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Dear Processors and Industry Partners,

I have served on the MilkPEP Board for many years and am honored to now serve as Chair of the Board. I am excited to take on this new position during this unique time as MilkPEP, the dairy industry, and the world face many changes and unknowns during the COVID-19 pandemic. While 2020 was an unexpected year for all, there were many bright spots for milk. The future of milk is hopeful, and I encourage my fellow processors and industry partners to rally together to capitalize on the current momentum of the category. With lockdowns keeping everyone at home, the global pandemic led many people back to the dairy aisle, validating the nationwide trust in milk to keep families healthy and to provide entertainment and joy at home.

MilkPEP capitalized on milk’s positive momentum in two primary ways. First, by supporting and publicly thanking dairy’s essential workers for bringing milk’s invaluable nutrition to every American despite the many operational obstacles. This heartfelt thank you was demonstrated through a national TV spot. Likewise, MilkPEP also provided immediate guidance and support to processors, industry partners, food banks, and more to ensure every American continued to receive milk. Second, MilkPEP leaned into the stay-at-home fun bringing back the iconic tagline ‘got milk?’ and launching a socially-led campaign: #ShowUsWhatYou’veGot. This program was kickstarted with team USA swimming superstar Katie Ledecky and encouraged consumers everywhere to join in on the fun by demonstrating their skills. This campaign successfully generated billions of views for milk.

I am proud of the many ways MilkPEP navigated the pandemic by quickly shifting priorities, rapidly planning programs, and generating creative media to keep consumers’ ever-changing needs at the forefront. However, it is imperative that MilkPEP and the entire dairy industry keep planning for 2021 and beyond. Industry collaboration is more important now than ever. As a dairy community, we must work together across the supply chain to look towards the future, share resources and drive sustained change that serves our industry, consumers, farmers, communities, and the planet.

I am honored to serve as Chairman of MilkPEP’s Board of Directors and am incredibly optimistic about milk’s future and the year ahead.

Sincerely,

Rachel Kyllo
Senior Vice President, Growth and Innovation
Kemps LLC
2020 was a year of change – some planned, though mostly unpredictable. While turbulent, the last year led to many positive evolutions for both MilkPEP and the milk category, and it is now incumbent on the industry to collectively sustain the renewed demand for milk.

During the start of the pandemic, American's trusted milk to nourish their families. In fact, 72% of moms said it was their #1 “must have” food above other pantry staples, such as bread and eggs. As sales numbers soared to new heights, we watched the industry rally together to ensure every American received the milk their families needed. The year ended with milk sales up 18.5% over 2019. But people weren’t just buying milk – generations of milk lovers were using it in new and exciting ways.

MilkPEP immediately capitalized on milk’s momentum. We developed a digitally focused, socially-led campaign with the return of an iconic tagline, reimagined for a new generation: ‘got milk?’ The campaign launch has been our most successful and attention grabbing to date, with over half a billion earned media impressions – three-times more than any other milk campaign launched in recent years. We saw increased engagement rates, higher industry participation than ever before, and dove head-first into a new channel, TikTok, with the #GotMilkChallenge. MilkPEP tapped into mega-stars such as Katie Ledecky and Tony Hawk to garner over 4 Billion views on TikTok, letting everyday Americans join in on the fun.

Additionally, MilkPEP pivoted quickly to help the industry navigate the “new normal” of the pandemic. MilkPEP’s COVID-19 webinar series shared COVID-19 related research and insights to help processors navigate the rapidly changing consumer-retail landscape. Despite the year’s challenges, MilkPEP embraced the opportunity to partner with the industry and cement the demand for milk.

Finally, in a year full of change, MilkPEP embarked on a quest for a new agency – seeking fresh thinking on our long-standing goals and improved operational efficiencies. After an exhaustive search, MilkPEP rewarded GALE (an MDC company) as the new agency of record. GALE is not only an award-winning advertising agency, but a true business partner. Their analytic rigor, audience-first mindset and passion for the milk category is sure to bring excitement to the industry. MilkPEP began the transition period in Q4 2020, and we are excited to share more about this new partner, and campaign, in the coming months.

