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Description of document: Meeting minutes of the National Fluid Milk Processor Promotion Board (MilkPEP), 2006-2013 released by the US Department of Agriculture (USDA) Agricultural Marketing Service (AMS)

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In reply, please refer to
FOIA 2014-AMS-02546-F

MAY 22 2014

This is a final response to your March 9, 2014, request under the Freedom of Information Act (FOIA) (5 U.S.C. § 552) received by the Agricultural Marketing Service (AMS) by email on March 10, 2014. You requested the meeting minutes of the National Fluid Milk Processor Promotion Board from January 1, 2006, to the present.

Our search produced 446 pages of responsive documents, consisting of Board minutes from 2006 through 2013. We are releasing 409 pages in their entirety and 37 pages in part. Please find this information on the enclosed compact disc.

In the 37 pages being released in part, signatures are withheld pursuant to FOIA exemption 5 U.S.C. § 552(b)(6), as release of this information would represent a clearly unwarranted invasion of personal privacy.

This completes USDA action on your request. You have the right to appeal this action within 45 days from the date of this letter. Any appeal must be in writing and addressed to: Administrator, USDA, AMS, STOP 0201, 1400 Independence Avenue, SW., Washington, DC 20250-0201. If you decide to file an appeal, please provide specific reasons why you believe modification of the initial decision is warranted. To facilitate the processing of any appeal, the phrase "FOIA APPEAL" should be placed in capital letters on the front of the envelope and on accompanying correspondence.

Sincerely,



Carrie Helmold
AMS Freedom of Information Act Officer

Enclosure

MINUTES

MilkPEP Board Meeting – General Session Palm Springs, CA

January 13-14, 2006

Chairman J.T. Wilcox was absent from the meeting. Bill McCabe presided as chairman.

The chairman called the meeting to order at 8:00 a.m. Members present included Mike Nosewicz, Mike Touhey, Bob McCullough, Jerry Tidwell, Jay Jaskiewicz, Bill McCabe, Brian Hough, Jim Turner, Mike Krueger, Susan Meadows, Joe Cervantes, Gary Aggus, Bob Baker, and Rachel Kylo. Also present were Kurt Graetzer and Ron Rubin (MilkPEP staff); John Mengel, Whitney Ricks, and Angie Salinas (USDA liaison); Wayne Watkinson (legal counsel); Scottie Mayfield (past chairman of the MilkPEP Board); Miriam Erickson Brown, Jay Bryant, Jill Schroeder, Jeff Kellar, Alexander Guida, Dub Garlington, and Buddy Gaither (industry reps); and appropriate members of the IDFA staff.

The Board reviewed the minutes of the July 13-14, 2005 Board meeting, including the executive session. Motion by Mike Krueger, second by Jim Turner, to approve the minutes as presented.

Angie Salinas presented a report on behalf of USDA. She indicated there were 19 nominees for 7 positions and two vacancies. Ms. Salinas also indicated that she had conducted a visit to Rubin & Associates to review Board files. There are no exceptions noted.

The Board reviewed the status of programs beginning with the Wake Up to Weight Loss program. It was reported that total January retail signups included 1,196 accounts with 23,800 stores. The Kellogg partnership was discussed, resulting in 10 million packages in February, delivering 50 million impressions at no cost to MilkPEP. The 2424milk.com interactive program was discussed, as well as the "Wake Up in Paradise" sweeps promoted via 10-second TV tags. A new weight loss TV was reviewed.

- New Weight Loss TV advertising, Magic Moments, debuts nationwide on Monday
 - Evolution of 2005 "Skinny Glass Woman" spots
 - Focuses on the emotional moments made possible through weight loss with milk
- One General Market :30 and one Hispanic :30 debut this month
 - A second General Market version will debut during May media flight

In addition, the Breakfast with Milk was also promoted via two 30-second network radio commercials which began airing nationwide for four weeks starting January 9. The Hispanic overlay portion of this program was reviewed with Claudia Gonzalez promoting the importance of a milk-based breakfast.

The results of the New York City event to educate editors about the weight management benefits of breakfast and milk were reviewed. The program included 40 editors and nutrition writers. The science was showcased by Molly Ringwald and an expert panel. The kickoff event for the Great American Weight Loss II Challenge was launched at Grand Central Station. The program

included breakfast for 5000 commuters. This event was further impacted by a segment on The View in which Elizabeth Somer helped translate the science encouraging women to take part in the challenge.

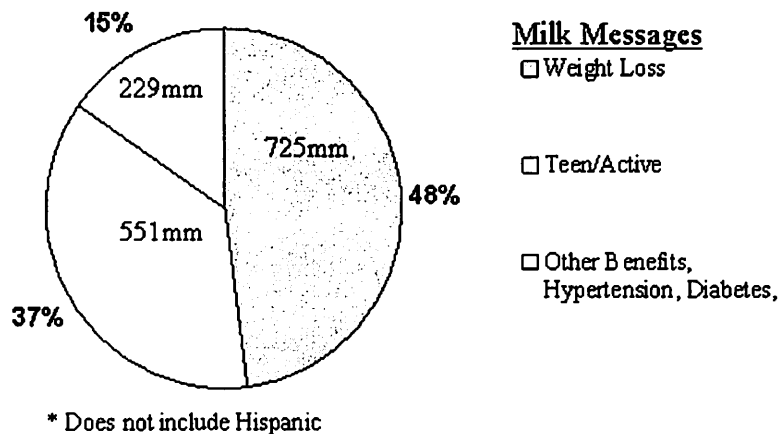
The Advertising Committee presented ads featuring Joss Stone, Serena Williams and Donovan McNabb.

The PR Committee presented results relating to the 2005 program.

- Generated 1.65 billion media impressions
 - Exceeded PR goal by more than 20%
- 30,000 stories in multiple media channels
 - Weight loss story was key ingredient in driving both national and local media
 - Today Show, Fitness, Shape, 500+ local TV stories
- \$6.06 CPM vs. goal of \$7.41

In response to a question relating to weight loss, the following information was presented:

- Nearly half of the stories placed focused on the weight loss message
 - While continuing to reinforce the multitude of reasons to choose milk



With regard to the Hispanic program, it was reported that it reached 234.8 mm impressions in 2005.

The activity relating to the Nutrition News Bureau was reviewed by the Board. The following studies were publicized since July.

STUDY	FINDINGS	MESSAGE DELIVERY	RESULTS
WEIGHT LOSS			
<i>Obesity Research</i> July 2005	Diet high in milk and dairy products doubled the amount of weight and fat loss in African Americans	Dr. Michael Zemel Barbara Dixon, R.D.	<ul style="list-style-type: none"> • 52 TV/radio placements • 6.2 MM media impressions
<i>American Journal of Clinical Nutrition</i> December 2005	Women who consumed more milk and dairy burned more fat and calories	Dorothy Teegarden, Ph.D.	<ul style="list-style-type: none"> • 24 TV placements • 2.6 MM media impressions
OTHER			
<i>American Journal of Clinical Nutrition</i> November 2005	People who drink more lowfat milk have lower incidence of hypertension	Researcher in Spain	<ul style="list-style-type: none"> • 131 TV placements • 6.6 MM media impressions

The Board was presented with a report on the Medical Advisory Board meeting, which was held on December 13, 2005. The primary objective of the meeting was to evaluate the dairy weight loss science. Major conclusions from the meeting were:

- Primary objective to evaluate dairy-weight loss science
- Major conclusions...
 - Totality of the evidence on dairy-weight loss remains positive
 - Some smaller studies were “null” but not negative
 - The research is still emerging and the exact mechanism is unclear
 - But the mechanism does not need to be fully understood to verify that the effect is real
 - Delivering a “healthy weight” message to teens was received in a positive way
 - Especially when milk is positioned against soft drinks and other sugary beverages

The Public Relations Committee discussed the results of the Great American Weight Loss Challenge Tour.

- Media’s emphasis of weight loss led to 190 million media impressions through 5,000+ placements
- On average, our milk/weight loss and 24 oz/24 hours message aired 8 times per TV segment
- Leveraged GAWLC Champions in select markets, setting the stage for 2006 Celebrate Success
- Hispanic overlay 23 MM media impressions, 156% of media goal
- Processors gave the tour 3.5/4.0 overall tour rating

The results of the Healthy Schools Challenge program were discussed. The program rewarded 50 schools for encouraging nutrition and physical activity. New York's Preston High School was chosen as the grand prize winner and received a \$15,000 gym makeover. The results of the program were as follows:

- Secured 142 million impressions
 - Averaged 2 TV, 2 print, 5 radio, 4 online stories per market
- Processors embraced the program for helping support milk in schools, ability to reconnect with food service staff; S/Rs appreciated emphasis on teen nutrition
 - 3.5/4.0 overall tour rating
 - Put 20,500+ milk samples in teen hands

With regard to issues management activities, the Board and staff discussed several issues. A summary of those discussions is as follows:

- Negative stories on milk/weight loss dropped dramatically despite potential "threats"
 - PCRM lawsuit, Berkey-Willet and Mayo Clinic studies
- Focusing our efforts now on threats to flavored milk in schools
 - New York City outreach, Flavored Milk Research Review
- Other issues we're tracking...
 - Milk and prostate cancer
 - Acne
 - Organic milk

The FMSTI Committee reported on its activities since July. It was reported that MilkPEP exhibited at the Association of School Business Officials annual meeting in October. The committee also reported on the school food service seminars which were launched in November.

- Seminars launched in November
- Seven seminars completed to date
 - Philadelphia, Baltimore/Washington, Cincinnati, Columbus (OH), Birmingham, Charlotte, Miami
- Promotion Campaign On-going
 - Regional Direct Mail
 - Trade Advertising
 - SNA Targeted E-Mail Campaign
 - Promotion at the SNA Child Nutrition Conference next week in Orlando
 - DMI State and Regional Support

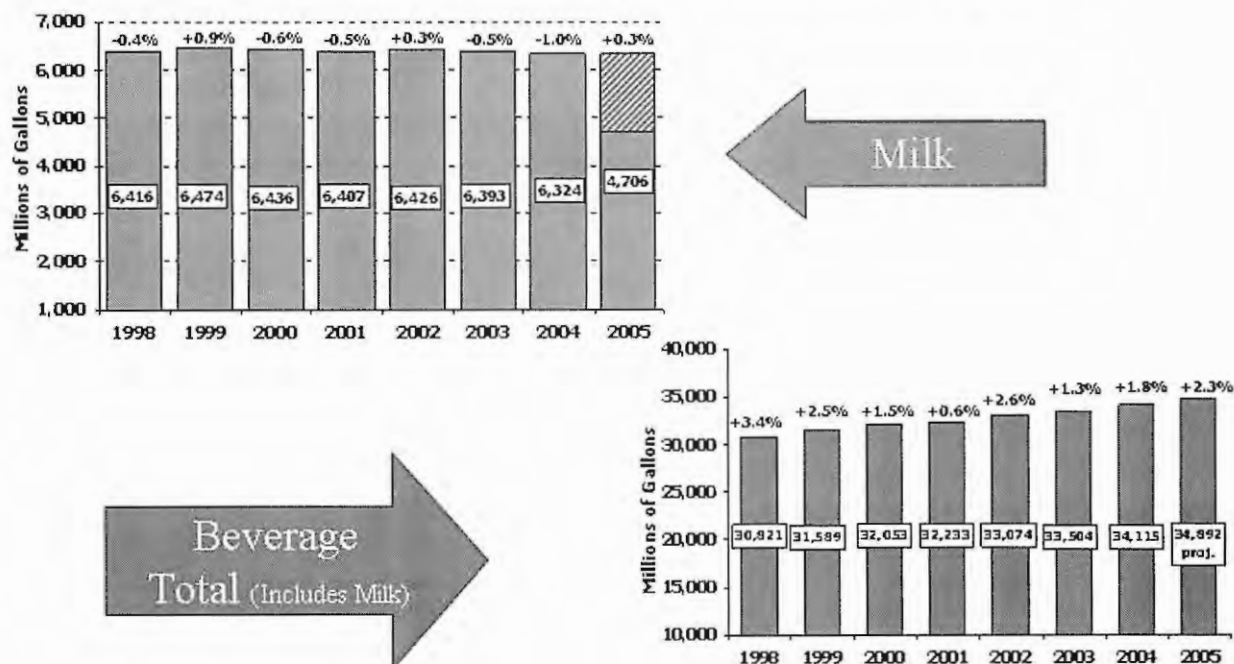
Activities relating to vending included attendance at the National Automated Merchandising Association (NAMA) on October 27-29, 2005. The Board also had a presence at the Milk Vending Advisory Committee, which meeting was well attended by the vending industry and created several opportunities for interviews with council members.

2007 Program Plan

Kurt Graetzer led a discussion with the Board relating to the development of the 2007 planning process. The Board reviewed volume levels of milk and competitive beverages as well as the performance of milk by type and fat level.

Milk and Competitive Volume

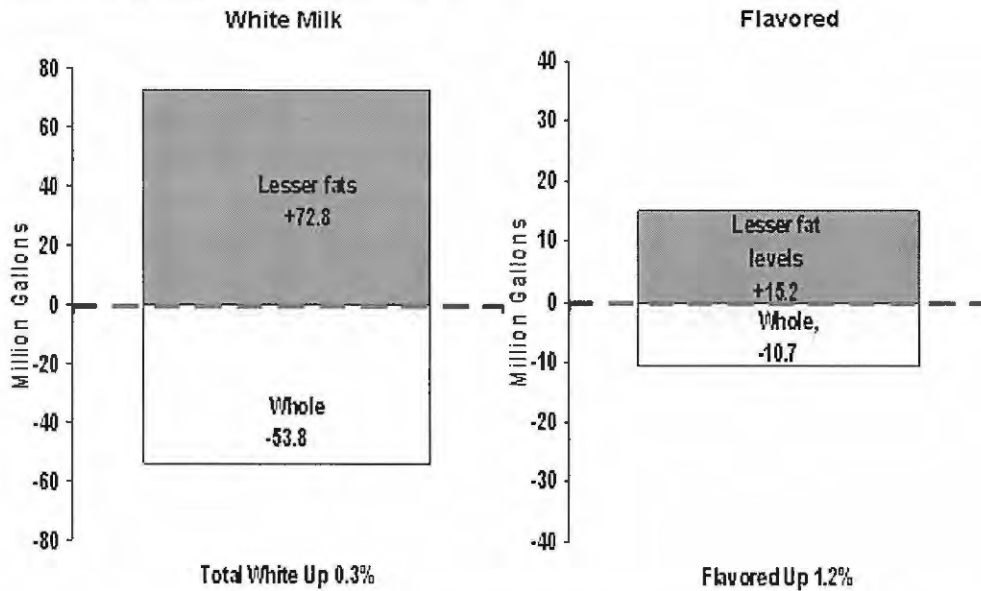
While Fluid Milk volume has remained flat, our competitive set have continued to grow.



Source: Beverage Marketing Corporation and USDA-AMS. YTD thru September 2005. Adjusted for leap year, not for calendar composition

Milk Performance by Type and Fat Level

The difference in the performance of Whole Milk versus lesser fats is the first of several strong indicators of weight loss effectiveness.



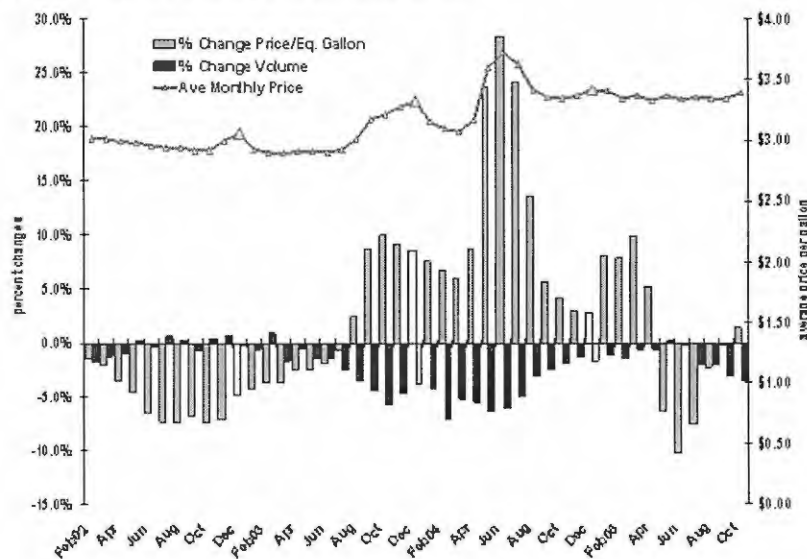
Source: USDA-AMS

Time Period: January through October 2005. Adjusted for leap year, not for calendar composition

The Board reviewed data relating to price and promotion spending against milk.

Retail Price vs. Sales Volume-Total Milk

Although retail milk prices have come down from their mid 2004 peak and have remained relatively calm, they are still high in absolute terms.

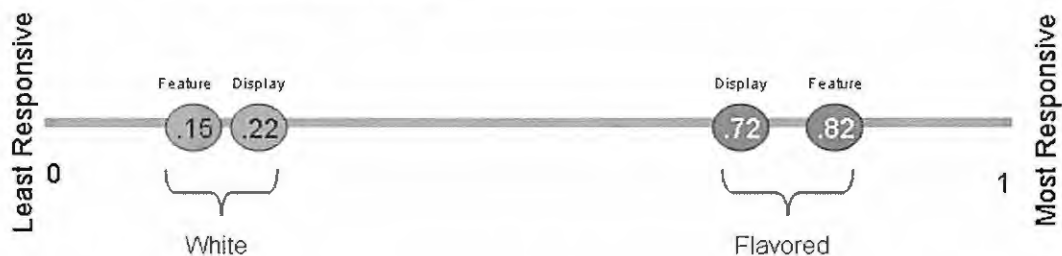


Source: Information Resources, Inc. (FDMx)

Data was also presented relating to white and flavored milk sales responses to promotions.

White & Flavored Milk Sales Responses to Promotion

- *Flavored milk sales are much more responsive to standard promotional tactics than white milk is.*



Correlation Coefficient measures the correlation between changes in total product sales and changes in the portion attributable to the type of promotion. It ranges from a low of 0 (no impact) to 1 (highly responsive)

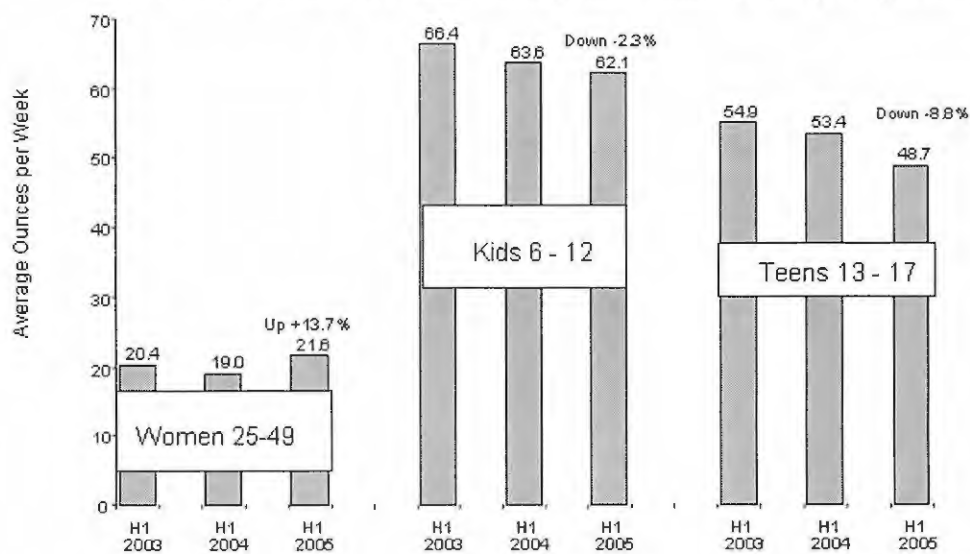
Source: IRI-US Food, January 2003 through September 2005.

The Board discussed milk consumption by target as summarized below.

Milk Consumption by Target

Women 25-49 (a group that includes most Moms) have shown encouraging increases in white milk consumption thru the first half of 2005, while kids and teens are lagging.

First Half 2003-2005 White Beverage Milk Consumption by Target Group.

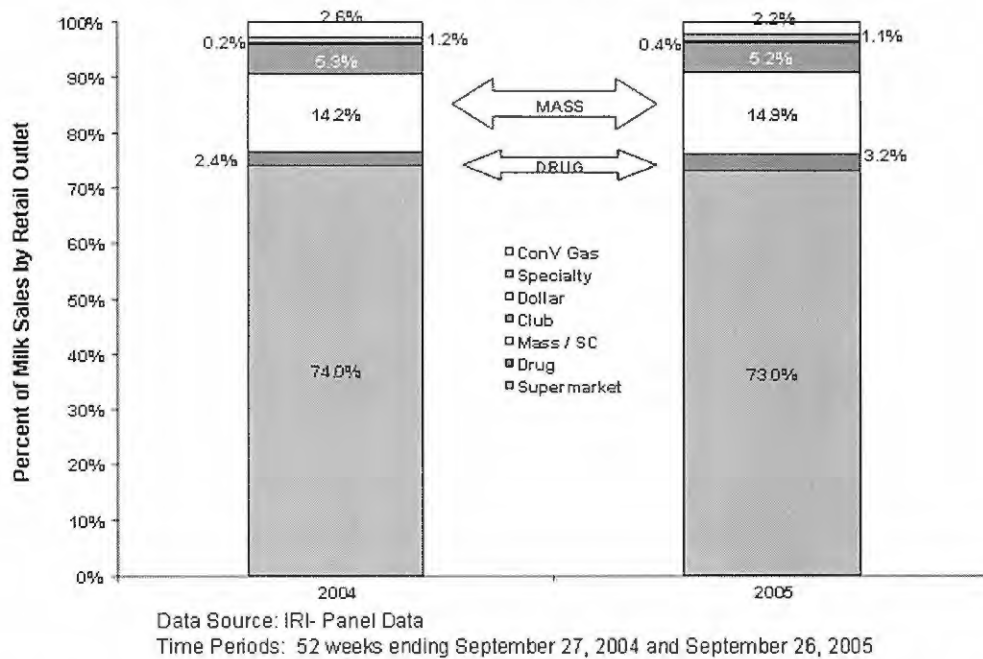


Source: TNS-NFO SIP

Several questions were raised regarding milk sales by outlet, which are summarized below.

Milk Sales by Outlet

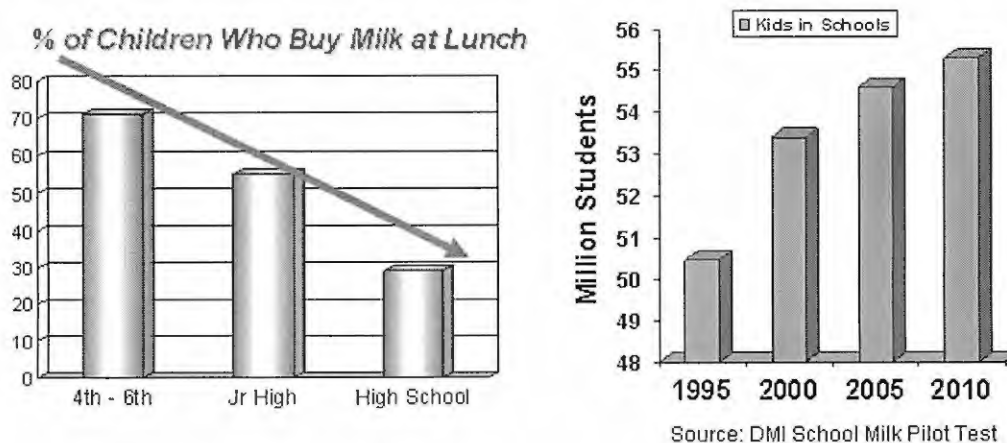
Drug stores and Mass merchandisers gain milk sales at the expense of Supermarkets. Dollar Stores (at a 0.4% share) are showing up as well.



The Board engaged in a discussion relating to school milk and the following data was presented.

School Milk

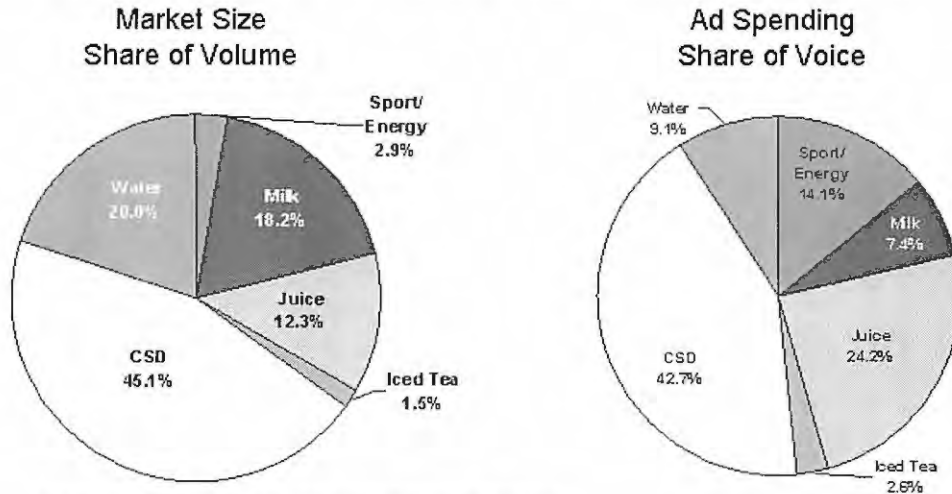
Schools are uniquely important. It is the key period when kids and teens shift to competitive beverages and this target group continues to grow.



Mr. Graetzer presented information relating to competitive spending and market size, as well as milk's share of voice versus share of volume.

Competitive Spending and Market Size

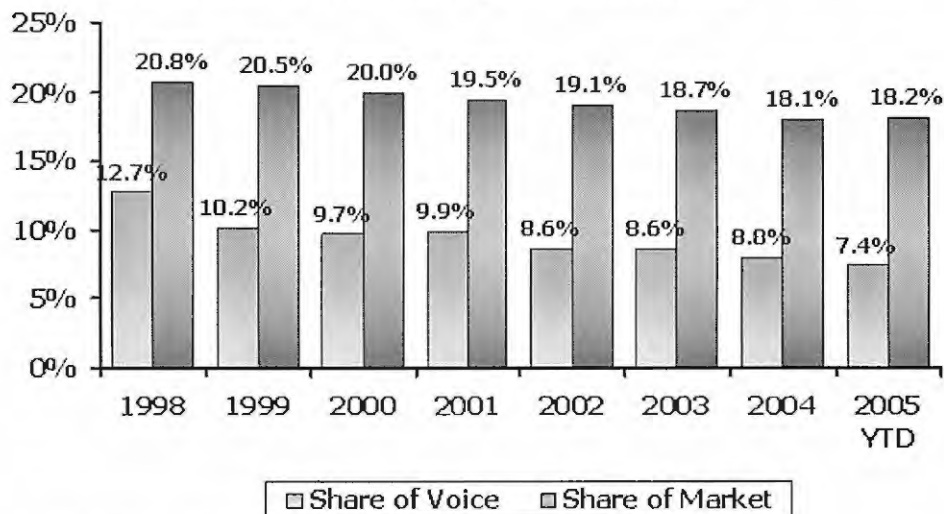
Milk's share of voice pales compared to its competitive share of volume. In order to be an effective marketer, milk's share of spending should approximate its share of market.



Data through September 2005. Juice includes Calcium fortified.
Sources: Beverage Marketing Corporation and Nielsen
AdViews, courtesy of Lowe Worldwide. Bottled Water market share include bulk water sales.

Milk Share of Voice vs Share of Volume

Furthermore, our competitive position continue to erode as Milk's Share of Voice is declining at a faster rate than the Share of Volume



Source: Beverage Marketing Corp.; Lowe; Ad Views. Competitive Set includes Sports/Energy, Milk, Juice, Iced Tea, CSD, Bottled Water. 2005 data thru September

As part of the planning process, the Board reviewed the impact of inflation and media cost.

Media Cost Increase			
Percent change vs. Previous Year			
	Network TV	Cable TV	Magazines
1996	+4.0%	+20.0%	+5.5%
1997	+3.2%	+13.0%	+4.0%
1998	+5.1%	+12.0%	+6.0%
1999	+2.5%	+16.0%	+4.0%
2000	+11.0%	+9.5%	+3.0%
2001	-6.5%	-1.0%	+2.0%
2002	+2.1%	-1.5%	+4.6%
2003	+2.6%	+7.5%	+4.0%
2004	+5.0%	+12.0%	+3.6%
2005	+1.0%	+6.0%	+4.0%
2006	+4.0%	+5.5%	+4.0%

Inflation Effect

'95 vs. '06 = 182%

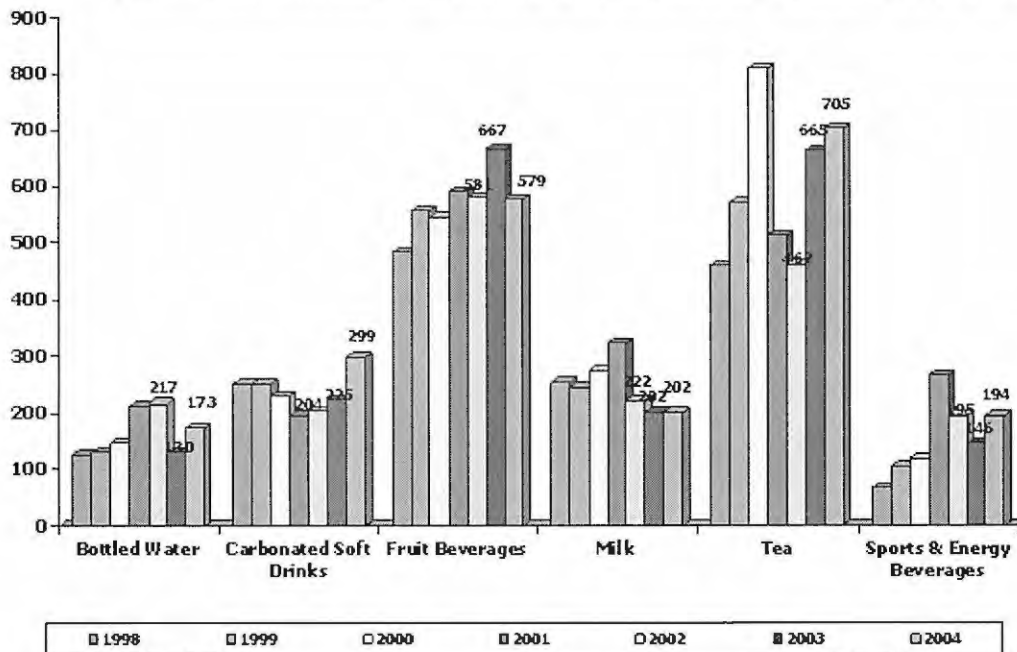
'06 vs. '95 = 56%

Source: Lowe Advertising

Product innovation by the dairy industry as it relates to milk versus competitive beverages was discussed.

