Source: USDA and calculations by the authors.

## Findings on Impacts of Demand-Enhancing Expenditures for Dairy Products

This evaluation study indicates a significant positive association between dairy checkoff program expenditures and consumer demand (Table 3-2). This association holds for all dairy products in the aggregate and for fluid milk, cheese, and butter. The impact is modest during the quarter in which expenditures are made, while the cumulative impact is measurably larger.

The key indicator of the impact of marketing and promotion expenditures is a measure of the relative sensitivity of consumer demand to demand-enhancing expenditures. This measure is also known as an elasticity and is defined as the percentage change in consumption given a one percent change in demand-enhancing expenditures, while holding all other variables constant.

The model concentrates on the retail level of the marketing chain and provides structural parameter estimates that are statistically valid and largely consistent with prior studies in the literature on evaluation of generic commodity promotion. In this analysis, unlike the previous report, we allow the promotion elasticities to vary over time, with variation in expenditures. Some of the key findings of the economic analysis follow:

- Demand-enhancing expenditures have a significant positive impact on domestic commercial disappearance of dairy products. (Commercial disappearance generally serves as the indicator for consumption or demand in USDA statistics.)
- Consumer demand is generally affected more by prices and incomes than by the demand-enhancing expenditures.
- Dairy markets are becoming less responsive to demand-enhancing expenditures over time.

**Table 3-2.** Estimates of the Sensitivity of Demand to Promotion, Prices, and Income, 1995-2012.

	Promotion 1995 to 2012	Promotion 2012 only	Own-Price	Income
Butter <sup>1</sup>	0.031	0.041	-0.154	0.438
Cheese <sup>1</sup>	0.032	0.022	-0.096	0.149
Fluid milk <sup>1</sup>	0.063	0.050	-0.056	0.077
All dairy <sup>1</sup>				
Skim solids basis	0.051	0.044	-0.230	0.170
Fat basis	0.048	0.041	-0.070	0.340
Exports <sup>1</sup>				
Skim solids basis	0.041	0.041	-0.255	0.521
Fat basis	0.077	0.077	-0.233	0.879
Partnership <sup>2</sup>	0.017	0.017	-1.008	1.053

Note: The parameters entitled "Promotion" are elasticities with respect to demand-enhancing expenditures. The first column is for the entire period and incorporates cumulative lag effects. The second column is for the immediate response in 2012.

<sup>1</sup>Over the time period January 1995 to December 2012

<sup>2</sup>Over the time period January 2009 to June 2012

The results of market sensitivity to the demand-enhancing activities are consistent with the findings of the analysis reported for 2011 program activities, covering the period 1995-2011. The 1-year update confirmed that the economic conditions in the dairy product market were generally stable. In comparison to previous published research studies that utilized other methodologies, the demand-enhancement parameters reported in this study are generally lower, although within a reasonable range.

An important refinement to the quantitative model for this report is that the demand responsiveness to promotion was allowed to vary over time. Further, the cumulative impact of promotion was also identified. Demand-enhancing expenditures were found to affect the market for cheese and butter for up to six quarters. The lag effect on fluid milk was over 12 quarters. For the aggregate of all dairy products, the lag effect persisted for eight quarters.

### **Estimation of Supply Changes Attributed to Checkoff Expenditures**

To the extent that the dairy checkoff program increases demand, the market price logically should increase. As a result of the higher prices, the checkoff program also may stimulate higher production over time that would not have otherwise occurred. That increase in supply has a moderating effect on the extent of the price increase. In this analysis, the approach is to model and measure the supply response and the pass-through from the retail level up the dairy value chain to farmers.

The supply analysis is accomplished by aligning the annual model of the U.S. dairy industry maintained at the University of Missouri (Agricultural Markets and Policy Group Dairy Model) with the observed data over the 1995 to 2011 period. The impact of promotion is obtained by removing demand-enhancing expenditures from the system. There is a simulated “demand-enhancement” scenario representing the actual history, contrasted with a simulated “no demand-enhancement” scenario to reflect the levels of prices and quantities expected in the absence of the dairy checkoff program.

On average across all years, the simulation analysis indicates that dairy promotion spending increased milk supplies by 4.16 billion pounds and raised the U.S. all milk price by \$0.55 per hundredweight on average in each year. All milk and dairy product prices are higher with the exception of butter, where milkfat production rises with milk production but outweighs the small amount of promotion done for butter, compared to products with higher skim content.

Table 3-3 provides a comparison of the “promotion” levels of each variable (actual historical data) to the “no promotion” levels (simulated levels without promotion) to show the effects across time from dairy promotion spending. This analysis starts in 1995 and ignores any promotion effects that would have occurred prior to 1995. The 1995 to 1998 period had the highest increase in milk and dairy product prices because the milk supply side did not have time to fully adjust to the effects of dairy promotion. The U.S. all milk price for this period is \$1.17 per hundredweight higher as a result of dairy promotion. Milk production is 2.2 percent higher reflecting the supply response as a result of the higher prices from dairy promotion. Both product prices and per capita consumption levels are higher in the 1995 to 1998 period with the exception of nonfat dry milk, which falls because no promotion spending takes place for

domestic nonfat dry milk consumption and stronger nonfat dry milk exports occur at the expense of domestic consumption.

In the 1999 to 2002 period, milk supplies had more time to fully adjust to the increase in milk prices resulting from dairy promotion. Milk production is up 3.2 percent in this period and moderates the increase in the U.S. all milk price to \$0.46 per hundredweight. In the dairy product markets there are several factors at play that provide different results depending on the dairy product in question. First, remember that cheese and fluid milk receive the largest portion of dairy promotion dollars. For these two products, consumption and prices remain higher as a result of promotion. For butter, prices decline in this period as the additional fat supplied to the marketplace is larger than the promotion effect for butter, which is small over this particular period. Note that the added fluid demand results in a larger pull for nonfat solids than fat, which adds to the weakness in butter prices. Stronger export demand for nonfat dry milk keeps nonfat dry milk prices higher in this period despite no domestic promotion spending and a decline in domestic consumption.

In period three, 2003 to 2006, the increase in milk supplies is moderated slightly from those in the earlier period but the outcomes are similar to those of the previous period. The further adjustment of milk supplies coupled with a general reduction in promotion expenditures over this period mutes the increase in milk prices to \$0.22 per hundredweight.

The fourth period, 2007 to 2011, is similar to the third period with further moderation of milk supplies as the supply side continues its adjustment for promotion spending. This results in U.S. all milk prices that increase by \$0.38 per hundredweight over the period.

A few key results of this analysis need to be highlighted. First, although fluid milk consumption increases as a result of dairy promotion, total fluid milk consumption still declines across time. Dairy promotion spending on fluid milk only reduces the rate of decline. Also, the mix of promotion dollars spent on each product results in a unique time path for these results. A different mix of spending on individual dairy products would have a different effect on the industry so one must be cautious in drawing generalizations on dairy promotion from this analysis.

Finally, Federal dairy policy is also important to the outcomes shown. Class III milk prices tend to increase more than Class IV milk prices due to the larger spending on cheese promotion. The higher of Class III or Class IV prices drive Class I prices and therefore the direct payments made under the Milk Income Loss Contract (MILC) program. These are important nuances to these results.

**Table 3-3. Effects of Dairy Promotion on U.S. Dairy Markets Based on Simulation of Supply Response.**

	1995-1998			1999-2002			2003-2006			2007-2011			1995-2011		
	Level	Δ	% Δ	Level	Δ	% Δ	Level	Δ	% Δ	Level	Δ	% Δ	Level	Δ	% Δ
<b>U.S. Dairy Cows (mil. head)</b>															
Promotion	9.31	0.16	1.7%	9.15	0.26	3.0%	9.07	0.22	2.5%	9.20	0.17	1.9%	9.18	0.20	2.2%
No Promotion	9.16			8.89			8.85			9.03			8.98		
<b>U.S. Milk Production (bil. pounds)</b>															
Promotion	155.66	3.40	2.2%	166.34	5.17	3.2%	174.97	4.41	2.6%	190.81	3.76	2.0%	173.06	4.16	2.5%
No Promotion	152.27			161.17			170.57			187.05			168.90		
<b>U.S. All Milk Price (\$/cwt.)</b>															
Promotion	14.11	1.17	9.1%	13.50	0.46	3.5%	14.21	0.22	1.6%	17.44	0.38	2.3%	14.97	0.55	3.8%
No Promotion	12.93			13.04			13.99			17.05			14.42		
<b>Class III Milk Price (\$/cwt.)</b>															
Promotion	12.87	1.43	12.6%	11.42	0.69	6.5%	13.19	0.15	1.1%	15.92	0.32	2.0%	13.50	0.63	4.9%
No Promotion	11.43			10.73			13.04			15.61			12.87		
<b>Class IV Milk Price (\$/cwt.)</b>															
Promotion	13.01	0.91	7.5%	12.27	0.26	2.2%	11.78	0.40	3.6%	15.61	0.45	3.0%	13.31	0.50	3.9%
No Promotion	12.10			12.01			11.38			15.16			12.81		
<b>Cheese Per Capita Consumption (pounds)</b>															
Promotion	27.37	0.76	2.8%	29.88	1.05	3.6%	31.59	0.69	2.2%	32.81	0.60	1.9%	30.55	0.76	2.6%
No Promotion	26.61			28.83			30.90			32.21			29.79		
<b>Butter Per Capita Consumption (pounds)</b>															
Promotion	4.30	0.07	1.6%	4.52	0.04	0.8%	4.58	0.08	1.8%	4.98	0.09	1.8%	4.62	0.07	1.5%
No Promotion	4.24			4.48			4.50			4.89			4.55		
<b>Nonfat Dry Milk Per Capita Consumption (pounds)</b>															
Promotion	3.42	-0.08	-2.2%	2.94	-0.05	-1.8%	3.69	-0.08	-2.0%	3.06	-0.05	-1.5%	3.26	-0.06	-1.9%
No Promotion	3.49			3.00			3.76			3.10			3.33		
<b>Fluid Milk Per Capita Consumption (pounds)</b>															
Promotion	216.28	10.84	5.3%	208.71	11.47	5.8%	204.51	10.50	5.4%	200.88	7.98	4.1%	207.20	10.07	5.1%
No Promotion	205.45			197.24			194.01			192.90			197.14		
<b>Cheese Wholesale Price (\$/pound)</b>															
Promotion	1.41	0.13	10.4%	1.29	0.07	5.8%	1.42	0.01	1.0%	1.64	0.03	1.8%	1.45	0.06	4.3%
No Promotion	1.28			1.22			1.41			1.61			1.39		
<b>Butter Wholesale Price (\$/pound)</b>															
Promotion	1.20	0.04	3.8%	1.29	-0.07	-5.1%	1.44	-0.05	-3.4%	1.55	-0.04	-2.3%	1.38	-0.03	-2.0%
No Promotion	1.16			1.36			1.49			1.59			1.41		
<b>Nonfat Dry Milk Wholesale Price (\$/pound)</b>															
Promotion	1.11	0.08	8.1%	0.99	0.06	7.0%	0.92	0.07	8.4%	1.38	0.07	5.4%	1.12	0.07	6.9%
No Promotion	1.03			0.93			0.85			1.31			1.05		
<b>Cheese Exports (mil. pounds)</b>															
Promotion	91.00	16.75	22.6%	91.05	0.96	1.1%	86.59	-8.36	-8.8%	296.66	-10.33	-3.4%	150.46	-0.84	-0.6%
No Promotion	74.25			90.09			94.95			306.99			151.30		
<b>Butter Exports (mil. pounds)</b>															
Promotion	63.85	7.60	14%	2.27	-6.19	-73%	8.96	-11.24	-56%	111.55	-9.96	-8%	48.36	-7.36	-13%
No Promotion	56.25			8.46			20.20			121.51			55.72		
<b>Nonfat Dry Milk Exports (mil. pounds)</b>															
Promotion	289.26	60.01	26.2%	356.06	35.48	11.1%	551.16	35.06	6.8%	782.43	25.84	3.4%	511.65	38.32	8.1%
No Promotion	229.25			320.58			516.11			756.59			473.34		

Source: Calculation by the authors.

## Benefit-Cost Ratios

The gains in profit at the farm level were far larger than the expenditures on demand-enhancement programs. This result holds even after accounting for the longer-run supply side adjustments that occur at the farm level when prices increase. The BCRs for fluid milk were calculated to be \$2.14 for every dollar invested in demand-enhancing activities; for cheese \$4.26 for every dollar invested; and for butter, \$9.63 for every dollar invested. Dairy export promotion expenditures have increased the foreign demand for U.S. dairy products by \$5.12 for every dollar invested. For an aggregate of all dairy products, the net profit BCR is approximately \$3.05 for every dollar spent (Table 3-4).

## Partner Evaluation

Since 2009, DMI has engaged in a partnership with Domino's Pizza. The partnership accounts for a majority of the DMI expenditures on cheese demand-enhancement. Beginning in 2012, Domino's Pizza experienced volume growth rates that coincided with the promotion and specials associated with the partnership.

The analysis measures the impact of the partnership on servings of Domino's Pizza and on the amount of pizza consumed in the entire quick serve restaurant (QSR) pizza industry. The rate of return to the program, associated with the partnership is calculated based on this information. It is important to note that the economic downturn beginning in 2008 was an important feature of the market for eating out during this time.

There is considerable imitation and competition among the pizza restaurant companies, which makes it appropriate to consider cheese utilization in the entire QSR industry, rather than identifying the effects at Domino's outlets only.

## Sensitivity of Consumption at QSRs Related to Dairy Partnership Expenditures

The incremental servings at Domino's Pizza attributed to the efforts of the partnership were estimated to be about 22.2 million. For the entire pizza QSR category, the percentage of servings attributed to the efforts of the partnership was 1.72 percent. The incremental pizza QSR servings per dollar spent by DMI was 5.97, meaning that for every one dollar invested in the partnership, almost six more pizzas were sold in the QSR pizza category. In proportional terms, the responsiveness of pizza to demand-enhancing expenditures was 0.014, lower than the sensitivity to promotion in generic markets.

**Table 3-4.** Calculated BCRs, in Net Profit at the Farm Level Attributed to the Dairy Checkoff Program, 1995 to 2012

	BCR (times)
All Dairy	3.05
Fluid milk	2.14
Cheese	4.26
Butter	9.63
Exports	5.12

## Connecting Incremental Servings to Cheese and Milk

Cheese manufacturers use varying quantities of milk in processing. The pizza cheese used in QSRs is typically from cow's milk and contains blends of mozzarella, provolone, and sometimes parmesan cheeses. The mozzarella used on QSR pizza is usually a low-moisture product made from whole milk or part-skim milk.

To connect the impact of advertising-induced boost in pizza consumption to the benefit to producers, some assumptions had to be made. Namely, one needs to know the ounces of cheese in a serving of pizza and the quantity of milk needed to produce a pound of mozzarella cheese. To account for some important unknown variables, Table 3-5 provides sensitivity analysis with respect to the amount of cheese per pizza. The estimated milk-to-cheese conversion is 8.33 pounds of milk for 1 pound of mozzarella cheese (USDA/ARS 2012).

The best-estimate BCR evaluated at the producer level is 4.31. A reasonable range of the BCR is between 2.69 and 5.92, depending on the amount of cheese on the pizza. The quantity of cheese per pizza serving is the most significant unknown factor which explains the range in the BCR estimate. It is likely that cheese use varies by company and perhaps within a company, and over time there are changes in the amount of cheese used. Using an estimate of 8 ounces of cheese on the pizza as a baseline, the total incremental pounds of milk consumed because of DMI's partnership with Domino's is 1.02 billion pounds of additional milk. The cumulative total value of the incremental sales due to the partnership is \$177 million (for 2009-2012) valued at the monthly farm price of milk.

The findings of the econometric model in Domino's pizza servings indicate that pricing strategies are important drivers in the changes in quantity of pizza servings sold (Table 3-5). The own-price elasticity of demand is estimated to be -1.057, indicating that a 1.0 percent increase in the pizza price is associated with a 1.06 percent reduction in the quantity of Domino's servings sold.

In terms of competition, the pricing of the three competing brands has a marginally significant effect on servings of pizza sold at Domino's. Little Caesar's brand was found to be a substitute for Domino's Pizza, with a cross-price elasticity of 0.309. The size of the coefficient indicates that a 1.0 percent increase in price by the rival is associated with a 0.31 percent increase in servings of Domino's Pizza. Papa John's and Pizza Hut, however, were found to be complements to Domino's Pizza, with cross-price elasticities of -0.194 and -0.220 respectively.

**Table 3-5.** Sensitivity Analysis for Varying Ounces of Cheese per Serving of Pizza in QSRs

Ounces of Cheese per Serving (assumed)	Pounds of milk per Pound of Cheese	Benefit-Cost Ratio	Incremental Pounds of Milk per Dollar Spent
5 oz.	8.33 lbs.	2.69	15.54
8 oz.	8.33 lbs.	4.31	24.87
9 oz.	8.33 lbs.	4.85	27.97
11 oz.	8.33 lbs.	5.92	34.19

Source: U.S. Jersey, National Agricultural Library, and calculations by the authors



Income was a significant explanatory factor in Domino's Pizza servings, with the elasticity calculated to be 1.11. This income elasticity was greater than one, indicating that consumers' purchases of pizza are highly sensitive to income changes.

### **Concluding Remarks**

This report summarizes the independent evaluation of the effectiveness of the dairy industry marketing and promotion programs for 2012. The quantitative analysis covers the period 1995-2012. With regard to methodology, the structural econometric models presented in this report are statistically valid and largely consistent with prior studies in the literature on evaluation of generic commodity promotion. Some of the key findings of the economic analysis of the dairy product market relevant to future demand-enhancing promotion efforts are as follows:

- The estimated gains in net income at the farm level were far larger than the costs of the dairy checkoff program expenditures on demand enhancement. The BCRs for fluid milk were calculated to be \$2.14 for every dollar invested; for cheese \$4.26 for every dollar invested; and for butter \$9.63 for every dollar invested. The BCRs were calculated to be \$3.05 for all dairy products in aggregate.
- Prices of fluid milk, cheese, butter, and all dairy products were significant drivers of consumer demand for the various dairy products.
- Income was a significant driver of the consumption of cheese, butter, and all dairy products, but not fluid milk. Income is positively associated with the consumption of fluid milk, cheese, butter, and all dairy products.
- The supply of dairy products increased as a result of the price enhancements driven by the checkoff program. Supply responses led to a moderate decrease in price which mitigates the demand effects, but does not eliminate the net benefits to dairy producers.
- The increase in profit generated from promotion of dairy product exports was far greater than the promotion expenditures. The BCR to dairy producers from export promotion was \$5.12 for every dollar invested.