Amidst the turbulence of 2020, I am proud of my team, and the entire industry, for their resilience and flexibility. From a sales perspective, 2020 was a great year for milk, but it is imperative we sustain the demand. MilkPEP cannot do this alone – we must work collectively as industry to put the consumer first, make milk matter more, and future proof the category.

My door is always open, and I value your thoughts and feedback!

Sincerely,

Yin Woon Rani, CEO
MilkPEP
AGENCY CHANGE

One of the most monumental decisions made by MilkPEP in 2020 was to change agency partners. MilkPEP worked with our previous agencies for over 20 years, and are eternally grateful for the resourceful thinking, creativity and support they provided the organization and the industry. However, after an exhaustive agency search, MilkPEP selected GALE (an MDC Company) to be the new agency of record.

MilkPEP wanted fresh thinking against goals, better integration across disciplines and audiences, decreased cost, increased operational efficiencies and, finally, a partner with a strong commercial orientation. GALE is not just an advertising company, but a true business partner – they bring analytical rigor, and an audience and challenger mindset into everything they do. Above all, they have a passion for milk. The agency transition began in Q4 2020, and will produce new work in 2021 starting with the final Olympic Campaign.

CONSUMER PROGRAM

Q1: THE REAL MILK MASTERS

With MilkPEP’s brand promise, to inspire people to savor what’s real and truly matters, at the heart of our communications, MilkPEP kicked off 2020 Love What’s Real efforts with the “Real Milk For Every Moment” strategy and the “Real Milk Masters” program.

In pursuit of educating consumers on milk’s benefits and versatility, MilkPEP’s research identified three key moments to maximize and expand milk consumption— anytime, snacking, and morning. The program took shape with influencer marketing as the core communication vehicle driving towards high opportunity shopper segments. Approaching the year with a total market strategy across all content, the Milk Masters network spanned from parents and chefs to athletes and kids, personifying real milk for every moment.

Capitalizing on the New Year timeframe, the program pierced resolution conversations by giving expert voices a platform to educate consumers on the downsides of dairy-free diets. The program evolved into inspirational territories in the voice of Real Milk Master Chefs, showcasing and encouraging real milk usage occasions.

Across dynamic digital and shopper placements, the shopper program drove over 22 million media impressions with strong engagement across all units, and purchase behavior was highly impacted through Ibotta, with 1 million shoppers reached. Milklife.com and publishing channels supported this program with interactive content encouraging the exploration of milk options increasing average session duration and site clicks. Impressively, with Q1 campaign priorities focused on nutrition content within the Masters program, Milklife.com saw a 72% increase in YoY traffic.
Although COVID-19 shook reality for many, MilkPEP remained agile and adapted to the changing needs of consumers. MilkPEP put gears in motion for contingency plans as chances of the Olympic Games postponement increased. In light of the pandemic, one thing became very clear: consumers had become more positive about milk than ever before. Social conversation was focused on the value of milk, with May 2020 reports showing retail milk volume up 4.1% YTD, sales dramatically increased as Americans considered – and stocked up on – staples that were equally comforting and functional in the kitchen.

Amid all the uncertainties of the past year, MilkPEP was tasked with reclaiming the milk narrative and sustaining consumption. With the 2020 re-plan positioning milk as the ‘yes’ in a world full of ‘no,’ MilkPEP used the foundation of support to rally the industry and reach consumers with a positive milk story, leveraging milk’s heritage of social good. This was also a foundational effort to help reclaim the dairy narrative, setting the stage for sustained emotional connection and usage in the future. MilkPEP aligned with industry partners to put rapid response communications in effect. As a result, “From All Of Us” delivered this promise from the dairy industry to do what it takes, from early mornings on the farm to long days in the plant, to get milk to consumers.

