

DAIRY SALES UPDATE



U.S. Dairy is a Long-Term Growth Market

TOTAL DAIRY SALES
Milk Equivalent, Total Solids Basis

10 Year Average Annual Growth 2011-2021

Domestic Inflation Challenge Growth 2021-2022

Global Economic Struggles Growth 2022-2023

+3.1
billion lbs.
+1.5%

+0.4
billion lbs.
+0.2%

+1.5
billion lbs.
+0.7%

Source: USDANMPPF

SUMMARY: Sales data from USDA and the National Milk Producers Federation includes sales across all dairy products and all possible channels. Dairy has posted strong long-term sales gains, averaging 1.5%/year for the ten year period 2011-2021. More recently, dairy has faced challenges with high inflation, sluggish economic growth in key export markets and reduced demand from China. Combined, these factors slowed dairy's rate of growth in 2022 and 2023 from the previous level.



Domestic & Export Markets Challenged in 2022-23, Counterbalancing One Another



Accounts for 83% of U.S. milk production



Accounts for 17% of U.S. milk production

MILK EQUIVALENT, TOTAL SOLIDS BASIS

10 Year Average Annual Growth (2011-2021)

+1.8 billion lbs.
+1.0%/yr.

+1.3 billion lbs.
+4.2%/yr.

2021-2022

-1.6 billion lbs.
-0.8%/yr.

+2.0 billion lbs.
+5.2%/yr.

2022-2023

+4.5 billion lbs.
+2.4%/yr.

-3.0 billion lbs.
-7.4%/yr.

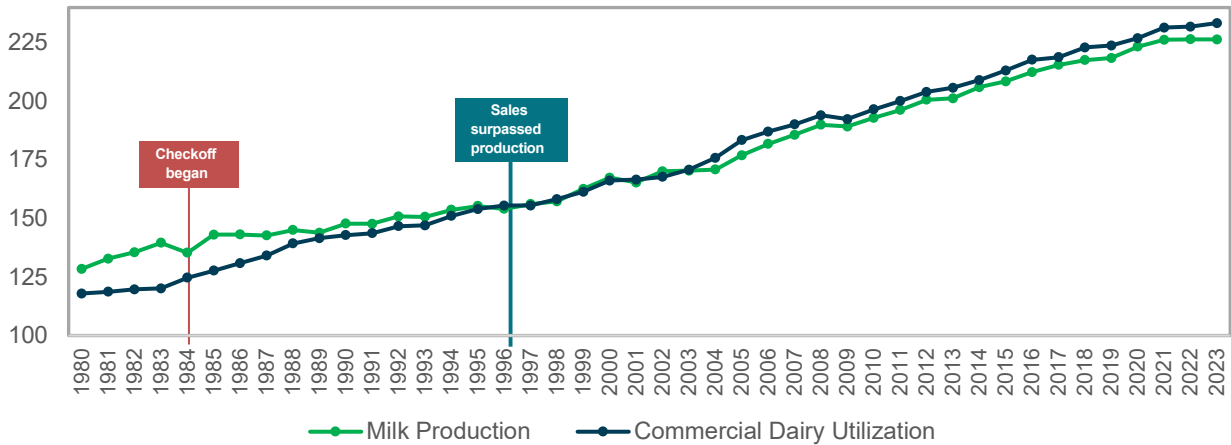
SUMMARY: Both the domestic and export markets contributed to long-term gains in dairy sales. Dairy faced economic hurdles in 2022-2023. Four-decade high inflation in 2022 presented challenges on the domestic front. While the domestic sales saw a downturn, exports' strength more than offset the loss. In 2023, U.S. dairy exports were hampered by a frail global economic market. The domestic market however, recovered, more than offsetting the export decline.

CHECKOFF IMPACT



U.S. Milk Production vs. Total Dairy Sales

U.S. MILK PRODUCTION VS. TOTAL DAIRY SALES



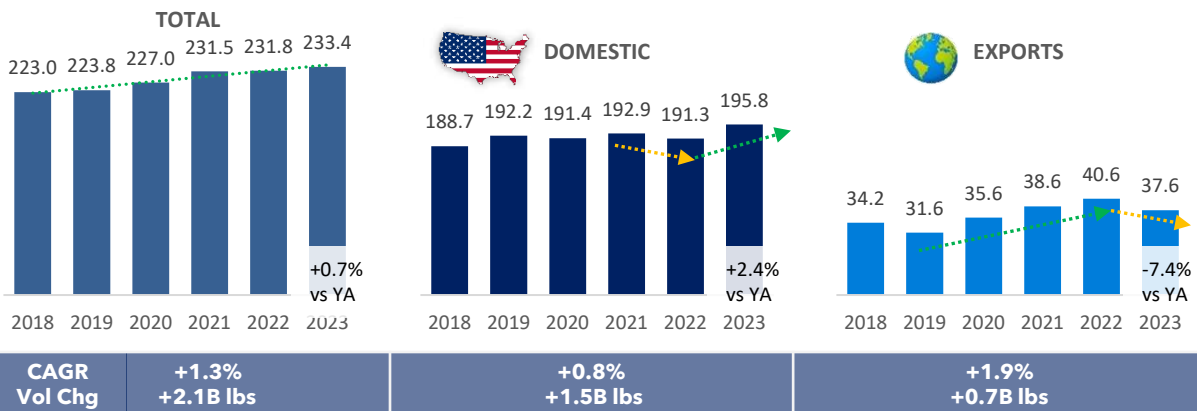
SUMMARY: In the 1980s, milk production surpassed commercial use of dairy. By 1983, there was a 17 billion pound surplus of milk. That gap has been closed due to growth in sales of both domestic and exported dairy products due in part to the investment of dairy farmers through the dairy checkoff program, which was established in 1983 through the Dairy Production Stabilization Act.