DMI has engaged food retailers in the dairy checkoff program in a variety of ways. This report provides a quantitative case study of the partnership with Domino's Pizza from 2009 to 2011 as the basis for the evaluation of the effectiveness of the partnerships. Findings of the analysis were:

- The promotional activities with Domino's Pizza included new product lines, use of more cheese than had been provided on similar items in the Domino's chain before the partnership, and the introduction of specialty cheeses into the company's recipes. In short, the assistance of dairy checkoff funds was instrumental in positively affecting the pizza category.

- The BCR evaluated at the producer level is \$4.31 in farm revenue associated with a dollar investment in the partnership. There is uncertainty about this estimate because the amount of cheese on a pizza is not disclosed and likely varies across companies and over time. A reasonable range on the BCR is between \$2.69 and \$5.92, depending on the cheese used per pizza serving.
- The competitive structure of the QSR pizza industry led other companies to imitate the product lines that used more cheese, generating positive spillover to the entire category.

**Appendix A-1**  
**National Dairy Promotion and Research Board**  
**Member Listing**

**Region 1 (Alaska, Oregon, and Washington)**

George E. Marsh  
Oregon  
2<sup>nd</sup> Term Expires 10/31/15

Kima L. Simonson  
Washington  
1<sup>st</sup> Term Expires 10/31/14

**Region 2 (California and Hawaii)**

James L. Ahlem  
California  
2<sup>nd</sup> Term Expires 10/31/13

Renae A. De Jager  
California  
1<sup>st</sup> Term Expires 10/31/13

John B. Fiscalini  
California  
2<sup>nd</sup> Term Expires 10/31/13

Stephen D. Maddox  
California  
2<sup>nd</sup> Term Expires 10/31/13

Ray S. Prock  
California  
2<sup>nd</sup> Term Expires 10/31/15

Brad J. Scott  
California  
2<sup>nd</sup> Term Expires 10/31/13

Arlene J. Vander Eyk  
California  
2<sup>nd</sup> Term Expires 10/31/15

**Region 3 (Arizona, Colorado, Montana, Nevada, Utah, and Wyoming)**

Jeffrey A. Hardy  
Utah  
1<sup>st</sup> Term Expires 10/31/13

Ronald E. Shelton  
Colorado  
2<sup>nd</sup> Term Expires 10/31/14

**Region 4 (Arkansas, Kansas, New Mexico, Oklahoma, and Texas)**

Lynda S. Foster  
Kansas  
1<sup>st</sup> Term Expires 10/31/14

Lawrence A. Hancock  
Texas  
1<sup>st</sup> Term Expires 10/31/15

Steven R. Hanson  
New Mexico  
1<sup>st</sup> Term Expires 10/31/13

John R. Howerton  
Arkansas  
1<sup>st</sup> Term Expires 10/31/14

**Region 5 (Minnesota, North Dakota, and South Dakota)**

Paul A. Fritsche  
Minnesota  
2<sup>nd</sup> Term Expires 10/31/15

Kenton W. Holle  
North Dakota  
2<sup>nd</sup> Term Expires 10/31/14

## Appendix A-1, continued

### Region 6 (Wisconsin)

Douglas T. Danielson  
Wisconsin  
1<sup>st</sup> Term Expires 10/31/13

Lanette M. Harsdorf  
Wisconsin  
1<sup>st</sup> Term Expires 10/31/15

Amber L. Horn-Leiterman  
Wisconsin  
1<sup>st</sup> Term Expires 10/31/14

Edward J. Jasurda  
Wisconsin  
1<sup>st</sup> Term Expires 10/31/15

Sharon K. Laubscher  
Wisconsin  
2<sup>nd</sup> Term Expires 10/31/14

### Region 7 (Illinois, Iowa, Missouri, and Nebraska)

Mark E. Erdman  
Illinois  
2<sup>nd</sup> Term Expires 10/31/15

Larry R. Shover  
Iowa  
1<sup>st</sup> Term Expires 10/31/14

### Region 8 (Idaho)

David Veenhouwer  
Idaho  
1<sup>st</sup> Term Expires 10/31/15

Julie A. Veldhuis Lund  
Idaho  
1<sup>st</sup> Term Expires 10/31/14

### Region 9 (Indiana, Michigan, Ohio, and West Virginia)

Douglas L. Krickenbarger  
Ohio  
1<sup>st</sup> Term Expires 10/31/13

Urban A. Mescher  
Ohio  
1<sup>st</sup> Term Expires 10/31/14

Susan D. K. Troyer  
Indiana  
2<sup>nd</sup> Term Expires 10/31/15

### Region 10 (Alabama, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee and Virginia)

Celeste Y. Deaderick Blackburn  
Tennessee  
1<sup>st</sup> Term Expires 10/31/14

Zachary H. Myers  
North Carolina  
1<sup>st</sup> Term Expires 10/31/13

### Region 11 (Delaware, Maryland, New Jersey, and Pennsylvania)

David P. Crowl  
Maryland  
1<sup>st</sup> Term Expires 10/31/13

Marilyn K. Hershey  
Pennsylvania  
1<sup>st</sup> Term Expires 10/31/15

## Appendix A-1, continued

### **Region 12 (Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont)**

Harold J. Howrigan, Jr.

Vermont

1<sup>st</sup> Term Expires 10/31/14

Ronald R. McCormick

New York

2<sup>nd</sup> Term Expires 10/31/15

Sanford Stauffer

New York

1<sup>st</sup> Term Expires 10/31/13

### **Importers**

Kenneth E. Meyers

New Jersey

1<sup>st</sup> Term Expires 10/31/2014

Giovanna Vita

Illinois

1<sup>st</sup> Term Expires 10/31/2013

**Appendix A-2**  
**National Fluid Milk Processor Promotion Board**  
**Member Listing**

**Region 1 (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont)**

Tunde E. Balazs  
Perry's Ice Cream  
New York  
Term Expires 06/30/2013

**Region 2 (New Jersey and New York)**

Chris Ross  
H.P. Hood, L.L.C.  
Massachusetts  
Term Expires 06/30/2014

**Region 3 (Delaware, District of Columbia, Maryland, Pennsylvania, and Virginia)**

Jay S. Bryant  
Maryland and Virginia Milk Producers Cooperative Association, Inc.  
Virginia  
Term Expires 06/30/2012

**Region 4 (Georgia, North Carolina, and South Carolina)**

Vacant

**Region 5 (Florida)**

Michael R. Smith  
Publix Super Markets, Inc.  
Florida  
Term Expires 06/30/2014

**Region 6 (Ohio and West Virginia)**

Charles S. Mayfield, Jr.  
Mayfield Dairy (a subsidiary of Dean Foods Company)  
Tennessee  
Term Expires 06/30/2012

**Region 7 (Michigan, Minnesota, North Dakota, South Dakota, and Wisconsin)**

James B. Green  
Kemps, L.L.C. (a subsidiary of H.P. Hood, L.L.C.)  
Minnesota  
Term Expires 06/30/2013

## Appendix A-2, continued

### **Region 8 (Illinois and Indiana)**

Vacant

### **Region 9 (Alabama, Kentucky, Louisiana, Mississippi, and Tennessee)**

Edward L. Mullins

Prairie Farms Dairy, Inc.

Illinois

Term Expires 06/30/2012

### **Region 10 (Texas)**

Nick Mysoré

Dean Foods

Texas

Term Expires 06/30/2013

### **Region 11 (Arkansas, Iowa, Kansas, Missouri, Nebraska, and Oklahoma)**

Steven M. Turner

Turner Dairy L.L.C. (a subsidiary of Prairie Farms Dairy, Inc.)

Tennessee

Term Expires 06/30/2014

### **Region 12 (Arizona, Colorado, Nevada, New Mexico, and Utah)**

John R. Zuroweste

Dean Foods Company

Texas

Term Expires 06/30/2012

### **Region 13 (Idaho, Montana, Oregon, Washington, and Wyoming)**

Henry Michon

Safeway, Inc.

California

Term Expires 06/30/2013

### **Region 14 (Northern California)**

Jay B. Simon

Super Store Industries

California

Term Expires 06/30/2014

## Appendix A-2, continued

### **Region 15 (Southern California)**

Timothy Kelbel  
The Kroger Company, Western Division  
Ohio  
Term Expires 06/30/2012

### **Members-At-Large (Processors)**

Miriam E. Brown  
Anderson Erickson Dairy  
Iowa  
Term Expires 06/30/2012

Theresa Webb  
Farmland Dairies, LLC  
New Jersey  
Term Expires 06/30/2013

Scott Shehadey  
Producers Dairy Foods  
California  
Term Expires 06/30/2014

### **Members-At-Large (Public)**

Mary A. Hill  
Mississippi  
Term Expires 06/30/2012



**Appendix B-1**  
**National Dairy Promotion and Research Board**  
**2012 and 2011 Actual Income and Expenses**  
**(Thousands)**

	<u>2012</u>	<u>2011</u>
<b>Income</b>		
Domestic Assessment	\$99,739	\$97,660
Import Assessment <sup>1</sup>	2,789	761
Interest	7	5
NAEMS <sup>2</sup> Interest	<u>84</u>	<u>0</u>
<b>Total Income</b>	<b>\$102,619</b>	<b>\$98,426</b>
<b>General Expenditures</b>		
General and Administrative	\$4,517	\$4,210
USDA Oversight	<u>740</u>	<u>858</u>
Total General Expenditures	<b>\$5,257</b>	<b>\$5,068</b>
<b>Program Expenditures</b>		
Domestic Marketing and Export Enhancement	\$87,051	\$90,299
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>\$10,310</b>	<b>\$3,059</b>
<b>Fund Balance, Beginning of Year</b>	<b>\$20,679</b>	<b>\$17,620</b>
<b>Fund Balance, End of Year</b>	<b><u>\$30,989</u></b>	<b><u>\$20,679</u></b>

<sup>1</sup> USDA announced the Dairy Import Assessment effective August 1, 2011.

<sup>2</sup> National Air Emissions Monitoring Study.

Source: Independent Auditor's Report of the National Dairy Board and USDA records.

**Appendix B–2**  
**2012 USDA Oversight Costs for the**  
**National Dairy Promotion and Research Board**  
**(Thousands)**

Salaries and Benefits	\$417
Travel	70
Miscellaneous <sup>1</sup>	199
Equipment	<u>13</u>
<b>Total</b>	<b><u>\$699</u></b>
 Independent Evaluation	 \$47
 <b>Total <sup>2</sup></b>	 <b><u><u>\$746</u></u></b>

<sup>1</sup> Includes overhead, transportation, rent, communications, utilities, postage, contracts, supplies, photocopying, and Office of General Counsel costs.

<sup>2</sup> The totals for USDA expenses differ slightly from those shown in Appendix B–1 because of end-of-year estimates that are adjusted in the following year and correspond to the Federal fiscal year, which runs from October 1<sup>st</sup> through September 30<sup>th</sup>.

Source: USDA Accounting Reports.

**Appendix B–3**  
**National Dairy Promotion and Research Board**  
**2013 Approved Budget**  
**(Thousands)**

<b>Revenues</b>	
Domestic Assessments	\$99,300
Import Assessments	2,300
Program Development Fund	193
Interest	<u>5</u>
<b>Total Income</b>	<b>\$101,798</b>
<b>Expenses</b>	
General and Administrative	\$4,632
USDA Oversight	<u>945</u>
<b>Subtotal</b>	<b>\$5,577</b>
<b>Unified Marketing Program Budget</b>	
Export	\$19,080
Fuel Up to Play 60	14,440
Industry Communications	700
Industry Image and Relations	3,617
Nutrition Affairs	8,307
Strategic Initiatives	40,057
Strategy and Insights	4,375
Supplemental Regional Programs	7,100
Other <sup>1</sup>	5,572
Dairy Research Institute	<u>19,498</u>
<b>Subtotal</b>	<b>\$122,746</b>
<b>Less UDIA/Unallocated Expense Share <sup>2</sup></b>	<b>(\$38,051)</b>
<b>Board Expense Share <sup>2</sup></b>	<b>\$84,694</b>
<b>Total Budget Expenditures</b>	<b><u>\$90,271</u></b>

<sup>1</sup> Other includes fixed commitments, butter promotion, value-added milk, and value-added cheese.

<sup>2</sup> The Dairy Board and UDIA split the Unified Marketing Program expenses.

Source: Budgets received and approved by USDA from the National Dairy Board.

**Appendix B-4**  
**National Fluid Milk Processor Promotion Board**  
**2012 and 2011 Actual Income and Expenses**  
**(Thousands)**

	<u>2012</u>	<u>2011</u>
<b>Income</b>		
Assessment	\$103,342	\$104,585
Late-Payment Charges	97	95
Interest	32	68
Other	<u>6</u>	<u>7</u>
<b>Total Income</b>	<b>\$103,477</b>	<b>\$104,755</b>
 <b>General Expenditures</b>		
California Refund	\$9,668	\$9,804
Administrative	2,459	2,506
USDA Oversight	352	426
USDA Assessment Verification	<u>104</u>	<u>77</u>
<b>Total General Expenditures</b>	<b>\$12,583</b>	<b>\$12,813</b>
 <b>Program Expenditures</b>		
Moms Target	\$52,721	\$49,596
Teens Target	17,617	20,005
Hispanic Target	7,811	6,939
Market Research	4,025	4,557
Business Development	9,694	10,285
Program Measurement	<u>25</u>	<u>22</u>
<b>Total Program Expenditures</b>	<b>\$91,893</b>	<b>\$91,404</b>
 <b>Excess of Revenue (Under) Over Expenditures</b>	<b>(\$999)</b>	<b>\$537</b>
 <b>Fund Balance, Beginning of Year</b>	<b>\$15,705</b>	<b>\$15,168</b>
 <b>Fund Balance, End of Year</b>	<b><u>\$14,706</u></b>	<b><u>\$15,705</u></b>

Source: Independent Auditor's Report of the Fluid Milk Board and USDA Records.

**Appendix B-5**  
**USDA 2012 Oversight Costs for the**  
**National Fluid Milk Processor Promotion Board**  
**(Thousands)**

Salaries and Benefits	\$146
Travel	13
Miscellaneous <sup>1</sup>	183
Equipment	<u>2</u>
<b>Total</b>	<b><u>\$344</u></b>
Independent Evaluation	\$47
<b>Total <sup>2</sup></b>	<b><u>\$391</u></b>

<sup>1</sup> Includes overhead, transportation, rent, communications, utilities, postage, contracts, supplies, photocopying, and Office of General Counsel costs.

<sup>2</sup> The totals for USDA expenses might differ from those shown in Appendix B-4 because of end-of-year estimates, which are adjusted in the following year.

Source: USDA Accounting Reports.

**Appendix B-6**  
**National Fluid Milk Processor Promotion Board**  
**2012 Approved Budget**  
**(Thousands)**

<b>Revenues</b>	
Assessments	\$101,500
Interest	<u>50</u>
<b>Total Income</b>	<b>\$101,550</b>
Carryover from Previous Fiscal Year	<u>\$1,281</u>
<b>Total Available Funds</b>	<b>\$102,831</b>
<b>Expenses</b>	
General and Administrative <sup>1</sup>	\$2,281
USDA Oversight	600
California Refund	<u>9,900</u>
<b>Subtotal</b>	<b>\$12,781</b>
<b>Program Budget</b>	
Moms Target	\$51,000
Hispanic Target	8,000
Teens Target	17,000
Business Development	9,900
Research	4,000
Program Measurement <sup>2</sup>	<u>105</u>
<b>Subtotal</b>	<b>\$90,005</b>
Unallocated	\$45
<b>Total Budget Expenditures</b>	<b><u><u>\$102,831</u></u></b>

<sup>1</sup> Processor Compliance is included in General and Administrative Expenses.

<sup>2</sup> Independent Evaluation costs are included in Program Measurement Expenses.

Source: Budgets from the National Fluid Milk Board received and approved by USDA.

**Appendix B-7**  
**2012 Aggregate Income and Expenditure Data**  
**Reported to USDA by the Qualified Programs**  
**(Thousands)**

<b>Income</b>	
Carryover from Previous Year <sup>1</sup>	\$82,035
Producer Remittances	197,260
Transfers from Other Qualified Programs <sup>2</sup>	68,118
Transfers to Other Qualified Programs	(62,258)
Other Income <sup>3</sup>	<u>6,165</u>
<b>Total Adjusted Annual Income</b>	<b>\$291,321</b>
<b>Expenditures</b>	
General and Administrative	\$10,056
Advertising and Sales Promotion	73,977
Unified Marketing Plan <sup>4</sup>	82,182
Dairy Foods and Nutrition Research	5,716
Public and Industry Communications	16,690
Nutrition Education	20,415
Market and Economic Research	1,273
Other <sup>5</sup>	<u>4,455</u>
<b>Total Annual Expenditures</b>	<b>\$214,763</b>
<b>Total Available for Future Year Programs</b>	<b><u>\$75,561</u></b>

<sup>1</sup> Differences are due to audit adjustments and varying accounting periods.

<sup>2</sup> Payments transferred between Qualified Programs differ due to different accounting methods and accounting periods.

<sup>3</sup> Includes interest, income from processors and handlers, sales of supplies and materials, contributions, and rental income.

<sup>4</sup> Unified Marketing Plan: Reported local spending by United Dairy Industry Association units participating in the Dairy Management Inc. unified marketing plan to fund national implementation programs.

<sup>5</sup> Includes capital expenses.

Source: Data reported by the Qualified Programs.