“From All Of Us” aired in April of 2020 and was supported digitally with record sharing – more than 5,000 shares on Facebook alone. It included posts from Team Milk athletes across the country and was shared by 13 milk brands and industry partners. Social content supporting Feeding America donations delivered 2.9MM impressions and more than 500K video views. With more than 60K visits to milklife.com/give, engagement and support were high. While the world was changing, MilkPEP’s brand promise remained relevant with more emphasis on what really mattered: comfort and connection. Content was designed to help consumers navigate challenging times with simple recipes, easy crafts and dairy-related educational content garnering nearly 3MM views in social channels.

COVID-19 RESPONSE

Although COVID-19 shook reality for many, MilkPEP remained agile and adapted to the changing needs of consumers. MilkPEP put gears in motion for contingency plans as chances of the Olympic Games postponement increased. In light of the pandemic, one thing became very clear: consumers had become more positive about milk than ever before. Social conversation was focused on the value of milk, with May 2020 reports showing retail milk volume up 4.1% YTD, sales dramatically increased as Americans considered – and stocked up on – staples that were equally comforting and functional in the kitchen.

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THE DAY SPORTS STOOD STILL

2020 was meant to be milk’s final year as an official sponsor of the U.S. Olympic and Paralympic Committee (USOPC). The stage was set in Tokyo for an exciting Summer Games with the promise of several newly-inducted sports to celebrate, including skateboarding, surfing and rock climbing. Milk prepared to take on Toyko with a robust plan built to demonstrate how the road to Olympic glory is paved with real milk moments, brought to life differently through the lens of each of the three consumer campaigns: ‘Milk, Love What’s Real’ (parents), ‘Milk It!’ (tweens) and ‘Built with Chocolate Milk’ (athletes).

However, no one could have predicted the global pandemic, and on March 24th, the Olympic Games were postponed for the first time in history. What happens when an Olympic sponsor suddenly has nothing to sponsor?
'GOT MILK? FOR GEN SOCIAL

During the early months of lockdown, average-positive mentions of milk in social media jumped 39%. While stuck at home, Americans reached for milk and did some pretty amazing things with it. Not only were people pouring it in a glass and using it in trendy recipes, but they were dancing with it, counting out reps with it, pouring it into bathtubs and backyard pools, creating new trends and rediscovering milk’s outright deliciousness. Americans went out and, well, got milk.

With Olympic plans left by the wayside and the realities of COVID-19 setting in, an opportunity to reimagine 2020 through a single campaign approach full of energy and optimism emerged. What better time to re-launch the ‘got milk?’ campaign to a national audience, inspiring a whole new generation to ask the iconic question. Milk was an easy “yes” for parents and kids in a pandemic world that sometimes feels full of “no’s”. Finding a “yes” through creativity and imagination helped milk build cultural equity with youth and motivate usage at home.

Five-time Olympic gold medalist, Katie Ledecky, kicked things off with a launch that consumers had to see to believe. Timed to tap into a cultural moment – the cancelled 2020 Olympic games – Katie swam across an Olympic-sized pool and balanced a glass of chocolate milk on her head without spilling a single drop. Katie posted her amazing swim to TikTok, her first ever video on the platform. Her challenge to the world: “Pour a glass of milk and do something amazing – without spilling.” A series of top TikTok influencers were poised to respond with their own amazing milk-based videos, each of which challenged their audiences to “show us what you got” with milk.

Responses to the #GotMilkChallenge rolled in from kids, teens, celebs and cultural icons. From team mascots to an Australian Olympic swimmer to celebrity chef Giada De Laurentiis, everyone wanted in on the ‘got milk?’ action. Milk mustache campaign alum and skateboarding legend Tony Hawk even tried his hand at the challenge and landed an incredible McTwist, full glass of milk in hand.

The entirety of ‘got milk?’s social efforts were covered across the spectrum of media, earning mentions in CNN, ESPN Sports Center Top 10, People, Buzzfeed and beyond. The Cut even proposed a change to the entire Olympic Games to be more like the #GotMilkChallenge. Milk simultaneously trended on both Twitter and the front page of Reddit. Our challenge received over 4 billion views, prompting TikTok to advertise the campaign as a best-in-class example of the platform. The campaign generated more than 18K media stories and 540MM earned impressions in its first month.
Understanding the intricacies of the shopper’s journey from inspiration to purchase is critical for a successful shopper marketing program. But what happens when that journey changes overnight?