Product Innovation 1998-2004

Product innovation for the milk category has been on a decline since 2001



Source: Beverage Marketing Corp. Note: The number includes all new SKUs and may indicate new packages, package sizes or line extensions and not only brand new products. Products can defines the category as including milk as well as non-dairy milk and yogurt drinks.

Conclusions resulting from this discussion are summarized below.

- Sales are flat as year over year pricing improves.
- Milk is at a significant disadvantage regarding ad spending and is uncompetitive with other beverages regarding retail pricing.
- The growth engine of the beverage industry is innovation and the milk category is not an aggressive innovator
- The strong performance of lesser fat varieties indicate a desire for healthier options and reinforce the effectiveness of our 'weight loss' message
- Flavored milk is more an impulse purchase and more susceptible to price promotion.
- Consumption data continues to support our targeting strategy -- Moms as primary purchaser and gatekeeper, Kids and Teens to build and maintain loyalty.
- Milk's SOV continues to decline as competitive beverages increase spending.
- While the sales volume shift away from Grocery to Mass and Drug continues, traditional supermarkets remain 73% of the retail business.
- There is significant up-side opportunity to increase milk sales in schools.

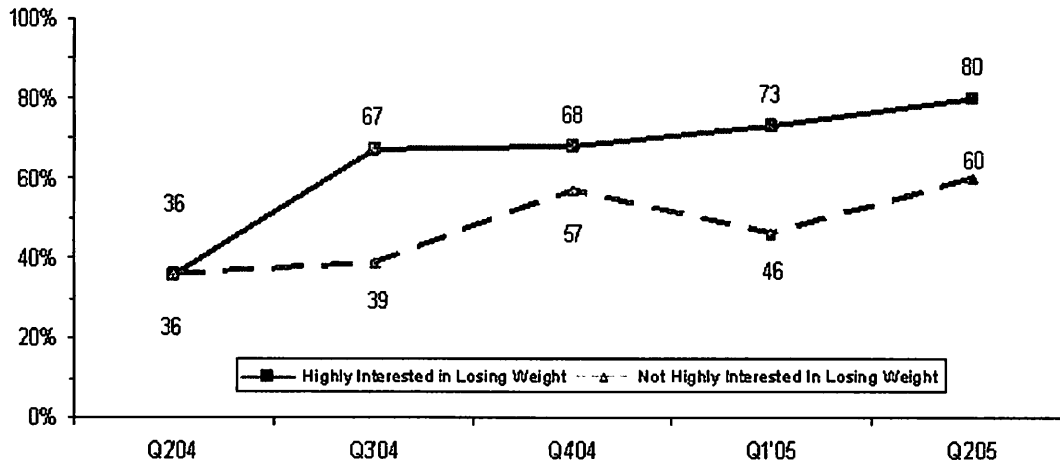
Following a recess, the Board engaged in a discussion relating to the 2007 plan, including establishing preliminary target priorities.

- Moms (General Market and Hispanic)
 - Key weight loss target
 - Gatekeeper to the entire family's diet
- Teens
 - Significant volume contribution
 - Decline in consumption increases during Teen years
 - Age at which Mom's influence diminishes
- Kids
 - Significant volume contribution
 - Mom is still influential at this age

It was indicated that awareness of the connection between milk and weight loss has risen dramatically among moms.

Focus on Moms Appears To Be Paying Off

- Awareness of the connection between milk and weight loss has risen dramatically among Moms
 - Particularly among Moms interested in losing weight



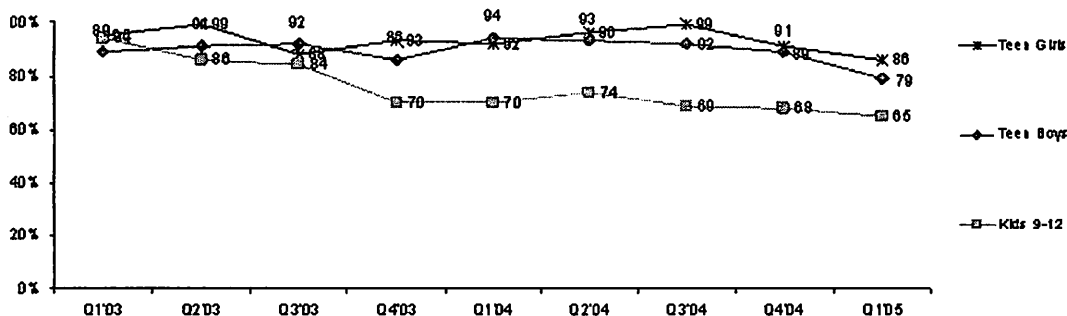
DDW, 11/05 report. 44-1. Have you heard, read or seen anything about a connection between drinking milk and losing weight?²
Small bases of Moms interested in losing weight and not interested in losing weight. Ineligible for stat-testing. Highly Interested in Losing Weight (Extremely/Very Interested in Losing Weight) Vs. Not Highly Interested in Losing Weight (Somewhat/Not Very/Not At All Interested in Losing Weight). Moms aged 25-49 years old with Kids 2-14

Evidence was presented that the awareness of milk communications among teens and kids has declined in line with the reduced investment toward that target.

Teen and Kid Awareness

- Awareness of Milk communications among Teens and Kids has declined in line with reduced investment
 - Decline among Kids is most dramatic due to virtual elimination of support

Proven Ad Recall Among Teens and Kids



Source: DDW

To qualify as correctly recalling ads or promotions, respondents can demonstrate awareness by either:
1) Recalling specific print or TV advertising or promotions on an unaided basis; or
2) Claiming awareness of current print or TV ads or promotions on an aided basis. Does not include slogan awareness

Conclusions relating to this discussion are presented below.

- Recent shift to prioritizing Mom target appears to be paying off
 - Moms will continue to be the top priority for Milk
 - Hispanic target more aligned with GM direction than ever, and we will pursue parallel approach for both targets
- Teens remain an important secondary priority
 - Need to continue efforts at reaching them efficiently with finite dollars
- Kids, an important target in terms of consumption, remain underserved
 - But budgets do not allow the addition of another target

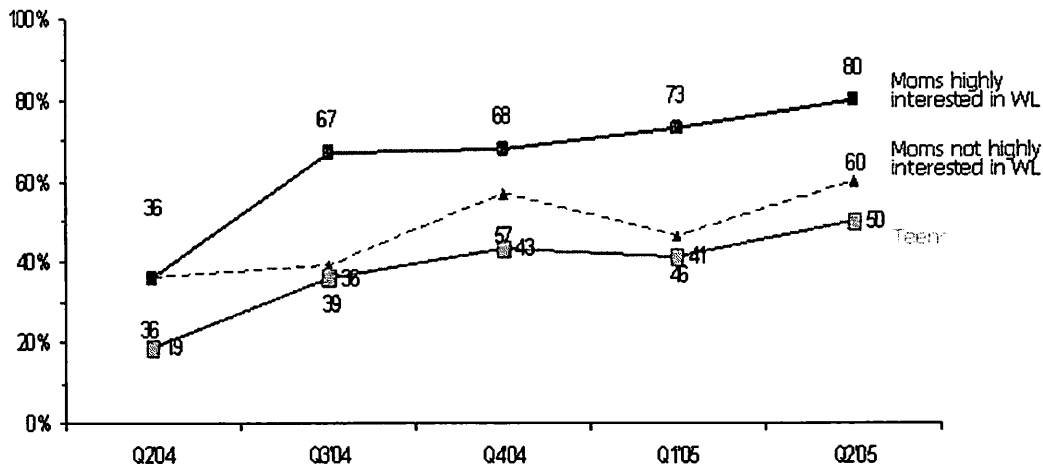
The Board engaged in a discussion relating to message development. The Board reviewed information indicating that the weight loss message was being accepted by moms.

- In Q2 2005, 29% of all Moms claimed to be drinking more milk and only 9% reported drinking less
 - Among those drinking more milk, top reasons include “healthier for me” and “trying to lose weight”
- Recall of the milk - weight loss link has reached high levels among key target
 - 80% among Moms interested in losing weight
- Messaging has had a positive impact on all weight-loss related attributes
 - Tracking shows that other health benefits are benefiting from the halo

It was also indicated that the awareness of the milk-weight loss connection has risen dramatically across all targets and continues to grow.

Awareness

- Awareness of the milk-weight loss connection has risen dramatically across all targets and continues to grow
- Though not a target, half of all teens are now familiar with the link



DDW, 11/05 report. 4f-1. Have you heard, read or seen anything about a connection between drinking milk and losing weight?
Small bases of Moms interested in losing weight and not interested in losing weight. Ineligible for stat-testing. Highly interested in Losing Weight (Extremely/Very Interested in Losing Weight) Vs. Not Highly Interested in Losing Weight (Somewhat/Not Very/Not At All Interested in Losing Weight). Moms aged 25-49 years old with Kids 2-14. Teens 13-17

However, it was indicated that over the last three quarters, while awareness has risen, believability of the weight loss message has leveled off at around 50% for moms interested in losing weight. Obesity remains a public health priority, with 64.5% of Americans overweight or obese. Several Board members indicated that food companies are under increasing pressure over the degree to which they are seen as contributing to the problem and the role they should play in solving it. Conclusions relating to the discussion are presented below.

- Weight loss is driving mom milk consumption
- Awareness rising for the past two years
 - Motivation and believability are static
- Consumers are still clamoring for a solution to the obesity problem
- Health professional and regulatory communities putting greater focus on kids' healthy weight
- Growing body of evidence linking milk and healthy weight for kids
 - Additional studies in the pipeline

A discussion relating to resource allocation was initiated and analyses of previous budgets were reviewed.

Resource Allocation

- Over the years, changes in budget allocation have allowed MilkPEP to increase emphasis on Retail Promotion and Events

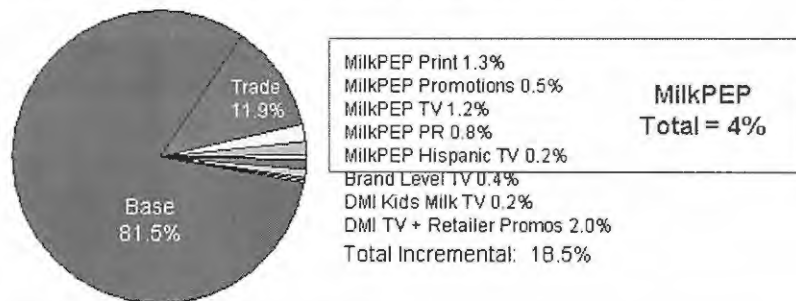
<u>1996 Budget</u>		<u>2006 Budget</u>
87%	Traditional Media	68%
-	Hispanic	5%
10%	PR	11%
97%	Subtotal	84%
3%	Retail	12%
-	Grass Roots Events	4%
3%	Subtotal	16%

Source: MilkPEP budgets

The Board reviewed information from the marketing mix study evaluating the current balance of spending.

Overall Program Impact

- MilkPEP's 2004 marketing efforts were effective
 - Without MilkPEP, category sales would have lost 4% of volume



FDMw Volume: 3.631 BB Gallons

Source: MMA, 2005 Study; Trade includes Feature, Display and TPR activities across retailers.

Overall Impact

- Each communications channel showed a volume contribution roughly aligned to its budget allocation
 - Indicates all channels “pulling their weight” and contributing to MilkPEP’s overall success

<u>Channel</u>	<u>Volume Contribution</u>	<u>Share</u>	<u>Budget</u>	<u>Share</u>
Print Advertising	1.3%	33%	\$29.2	37%
TV Advertising	1.2%	30%	\$25.3	32%
Public Relations	0.8%	20%	\$13.1	17%
Promotions	0.5%	13%	\$7.9	10%
Hispanic Advertising	0.2%	5%	\$3.4	4%
	4.0%	100%	\$78.9	100%

Source: MMA, 2005 Study

Conclusions resulting from the resource allocation discussion are as follows:

- MilkPEP marketing plan is working hard with all channels making an impact appropriate to their funding
- Marketing Mix Study provides some compelling leads for plan refinement and optimization
 - Additional data will follow in February 2006 (covering 2005 through October), prompting further analysis
- A detailed overview of MMA study will be presented during the FMSTI committee meeting

The Board engaged in a discussion relating to other opportunities, including flavored milk. Based upon Board input, the following conclusions were reached.

- Flavored Milk growth rate has slowed
- Flavored Milk support has been significantly reduced
- Schools are #1 channel for kids/teens consumption
- Flavored Milk is under attack at a policy level in schools

The Board discussed opportunities in schools and raised the following points: (1) policy pressures changing the game for soft drink and food manufacturers in schools; (2) milk has a unique position as a partner in nutrition and revenue solutions; (3) the industry has a solid and growing relationship with key local gatekeepers in schools (the school food service directors).

Conclusions resulting from this discussion include:

- Milk has a competitive advantage in schools that should be exploited
 - Product is sanctioned in schools
 - Milk is a key part of the school food service offering
- Noncommercial aspect of MilkPEP messaging lends itself to use in schools as a media vehicle
- Kids and teens are captive audience in schools

Conclusions from the discussion are summarized below:

- Continue with weight loss message and emphasis, given current consumer and public health interest, combined with success for milk to date
 - Sustain existing Mom efforts
 - Continue launch of Healthy Weight to Teens

Areas To Explore:

- Motivation & Believability
 - New methods (long form, new messages, new studies, etc.) to enhance believability, motivation and/or credibility?
 - Increased positive PR to effect believability?
- Activation
 - More activation programs to drive motivation (web-based, retail, etc.)?
 - Expand “healthy weight” for Teens through Body By Milk?
- Advocacy
 - Milk advocates serving as ambassadors for the message?
 - “Healthy weight for family” message to Moms in addition to personal WL message?

A key question raised by the Board is “How can weight loss have a broader impact on school sales in 2007?” With regard to targeting, the following conclusions were reached:

- Moms are the priority target and Teens are our secondary target
 - Current target allocation is appropriate given WL emphasis
- Teens are under-supported
- Kids are not supported at all

Key question:

- How do we address and support our under-served targets of Teens and Kids?
- Areas to Explore:
 - Expand the use of schools as a marketing channel?
 - How far can this channel be pushed?
 - Elementary through high school
 - Explore balance of emerging media with traditional teen media vehicles?
 - Continue to protect our Milk Mustache equity
 - Serves as a base for all channels and targets

With regard to resource allocation, several questions were raised by the Board, including:

- How do we optimize our marketing mix to ensure allocation is appropriate for current goals, including:
 - Size and number of events
 - Balancing the impact of an events-based strategy with the need for continuity
 - Increase resources to fully capture the school opportunity

Staff was directed to explore several areas related to resource allocation.

- Synergy of weight loss and healthy weight messaging across all targets?
- Read 2005 results in Feb to give us learnings on several things (level of support needed to be successful, targeted ROI)?
- Evolve MMA model in future to give us learnings on other channels (schools, mass merch, c-stores)?
- Explore other ways to measure vehicles not measured through MMA (internet, emerging media, grassroots events, schools, etc.)?
- Integrating Processor school activity into MilkPEP school programs?

With regard to flavored milk, the following question was raised: “Given the importance of flavored milk, especially in schools, how can we get flavors back into the MilkPEP program in an effective and efficient way, including an entrée into out-of-home consumption?” Based on the discussion, the conclusion was reached that indicated that flavored milk is underfunded in current MilkPEP efforts, especially since flavored milk serves to bring back non-milk drinkers. The following opportunities were identified:

- Defend against negative policy efforts directed against flavored milk
- Incorporate flavored milk into Mom efforts to persuade her of its nutritional value
 - Leverage Hispanic and African-American propensity for Flavored milk
- Incorporate Flavored into Body by Milk efforts
- Beef up flavored promotion at retail
- Increase school outreach to influencers and to kids about healthiness of Flavored Milk

The following key conclusions were identified as a result of the discussion.

- Weight Loss remains our primary message and Moms remain the priority target
- Teens are our secondary target, and continuing launch of Healthy Weight message is vital
- Current resource allocation is appropriate, though...
 - Need to maximize the impact of current Teen resources
 - Need to find ways to reach Kids with limited resources
- Optimization of our resource allocation is key to developing an effective plan with flat annual budgets
- Milk can leverage unique role and competitive advantage in schools
- Need to raise profile of Flavored in current MilkPEP efforts

Mr. Graetzer reviewed with the Board the planning schedule. Based on the key discussion held at the meeting, program development would begin with committee communications during the January-February time frame. During meetings with committees in the March time frame, plans will be developed for presentation of 2007 programs in April to the Board.

Chairman McCabe requested a report from the Finance Committee. Jay Jaskiewicz, treasurer of the Board and chairman of the Finance Committee, presented the following report.

- Treasurer Jaskiewicz indicated that following a review of banking opportunities, the committee has decided not to change banks and remain at Bank of America.

- Mr. Jaskiewicz indicated that the cash flow situation was strong. The committee does not foresee cash flow issues through February 2007. It was also indicated that financials were being provided by the 20th of each month.
- Mr. Jaskiewicz reviewed with the Board a proposed 2007 revenue projection of \$106 million, with a projected program and management budget of \$93,526,000. Mr. Jaskiewicz moved the committee recommendation to approve these figures as preliminary numbers. Motion approved.
- The budget for fiscal year 2005 was discussed. Mr. Jaskiewicz moved the committee recommendation to modify program expenses as a result of the final allocation of staff time by program. Mr. Jaskiewicz also indicated that a \$90,000 amendment was presented. Motion approved.
- Mr. Jaskiewicz reviewed with the Board proposed amendments to the 2006 budget. Mr. Jaskiewicz moved the committee recommendation to approve the amended budget as presented. Motion approved.
- Mr. Jaskiewicz also indicated that the committee had reviewed the authorization requests to be presented and, pending recommendation by the appropriate committees, the committee found those authorization requests appropriate.
- The report by Snyder Cohn, the Board's auditors, on the Weber-Shandwick compliance engagement was discussed. Mr. Jaskiewicz reviewed some of the findings with the Board and indicated that the Board's CFO, Ron Rubin, would work with Weber and IDFA to address issues raised by the report. Motion by Mike Krueger, second by Gary Aggus, to receive the report. Motion approved.

This completed the report of the Finance Committee. Chairman McCabe recessed the Board for committee meetings.

On January 14, 2006, Acting Chairman McCabe called the meeting to order at 9:00 am. Rachel Kylo, chairperson of the Advertising Committee, presented a report of the committee. She reviewed with the Board the following print ads that are in development.

- Weight Loss
 - Sheryl Crow
 - Robin Seaber - May event Weight Loss Success Story
 - Elizabeth Hurley
 - Sofia Vergara (Hispanic)
- Teens
 - Cast of "the O.C."
 - Mariah Carey
 - Vince Carter
 - Freddy Adu
 - Maria Sharapova

With regard to the Tremor program, the committee reported that they were initiating development of a new Tremor word-of-mouth marketing program for teens:

- Building on success of 2005 program

- Targeting launch during May 2006

In addition, Ms. Kylo reviewed the following programs:

- Presented a recap of the 2006 network radio buy
 - Four week flight from January 9-February 5
- Presented overview of 2006 internet plan
 - Partnership during January “Wake Up” event with Wham Bam D
 - Partnerships during May “Success Stories” event
 - IVillage online community
 - Google search test

Ms. Kylo reviewed with the Board the 2005 budget. Ms. Kylo moved the committee’s recommendation to amend the budget as presented below. Motion approved.

2005 Budget Summary
Approved by Committee at end of 2005

Project	Auth Code	Budget	Transfer	New Total	Authorizati on Request	Total Authorized	Balance
TV Media	05-01	20,765,858	0	20,765,858	0	20,765,858	0
Print Media	05-02	23,066,045	0	23,066,045	0	23,066,045	0
Regional Advertising	05-03	1,000,000	0	1,000,000	0	1,000,000	0
Disney Sponsorship	05-04	2,199,400	0	2,199,400	0	2,199,400	0
NBA Sponsorship	05-05	918,697	0	918,697	0	918,697	0
Trenor	05-06	1,900,000	0	1,900,000	0	1,900,000	0
Production	05-10	4,750,000	-35,000	4,715,000	-35,000	4,715,000	0
Hispanic Media	05-20	3,815,000	0	3,815,000	0	3,815,000	0
School Image	05-21	750,000	0	750,000	0	750,000	0
Hispanic Production	05-22	485,000	0	485,000	0	485,000	0
IDFA Program Mgt	05-28	250,000	-30,000	220,000	-30,000	220,000	0
Legal	05-29	800,000	60,000	860,000	160,000	660,000	200,000
Total	-	\$60,700,000	(\$5,000)	\$60,695,000	\$95,000	\$60,495,000	\$200,000

The 2006 budget was reviewed. Motion by Ms. Kylo to approve the committee’s recommendation to amend the 2006 budget as presented below. Motion approved.

2006 Budget Summary
Approved by Committee at January 2006 Meeting

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Broadcast Media	06-01	22,878,245	0	22,878,245	0	20,311,046	2,567,199
Print Media	06-02	29,322,355	-1,500,000	27,822,355	5,000,000	16,200,000	11,622,355
Regional Advertising	06-03	2,400,000	0	2,400,000	500,000	1,700,000	700,000
Disney Sponsorship	06-04	2,199,400	0	2,199,400	1,099,400	2,199,400	0
Tremor	06-05	0	1,500,000	1,500,000	1,500,000	1,500,000	0
Production	06-10	5,330,000	0	5,330,000	1,055,000	4,075,500	1,254,500
Hispanic Media	06-20	3,500,000	0	3,500,000	816,000	2,631,000	869,000
School Image	06-21	770,000	0	770,000	0	0	770,000
Hispanic Production	06-22	425,000		425,000	67,000	372,000	53,000
IDFA Program Mgmt	06-28	0	225,000	225,000	225,000	225,000	0
Legal	06-29	0	300,000	300,000	300,000	300,000	0
Total	-	\$66,825,000	\$525,000	\$67,350,000	\$10,562,400	\$49,513,946	\$17,836,054

Chairperson Susan Meadows of the Public Relations Committee presented a report of the committee. Ms. Meadows reviewed resources that were available to the industry, including the following:

- Flavored Milk Research Review
 - Scientific summary of the benefits of flavored milk to help defend flavored milk in schools
- Milk-Weight Loss Science Writers Guide
 - Reviews the body of evidence linking milk and weight loss
- Spokesperson bureau at the ready to respond quickly and efficiently to media requests for expert interviews

The Health Professional Action Plan was reviewed.

OBJECTIVE		
Increase awareness and support for milk's role in weight loss for adults and healthy weight for teens		
HP STRATEGIES		
Forge alliances with key health professional organizations	Educate health professionals on the body of evidence	Elevate our presence and be a resource
SUPPORTING STRATEGIES		
<ul style="list-style-type: none"> • Add pediatric experts to Medical Advisory Board • Create ad hoc Teen Advisory Panel to help guide teen healthy weight initiatives 		

Chairperson Meadows reviewed the 2005 Public Relations budget. She indicated that \$10,000 was being added to the program management budget and moved the committee recommendation to approve the budget as presented. Motion approved.

***2005 Public Relations Authorizations
December 2005***

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Milk Mustache Mobile 75 City Tour	05-30	4,100,000	0	4,100,000	0	4,100,000	0
Great American Weight Loss Challenge	05-31	600,000	0	600,000	0	600,000	0
School Intervention	05-32	0	0	0	0	0	0
NBA "Fuel Up With Milk" Integrated Program	05-33	1,500,000	0	1,500,000	0	1,500,000	0
Whymilk.com	05-34	500,000	0	500,000	0	500,000	0
MM Media Machine	05-35	1,575,000	0	1,575,000	0	1,575,000	0
MAB Support	05-36	100,000	0	100,000	0	100,000	0
Issues	05-37	375,000	0	375,000	0	375,000	0
Got News	05-38	200,000	0	200,000	0	200,000	0
Service Team	05-39	600,000	0	600,000	0	600,000	0
SAMMY	05-40	150,000	0	150,000	0	150,000	0
Hispanic Public Relations - SiboneyUSA	05-42	300,000	0	300,000	0	300,000	0
PR Program Mgmt	05-49	275,000	10,000	285,000	10,000	285,000	0
Total	-	\$10,275,000	\$10,000	\$10,285,000	\$10,000	\$10,285,000	\$0

The 2006 Public Relations budget was reviewed. \$75,000 has been added to the Hispanic PR program. Ms. Meadows moved the committee recommendation to accept the proposed changes as presented below. Motion approved.

***2006 Public Relations Authorizations
January 2006***

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Milk Mustache Mobile	06-30	4,425,000	0	4,425,000	1,600,000	2,408,500	2,016,500
Wake Up to Weight Loss	06-31	447,000	0	447,000	92,000	447,000	0
Great American Weight Loss Challenge Two	06-32	206,000	0	206,000	60,000	206,000	0
Mother-Daughter Weight Summit	06-33	565,000	0	565,000	80,000	80,000	485,000
Body By Milk / Healthiest Student Bodies	06-34	1,380,000	0	1,380,000	190,000	235,000	1,145,000
Whymilk.com	06-35	500,000	0	500,000	140,000	230,000	270,000
MM Media Machine	06-36	620,000	0	620,000	200,000	275,000	345,000
Nutrition News Bureau	06-37	804,000	0	804,000	166,500	325,000	479,000
MAB Support	06-38	100,000	0	100,000	30,000	38,000	62,000
Issues	06-39	275,000	0	275,000	92,000	125,000	150,000
Got News	06-40	100,000	0	100,000	42,000	57,000	43,000
Service Team	06-41	670,000	0	670,000	167,000	208,000	462,000
SAMMY	06-42	150,000	0	150,000	35,000	68,000	82,000
Hispanic PR	06-43	483,000	0	483,000	126,000	331,250	151,750
Health Professional	06-44	0	200,000	200,000	70,000	70,000	130,000
IDFA PR Program Management	06-49	0	250,000	250,000	250,000	250,000	0
Unallocated Funds	06-6-	200,000	-200,000	0	0	0	0
Total	-	\$10,925,000	\$250,000	\$11,175,000	\$3,340,500	\$5,333,750	\$5,821,250

The 2006 Medical and Scientific budget was reviewed. Ms. Meadows indicated that \$135,000 has been added to the budget and moved the committee recommendation to accept the budget as presented below. Motion approved.

***2006 Medical and Scientific Authorizations
January 2006***

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Medical Advisory Board	06-80	200,000	0	200,000	0	100,000	100,000
Program Management - MAB	06-85	0	130,000	130,000	130,000	130,000	0
Medical Research	06-90	200,000	0	200,000	0	0	200,000
Program Management - Medical Research	06-94	0	5,000	5,000	5,000	5,000	0
Total	-	\$400,000	\$135,000	\$535,000	\$135,000	\$235,000	\$300,000

Bob McCullough, chairman of the Promotion Committee, presented a report. The committee reviewed the Celebrate Success program and Hispanic overlay and the Body by Milk program. An update on the partner status was presented with the Board in discussions with various brands including Fox, Roland, Levis, Adidas, and Columbia Sporting Company.

An update on the Body by Milk smart marketing program was presented. The smart marketing program is scheduled in Las Vegas from March 15-16. Chairman McCullough presented the

timetable for 2007 planning for the Promotion Committee. The proposed timeline is presented below.

- 2007 Strategic Overview to MilkPEP (1/06)
- 2007 Integrated Plan to MilkPEP (2/06)
- Consumer Focus Groups: Teens and Moms (2/06)
- Retail Advisory Council Meeting (2/22-2/23)
- Promotion Committee Review of 2007 Plans (3/8-3/9)
 - Draft offices, Chicago

Mr. McCullough reviewed with the Board the 2005 Promotion budget. The budget was being reduced by \$190,000. Motion by Mr. McCullough to accept the committee recommendation to amend the budget as presented. Motion approved.

***2005 Promotion Authorizations
January 2006***

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Weight Loss: Program 1 (The View)	05-50	3,725,000	-25,000	3,700,000	0	3,700,000	0
NBA: School/Retail/Online Auction	05-51	3,355,000	0	3,355,000	0	3,355,000	0
Weight Loss: Program 2 (Curves)	05-52	1,330,000	0	1,330,000	0	1,330,000	0
Sales Support	05-53	545,000	0	545,000	0	545,000	0
Trade Advertising	05-54	150,000	0	150,000	0	150,000	0
Local Marketing	05-55	495,000	0	495,000	0	495,000	0
Management Staff Support/06 Planning	05-56	450,000	0	450,000	0	450,000	0
Research	05-57	50,000	0	50,000	0	50,000	0
Program Management	05-58	625,000	-165,000	460,000	0	460,000	0
Total	-	\$10,725,000	(\$190,000)	\$10,535,000	\$0	\$10,535,000	\$0

Yellow Highlight = Authorization approved on Dec. 7 call

The 2006 Promotion budget was discussed. There were no transfers or amendments to the budget for review by the Board. A copy of the 2006 Promotion authorizations is presented below.

**2006 Promotion Authorizations
January 2006**

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Weight Loss: Program 1 (Wake Up to Weight Loss)	06-50	2,360,000	0	2,360,000	0	2,360,000	0
Weight Loss: Program 2 (Celebrate Success)	06-51	2,780,000	0	2,780,000	671,000	2,780,000	0
Teens: Body by Milk	06-52	3,525,000	0	3,525,000	2,228,500	2,675,000	850,000
Sales Support	06-53	550,000	0	550,000	225,000	234,000	316,000
Trade Advertising	06-54	125,000	0	125,000	125,000	125,000	0
Local Marketing	06-55	450,000	0	450,000	50,000	273,400	176,600
Management Staff Support/07 Planning	06-56	450,000	0	450,000	296,000	450,000	0
Research	06-57	50,000	0	50,000	0	50,000	0
Program Management	06-58	550,000	0	550,000	550,000	550,000	0
Promotion (Unallocated)	06-59	360,000	0	360,000	0	0	360,000
Total	-	\$11,200,000	\$0	\$11,200,000	\$4,145,500	\$9,497,400	\$1,702,600

The Fluid Milk Strategic Thinking Initiative Committee presented a report. Mike Krueger, chairman of the committee, presented an idea called Milk Town. The program is summarized below.