**Appendix B-8**  
**Aggregate 2012 Advertising Expenditure Data Reported**  
**to USDA by the Qualified Programs**  
**(Thousands)**

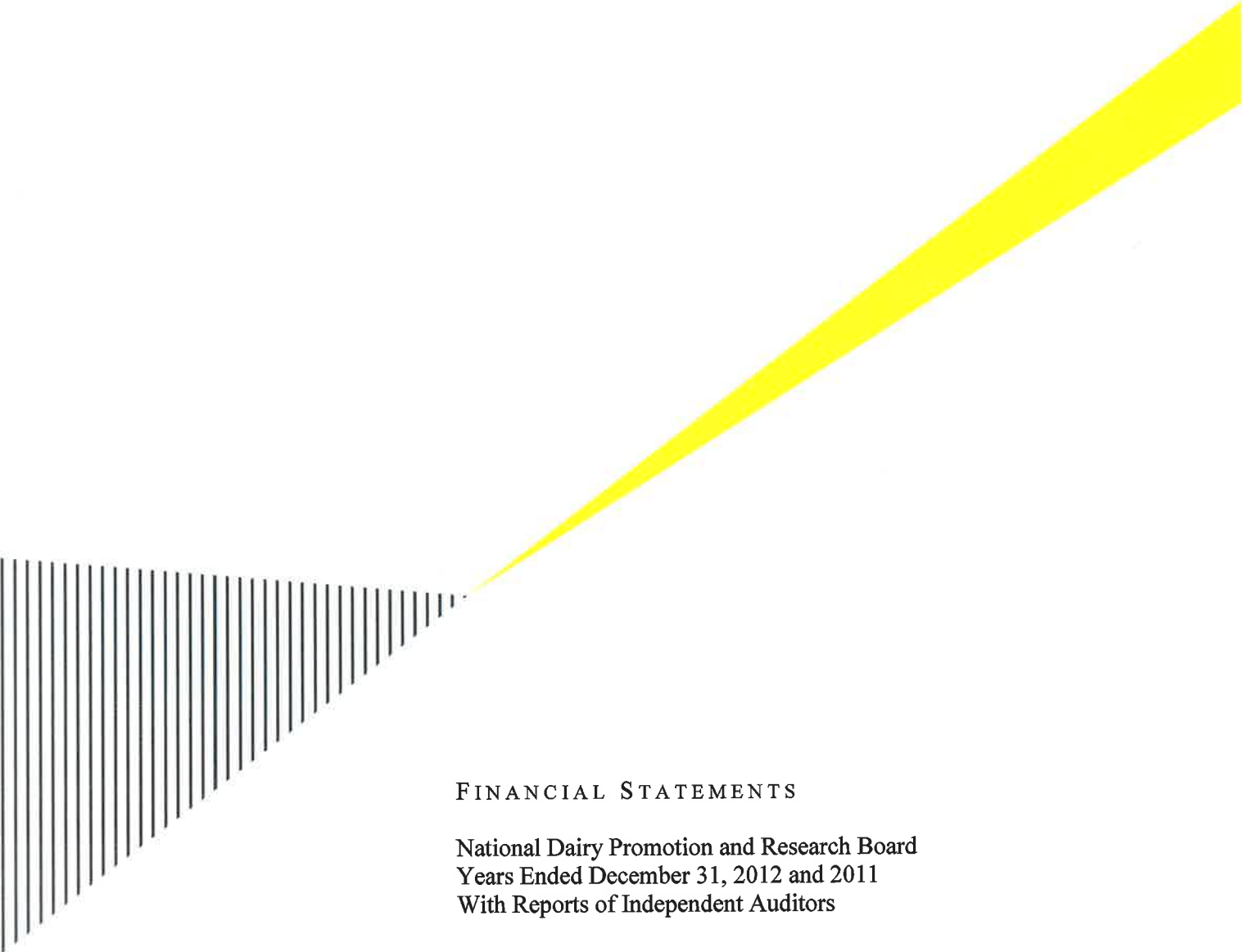
**Advertising Programs**

Fluid Milk	\$21,718
Cheese	34,103
Butter	4,394
Frozen Dairy Products	5,635
Other <sup>1</sup>	<u>8,127</u>
<b>Total</b>	<b>\$73,977</b>

<sup>1</sup> Includes "Real Seal," holiday, multi-product, calcium, foodservice, product donation at State fairs, and other events and contributions for displays or promotional events.

Source: Data reported by the Qualified Programs.





FINANCIAL STATEMENTS

National Dairy Promotion and Research Board  
Years Ended December 31, 2012 and 2011  
With Reports of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

National Dairy Promotion and Research Board

Financial Statements

Years Ended December 31, 2012 and 2011

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Fax: +1 312 879 4000  
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## Report of Independent Auditors

The Board of Directors  
National Dairy Promotion & Research Board

### **Report on the Financial Statements**

We have audited the accompanying financial statements of National Dairy Promotion & Research Board, which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nation Dairy Promotion & Research Board as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated May 16, 2013, on our consideration of National Dairy Promotion & Research Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering National Dairy Promotion & Research Board's internal control over financial reporting and compliance.

*Ernst + Young LLP*

May 16, 2013

**Report of Independent Auditors on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Management and the Board of Directors  
National Dairy Promotion & Research Board

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of National Dairy Promotion & Research Board, which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 16, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered National Dairy Promotion & Research Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of National Dairy Promotion & Research Board's internal control. Accordingly, we do not express an opinion on the effectiveness of National Dairy Promotion & Research Board's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether National Dairy Promotion & Research Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ernst & Young LLP*

May 16, 2013

## National Dairy Promotion and Research Board

### Balance Sheets

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Cash and cash equivalents	<b>\$ 36,212,518</b>	\$ 22,000,543
Domestic assessments receivable, net of allowance for doubtful accounts of \$65,000 and \$200,000 in 2012 and 2011, respectively	<b>9,598,258</b>	11,214,353
Import assessments receivable	<b>352,603</b>	336,963
Accrued interest receivable	<b>96</b>	63
Interest receivable from NAEMS investments	<b>—</b>	21,336
Fixed assets, net of accumulated depreciation of \$234,283 and \$221,644 in 2012 and 2011, respectively	<b>33,972</b>	36,575
<b>Total assets</b>	<b><u>\$ 46,197,447</u></b>	<b><u>\$ 33,609,833</u></b>
<b>Liabilities and net assets</b>		
<b>Liabilities:</b>		
Due to related party – Dairy Management Inc.	<b>\$ 14,062,534</b>	\$ 11,857,218
Accounts payable	<b>533,093</b>	20,881
Accrued expenses and other liabilities	<b>612,455</b>	1,052,427
<b>Total liabilities</b>	<b><u>15,208,082</u></b>	<u>12,930,526</u>
<b>Unrestricted net assets:</b>		
Designated	<b>15,080,902</b>	8,027,917
Undesignated	<b>15,908,463</b>	12,651,390
<b>Total unrestricted net assets</b>	<b><u>30,989,365</u></b>	<u>20,679,307</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 46,197,447</u></b>	<b><u>\$ 33,609,833</u></b>

*See accompanying notes.*

# National Dairy Promotion and Research Board

## Statements of Activities

	<b>Year Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Revenues</b>		
Domestic assessments	\$ 99,738,654	\$ 97,659,738
Import assessments	2,788,953	761,256
Interest income	7,057	5,077
NAEMS interest	83,664	—
Total revenues	<u>102,618,328</u>	<u>98,426,071</u>
<b>Expenses</b>		
Programs:		
Domestic and export marketing	87,050,723	90,299,055
United States Department of Agriculture	740,231	857,503
Total programs	<u>87,790,954</u>	<u>91,156,558</u>
General and administrative:		
DMI general and administrative	3,778,068	3,549,866
General and administrative	739,248	660,499
Total general and administrative	<u>4,517,316</u>	<u>4,210,365</u>
Total expenses	<u>92,308,270</u>	<u>95,366,923</u>
Increase in net assets	10,310,058	3,059,148
Net assets at beginning of year	20,679,307	17,620,159
Net assets at end of year	<u>\$ 30,989,365</u>	<u>\$ 20,679,307</u>

*See accompanying notes.*



## National Dairy Promotion and Research Board

### Statements of Cash Flows

	<b>Year Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Operating activities</b>		
Change in net assets	\$ 10,310,058	\$ 3,059,148
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,639	12,123
Changes in assets and liabilities:		
Assessments receivable	1,600,455	(2,977,935)
Accrued interest receivable	(33)	57
Interest receivable from NAEMS investments	21,336	200,000
Due to related party – Dairy Management Inc.	2,205,316	(6,179,978)
Accounts payable	512,212	(6,910)
Accrued expenses and other liabilities	(439,972)	676,772
Net cash provided by (used in) operating activities	14,222,011	(5,216,723)
<b>Investing activities</b>		
Purchases of fixed assets	(10,036)	(15,400)
Net increase (decrease) in cash and cash equivalents	14,211,975	(5,232,123)
Cash and cash equivalents at beginning of year	22,000,543	27,232,666
Cash and cash equivalents at end of year	\$ 36,212,518	\$ 22,000,543

*See accompanying notes.*

# National Dairy Promotion and Research Board

## Notes to Financial Statements

December 31, 2012 and 2011

### **1. Organization**

The National Dairy Promotion and Research Board (NDB) was established on May 1, 1984, pursuant to The Dairy and Tobacco Adjustment Act of 1983 (Public Law 98-180), as part of a comprehensive strategy to reduce milk surplus supplies in the United States (U.S.) and increase human consumption of U.S.-produced fluid milk and other dairy products. The purpose of NDB is to establish a coordinated program of promotion and research designed to strengthen the U.S. dairy industry's position in the marketplace and to maintain and expand domestic and international markets' usage of U.S.-produced fluid milk and other dairy products.

The United States Department of Agriculture (USDA) approved a joint venture between NDB and the United Dairy Industry Association (UDIA) to form Dairy Management Inc. (DMI) effective January 1, 1995. The purpose of DMI, a related organization, is to promote greater coordination, efficiency, and effectiveness and avoid incompatibility and duplication in the marketing programs and projects undertaken by NDB and UDIA, which jointly plan, develop, and implement their various marketing programs and activities through DMI, subject to the approval of the USDA.

NDB funds DMI on a cost-reimbursement basis. Core costs, which include staff salaries and benefits of DMI employees, travel, Board of Directors, and office operating expenses, are primarily funded by NDB, with UDIA funding one-half of Board of Directors and CEO office costs. Marketing program costs, which include expenses associated with implementing the marketing programs of NDB and UDIA, are funded by NDB and UDIA.

### **2. Summary of Significant Accounting Policies**

#### **Basis of Presentation**

The financial statements are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) in the United States. These principles require management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses in the reporting period. Actual results could differ from those estimates.

# National Dairy Promotion and Research Board

## Notes to Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

#### Financial Instruments

The carrying values of cash and cash equivalents, assessments receivable, accrued interest receivable, interest receivable from National Air Emissions Monitoring Study (NAEMS) investments, amounts due to related party, accounts payable, and accrued expenses and other liabilities are reasonable estimates of fair value due to the short-term nature of these financial instruments.

#### Cash and Cash Equivalents

Cash equivalents include all liquid investments with a maturity of three months or less at the date of acquisition.

#### Fair Value Measurements

Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, establishes a three-level valuation hierarchy for disclosure of fair value measurements for financial instruments measured at fair value. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NDB has classified \$7,599,799 and \$5,299,766 of investments in U.S. federal agency securities, which are included in cash and cash equivalents as of December 31, 2012 and 2011, respectively, as Level 1.

# National Dairy Promotion and Research Board

## Notes to Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

#### Assessments

Domestic assessment revenue is generated by a mandatory assessment of \$0.15 per hundredweight on all milk produced and marketed in the United States. Milk producers can direct up to \$0.10 per hundredweight to USDA-qualified state and regional generic dairy promotion organizations. For the years ended December 31, 2012 and 2011, the net NDB assessment was approximately \$0.0503 per hundredweight of milk marketed. Assessment revenue is recognized in the month in which milk is marketed. In addition, effective August 2011, the mandatory assessment was extended to dairy importers at \$0.075 per hundredweight. Importers can direct \$0.025 per hundredweight to USDA-qualified generic dairy promotion organizations.

The Dairy Promotion and Research Order allows organic dairy producers, as defined, to be exempt from paying assessments. The amount of exempted assessments in 2012 and 2011 was approximately \$964,000 and \$822,000, respectively.

#### Fixed Assets

Fixed assets consist of computer software and are recorded at cost. Depreciation and amortization are provided in amounts sufficient to charge the costs of depreciable assets to operations over estimated service lives of five years using the straight-line method.

#### Income Taxes

The Internal Revenue Service has ruled that NDB is an entity engaging in an activity under the oversight of the USDA and, accordingly, is not subject to federal taxation.

### 3. Cash and Cash Equivalents

Cash and cash equivalents consist of the following as of December 31:

	<u>2012</u>	<u>2011</u>
Cash	\$ 28,612,719	\$ 16,700,777
U.S. federal agency securities	7,599,799	5,299,766
	<u>\$ 36,212,518</u>	<u>\$ 22,000,543</u>

## National Dairy Promotion and Research Board

### Notes to Financial Statements (continued)

#### 4. Assessments Receivable

Assessments receivable are recorded at the estimated net amounts to be received based on the amount of milk marketed and the average payment per hundredweight. In accordance with Public Law 98-180, NDB forwards unpaid assessments to the USDA for collection and other legal proceedings. As of December 31, 2012 and 2011, \$709,000 and \$747,000, respectively, of cumulative unpaid assessments were at the USDA pending further action. Such amounts are not included in assessments receivable as of December 31, 2012 and 2011, and will not be recorded as revenue until such amounts are ultimately received. Civil penalties exist for any persons who do not pay the assessment and/or file required milk marketed assessment reports with NDB.

#### 5. Related-Party Transactions

NDB has funded DMI program and core costs as follows:

	<u>2012</u>	<u>2011</u>
Program costs	\$ 65,395,272	\$ 69,788,654
Core costs	25,433,519	24,060,267
Total funding to DMI	<u>\$ 90,828,791</u>	<u>\$ 93,848,921</u>

Dairy Research Institute (DRI) was incorporated in 2010 for the purpose of engaging in dairy scientific research and sustainability advancement. Of the program funding that NDB reimbursed DMI, \$12,556,255 and \$12,849,549 for 2012 and 2011, respectively, was reimbursed to DMI for DRI's operations.

The U.S. Dairy Export Council (USDEC) was incorporated effective January 1, 1996. The purpose of USDEC is to improve the marketing conditions for the U.S. dairy industry with respect to the export of U.S. dairy products by promoting the acceptability, consumption, and purchase of U.S. dairy products in international markets. Of the program funding that NDB reimbursed DMI, \$11,161,077 and \$10,419,714 for 2012 and 2011, respectively, was reimbursed to DMI for USDEC's operations.

## National Dairy Promotion and Research Board

### Notes to Financial Statements (continued)

#### 6. Transactions With Other Industry Organizations

NDB reimburses the USDA for the cost of administrative oversight and compliance audit activities. Expenses incurred under this arrangement amounted to \$740,231 and \$857,503 for 2012 and 2011, respectively.

#### 7. Net Assets

During 2012 and 2011, NDB's Board of Directors designated a portion of net assets for cash reserves. Total designations of net assets are as follows:

	<u>2012</u>	<u>2011</u>
Designated net assets:		
Cash reserves	\$ 1,800,000	\$ 1,800,000
Subsequent year program activity	13,280,902	6,227,917
Total designated net assets	<u>15,080,902</u>	<u>8,027,917</u>
Undesignated net assets	15,908,463	12,651,390
Total net assets	<u>\$ 30,989,365</u>	<u>\$ 20,679,307</u>

#### 8. Line-of-Credit Guarantee

NDB guarantees DMI's \$10,000,000 revolving bank line of credit, which will expire on June 30, 2013. Borrowings made, if any, under the line of credit accrue interest, payable monthly, at the prevailing prime interest rate. There were no borrowings on the line of credit as of December 31, 2012.

#### 9. Subsequent Events

NDB evaluated events occurring between January 1, 2013 and May 16, 2013, which is the date when the financial statements were available to be issued. NDB did not have any subsequent events to recognize or disclose.

Ernst & Young LLP

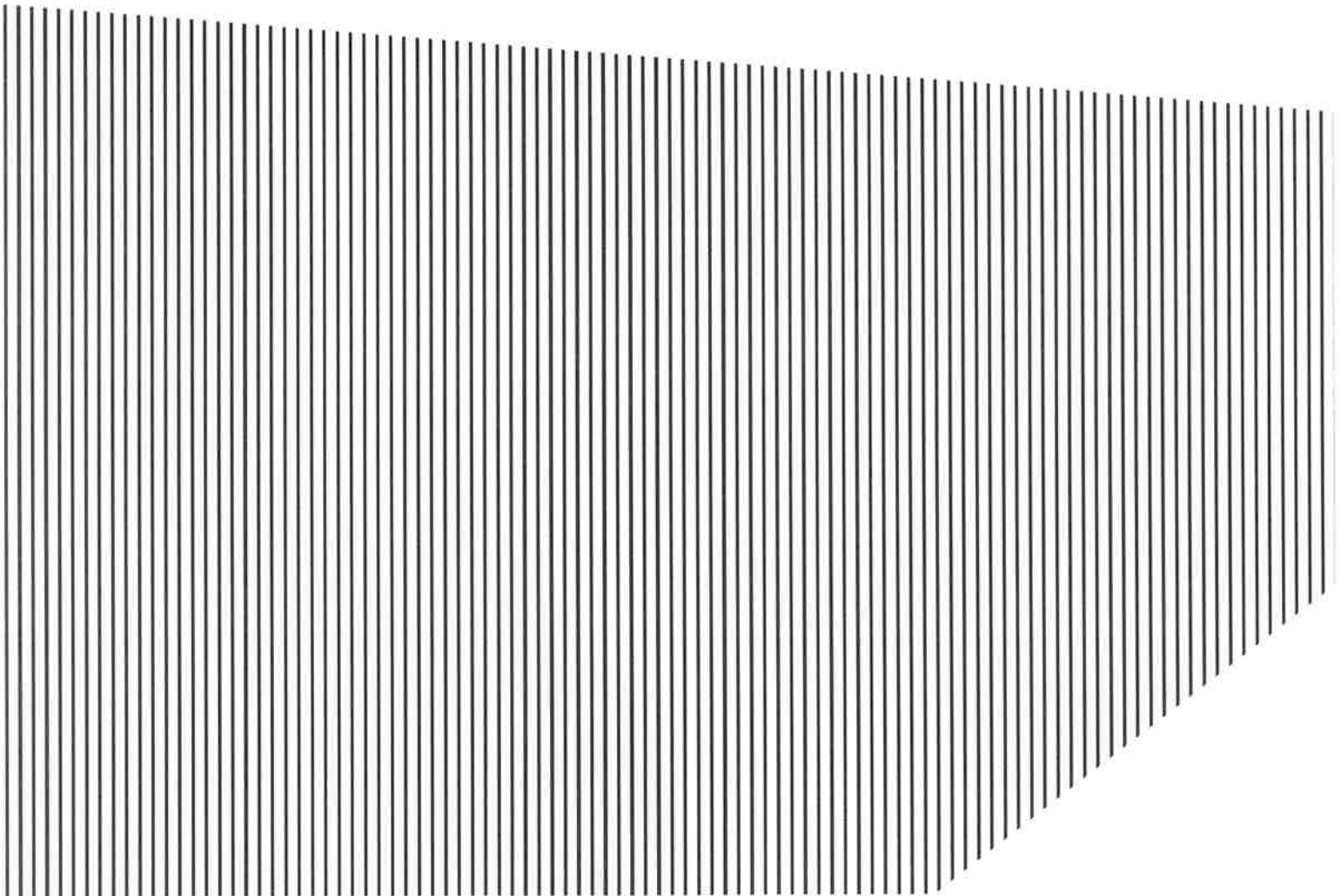
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**National Fluid Milk Processor  
Promotion Board**

**Financial Statements**  
and  
Independent Auditor's Report

Years Ended December 31, 2012 and 2011

**1250 H Street, N.W., Suite 950  
Washington, D.C. 20005**



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## **Part I**

Financial Statements and Independent Auditor's  
Report for the Years Ended December 31, 2012 and  
2011

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## **Part II**

Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
Government Auditing Standards

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## **Part III**

Independent Auditor's Comments on Compliance with  
*Government Auditing Standards*

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## PART I

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Independent Auditor's Report

**To the Board of Directors  
National Fluid Milk Processor  
Promotion Board  
Washington, D.C.**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the National Fluid Milk Processor Promotion Board, which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Fluid Milk Processor Promotion Board as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



**To the Board of Directors  
National Fluid Milk Processor  
Promotion Board**

Page two

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information shown on pages 16 through 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, other than the budget amounts, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. Budget amounts have not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on these amounts.