In March 2020, life as Americans knew it came to a halt. Stay-at-home orders impacted how people lived, worked and played. As a result, COVID-19 and lockdowns, MilkPEP implemented a rapid-response ecommerce plan to ride out the wave of organic online grocery growth as traffic surged, while focusing efforts on lower-funnel, conversion-based tactics to encourage adoption of buying milk online. Using a retail-first approach, MilkPEP partnered with several retail.com and pure-play delivery partners.

In addition to our rapid response e-commerce, MilkPEP’s shopper marketing program advanced to a more digitally-focused plan that met our shoppers on their evolving journey.

Stuck at home, consumers flocked to recipe sites for inspiration, amplified their social media usage longing for engagement with others, embraced value offers and joined the growing trend of buying anything and everything online.
A LOOK INTO 2021

2021 will be a year of transition. Throughout the first half of the year, MilkPEP will onboard our new agency partners, GALE, and spend time immersing them in milk culture and crafting a fine-tuned marketing strategy. During the second half of the year, MilkPEP aims to finalize this new marketing approach, and shift to the new realities of post-pandemic life.

Building on the success of the 2020 reintroduction of ‘got milk?’ will not be an easy task, specifically as consumers spend more time regaining some sense of normalcy. Americans are unlocking from quarantine, returning to work and school, and are once again spending more time away from home.

Despite the uncertain cultural and commercial implications, MilkPEP continues to hone our positioning, sharpen our consumer and shopper strategy, and transition to a more data-driven, digitally enabled, modern marketing approach. While our team worked to develop the next chapter of ‘got milk?’, MilkPEP kicked off the new year by leveraging the category’s strength during the morning hours with the Q1, ‘But First Milk’ program. Throughout January, and in partnership with General Mills, we featured the iconic ‘got milk?’ lockup on more than 5 million boxes of their most popular cereal brands, including Cheerios, Lucky Charms, Cinnamon Toast Crunch and others. The program results were encouraging, but we have recently begun to see a softening in the category as we lap the 2020 “pandemic pantry loads” of last March and April. After years of losing share of voice, shelf and mind to countless beverage categories and competitors, we have narrowed our strategic focus to one singular marketing objective: to build reconsideration for milk among kids and through their parents.

Long before the dawn of beverage option abundance – from bottled water, protein shakes, sodas, RTD coffees, kombuchas and more – there was milk. And, over the past year, consumers were reminded of the love they have for and economic, nutritional and emotional value they get from milk.

In 2021, MilkPEP will highlight the natural, nutritional awesomeness that is milk as we rightfully reclaim the performance narrative that milk owns with our new campaign: You’re Gonna Need Milk for That. This campaign is built on the simple, authentic truth that milk has the nutritional credibility to power preparation, performance, and recovery for your greatest challenges wherever, and however, you compete.

MilkPEP will kick off this campaign in the Spring with the introduction of Team Milk, featuring four Olympic hopefuls. The program will run as a fully-integrated,
omnichannel campaign with exclusive content on-air, online and in-store featuring beautiful imagery, video and engaging consumer challenges on social media to drive attitudes, consideration and consumption. Following the Olympics, MilkPEP will develop a back-to-sports themed program that will continue to amplify milk’s powerhouse performance benefits as the reason to believe for the You’re Gonna Need Milk For That campaign.

INDUSTRY PROGRAM

INDUSTRY LEADERSHIP THROUGHOUT COVID-19

The wake of COVID-19, MilkPEP pivoted our industry efforts to help milk processors navigate the new retail and consumer landscapes. In a matter of days, MilkPEP established their “COVID Webinar Series”, in which we hosted 10 webinars in 11 weeks, providing invaluable information, research and insights from 23 speakers to 728 attendees from 36 organizations.

MilkPEP’s deep understanding of the USDA commodity purchasing programs was critical to help brands navigate the many COVID-19 related food assistance programs.