- A model lab a la Calcium, NY
- Maximize milk in the market
- Demonstrate success
 - OOH Immediate Consumption
 - Sales rate and volume
- Changing the mindset of:
 - The consumer
 - The customer
 - Us
- Pull together developmental team
 - Consultants
 - Processors
 - Staff
- Develop budget
 - \$2+ million
 - Funding from partners
- Develop timeline
 - Expecting at least 2 years to plan, implement, report
- Develop execution plan
 - Appropriate market
 - Test scenarios
- Develop measurement plan
- Translation to processors
 - Business plan

- Present initial plan to MilkPEP Board in April 2006
 - Requesting an initial \$25,000 to begin plan development

Mike Krueger reviewed with the Board the 2006 business-to-business plan. The objective of this program is to increase distribution and sales of milk. There are two key targets:

- schools (processors, FSD school boards, administrators, business officials, principals)
- vending (processors, vending operators)

The strategy is to continue to actively use industry stakeholders to support and champion our programs. Chairman Krueger reviewed with the Board the amendment to the 2005 FMSTI budget, which was an addition of \$130,000 to program management. Mr. Krueger moved the committee recommendation to approve the 2005 budget amendment. Motion approved.

2005 FMSTI Authorizations
January 2006

Project	Auth. Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
School Ed Program II	05-60	350,000	0	350,000	0	350,000	0
School Milk Carton Test	05-61	150,000	0	150,000	0	150,000	0
Vending	05-62	0	0	0	0	0	0
Food Service	05-63	0	0	0	0	0	0
B-to-B Plan	05-64	725,000	0	725,000	0	725,000	0
Communication Materials	05-65	110,000	0	110,000	0	110,000	0
Trade Shows/Seminars	05-66	165,000	0	165,000	0	165,000	0
Cooler Tests	05-67	0	0	0	0	0	0
Fruit Drink Analysis	05-68	25,000	0	25,000	0	25,000	0
Program Management	05-69	300,000	130,000	430,000	130,000	430,000	0
School Foodservice Director Seminars	05-98	200,000	0	200,000	0	200,000	0
Total	-	\$2,025,000	\$130,000	\$2,155,000	\$130,000	\$2,155,000	\$0

Yellow Highlight = Authorized on Nov. 30 call

Mr. Krueger also reviewed with the Board the authorization requests that the committee approved the previous day. No action was necessary by the Board.

2006 FMSTI Authorizations
January 2006

Project	Auth. Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
FMSTI Unallocated		610,000	0	610,000	0	0	610,000
2006 Planning	06-60	40,000	0	40,000	0	40,000	0
BtoB Communications Plan	06-61	500,000	0	500,000	500,000	500,000	0
Sales Materials	06-62	75,000	0	75,000	75,000	75,000	0
Trade Show/Seminars	06-63	100,000	0	100,000	100,000	100,000	0
School FS Director Seminars (2005-2006)	06-64	250,000	0	250,000	250,000	250,000	0
School Food Service Director Seminars (2006-2007)	06-65	100,000	0	100,000	0	0	100,000
Milk Town	06-66	25,000	0	25,000	25,000	25,000	0
Program Management	06-69	450,000	0	450,000	450,000	450,000	0
Total	-	\$2,150,000	\$0	\$2,150,000	\$1,400,000	\$1,440,000	\$710,000

Yellow Highlight = Authorized on Nov. 30 call

Mr. Krueger presented the committee recommendation to amend the 2005 Research budget as presented below.

2005 Research Authorizations
January 2006

Project	Auth. Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Business Performance & Tracking	05-70	940,000	0	940,000	0	940,000	0
Communication Testing	05-71	445,000	0	445,000	0	445,000	0
Program Development	05-72	145,000	0	145,000	0	102,000	43,000
Promotion Measurement	05-73	170,000	0	170,000	0	170,000	0
Program Management*	05-79	325,000	-5,000	320,000	-5,000	320,000	0
Total		2,025,000	-5,000	2,020,000	-5,000	1,977,000	43,000
Program Measurement	05-95	150,000	0	150,000	0	150,000	0
Program Management-Program Measurement*	05-96	4,700	9,000	13,700	9,000	13,700	0
Total		154,700	9,000	163,700	0	163,700	0

*As customary, adjustments are made among all Program Management costs to reflect actual staff hours.

Yellow Highlight = Authorized on Nov. 30 call

Mr. Krueger reviewed with the Board the budget for the 2006 Research program and moved the committee recommendation to approve the budget as presented below. Motion approved.

**2006 Research Authorizations
January 2006**

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Business Performance & Tracking	06-70	0	965,000	965,000	878,000	878,000	87,000
Communication Testing	06-71	0	55,000	55,000	55,000	55,000	0
Program Development	06-72	0	60,000	60,000	60,000	60,000	0
Promotion Measurement	06-73	0	0	0	0	0	0
Program Management	06-79	0	355,000	355,000	355,000	355,000	
Market Research Unallocated		1,955,000	-1,435,000	520,000	0	0	520,000
TOTAL MARKET RESEARCH		1,955,000	0	1,955,000	1,348,000	1,348,000	607,000
Program Measurement	06-95	0	200,000	200,000	150,000	150,000	50,000
Program Management-Program Measurement	06-96	0	15,000	15,000	15,000	15,000	0
Program Measurement Unallocated		215,000	-215,000	0	0	0	0
TOTAL PROGRAM MEASUREMENT		215,000	0	215,000	165,000	165,000	50,000

That completed the report of the FMSTI Committee. Chairman McCabe asked if there were any other issues to come before the Board. There being none, Chairman McCabe adjourned the meeting at 11:30 a.m.

(b) (6)

APPROVED:
DATE:

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MINUTES

MilkPEP Board Meeting – General Session I

April 7, 2006
Phoenix, AZ

Chairman J.T. Wilcox called the Board into general session at 8:00 am. Members present included Bob Baker, Joe Cervantes, Terry Webb (Board member filling a vacancy), Brian Haugh, Bob McCullough, Susan Meadows, Bill McCabe, J.T. Wilcox, Jay Jaskiewicz, Gary Aggus, Mike Krueger, Rachel Kylo, Jerry Tidwell, Jim Turner, Mike Nosewicz, Randy Mooney. Also present were Scottie Mayfield (former MilkPEP chairman). Also present were Al Guida, Ed Mullins, Dub Garlington, Ann Ocana, Lisa Hillenbrand, Miriam Brown, Jeff Keller, Joe Schroeder (industry reps). Also present were Kurt Graetzer and Ron Rubin (MilkPEP staff), Angie Salinas and Bill Taylor (USDA liaison), and Wayne Watkinson (legal counsel), Connie Tipton and other members of the IDFA staff.

The Board reviewed the minutes of the January 13, 2006 meeting of the Board, including the Executive Session minutes. Motion by Mike Krueger, second by Bob McCullough, to approve the minutes as presented. Motion approved.

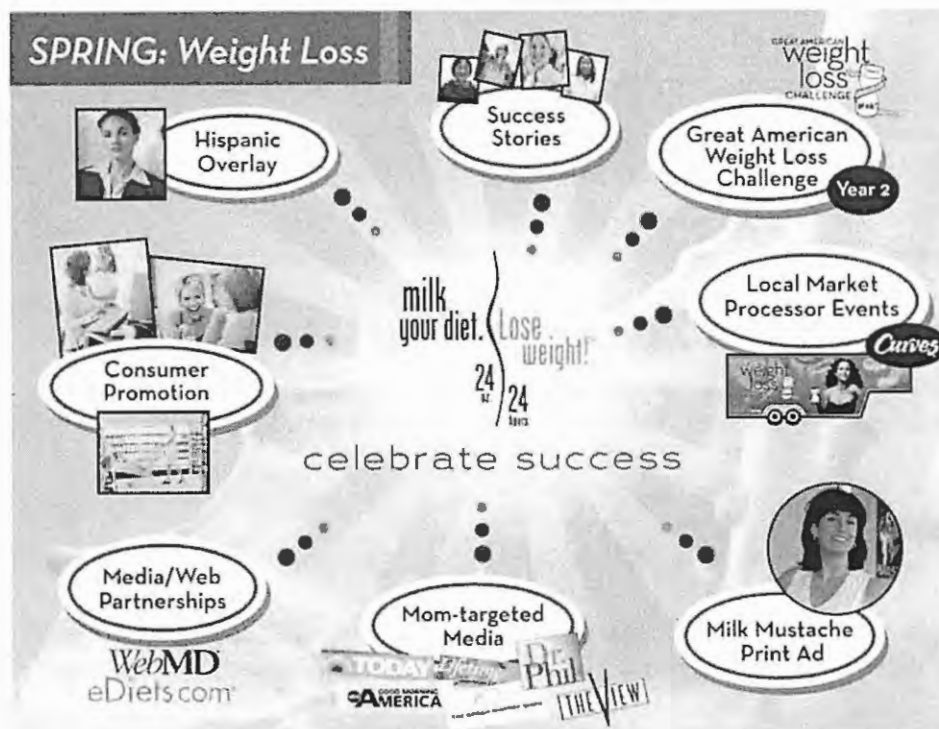
Angie Salinas of USDA presented a report relating to the following issues:

1. Board appointments to vacancies: Terry Webb and Buddy Gaither
2. A February 2 visit to Rubin & Associates to review the financial files. Report pending.
3. She announced that the Fluid Milk Act had been updated with all amendments and copies were available.

Mr. Graetzer and staff presented a report outlining the 2006 marketing plan and its components.

	Q1	Q2	Q3	Q4
Mom Weight Loss Programs	Wake Up To Weight Loss			
		Celebrating Weight Loss Success		
			Role Modeling Healthy Weight	
Mom Continuity	Nutrition News Bureau MAB		Whymilk.com Issues	WL Television MM Celeb Print
Teen Healthy Weight Program			body ≥ milk	
Teen Continuity	Teen Advisory Board		Whymilk.com SAMMY	MM Celeb Print

The Board reviewed the various elements of the spring weight loss activity and reviewed the Robin Seaber success ad.



It was reported that three milk “success stories” will be profiled in a full-page advertorial in USA Today scheduled to be run in early May.

Susan Meadows, chair of the Public Relations Committee, reported that media coverage of the weight loss story is strong. “Wake Up to Weight Loss” garnered 600+ stories and more than 132m media impressions. Breaking research and other media team activities added 400+ stories for more than 150m media impressions.

The Milk Mustache Mobile program entitled “Celebrating Success” begins in April with nearly 300 events scheduled in 75 cities. 107 processor brands are on board in those events. As a new element, more than 100 women have been identified as in-market “success ambassadors”.

The committee reported that the Hispanic overlay for the Milk Mustache tour will visit eight cities: Los Angeles, Phoenix, Chicago, Miami, Houston, Dallas, San Antonio, and New York. As part of the “Celebrating Success” program, an online feature was developed.

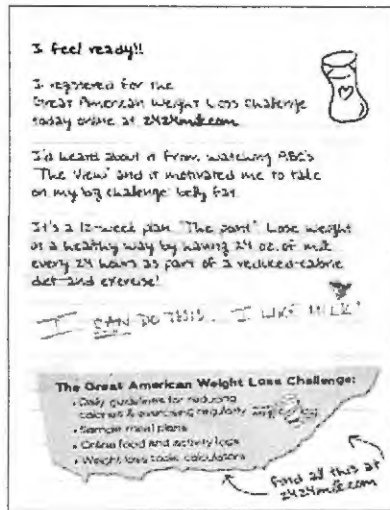
The screenshot shows the homepage of the 'Great American Weight Loss Challenge' website. The header includes the title 'Great American Weight Loss Challenge' and a navigation bar with links like 'Home', 'About Us', 'How to Join', 'FAQ', 'Contact Us', and 'Privacy Policy'. The main content area features a large banner with the text 'It's milk your diet. Lose weight!' and a 'weight loss' graphic. Below the banner, there's a section titled 'This Week's Success Story' featuring a woman's photo and text about her weight loss journey. To the left of this section is a 'Register/Sign in' box with fields for email and password, and a 'Sign in' button. Below the registration box is a 'See the 24/7 TV Spot!' section with a video player. At the bottom, there's a 'View photos from the Milk Mustache Mobile Tour!' section with a photo gallery. Annotations with arrows point to specific elements: 'Register/Sign in for the Great American Weight Loss Challenge' points to the registration box; 'Featured success story each week for the duration of the year' points to the 'This Week's Success Story' section; and 'Health profile, tips for achieving success and milk-friendly recipes' points to the 'My favorite recipes' and 'My tips' sections.

Register/Sign in for the Great American Weight Loss Challenge

Featured success story each week for the duration of the year

Health profile, tips for achieving success and milk-friendly recipes

As part of the integrated program, a weight loss journal detailing the successes of Robin Seaber was developed for use at retail.



In addition, a "Celebrate Success" promotion, which is in stores May 1, was discussed.

- Shipper w/ Journals
- Retail POS kit
- Online Sweepstakes



Rachel Kylo, chair of the Advertising Committee, presented to the Board new advertising, including the Sheryl Crow weight loss ad and the Elizabeth Hurley event ad, which will be launched in Sports Illustrated's swimsuit edition. The committee also reviewed with the Board the "Despierta America" ad which is targeted at the Hispanic market.

The Board discussed the research findings at Indiana University that chocolate milk helped athletes recover from strenuous exercise just as well or better than commercial sports drinks.

There was a lot of activity resulting from this research in the media, resulting in 300+ print and tv stories and more than 53mm media impressions. It was also reported that a new study found that teenage girls have tripled their intake of sugary soda. Research also indicated that teens that drink milk tend to weigh less and have diets richer in calcium. This research resulted in 100+ print and tv stories and 56mm media impressions.

With regard to an issues update, the Public Relations Committee reported that anti-dairy Harvard professor Walter Willett published new research on calcium intake and weight gain among men. This data was based on “reported” habits in a questionnaire. Based on review by staff, the research contained questionable data and was not designed to demonstrate weight loss, and in effect showed a neutral effect. The focus was on the neutral results and that more research was needed. As a result of MilkPEP’s activities, the Wall Street Journal decided not to do an ad on the study after receiving more details and information relating to existing science.

Mike Krueger presented a report of the FMSTI/Research Committee. Mr. Krueger reported that MilkPEP representatives will attend the April 8-10 meeting of the National School Board Association national conference in an attempt to reach school board officials regarding milk choices in school. It was also reported that there was a Milk Vending Council meeting on March 23, 2006 in Las Vegas at the NAMA show in which the milk vending industry report was presented. The committee will review that information at its committee meeting. Mr. Krueger also reported on the milk vending advisory council members that are listed below:

- Ron Barnes, Dixie Narco
- Brian DeFelice, Smith Dairy
- Jim Dillingham, Venducate
- Larry Eils, NAMA
- Randy Eronymous, West Farm Foods
- Barry Frankel, The Family Vending Company
- Steve Harkins, Cranes Merchandising Systems
- Tim Kelly, Shamrock Foods
- Joe Melone, Nestle USA
- Tom Murn, Answer Vending
- Pat Rheel, DMI
- Joe Riley, Wilcox Farms
- Blair Vance, NPD Group
- June Wedd, DMI
- Todd Wilson, Sanese Services

After a short break, Mr. Graetzer began a discussion relating to the 2007 integrated plan. Mr. Graetzer began by reviewing the weight loss message and indicated that based on all measurements it was a powerful message. The Board reviewed the targets, including the recent shift to prioritizing moms, which appears to be paying off.

- The marketing mix study indicating mom efforts successful in driving volume
- Shift to moms influencing total volume

- Teens continue to remain an important secondary priority, but due to limited resources, kids are underserved.

In view of the competitive environment, the following assessment was presented:

- Soft drink sales decrease for the first time in two decades
- Juices are struggling due to concerns about sugar content
- Functional foods are increasing, with water and sports drinks taking over shelf space from carbonated beverages.
- Weight loss is top of mind
- This year 62% of women and 38% of men were dieting

Based on this assessment, milk has an opportunity to promote a competitive advantage. The milk industry has spent two years establishing milk's weight loss claim.

2003 2004-2005 2006		
Introduction	Broadscale Activation	Showcasing Success
Dairy – Weight loss connection	Milk – Weight loss connection 24/24	24/24 It works!

The Board discussed the marketing mix analysis and was provided with an update since the January Board meeting. Key findings include the following:

- MilkPEP overall impact on volume grew in 2005 from 3.8% to 4.5% of incremental volume (a 15% change).
- MilkPEP's overall efficiency also improved in 2005. Every dollar of MilkPEP marketing returned \$7 in category revenue versus \$5.5 dollars in 2004.

The Board reviewed information relating to the marketing mix analysis and identified the following key program determinations:

- The new Moms weight-loss TV campaign launched in 2005 has made TV the most efficient campaign element. In previous years, Print was the most efficient vehicle
- Mom's weight-loss Events are the most effective and efficient; Teen Events were less effective as Teens are harder to reach
- PR is by far the most efficient marketing vehicle, with a return almost 2x higher than the average
- Overall "major event" strategy proves effective

Based upon the data presented in the discussion which took place, a consensus was reached relating to program strategy:

- Continue the integrated event strategy
- Overall allocation by discipline appears close to correct. Meanwhile, within each committee, some reallocation may occur in terms of FROE or increased collections.

Advertising:

- While maintaining event support, look for ways to “flatten” media to slightly lower levels with longer coverage.
- Moms tv creative strategy and execution provided a big boost to ROI and should be extended.
- Shift from teen tv to print alternative media.
- Some Board members requested information on an analysis as to how moms and Hispanics consume media (print vs. tv).

Public Relations:

- Look for additional national opportunities and/or, if possible, find more efficiency in the grassroots activities.

Promotion:

- In store events need lower “cost per event” or higher productivity.
- Maximize “higher ROI” learnings of best programs (fuel up, feature incentives, summer '04, May '05)

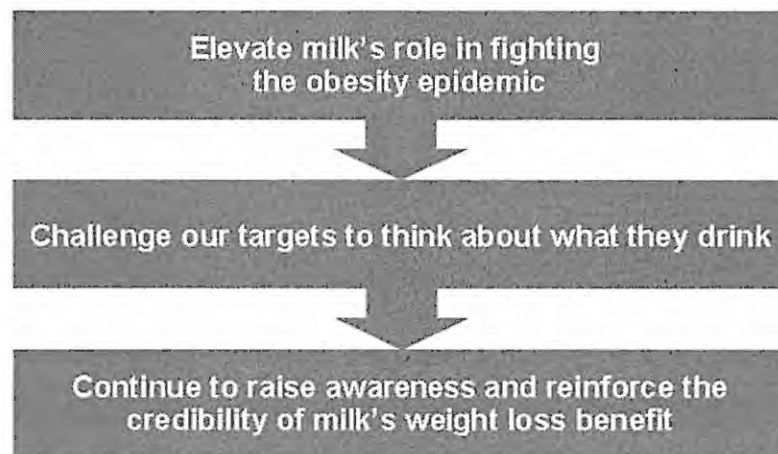
Hispanic:

- Keep tv as primary medium, but find ways to
 - Increase PR
 - Increase print

Based upon the information gleaned from the marketing mix analysis, committees and staff developed a new program which will tell our targets that what they drink matters and what milk can do for them.



The Board reviewed the preliminary tactical plan relating to the new program. The Board discussed the three basic levels of communication upon which the plan is based.



The tactical plan begins with a mega-event designed to reach all customer touch points:

- Women thinking about dieting
- Moms worried about their family's healthy weight
- Teens and kids surrounded by buzz about the obesity crisis
- Schools that are at the eye of the obesity storm

Each of them will get a message to "think about your drink."

The Board reviewed basic concepts designed to get the message out:

- Advertising continues to increase awareness and credibility for milk's weight loss message.
- Create a series of "PSA style" tv messages from appropriate celebrities.

The Board also discussed sponsoring a series of editorial inserts across a family of print titles.



With regard to validating the problem:



Potential partners for this program will include the School Nutrition Association, American Dietetic Association, the Department of Health and Human Services, and the American Association of Pediatrics.

The Board also reviewed materials related to the "Body by Milk" school program:



In addition, new online programs such as thinkaboutyourdrink.com and 2424leche.com were reviewed. Also, preliminary concepts relating to consumer and retailer promotions were revealed.

The second element in the plan related to a women's event in the spring focused on the diet season.



The third element of the plan is a mom/family event targeted at the back-to-school time period. The concept is to get families to think about their drink. The program will grab mom's attention and leverage her influence on her family, elevating milk's role in keeping families at a healthy weight. Programs will be designed to activate and reward moms for making the right beverage choice for her family.



With regard to teens and kids, the plan is focused on getting kids and teens to think about their drinks. The concept is to intersect them at the point of drink and go where they are (school and online) with activation ideas that will leverage milk's powerful equities (that mustache), show them how to get a "Body by Milk" and reward them for making the right drink choice. The program will continue to include Milk Mustache print advertising and will include an expanded school image program.



The kids and teens program will also have a word online element and in print.



Finally, the "Body by Milk II" concept was discussed, targeted at teens:



Chairman Wilcox reminded the Board members that this plan was the result of significant work done by them in their committees and in interaction with staff. He congratulated the Board on its success.

Chairman Wilcox requested that treasurer Jay Jaskiewicz of the Finance Committee present the Treasurer's Report. Mr. Jaskiewicz presented the following report:

- The committee reviewed the YTD collections report which basically takes us through our first month. Our collections are up 1.0%, which is fairly consistent with USDA results, which show milk sales up .3%
- The committee reviewed the USDA collection audit results, as well as the Q405 investment performance report.
- The committee reviewed and approved the 2007 amended budget, which increased by \$1.04m from the carryforward of prior year uncommitted funds. The committee also approved the initial allocation of program dollars subject to program committee and board approval. The approval was contingent on the satisfactory development of a workable cash flow spending for the program dollars. No 2007 authorizations were considered at this time.
- The committee reviewed a 2006 budget amendment, which saw an increase of \$2.96m from prior year uncommitted funds and {\$1.7m} resulting from increased projected assessments. These actions also created consideration and approval of additional program spending in the amount of \$2.96m and additional authorizations of \$21,429,956 both subject to program committee approval.
- The accounting firm of Snyder Cohn presented the annual audit of MilkPEP. The committee went into executive session with the auditors. The committee voted to accept the report.

- Specific motions:
 - Mr. Jaskiewicz moved the committee recommendation to approve the 2006 \$4.66m revenue budget amendment recommended by the Finance Committee. Motion approved.
 - Mr. Jaskiewicz moved the committee recommendation to approve the 2006 program budget amendment of \$2.96m recommended by the Finance Committee. Motion approved.
 - Mr. Jaskiewicz moved the committee recommendation to approve the 2007 \$1.04m revenue budget amendment recommended by the Finance Committee. Motion approved.
 - Mr. Jaskiewicz moved the committee recommendation to approve the total 2007 program and administrative budget of \$107.04m, subject to an acceptable cash flow plan being developed. Motion approved.
 - Mr. Jaskiewicz moved the committee recommendation to approve two new Board policies: (1) Document Retention/Destruction, and (2) Fraud and Whistleblower Protection (attached as Exhibits I and II). Motion approved.
 - Mr. Jaskiewicz moved the committee recommendation to accept the audit report of MilkPEP. Motion approved.

Chairman Wilcox reported to the Board that he has identified the following people to serve on the Nominating Committee to recommend a slate of officers for 2006-2007. Members identified were John Robinson, Joe Cervantes, Bob McCullough, Rachel Kylo, and J.T. Wilcox, who will serve as chair of that committee. Pursuant to the bylaws, the Board needs to ratify the Nominating Committee. Motion by Mike Krueger, second by Randy Mooney, to ratify the members of the committee. Motion approved.

At 11:30 am, the Board recessed for individual committee meetings.

(b) (6)

APPROVED:

DATE:



Sample Document Retention and Destruction Policy

This policy covers all records and documents, regardless of physical form or characteristics, which have been created or received by MilkPEP in connection with the transaction of MilkPEP business.

Electronic Documents. Electronic documents shall be retained as if they were paper documents. Therefore, any electronic files that fall into one of the document types on the above schedule shall be maintained for the appropriate amount of time. Document Destruction. MilkPEP is responsible for the ongoing process of identifying its records which have met the required retention period and overseeing their destruction. Destruction of the documents may be accomplished by shredding, burning, or sending them to the landfill.

Suspending Document Destruction. Upon any indication of an official investigation of the MilkPEP by the IRS or any governmental entity, document destruction shall be suspended immediately. Destruction shall be reinstated upon conclusion of the investigation.

Document Retention. MilkPEP shall retain documents for the period of their immediate or current use, unless located in the following document retention schedule. Documents that are not listed, but are substantially similar to those listed in the schedule shall be retained for the appropriate length of time.

The following is a partial listing of recommended retention times for several types of corporate records. The list is categorized according to the recommended length of time to retain certain documents. It is not a complete listing but a general overview.

Permanent Records:

Accounting

- Checks used for important payments; i.e., taxed, property, etc.
- Tax and information returns and supporting documents (State and Federal)

Legal

- | | |
|--------------------------------------|--|
| • Articles of Incorporation | • Litigation |
| • Bylaws | • Minutes – board and committees |
| • Corporate Charter, constitution | • IRS exemption application and determination letter |
| • Deeds and titles | • State tax exemptions |
| • IRS examinations, ruling, comments | • Insurance records |

Three Years:

Legal

- Insurance matters: policies, accident reports, fire inspection reports, claims
- Leases (after termination)
- Service contracts (after termination)

Human Resources

- Employment applications for individuals not hired
- Employment applications and related documents for individuals hired-while active plus 3 years
- Individual employee files – while active plus 3 years

All Correspondence

Four Years:

Legal

- Employment tax records

Six Years:

Legal

- Leases-while active plus 6 years
- Contracts and agreements-while active plus 6 years

Seven Years:

Accounting

- | | |
|---|---|
| • Accounts payable and receivable ledgers and schedules | • Invoices (after payment) |
| • Canceled checks | • Monthly financial reports and statements |
| • Donor contributions (numbered receipts) | • Working papers; accounting, financial reports |
| • Journals | • Audit reports of accountants |
| • Sales invoices | • Depreciation schedules |
| • Bank reconciliations | • End-of-year financial statements |

Legal

- Contracts and leases (expired)
- Accident reports (after settlement)

Policy on Suspected Misconduct, Dishonesty, Fraud, and Whistle-blower Protection

MilkPEP is committed to the highest possible standards of ethical, moral, and legal conduct. Consistent with this commitment, this policy aims to provide an avenue for employees to raise concerns about suspected misconduct, dishonesty, and fraud and to provide reassurance that they will be protected from reprisals or victimization for whistleblowing in good faith.

PROCEDURE

Reporting

It is the responsibility of every employee to report concerns relating to suspected misconduct, dishonesty or fraud. Such concerns shall be set forth in writing and sent in a sealed envelope to the chairman of the Finance Committee, whose name and address will be updated as needed and displayed following this paragraph. The envelope should be labeled as follows: "To be opened by the MilkPEP Finance Committee only. Being submitted pursuant to the "Policy on Suspected Misconduct, Dishonesty, Fraud, and Whistle-blower Protection" adopted by the Finance Committee."

Chairman of the Finance Committee:

Jay Jaskiewicz

Timing

The earlier a concern is expressed, the easier it is to take action.

Investigating the Concern

Following the receipt of any complaints submitted, the Finance Committee will investigate each matter so reported and take corrective and disciplinary actions where appropriate.

The Finance Committee may enlist committee members, employees of the and/or outside legal, accounting or other advisors, as appropriate, to conduct any investigation of complaints regarding financial reporting, accounting, internal accounting controls, auditing matters, or any other form of misconduct, dishonesty, or fraud. In conducting any investigation, the Finance Committee shall use reasonable efforts to protect the confidentiality and anonymity of the complainant.

Further Information

The amount of contact between the complainant and the body investigating the concern will depend on the nature of the issue and the clarity of information provided. Further information may be sought from the complainant.

Report to Complainant

The complainant will be given the opportunity to receive follow-up on their concern within two weeks:

- Acknowledging that the concern was received;
- Indicating how the matter will be dealt with;
- Giving an estimate of the time that it will take for a final response;
- Telling them whether initial inquiries have been made; and
- Telling them whether further investigations will follow, and if not, why. Information

Subject to legal constraints the complainant will receive information about the outcome of any investigations.

Document Retention

The Finance Committee shall retain as a part of the records of the Committee any such complaints or concerns for a period of at least seven years.

SAFEGUARDS

No Retaliation

No director, officer, or employee who in good faith reports a violation shall suffer harassment, retaliation or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This policy is intended to encourage and enable employees and others to raise concerns within the organization prior to seeking resolution outside the organization.

Additionally, no employee shall be adversely affected because they refuse to carry out a directive which, in fact, constitutes corporate fraud, or is a violation of state or federal law.

Confidentiality

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation. Every effort will be made to protect the complainant's identity.

Anonymous Allegations

Employees are encouraged to put their names to allegations because appropriate follow-up questions and investigation may not be possible unless the source of the information is identified. Concerns expressed anonymously will be investigated, but

consideration will be given to:

- The seriousness of the issue raised;
- The credibility of the concern; and
- The likelihood of confirming the allegation from attributable sources.

Acting in Good Faith

Anyone filing a complaint must be acting in good faith and have reasonable grounds for believing the information disclosed indicates misconduct, dishonesty, or fraud. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

DEFINITION OF TERMS

For purposes of this policy, the definition of misconduct, dishonesty, and fraud includes but is not limited to:

- Acts which are inconsistent with MilkPEP's policy
- Theft or other misappropriation of MilkPEP assets
- Misstatements or other irregularities in MilkPEP records
- Incorrect financial reporting
- Misuse of ministry resources
- Illegal activities
- Immoral or unbiblical activities
- Forgery or alteration of documents
- Any other form of fraud

MilkPEP reserves the right to modify or amend this policy at any time as it may deem necessary.