**Report Issued in Accordance with *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued a report dated March 25, 2013 on our consideration of the National Fluid Milk Processor Promotion Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, agreements, and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.



SNYDER COHN, PC  
North Bethesda, Maryland  
March 25, 2013

# National Fluid Milk Processor Promotion Board

## Statements of Financial Position

December 31	2012	2011
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 11,532,679	\$ 11,955,989
Assessments receivable, net	9,283,839	10,000,058
Future year costs	3,695,277	4,450,832
Prepaid expenses	40,444	41,407
Other receivables	1,998	135
Total current assets	24,554,237	26,448,421
<b>Property and equipment, net</b>	85,477	64,680
<b>Total assets</b>	\$ 24,639,714	\$ 26,513,101
<b>Liabilities and net assets</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 9,894,364	\$ 10,790,057
Deferred compensation, related party	19,250	18,299
Capital lease, current portion	5,760	-
Total current liabilities	9,919,374	10,808,356
<b>Other liabilities:</b>		
Capital lease, net of current portion	14,419	-
<b>Total liabilities</b>	9,933,793	10,808,356
<b>Commitments</b>		
<b>Net assets:</b>		
Board designated for contingencies	2,500,000	2,500,000
Undesignated	12,205,921	13,204,745
Total net assets	14,705,921	15,704,745
<b>Total liabilities and net assets</b>	\$ 24,639,714	\$ 26,513,101

See Accompanying Notes

## National Fluid Milk Processor Promotion Board

### Statements of Revenues, Expenses and Changes in Net Assets

For the years ended December 31	2012	2011
<b>Revenues:</b>		
Assessments	\$ 103,341,981	\$ 104,585,068
Late payment charges	97,082	94,810
Interest income	32,354	67,708
Other	6,261	7,597
Total revenues	103,477,678	104,755,183
<b>Expenses:</b>		
Program expenses:		
Meals at home - general market	52,721,233	48,524,697
Refuel	17,616,527	24,442,567
Meals at home - Hispanic	7,811,452	7,012,164
Market research	4,025,153	4,557,079
Business development	9,693,682	6,846,694
Program measurement	24,549	22,142
Total program expenses	91,892,596	91,405,343
Other expenses:		
California grant	9,668,033	9,803,525
Administrative	2,442,369	2,506,496
USDA oversight	351,606	425,760
USDA compliance audit	104,439	77,114
Loss on disposal of property and equipment	15,229	-
Interest expense	2,230	-
Total other expenses	12,583,906	12,812,895
Total expenses	104,476,502	104,218,238
<b>Excess of revenues over (under) expenses</b>	(998,824)	536,945
Net assets - beginning	15,704,745	15,167,800
<b>Net assets - ending</b>	\$ 14,705,921	\$ 15,704,745

See Accompanying Notes

## National Fluid Milk Processor Promotion Board

### Statements of Cash Flows

For the years ended December 31	2012	2011
<b>Cash flows from operating activities:</b>		
Excess of revenues over expenses (expenses over revenues)	\$ (998,824)	\$ 536,945
Adjustments to reconcile excess of revenues over expenses (expenses over revenues) to net cash provided by (used in) operating activities:		
Depreciation	40,563	28,916
Loss on disposal of property and equipment	15,229	-
Changes in assets and liabilities:		
Decrease in assessments receivable	716,219	380,576
(Increase) decrease in future year costs	755,555	(18,955)
Decrease in prepaid expenses	963	29,617
(Increase) decrease in other receivables	(1,863)	8,276
Increase (decrease) in accounts payable and accrued expenses	(895,693)	833,887
Increase in deferred compensation	951	664
<b>Net cash provided by (used in) operating activities</b>	<b>(366,900)</b>	<b>1,799,926</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property and equipment	500	-
Payments made for property and equipment	(52,603)	-
<b>Net cash used in investing activities</b>	<b>(52,103)</b>	<b>-</b>
<b>Cash flows from financing activities:</b>		
Payments made on capital lease	(4,307)	-
<b>Net increase (decrease) in cash and cash equivalents</b>	(423,310)	1,799,926
Cash and cash equivalents - beginning	11,955,989	10,156,063
<b>Cash and cash equivalents - ending</b>	<b>\$ 11,532,679</b>	<b>\$ 11,955,989</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 2,230	\$ -
<b>Supplemental schedule of noncash investing and financing activities:</b>		
Capital lease obligation incurred in exchange for copier	24,486	-

See Accompanying Notes



# National Fluid Milk Processor Promotion Board

## Notes to Financial Statements

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December 31, 2012 and 2011

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**Note 1: Summary of significant accounting policies:**

The National Fluid Milk Processor Promotion Board (the Board) was established pursuant to the authority of the Fluid Milk Promotion Act (the Act) of 1990, Subtitle H of the Title XIX of the Food, Agriculture, Conservation and Trade Act of 1990. The purpose of the Board is to administer the provisions of the Fluid Milk Promotion Order (the Order) established pursuant to the Act which establishes an orderly procedure for the development, and the financing through an assessment, of a coordinated program of advertising, promotion, and education for fluid milk products.

The Act required that a referendum be conducted among processors to determine if a majority favored implementing the fluid milk program. In the October 1993 initial referendum, the majority of processors voted to approve the implementation of the fluid milk program. A continuation referendum was held in February-March 1996. Of the processors voting in that referendum, the majority favored continuation of the fluid milk program. In November 1998, another continuation referendum was held at the request of the Board and processors voted to continue the fluid milk program as established by the Order. The Act and Order state that the United States Department of Agriculture (USDA) will hold future referenda upon the request of the Board, processors representing 10% or more of the volume of fluid milk products marketed by those processors voting in the last referendum, or when called by the U.S. Secretary of Agriculture.

For financial reporting purposes, the Board is considered a quasi-governmental agency of the U.S. government. As such, it is exempt from income taxes under the Internal Revenue Code. The USDA and its affiliated agencies operate in an oversight capacity of the Board.

The financial statements of the Board are prepared in conformity with accounting principles generally accepted in the United States of America. To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

Assessments - Assessments are generated from any person who processes and markets commercially more than 3,000,000 pounds of fluid milk per month by a 20-cent per hundred weight assessment on fluid milk products processed and marketed commercially in consumer-type packages in the 48 contiguous United States and the District of Columbia. Assessment revenue is recognized in the month in which the fluid milk product is processed. Late payment charges are assessed, as provided under the Act, to processors who do not remit monthly assessments within 30 days following the month of assessment.

# National Fluid Milk Processor Promotion Board

## Notes to Financial Statements

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December 31, 2012 and 2011

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**Note 1: Summary of significant accounting policies:** (continued)

Assessments (continued) - The late payment charge is equal to 1.5% of unpaid assessments and accrues monthly. For both 2012 and 2011, an allowance for doubtful accounts of \$-0- has been established for those amounts where the late charges are being appealed.

California grant - In accordance with the Act, the Board is required to provide a grant to a third party equal to 80% of the assessments collected from Regions 14 and 15 to implement a fluid milk promotion campaign. Disbursements under these provisions are recorded as "California grant" in the accompanying financial statements.

Cash equivalents - For purposes of the statements of cash flows, the Board considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Future year costs - Future year costs represent costs incurred for the next budget year's projects.

Assessments receivable - An allowance for uncollectible accounts has been established for those assessments which management has determined as uncollectible. The total allowance for uncollectible accounts at December 31, 2012 and 2011 was \$189,000 and \$280,617, respectively.

Property and equipment - Property and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the related assets on a straight-line basis. Expenditures for repairs and maintenance are charged to expense as incurred.

Use of estimates - The Board has made certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Investments - The Board is required to follow the Agricultural Marketing Service (AMS) investment policy. Accordingly, the Board is authorized to invest in securities consisting of obligations issued or fully insured or guaranteed by the U.S. or any U.S. government agency, including obligations of government-sponsored corporations that mature within one year or less from the date of purchase.

Reclassifications - Certain accounts in the prior year Statement of Revenues, Expenses and Changes in Net Assets have been reclassified for comparative purposes to conform with the presentation in the current year statement. Total net assets and excess of revenues over expenses are unchanged due to these reclassifications.

# National Fluid Milk Processor Promotion Board

## Notes to Financial Statements

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**December 31, 2012 and 2011**

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**Note 1: Summary of significant accounting policies: (continued)**

Fair value measurements - The FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Board has the ability to access.

Level 2 - inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Board believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Advertising - In accordance with its mission, the Board has approved the development of direct and nondirect response advertising and promotional activities. All costs related to these activities are charged to expense as incurred.

# National Fluid Milk Processor Promotion Board

## Notes to Financial Statements

December 31, 2012 and 2011

**Note 2: Cash and cash equivalents:**

At December 31, 2012 and 2011, the bank balance of the Board's cash deposits was entirely covered by federal depository insurance or was covered by collateral held by the Board's agent in the Board's name. Included in cash and cash equivalents is \$2,500,000 of Board designated cash reserves (unrestricted net assets) at December 31, 2012 and 2011.

**Note 3: Property and equipment:**

Property and equipment consist of the following as of December 31:

	2012	2011
Furniture and fixtures	\$ 33,261	\$ 33,261
Leasehold improvements	130,324	130,324
Office equipment	161,891	119,963
	<u>325,476</u>	<u>283,548</u>
Less: accumulated depreciation	(239,999)	(218,868)
	<u>\$ 85,477</u>	<u>\$ 64,680</u>

Depreciation expense for the years ended December 31, 2012 and 2011 was \$40,563 and \$28,916, respectively.

**Note 4: Capital lease:**

In January 2012, the Company entered into a new capital lease for a copier at an effective interest rate of 11.85%. Beginning March 17, 2012, the terms of the lease require 47 monthly payments of \$653, plus additional usage charges as outlined in the agreement. The lease is effective through January 17, 2016.

Future minimum lease payments under the capital lease are as follows:

2013	\$ 7,844
2014	7,844
2015	7,844
2016	<u>653</u>
Total minimum lease payments	24,185
Less amount representing interest	<u>4,006</u>
Present value of minimum lease payments	<u>\$ 20,179</u>

# National Fluid Milk Processor Promotion Board

## Notes to Financial Statements

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**December 31, 2012 and 2011**

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**Note 5: Line of credit:**

During December 2009, the Board obtained a revolving line of credit for up to \$2,500,000. The line provided for advances from time to time, but must have been paid down to \$-0- and remain at \$-0- for 90 consecutive days at least once every 12 months. Interest accrued on outstanding balances at prime minus 0.25% with an interest floor of 3.75%. The line was secured by all the assets of the Board including cash, assessments, furniture, fixtures, equipment and personal property. The Board was also subject to reporting requirements and financial covenants as outlined in the line of credit agreement. The line expired on December 2, 2011.

During December 2011, the Board obtained a revolving line of credit for up to \$2,500,000 with a new lender. The line of credit terms with the new lender remain the same as the previous lender. The line of credit agreement expires in December 2014. The amount outstanding on the line of credit at December 31, 2012 and 2011 was \$-0-.

**Note 6: Compliance matters:**

In accordance with the Act and the Order, effective one year after the date of the establishment of the Board, the Board shall not spend in excess of 5% of the assessments collected for the administration of the Board. For the years ended December 31, 2012 and 2011, the Board did not exceed this limitation.

**Note 7: Program administration:**

During 2012 and 2011, the Board entered into agreements with various organizations to develop programs for advertising, promotion, consumer education and certain minority initiatives in connection with the national fluid milk campaign. The funding levels vary for the various organizations and are subject to approval. The organizations and the expiration dates of the agreements are as follows:

<u>Agency</u>	<u>Expiration</u>
Drafftcb, Inc.	Until Terminated
Deutsch, Inc.	Until Terminated
Machado/Garcia-Serra, LLC	Until Terminated
CMGRP, Inc. d/b/a Weber Shandwick	Until Terminated

To assist the above organizations in the development of advertising, promotion, consumer education and certain minority initiatives in connection with the national fluid milk campaign, the Board has also entered into numerous other smaller contracts throughout the years ended December 31, 2012 and 2011.

# National Fluid Milk Processor Promotion Board

## Notes to Financial Statements

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**December 31, 2012 and 2011**

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**Note 7: Program administration:** (continued)

In October 2007, the Board entered into two agreements, an office services and a professional services agreement, with the International Dairy Foods Association (IDFA).

The duration of the office services agreement was from October 1, 2007 through September 30, 2008 and was subsequently extended through December 31, 2012. On December 28, 2012 the agreement was extended again and became effective January 1, 2013 through December 31, 2013. Under this agreement, IDFA provides certain administrative services and resources to the Board. Fees for these services are based on predetermined amounts totaling \$4,370 per month plus out-of-pocket costs and hourly charges for additional services. During the years ended December 31, 2012 and 2011, the Board incurred \$63,868 and \$83,697, respectively, under this agreement.

The duration of the professional services agreement was from October 1, 2007 through September 30, 2009 and was subsequently extended through December 31, 2012. On December 28, 2012 the agreement was extended again and became effective January 1, 2013 through December 31, 2013. The agreement allows for IDFA to assist the Board in performing general services pursuant to its responsibility under the Fluid Milk Promotion Act of 1990. General services are set forth in greater detail in the agreement, but include areas such as:

- Medical and nutritional
- Communications and public relations
- Sales and econometric analysis
- In house legal services
- Specialized IT services
- Other services as requested

Fees for these services are based on hourly rates ranging from \$240 to \$360 plus out-of-pocket costs. Total costs incurred under this agreement were \$128,925 and \$166,057 for the years ended December 31, 2012 and 2011, respectively.

# National Fluid Milk Processor Promotion Board

## Notes to Financial Statements

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December 31, 2012 and 2011

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**Note 8: Commitments:**

The Board entered into a consulting agreement with an outside consultant during 2009. The duration of the agreement was from March 1, 2009 through March 31, 2010 and was subsequently extended through December 31, 2010. The consultant provided program support for the Board's advertising, public relations and promotions programs as requested and directed by the Board.

The consulting agreement was renewed and amended for each twelve-month period expiring on December 31, 2012 and 2011. In exchange for the consultant's professional services, the Board will pay the consultant a weekly fee as outlined in the agreement. The agreement allows for the Board to pay the consultant based on an hourly rate instead of the weekly fee. In addition, the Board will reimburse the consultant for necessary out-of-pocket expenses incurred. The total fees and out-of-pocket expenses paid to the consultant were \$199,503 and \$188,002, respectively, for the years ended December 31, 2012 and 2011.

Subsequent to year end, the consulting agreement was again renewed for the twelve-month period expiring on December 31, 2013. The total fees and out-of-pocket expenses paid to the consultant shall not exceed \$201,000 for 2013.

In 2009, the Board entered into an employment agreement with the Chief Executive Officer (CEO). The agreement runs from March 1, 2009 to February 28, 2011, extended through February 28, 2014, and provides for annual compensation, benefits, and increases based upon the CEO's annual performance evaluation. The agreement also includes provisions that would require severance payments upon early termination of the agreement.

During February 2012, the Board entered into a one-year contract with Phalanx Technology Group. The contract requires monthly payments of \$750 for standard information technology support as outlined in the contract. All other work will be billed at predetermined hourly rates. Upon expiration, the contract will be extended on a month to month basis.

# National Fluid Milk Processor Promotion Board

## Notes to Financial Statements

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December 31, 2012 and 2011

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**Note 9: Operating leases:**

In October 2007, the Board entered into a 20-month sublease agreement with IDFA, which has been extended through December 31, 2015. Under the terms of the sublease, the Board is required to pay escalating monthly base rent plus additional monthly charges equal to a pro rata portion of the building's operating expenses and other charges as defined in the sublease agreement. The Board may terminate the sublease agreement effective June 30 of any year by providing six months advance notice. In the event of termination, monthly rent payments will increase up to the termination date as outlined in the agreement.

The Board incurred \$136,680 and \$144,038 of rental expense during the years ended December 31, 2012 and 2011, respectively.

The future minimum payments under this sublease for the years ending December 31 are as follows:

2013	\$ 140,780
2014	145,004
2015	<u>149,358</u>
Total	<u>\$ 435,142</u>

**Note 10: Transactions with the United States Department of Agriculture:**

Under the provisions of the Act and the Order, the Board is required to pay the United States Department of Agriculture certain fees for oversight and evaluation costs. These costs were \$456,045 and \$502,874 during 2012 and 2011, respectively.

**Note 11: Related party activity:**

Accounting services for the Board are performed by Bridgewater Wealth & Financial Management, LLC (Bridgewater). The agreement is effective through December 31, 2013. The cost of these services was \$400,000 during both 2012 and 2011. A principal of Bridgewater serves as the Chief Financial Officer of the Board and receives compensation for services performed.



# National Fluid Milk Processor Promotion Board

## Notes to Financial Statements

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**December 31, 2012 and 2011**

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**Note 12: Retirement plan:**

In October 2007, the Board adopted a safe harbor 401(k) plan. An employee is eligible to participate in the plan once the service requirement is completed as defined in the plan document. If an employee was employed by the Board on October 1, 2007, the service requirement was waived and those employees were immediately eligible to participate. Participants may elect to defer a portion of their salary and contribute it to the retirement plan. Additionally, the Board will make a safe harbor matching contribution equal to 100% of deferrals that do not exceed 3% of the employees' compensation plus a 50% match for deferrals between 3% - 5% of employees' compensation. However, for any plan year when the plan is not a "safe harbor" plan, the contribution is at the Board's discretion. The Board's contribution totaled \$130,631 and \$117,923 for the years ended December 31, 2012 and 2011, respectively.