U.S. Dairy Growth 2018-2023

DAIRY COMMERCIAL VOLUME AND GROWTH 2022-2023
All Products, Milk Equivalent Total Solids Basis

5 Year
2018-2023
Annual
Growth



Source: NMPF; CAGR=compound annual growth rate

4

SUMMARY: Over a shorter timeframe, U.S. dairy volume averaged growth of 1.3% or 2 bil lbs/year. Total dairy volume closed out 2023 with a gain, buoyed by recovery and growth in the domestic market. U.S. dairy exports declined in 2023 from a peak 2022 level.

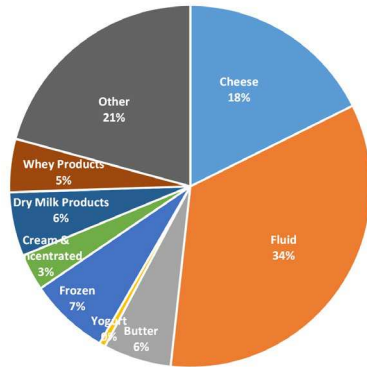
CHECKOFF IMPACT



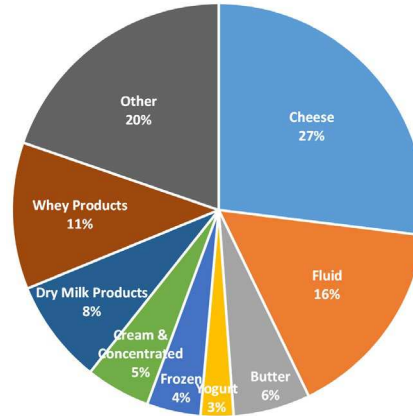
Dairy Consumption Combined U.S. & Imported Dairy

Total dairy use is up by +94%, 113 billion lbs

1983 Total Consumption
120 billion pounds



2023 Total Consumption
233 billion pounds



Source: NMPF – Milk Utilization by product on total solids basis;

*Misc. includes sweet creams and other uses

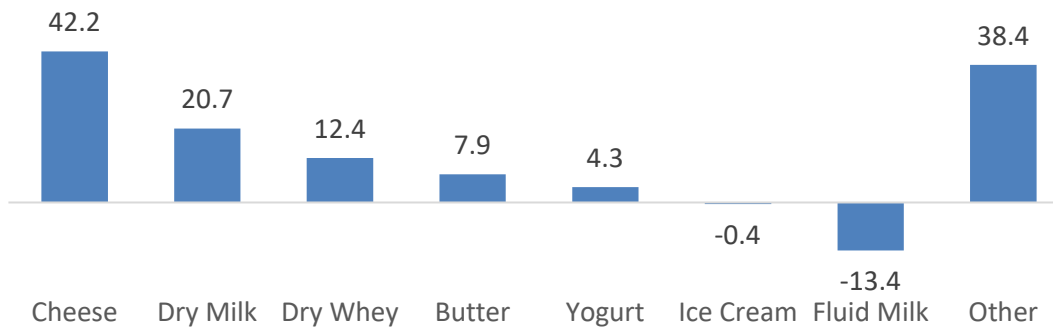
Yogurt's share is understated, as it does not properly account for growing share in higher-solid Greek

SUMMARY: Total dairy sales have grown tremendously since 1983 and the product mix has shifted. Cheese has contributed heavily to the gain due in part to the checkoff's pizza partnerships. Milk sales have not kept pace - to address this checkoff engages with brands like fairlife, Kroger, Dairgold and Shamrock to influence and inspire innovation for new milk products.



Milk Utilization Growth by Product

Volume Change 1983 to 2022
Milk Equivalent, Million Pounds



Source: NMPF – Milk Utilization by product on total solids basis; may not add to total due to rounding. Data limitations at this time prevent further breakdown of other.

*Misc. includes sweet creams and other uses

SUMMARY: Cheese has been the top driver of long-term growth in total milk. Dry milk and whey, butter, yogurt and "other" were also important fuels. Fluid milk has struggled over the years with factors including beverage competition, changing breakfast behaviors, a lack of category innovation and marketing. Over recent years, the milk innovation and marketing landscape is changing with investment in value-added milks by Lactaid, Fairlife, Darigold, Shamrock and retailer lactose-free milks.

HISTORY OF CHECKOFF

WHO WE ARE



The dairy checkoff program was created by dairy farmers to help sell the

17 BILLION POUNDS OF SURPLUS MILK that existed in 1983.

Since the dairy checkoff began in 1984, dairy farmers have experienced an annual growth in milk's commercial disappearance. Dairy sales have grown from 120 billion pounds in 1983 to 233 billion pounds in 2023.

AN INCREASE OF 113 BILLION POUNDS

Dairy farmers pay 15 cents and dairy importers pay 7.5 cents for every hundred pounds of milk they sell or import into a generic dairy product promotion fund – familiarly called the "dairy checkoff" – that Dairy Management, Inc. manages along with state and regional promotion groups, like the American Dairy Association Mideast. That money – with USDA oversight – is used to fund programs aimed at promoting dairy consumption and protecting the good image of dairy farmers, dairy products and the dairy community.

FOLLOW ALONG TO LEARN MORE



Sign up to receive the American Dairy Association Mideast's monthly newsletter at Drink-Milk.com for timely updates and follow us on social media to see your dairy checkoff at work.



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American Dairy Association
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