(b) (6)

MINUTES

MilkPEP Board Meeting – General Session II

April 8, 2006
Phoenix, AZ

Chairman Wilcox reconvened the Board at 9:00 am on April 8, 2006. Rachel Kylo, chair of the Advertising Committee, reviewed with the Board upcoming weight loss advertising, including the Sophia Vergara Hispanic Superman (Brandon Routh) and Mischa Barton ads. The committee reviewed with the Board the school image program, focusing on the “Body by Milk” theme.

- School Image program is one of the most efficient ways to reach Teens with Milk’s nutritional message
 - Nationwide coverage in 45k High Schools and Jr. Highs
- Opportunity to expand program to reach Kids with incremental funding
 - Will reach 60k Elementary Schools

BODY by MILK

Teens

Healthy Weight

Kids

Healthy Bodies

The 2006 Tremor program was reviewed.

Reinvent your body for the new school year

- Showcases teens that have started to drink milk three times a day and achieved results
 - Along with eating smart and exercising regularly
- Delivers the news about milk’s role in achieving a healthy weight

In a joint report by Bob McCullough and Rachel Kylo, the Promotion and Advertising Committees reviewed with the Board the role of the various MilkPEP themes and messages.



→ 2007 umbrella theme. Meant to draw attention and create consistency across all Mom messages and therefore needs center stage.

**body
by milk**

→ Heart of Milk’s Teen communications, extending “healthy weight” in a clear and responsible manner. Also can be used for other benefits.

milk your diet. Lose weight!

→ Clearly communicates the connection between milk and weight loss to moms. Can function as either a tagline or a logo.



→ Rational message reminding consumers of the amount of milk they should consume

got milk?

→ “Brand” moniker for MilkPEP

Ms. Kylo then reviewed with the Board the budget amendments to the 2006 Advertising budget.

2006 Advertising Authorizations

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Broadcast Media	06-01	22,878,245	-1,505,998	21,372,247	0	20,311,046	1,061,201
Print Media	06-02	27,822,355	1,840,409	29,662,764	11,762,764	27,962,764	1,700,000
Regional Advertising	06-03	2,400,000	0	2,400,000	700,000	2,400,000	0
Disney Sponsorship	06-04	2,199,400	75,589	2,274,989	75,589	2,274,989	0
Tremor	06-05	1,500,000	0	1,500,000	0	1,500,000	0
Production	06-10	5,330,000	0	5,330,000	572,500	4,648,000	682,000
Hispanic Media	06-20	3,500,000	0	3,500,000	466,003	3,097,003	402,997
School Image	06-21	770,000	1,250,000	2,020,000	2,020,000	2,020,000	0
Hispanic Production	06-22	425,000	0	425,000	53,000	425,000	0
IDFA Program Mgmt	06-28	225,000	0	225,000	0	225,000	0
Legal	06-29	300,000	0	300,000	0	300,000	0
Total	-	\$67,350,000	\$1,660,000	\$69,010,000	\$15,649,856	\$65,163,802	\$3,846,198

Ms. Kylo moved the committee recommendation to approve the budget amendment as presented above. Motion approved.

Susan Meadows, chair of the Public Relations Committee, presented a report beginning with the importance of 2007 continuity. Ms. Meadows discussed the continuing importance of the three major PR continuity buckets:

- Nutrition News Bureau
- Issues management
- Program and processor support, which includes the Medical Advisory Board and Got News?

The committee also reported that the Healthiest Student Bodies program kicked off, which highlights students fighting the obesity crisis. The winners will be announced in August, with local events in 50 markets.

The Board discussed activities to forge alliances with key health professional organizations such as the American Academy of Pediatrics and the American Dietetic Association. Two new Medical Advisory Board members were added, including Christine Economos, Ph.D. (Tufts University), and Stephen Abrams, MD (Baylor College of Medicine). Ms. Meadows also reviewed the "Finish Line" to Champion Chocolate Milk program.

- Take advantage of the news, elevate Chocolate Milk's role as a post-exercise sports beverage
- Bring message into 25 local markets in conjunction with relevant sports events
 - A “Program in a box” that provides everything you need to leverage locally
- The event is the hook to tell our story
 - “For all of you participating in the marathon this weekend...did you know that chocolate milk may be your best post-race drink?”

Ms. Meadows reviewed the 2006 Public Relations budget.

2006 Public Relations Authorizations

April 2006

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Milk Mustache Mobile	06-30	4,425,000	-105,000	4,320,000	1,415,000	3,823,500	496,500
Wake Up to Weight Loss	06-31	447,000	0	447,000	0	447,000	0
Great American Weight Loss Challenge Two	06-32	206,000	0	206,000	0	206,000	0
Mother-Daughter Weight Summit	06-33	565,000	0	565,000	220,000	300,000	265,000
Body By Milk / Healthiest Student Bodies	06-34	1,380,000	0	1,380,000	225,000	460,000	920,000
Wymilk.com	06-35	500,000	0	500,000	135,000	365,000	135,000
MM Media Machine	06-36	620,000	0	620,000	147,000	423,000	198,000
Nutrition News Bureau	06-37	804,000	-105,000	699,000	145,000	470,000	229,000
MAB Support	06-38	100,000	0	100,000	22,000	60,000	40,000
Issues	06-39	275,000	250,000	525,000	175,000	300,000	225,000
Got News	06-40	100,000	0	100,000	25,000	82,000	18,000
Service Team	06-41	670,000	-50,000	620,000	125,000	333,000	287,000
SAMMY	06-42	150,000	0	150,000	82,000	150,000	0
Hispanic PR	06-43	483,000	0	483,000	112,500	443,750	39,250
Health Professional	06-44	200,000	0	200,000	60,000	130,000	70,000
WS Program Management	06-45	0	260,000	260,000	120,000	120,000	140,000
Finish Line	06-46	0	385,000	385,000	385,000	385,000	0
IDFA PR Program Management	06-49	250,000	0	250,000	0	250,000	0
Total	-	\$11,175,000	\$635,000	\$11,810,000	\$3,393,500	\$8,747,250	\$3,062,750

Ms. Meadows highlighted several budget transfers and moved the committee recommendation to approve the transfers as presented above. Motion approved.

The 2006 Medical & Scientific budget was discussed. No action by the Board was necessary. That concluded the Public Relations and Medical & Scientific reports.

Bob McCullough, chair of the Promotion Committee, presented a report to the Board. Mr. McCullough reviewed with the Board the “Body by Milk” creative and the school influencers communication plan.

- Targets
 - Primary: School Food Service Directors/Employees, Cafeteria Managers

- Secondary: Superintendents, Administrators, Principals, Teachers, Coaches, Athletic Directors

School and Processor Communications		body by milk™											
		Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	
School Direct Mail													
School Foodservice & Nutrition Mag Inserts													
MilkPEP Delivers.org													
School Press Releases													
Processors Press Releases													
SNA Website Editorials													
SNA Tradeshow													

The committee also reviewed with the Board the school packaging opportunities program, which would offer artwork to support the program/enhanced packaging. Packaging would include a message that focuses on milk information and benefits, along with the healthy active lifestyle. These materials will be available in April 2006. The Board reviewed a recommendation from the committee relating to a Halloween feature incentive program to be held in October 2006.

Objectives

- Drive purchase of Flavored Milk at retail
- Prepare for demand generated from Body By Milk program
- Connect with Mom's desire to provide a healthy choice for her kids

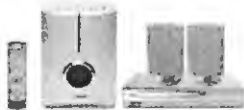
Strategy

- Promote Flavored Milk via a retail feature incentive program
- Capitalize on Halloween as the perfect time for a good-for-you-treat



The prize options for the incentive program are presented below:

- Prize selection is based on channel, tier level and participation
 - ADA Key Accounts, Mass Merchandisers and Independent Grocers must choose between larger quantity of MP3 Players OR a smaller quantity of DVD Home Theatres
 - Convenience and Drug Stores must choose between a larger quantity of Portable CD Players OR a smaller quantity of MP3 Players



Surround Sound Home Theater
DVD System
ARV \$99.99



Portable MP3 Digital Player
ARV \$49.99



Portable CD Player with AM/FM
Stereo Tuner
ARV \$29.99

The 2006 processor relations plan was reviewed:

Strategy

- Efficiently and effectively recruit and retain participation of milk processors in MilkPEP sponsored programs through processor focused activities.

Objectives

- Relationship Building
- Increase program participation
- Improve communication process

Relationship Building: Stair step approach to building relationships:

- Step #1 - Face to face visits*
 - Attend processor sales & marketing meetings
 - Encourage and secure commitments from processors to attend MilkPEP sponsored events.
 - Facilitate meetings between processors, MilkPEP, and agencies.
- Step #2 - Phone calls to key personnel
 - Communicate resource value.
 - Connect
 - Follow up
- Step #3 - E-mails to MilkPEP participants
 - Deliver information in a personal way
 - Develop ability for two way communication
 - Follow up
- Step #4 - Web cast
 - Deliver updates and new "news"

Engaging Processors

- Increasing program participation
 - Increase sales meeting attendance

- Increase awareness of available promotional materials
- Educate processors in the value of the MilkPEP program and available resources
- Leverage DMI's State & Regions expertise at the local level
- Improve communication process to be more effective and efficient by:
 - Gaining feedback from processors
 - Effective communication from Website & Publications
 - Sharing information with agencies
 - Communication goes both ways

Mr. McCullough reviewed with the Board the 2006 Promotion budget and proposed budget amendments as recommended by the committee. Mr. McCullough moved the committee recommendation to approve the budget transfers as presented below. Motion approved.

2006 Promotion Authorizations

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Weight Loss: Program 1 (Wake Up to Weight Loss)	06-50	2,360,000	-500,000	1,860,000	0	1,860,000	0
Weight Loss: Program 2 (Celebrate Success)	06-51	2,780,000	0	2,780,000	0	2,780,000	0
Teens: Body by Milk	06-52	3,525,000	730,000	4,255,000	1,210,000	3,885,000	370,000
Sales Support	06-53	550,000	0	550,000	316,000	550,000	0
Trade Advertising	06-54	125,000	0	125,000	0	125,000	0
Local Marketing	06-55	450,000	0	450,000	176,600	450,000	0
Management Staff Support/07 Planning	06-56	450,000	500,000	950,000	500,000	950,000	0
Research	06-57	50,000	0	50,000	0	50,000	0
Program Management	06-58	550,000	0	550,000	0	550,000	0
Promotion (Unallocated)	06-59	360,000	-360,000	0	0	0	0
Total	-	\$11,200,000	\$370,000	\$11,570,000	\$2,202,600	\$11,200,000	\$370,000

Mike Krueger, chair of the Fluid Milk Strategic Thinking Initiative/Research Committee, presented a report which began with highlights of the 2005 milk vending state of the industry and tracking study. The following outlines the key results of the study:

- Milk vending continues its gains with a second year of revenue and machine number growth from 2004. This is especially significant against other slow/negative vending industry statistics.
- Vend operators have moderated their outlook on milk vending's potential slightly.
- Cold beverage vending is present in most middle and high schools (roughly 250,000 vendors throughout the secondary school system).
- Only 3-5% of school vendors include milk or milk drinks, slightly more in high schools.
- Most vendors that offer milk in schools are serviced by independent operators or contract feeders.

Based on the results, the committee recommends the following direction:

- Expand milk vending through existing equipment
 - Facings in food machines reduces price of entry
 - Avoid large capital requirements for dedicated milk vendors
 - Overcome distribution hurdles
- Build case for added value milk products
 - Communicate that milk is fastest and virtually only area of growth in vending in the past two years
 - Promote milk's advantages in nutrition and weight loss
 - Communicate consumer demand
- Maximize school vending

Mr. Krueger also reviewed the school food service director training program:

- Interest among School Foodservice Directors remains high
- More efficient to attend scheduled meetings with built in attendance
 - Reduces cost for both logistics and attendance promotion
- Already receive invitations to present at two State Level Association meetings (Florida and Alabama)
- Soliciting State Level School Nutrition Associations to secure further opportunities.
- Will adapt current full day workshop to fit state association needs (2 - 5 hours of content)

The 2006 FMSTI budget was reviewed. Mr. Krueger reviewed the rationale behind the transfers. Motion by Mr. Krueger to approve the committee recommendation to transfer funding as presented below. Motion approved.

2006 FMSTI Authorizations

April 2006

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
FMSTI Unallocated	06-XX	610,000	0	610,000	0	0	610,000
2006 Planning	06-60	40,000	0	40,000	0	40,000	0
BtoB Communications Plan	06-61	500,000	155,000	655,000	155,000	655,000	0
Sales Materials	06-62	75,000	0	75,000	0	75,000	0
Trade Show/Seminars	06-63	100,000	0	100,000	0	100,000	0
School FS Director Seminars (2005-2006)	06-64	250,000	0	250,000	0	250,000	0
School Food Service Director Seminars (2006-2007)	06-65	100,000	0	100,000	100,000	100,000	0
Milk Town	06-66	25,000	0	25,000	0	25,000	0
Program Management	06-69	450,000	0	450,000	0	450,000	0
Total	-	\$2,150,000	\$155,000	\$2,305,000	\$255,000	\$1,695,000	\$610,000

The 2006 Research budget was discussed. Motion by Mr. Krueger to approve the committee recommendation to transfer funding as presented below. Motion approved.

*2006 Research Authorizations
April 2006*

Project	Auth. Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Unallocated	06-1A	520,000	-202,000	318,000	0	0	318,000
Business Performance & Tracking	06-70	965,000	95,000	1,060,000	95,000	1,060,000	0
Communication Testing	06-71	55,000	180,000	235,000	180,000	235,000	0
Program Development	06-72	60,000	0	60,000	0	60,000	0
Promotion Measurement	06-73	0	67,000	67,000	67,000	67,000	0
Program Management	06-79	355,000	0	355,000	0	355,000	0
Total	-	\$1,955,000	\$140,000	\$2,095,000	\$342,000	\$1,777,000	\$318,000

\$95,000 for #06-70 authorized by Committee in March

There being no further committee reports, Chairman Wilcox called on Angie Salinas of the United States Department of Agriculture to swear in the new Board members who are filling vacancies. Ms. Salinas officially seated Terry Webb and Buddy Gaither (absent) as Board members. Chairman Wilcox acknowledged the contributions of Patricia Romero and Bruce Madsen during their tenure on the Board. Chairman Wilcox asked if there was any new business to come before the Board. Motion by Mike Krueger, second by Jay Jaskiewicz, to adjourn the meeting. Chairman Wilcox indicated that the next meeting will be held in Boston, MA on July 14-15, 2006. The meeting was adjourned.

(b) (6)

APPROVED:
DATE:

MINUTES

MilkPEP Board Meeting – General Session

July 14-15, 2006
Boston, MA

Chairman J.T. Wilcox called the Board into general session at 9:00 am. Members present included Bob Baker, Brian Haugh, Mike Touhey, Jerry Tidwell, Jim Turner, Joe Cervantes, Jay Jaskiewicz, Mike Krueger, Randy Mooney, John Robinson, Buddy Gaither, J.T. Wilcox, Bob McCullough, Rachel Kylo, Susan Meadows, Terri Webb, Bill McCabe, Mike Nosewicz, and Paul Bikowitz. Also present were Kurt Graetzer and Ron Rubin (MilkPEP staff); Angie Salinas, Whitney Rick and John Mengel (USDA liaison); and Wayne Watkinson (legal counsel). Also present were appropriate members of IDFA staff.

Chairman Wilcox introduced several guests who were present, including Harry Kaiser (Cornell University), Connie Tipton (IDFA), Scott Charlton (former chairman of the MilkPEP Board), and Rick Naczi (DMI). Also present were industry representatives, including Jeff Foster, Jay Bryant, Al Guida, Dub Garlington, Jeff Keller, Ann Ocana, Miriam Erickson Brown and Rick Beaman; and Lisa Hildebrand and Ed Mullins (new Board members).

Chairman Wilcox asked Angie Salinas to present the USDA report. Ms. Salinas discussed the following issues:

1. The USDA would seat new members during the Saturday session.
2. The USDA conducted a visit to Rubin, Kasnett & Associates on May 23, 2006, and noted the California eggnog assessment issue.
3. The 2006 report to Congress is in final review and should be available to the public shortly.
4. The 2007 nominations are due in October, including the following seats: Regions 1, 4, 7, 10, 13, the At-Large seat currently held by Randy Mooney, and the At-Large seat currently held by Terri Webb.

Following the USDA report, program committees presented an update of the 2006 integrated program. The Advertising Committee reviewed the Freddy Adu, Lindsey Davenport, Mischa Barton, Superman (Brandon Ruth), Elizabeth Hurley, and Sophia Vergara ads.

The Public Relations Committee presented the 2006 winners of the SAMMY awards. The committee also reviewed activity at the Nutrition News Bureau, which included:

Milk for Mothers-to-Be

- Leveraged new study that gave pregnant women more reasons to drink their milk
- Getting 3 servings a day may help increase birth weight
- Women who rarely drank milk during their pregnancy gave birth to smaller babies
- Low birth weight can be serious threat to infants
- Results: 350 print and TV stories, 33+ MM impressions

Milk and Blood Pressure

- Made news when National Institutes of Health researchers found that low fat milk was linked to lower blood pressure
- 3 servings a day associated with 36 percent lower risk of hypertension
- Researchers believe the mix of minerals in milk are the reason why
- Potassium, magnesium and calcium
- Results: 300 print and TV stories, 35 MM impressions

The committee also reviewed the Medical Advisory Board meeting.

- First meeting with our two new members
 - Pediatrician Steve Abrams and nutrition researcher Christine Economos
- Primary objective to review “state of the science” and explore new claims
 - Sought input on key elements of 2007 plan
- Four major mechanisms are emerging to explain the dairy-weight loss connection
 - Better understanding of the factors that influence positive results (calcium threshold, reduced-calorie diet, etc.)
- Critical to have more studies published
 - Including multi-center study and feeding trial that’s still underway

An issues update was also presented.

- Attacks on milk-weight loss claims have decreased
 - No new studies to fuel media interest
- Publication of a few new books have generated some negative stories
 - For all animal products, including milk
- Negative studies have received some limited media coverage
 - Hormones in milk linked to multiple births, milk drinkers have increased cancer risk
- Regular letters to the editor correct the record, refute the claims

Bob McCullough, chairman of the Promotion Committee, presented a program entitled “Finish Line” which leverages recent research regarding chocolate milk as an effective recovery aid after exercise. Shelf kits have been developed which include materials to host athletic events or school functions. This program works in tandem with a national PR effort in 25 markets across the country.

The Fluid Milk Strategic Thinking Initiative Committee presented an update relating to “Spotlight On”. Chairman Mike Krueger reported on the online contest to promote change in school milk and milk vending. The committee also heard a report relating to the “Take a Closer Look at Flavored Milk” campaign, which is an effort to present factual information relating to flavored milk in schools. The committee also reported that a contingent of MilkPEP representatives are attending the School Nutrition Association show on July 16-19, 2007 and will be involved in an educational session. That completed the updates presented by the committee.

2005 Program Evaluation

Kurt Graetzer outlined for the Board an evaluation of the 2005 program. The Board reviewed the results of the marketing mix analysis for the Board's program. The evaluation included the following program measurements:

- Sales and consumption
- Moms weight loss
- Hispanics
- Teens
- Schools

The following determinations were discussed by the Board:

- MilkPep marketing is an important contributor to Milk category volume & growth
 - MilkPep generated marketing volume rose +15% vs. year ago, despite a lower investment
 - MilkPep drove over 4% of category volume
 - In Hispanic skewed markets, the category benefits from both MilkPep Hispanic & MilkPep general market activities, representing nearly 10% of the category sales
- Plan changes have resulted in MilkPEP marketing dollars working harder
 - Incremental gallons per \$ spent rose +25% in 2005
 - Significant increases came from improved efficiency in the PR plan and more effective Moms TV
 - However, a cut back on Print spend partially offset other MilkPEP marketing gains
- Multiple elements of the integrated marketing plan worked well to deliver the weight loss message
 - The new Moms TV effectiveness increased greater than +10%
 - Mom's Print is still working efficiently to reach consumers
 - Mom's Weight Loss Events are the most effective and efficient
 - 2004 Weight Loss & Curves generated synergies with high levels of TV and efficient in-store components
 - PR delivered the 'good for you' message with a return almost 2x higher than the average
- The efforts to reach teens also improved in the latest year
 - The longer Fuel-Up event delivered growth more efficiently than programs in previous years

The marketing mix analysis also included several recommendations which were reviewed by the Board:

Moms Program

- Continue to capitalize on the benefits of an integrated marketing plan and message to break through
 - Use Print and PR as continuity vehicles

- Heavy up Moms TV weight loss message around key diet seasons and to support weight loss events
 - Potential exists for a higher Moms TV investment
- Optimize the performance of events by stacking support to create synergies
 - Use TV to lead into the event to create awareness
 - Heavy up Print & PR to generate synergies
 - Test different executions of the in-store component to improve efficiencies
 - Results confirm general MMA learning that its difficult to recoup outlay for an expensive premium in the short term
 - Results indicate the current number of events is optimal

Teens & Hispanic Programs

- Build on the success of the new teens event strategy
 - Continue with the longer event window
 - Use TV through the middle of the event to create top of mind awareness
 - If adding support, select Print or Alternative Media Touchpoints
 - Consider digital advertising, IM, Advergaming
- Consider Hispanic advertising a long-term strategic investment
 - Print is underleveraged in the Hispanic marketing mix
 - Print's strength is its ability to efficiently reach interested consumers and its ability to communicate a more complex message

Following the evaluation, Treasurer Jay Jaskiewicz, chairman of the Finance Committee, presented a report which included the following items:

The Finance Committee reviewed the following:

Ron Rubin briefed the Finance Committee on a minor compliance issue with CDFA. The department was unaware of the change of eggnog to Class I and was inadvertently issuing credits to processors. PEP is working with CDFA to determine if there are any other credits we need to go back and adjust. The CA processors are correctly reporting their eggnog sales.

The committee heard an update on the opportunity to utilize a line of credit facility to provide additional resources to the program execution process. It was decided to table the discussion of this concept for the time being.

It was reported that Snyder Cohn (MilkPEP's outside audit firm) has completed their annual compliance review of IDFA with no issues to report. The report will be issued in the next month. They are beginning the fieldwork on the DRAFT contract review in August.

The Finance Committee reviewed the cash flow which includes the 2007 approved plan. The Finance Committee ratified the approval of the 2007 budget based on this positive cash flow.

- The committee reviewed the quarterly competitive bidding update in detail, and the May 2006 financial statement was reviewed.
- The YTD collections report was discussed, which takes us through April. MilkPEP collections are up 6%, which is consistent with USDA results.
- The committee reviewed and recommends approval of the 2007 amended budget, which increased by \$2.6M from the carry-forward of prior year uncommitted funds. These funds were designated \$2.07M to advertising, \$446,000 to PR, with the balance to unallocated. The committee recommends approval of the 2007 authorizations of \$40,174,127, subject to approval by respective program committees.
- The committee reviewed a 2006 budget amendment which saw a reclassification of \$200,000 among the program areas and recommends approval by the Board. Authorizations of \$7,833,948 subject to program committee approval were also recommended by the committee.

Jay Jaskiewicz moved the committee recommendation to approve the shift of \$200K in the 2006 budget between program categories (see Exhibit 1). Motion approved. Motion by Jay Jaskiewicz to approve the \$2.6m revenue budget amendment to the 2007 budget recommended by the Finance Committee (see Exhibit 2). Motion approved.

Following the presentation of the Finance Committee report, Chairman Wilcox recessed the Board.


Chairman Wilcox called the Board back into session at 9:40 am on July 15, 2006. The Board had an extensive discussion relating to the current status of beverages in schools. It was indicated that soft drinks are on the defensive in schools as a beverage. There is public pressure for healthier school options. The Board discussed a program which would include industry training, promotion programs, and support materials for processors. It was indicated that processors are working with schools to improve consumption. The average weekly serving of milk per student in schools is 3.55 in elementary schools and 1.86 in secondary schools.

The Board discussed several issues relating to milk in schools, including:

- Alliance for Healthier Generation
- Current activity in the New York school system
- For informational purposes, activity in state legislatures
- Information from the Institute of Medicine

Challenges to milk in schools were reviewed:

Initiatives targeting “bad” beverages can have a negative impact on milk

 School Nutrition Initiatives	Limiting Fat Levels	Limiting Added Sugar	Limiting Serving Size
Primary Target	<ul style="list-style-type: none"> • Milk 	<ul style="list-style-type: none"> • “Bad” beverages (CSDs, fruit drinks) 	<ul style="list-style-type: none"> • “Bad” beverages (CSDs, fruit drinks)
Impact on School Milk	<ul style="list-style-type: none"> • Limits offerings to fat free and low fat <ul style="list-style-type: none"> – Meal line – A la carte/ vending 	<ul style="list-style-type: none"> • Puts flavored milk at risk <ul style="list-style-type: none"> – Meal line – A la carte – Vending 	<ul style="list-style-type: none"> • May limit a la carte and vending to small sizes -- less milk, less revenue/ profit • Undermines industry efforts to extend meal line options to 10-oz.
Implications for Industry	<ul style="list-style-type: none"> • Need to offer more appealing fat-free and low-fat products 	<ul style="list-style-type: none"> • Need to educate decision-makers on importance/benefits of flavored milk 	<ul style="list-style-type: none"> • Need to ensure that milk is exempt from these regulations

The following activities have been scheduled to organize industry activity:

- Industry call on July 21, 2006
- Industry webcast on August 1, 2006
- New materials being developed to “capture the opportunity” relating to schools

New materials being generated to assist processors include the following:

- Introduce new "School Selling Season Kit"
 - Selling Season Calendar
 - Selling Process Steps
 - PPT presentation template
 - Brief PPT's for Foodservice Directors to use
 - MilkPEP & NDC joint Promotion Calendar
 - Flavored Milk Whitepaper
 - Processor Workshop Materials

Chairman Wilcox requested the chairmen of the committees to present reports relating to activities by the committees at this meeting. Rachel Kylo, chairperson of the Advertising Committee, presented the following:

- Ms. Kylo reported on two new Milk Mustache celebrity ads (Beyonce and Tina Knowles, which will debut in September). She also reported on a message integration program entitled “The Big Loser”, scheduled for the fourth quarter of 2006.
- With regard to teens, it was reported that Beyonce and Solange Knowles will carry the message “Body by Milk” and will debut in January.
- The committee presented the 2006 Tremor concept:



- Puts new spin on milk's role in achieving a healthy weight
- Showcases teens that have started to drink milk three times a day and achieved results
 - Along with eating smart and exercising regularly
- Initial test results even stronger than successful '05 program

Chairwoman Kylo presented amendments to the 2006 budget and the committee's recommendation to approve the budget transfers as presented below. Motion approved.

2006 Budget Summary

Project	Auth Code	Budget	Transfer	New Total	Autho Request	Total Authorized	Balance
Broadcast Media	06-01	21,372,247	0	21,372,247	1,061,201	21,372,247	0
Print Media	06-02	29,662,764	-25,000	29,637,764	1,663,000	29,637,764	0
Regional Advertising	06-03	2,400,000	0	2,400,000	0	2,400,000	0
Disney Sponsorship	06-04	2,274,989	0	2,274,989	0	2,274,989	0
Tremor	06-05	1,500,000	0	1,500,000	0	1,500,000	0
Production	06-10	5,330,000	0	5,330,000	682,000	5,330,000	0
Hispanic Media	06-20	3,500,000	-12,000	3,488,000	390,997	3,488,000	0
School Image	06-21	2,020,000	0	2,020,000	0	2,020,000	0
Hispanic Production	06-22	425,000	12,000	437,000	12,000	437,000	0
IDFA Program Mgmt	06-28	225,000	0	225,000	0	225,000	0
Legal	06-29	300,000	0	300,000	0	300,000	0
Total	-	\$69,010,000	(\$25,000)	\$68,985,000	\$3,809,198	\$68,985,000	\$0

Chairwoman Kylo discussed the authorization requests which were approved by the committee.

The 2007 budget was reviewed. Ms. Kylo presented a recommendation from the committee to approve the budget transfers as presented below. Motion approved.

2007 Budget Summary

Project	Auth Code	Budget	Transfer	New Total	Authorizati on Request	Total Authorized	Balance
Unallocated	07-00	66,166,477	-66,166,477	0	0	0	0
Broadcast Media	07-01	0	21,499,162	21,499,162	19,994,140	19,994,140	1,505,022
Print Media	07-02	0	27,973,721	27,973,721	6,000,000	6,000,000	21,973,721
Regional Advertising	07-03	0	1,200,000	1,200,000	0	0	1,200,000
Disney Sponsorship	07-04	0	2,351,242	2,351,242	0	0	2,351,242
Tremor	07-05	0	1,449,999	1,449,999	0	0	1,449,999
Production	07-10	0	5,985,000	5,985,000	2,612,500	2,612,500	3,372,500
Hispanic Media	07-20	0	3,500,000	3,500,000	2,267,800	2,267,800	1,232,200
School Image	07-21	0	3,550,000	3,550,000	0	0	3,550,000
Hispanic Production	07-22	0	725,000	725,000	502,500	502,500	222,500
IDFA Program Mgmt	07-28	0	0	0	0	0	0
Legal	07-29	0	0	0	0	0	0
Total	-	\$66,166,477	\$2,067,647	\$68,234,124	\$31,376,940	\$31,376,940	\$36,857,184

Ms. Kylo reviewed the authorization requests approved by the committee.

Susan Meadows, chairperson of the Public Relations Committee, presented a report relating to the mother-daughter summit, which is the premiere of the “Teen Healthy Weight” message to moms. The summit is set for New York City on September 27. Ms. Meadows also presented a report relating to activities with health professionals. It was reported that successful meetings were held with the American Dietetic Association and the American Academy of Pediatrics.

The committee has also developed a Journalist’s Guide to Dairy Weight Loss Connection, which is a deep dive into the science to showcase the breadth of the evidence and correct misperceptions. It was designed as an educational tool so media will be less likely to attribute claims to just a few studies. The guide was reviewed by Drs. Robert Heaney and Michael Zemel.