**Note 13: Concentration:**

Payments to three agencies represented approximately 83% of total program expenses for the year ended December 31, 2012. Accounts payable to two agencies represented approximately 48% of total accounts payable at December 31, 2012.

Payments to three agencies represented approximately 80% of total program expenses for the year ended December 31, 2011. Accounts payable to one agency represented approximately 60% of total accounts payable at December 31, 2011.

**Note 14: Subsequent events:**

Subsequent to year end, the Company entered into a severance agreement with a vice president of marketing. The agreement provides for severance compensation and other benefits as described in the agreement.

Subsequent events have been evaluated through March 25, 2013, which is the date the financial statements were available to be issued.

**SUPPLEMENTARY  
INFORMATION**

## National Fluid Milk Processor Promotion Board

### Schedule of Revenues and Expenses Actual Compared to Budget (Budget Basis)

**For the year ended December 31, 2012**

	Unexpended/ Amended Budget (Unaudited)	Current Year Actual	Actual Over (Under) Budget
<b>Revenues:</b>			
Assessments	\$ 103,000,000	\$ 103,341,981	\$ 341,981
Late payment charges	-	97,082	97,082
Interest income	100,000	32,354	(67,646)
Other	-	6,261	6,261
Carryover - prior years	3,054,400	-	(3,054,400)
<b>Total revenues</b>	<b>106,154,400</b>	<b>103,477,678</b>	<b>(2,676,722)</b>
<b>Expenses:</b>			
Program expenses:			
Program - current year	93,129,400	89,871,165	(3,258,235)
Program - prior years	4,183,762	2,021,431	(2,162,331)
<b>Total program expenses</b>	<b>97,313,162</b>	<b>91,892,596</b>	<b>(5,420,566)</b>
Other expenses:			
California grant	9,925,000	9,668,033	(256,967)
Administrative	2,500,000	2,442,369	(57,631)
USDA oversight	600,000	456,045	(143,955)
Loss on disposal of property	-	15,229	15,229
Interest expense	-	2,230	2,230
<b>Total other expenses</b>	<b>13,025,000</b>	<b>12,583,906</b>	<b>(441,094)</b>
Less: encumbrances - prior years	(4,183,762)	-	4,183,762
<b>Total expenses</b>	<b>106,154,400</b>	<b>104,476,502</b>	<b>(1,677,898)</b>
Unallocated budget	-	-	-
<b>Excess of revenues under expenses</b>	<b>\$ -</b>	<b>\$ (998,824)</b>	<b>\$ (998,824)</b>

See Independent Auditor's Report

**National Fluid Milk Processor Promotion Board**

**Schedule of Program Expenses  
Actual Compared to Budget  
(Budget Basis)**

**For the year ended December 31, 2012**

	Current Year Amended Budget (Unaudited)		Expended Current Year Actual		Actual Over Budget		Prior Year Unexpended Budget (Unaudited)		Expended Prior Year Actual		Actual Over Budget		Total Program Activity
Meals at home - general market	\$ 52,516,600		\$ 52,011,157	\$ (505,443)	\$ 1,328,274	\$ 710,076	\$ (618,198)				\$ 52,721,233		
Refuel	17,545,000		16,859,123	(685,877)	916,171	757,404	(158,767)				17,616,527		
Meals at home - Hispanic	7,960,000		7,664,167	(295,833)	221,708	147,285	(74,423)				7,811,452		
Market research	4,570,000		3,975,153	(594,847)	769,030	50,000	(719,030)				4,025,153		
Business development	10,432,800		9,337,016	(1,095,784)	748,579	356,666	(391,913)				9,693,682		
Program measurement	105,000		24,549	(80,451)	200,000	-	(200,000)				24,549		
<b>Total program expenses</b>	<b>\$ 93,129,400</b>		<b>\$ 89,871,165</b>	<b>\$ (3,258,235)</b>	<b>\$ 4,183,762</b>	<b>\$ 2,021,431</b>	<b>\$ (2,162,331)</b>				<b>\$ 91,892,596</b>		

**National Fluid Milk Processor Promotion Board**

**Schedule of Administrative Expenses  
Actual Compared to Budget  
(Budget Basis)**

**For the year ended December 31, 2012**

	Current Year Amended Budget (Unaudited)	Current Year Actual	Actual Over (Under) Budget
<b>Board meeting expenses</b>	\$ 320,000	\$ 378,344	\$ 58,344
<b>Staff salaries and benefits:</b>			
Staff salaries and benefits	1,828,000	1,746,460	(81,540)
Program management salary allocation	(1,600,000)	(1,577,111)	22,889
<b>Total staff salaries and benefits</b>	<u>228,000</u>	<u>169,349</u>	<u>(58,651)</u>
<b>Finance and administration:</b>			
Contract staff	160,000	160,000	-
Consultants - HR, IT, strategic	88,000	38,324	(49,676)
Financial services	400,000	400,000	-
<b>Total finance and administration</b>	<u>648,000</u>	<u>598,324</u>	<u>(49,676)</u>
<b>Other operating expenses:</b>			
Audits	65,000	60,762	(4,238)
Depreciation	46,000	40,563	(5,437)
Employee development	60,000	58,184	(1,816)
Insurance	33,000	33,217	217
Legal	410,000	392,310	(17,690)
Miscellaneous	50,000	27,183	(22,817)
Office facilities	137,000	136,680	(320)
Office supplies and expense	42,000	34,498	(7,502)
Payroll service and pension administration	9,000	8,527	(473)
Postage and delivery	8,000	14,381	6,381
Staff travel	350,000	381,273	31,273
Support and maintenance	62,000	79,821	17,821
Telephone	32,000	28,953	(3,047)
<b>Total other operating expenses</b>	<u>1,304,000</u>	<u>1,296,352</u>	<u>(7,648)</u>
<b>Total administrative expenses</b>	<u>\$ 2,500,000</u>	<u>\$ 2,442,369</u>	<u>\$ (57,631)</u>

See Independent Auditor's Report

## National Fluid Milk Processor Promotion Board

### Schedule of Cash Receipts and Disbursements

For the year ended December 31, 2012

<b>Cash receipts from operations:</b>	
Assessments	\$ 104,056,338
Late payment charges	97,082
Interest income	32,354
Other	6,261
Cash receipts from operations	<u>104,192,035</u>
<b>Cash disbursements for operations</b>	<u>(104,558,935)</u>
<b>Cash receipts and disbursements from investing activities:</b>	
Proceeds from sale of property and equipment	500
Purchase of property and equipment	<u>(52,603)</u>
Net cash disbursements for investing activities	<u>(52,103)</u>
<b>Cash disbursements for financing activities:</b>	
Payments made on capital lease	<u>(4,307)</u>
<b>Excess of receipts under disbursements</b>	(423,310)
Cash and cash equivalents - beginning	<u>11,955,989</u>
<b>Cash and cash equivalents - ending</b>	<u><u>\$ 11,532,679</u></u>

See Independent Auditor's Report

## PART II

Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

**To the Board of Directors  
National Fluid Milk Processor  
Promotion Board  
Washington, D.C.**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the National Fluid Milk Processor Promotion Board (the Board) which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated March 25, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.





**To the Board of Directors  
National Fluid Milk Processor  
Promotion Board**

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information of the Board of Directors of the National Fluid Milk Processor Promotion Board, management, and the Dairy Programs, Promotion and Research Branch of the Agricultural Marketing Service Agency of the United States Department of Agriculture, and is not intended to be and should not be used by anyone other than these specified parties.

*Snyder Cohn, PC*

SNYDER COHN, PC  
North Bethesda, Maryland  
March 25, 2013

## PART III

**To the Board of Directors  
National Fluid Milk Processor  
Promotion Board  
Washington, D.C.**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the statements of financial position of the National Fluid Milk Processor Promotion Board as of December 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated March 25, 2013. The financial statements were prepared in conformity with accounting principles generally accepted in the United States of America.

In connection with our audits, nothing came to our attention, insofar as it relates to accounting matters, that causes us to believe that the National Fluid Milk Processor Promotion Board:

- Failed to comply with laws and regulations applicable to the National Fluid Milk Processor Promotion Board;
- Failed to comply with Section 1160.212 of the Fluid Milk Promotion Order, relating to the use of assessment funds for the purpose of influencing governmental policy or action;
- Expended assessment funds for purposes other than those authorized by the Fluid Milk Promotion Act and the Fluid Milk Promotion Order;
- Expended or obligated assessment funds on any projects prior to the fiscal year in which those funds were authorized to be expended by the National Fluid Milk Processor Promotion Board's approved Budget and Marketing Plan;
- Did not adhere to the original or amended Budget and Marketing Plan for the years ended December 31, 2012 and 2011;
- Did not obtain a written contract or agreement with any person or entity providing goods or services to the National Fluid Milk Processor Promotion Board;
- Failed to comply with Section 1999H, paragraph (g) of the Fluid Milk Promotion Order, relating to the limitations on the types of investments which may be purchased by the National Fluid Milk Processor Promotion Board and the insurance or collateral that must be obtained for all National Fluid Milk Processor Promotion Board deposits and investments;



**To the Board of Directors  
National Fluid Milk Processor  
Promotion Board**

Page two

- Failed to comply with internal controls;
- Failed to comply with disclosure requirements for lease commitments;
- Failed to comply with standards established requiring signed contracts, USDA approval letters (if necessary), contract term documentation within the file, and CFO's signature on the Board approval letter other than described below;
- Failed to comply with the by-laws of the National Fluid Milk Processor Promotion Board or any other policy of the National Fluid Milk Processor Promotion Board, specifically as they relate to all financial matters, including time and attendance, and travel; or
- Failed to comply with USDA guidelines for AMS Oversight of Commodity Research and Promotion Programs other than described below.

During the course of our audits, the following compliance matter came to our attention, insofar as it relates to USDA contract approval. We noted one instance where a payment was made on a contract prior to the Board obtaining USDA's approval of the contract. However, our audits were not directed primarily toward obtaining knowledge of such noncompliance.

During the course of our audits, the following compliance matter came to our attention, insofar as it relates to the USDA guidelines for AMS Oversight of Commodity Research and Promotion Programs. However, our audits were not directed primarily toward obtaining knowledge of such noncompliance.

Business credit cards are used for personal expenses on certain occasions. When this occurs, the Board is reimbursed for the personal expenses by the respective employee within a reasonable time period. The Board believes it is impractical to use two different credit cards to split one bill which includes both business and personal charges. In addition, there is a strict approval and review process of each employee's expense report and its supporting receipt documentation to verify there are no personal expenses charged which are not being reimbursed.

This report is intended solely for the information and use of the National Fluid Milk Processor Promotion Board, management, and the Dairy Programs, Promotion and Research Branch of the Agricultural Marketing Service Agency of the United States Department of Agriculture and is not intended to be and should not be used by anyone other than these specified parties.

*Snyder Cohn, PC*

SNYDER COHN, PC  
North Bethesda, Maryland  
March 25, 2013

March 25, 2013

**To the Finance Committee  
National Fluid Milk Processor  
Promotion Board**  
1250 H Street, N.W., Suite 950  
Washington, D.C. 20005

We have audited the financial statements of the National Fluid Milk Processor Promotion Board for the year ended December 31, 2012, and have issued our report thereon dated March 25, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated January 24, 2013 previously made available to you. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Audit Findings**

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the National Fluid Milk Processor Promotion Board (the Board) are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the Board during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allowance for uncollectible accounts which is based on an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of related party activity in Note 11 to the financial statements, as it describes significant related party transactions during the year.



**To the Finance Committee  
National Fluid Milk Processor  
Promotion Board**

March 25, 2013

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***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated March 25, 2013 (copy attached).

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Board's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Board's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Finance Committee  
National Fluid Milk Processor  
Promotion Board

March 25, 2013

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***Other Information in Documents Containing Audited Financial Statements***

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information, other than budget amounts, to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information, other than budget amounts, to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Finance Committee and management of the National Fluid Milk Processor Promotion Board and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Snyder Cohn, PC".

SNYDER COHN, PC  
North Bethesda, Maryland



March 25, 2013

Snyder Cohn, PC  
11200 Rockville Pike, Suite 415  
North Bethesda, MD 20852

This representation letter is provided in connection with your audits of the financial statements of National Fluid Milk Processor Promotion Board, which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 25, 2013, the following representations made to you during your audits.

**Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 24, 2013.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Material concentrations have been properly disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the company is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

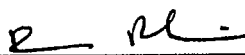




**Information Provided**

- 11) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audits.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.
- 16) We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- 19) The company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 20) We acknowledge our responsibility for presenting the supplemental information on pages 16-19 of the financial statements, in accordance with U.S. GAAP, and we believe the supplemental information, including its form and content, is fairly presented in accordance with U.S. GAAP. We have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

National Fluid Milk Processor Promotion Board

Signature: 

Title: CFO

Signature: 

Title: Controller

**Appendix D-1**  
**National Dairy Promotion and Research Board,**  
**Dairy Management Inc. & United States Dairy Export Council**  
**2012 Contracts Reviewed by USDA**

**ADVERTISING AND MARKETING SERVICES**

<b>Balvor, LLC</b>	Retail Advisory Services
<b>Domino's Pizza Inc.</b>	Cheese Promotion Partnership
<b>D S Simon Productions</b>	National Dairy Month Media
<b>Family Room Strategic Consulting Group</b>	Fuel Up To Play 60 Promotion Support
<b>Florida Dairy Farmers Inc.</b>	Unified Marketing Plan Support; Caribbean Dairy Promotion and Communication
<b>H.P. Hood, LLC</b>	Consumer Awareness and Lactose Free Dairy Product Support
<b>McDonald's</b>	Dairy Promotion Partnership
<b>Media Management Services, Inc.</b>	Fuel Up To Play 60 Promotion Support
<b>National Football League Players Incorporated</b>	Fuel Up To Play 60 Promotion Support
<b>Natural Marketing Institute</b>	Database Management
<b>Nestle USA</b>	Dairy Promotion Partnership
<b>New England Dairy &amp; Food Council</b>	Unified Marketing Plan Support
<b>New England Dairy Promotion Board</b>	Unified Marketing Plan Support
<b>Pizza Hut, Inc.</b>	Cheese Promotion Partnership
<b>Quaker Oats Co.</b>	Dairy Promotion Partnership
<b>Shamrock Foods Company</b>	Refuel Innovation Partnership
<b>Southeast United Dairy Industry Association, Inc.</b>	Unified Marketing Plan Support
<b>Sunflower Group</b>	Greek Smoothie Experiential Marketing
<b>Symphony/IRI Group, Inc.</b>	Lactose Free Milk Initiative
<b>Taco Bell</b>	Dairy Promotion Partnership
<b>The Washington Post Company</b>	Conference Sponsorship

**COMMUNICATIONS, NUTRITION EDUCATION AND PUBLIC RELATIONS**

<b>Academy of Nutrition and Dietetics</b>	Hunger and Food Safety Initiatives
<b>Action for Healthy Kids, Inc.</b>	Fuel Up To Play 60 Support
<b>Allison &amp; Partners</b>	Dairy Communications Management
<b>ASK-Comm Strategies, LLC</b>	Farm Smart Communications Support
<b>Bader Rutter &amp; Associates</b>	Innovation Center Communications; Health and Wellness Nutrition Education; Lactose Intolerance Communication Efforts
<b>Baxter Communications</b>	Video and Communication Services

<b>Burson–Marsteller</b>	Dairy Framework Communications
<b>Demeter Communications</b>	Cow of the Future Program Activities
<b>DS Griffen &amp; Associates</b>	Dairy Forum Training
<b>Edelman Public Relations Worldwide</b>	Fuel Up To Play 60 Program; Dairy Image Services; Health and Wellness Communications; Strategic Consulting and Coordination
<b>Fleishman-Hilliard Inc.</b>	Communication Planning and Services
<b>FoodMinds, LLC</b>	Cheese & Sodium, Lactose Intolerance, Nutrient Rich Foods and Whey Protein Communications; Nutrition Program Strategy and Services
<b>Food Research and Action Center</b>	School Breakfast and Fuel Up To Play 60 Expansion Services
<b>Fresh Approach</b>	Commodity Roundtable
<b>Health &amp; Nutrition Network</b>	Industry Image and Relations
<b>Heinrich Research</b>	Dairy Based Breakfast Concepts Study
<b>Hillstrom Communications</b>	Communication Planning and Services
<b>National Dairy Shrine</b>	Program Sponsorship
<b>NPD Group, Inc.</b>	Consumer Surveys
<b>Nutrition Impact, LLC</b>	Nutrition and Protein Intake Project Services
<b>Results Direct</b>	Dairy Web site Support
<b>Richter Studios</b>	Dairy Farming Today Website Support
<b>R.L. Repass &amp; Partners Inc.</b>	Dairy Industry Growth Opportunities Research
<b>Ruby–Do Special Projects</b>	Industry Image and Relations
<b>School Nutrition Association</b>	Fuel Up To Play 60 & School Nutrition Activities
<b>School Nutrition Foundation</b>	Fuel Up To Play 60 & School Nutrition Activities
<b>Team Services, LLC</b>	Fuel Up To Play 60 Promotion Support
<b>Teri Gacek Associates</b>	Consumer Focus Groups
<b>Universal McCann Worldwide</b>	Lactose Intolerance Communications
<b>Weber Shandwick, Inc.</b>	Dairy Industry Crisis Readiness Program and MyDairy Program

#### EXPORT AND INGREDIENTS

<b>2020 Company LLC</b>	Document Management Services
<b>3 A Business Consulting</b>	Professional Services
<b>Air Fresh Marketing, LLC</b>	Whey Protein Research
<b>American Mexican Marketing</b>	Mexican Market Representation & Development
<b>Arab Marketing Finance, Inc.</b>	Middle East Market Representation & Development
<b>Baccigaluppi, Roger</b>	Consulting Services for USDEC
<b>Bovina Mountain Consulting</b>	Nutrition Market Report
<b>Bryant Christie, Inc</b>	International Food Additive Database Expansion
<b>Canadean Limited</b>	Global Dairy Ingredients Database
<b>Center for Food Safety</b>	Food Safety Consulting Services for USDEC