Due to COVID-19, there was an emergent need to help local families across the country gain access to food through local food banks or non-profits. MilkPEP built our efforts off of the strong foundation we had previously established with the hunger channel, and was able to jump into action to support new funding under USDA’s existing programs: The Emergency Food Assistance Program (TEFAP) and the major new stimulus program Coronavirus Food Assistance Program (CFAP), also known as the Farmers to Families Food Boxes.

Working closely with the USDA, IDFA, Feeding America, DMI and NDC MilkPEP communicated new program details quickly and efficiently. Thanks to the support from participating milk brands across the industry, the USDA has continued to purchase milk – estimated at over 170MM gallons in 2020. For 2021, Fluid Milk has already received $60 million dollars in allocated under TEFAP, plus ongoing stimulus legislation funding.

The pandemic quickly rallied the industry together, and MilkPEP joined hands with organizations across the category to bring valuable information to processors, consumers and more with the shared goal of bringing milk’s nutrition to Americans across the country in their time of need.

Following the launch of ‘got milk?’, MilkPEP worked with milk processors to bring their unique consumer activations to life on platforms such as TikTok and Instagram. Altogether, MilkPEP saw 83 brand activations.
A LOOK INTO 2021
The success of the individual brands and processors is imperative for MilkPEP and the fluid milk category. In 2021, increased resourcing will improve MilkPEP Industry Leadership and drive more value to the industry. Processors and brands will see this come to life through new and improved communications, 1:1 outreach, and a dedicated processor website.

F I N A N C I A L
R E P O R T

The Board’s financial management firm, The Colony Group, LLC reports an estimated $85.7 million, net of adjustments, was collected from processors through the 20 cent-per-hundredweight assessments during the fiscal year January 1, 2020 through December 31, 2020. The assessments represented a $2.5 million increase compared to the previous year. The increase is due to 2019 assessments including an allowance for bad debt of $3.5 million related to bankruptcy filings of two processors. 2020 Assessments net of the allowance were down .97% overall.

TOTAL ASSESSMENTS, 2015 - 2020
Other revenue, including interest income and late fees assessed amounted to $79,481 which was $93,742 less than other revenue in 2019. This was due to a decrease in interest percentage on cash balances during 2020. The total spending for 2020 on advertising, promotion and education for fluid milk products and other expenses totaled an estimated $77.9 million which is a decrease of $10.6 million from 2019. Cash flow remained solid throughout the year with the lowest average monthly balance in November of 8.1 million.
TOTAL SPENDING BY YEAR, 2015 - 2020

The 2020 California Grant represented $7.2 million of the total expenses resulting in total net expenses toward estimated programs and administration of $70.6 million. The California Grant increased by $35,185 from 2019. The grant increased due to 2019 including an allowance for two processor bankruptcies. Under the Fluid Milk Promotion Order (Section 1160.210), the Board provides 80% of collections to California processors in Regions 14 and 15 as a grant to the California Milk Processors Board (CMPB) to coordinate and conduct an advertising program in the California market. As part of Federal regulations, MilkPEP evaluates the measurement and effectiveness of the program dollars being spent by the CMPB.

The percentage of spending devoted to program costs, net of the California grant, decreased to 95.2%. Continuing with the program planning approach MilkPEP adopted in 2012, the budget for program costs focuses on Milk Life and Built with Chocolate Milk. The total program spending in 2020 was $10.4 million less than 2019. 92% of the 2020 total spending net of the California Grant was for Milk Life and Built with Chocolate Milk. Milk Life spending decreased $5.0 million to $55.6 million. $9.1 million was spent on Built with Chocolate Milk which is down $5.6 million from 2019. Administrative expenses were down $203k from 2019 due to staffing changes and a decrease in USDA expenses. USDA Oversight costs decreased $165k from previous year.

PERCENTAGE OF SPENDING NET OF CALIFORNIA GRANT, 2019 - 2020

The Board’s financial statements for the year ended December 31, 2020 are being audited by the independent accounting firm Snyder Cohn, PC. They will be presented to the MilkPEP Board for review and acceptance at the June 2021 Board Meeting. The MilkPEP Board is confident that we continue to direct the program in the most effective and efficient manner possible.