With respect to the Finish Line program, the following schedule was presented:

Minneapolis, MN	7/15	Indianapolis, IN	8/19
Richmond, VA	7/23	Chicago, IL	8/27
Louisville, KY	7/23	San Diego, CA	8/27
Charlotte, NC	7/28	Salt Lake City, UT	9/2
San Francisco, CA	7/30	Orlando, FL	9/2
Houston, TX	8/5	Boston, MA	9/3
Denver, CO	8/6	Philadelphia, PA	9/10
Oklahoma City, OK	8/6	Nashville, TN	9/10

Albany, NY	8/12	Las Vegas, NV	10/15
New York, NY	8/13	Des Moines, IA	10/15
Cleveland, OH	8/13	Little Rock, AR	10/21

The committee also discussed with the Board information relating to a new proposed FDA health claim for Vitamin D and calcium and reduced risk of osteoporosis. A final determination on the health claim is expected on October 18. It is possible that the juice companies will make a significant marketing push and labeling changes as a result of the claim. The committee is developing ideas to minimize the potential impact of juice company activity on milk sales and to reach out to processors to promote new label claims for milk products.

The Hispanic Heritage recipe booklet was presented, which will be made available for Hispanic Heritage Month. The booklet includes healthy tips and traditional Hispanic recipes developed by nutritionist Claudia Gonzalez.

Chairwoman Meadows presented amendments to the 2006 Public Relations budget (below).

2006 Public Relations Authorizations
July 2006

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Milk Mustache Mobile	06-30	4,320,000	0	4,320,000	496,500	4,320,000	0
Wake Up to Weight Loss	06-31	447,000	0	447,000	0	447,000	0
Great American Weight Loss Challenge Two	06-32	206,000	0	206,000	0	206,000	0
Mother-Daughter Weight Summit	06-33	565,000	0	565,000	265,000	565,000	0
Body By Milk / Healthiest Student Bodies	06-34	1,380,000	0	1,380,000	920,000	1,380,000	0
Whymilk.com	06-35	500,000	200,000	700,000	335,000	700,000	0
MM Media Machine	06-36	620,000	0	620,000	198,000	620,000	0
Nutrition News Bureau	06-37	699,000	0	699,000	229,000	699,000	0
MAB Support	06-38	100,000	0	100,000	40,000	100,000	0
Issues	06-39	525,000	0	525,000	225,000	525,000	0
Got News	06-40	100,000	0	100,000	18,000	100,000	0
Service Team	06-41	620,000	0	620,000	287,000	620,000	0
SAMMY	06-42	150,000	0	150,000	0	150,000	0
Hispanic PR	06-43	483,000	0	483,000	39,250	483,000	0
Health Professional	06-44	200,000	0	200,000	70,000	200,000	0
WS Program Management	06-45	260,000	0	260,000	140,000	260,000	0
Finish Line	06-46	385,000	0	385,000	0	385,000	0
IDFA PR Program Management	06-49	250,000	0	250,000	0	250,000	0
Total	-	\$11,810,000	\$200,000	\$12,010,000	\$3,262,750	\$12,010,000	\$0

Ms. Meadows presented the committee recommendation to approve the amendments to the budget as presented. Motion approved. Chairwoman Meadows also reviewed with the Board the authorization requests which were approved by the committee.

Chairwoman Meadows reviewed the authorization requests approved by the committee for funding from the 2006 Medical and Scientific budget.

2006 Medical and Scientific Authorizations July 2006

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Medical Advisory Board	06-80	200,000	0	200,000	100,000	200,000	0
Program Management - MAB	06-85	130,000	0	130,000	0	130,000	0
Medical Research	06-90	200,000	0	200,000	200,000	200,000	0
Program Management - Medical Research	06-94	5,000	0	5,000	0	5,000	0
Total	-	\$535,000	\$0	\$535,000	\$300,000	\$535,000	\$0

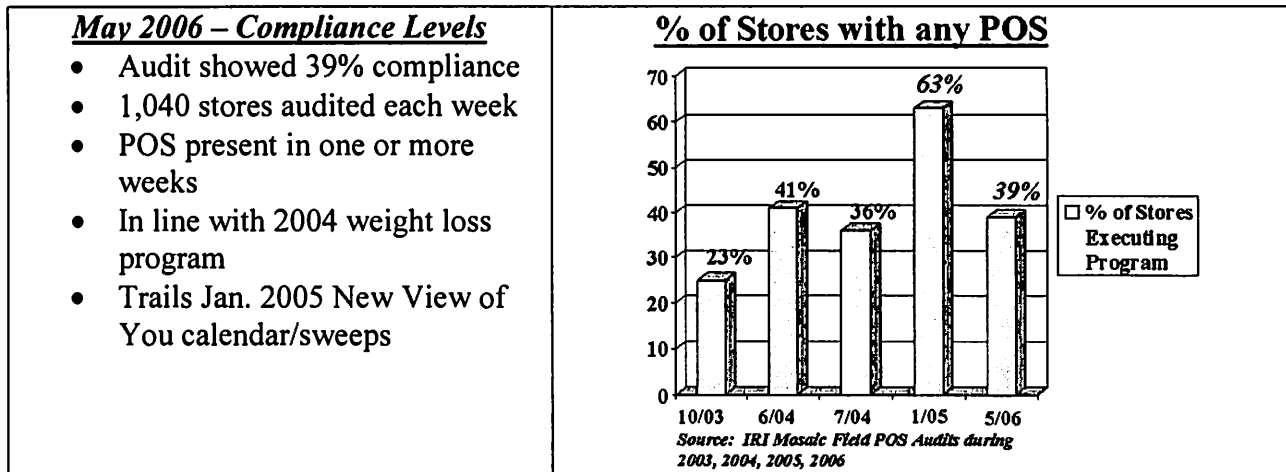
The 2007 Public Relations budget was reviewed. Chairwoman Meadows presented the committee recommendation to approve the budget transfers as presented below. Motion approved.

***2007 Public Relations Authorizations
July 2007***

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Unallocated	07-00	10,892,647	-10,892,647	0	0	0	0
January Mega Event	07-30	0	1,124,000	1,124,000	974,000	1,124,000	0
Milk Mustache Mobile/Women's Challenge Tour	07-31	0	4,585,000	4,585,000	1,125,000	1,125,000	3,460,000
Teen Challenge	07-32	0	530,000	530,000	25,000	25,000	505,000
Family Challenge	07-33	0	709,000	709,000	0	0	709,000
Web Site	07-34	0	350,000	350,000	60,000	60,000	290,000
Milk Mustache Media Machine	07-35	0	620,000	620,000	65,000	65,000	555,000
Nutrition News Bureau	07-36	0	650,000	650,000	55,000	55,000	595,000
MAB Support	07-37	0	100,000	100,000	10,000	10,000	90,000
Issues	07-38	0	525,000	525,000	37,000	37,000	488,000
Got News	07-39	0	100,000	100,000	15,000	15,000	85,000
Service Team	07-40	0	605,000	605,000	45,000	45,000	560,000
SAMMY	07-41	0	150,000	150,000	38,000	38,000	112,000
Health Professionals	07-42	0	350,000	350,000	100,000	100,000	250,000
Weber Shandwick Program Management	07-43	0	370,000	370,000	30,000	30,000	340,000
Hispanic PR	07-48	0	571,125	571,125	199,587	199,587	371,538
Total	-	\$10,892,647	\$446,478	\$11,339,125	\$2,778,587	\$2,928,587	\$8,410,538

The authorizations approved by the committee to be funded from the 2007 budget were also reviewed by the Board.

Bob McCullough, chairman of the Promotion Committee, presented the following information relating to compliance levels.



As a result of this information, the committee is reviewing more efficient ways to deliver consumer premiums and value, including:

- Online options
- Partner opportunities

The committee is also seeking to determine the proper mix of consumer promotion and trade promotion to optimize effectiveness and efficiency. Chairman McCullough reported that there is a need to enhance in-store cost efficiency with regard to the promotions.

The committee presented the “Body by Milk” promotional print ads featuring Baby Phat founder Kamora Lee Simmons. Chairman McCullough also presented the Body by Milk key measurement initiatives.

- Consumer Research
 - Teen on-line surveys
- School Research
 - School Kit Surveys
 - SFSD Panel
- Sales Impact
 - Data collection and analysis
- Online Activity Measurement
 - Evaluate activity and effectiveness of web components
 - Real time monitoring

With regard to a status report on 2007 programs, the following activities were reviewed:

January

- Retail Offer: Desktop Tool
 - Available with milk UPC

- Receives daily content
 - Quick link to web site
- Helps stay on track with weight loss
 - Interactive fitness trainer
 - Exploring co-branding with known fitness personality
 - Beverage choice, 24/24 info
 - Complements web site content

April

- Retail Merchandising
 - Magnets are in-home reminder of 24/24
 - Long life on the “fridge”... the point of drink decision
- Online Sweepstakes
 - TV tag features “Challenge” winners, drives consumers online where they can win too!
 - Supported by in-store POS

September

- “Give Your Family Something Smarter”
 - Feature Incentive Program
 - Positions mom as hero
 - Platform for retailer to promote other smart nutrition choices
 - Includes Hispanic POS
 - The committee presented information on the 2007 Body by Milk second semester program.

2007 Body By Milk: Second Semester

- Program continues January- June '07
- New incentives
- Refreshed school merchandising
- New package graphics
- Key Dates
- Finalize partners 8/30
- Confirm prizing 9/29

With regard to local marketing activities, Chairman McCullough presented the following information:

- Program Participation
 - Average of 83 locations
 - Representing 32 companies
- Sales Meeting Attendance
 - Average of 79 processors
 - Representing 32 companies
- Website Hits (milkpep.org) have increased
- Ordered POS Materials have remained steady

Chairman McCullough presented the amendments to the 2006 Promotion budget.

2006 Promotion Authorizations
July 2006

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Weight Loss: Program 1 (Wake Up to Weight Loss)	06-50	1,860,000	-150,000	1,710,000	0	1,710,000	0
Weight Loss: Program 2 (Celebrate Success)	06-51	2,780,000	-25,000	2,755,000	0	2,755,000	0
Teens: Body by Milk	06-52	4,255,000	0	4,255,000	370,000	4,255,000	0
Sales Support	06-53	550,000	0	550,000	0	550,000	0
Trade Advertising	06-54	125,000	0	125,000	0	125,000	0
Local Marketing	06-55	450,000	0	450,000	0	450,000	0
Management Staff Support 07 Planning	06-56	950,000	0	950,000	0	950,000	0
Research	06-57	50,000	0	50,000	0	50,000	0
Program Management	06-58	550,000	0	550,000	0	550,000	0
Promotion (Unallocated)	06-59	0	0	0	0	0	0
Total	-	\$11,570,000	(\$175,000)	\$11,395,000	\$370,000	\$11,395,000	\$0

Chairman McCullough presented the committee recommendation to approve the amendments as presented. Motion approved.

With regard to the 2007 Promotion budget, Chairman McCullough presented the following amendments:

2007 Promotion Authorizations
July 2006

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Unallocated	07-00	10,650,000	-10,650,000	0	0	0	0
Weight Loss: Program 1 (January: Think About Your Drink Mega Event)	07-50	0	1,393,200	1,393,200	1,393,200	1,393,200	0
Weight Loss: Program 2 (April: Another Season, Another Reason)	07-51	0	2,914,800	2,914,800	1,457,400	1,457,400	1,457,400
Families: Give them something smarter (September)	07-52	0	917,000	917,000	0	0	917,000
Body By Milk/ January - June (Refresh)	07-53	0	1,582,000	1,582,000	1,582,000	1,582,000	0
Body By Milk / August - December 2007	07-54	0	1,792,000	1,792,000	0	0	1,792,000
Promotional Program Sales Support	07-55	0	450,000	450,000	20,000	20,000	430,000
Trade Advertising	07-56	0	51,000	51,000	0	0	51,000
Local Marketing	07-57	0	550,000	550,000	0	0	550,000
Management Staff Support & 2008 Planning	07-58	0	950,000	950,000	500,000	500,000	450,000
Program Management	07-59	0	0	0	0	0	0
Research	07-77	0	50,000	50,000	50,000	50,000	0
Total	-	\$10,650,000	\$0	\$10,650,000	\$5,002,600	\$5,002,600	\$5,647,400

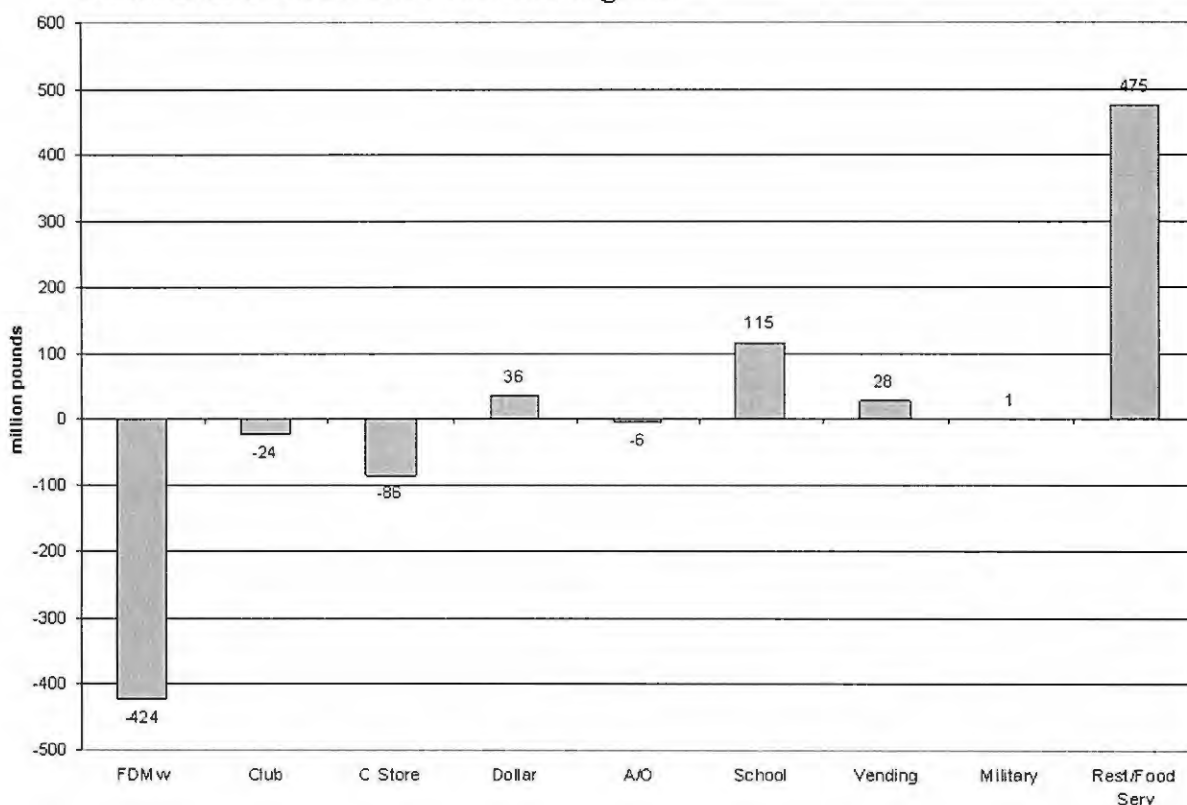
Chairman McCullough moved the committee recommendation to approve the transfers as presented. Motion approved.

Chairman McCullough also reviewed the authorization requests which were approved by the committee.

The Fluid Milk Strategic Thinking Initiative Committee presented a report relating to volume changes in milk.

Est. 2004-2005 Volume Changes by Channel

- Schools and foodservice drove the gains



FMSTI Chairman Mike Krueger presented a status report on the project entitled "Milk Town". It is proposed that a brainstorming session be conducted in early August with the intent to present a plan to the FMSTI Committee in September.

With regard to weight loss, Chairman Krueger indicated that the committee would do an assessment relating to the message. The assessment would include the following elements:

- Overall sales and key target consumption
- Sales derived from message
- Research based consumer responses
- Exhibited consumer interest
- Processor and retail support

- PR pick up/receptivity assessment
- Environmental assessment
- State of the science
- Alternative message assessment
 - The existence of a positive or superior predictive measure on an alternative message
- Competitive Analysis

Chairman Krueger reviewed with the Board the current status of vending initiatives conducted by the committee. Key determinations included:

- Vending operator interest in vending has not waned
- Communication to vending operators is key to driving efforts
 - Processors desire the operators to do the "heavy lifting"
 - Opportunity to get processors involved in school milk vending
 - Most school vending is from independent vending operators
- FMSTI continues to be a good source of high quality information and research
 - However, information and materials needs refreshing
- FMSTI sales materials demand is slipping
 - 363 orders made for FMSTI materials in 2005 (equaling over 7,200 pieces)
 - Brochures
 - Videos
 - Reports
 - Need for new support materials

With regard to the 2006 FMSTI budget, Chairman Krueger reviewed the proposed budget transfers to the 2006 budget and presented the committee recommendation to approve the changes. Motion approved.

2006 FMSTI Authorizations July 2006

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
FMSTI Unallocated	06-00	610,000	(50,000)	560,000	0	0	560,000
2006 Planning	06-60	40,000	0	40,000	0	40,000	
BtoB Communications Plan	06-61	655,000	0	655,000	0	655,000	
Sales Materials	06-62	75,000	50,000	125,000	50,000	125,000	
Trade Show/Seminars	06-63	100,000	0	100,000	0	100,000	
School FS Director Seminars (2005-2006)	06-64	250,000	0	250,000	0	250,000	
School Food Service Director Seminars (2006-2007)	06-65	100,000	0	100,000	0	100,000	
Milk Town	06-66	25,000	0	25,000	0	25,000	
Program Management	06-69	450,000	0	450,000	0	450,000	
Total	-	\$2,305,000	\$0	\$2,305,000	\$50,000	\$1,745,000	\$560,000

Mr. Krueger reviewed with the Board the authorizations which had been approved by the committee at their recent meeting. The 2007 Research budget was discussed. Mr. Krueger moved

the committee recommendation to approve the budget transfers as presented below. Motion approved.

**2006 Research Authorizations
July 2006**

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Unallocated	06-00	318,000	-205,000	113,000	0	0	113,000
Business Performance & Tracking	06-70	1,060,000	0	1,060,000	0	1,060,000	0
Communication Testing	06-71	235,000	45,000	280,000	45,000	280,000	0
Program Development	06-72	60,000	0	60,000	0	60,000	0
Promotion Measurement	06-73	67,000	160,000	227,000	160,000	227,000	0
Program Management	06-79	355,000	0	355,000	0	355,000	0
Total	-	\$2,095,000	\$0	\$2,095,000	\$205,000	\$1,982,000	\$113,000

\$45,000 = Hispanic Focus Groups

\$160,000 = Marketing Mix Analysis

Chairman Wilcox asked if there were any further business to be brought before the Board at this session. Chairman Wilcox, on behalf of the Board and the industry, expressed appreciation to Jim Turner and John Robinson for their outstanding service to the industry.

There being no further business to come before the Board, the meeting was adjourned.

(b) (6)

APPROVED:

DATE:

7/14/06

MINUTES

MilkPEP Board Meeting – General Session I

January 12, 2007
Orlando, FL

Chairman Bill McCabe called the meeting to order at 8:00 am. Members present included J.T. Wilcox, Randy Mooney, Susan Meadows, Jerry Tidwell, Mike Krueger, Mike Nosewicz, Buddy Gaither, Rachel Kylo, Gary Aggus, Bill McCabe, Terri Webb, Paul Bikowitz, Mike Touhey, Brian Haugh, Jay Jaskiewicz, Ed Mullins, Bob McCullough, Joe Cervantes. Also present were Kurt Graetzer and Ron Rubin (MilkPEP staff), Connie Tipton (IDFA), Scott Charlton and Scottie Mayfield (former chairmen, MilkPEP Board), Dub Garlington, Jay Bryant, Miriam Erickson, Ann Ocana, and Al Guida.

Chairman McCabe asked the Board's recommendation on the minutes of the July 2006 Board meeting, including the executive session minutes. Motion by Gary Aggus, second by Rachel Kylo, to approve the minutes as presented. Motion approved.

Angie Salinas (USDA representative) presented a report including the following items:

- The Appointment Notebook for the 2007-2010 term is proceeding through USDA channels.
- USDA has conducted two quarterly reviews to Rubin Kasnett and Associates since July meeting (Sept. 8 – no recommendations; Dec. 21 – report pending).
- USDA has also conducted an annual review of IDFA records for 2005 (report pending).
- 2006 Report to Congress was distributed in September (for extra copies, contact our office).

There were no questions for Ms. Salinas.

Connie Tipton (CEO of International Dairy Food Association) presented a report to the Board.

- Ms. Tipton indicated that IDFA was working closely with producers on several issues and had set up a communications program, including National Milk and DMI, which was working well.
- She reviewed the issue relating to cloning and IDFA's position for informational purposes.
- Ms. Tipton also reviewed the calcium/Vitamin D issue.

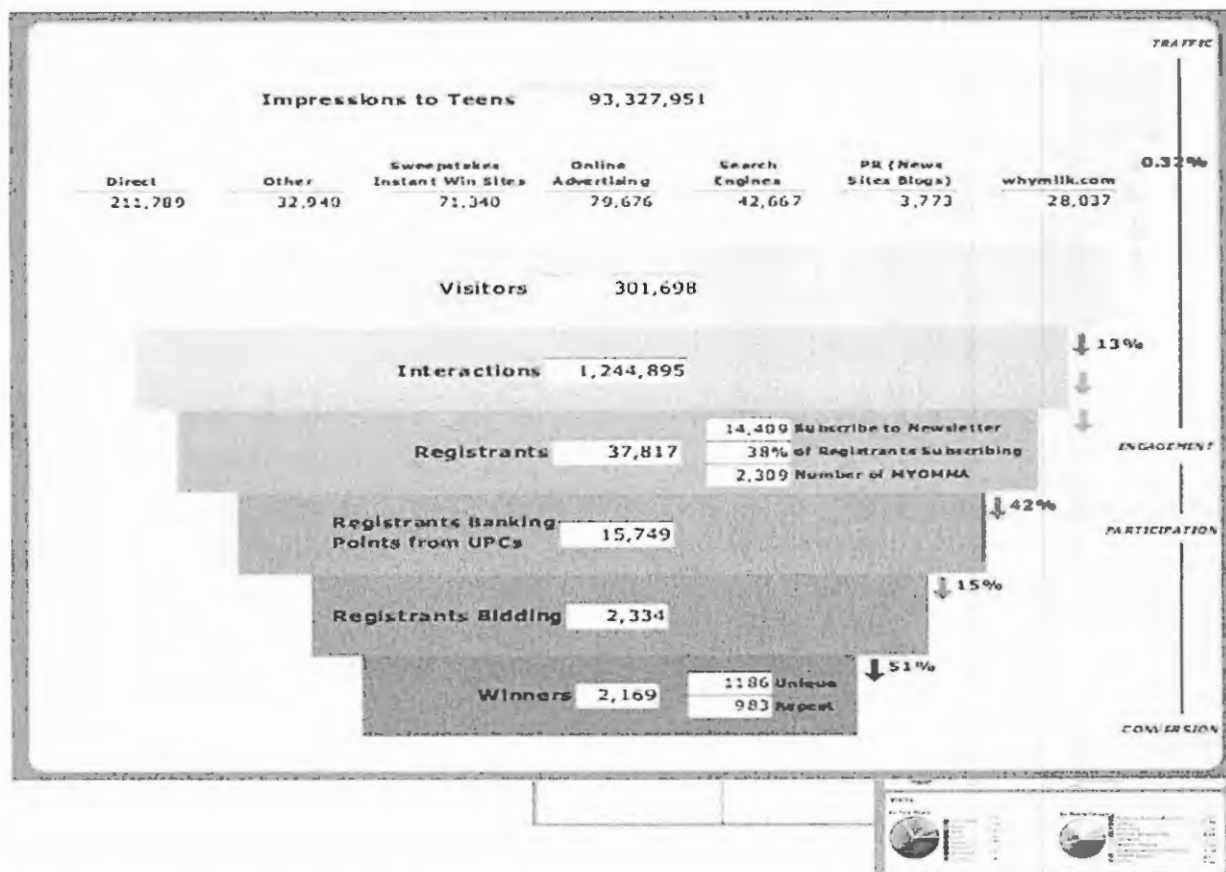
The Board heard reports from the committees on the integrated program activities conducted since the last meeting in July 2006. Key elements of the program included :

- The new Mariska Hargitay ad and PSA
- The Little Victories advertising
- Launch activities of the results of the study "What America Drinks"
- "Think About Your Drink" sweepstakes
- Kathy Smith personal trainer program

- Activities designed to activate consumers at retail on “Think About Your Drink” activities

The Board reviewed activities targeted at the Hispanic market relating to healthy weight messaging, including the PSA-style ad with Dr. Alisa and new “Body by Milk” websites and auction pages.

The Board reviewed the process for measuring the “Body by Milk” program.



The “Body by Milk” interactive website was reviewed as well as the school merchandising materials and high school/middle school cafeteria posters of Carrie Underwood and Alex Rodriguez. A new element in the program was the gymnasium image program, which included posters of Mia Hamm and Vince Carter.

Rachel Kylo (chairperson of the Advertising Committee) presented an update on activities conducted over the past six months. The Beyonce/Tina Knowles role modeling ad was unveiled in September 2006 at the Mother-Daughter Summit in New York City. Activities surrounding the ad garnered 55.5 mm media impressions. “The Biggest Loser III” was a November 2006 NBC reality tv show in which message placement within the program spread milk’s weight loss

message and built credibility. Activities to extend the opportunities surrounding “The Biggest Loser III” included a milk mustache print ad featuring the show’s winner, and a satellite media tour with the show’s nutritionist to coincide with the show’s finale.

Program Component	Impressions
Message placement on TV show	8 MM
Milk mustache winner ad (People/USA Today)	45 MM
Online exposure (people.com, nbc.com)	5 MM
Earned PR impressions	10 MM
TOTAL IMPRESSIONS	68 MM

Susan Meadows (chairperson of the Public Relations Committee) reviewed with the Board the results of the Milk Mustache Mobile tour.

- Generated more than 220MM media impressions
- Hispanic overlay netted nearly 25MM media impressions
- Executed more than 350 events from April – August
- Highlighted 170 local women who lost weight by adding milk into their diets
- 107 brands participated; overall evaluation score of 3.4/4

The local market extension of the chocolate milk recovery story indicated that processors (with more than 40 different brands) requested 30 finish line kits to supplement existing events or to create their own activities. These activities secured more than 88 mm local market media impressions, which was 213% of the goal.

Processors also got involved in the “Healthiest Student Bodies” program, with 50 schools being rewarded for encouraging student bodies to drink milk over sodas. More than 60 processors awarded schools with donations at media events. The MilkPEP program also leveraged the study in Obesity supporting the milk-healthy weight connection in children. Researchers found that kids who get adequate amounts of dairy every day have a lower risk of becoming overweight.

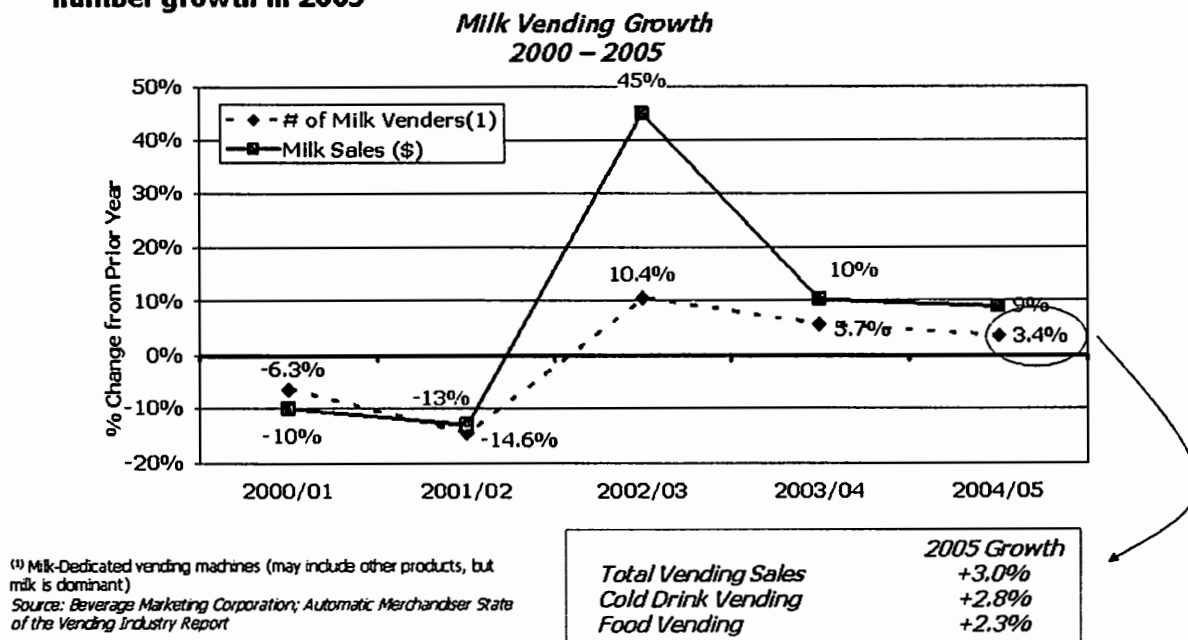
The Hispanic overlay of the Milk Mustache Mobile spanned across eight markets with author and nutritionist Claudia Gonzalez. This created 25.4 mm impressions. Other activities targeted at the Hispanic market included “Celebration of Hispanic Heritage Month” and a mother-daughter overlay with helpful tips on how Hispanic moms can be good role models.

Bob McCullough (chairman of the Promotions Committee) presented a report on the Halloween promotion. This promotion included record-breaking participation by retailers with over 36,000 stores participating. This exceeded the average participation level by 44%. Specific results of this program will be presented at the April Board meeting.

Brian Haugh (chairman of the Fluid Milk Strategic Thinking Initiative Committee) presented a report on committee activities. He reported on activities at the National Automated Merchandising Association meeting in October, in which MilkPEP had a trade show booth. There was also a hot topic session on preliminary results of the annual vending survey. The

results of the annual vending survey will be presented at the April Board meeting; however, Mr. Haugh did present some information from the report.

Milk vending continues its gains, with a third year of revenue and machine number growth in 2005



Mr. Haugh also reported that the “Capturing the School Milk Opportunity” presentation will be presented at several school state conferences, and reviewed with the Board the “Spotlight On” program in which school food service directors and VO’s share their first-hand school and vending success stories. Monthly winners receive individual and school prizes. An annual winner in each category will star in a milk mustache trade ad.

Following a short break, Kurt Graetzer led the Board in a discussion of the 2008 market situation report. A summary of the findings in the report is provided below.