<b>Contacts International Consulting, Ltd.</b>	South American Market Representation & Development
<b>Dairy Australia Limited</b>	Study Into Improved Health for Elderly Through Increased Dairy Consumption
<b>David Steifer Consulting</b>	Consulting Services for USDEC
<b>DH Business Consulting</b>	Professional Services
<b>Domino's Pizza Enterprises</b>	Cheese Export Promotion
<b>Exponent, Inc.</b>	Meta-Analysis of Whey Protein
<b>Fabrizio &amp; Friends</b>	Global Dairy Market Outlook, Market Analysis Report & News Center Website
<b>Food Automation, LLC</b>	Traceability Pilots
<b>Gerdes, Sharon</b>	Ingredients Consulting Services
<b>Global Food and Nutrition Inc.</b>	Consulting Services for USDEC
<b>JDG Consulting</b>	Consulting Services for USDEC
<b>IntNet</b>	Korea Program Activities
<b>International Dairy Foods Association</b>	International Dairy Trade Shows
<b>Kentucky Fried Chicken Japan</b>	Pacific Rim Cheese Program
<b>Koski, Shannon</b>	Ingredients Consulting Services
<b>LevCom</b>	Professional Services
<b>Little, Porter</b>	Consulting Services for USDEC
<b>Locraft, Lauren</b>	Consulting Services for USDEC
<b>Market Makers Inc.</b>	Japanese Market Representation & Development
<b>Market Tree</b>	Sweetener Research
<b>Matthews Project Services</b>	Consulting Services for USDEC
<b>McCully Group</b>	Dairy Market Metrics, Strategies, and Analysis
<b>Midwest Dairy Association</b>	Unified Marketing Plan Support; Ingredient Trade Development
<b>MSB Agrifood</b>	United Kingdom and European Dairy Market Metrics and Analysis
<b>NIZO</b>	US Milk Powder Program Activities
<b>Notus Associates</b>	United Kingdom Communication Services
<b>Novak Birch</b>	Professional Services
<b>Onit Consulting, LLC</b>	Health and Wellness Consulting
<b>Orrani Consulting Ltd</b>	China, Egypt, Korea, and Saudi Arabia Cheese and Dairy Ingredient Research
<b>Pacrim Associates</b>	Southeast Asia Program Activities
<b>Parody, Kristen</b>	Consulting Services for USDEC
<b>Pizza Hut Hong Kong</b>	Pacific Rim Cheese Program
<b>Pizza Hut Indonesia</b>	Pacific Rim Cheese Program
<b>Pizza Hut Korea</b>	Pacific Rim Cheese Program
<b>Pizza Hut Philippines</b>	Pacific Rim Cheese Program
<b>Pizza Hut Singapore</b>	Pacific Rim Cheese Program
<b>PR Consultants</b>	Chinese Program Activities
<b>Project Peanut Butter</b>	Moderate Acute Malnutrition Treatment

<b>Richard Fritz &amp; Associates</b>	Ingredient Consulting Services
<b>Rogers, Paul</b>	Consulting Services for USDEC
<b>Schonrock Consulting</b>	Consulting Services
<b>Shainwright Consulting</b>	Oceana Market Research Services
<b>Siam Professionals, LLC</b>	Caribbean Communication Services
<b>Sorenson, Carla</b>	Consulting Services for USDEC
<b>Story Consulting</b>	Consulting Services for USDEC
<b>TradeMoves, LLC</b>	Import Export Trade Strategies
<b>UBIC Europe</b>	Colostrum Research
<b>United States Army Research Institute of Environmental Medicine</b>	Milk-and Soy-Based Diet Effects on Musculoskeletal Health and Glucose Homeostasis
<b>Wepler, Audrey</b>	Consulting Services for USDEC
<b>Woolsey, Michael</b>	Consulting Services for USDEC
<b>Yum! Consulting</b>	Chinese Cheese Export Program Development
<b>Zenith International</b>	Global Cheese Varietal Demand Study

#### **MARKET AND ECONOMIC RESEARCH, CONSULTING SERVICES**

<b>Anex, Robert</b>	Fluid Milk Life Cycle Assessment Research
<b>Antler Consulting</b>	Accounting Services
<b>Biofortis Provident Clinical Research</b>	Effects of Dairy Beverages on Insulin Sensitivity
<b>CFE Solutions, Inc.</b>	Dairy Consumption Consulting Services
<b>Clark Group</b>	The Clark Group
<b>Clifton Larson Allen LLP</b>	Accounting Services
<b>C&amp;R Research Services</b>	Dairy-Based Breakfast Concepts Exploratory Research
<b>Concept Green</b>	Sustainability Progress Report
<b>Crowe Horwath LLP</b>	Sustainability Program
<b>Culinary Sales Support</b>	Dairy Menu Product Development
<b>Flint Group</b>	Anaerobic Digesters Report
<b>Fox Hollow Consulting, LLC</b>	Enteric Methane Mitigation Research
<b>GFK Custom Research</b>	Future of Dairy Research
<b>Girag S.A.</b>	Business Intelligence Services
<b>Glasgow Media</b>	Graphic Services
<b>Hale Group</b>	Food Waste Solutions
<b>Harper Consulting Co.</b>	Ammonia Emissions Literature Review
<b>Hartman Group</b>	Purchase Behavior Research
<b>Heller, Martin</b>	Dairy Life Cycle Assessment Consulting
<b>Hellwig, Staphanie</b>	Fluid Milk Life Cycle Assessment Research
<b>Hentges, Kahn and Strauss, LLC</b>	Sustainability Framework Services
<b>Informa Economics</b>	Anaerobic Digesters Research
<b>Irish-Design</b>	Dairy Sustainability Report
<b>Kell Partners</b>	Salesforce.com Services

<b>Life Cycle Services, LLC</b>	Thomas Gloria's Dairy Packaging Life Cycle Assessment Research
<b>Manomet</b>	Sustainability Framework and Environmental Metrics
<b>Marketecture</b>	Consumer Confidence Tracking
<b>Marketing Concepts</b>	Research Coordination
<b>Matlock, Marty</b>	Water Risk Management Strategies
<b>McBean, Lois</b>	Dairy Council Digest Review Services
<b>McLeod, Watkinson &amp; Miller</b>	Legal Services
<b>National Milk Producers Federation</b>	Animal Health and Wellbeing Services
<b>NTT Data Inc. (formerly Revere Group)</b>	Information Technology Support
<b>Nutter Consulting, Inc.</b>	Plantsmart Development
<b>OMP Consulting Inc.</b>	Regulatory Affairs Consulting
<b>Provident Clinical Research</b>	Clinical Research Consulting Services
<b>Quantis</b>	Carbon Footprint Calculator Development
<b>Responsibility Matters Inc.</b>	Dairy Sustainability Framework
<b>Results Direct</b>	Website Support Services
<b>Schenck, Rita</b>	Packaging Life Cycle Assessment Research
<b>Strategic Conservation</b>	Consulting Services
<b>Strategy One</b>	Dairy Consumers Research Services
<b>Technomic, Inc.</b>	Consumer Cheese Consumption Trends
<b>Texas AgriLife Research</b>	Quantitative Program Evaluation
<b>TNS Custom Research, A Kantar Group Company</b>	Dairy Beverage Usage Development
<b>Tripp Borstel Management Consulting</b>	Fleetsmart and Plantsmart Program
<b>Vela Environmental</b>	Dairy Sustainability Framework
<b>Watson Mulhern LLC</b>	Strategic Communications Support
<b>World Action Teams</b>	Business Development

**Appendix D-2**  
**National Fluid Milk Processor Promotion Board**  
**2012 Contracts Reviewed by USDA**

**ADVERTISING, PROMOTION, AND PUBLIC RELATIONS**

<b>Balvor, LLC</b>	Retail Advisory Services
<b>Brain Juicer Group PLC</b>	Refuel Promotion Program Services
<b>Brodeur Partners</b>	Issues Management Communications
<b>Deutsch Inc.</b>	Refuel Promotion; Public Relations; Strategic Communications; Database Management; English and Spanish Advertising and Marketing Media
<b>Gourvitz Communications</b>	Media Productions
<b>Inland Label and Marketing Services</b>	Storage, Labels, and Promotional Giveaways
<b>InTech Intergrated Marketing Services</b>	Marketing and Graphic Design Services
<b>International Dairy Foods Association</b>	Professional Consulting and Communication Services
<b>Kellogg North America</b>	Fluid Milk Promotions
<b>Merge Design &amp; Interactive</b>	Media & Promotion Strategy and Design
<b>People Espanol</b>	Hispanic Media Advertising
<b>Protagonist, LLC</b>	Advertising and Promotion Services
<b>Radius Global Market Research</b>	Refuel Promotion Program Services, Serving Size Breakfast Beverage Segmentation Research; Consumer Attitudes, Consumption, and Advertising Tracking; Fluid Milk Market Research
<b>RealMediaValue Company</b>	Database; Media Evaluation Services
<b>Siboney USA</b>	Hispanic Communication Services
<b>Spectrum Group Productions</b>	Communication Services
<b>Team Services, LLC</b>	Promotional Services
<b>Ventura Associates International LLC</b>	Promotional Services
<b>Weber Shandwick Worldwide, Inc.</b>	Advertising and Promotion Services; Olympics; Refuel Promotions; Industry Communications

**MARKET RESEARCH AND EVALUATION, AND CONSULTING SERVICES**

<b>Allison Partners</b>	Dairy Communications Management
<b>Applied Thinking, LLC</b>	Marketing Mix Consulting
<b>Artemis Strategy Group</b>	Refuel Promotion Program Services; Breakfast Research; Market Research
<b>Beverage Marketing Corporation</b>	Competitive Strategy Consulting
<b>Food For Thought Consulting</b>	Scientific and Regulatory Research
<b>Fresh Approach</b>	Communications and Roundtable
<b>Guia Brand Planning</b>	Hispanic Teen Market Research
<b>Interviewing Service of America, Inc.</b>	Dairy Latte Beverage Research

<b>Kaley Warner Klemp</b>	Consulting Services
<b>Light Industries</b>	Database Support
<b>Machado Garcia-Serra, LLC</b>	Hispanic Communication Services
<b>Main Dish Media</b>	Cooking Media Services
<b>Outloud, LLC</b>	Flavored Milk Marketing and Research
<b>Prime Consulting Group Inc.</b>	Flavored Milk Program Services; Segmentation and Communication Channel Tracking; Surveys; Consulting Services
<b>School Nutrition Association</b>	Nutrition Communications

**OTHER AGREEMENTS**

<b>Abrams, Dr. Steven</b>	Medical Advisory Board Member Services
<b>Barr, Dr. Susan</b>	Medical Advisory Board Member Services
<b>Bridgewater Wealth and Financial Management Services</b>	Management Services
<b>Dairy Management Inc.</b>	Foot and Mouth Disease Training Exercises
<b>Economos, Dr. Christina</b>	Medical Advisory Board Member Services
<b>Heaney, Dr. Robert</b>	Medical Advisory Board Member Services
<b>Hill, Dr. James</b>	Medical Advisory Board Member Services
<b>Johnson, Dr. Rachael</b>	Medical Advisory Board Member Services
<b>McLeod, Watkinson &amp; Miller</b>	Legal Services
<b>Saunders, Dr. Michael</b>	Medical Advisory Board Member Services
<b>Snyder, Cohn, Collyer, Hamilton &amp; Associates, P.C.</b>	Accounting Services
<b>Tipton Group</b>	Food Related Checkoff Program Research
<b>Zaborsky, Victor</b>	Consulting Services



## **Appendix E-1 Dairy Foods Research Centers**

### **CALIFORNIA DAIRY FOODS RESEARCH CENTER**

The California Dairy Foods Research Center is a comprehensive effort to bring the full capabilities of the Dairy Products Technology Center at California Polytechnic State University at San Luis Obispo and Dairy Research and Information Center at the University of California-Davis, to support the dairy industry from farm to table. Working with the California Dairy Research Foundation, the California Dairy Foods Research Center conducts applied and strategic dairy research and development in the areas of product technology and utilization, ingredient technology and utilization, products for health enhancement, food quality, and food safety. Additional information link: [California Dairy Foods Research Center](#).

**California Dairy  
Research Foundation**  
Gonca Pasin, Ph.D.  
Executive Director  
501 G Street, Ste. 203  
Davis, CA 95616

**California Polytechnic State  
University–San Luis Obispo**  
Phillip S. Tong, Ph.D.  
Director, Dairy Products  
Technology Center  
San Luis Obispo, CA 93407

**University of California-Davis**  
John C. Bruhn, Ph.D.  
Director, Dairy Research &  
Information Center  
One Shields Avenue  
Davis, CA 95616-8598

### **MIDWEST DAIRY FOODS RESEARCH CENTER**

The Midwest Dairy Foods Research Center conducts research to support the dairy industry utilizing resources within the University of Minnesota (St. Paul), South Dakota State University (Brookings), and Iowa State University (Ames). Research focuses on improving and controlling flavor development and functionality in cheese; improving the performance of cheese starter cultures through genetics; adding value to milk-based products with probiotics and nutraceuticals; improving shelf life of flavored milks; reducing undesirable taste attributes of milk; improving functionality and controlling flavor attributes of milk fractionation components; and developing methods for effective and profitable uses of whey. Additional information link: [Midwest Dairy Foods Research Center](#).

**Iowa State University-Ames**  
Department of Animal Science  
1221 Kildee Hall  
Ames, IA 50011-3150

**South Dakota State University**  
Lloyd Metzger, Ph.D.  
Director, Dairy Center,  
Box 2104  
Brookings, SD 57007

**University of Minnesota–St.  
Paul**  
Peggy Lehtola  
Assistant Director, Midwest  
Dairy Foods Research Center  
1334 Eckles Avenue  
St. Paul, MN 55108

### **NORTHEAST DAIRY FOODS RESEARCH CENTER**

The Northeast Dairy Foods Research Center located at Cornell University, Ithaca, NY, was formed to conduct fluid milk and dairy ingredient research; dairy microbiology and safety; to provide applications and technical support for the improvements in milk powder quality, casein, and whey protein research; and to help establish the next generation of dairy ingredients. Additional information link: [Northeast Dairy Foods Research Center](#).

**Cornell University**

Department of Food Science  
Kathryn J. Boor, Ph.D.  
Dean of Agriculture and Life Sciences  
David M. Barbano, Ph.D.  
Director, Northeast Dairy Center  
118 Stocking Hall  
Ithaca, NY 14853-7201

**SOUTHEAST DAIRY FOODS RESEARCH CENTER**

The Southeast Dairy Foods Research Center, with facilities and support at North Carolina State University (Raleigh) and Mississippi State University (Starkville), has been operating since 1988 and actively participates in national research planning and execution on behalf of the dairy industry. The center also hosts a Food Rheology Laboratory, Nutrition Technical Services Laboratory, and a Sensory Applications Laboratory, conducting analytical, qualitative, and affective sensory tests and flavor chemistry analyses tailored to meet specific needs of the food industry.

Additional information link: [Southeast Dairy Foods Research Center](#).

**Mississippi State University**

Department of Animal & Dairy Sciences  
240 Wise Center Drive  
Starkville, MS, 39762

**North Carolina State University**

Todd Klaenhammer, Ph.D.  
Dairy Center Director  
100 Schaub Hall, Box 7624  
Raleigh, NC 27695-7624

**WESTERN DAIRY CENTER**

The Western Dairy Center's primary location is Utah State University in Logan, with additional resources available at Oregon State University, Washington State University, and the University of Idaho. The faculty has extensive expertise in dairy processing/production, microbiology, chemistry, and sensory analysis. Research focus includes cheese flavor and functionality; cheese technology; fermented products, including cheese and yogurt; ultra-high-temperature and extended-shelf-life fluid milk beverages; milk protein chemistry, including coagulation, denaturation, and separation; milk fractionation and use of membrane separation in dairy foods; anaerobic digestion of dairy processing waste; whey protein extrusion; application of genetics, genomics, and metabolomics to lactic acid bacteria; whey and milk utilization; and microstructure of dairy.

Additional information link: [Western Dairy Center](#).

**Utah State University**

Center for Dairy Research  
Donald J. McMahon, Ph.D.  
Director of Western Dairy Center  
8700 Old Main Hill, 750 N 1200 E  
Logan, UT 84322-8700

## **WISCONSIN CENTER FOR DAIRY RESEARCH**

The Wisconsin Center for Dairy Research is located within a licensed, operating dairy plant on the University of Wisconsin-Madison campus. Building on Wisconsin's tradition as the "Dairy State," the center explores functional, flavor, and physical properties of cheese/cheese products and other milk components used as ingredients and as finished products. The center researches cheese making and dairy protein processing/separation procedures, use of dairy ingredients in foods, and technologies for product safety and quality.

Additional information link: [Wisconsin Center for Dairy Research.](#)

## **University of Wisconsin-Madison**

Wisconsin Center for Dairy Research

John Lucey, Ph.D.,

Director of Wisconsin Center for Dairy Research,

1605 Linden Drive

Madison, WI 53706-1565



## **Appendix E-2**

### **Dairy Foods Competitive Research Projects Active in 2012**

#### **PRINCIPAL INVESTIGATOR, INSTITUTION, AND PROJECT TITLE**

**Sanjeev Anand, Ph.D.** (South Dakota State University): Inactivation of Spores in Nonfat Milk and Nonfat Milk Concentrates [continued in 2012]; Modifications of CIP Protocol to prevent and control Biofilms in Dairy Processing Environment [continued in 2012].

**Sanjeev Anand, Ph.D. & Lloyd Metzger, Ph.D.** (South Dakota State University): Role of Thermotolerant and Thermophilic Sporeformers and the Biofilms in Cheese Spoilage [continued in 2012]; Improve the Microbial Quality of Milk Powders by Controlling Thermally Resistant Spore Formers and Spores [began in 2012].

**Stephanie Clark, Ph.D.** (Iowa State University): Feasibility of Integrating Ultrasound into High Temperature Short Time Processing for Extended Shelf Life Milk [began in 2012].

**Beate Crossley, Ph.D.** (University of California-Davis): Rapid High-throughput Milk Assay Adaptable to Foot and Mouth Disease and Other Pathogens [began in 2012].

**Christopher R. Daubert, Ph.D.** (North Carolina State University): Rheological and Tribological Evaluation of Creaminess in Model Dairy Systems [continued in 2012].

**Lars Dragsted, Ph.D.** (University of Copenhagen): Additional Analyses for the Copenhagen Cheese Study [continued in 2012].

**MaryAnne Drake, Ph.D.** (North Carolina State University): Application of Milk Proteins for Greek Style Yogurts With Comparable or Superior Sensory and Nutritional Properties to Traditional Strained Greek Yogurts [continued in 2012]; Hydrolysis of Milk Powder Permeate and/or Milk for no Sugar Added Flavored Milk [continued in 2012]; Source of Salty Taste in Permeate [continued in 2012]; Understanding the Role of Beverage Processing Steps on Whey Protein Flavor Contributions [continued in 2012]; Annatto Partitioning in Cheese and Cheese Whey [began in 2012]; Influence of Spray-drying Parameters and the Lactoperoxidase System to Minimize Flavor Formation in Spray-dried Whey Protein [began in 2012]; The Influence of Processing Parameters on SMP Quality [began in 2012].

**MaryAnne Drake, Ph.D. & Donald McMahon, Ph.D.** (North Carolina State University & Utah State University): At What Salt Level Do Consumers Notice Decreasing Salt Concentrations and at What Concentration Is Acceptance Negatively Impacted? [continued in 2012].

**Mark R. Etzel, Ph.D.** (University of Wisconsin-Madison): Charged Ultrafiltration Membranes for Fractionation of Milk Proteins [continued in 2012]; Electrostatic Repulsion Enhancement for Heat Stable, Clear Whey Protein Beverages [continued in 2012].

## Appendix E-2, continued

**Mark R. Etzel, Ph.D., Thatcher W. Root Ph.D., Abhiram Arunkumar, & Seyhun Gemili** (University of Wisconsin-Madison): Methods and Compositions Involving Whey Protein Isolates [completed in 2012].

**Michael Fenech, Ph.D.** (CSIRO Food and Nutritional Sciences – Australia): Bovine Milk's Potential as a Functional Food for DNA Damage Control [continued in 2012].

**Army Ferrando, Ph.D.** (University of Arkansas): Effect of Dietary Protein Intake Pattern on Skeletal Muscle in Older Individuals [continued in 2012]; Dairy Macronutrient Effects on the Metabolic Syndrome [began in 2012].

**Roger Fielding, Ph.D.** (Tufts University): Efficacy of Whey Protein Supplementation on Resistance Exercise Induced Changes in Muscle Strength, Fat Free Mass, and Function in Mobility-Limited Older Adults [completed in 2012].

**Allen E. Foegeding, Ph.D.** (North Carolina State University): Developing Whey Proteins Having Less Astringency at Low pH [continued in 2012].

**Allen E. Foegeding, Ph.D. & Bongkosh Vardhanabhuti, Ph.D.** (North Carolina State University & University of Missouri): Functional Whey Protein Ingredients Based on Designed Aggregates [continued in 2012].

**Dr. Bruce German, Ph.D.** (University of California-Davis): Characterization and Function of Milk Glycopeptides [continued in 2012]; Identification of Mammary Gland Regulatory Clusters in Bovine Genome [completed in 2012].

**Kathy Glass, Ph.D.** (University of Wisconsin-Madison): Enhancing the Microbiological Safety and Quality of Reduced Sodium Cheese with Natural Preservatives or Adjunct Cultures [continued in 2012]; Inhibition of Clostridium Botulinum in Reduced-Sodium Pasteurized Cheese Products [continued in 2012].

**Julie M. Goddard, Ph.D.** (University of Massachusetts Amherst): Non-fouling Stainless Steel for Dairy Processing [began in 2012].

**Selvarani Govindasamy-Lucey, Ph.D.** (Wisconsin Center for Dairy Research): Low Sodium Cheddar Cheese by Controlling Microbial Activity and Enhancing Flavor [continued in 2012]; and Development/Validation of Alternative Methods for Rapid Sodium Testing in Cheese [continued in 2012].

**Federico Harte, Ph.D.** (University of Tennessee): Manufacturing of Low Spores, Low-heat Milk Powders for Various Food and Beverage Applications [continued in 2012]; Product Development by the Modification of Casein Micelles Size and Stability [continued in 2012].

## Appendix E-2, continued

**Federico Harte, Ph.D. & Juan Luis Jurat-Fuentes, Ph.D.** (University of Tennessee): Nano-structure and Hydrophobic Binding Properties of the Casein Micelle [completed in 2012].

**Richard W. Hartel, Ph.D.** (University of Wisconsin): Pro-Cream/DLP Blends: Functionality and Applications [began in 2012].

**Mathew Hayes Ph.D.** (University of Pennsylvania): Effects of Dairy Macronutrients on Glucago-like-Peptide-1 Receptor Mediated Suppression of Food Intake and Blood Glucose Regulation [continued in 2012].

**James O. Hill, M.D.** (University of Colorado): America On the Move Family Program for Weight Gain Prevention [completed in 2012].

**Rafael Jimenez-Flores, Ph.D.** (University of California-Davis): Developing Milk Protein-Based Structures for New Dairy Products [continued in 2012]; Developing Milk Protein [continued in 2012]; Measuring Kinetics of Milk [continued in 2012]; Phenolic Extraction for Coffee [continued in 2012]; Pulsed-Light on Spores [continued in 2012].

**Mark Johnson, Ph.D.** (Wisconsin Center for Dairy Research): Development and Removal of Biofilms in a Pasteurizer [continued in 2012].

**Kerry Kaylegian, Ph.D.** (Pennsylvania State University): Reduction of the Saturated Fat Content of Milk Fat Fractions by Dry Crystallization of Anhydrous Milk Fat Made from Small and Large Milk Fat Globules Obtained by Microfiltration [began in 2012].

**Todd Klaenhammer, Ph.D.** (North Carolina State University): Genetics of Lactic Acid Bacteria and Their Bacteriophages [continued in 2012].

**Theodore P. Labuza, Ph.D.** (University of Minnesota): Develop Rapid and Simple Detection Methods for Dairy Proteins [began in 2012].

**Donald McMahon, Ph.D.** (Utah State University): Adapt Terbium Measurement of Spores for use during Milk Processing [began in 2012].

**Donald McMahon, Ph.D., Jeff Broadbent, Ph.D., Balasubramanian Ganesan, Ph.D., MaryAnne Drake, Ph.D., James L. Steele, Ph.D., Nana Y. Farkye, Ph.D.** (Utah State University, North Carolina State University, University of Wisconsin-Madison, California Polytechnic State University): A Systematic Study of Cheese Microbiology and Flavor Based on Salt Cation Substitution in Lower Sodium Cheddar Cheese [continued in 2012].

**Donald McMahon, Ph.D. & Allen E. Foegeding, Ph.D.** (Utah State University & North Carolina State University): Designing Filler Particles to Imitate Fat in Cheddar Cheese [continued in 2012]; Filled Gel Model for the Role of Fat in Cheese [continued in 2012].

## Appendix E-2, continued

**Lloyd Metzger, Ph.D. & Donald McMahon, Ph.D.** (South Dakota State University & Utah State University): Concentration, Storage Stability, and Functionality of Highly Concentrated Micellar Casein [continued in 2012].

**Carmen Moraru, Ph.D.** (Cornell University): Development of Pulsed Light Based Combination Surface Treatments as a Non-thermal Strategy for Microbial Inactivation on Cheese Surface [continued in 2012].

**Charles Onwulata, Ph.D.** (USDA Agricultural Research Service): Long-term Shelf Life Studies of Whey Protein Concentrates (WPC 34 and WPC 80) Under Adverse Storage Conditions [continued in 2012].

**Hasmukh Patel, Ph.D. & Lloyd Metzger, Ph.D.** (South Dakota State University): To Improve the Quality of Milk Powder by Developing Strategies to Minimize the Increase in Viscosity of Milk Concentrate with High Total Solids Milk [began in 2012].

**Devin Peterson, Ph.D.** (University of Minnesota): Identification of Taste Compounds in Cheddar Cheese: Strategies for Flavor Improvement [continued in 2012].

**Robert F. Roberts, Ph.D.** (Pennsylvania State University): Influence of Delivery System on the Efficacy of a Probiotic Intervention [continued in 2012].

**Karen Smith, Ph.D.** (University of Wisconsin-Madison): Benchmarking Study to Evaluate Quality and Performance Gaps in U.S. and International NDM/SMP [continued in 2012]; Fractionating Acid Whey Into Value-added Ingredients for U.S. in Cultured Dairy Products [began in 2012].

**Hirofumi Tanaka, Ph.D.** (University of Texas): Hypotensive Effects of Conventional Dairy Products: Role of Arterial Stiffness [continued in 2012].

**Phillip S. Tong, Ph.D.** (California Polytechnic State University): Improving SMP/NFDM Processing, Microbiological Quality, and Functionality Through Process and Ingredient Technologies That Change Mineral Composition and Activity [continued in 2012]; Effect of NaCl addition during diafiltration on the solubility, hydrophobicity, and disulphide bonds of 80% milk protein concentrate powder [completed in 2012].

**Bongkosh Vardhanabhuti, Ph.D.** (University of Missouri): Improved Cold Gelation Properties by Heated Whey Protein and Polysaccharide Soluble Complexes [continued in 2012].

## Appendix E-2, continued

**Martin Wiedmann, Ph.D., DVM** (Cornell University): Consumer Sensory Perception of Pasteurized Fluid Milk over Shelf-life [continued in 2012]; Survey of Mesophilic and Thermophilic Sporeformers in Dairy Powders and Raw Milk Across the U.S. [continued in 2012]; A Systems Approach to Reducing Spore Contamination in Dairy Powders [continued in 2012].

**Michael B. Zemel, Ph.D.** (University of Tennessee): Effects of Dairy Consumption on SIRT1 and Metabolic Risk in Humans [completed in 2012]; Modulation of Human Airway Smooth Muscle Function [continued in 2012].

**Qixin Zhong, Ph.D.** (University of Tennessee): Creating Novel Structures to Stabilize Whey Proteins during Heating Nearby Isoelectric Points [continued in 2012]; Dairy Protein-based Antimicrobial Delivery System to Improve the Microbial Safety of Dairy Products [began in 2012]; Hydrocolloids for Improved Recovery and Utilization of Lactose [began in 2012]; Physical Removal of Annatto in Cheddar Cheese Whey by Inert Absorbents [began in 2012].

**Qixin Zhong, Ph.D and MaryAnne Drake, Ph.D.** (University of Tennessee and North Carolina State University): Shelf-stable Whey-protein-based High-protein Beverages [continued in 2012].



## **Appendix E-3**

### **Nutrition Competitive Research Activities in 2012**

#### **PRINCIPAL INVESTIGATOR, INSTITUTION, AND PROJECT TITLE**

**Arne Astrup, M.D., Ph.D.** (University of Copenhagen): Health effects of a high cheese intake – Does maturation and fat content matter? [continued in 2012].

**Daniela Barile, Ph.D.** (University of California-Davis): Effectiveness of Bovine Milk Oligosaccharides in Modifying Gastrointestinal Function in Healthy Individuals [completed in 2012].

**Bradley W. Bolling, Ph.D.** (University of Connecticut): Reduction of Obesity-Associated Intestinal Inflammation by Low-Fat Dairy Yogurt [began in 2012].

**Richard Bruno, Ph.D.** (Ohio State University): Vasoprotective Activities of Low-fat Milk in Individuals with Metabolic Syndrome [continued in 2012]; Dairy Fat as a Mediator of Vitamin E Adequacy in Individuals with Metabolic Syndrome [began in 2012].

**Kimberlee Burrington** (Wisconsin Center for Dairy Research): Characterization of Commercial Hydrolyzed Whey Protein and Milk Protein Concentrate Ingredients in Nutrition in Nutrition Bars and Beverages [continued in 2012].

**In-Young Choi, M.D.** (University of Kansas): Dairy Intake and Brain Health in Aging [continued in 2012].

**Sharon Donovan, Ph.D. & Barbara Fiese, Ph.D.** (University of Illinois at Urbana - Champaign): STRONG Kids 2: A Cells-to-Society Approach to Nutrition in Early Childhood [began in 2012].

**Adam Drewnowski, Ph.D.** (University of Kansas): Meeting U.S. Dietary Guidelines for Calcium: The Role of Dairy Foods [continued in 2012].

**Nana Y. Farkye, Ph.D.** (University of California-Davis): A Systematic Study of Cheese Microbiology and Flavor Based on Salt Cation Substitution in Lower Sodium Cheddar Cheese [continued in 2012]; Effects of Salt Substitutes and Anti-Microbial Intervention Methods on Functionality and Shelf Life of Low Sodium String Cheese and the Survival of Pathogenic Bacteria [continued in 2012].

**Allen E. Foegeding, Ph.D. and R. Jimenez-Flores, Ph.D.** (North Carolina State University & California Polytechnic State University): Developing Milk-protein-based Structures for New Dairy Products [began in 2012].

**Victor L. Fulgoni III, M.D.** (Nutrition Impact LLC): Milkfat and Carbohydrate Intake Effects on Lipid Levels (NHANES) [completed in 2012]; Dairy at Breakfast and Breakfast Patterns Analysis [completed in 2012].

## Appendix E-3, continued

**Selvarani Govindasamy-Lucey, Ph.D., Mark Johnson, Ph.D., John A. Lucey, Ph.D., and John Jaeggi** (University of Wisconsin): Manufacture of a Low-sodium, Mild-flavored Cheese Suitable for Ingredient Purposes by a Curd Heating Process [began in 2012].

**Kevin Heffernan, Ph.D.** (Syracuse University) Efficacy of Whey Protein to Improve Cerebrovascular and Cognitive Function in Older Adults [began in 2012].

**Karl L. Insogna, M.D.** (Yale University): The Impact of a Protein Supplement on Bone Mass in Older Men and Women [continued in 2012].

**Rachel Johnson, Ph.D., MPH, RD.** (University of Vermont): Evaluating the Acceptance of Reformulated Flavored Milk in Schools [continued in 2012].

**Ronald M. Krauss, Ph.D.** (Children's Hospital Oakland Research Institute): Effect of a Modified Lower Carbohydrate, High Fat DASH Diet Plan on Plasma Lipids, Lipoprotein Particle Size and Blood Pressure in Healthy Adults [continued in 2012].

**Buddhi Lamsal, Ph.D.** (Iowa State University): Milk Protein Concentrates (MPC) Modification and Evaluation for Potential Applications [continued in 2012].

**Danielle Lemay, Ph.D.** (University of California-Davis): Translating the Science of Milk Genomics [Completed in 2012].

**John A. Lucey, Ph.D.** (University of Wisconsin): Development/validation of alternative methods for rapid sodium testing in cheese [continued in 2012].

**Kevin Maki, Ph.D.** (Biofortis-Provident Clinical Research): A Randomized, Controlled Trial to Assess the Effects of Low-fat Dairy Intake on Endothelial Function and Blood Pressure in Subjects with Pre-hypertension or Stage-1 Hypertension [completed in 2012]; Effect of Dairy Beverages on Insulin Sensitivity and Beta Cell Function in Men and Women at Risk for Diabetes [began in 2012].

**Maria Marco, Ph.D.** (University of California-Davis): Does Milk Matter? The Importance of Milk for Probiotics Lactobacillus casei Performance in the Gut [completed in 2012].

**Lloyd Metzger, Ph.D.** (South Dakota State University): Manufacture of Modified MPC Utilizing Injection of Carbon Dioxide [continued in 2012]; Development of Modified Milk Protein Concentrates as an Alternative to Rennet Casein [began in 2012].

**Lynn L. Moore, Ph.D.** (Boston University): Dairy Risk of Hypertension: Framingham Offspring and PREMIER Studies [continued in 2012]; Dietary Sodium and Blood Pressure in Adolescent Girls [began in 2012].

### Appendix E-3, continued

**Theresa Nicklas, Ph.D.** (Baylor University): Healthy Eating and Lifestyle for Total Health (HEALTH) [continued in 2012].

**Sharon Nickols-Richardson, Ph.D.** (Pennsylvania State University): Does a Dairy-rich Diet Modify Indicators of Inflammatory and Oxidative Stress in Adults with Excess Adiposity [began in 2012].

**Stefan M. Pasiakos, Ph.D.** (U.S. Army Research Institute of Environmental Medicine): Comparative Effects of Milk- and Soy-based Diets on Musculoskeletal Health and Glucose Homeostasis during Prolonged Energy Restriction in Rats [continued in 2012].

**Anne Raben, Ph.D.** (University of Copenhagen): The Effects of Dairy Intake on Weight Regain and Risk Markers of Diabetes and Cardiovascular Diseases [continued in 2012].

**Nancy Rodriguez, Ph.D., RD, FACSM** (University of Connecticut): Novel Approaches to Maintain Muscle Mass with Aging: Benefits of Yoga and Higher-protein Intakes in Middle-aged Men and Women [continued in 2012].

**Michael J. Saunders, Ph.D.** (James Madison University): Tolerance to Intensified Cycle Training and Subsequent Adaptations: Influence of Chocolate Milk Dairy Protein Supplementation [began in 2012].

**Karen Schmidt, Ph.D.** (Kansas State University): Radio Frequency Dielectric Heating (RFDH): A Process Lethality Treatment That Impacts Unique Functionality in Dried Dairy Powders [continued in 2012].

**Tonya Schoenfuss, Ph.D.** (University of Minnesota): Production of Low-sodium Cheddar Cheese: Improving Flavor Through the use of Flavor Enhancers, Salt Replacers and Cheese-making Procedures [completed in 2012]; Evaluating the Efficiency of the Production of Intrinsically Labeled Milk Protein Products [continued in 2012].

**Sabita Soedamah-Muthu, Ph.D.** (Wageningen University): Meta-analysis on Effects of Cheese Consumption on Blood Lipids and Lipoproteins [began in 2012]; Cheese and Fermented Dairy Intake Is Associated with Improved Glucose Regulation - a Risk Factor for Type 2 Diabetes [completed 2012].

**Gloria Solano-Aguilar, Ph.D.** (USDA Agricultural Research Service): Effects of Milk Fat on Obesity-Mediated changes in Gastrointestinal Function and Microflora Composition [continued in 2012].

**Dean Sommer, Scott A. Rankin Ph.D., and Arnoldo Lopez-Hernandez** (Wisconsin Center for Dairy Research): Evidence for Methylglyoxal-mediated Browning of Parmesan cheese during Low Temperature Storage [completed in 2012].

## Appendix E-3, continued

**Mary Beth Spitznagel, Ph.D. and John Gunstad, Ph.D.** (Kent State University): Is Milk the Drink that Helps You Think? Dairy, Acute Glycemic Control, and Cognitive Function [began in 2012].

**Laura L. Tosi, M.D.,** (Children's Research Institute): A Systems Biology Analysis of the Impact of Dairy and Calcium Intake on Type 2 Diabetes Associated Phenotypes [began in 2012].

**Marta Van Loan, Ph.D.** (USDA Agricultural Research Service): Milk Versus Calcium Citrate and Vitamin D Supplements for Bone Health in Postmenopausal Women [continued in 2012].

**Jeff Volek, Ph.D.** (University of Connecticut): Effect of Incremental Increases in Dietary Carbohydrate on Saturated Fat Levels in Blood Borne Risk Markers for Cardiovascular Disease [continued in 2012].