- 2006 sales trends are positive and MilkPEP is a strong contributor to incremental sales
- The growth is driven by white milk and the lesser fat, while flavored milk growth has slowed.
- Consumption data continues to support our targeting strategy
- Migration out of traditional supermarkets continue, but sales in this channel still make up almost three quarters of all retail sales
- Schools has proven to be an important and effective marketing channel for reaching teens and kids. There is significant up-side opportunity to increase milk sales in schools
- While category performance is encouraging, milk remains at a significant disadvantage regarding ad spending and OOH distribution

For the past several months, a process was implemented to interview Board members to get their feedback on a number of issues. A summary of those issues and the Board comments are listed below.

- Targets
 - Agreement with Mom emphasis
 - Recognition of importance of teens/kids but concerns about under funding
- Messaging
 - MilkPEP's weight loss message is high priority for the industry
- Marketing Disciplines
 - Improve impact of promotion strategies
 - Inability to customize POS vs. too much emphasis on POS
 - Not enough brand support (Milk Mustache Mobile)
- Channel Strategy
 - Improvement in schools is crucial for the industry, however, school business not considered a high priority by majority of processors
- Flavored Milk
 - Not sure where strongest flavored growth will occur - Schools or Retail
 - Other areas might be better growth areas (organic, etc.)
 - Flavored milk is seen as largely a branded business, and some view it as not as dependent on MilkPEP's generic support
- Processor Participation
 - Need to improve marketing services and processor support
 - Need to improve processor communication and heighten importance of program to industry leaders

Based on the discussion with the Board, the following thoughts and concepts were raised.

- Recognize Hispanics as an increasingly important target
- Address customer need for customization
- Improve school milk
- Improve MilkPEP/DMI synergy
 - Coordinate more with other dairy efforts
- Focus more on MilkPEP's core mission - messaging, image and perception
- Address processor apathy
- Maintain momentum of MilkPEP's weight loss message - what's next? Need to test messages
 - Movement From Diets/Weight Loss to Healthy Weight, Good For You
 - Not just moms – “help your kids maintain a healthy weight”

The Board discussed the current state of the weight loss message and reached the following conclusions:

- The weight loss message has made an impact.
- The message is still relevant.
- The message is still perceived to be credible.

- There continues to be realistic potential to increase awareness and results indicate that women are drinking more and less are drinking less.
- There currently is a lack of alternative compelling messages.
- The campaign impacted the major measures in which we measure success
- We are still overweight and the environment is growing increasingly favorable towards healthy weight loss
- We continue to have the backing of the medical community and the trust of the consumer
- There is realistic potential to increase awareness, agreement and consumption
- It is doubtful that any alternative non weight loss message available to us today would have the impact or resonance of weight loss

During the discussion, there were several issues that were raised, as summarized below:

- There was a request for TetraPak to make a presentation on product positioning and new products in Europe and South America.
- A question was asked as to whether our surveys indicate whether women say one thing and do another. Has there been pushback on weight loss?
- There was a discussion among the Board members between the distinction of weight loss/dieting versus wellness/healthfulness. There was also significant discussion relating to the flavored milk decline and potential reasons for that result.
- Was it possible to identify a breakout of the national PR efforts and local PR efforts with the Milk Mustache Mobile? How can we measure processor participation in these activities?
- It is possible to develop a communications piece identifying processors who did participate versus processors who didn't and lay out the dollars invested by each processor in the program.

Tom Nagle reviewed with the Board the planning process for the 2008 program.

1. Aug: Staff, Agencies, and partners begin prep for Nov 2-day session
2. Jan Board: "Issues/Topics" Discussion
3. Mar Committees: Initial Plan Review
4. Apr Board: Pres of Outyear Plan
5. Jul Board: review of Prev. Year Measurements and Results
6. Aug: Back to step one.

As part of the process, the Board engaged in discussion relating to targets and messaging, focusing on the following areas:

- Market Trends - Obesity and Dieting
- Milk Targets and Consumption
- Program Impact on Targets
- Evolution of our Messaging
- Conclusions and Areas to Explore

Conclusions reached by the Board based on the discussion are as follows:

- The weight loss message is working and remains relevant; however, consumers are increasingly looking for healthy solutions in the absence of a diet fad
 - How can we evolve weight loss to keep it fresh and meaningful to consumers?
"Lose weight the healthy way"
- Multiple targets are critical but must be managed within a finite and flat budget
 - Moms continue to be the target priority in general market because of the weight loss messaging priority and their influence over Toddlers and Kids
 - Teens remain an important secondary target due to lesser influence from Mom
 - Hispanic efforts are key to driving volume in Hispanic markets
 - Kids need to be reached efficiently via program extensions
 - What synergies and opportunities exist to take advantage of alignment around weight loss benefit for all targets?
 - Weight loss messaging that overlap targets
 - Incorporating Hispanic elements into the general market programs
 - How do we maximize our efforts to Teens within the confines of "secondary target" budget?
 - Utilizing the Body By Milk theme and innovative approaches to reach teens effectively
 - Expansion of schools and the Internet as marketing channels for reaching teens (and kids)
 - Transfer of money from tv to schools provides more efficient way to reach teens

Following the discussion on targets and markets, the Board engaged in a discussion relating to resource allocation. Significant time was spent reviewing the marketing mix analysis, with several questions being raised.

- Optimization by discipline: What allocations do we want to dial up/down to boost MilkPEP's MROI beyond \$1:\$7?
 - Seek optimal thresholds across all marketing levers taking into account strongest historical performers
- Targeting Optimization: What would be impact of reallocating support between Moms, Teens, Kids, Hispanic? Can we bring Finish Line program under BBM?
- Continuity vs. concentration: What if we flattened our marketing investment to for a more continuous plan?
 - Recognizing that we have moved in the opposite direction in 2007, does 'recency' maximize ROI?

Conclusions based on this discussion are presented below.

- Each discipline is contributing to our results
 - How can we optimize the allocation?
- Pending the new results, the key opportunity seems to be increasing PR
 - But we have to find the middle ground between an already robust National PR program, and a relatively expensive tour/grassroots approach.
- Teen media continues to present efficiency challenges, but schools are a uniquely advantaged communication channel for us

- What is the optimal level of activity that can, or should be put into schools?
- Promotion as communication has limited ROI but, promotional (non-price) "deals" perform better, and better yet against impulse products like flavored milk
 - How do we optimize our promotional plan to deliver maximum value?
- In terms of all disciplines, what are the opportunities to retain our "event" effectiveness, yet deliver more continuity of message over time?

The Board reviewed trends in the flavored milk marketing arena, with the following conclusions being reached:

- Decreased MilkPEP spending has contributed to a decrease in national flavored milk sales
 - Although not the program priority, is there an opportunity for MilkPEP to continue to stimulate flavored milk activity?
 - Areas to explore...
 - The creation of a flavored milk event that is health oriented
 - Build on the Stager study "Finish Line" concept
 - Introduce flavored milk into the Body By Milk program
 - Additional teen and school programs focusing on Flavored milk
- Flavored milk has proven to be more responsive to promotional activity than white milk and retailers and processors show greater support for flavored milk activity
 - What are MilkPEP's opportunities to take advantage of this position?
 - Areas to explore...
 - Promotion may be an area that can efficiently and effectively continue to support flavored milk (e.g., Halloween)
 - Explore retail calendar opportunities that lend themselves to flavored milk promotion

The topic of processor participation was the next area of discussion. A summary of the discussion is presented below:

- Participation is growing, although processors are not as engaged as they could be with MilkPEP
 - What level of participation is acceptable?
 - What are the goals for each program?
 - Retail
 - Grassroots
 - Use of other materials
 - What are the areas that have the most potential for processor participation?
 - Retail programs, Grassroots, Schools?
- Processors are not fully utilizing MilkPEP's value (53% of processors not participating. What is their share of volume?)
 - How do we measure participation?
 - What are the barriers that prevent involvement?
 - What are the fundamental tools needed to overcome the barriers?

- There is still more upside potential in creating programs that more closely align with processor and retailer calendar priorities
 - Are we providing retail programs that motivate processors to action?
 - Consumer vs. Trade programs

Based upon the input from the Board, the following is a summary of the direction provided by the Board:

- Targets and Messaging
 - Target choice and balance static at current budget level: Mom's, Teens, Hispanics, Kids
 - Weight remains our message platform with evolving messages across targets
 - Milk is competitively advantaged -- we answer the current consumer and health environment -- but we must step up to the moment
- Resource Allocation
 - 08 Planning will focus on "Optimization"
 - Discipline
 - Target
 - Continuity vs. concentration
 - Opportunity to gain PR ROI
 - Re-structure promo to more sales orientation vs. message delivery
 - Just how much could we do in schools?
- Flavored Milk
 - Weakening sales trend
 - High level of responsiveness to promotional support (processors, retailers and consumers)
 - Paradox of White vs. Flavored promotion levels
 - As availability peaked, and now recedes somewhat, promotional support can sustain growth
- Processor Participation
 - Rate is increasing, but still modest (less than 50%)
 - How can we increase program value/ROI to each contributor?
 - Also increasing overall sales impact of MilkPEP dollars?
 - Important to work hard with those processors that want to work with MilkPEP

Consistent with Chairman McCabe's direction to provide a calendar of meetings, the following dates were identified:

January Board Meeting	Jan. 12-13, 2007
Retail Advisory Council Meeting - Las Vegas, Westin Casaurina	March 12-13
Hispanic Committee - Chicago, Draft Offices	March 27, 10-12:00
Promotion Committee - Chicago, Draft Offices	March 27, 1-5:00

PR Committee - Chicago, Draft Offices	March 28, 10-12:00
Advertising Committee - Chicago, Weber Offices	March 28, 1-5:00
April Board Meeting	April 20-21

Chairman McCabe requested that Jay Jaskiewicz (treasurer of the Board) present the report of the Finance Committee. Mr. Jaskiewicz presented the following report:

The committee received a report on CDFA collection matters. All processors are now current in CA with regard to the eggnog issue.

The committee reviewed the cash flow which includes updated 2007 spending plan. Actual 2006 assessments received during the year were 2M ahead of projected cash receipts. Projected cash flow remains positive into 2008.

The committee reviewed the quarterly competitive bidding update in detail and the November 2006 financial statement.

The committee reviewed and approved a 2008 projected assessment budget of \$108.5m based on the IDFA economic forecast. This will yield an initial 2008 program budget of \$94.8m. It is anticipated that the program budget will be increased by 2006 FROES and excess revenue. The committee is also exploring the concept of considering investment income as part of the budget process.

The committee reviewed the IDFA June 2006 overhead analysis.

The committee heard a detailed presentation from USDA on the components and issues that drive their charges to the program.

The committee reviewed the YTD collections report which takes us through November 2006. Our collections are up 1.22%, which is consistent with USDA reports. The committee also approved a modification to the MAA procedures on processor assessment verification which should serve to expedite the process. The committee also authorized Wayne Watkinson to move forward on an Order Amendment which will address some inequities in the way late fees are charged on MA audit changes.

The committee reviewed and approved the 2006 amended budget which moved \$316K from 2006 unallocated funds into Advertising, PR and Research. The committee approved 2006 authorizations of \$423K subject to approval by the respective program committees. The committee also approved an amendment to the 2006 Administrative budget for \$6K. The details of all these changes are in your material.

The committee reviewed a 2007 budget amendment which brings \$2.8m into the 2007 budget from the Board's unallocated General Fund. In addition, the budget amendment reclassified \$39,576 from 2007 unallocated funds. These additional funds were spread among the various program classes (the details are in the materials you have). Authorizations of \$29,646,320 subject to program committee approval were also approved. The budget amendment also included increases to the Administrative budget for \$44,876 and the USDA budget for \$170K.

The committee heard a review of the DRAFT contract compliance engagement by the Board's auditors, Snyder Cohn. The committee voted to accept the report.

Specific recommendations to the Board:

- For 2006, Mr. Jaskiewicz moved the committee recommendation to approve the shift of \$316K between program groups and unallocated funds approved by the Finance Committee as well as the amendment to the Administrative budget of \$6K. The Finance Committee also reviewed and approved the authorization requests, pending approval of the appropriate program committee. Motion approved.
- For 2008, Mr. Jaskiewicz moved the committee recommendation to approve the initial Assessment Revenue budget of \$108.5m. Motion approved.
- Mr. Jaskiewicz moved the committee recommendation to approve the Finance Committee action to accept the Snyder Cohn report on DraftFCB. Motion approved.

Following the Treasurer's report, Chairman McCabe recessed the meeting until 10:00 am, January 13, 2007.

(b) (6)

APPROVED:

DATE:

April 20, 2007

MINUTES

MilkPEP Board Meeting – General Session II

January 13, 2007
Orlando, FL

Chairman Bill McCabe called the Board back into session at 10:00 am.

Rachel Kylo, chairperson of the Advertising Committee, presented a committee report that included the following highlights:

- Teen advertising update, including the Vince Carter healthy weight and online advertising to teens on MySpace.com and YouTube.
- Tremor word of mouth program
- New program entitled "Mom-Word of Mouth Advertising"
 - Partnering with P&G's Vocal Point panel of moms to help launch "Think About Your Drink"
 - Spread the word among Vocal Point moms about the importance of beverage decisions and your diet
 - Program is supported by actual "success stories" from the Great American Weight Loss Challenge
 - Vocal Point moms will be connected to the April retail sweepstakes

Ms. Kylo also reviewed with the Board the osteoporosis print ad.

Headline

Breaking News on Preventing Osteoporosis

Copy

Everyone knows calcium is good for your bones. But recent FDA guidance indicates even better news for milk-drinkers: it's not only calcium, but the combination of calcium and vitamin D that helps protect your kids from the brittle bones and breaks of osteoporosis. Milk is the #1 source of calcium in America's diet and is an excellent source of vitamin D. Unlike "calcium-fortified" beverages, milk naturally provides a powerful nutritional package that goes even further. No other beverage has milk's unique blend of essential nutrients like protein, phosphorous, magnesium and potassium. So serve up what's best for you and your family now, so they won't suffer from osteoporosis later.



Ms. Kylo reviewed with the Board several questions which the Advertising Committee is seeking to address:

- What is role of advertising in the evolution of weight loss message?
 - Will there be a different claim?
 - Do we replace “think about your drink” with a new theme, or some sort of umbrella that can incorporate other benefits?
- What is the optimal balance between Mom and Teen/Kid budgets?
- What is optimal balance between TV/Print/other media?
 - Marketing mix scenario planning will be key to answering these questions
- How can we continue to make media dollars work harder?
 - What new non-traditional components can we use to reach both moms and teens?

The following budget amendments for the 2007 Advertising budget were discussed. Ms. Kylo moved the committee recommendation to approve the budget amendments as presented below in the Transfer column.

2007 Advertising Authorizations

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Broadcast Media	07-01	21,499,162	1,450,000	22,949,162	1,450,000	19,994,140	2,955,022
Print Media	07-02	27,973,721	-450,000	27,523,721	7,000,000	16,000,000	11,523,721
Regional Advertising	07-03	1,200,000	0	1,200,000	600,000	600,000	600,000
Disney Sponsorship	07-04	2,351,242	0	2,351,242	0	2,351,242	0
Tremor	07-05	1,449,999	0	1,449,999	0	1,449,999	0
Production	07-10	5,985,000	0	5,985,000	1,695,000	3,227,500	2,757,500
Hispanic Media	07-20	3,560,000	0	3,560,000	456,479	2,864,979	695,021
School Image	07-21	3,550,000	0	3,550,000	0	1,800,000	1,750,000
Hispanic Production	07-22	725,000	0	725,000	170,000	672,500	52,500
IDFA Program Mgmt	07-28	285,000	0	285,000	285,000	285,000	0
Legal	07-29	400,000	0	400,000	400,000	400,000	0
Total	-	\$68,979,124	\$1,000,000	\$69,979,124	\$12,056,479	\$49,645,360	\$20,333,764

Ms. Kylo reviewed with the Board the authorization requests which had been approved by the committee.

Susan Meadows, chairperson of the PR Committee, presented a committee report. She reviewed with the Board the PR program activities relating to “Think About Your Drink” and the release of the report and discussed the beverage analyzer tool on the MilkPEP website. Ms. Meadows provided a status report on the partnership with the American Academy of Pediatrics, which has now been finalized.

The FDA released a proposed rule on the Vitamin D and calcium health claim and the MilkPEP program alerted key nutrition/health media, stressing the importance of milk as the best source of calcium and Vitamin D. The committee has reviewed activities which will be undertaken once the claim has been approved.

Ms. Meadows reviewed with the Board some issues that need to be put on the radar screen, including cloning, and indicated that MilkPEP helped control the dialog following FDA's announcement and attempted to position the dairy industry as responsible and dedicated to addressing consumer concerns. She also reviewed a study suggesting that industry-funded "beverage" studies were biased. The study specifically mentioned milk studies and the National Dairy Council activities.

With regard to 2008 planning, the PR Committee is attempting to identify the optimum balance between national and local market programs, traditional and non-traditional emerging media, weight loss and non-weight loss benefit messaging. The committee is also seeking to continue to encourage and generate greater processor participation in PR efforts and events on a local level.

Ms. Meadows presented a proposed budget amendment for the 2006 PR program and moved the committee recommendation to approve the amendment. Motion approved.

2006 Public Relations Authorizations – October 2006

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Milk Mustache Mobile	06-30	4,320,000	0	4,320,000	0	4,320,000	0
Wake Up to Weight Loss	06-31	447,000	0	447,000	0	447,000	0
Great American Weight Loss Challenge Two	06-32	206,000	0	206,000	0	206,000	0
Mother-Daughter Weight Summit	06-33	565,000	0	565,000	0	565,000	0
Body By Milk / Healthiest Student Bodies	06-34	1,380,000	0	1,380,000	0	1,380,000	0
Whymilk.com	06-35	700,000	0	700,000	0	700,000	0
MM Media Machine	06-36	620,000	0	620,000	0	620,000	0
Nutrition News Bureau	06-37	699,000	0	699,000	0	699,000	0
MAB Support	06-38	100,000	0	100,000	0	100,000	0
Issues	06-39	525,000	0	525,000	0	525,000	0
Got News	06-40	100,000	0	100,000	0	100,000	0
Service Team	06-41	620,000	40,000	660,000	40,000	660,000	0
SAMMY	06-42	150,000	0	150,000	0	150,000	0
Hispanic PR	06-43	483,000	0	483,000	0	483,000	0
Health Professional	06-44	200,000	0	200,000	0	200,000	0
WS Program Management	06-45	260,000	0	260,000	0	260,000	0
Finish Line	06-46	385,000	0	385,000	0	385,000	0
IDFA PR Program Management	06-49	250,000	20,000	270,000	20,000	270,000	0
Total	-	\$12,010,000	\$60,000	\$12,070,000	\$60,000	\$12,070,000	\$0

The 2006 Medical & Scientific budget was discussed.

2006 Medical & Scientific Authorizations

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Medical Advisory Board (MAB)	06-80	200,000	0	200,000	0	200,000	0
IDFA Program Management - MAB	06-85	130,000	0	130,000	0	130,000	0
Medical Research	06-90	200,000	0	200,000	0	200,000	0
IDFA Program Management - Medical Research	06-94	5,000	-4,000	1,000	-4,000	1,000	0
Total	-	\$535,000	-\$4,000	\$531,000	-\$4,000	\$531,000	0

Ms. Meadows moved the committee recommendation to approve the budget transfer as presented above. Motion approved.

With regard to the 2007 Public Relations budget, Ms. Meadows reviewed the budget transfers as presented below and moved the committee recommendation to approve the budget amendment as presented. Motion approved.

2007 Public Relations Authorizations – January 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
January Mega Event	07-30	1,124,000	0	1,124,000	0	1,124,000	0
Milk Mustache Mobile/Women's Challenge Tour	07-31	4,585,000	0	4,585,000	1,500,000	2,625,000	1,960,000
Teen Challenge	07-32	530,000	0	530,000	371,500	396,500	133,500
Family Challenge	07-33	709,000	0	709,000	130,000	130,000	579,000
Web Site	07-34	350,000	0	350,000	125,000	185,000	165,000
Milk Mustache Media Machine	07-35	620,000	0	620,000	190,000	255,000	365,000
Nutrition News Bureau	07-36	650,000	0	650,000	165,000	220,000	430,000
MAB Support	07-37	100,000	0	100,000	55,000	65,000	35,000
Issues	07-38	525,000	0	525,000	168,000	205,000	320,000
Got News	07-39	100,000	0	100,000	25,000	40,000	60,000
Service Team	07-40	605,000	0	605,000	185,000	230,000	375,000
SAMMY	07-41	150,000	0	150,000	28,000	66,000	84,000
Health Professionals	07-42	350,000	0	350,000	100,000	200,000	150,000
Weber Shandwick Program Management	07-43	370,000	0	370,000	110,000	140,000	230,000
Hispanic PR	07-48	665,825	0	665,825	139,500	339,087	326,738
IDFA PR Program Management	07-49	0	300,000	300,000	300,000	300,000	0
Total	-	\$11,433,825	\$300,000	\$11,733,825	\$3,592,000	\$6,520,587	\$5,213,238

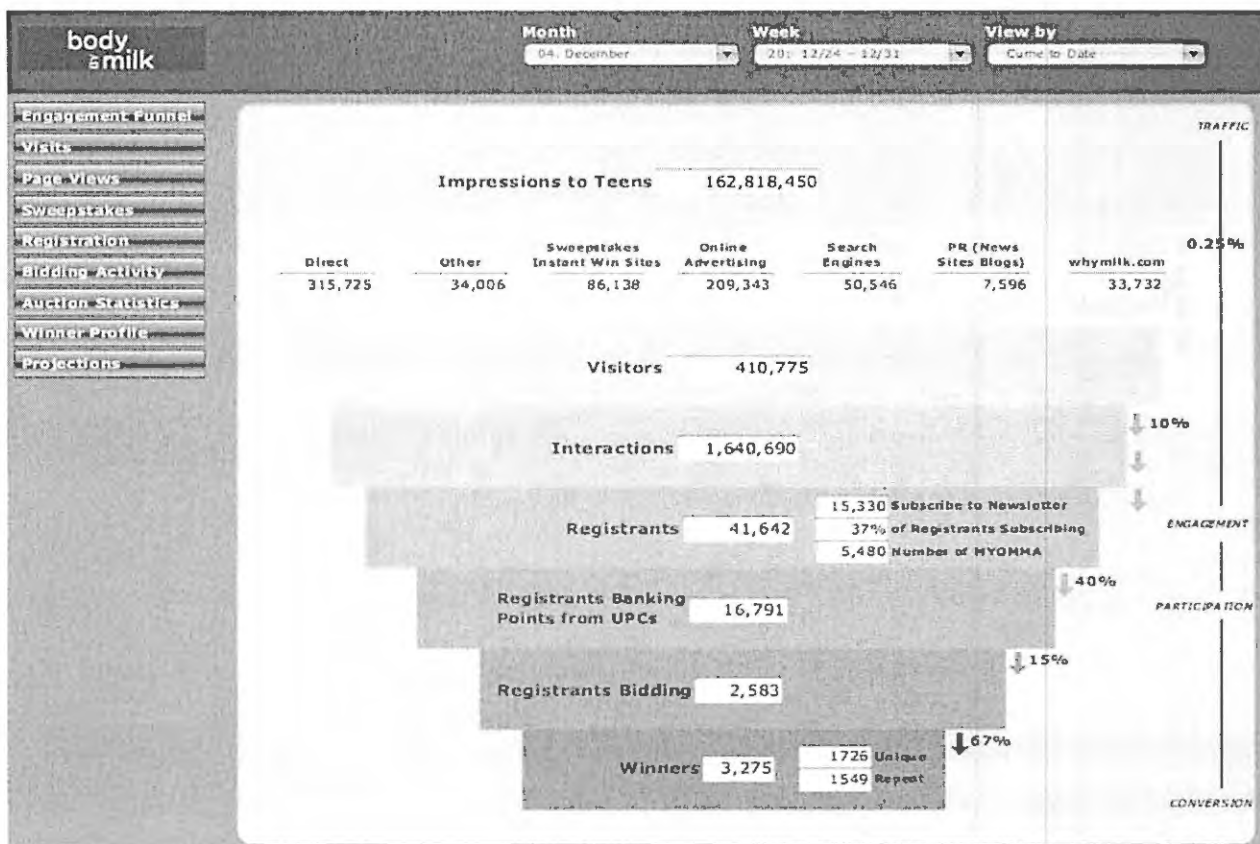
The 2007 Medical & Scientific budget was reviewed by the Board. Ms. Meadows proposed the committee recommendation to approve the budget transfer as presented below. Motion approved.

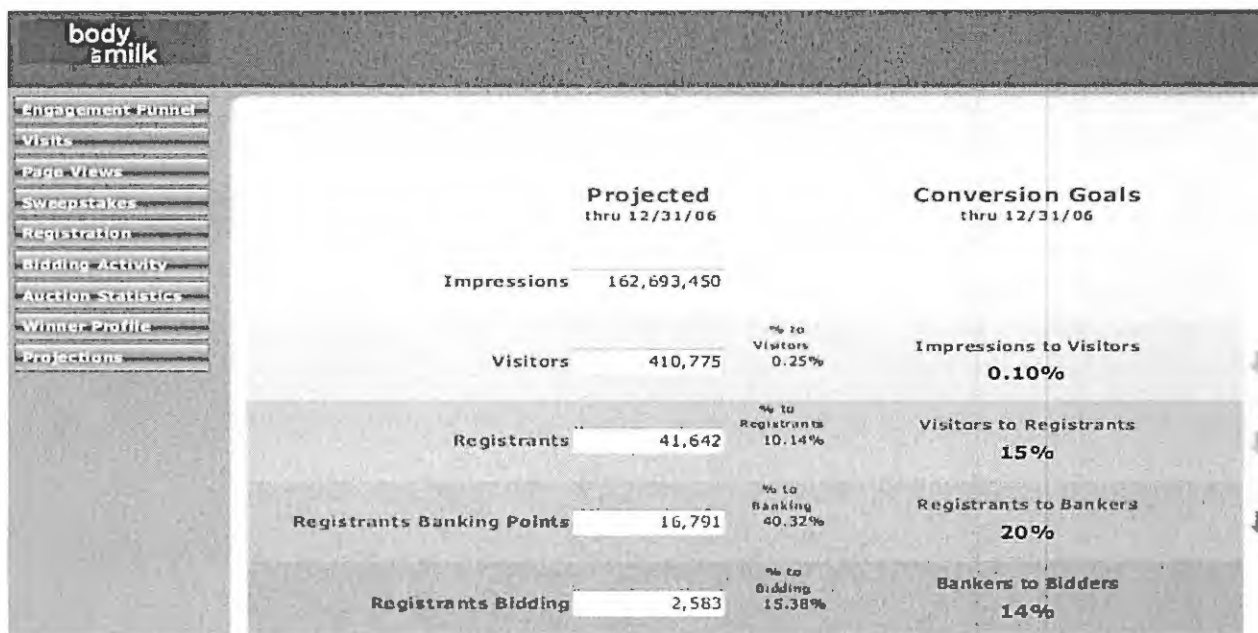
2007 Medical & Scientific Authorizations – January 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Medical Advisory Board (MAB)	07-80	200,000	0	200,000	100,000	100,000	100,000
IDFA Program Management - MAB	07-85	0	200,000	200,000	200,000	200,000	0
Medical Research	07-90	200,000	0	200,000	100,000	100,000	100,000
IDFA Program Management - Medical Research	07-94	0	5,000	5,000	5,000	5,000	0
Total	-	\$400,000	\$205,000	\$605,000	\$405,000	\$405,000	\$200,000

Chairman McCabe thanked Ms. Meadows for her report.

The Promotion Committee presented a report highlighting the BBM dashboard.





Chairman McCullough reported that additional developments for 2007 include:

- Bring more partner added value-- new reasons to visit and explore the site
 - Opportunities with media and gaming partners
 - Develop more mini-promotions to feature hot items and experiences
- Provide more opportunities to spread the word
 - 95% would recommend to a friend!
 - Build word of mouth with additional viral components
- Build on milk benefit and health messaging
 - Teens demonstrating strong interest
 - Explore adding additional contact points (e.g., after bidding process in auction)

Mr. McCullough reviewed the results of the Halloween 2006 promotion, in which the month of October posted the highest gallon volume since March 2004 and reversed the trend for the year. Other activities discussed by Mr. McCullough included the April 2007 online sweepstakes program, which is a program in which MilkPEP is teaming up with Curves to offer consumers 24 "ultimate body holiday" packages and the retail merchandising programs which include kits designed to get people to "Think About Your Drink". Chairman McCullough reviewed with the Board the committee's 2008 program planning process and issues discussed by the committee.

- Reconcile delivering campaign messages at retail vs. driving sales
 - Efficiency of using retail as a media vehicle
 - Does the weight loss message work as well at retail as other activities?
- Identify and understand activities that processors and retailers will support
 - Trade promotion
 - Flavored Milk promotion
 - Optimize efforts around retailer calendars
 - Better meet the needs of retailers

- Seasonal and themed opportunities
- Create greater retailer and processor desire for milk programs
- Increase processor and retailer education efforts
 - Focus on case studies and results to illustrate best practices for milk promotions
 - Consistent communication to audiences
- Continue to maximize schools as a marketing channel
 - Increase coordination with DMI

With regard to the 2006 Promotion budget, Mr. McCullough discussed the proposed budget amendment as presented below and moved the committee recommendation to approve the budget amendment. Motion approved.

2006 Promotions Authorizations – January 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Weight Loss: Program 1 (Wake Up to Weight Loss)	06-50	1,710,000	0	1,710,000	0	1,710,000	0
Weight Loss: Program 2 (Celebrate Success)	06-51	2,755,000	0	2,755,000	0	2,755,000	0
Teens: Body by Milk	06-52	4,255,000	50,000	4,305,000	50,000	4,305,000	0
Sales Support	06-53	550,000	0	550,000	0	550,000	0
Trade Advertising	06-54	125,000	-50,000	75,000	0	75,000	0
Local Marketing	06-55	450,000	0	450,000	0	450,000	0
Management Staff Support 07 Planning	06-56	950,000	0	950,000	0	950,000	0
Research	06-57	50,000	0	50,000	0	50,000	0
Program Management	06-58	550,000	185,000	735,000	185,000	735,000	0
Promotion (Unallocated)	06-59	0	0	0	0	0	0
Total	-	\$11,395,000	\$185,000	\$11,580,000	\$235,000	\$11,580,000	\$0

The 2007 Promotion budget was discussed by the Board. Mr. McCullough moved the committee recommendation to approve the budget amendment as presented below. Motion approved.