**Robert Ward, Ph.D.** (Utah State University): Effect of Milkfat Globule Membrane on Gut Barrier Protection in Runners [continued in 2012]; Effect of dairy product consumption on cognitive performance among elderly participants of the Cache County Study on Memory Health and Aging [continued in 2012]; Effects of Consuming Bioactive Yogurt on Endotoxemia and Markers of Metabolic Syndrome [began in 2012].

**Richard A. Washburn, Ph.D.** (University of Kansas): Whey Protein Supplementation with Resistance Training: Effect on Body Composition of Young Adults [continued in 2012].

**Connie Weaver, Ph.D. (Purdue University):** Does High Calcium Exacerbate Atherosclerosis [began in 2012].

**Angela Zivkovic, Ph.D.** (University of California-Davis): Effects of Dairy Fat on Postprandial Inflammation [continued in 2012].

## **Appendix E-4**

### **Sustainability Competitive Research Activities in 2012**

#### **PRINCIPAL INVESTIGATOR, INSTITUTION, AND PROJECT TITLE**

**Albert J. Heber, Ph.D.** (Purdue University): Assessment of Carbon Footprint Contributions to Milk Products by U.S. Dairies [continued in 2012]; Greenhouse Gas Emissions at U.S. Dairies [continued in 2012]; Evaluation and Analysis of NAEMS Dairy Barn and Area Source Emissions Data [began in 2012].

**Olivier Jolliet, Ph.D.** (University of Michigan): U.S. Fluid Milk: Beyond Carbon LCA Study [continued in 2012].

**Dennis Keiser, Ph.D.** (University of Idaho): Market Potential of Value Added Products from Anaerobic Digester Systems on U.S. Dairy Farms [continued in 2012].

**Jan Lassen, Ph.D., Peter Lovendahl, Ph.D., & Jørgen Madsen Ph.D.** (University of Copenhagen and Aarhus University): Accuracy of noninvasive breath methane measurements using Fourier transform infrared methods on individual cows [completed in 2012].

**Deanne Meyer, Ph.D.** (University of California-Davis): Environmental Stewardship Component of the California Dairy Quality Assurance Program [completed in 2012].

**MIT Sloan Management Review & The Boston Consulting Group** (Massachusetts Institute of Technology): Sustainability on Companies' Management Agenda to Stay [completed in 2012].

**Greg Thoma, Ph.D.** (University of Arkansas): Comprehensive Life Cycle Assessment for Fluid Dairy Delivery Systems [continued in 2012].

**Appendix F**  
**Qualified State, Regional or Importer**  
**Dairy Product Promotion, Research, or Nutrition Education Programs**

**Allied Milk Producers' Cooperative**

495 Blough Road  
Hooversville, PA 15936-8207

**American Dairy Association MidEast**

5950 Sharon Woods Blvd.  
Columbus, OH 43229

**American Dairy Association and Dairy Council, Inc.**

Interstate Place II, 100 Elwood Road  
North Syracuse, NY 13212

**American Dairy Association of Alabama**

5340 West Fayetteville Road  
Atlanta, GA 30349-5416

**American Dairy Association of Georgia**

5340 West Fayetteville Road  
Atlanta, GA 30349-5416

**American Dairy Association of Kentucky**

5340 West Fayetteville Road  
Atlanta, GA 30349-5416

**American Dairy Association of Michigan**

2163 Jolly Road  
Okemos, MI 48864

**American Dairy Association of Mississippi**

5340 West Fayetteville Road  
Atlanta, GA 30349-5416

**American Dairy Association of Nebraska**

8205 F Street  
Omaha, NE 68127-1779

**American Dairy Association of North Carolina**

5340 West Fayetteville Road  
Atlanta, GA 30349-5416

**American Dairy Association of South Carolina**

5340 West Fayetteville Road  
Atlanta, GA 30349-5416

**American Dairy Association of South Dakota**

2015 Rice Street  
St. Paul, MN 55113

**American Dairy Association of Virginia**

5340 West Fayetteville Road  
Atlanta, GA 30349-5416

**California Manufacturing Milk Producers Advisory Board**

3800 Cornucopia Way, Suite D  
Modesto, CA 95358-9492

**California Milk Producers Advisory Board**

3800 Cornucopia Way, Suite D  
Modesto, CA 95358-9492

**Connecticut Milk Promotion Board**

165 Capital Avenue  
Hartford, CT 06106

**Dairy Council of California**

1101 National Drive, Suite B  
Sacramento, CA 95834-1945

**Dairy Council of Michigan**

2163 Jolly Road  
Okemos, MI 48864

**Dairy Council of Nebraska**

8205 F Street  
Omaha, NE 68127-1779

## Appendix F, continued

### **Dairy Food Nutrition Council of the Southeast**

5340 West Fayetteville Road  
Atlanta, GA 30349-5416

### **DairyMAX**

2214 Paddock Way Drive, Suite 600  
Grand Prairie, TX 75050

### **Dairy Promotion, Inc.**

10220 NW Ambassador Drive  
Kansas City, MO 64153

### **Florida Dairy Farmers**

166 Lookout Place, Suite 100  
Maitland, FL 32751-4496

### **Georgia Agricultural Commodity Commission for Milk**

19 Martin Luther King Jr., Dr., SW, Room 328  
Atlanta, GA 30334

### **Granite State Dairy Promotion**

c/o New Hampshire Department of Agriculture  
25 Capitol Street, Box 2042  
Concord, NH 03302-2042

### **Idaho Dairy Products Commission**

10221 West Emerald, Suite 180  
Boise, ID 83704

### **Illinois Milk Promotion Board**

1701 Towanda Avenue  
Bloomington, IL 61701

### **Indiana Dairy Industry Development Board**

9360 Castlegate Drive  
Indianapolis, IN 46256

### **Kansas Dairy Commission**

2545 294<sup>th</sup> Rd.  
Muscotah, KS 66058

### **Louisiana Dairy Industry Promotion Board**

c/o Louisiana Department of  
Agriculture and Forestry  
47076 North Morrison Street  
Hammond, LA 70401

### **Maine Dairy and Nutrition Council**

333 Cony Road  
Augusta, ME 04330

### **Maine Dairy Promotion Board**

333 Cony Road  
Augusta, ME 04330

### **Massachusetts Dairy Promotion Board**

Suite 500, 251 Causeway Street  
Boston, MA 02114

### **Michigan Dairy Market Program**

P.O. Box 8002  
Novi, MI 48376-8002

### **Mid-Atlantic Dairy Association**

325 Chestnut Street, Suite 600  
Philadelphia, PA 19106

### **Midwest Dairy Association**

2015 Rice Street  
St. Paul, MN 55113

### **Midwest Dairy Council**

2015 Rice Street  
St. Paul, MN 55113

### **Milk for Health on the Niagara Frontier, Inc.**

4185 Seneca Street  
West Seneca, NY 14224

### **Milk Industry Development Fund of Puerto Rico/Fondo para el Fomento de la Industria Lechera**

P.O. Box 360454  
San Juan, PR 00936-0454

## Appendix F, continued

**Milk Promotion Services of Indiana, Inc.**  
9360 Castlegate Drive  
Indianapolis, IN 46256

**Minnesota Dairy Research and Promotion Council**  
2015 Rice Street  
St. Paul, MN 55113

**Nebraska Dairy Industry Development Board**  
8205 F Street  
Omaha, NE 68127-1779

**Nevada Farm Bureau Dairy Producers Committee**  
2165 Green Vista Drive, Suite 205  
Sparks, NV 89431

**New England Dairy and Food Council, Inc.**  
1034 Commonwealth Avenue  
Boston, MA 02215

**New England Dairy Promotion Board**  
1034 Commonwealth Avenue  
Boston, MA 02215

**New Jersey Dairy Industry Advisory Council**  
c/o New Jersey Dept. of Agriculture  
PO Box 330  
Trenton, NJ 08625-0330

**New York State Dept. of Agriculture and Markets,**  
Division of Milk Control and Dairy Services  
10 B Airline Drive  
Albany, NY 12235-0001

**North Dakota Dairy Promotion Commission**  
2015 Rice Street  
St. Paul, MN 55113

**Oregon Dairy Products Commission**  
10505 Southwest Barbur Boulevard  
Portland, OR 97219

**Pennsylvania Dairy Promotion Program**  
c/o Pennsylvania Department of Agriculture  
2301 North Cameron Street  
Harrisburg, PA 17110-9408

**Promotion Services, Inc.**  
5340 West Fayetteville Road  
Atlanta, GA 30349-5416

**Rochester Health Foundation, Inc.**  
c/o American Dairy Association and Dairy Council, Inc.  
Interstate Place II, 100 Elwood Road  
North Syracuse, NY 13212

**St. Louis District Council**  
1254 Hanley Industrial Court  
St. Louis, MO 63144-1912

**Southeast United Dairy Industry Association**  
5340 West Fayetteville Road  
Atlanta, GA 30349-5416

**Southwest Dairy Museum**  
P.O. Box 936  
Sulphur Springs, TX 75483

**Tennessee Dairy Promotion Committee**  
5340 West Fayetteville Road  
Atlanta, GA 30349-5416

**United Dairymen of Arizona**  
2008 S. Hardy Drive  
Tempe, AZ 85282

**Utah Dairy Commission**  
1213 East 2100 South  
Salt Lake City, UT 84106



**Vermont Dairy Promotion Council**  
116 State Street, Drawer 20  
Montpelier, VT 05620-2901

**Washington State Dairy Council**  
4201 198th Street, SW, Suite 102  
Lynnwood, WA 98036-6751

**Washington State Dairy Products  
Commission**  
4201 198th Street, SW, Suite 101  
Lynnwood, WA 98036

**Western Dairy Association**  
12000 North Washington Street, Suite 200  
Thornton, CO 80241

**Wisconsin Milk Marketing Board, Inc.**  
8418 Excelsior Drive  
Madison, WI 53717

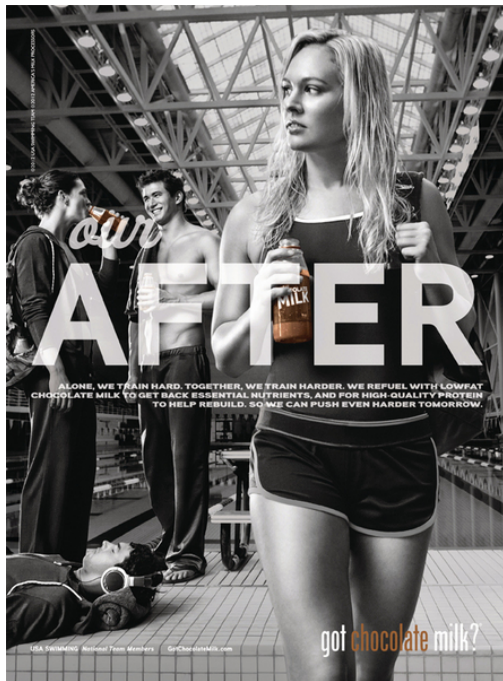
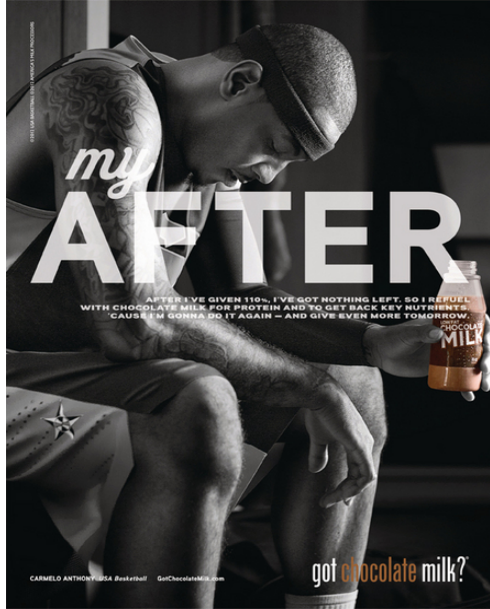
**Cheese Importers Association of America**  
(Importer Qualified Program)  
204 E Street, NE  
Washington, DC 20002

**Global Dairy Platform**  
(Importer Qualified Program)  
10255 West Higgins, Suite 800  
Rosemont, IL 60018

**Wisconsin Milk Marketing Board and  
Wisconsin Dairy Producers**  
(Importer Qualified Program)  
8418 Excelsior Drive  
Madison, WI 53717

Appendix G  
National Fluid Milk Processor Promotion Board

Milk Mustache Posters – Refuel



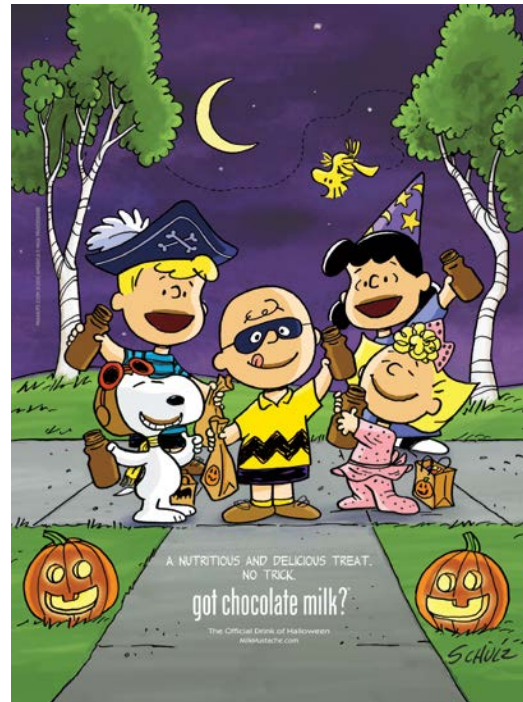
## Appendix G, Continued

### Milk Mustache Posters – The Breakfast Project



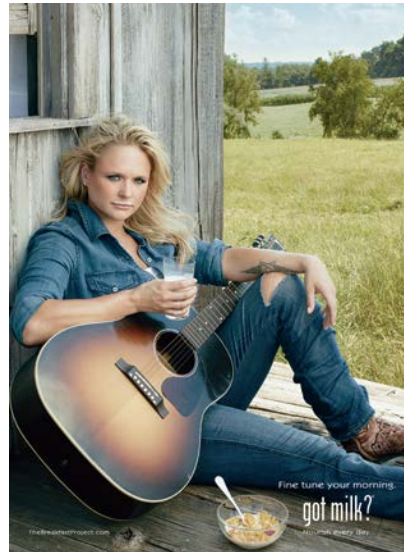
## Appendix G, Continued

### Milk Mustache Posters – The Breakfast Project and Halloween



## Appendix G, Continued

### Milk Mustache Posters – The Breakfast Project

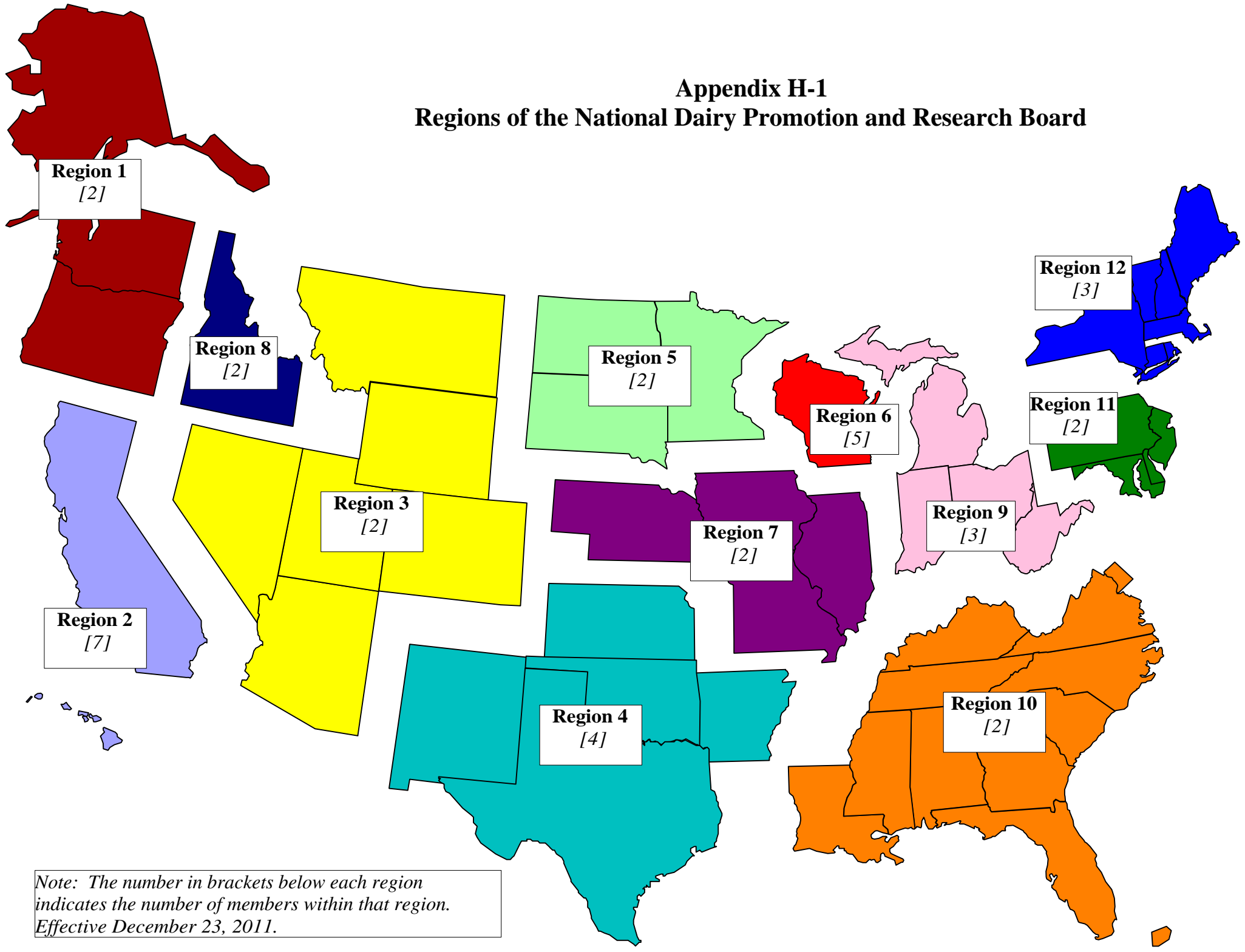


## Appendix G, Continued

### Milk Mustache Posters – The Breakfast Project - Super Bowl



# Appendix H-1 Regions of the National Dairy Promotion and Research Board



*Note: The number in brackets below each region indicates the number of members within that region. Effective December 23, 2011.*

**Appendix H-2**  
**Regions of the National Fluid Milk Processor Promotion Board**