2007 Promotion Authorizations – January 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Unallocated	07-00	0	0	0	0	0	0
Weight Loss: Program 1 (January: Think About Your Drink Mega Event)	07-50	1,393,200	-60,000	1,333,200	0	1,333,200	0
Weight Loss: Program 2 (April: Another Season, Another Reason)	07-51	2,914,800	-60,000	2,854,800	1,397,400	2,854,800	0
Families: Give them something smarter (September)	07-52	917,000	0	917,000	458,500	458,500	458,500
Body By Milk/ January - June (Refresh)	07-53	1,582,000	50,000	1,632,000	50,000	1,632,000	0
Body By Milk / August - December 2007	07-54	1,792,000	0	1,792,000	896,000	896,000	896,000
Promotional Program Sales Support	07-55	450,000	0	450,000	215,000	235,000	215,000
Trade Advertising	07-56	51,000	0	51,000	51,000	51,000	0
Local Marketing	07-57	550,000	0	550,000	550,000	550,000	0
Management Staff Support & 2008 Planning	07-58	950,000	0	950,000	225,000	725,000	225,000
Program Management	07-59	775,000	0	775,000	775,000	775,000	0
2007 Halloween Feature Incentive Program	07-76	0	1,100,000	1,100,000	0	0	1,100,000
Research	07-77	50,000	-50,000	0	0	0	0
Total	-	\$11,425,000	\$980,000	\$12,405,000	\$4,617,900	\$9,510,500	\$2,894,500

That completed the report of the Promotion Committee.

Chairman Brian Haugh of the FMSTI Committee reviewed with the Board the proposed partnership with the Alliance for a Healthier Generation and DMI relating to milk and schools. Mr. Haugh reviewed the 2006 FMSTI budget and proposed the committee recommendation relating to the budget amendment as presented below. Motion approved.

2006 FMSTI Authorizations – January 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
FMSTI Unallocated	06-00	560,000	-500,000	60,000	0	0	60,000
2006 Planning	06-60	40,000	0	40,000	0	40,000	0
BtoB Communications Plan	06-61	655,000	0	655,000	0	655,000	0
Sales Materials	06-62	125,000	0	125,000	0	125,000	0
Trade Show/Seminars	06-63	100,000	0	100,000	0	100,000	0
School FS Director Seminars (2005-2006)	06-64	250,000	0	250,000	0	250,000	0
School Food Service Director Seminars (2006-2007)	06-65	100,000	0	100,000	0	100,000	0
Milk Town Exploratory	06-66	25,000	0	25,000	0	25,000	0
Alliance for a Healthier Generation	06-67	0	500,000	500,000	500,000	500,000	50
Program Management	06-69	450,000	-225,000	225,000	0	225,000	0
Total	-	\$2,305,000	(\$225,000)	\$2,080,000	\$500,000	\$2,020,000	\$60,000

The 2007 FMSTI budget was reviewed. Mr. Haugh proposed the committee recommendation to approve the budget amendments as presented below. Motion approved.

2007 FMSTI Authorizations – January 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
FMSTI Unallocated	07-00	1,700,000	-1,431,500	268,500	0	0	268,500
BtoB Communications Plan	07-60	0	672,000	672,000	672,000	672,000	0
Sales Materials	07-61	0	100,000	100,000	100,000	100,000	0
Trade Show/Seminars	07-62	0	110,000	110,000	110,000	110,000	0
Alliance for a Healthier Generation	07-63	0	549,500	549,500	0	0	549,500
Program Management	07-69	250,000	0	250,000	250,000	250,000	0
Total	-	\$1,950,000	\$0	\$1,950,000	\$1,132,000	\$1,132,000	\$818,000

The committee presented the 2007 Market Research plan to the Board, including the following activities:

- Business performance and tracking
- Communication testing
- Program development
- Promotion evaluation
- USDA program measurement

Following discussion of the plan, the 2006 Market Research budget was reviewed. Mr. Haugh presented the committee recommendation to approve the budget transfers as presented below.

2006 Research Authorizations – January 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Unallocated	06-1A	0	0	0	0	0	0
Business Performance & Tracking	06-70	1,060,000	70,000	1,130,000	70,000	1,130,000	0
Communication Testing	06-71	280,000	0	280,000	0	280,000	0
Program Development	06-72	60,000	0	60,000	0	60,000	0
Promotion Measurement	06-73	340,000	0	340,000	0	340,000	0
Program Management	06-79	355,000	-55,000	300,000	-55,000	300,000	0
Total	-	\$2,095,000	\$15,000	\$2,110,000	\$15,000	\$2,110,000	\$0

The 2006 USDA Program Measurement budget was discussed and Mr. Haugh moved the committee recommendation to approve the budget transfer as presented below. Motion approved.

2006 USDA Program Measurement Authorizations – January 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Program Measurement	06-95	200,000	0	200,000	0	150,000	50,000
Program Management-Program Measurement	06-96	15,000	-1,000	14,000	-1,000	14,000	0
Total	-	\$215,000	(\$1,000)	\$214,000	(\$1,000)	\$164,000	\$50,000

With regard to the 2007 Market Research budget, Mr. Haugh reviewed with the committee the proposed budget amendment as presented below and moved the committee recommendation to approve the amendment. Motion approved.

2007 Research Authorizations – January 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Unallocated	07-1A	628,000	-628,000	0	0	0	0
Business Performance & Tracking	07-70	972,000*	307,000	1,279,000	307,000	1,279,000	0
Communication Testing	07-71	0	320,000	320,000	320,000	320,000	0
Program Development	07-72	0	126,000	126,000	126,000	126,000	0
Promotion Measurement	07-73	50,000**	345,000	395,000	345,000	395,000	0
Program Management	07-79	350,000	0	350,000	350,000	350,000	0
Total	-	\$2,000,000	\$470,000	\$2,470,000	\$1,448,000	\$2,470,000	\$0

*Includes \$96,000 for School Channel survey approved by committee by email in September 2006 and \$10,000 for School Channel Survey approved on 12.18.06 committee call

** \$50,000 for January Promotion Analysis approved on 11.17.06 committee call

The 2007 USDA Program Measurement budget was presented to the Board. No action was necessary with regard to this budget.

2007 USDA Program Measurement Authorizations – January 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Program Measurement	07-95	200,000	0	200,000	150,000	150,000	50,000
Program Management-Program Measurement	07-96	17,000	0	17,000	17,000	17,000	0
Total	-	\$217,000	\$0	\$217,000	\$167,000	\$167,000	\$50,000

Chairman McCabe thanked the Board members and staff for the efforts in moving through a significant amount of material. He also thanked the guests for participating in the Board meeting. Chairman McCabe asked if there was anything else to come before the Board before it adjourned. There being no issues presented, the meeting was adjourned.

(b) (6)

APPROVED:

DATE:

April 20, 2007

MINUTES

MilkPEP Board Meeting – General Session I

April 20, 2007
Dana Point, CA

Chairman Bill McCabe called the Board into general session at 8:00 a.m. local time. Members present included Ed Mullins, J.T. Wilcox, Randy Mooney, Brian Haugh, Jerry Tidwell, Bob McCullough, Bill McCabe, Gary Aggus, Terri Webb, Mike Nosewicz, Susan Meadows, Buddy Gaither, Mike Touhey, Mike Krueger, Joe Cervantes, Rachel Kylo. Also present were Dub Garlington, Al Guida, Bob Baker, Jay Simon, Ann Ocana, Miriam Brown, James Green, and Scottie Mayfield (past chairman of the MilkPEP Board). Kurt Graetzer and Ron Rubin (MilkPEP staff), Angie Salinas and Whitney Rick (USDA liaison), and Wayne Watkinson (legal counsel) were also present. Connie Tipton and appropriate members of IDFA staff were also present.

Wayne Watkinson announced that a quorum was present. The Board reviewed the minutes of the January 11-13, 2007 Board meeting in Orlando, FL, including the executive session minutes. Motion by Rachel Kylo, second by Randy Mooney, to approve the minutes as presented, including the executive session minutes. Motion approved.

Chairman McCabe introduced Angie Salinas, who presented the USDA report, including the following items:

- Ms. Salinas indicated that appointments had been made to the Board, with the Board members being seated at the end of the July Board meeting.
- Ms. Salinas indicated that an annual review of IDFA had been conducted. There were no items to report.
- USDA visited Ron Rubin & Associates' offices as part of their quarterly review. There were no issues to present.
- Ms. Salinas indicated that they are currently working on the report to Congress and hope to have it issued by the July 1, 2007 deadline.

Connie Tipton (CEO of the International Dairy Food Association) presented information to the Board. There was no action taken.

Kurt Graetzer and staff presented an integrated program update related to the 2007 program. Information was presented on the various elements of the "Think About Your Drink" program.

Program Component	Impressions
Mariska Hargitay print ad/PSA Dr. Aliza PSA	543 MM
USA Today advertorial	1.1 MM
Meredith print insert	55.7 MM
Retail/in-store	308.9 MM
Online exposure (site traffic, WebMD partnership)	16.9 MM
PR launch (general market + Hispanic)	122.5 MM
TOTAL IMPRESSIONS	<u>1.05 BILLION</u>

In addition, the online components supporting the program were reviewed.

- Nearly 200,000 people visited 2424milk.com in Q1 2007 with 1.2MM interactions
- Visitors doing more online (up 325% y/y)
 - Sweepstakes, beverage analyzer, recipes, and TAYD Challenge most popular site destinations
 - 82% who start beverage analysis, complete it, getting in-depth personalized milk messaging
 - More than 200,000 sessions with Kathy Smith online premium and sweepstakes
- Exclusive sponsorship of new WebMD “Beverages & Weight Loss” section from January to March
 - Original editorial content
 - Original video programming
 - Interactive beverage assessment
 - Links to 2424milk.com

Results were discussed by the Board with the summary presented below:

- Program launch generated more than **105MM impressions** (>100% of goal)
 - 1,083 Think About Your Drink media stories
- **17.5MM Hispanic impressions** (70% over goal)
- 28 processors represented at launch events
- 8 out of 10 markets had media attend events
- 3 out of 4 stories highlighted milk as a better beverage choice
- 9 out of 10 stories referenced the *What America Drinks* report

Staff reviewed with the Board the activities anticipated for the Milk Mustache Mobile.

- Milk Mustache Mobile kicked off 10th year on March 30
 - After just 2+ weeks and 6 markets, we’ve generated 200 placements and nearly 18 million impressions
 - More than 100 processor brands on-board; 300 events, 75 cities
 - Hispanic overlay in 8 key markets with radio support to increase Hispanic attendance

- *What America Drinks* report adds news
 - Getting anchors to do their own beverage analysis on-air
- Think About Your Drink Prize Patrol is a new twist
 - Showcases women being rewarded for smart beverage choices and motivates others to do the same

In addition, the Board reviewed the final development of the consumer premium and sustaining POS materials:

- The Curves POS kit
- Online materials to 2424milk.com
- The Ultimate Body online sweepstakes

The Board also reviewed packaging available to support the “Think About Your Drink” program.



Activities relating to the Vitamin D/Calcium health claim were discussed.

- Made news for milk when FDA comment period closed for new vitamin D/calcium health claim
 - Approval of claim still pending
- Tapped WebMD nutrition director Kathleen Zelman for national media tour
 - Focused on our lack of D and why milk is the best source of this emerging “super nutrient”
- Reached 23 TV mornings shows and drive time radio with our message
- Extended outreach to newspaper, magazine and online editors
 - Setting the stage for bigger burst once health claim is approved
- To date, about 1.5MM media impressions

POS materials highlighting milk's key nutrients of calcium and Vitamin D were reviewed by the Board. These materials are available to use in the market prior to the approval of the new osteoporosis health claims. Materials will be available the week of 4/30. Activities relating to the new healthy weight message were discussed, as well as activities based on a study suggesting that milk may help reduce fat absorption.

- Leveraged new dairy and weight-related study published in the journal Obesity
 - Conducted by researchers at Purdue University
- Drinking milk helped prevent fat gain among college-age women
 - Reinforcing milk's role in promoting a healthy weight
- Opportunistic efforts through our Nutrition News Bureau generated both national hits on CNN and local market TV segments
- Results: 30 stories, 6.4 MM impressions
- Nutrition News Bureau generated positive coverage based on study suggesting that milk may help reduce fat absorption
 - Danish study published in the *American Journal of Clinical Nutrition*
- May explain the "mechanism" behind the dairy-weight loss connection
 - Dairy calcium more effective than supplements
- TV b-roll package and news release distributed when study was published
 - Nearly 250,000 media impressions

The Board discussed activities by staff relating to the organic issue and the move to RBST production free milk. The Board also discussed the cloning issue.

- Organics
 - Monitored implications and information surrounding Starbucks' announcement of rBST production-free milk
 - Analyzed research on organics to assess vulnerabilities and developed strategy for handling the misperceptions of conventional dairy
 - Responding to misleading information in the media
- Cloning
 - Continuing to monitor developments and assess vulnerabilities
 - Comment period extended to May 3

With regard to promotion, Chairman Bob McCullough reviewed with the Board the processor communication plan.

- A comprehensive plan to reach processors about the value of their participation in the MilkPEP program
- The plan includes:
 - Consistent communication efforts based on the program calendar
 - Success stories to educate processors on the value of being involved in the program and sales success stories
 - Coordination with the various communication vehicles
 - MilkSplash
 - eSplash
 - Dairy trade publications

- Milkpep.org
- Monthly communications in industry publications, such as Dairy Foods & Dairy Field
- Editorial:
 - Quarterly column from Mike Simmons
 - Introduce new & upcoming programs
 - Provide information on new marketing opportunities
 - Highlight program results and processor success stories
 - Provide news on program deadlines, upcoming events, etc.
- Advertising:
 - Introduce promotional calendar for 2008
 - Individual promotion focus
 - Recognize processor success stories

Mr. McCullough also reported that the milkpep.org website was being reorganized to emphasize action and success, with an emphasis on:

- Focus on immediate action
- Easier access to tools and materials
- Promote success stories and education about programs
- Frequently updated to provide current information

The Promotion Committee also reviewed with the Board a program to provide annual awards to recognize the sales and dairy representatives who work with MilkPEP programs. This program would recognize individual achievement. It would be used as a tool to provide education to the processors on how to utilize the MilkPEP program. Awards would be given at the National Dairy Sales and Marketing meeting, July 30-August 1 in Minneapolis. There would be awards given in five categories: retail, schools, grassroots promotion, business development, processor/producer coordination. The entry deadline for this program was June 15, 2007. This program was kicked off with a call for entries featuring a great example of success, focusing on Mari Hicks, sales representative for Kemp's Dairy in Rochester, MN. The ad featuring Ms. Hicks ran in Dairy Foods and Dairy Field and was featured on milkpep.org.

Brian Haugh presented an update relating to FMSTI activities, including a review of scheduled seminars at several school state conferences.

- Kansas - 10/16/06
- Wisconsin - 3/23/07
- West Virginia - 3/30/07
- Indiana - 4/13/07
- New Hampshire - 4/14/07
- New Mexico 5/1/07
- Illinois - 6/19/07
- Wisconsin - 6/25/07
- Nebraska - 6/27/07

Mr. Haugh also reviewed the seminar conducted at the SNA/WI spring conference and MilkPEP presence at the American Association of School Administrations and National School Boards Association conference conducted on March 1, 2007 and April 14-17, 2007, respectively. The Board heard a report relating to milk vending success stories identified through the “Spotlight On” program, including the annual winners for the school and vending category.

School Annual Winner:

Paula Buser, Canon City Schools, Colorado

- Introduced plastic bottles
- Introduced new flavors
- Merchandised milk in coolers
- Small changes with big results
- Milk consumption increased 47% in high schools



When you boost milk consumption in high schools by 47%, you deserve attention.

Vending Annual Winner:

Laurel and Moti Almakias, Owners

Full Service Vending, Rockaway, NJ

- Added flavored milk to vending machines in factories and hospitals
- Offer 9 flavors plus a wildcard flavor
- Expanded into schools

Results:

- Milk created incremental sales
- Milk accounts for 30% of their beverage sales



FLAVORED MILK GAVE LAUREL AND MOTI
A TASTE OF THE SPOTLIGHT.

Tom Nagle presented to the Board information relating to activities conducted with the Alliance for a Healthier Generation, a joint initiative of the American Heart Association and the William J. Clinton Foundation. The Alliance had developed beverage guidelines that could threaten flavored milk in schools due to calorie restrictions. The original guidelines presented by the Alliance would have required 150 calories per 8 ounce serving or less. The amended guidelines allow 180 calories per 8 ounce serving until August 31, 2008, to allow the industry to develop new products meeting the guidelines. These actions were a MilkPEP/DMI partnership relating to the Alliance resulting in the following:

- MilkPEP and DMI jointly negotiated the revised calorie restriction for flavored milk
- 18 month time frame enables DMI and MilkPEP to work with the dairy industry to develop and test new formulations

- The Board reviewed the MilkPEP program goals.**

- The 2008 planning goals were discussed by the Board and in summary presented below:

- Key assumptions that also had an impact on the 2008 plan include:**

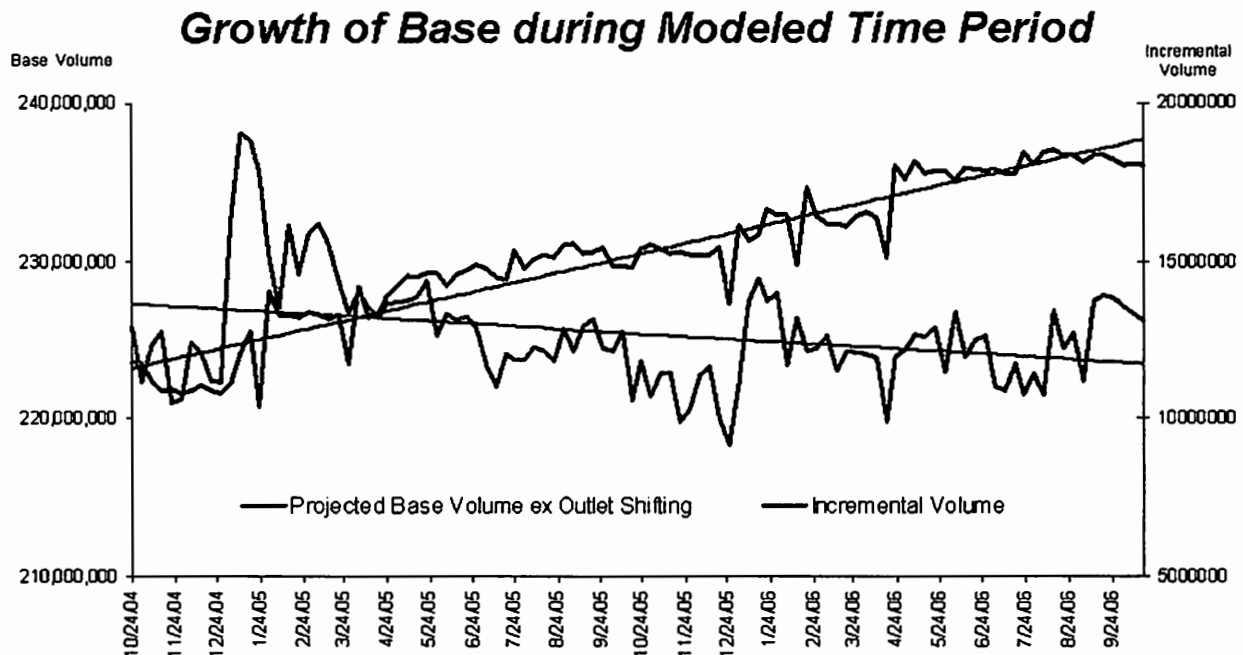
- The Board reviewed the MilkPEP spending allocation by discipline.

[illegible]

Gary Pollak and John Nardoni from Marketing Management Analytics presented information relating to the marketing mix analysis funded by MilkPEP. In summary, it was indicated that the following happened in 2006:

- Milk sales volume increased
- Per capita consumption increased
- Base volume increased versus 2005
- MilkPEP program was less effective in driving incremental volume versus 2005

It was indicated that a larger percentage of purchases have been captured in base volume versus incremental volume during the modeled time period.



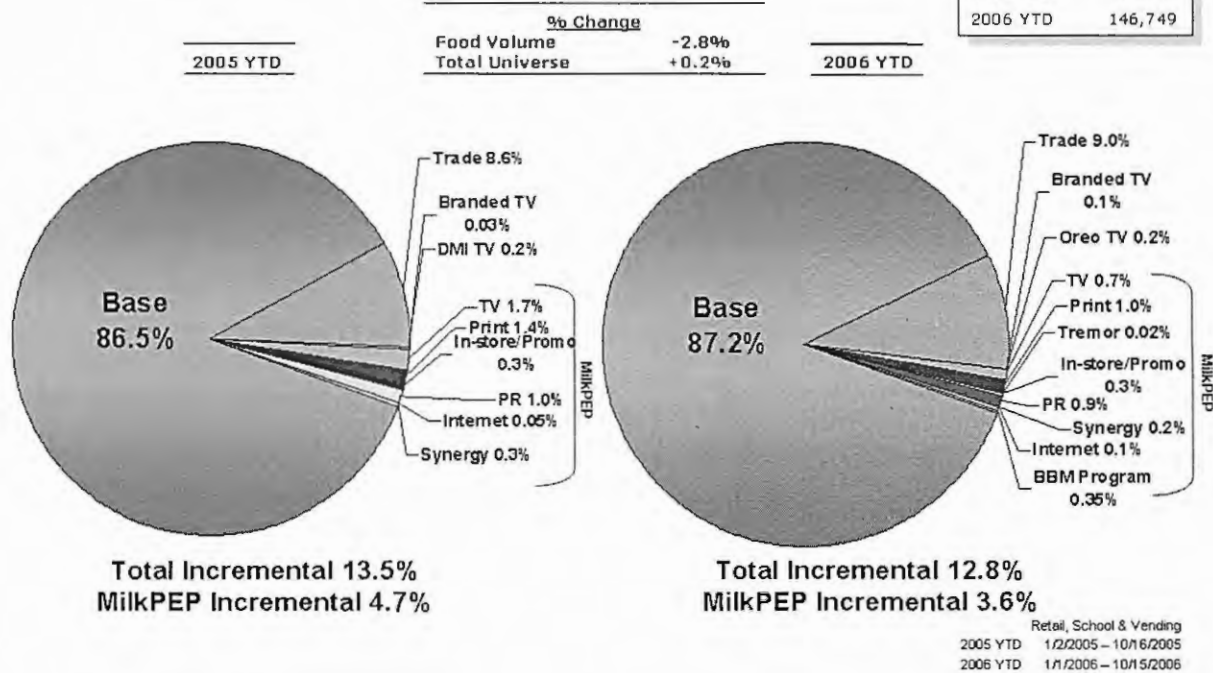
This indicates that consistent high-impact marketing has resulted in conversion of volume gains from incremental to base.

- Residual cumulative impact of ongoing programs
- Implies longer-term behavioral change – consumers have integrated milk into their daily routines
- Shorter-term responsiveness to programs erodes somewhat as message matures and base expands

The MMA indicated that MilkPEP marketing drove nearly 4% of category sales in 2006.

Total Milk Category Sources of Volume % of Total Volume

Total MilkPEP Marketing Gallons 000's	
Projected - RVS	
2005 YTD	191,743
2006 YTD	146,749



It was also reported that MilkPEP's incremental contribution is over twice as high in Hispanic stores than in the general market aggregate.

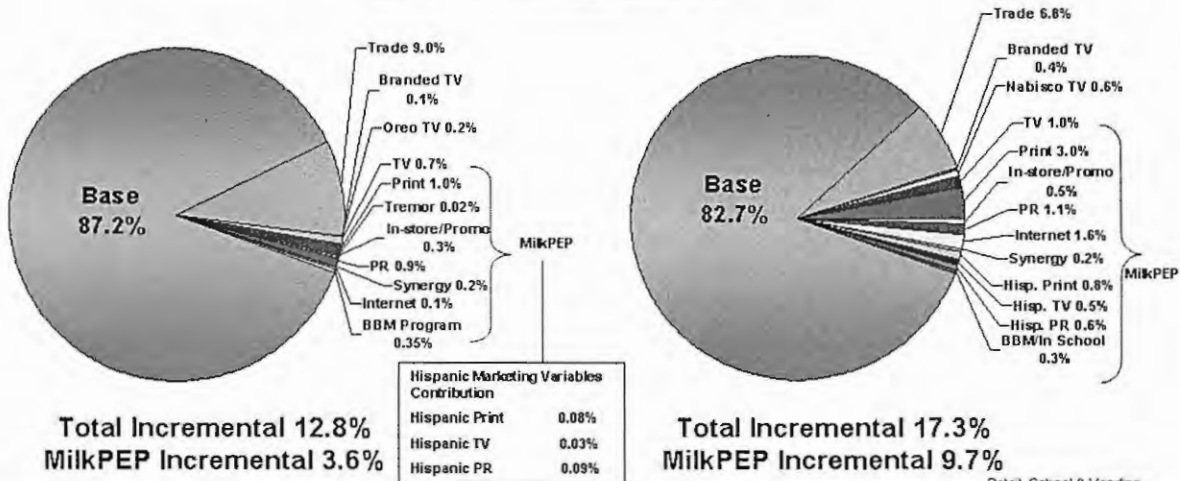
Total Milk Category Sources of Volume Selected Hispanic Markets % of Total Volume

Total Hispanic MilkPEP Marketing Gallons Projected - RVS	
2005 YTD	13,566,685
2006 YTD	16,131,570

2006 YTD
 General Market

Total Projected Volume	
Year Ago	153,973,831
Current Year	157,555,834
% Change	
Food Volume (Hispanic)	-1.7%
Total Universe	+2.3%

2006 YTD
 Hispanic Model

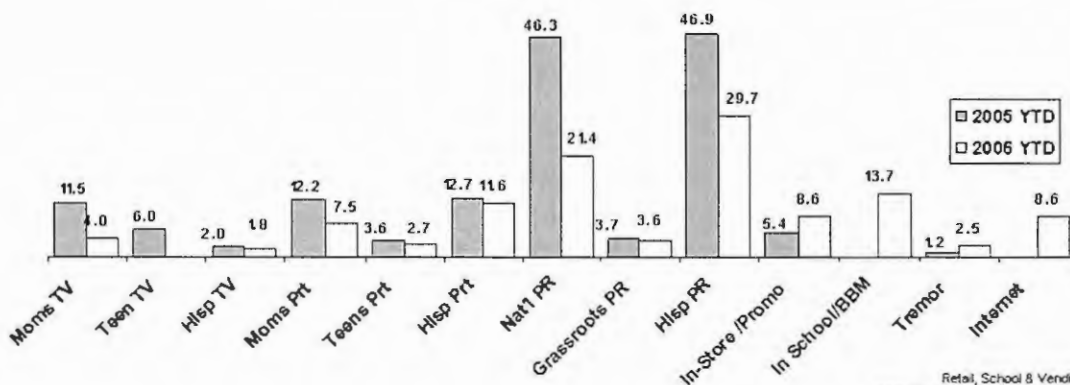


Retail, School & Vending
 2005 YTD 1/2/2005 – 10/16/2005
 2006 YTD 1/1/2006 – 10/15/2006

Based on the model results, in 2006 MilkPEP marketing returned \$6.61 for every dollar spent. This was a drop in short-term return on investment from \$9.67 in 2005.

Total MilkPEP Projected - RVS Rev/\$ Spent	
2005 YTD	\$9.67
2006 YTD	\$6.61

Revenue Per \$ Spent



Retail, School & Vending
 2005 YTD 1/2/2005 – 10/16/2005
 2006 YTD 1/1/2006 – 10/15/2006

Key findings from the report were as follows:

- Baseline volume changes indicate that MilkPEP advertising is having a long-term effect
- As consumption is shifting into the base, short-term responsiveness has declined but ROI remains strong
- The event strategy continues to drive consumption for the category and generate synergies, but to a lesser extent versus previous year
- The model shows reallocation of some mom TV funding has the biggest opportunity to optimize the current MilkPEP marketing plan
 - The \$5 million shift out of moms TV can be used to fund a continuity strategy with print as an anchor

To recap program performance:

- Milk sales are on the rise
 - In 2006, milk sales increased for the second consecutive year for the first time since 1989
- MilkPEP marketing drives volume
 - MilkPEP marketing influences attitudes about milk as an ongoing part of a healthy diet
 - Efforts driving base volume (long-term behavioral changes) as well as incremental (immediate)
- Milk volume gains driven by women
 - Moms are drinking more milk than 6 months ago
 - Increases in consumption are greatest for moms who embrace the MilkPEP message
- Total recall of milk and weight loss link – awareness of the link between milk and weight loss hit an all-time high in 2006
- Message reinforces the healthiness of milk
 - 9 in 10 adult females consider milk to be a healthy beverage
- Milk is suitable for weight loss
- Teens are drinking more milk
 - Healthiness seems to be driving consumption
- Single-serve consumption at all-time high
 - Over half teen boys purchased a single serve in the past week
- The success of our effort versus the challenge of moving forward. The challenge is to be more focused than ever in making our messages and programs:
 - Fresh
 - Competitive
 - Creative
 - Finely tuned

Following the update, the Board reviewed its activities relating to the weight loss message over the last five years.



The Board reviewed consumer research and identified the following principles:

- Diet is now a noun, not a verb
 - Consumers focused on the quality of what they put into their bodies, and less on what to eliminate
- Consumers know what foods to avoid, but nutritional knowledge is slim
 - Hungering for credible information
- There is no “one size fits all” diet
 - Consumers want solutions that fit their individual needs
- Consumers see a solid link between weight and overall well-being
 - Weight is a critical factor in “whole health”
 - Focus is on what healthy weight can mean for the body, inside and out

Through the committee process, there was a consensus to evolve the weight loss message into a healthy weight message for 2008. “Milk can help promote a healthy weight and contribute to overall good health.”

Research findings relating to focus groups were discussed.

- Consumers find Healthy Weight message believable and motivating
 - Women interpret it differently (but favorably) depending on their own goals
- Healthy weight is widely seen as a key to overall wellness
- It's a message moms will interpret as meaningful for them and their families
- Milk has a natural connection to Healthy Weight
- Testing among Vocalpoint Moms shows that Healthy Weight message is very powerful
 - Equally strong or stronger on key measures compared to “lose weight” message

	Loss Weight	Healthy Weight
Purchase Intent	20%	23%
Advocacy	22%	24%
Amplification (10+)	18%	23%
Uniqueness	15%	13%
Believability	43%	43%
Base Size	422	414

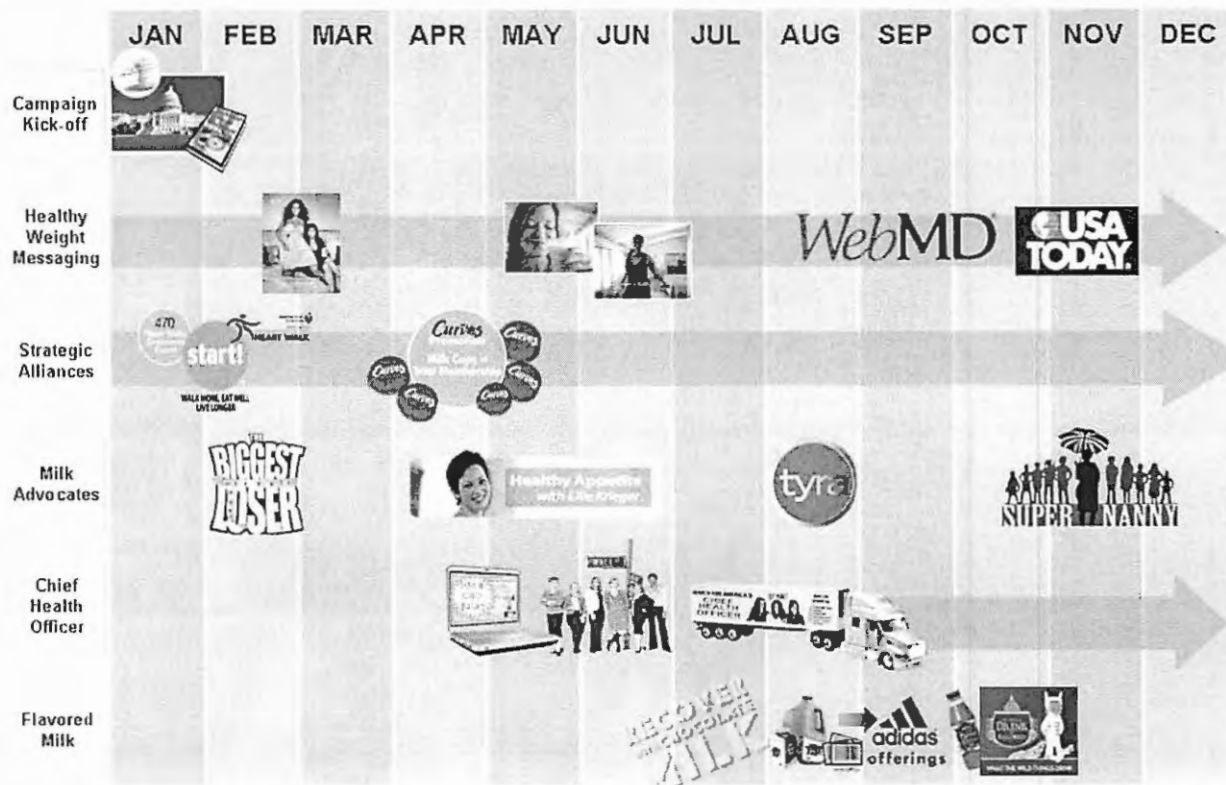
Based on this evolution, the foundation for the plan relating to healthy weight is as follows:

- **For Moms:** We'll show her how to keep a healthy weight in a healthy way – with milk. For herself. For her family.
- **For Teens:** We'll continue to show them how to get a "body by milk".

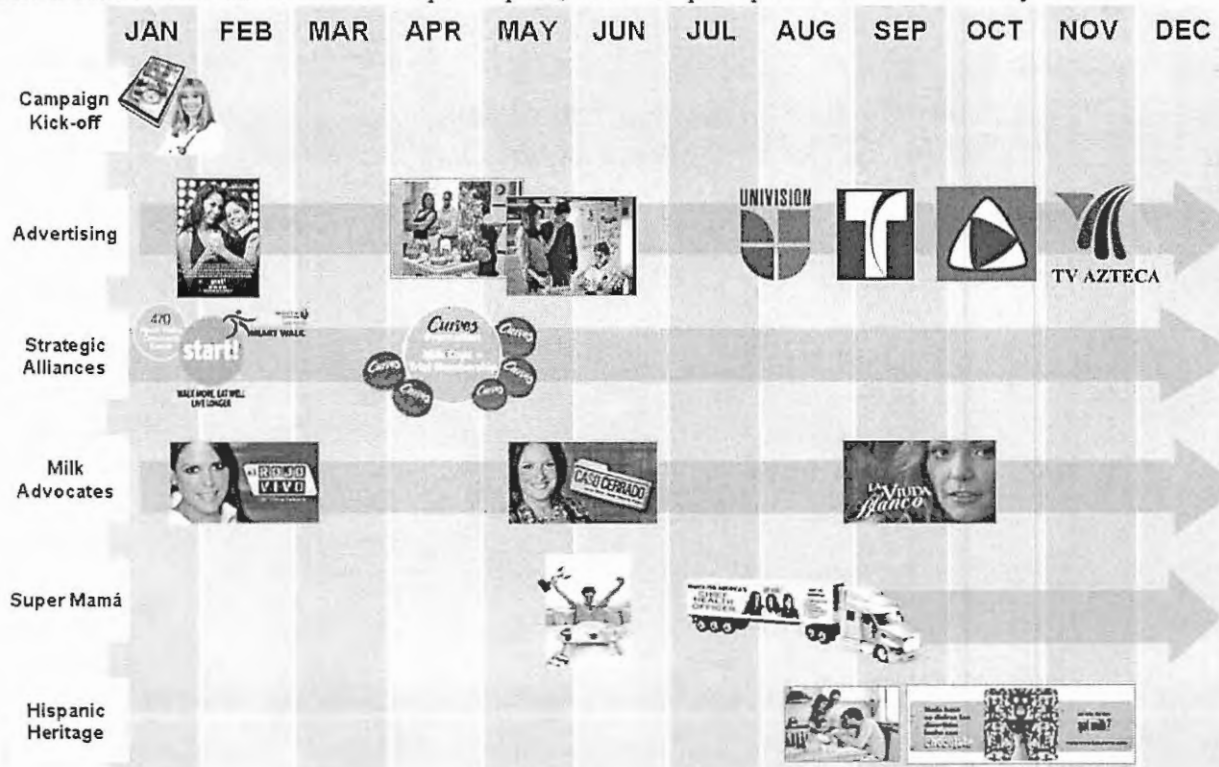
The elements of the plan were reviewed by the Board:

- Year-long MOM campaign focused on healthy weight
 - Event-driven
 - Integrated
 - Flavored milk incentives
- Extend the plan to HISPANIC moms
 - Targeted extensions of GM events
- TEEN "body by milk" program
 - Keep fresh in year three
 - Integrated flavored event

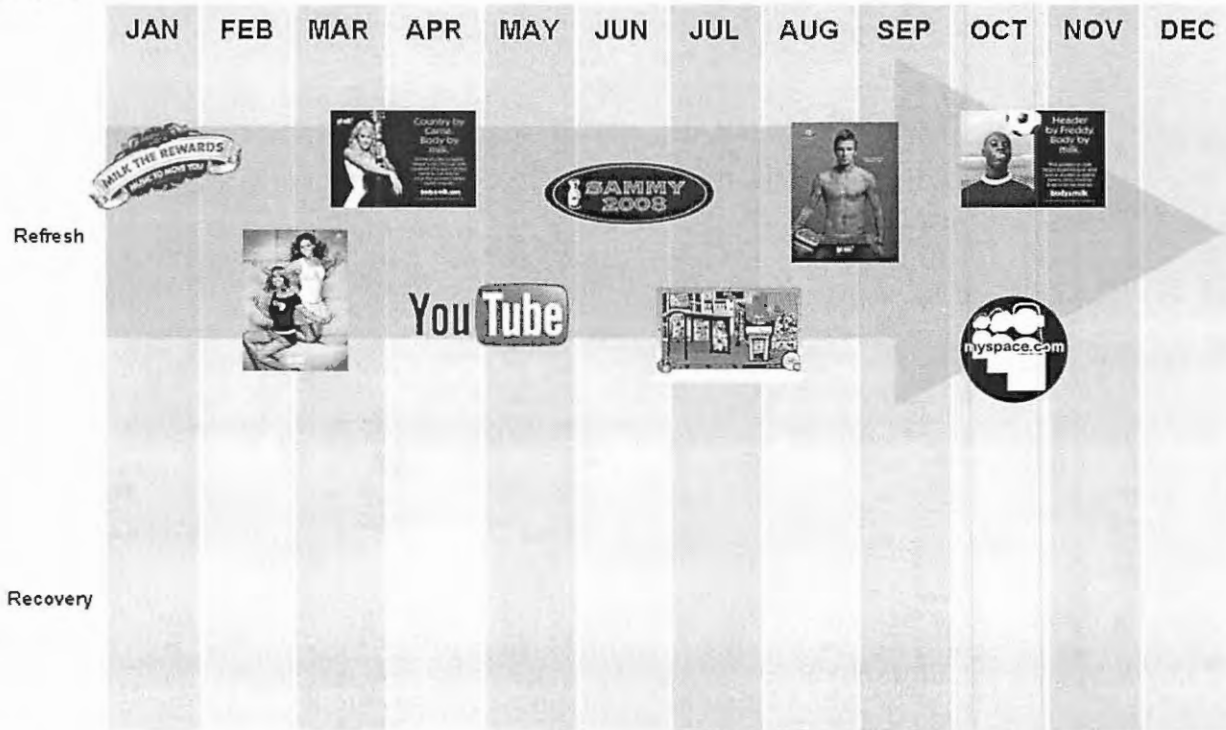
The 2008 Marketing plan was fully reviewed.



The Board reviewed the 2008 Hispanic plan, with the plan presented in summary below:



With regard to teens, the Board reviewed the 2008 program. A summary of the plan is presented below:



In total, the entire program was presented:



Chairman Bill McCabe called on Terri Webb, acting chairperson of the Finance Committee, to present the report of the Finance Committee. Ms. Webb reviewed with the Board the following:

- Mr. Watkinson presented an amendment to the Fluid Milk Order which eases the penalties for processors who have inadvertently underreported assessments. The committee reviewed and approved the amendment.
- The committee reviewed and approved a change in financial institutions, moving the banking business of the Board to BB&T Bank.
- The committee reviewed and approved a 2007 budget amendment increasing the budget by \$3,040,000 (additional assessments of \$1 million; interest revenue of \$340,000; carryforward funds of \$1.7 million).
- The committee reviewed and approved an amendment to the 2008 budget increasing the budget by \$1.3 million from carryforward funds. The budget approval also included the allocation of the \$96.1 million of program expenses (as outlined).
- The committee heard a review of the MilkPEP annual financial audit engagement by the Board's auditors, Snyder Cohn. The report gave an unqualified opinion which is as good as it gets. The committee voted to accept the report.

Ms. Webb moved the following committee recommendations for Board consideration:

1. Ms. Webb moved the committee recommendation to approve the 2007 budget amendments as presented in Exhibit 1. Motion approved.
2. Ms. Webb moved the committee recommendation to approve the amendment to the 2008 budget as present in Exhibit II.
3. Ms. Webb moved the committee recommendation to adapt and terminate the IDFA defined benefit pension plan. Motion approved.
4. Ms. Webb moved the committee recommendation to move the Board's financial services to BB&T from Bank of America. Motion approved.

Chairman McCabe recessed the MilkPEP Board so that concurrent program committee meetings could be held.

(b) (6)

APPROVED:

DATE:

July 13, 2007

**NATIONAL FLUID MILK PROCESSOR PROMOTION BOARD
BUDGET - YEAR 2007**

	<u>Jan-07 Approved Budget</u>	<u>Apr-07 Changes</u>	<u>Revised Budget</u>	<u>Jul-06 Authorizations</u>	<u>Jan-07 Authorizations</u>	<u>Apr-07 Authorizations</u>	<u>Authorized To Date</u>	<u>Remaining Unauthorized</u>
REVENUES								
Assessments	\$ 106,000,000	\$ 1,000,000	\$ 107,000,000					
Carryforward Funds	6,940,000	1,700,000	8,640,000					
Interest Income	-	340,000	340,000					
Total Revenues	\$ 112,940,000	\$ 3,040,000	\$ 115,980,000					
PROGRAM EXPENSES								
Advertising	\$ 69,979,124	\$ 676,000	\$ 70,655,124	31,376,940	18,268,420	14,540,021	64,185,381	6,469,743
Public Relations	11,733,825	1,670,000	13,403,825	2,928,587	3,592,000	3,996,238	10,516,825	2,887,000
Promotions	12,405,000	215,000	12,620,000	5,002,600	4,507,900	3,109,500	12,620,000	-
FMSTI	1,950,000	-	1,950,000		1,132,000	-	1,132,000	818,000
Research	2,470,000	300,000	2,770,000	866,000	1,604,000	300,000	2,770,000	-
Medical & Scientific	605,000	-	605,000	-	405,000	-	405,000	200,000
Program Measurement	217,000	-	217,000	-	167,000	-	167,000	50,000
Program Management	-	-	-	-	-	-	-	-
TOTAL PROGRAM EXPENSES	\$ 99,359,949	\$ 2,861,000	\$ 102,220,949	\$ 40,174,127	\$ 29,676,320	\$ 21,945,759	\$ 91,796,206	\$ 10,424,743
OTHER EXPENSES								
Administrative	\$ 2,620,526		\$ 2,620,526					
USDA Expenses	550,000		550,000					
California Refund	10,200,000		10,200,000					
Subtotal	\$ 13,370,526	-	\$ 13,370,526					
UNALLOCATED	\$ 209,525	\$ 179,000	\$ 388,525					
UNCOMMITTED RESERVE	-		\$ -					
Total Expenses and Unallocated	\$ 112,940,000	\$ -	\$ 115,980,000					

**NATIONAL FLUID MILK PROCESSOR PROMOTION BOARD
BUDGET - YEAR 2008**

	Jan 2007 Approved <u>Budget</u>	April 2007 Proposed <u>Changes</u>	Revised <u>Budget</u>
REVENUES			
Assessments	\$ 108,500,000	\$ -	\$ 108,500,000
Carryforward Funds	-	1,300,000	1,300,000
Interest Income	-	TBD	-
Total Revenues	\$ 108,500,000	\$ 1,300,000	\$ 109,800,000
PROGRAM EXPENSES			
Advertising & Hispanic		\$ 64,600,000	\$ 64,600,000
Public Relations		13,500,000	13,500,000
Promotions		10,400,000	10,400,000
FMSTI		1,500,000	1,500,000
Research (and Measurement)		2,500,000	2,500,000
Medical & Scientific		400,000	400,000
Program Measurement		-	-
Program Management		3,200,000	3,200,000
Program Funding	94,800,000	(94,800,000)	-
TOTAL PROGRAM EXPENSES	\$ 94,800,000	\$ 1,300,000	\$ 96,100,000
OTHER EXPENSES			
Administrative	\$ 2,292,000		\$ 2,292,000
USDA Expenses	567,000		567,000
California Refund	10,506,000		10,506,000
Subtotal	\$ 13,365,000	-	\$ 13,365,000
UNALLOCATED	\$ 335,000		\$ 335,000
Total Expenses and Unallocated	\$ 108,500,000	\$ 1,300,000	\$ 109,800,000

**MilkPEP
PROPOSED BUDGET AMENDMENT
2008**

1) Addition of Unallocated General Funds	\$ 1,300,000
2) Addition of Interest Revenue	<u>TBD</u>
Total Additions to Budget	<u>\$ 1,300,000</u>

MINUTES

MilkPEP Board Meeting – General Session II

April 21, 2007

Chairman Bill McCabe called the Board back into session at 9:45 a.m. local time on April 21, 2007.

Prior to the report of the committees, Terri Webb, acting chairperson of the Finance Committee, proposed an amendment to the 2007 budget to clarify funding levels being added to the budget.

MilkPEP PROPOSED BUDGET AMENDMENT 2007

1)	Additional Assessments Revenue	\$	1,000,000
2)	Addition of Interest Revenue		340,000
3)	Addition of Unallocated General Funds		<u>1,700,000</u>
Total Additions to Budget		\$	<u>3,040,000</u>

Motion by Terri Webb, second by Gary Aggus, to approve the amendment. Motion approved.

Rachel Kylo, chairperson of the Advertising Committee, presented a report to the Board. She reviewed new creative, including the Barbara Mori Hispanic ad, the Fantastic Four healthy weight ad, and the Fantastic Four MySpace page online ad. The committee also reviewed with the Board the High School Musical healthy weight ad that launches in June 2007. The committee reviewed with the Board its philosophy relating to online advertising:

- The internet is proving itself as a valuable replacement for television in our efforts to reach teens.
- Overall, milk's online efforts for teens have been effective and efficient.
- Look to increase use of online video for remainder of 2007 to bring down overall CPM.
- Within the online ad launch, focus on the efficiency of delivering nutritional messages.

Ms. Kylo reviewed with the Board the recommendation for 2008 for the teen word of mouth program.

- Negotiating scaled-back 2008 Tremor agreement
 - Series of smaller programs that emphasize online components
- Explore model for leveraging growing MilkPEP teen network
 - MySpace Friend list (16k teens and growing)
 - BBM registrants

In addition, Ms. Kylo reviewed with the Board the 2008 MilkPEP marketing calendar.



The committee is recommending amendments to the 2007 Advertising budget. Ms. Kylo moved the committee recommendation to approve the proposed amendments as presented below. Motion approved.

2007 Advertising Authorizations – April 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Broadcast Media	07-01	22,949,162	0	22,949,162	0	21,444,140	1,505,022
Print Media	07-02	27,523,721	0	27,523,721	7,650,000	23,650,000	3,873,721
Regional Advertising	07-03	1,200,000	350,000	1,550,000	950,000	1,550,000	0
Disney Sponsorship	07-04	2,351,242	0	2,351,242	0	2,351,242	0
Tremor	07-05	1,449,999	0	1,449,999	0	1,449,999	0
Production	07-10	5,985,000	100,000	6,085,000	732,500	5,655,000	430,000
Hispanic Media	07-20	3,560,000	226,000	3,786,000	260,021	3,125,000	661,000
School Image	07-21	3,550,000	0	3,550,000	1,750,000	3,550,000	0
Hispanic Production	07-22	725,000	0	725,000	52,500	725,000	0
IDFA Prog Mgmt	07-28	285,000	0	285,000	0	285,000	0
Legal	07-29	400,000	0	400,000	0	400,000	0
Total	-	\$69,979,124	\$676,000	\$70,655,124	\$11,395,021	\$64,185,381	\$6,469,743

Ms. Kylo then reviewed with the Board the authorizations approved by the committee. This completed her report.

The Public Relations Committee presented a report to the Board. Chairperson Susan Meadows reviewed with the Board the 2008 MilkPEP marketing calendar and activities relating to “Think About Your Drink” teen photo challenge.

- 730 teens showed us their love of milk
- Now America VOTES!
 - Top 20 posted on bodybymilk.com
- Word is spreading virally
- Local market publicity in the 20 finalist markets
- Winner announcement in May

The committee also reviewed with the Board the Fall Family Challenge, which is a program to engage moms to show us how their families are thinking about their drink. The prize will be a family Disney vacation.

Ms. Meadows reviewed with the Board the 2007 Healthiest Student Bodies creative and the Hispanic “Think About Your Drink” program elements, including:

- “Think About Your Drink” VNR
- Spanish language beverage guide
- Hispanic moms summit

The committee reviewed the SAMMY program, which is in its 10th year, and initial activities for the Halloween chocolate milk program. Ms. Meadows reviewed with the Board the committee recommendation to amend the 2007 Public Relations budget as presented below.

2007 PR Authorizations – April

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
January Mega Event	07-30	1,124,000	-30,000	1,094,000	-30,000	1,094,000	0
Milk Mustache Mobile/Women's Challenge Tour	07-31	4,585,000	0	4,585,000	1,470,000	4,095,000	490,000
Teen Challenge	07-32	530,000	0	530,000	133,500	530,000	0
Family Challenge	07-33	709,000	0	709,000	220,000	350,000	359,000
Web Site	07-34	350,000	0	350,000	62,000	247,000	103,000
Milk Mustache Media Machine	07-35	620,000	0	620,000	180,000	435,000	185,000
Nutrition News Bureau	07-36	650,000	45,000	695,000	310,000	530,000	165,000
MAB Support	07-37	100,000	-15,000	85,000	0	65,000	20,000
Issues	07-38	525,000	0	525,000	90,000	295,000	230,000
Got News	07-39	100,000	0	100,000	25,000	65,000	35,000
Service Team	07-40	605,000	50,000	655,000	230,000	460,000	195,000
SAMMY	07-41	150,000	0	150,000	84,000	150,000	0
Health Professionals	07-42	350,000	0	350,000	60,000	260,000	90,000
Weber Shandwick Program Management	07-43	370,000	0	370,000	100,000	240,000	130,000
Healthiest Student Bodies	07-44	385,000	0	385,000	55,000	105,000	280,000
SNA Website	07-45	40,000	0	40,000	0	40,000	0
Halloween/Chocolate Milk	07-46	1,005,000	0	1,005,000	0	400,000	605,000
Hispanic PR	07-48	665,825	190,000	855,825	516,738	855,825	0
IDFA PR Program Management	07-49	300,000	0	300,000	0	300,000	0
Total	-	\$13,163,825	\$240,000	\$13,403,825	\$3,506,238	\$10,516,825	\$2,887,000

Ms. Meadows moved the committee recommendation to approve the budget amendment as presented. Motion approved. Ms. Meadows reviewed the authorization requests approved by the Board.

Bob McCullough presented a report and reviewed with the Board gains made in the 2006 Promotion program.

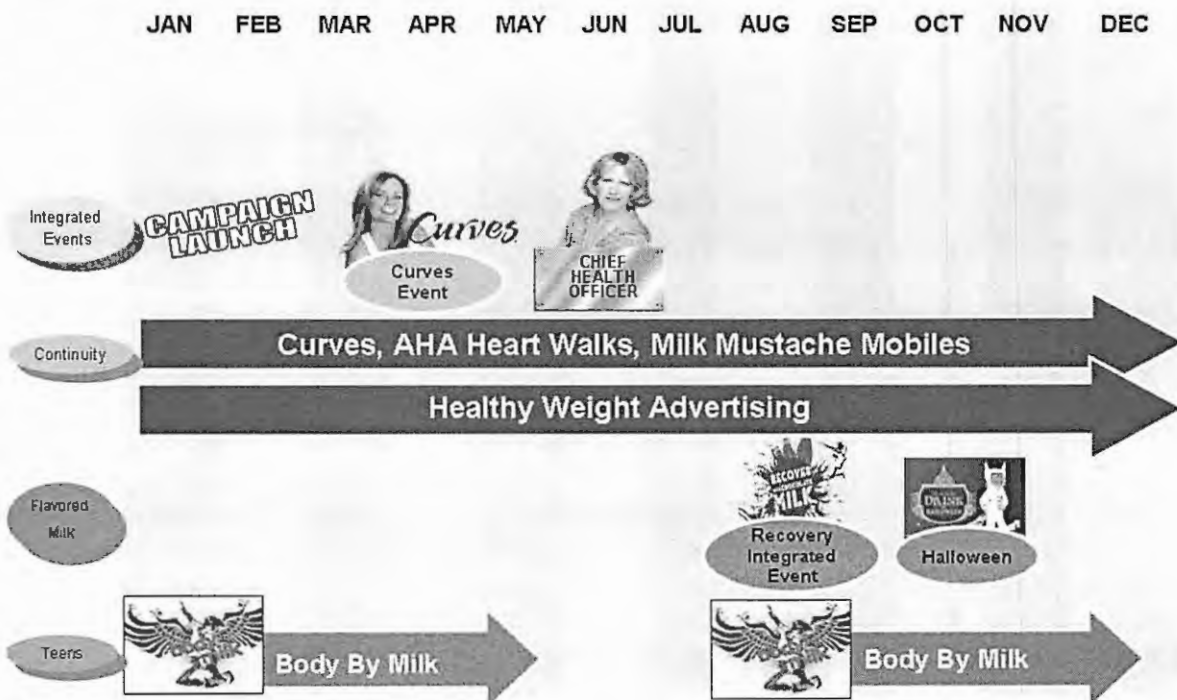
- 2006 In-Store Performance Up 37%
 - \$8.6 vs. 5.4 revenue per dollar spent in 2005
 - Exceeded the average of the total marketing mix
- White Milk Retail Costs Down 21%
 - Reducing premium costs
 - Increasing value from partnerships
- Participating Retail Locations Up 8%
 - 2006: 76,328
 - 2005: 70,756
 - Accounts up 15% to 1,469
- Participating Processors Up 24%
 - 2006: 134
 - 2005: 102

Wake Up to Weight Loss, our #1 performing program, included all of the key components of successful programs.

- Focus on clear consumer activation incentive
- Strong media support
- Lower cost
- Clear incremental product usage/news

All of our best performing integrated promotions delivered at least the first three factors. Our lowest performing programs had in common a high cost and a primary focus on delivering product education messaging.

Mr. McCullough reviewed with the Board the 2008 MilkPEP promotion calendar.



The Promotion Committee is recommending budget amendments to the 2007 Promotion budget. Mr. McCullough moved the committee recommendation to approve the budget amendments as presented below. Motion approved.

2007 Promotion Authorizations – April 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Unallocated	07-00	215,000	-215,000	0	0	0	0
Weight Loss: Program 1 (January: Think About Your Drink Mega Event)	07-50	1,333,200	0	1,333,200	0	1,333,200	0
Weight Loss: Program 2 (April: Another Season, Another Reason)	07-51	2,854,800	0	2,854,800	0	2,854,800	0
Families: Give them something smarter (September)	07-52	917,000	0	917,000	458,500	917,000	0
Body By Milk/ January - June (Refresh)	07-53	1,632,000	0	1,632,000	0	1,632,000	0
Body By Milk / August - December 2007	07-54	1,792,000	110,000	1,902,000	1,006,000	1,902,000	0
Promotional Program Sales Support	07-55	450,000	0	450,000	215,000	450,000	0
Trade Advertising	07-56	51,000	0	51,000	0	51,000	0
Local Marketing	07-57	550,000	105,000	655,000	105,000	655,000	0
Management Staff Support & 2008 Planning	07-58	950,000	0	950,000	225,000	950,000	0
Program Management	07-59	775,000	0	775,000	0	775,000	0
2007 Halloween Feature Incentive Program*	07-76	1,100,000	0	1,100,000	0	1,100,000	0
Research	07-77	0	0	0	0	0	0
Total	-	\$12,620,000	\$0	\$12,620,000	\$2,009,500	\$12,620,000	\$0

* Authorization approved by PC Committee 3/2

* Budget increased, from general fund allocation, from \$12,405,000 (January 2007) to \$12,620,000 (April 2007)

The authorizations approved by the committee were reviewed with the Board.

Next to report to the Board was the Fluid Milk Strategic Thinking Initiative Committee. Chairman Brian Haugh presented a report outlining the flavored milk formulation project plan. The project plan calls for 3 phases of work between now and Qtr 1, 2009. Early work is already underway including baseline measurement through the Annual School Channel Survey



The committee also reviewed with the Board the training workshop format and workshop agenda.

- Audience
 - General Management
 - Operations
 - Product Development
 - Sales
 - Marketing

- Local NDC Rep
- Processors Flavor House Supplier

Workshop Length: 3 – 4 Hours

Leaders/ Faculty: Prime Consulting
Flavor House Supplier

Workshop Agenda (Draft – Will be developed by Working Team in Phase I)	
Introductions and Objective	
Taste Testing	
Current Situation	The Threat Actions Underway ... Why important to act now?
Business Case	Opportunity to Protect & Grow Why Flavored Milk is So Important The Case for Action & New Flavors
Today's Products	How They Stack Up Nutritive vs. Non-nutritive Sweeteners School Official Concerns
How to Take Action	Process Suggestions Developing Healthier Profile Flavors Support Resources
Call to Action	Getting Started Follow-Up Steps

The FMSTI Committee did not recommend any amendments to the 2007 FMSTI budget, but did review with the Board the authorizations approved by the committee as presented below.

2007 FMSTI Authorizations - April 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
FMSTI Unallocated	07-00	268,500	0	268,500	0	0	268,500
BtoB Communications Plan	07-60	672,000	0	672,000	0	672,000	0
Sales Materials	07-61	100,000	0	100,000	0	100,000	0
Trade Show/Seminars	07-62	110,000	0	110,000	0	110,000	0
Alliance for a Healthier Generation	07-63	549,500	0	549,500	0	0	549,500
Program Management	07-69	250,000	0	250,000	0	250,000	0
Total	-	\$1,950,000	\$0	\$1,950,000	\$0	\$1,132,000	\$818,000

The committee did recommend amendments to the 2007 Research budget and Chairman Haugh moved the committee recommendation to approve the budget amendment to the 2007 Research budget as presented below. Motion approved.

2007 Research Authorizations – April 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Unallocated	07-1A	0	0	0	0	0	0
Business Performance & Tracking	07-70	1,279,000	0	1,279,000	0	1,279,000	0
Communication Testing	07-71	320,000	0	320,000	0	320,000	0
Program Development	07-72	126,000	300,000	426,000	300,000	426,000	0
Promotion Measurement	07-73	395,000	0	395,000	0	395,000	0
Program Management	07-79	350,000	0	350,000	0	350,000	0
Total	-	\$2,470,000	\$300,000	\$2,770,000	\$300,000	\$2,770,000	\$0

2007 Research Authorizations – April 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Program Measurement	07-95	200,000	0	200,000	0	150,000	50,000
Program Management-Program Measurement	07-96	17,000	0	17,000	0	17,000	0
Total	-	\$217,000	\$0	\$217,000	\$0	\$167,000	\$50,000

The committee also reviewed with the Board the authorization requests approved by the committee at this meeting.

Chairman McCabe requested that Mike Krueger, vice chairman of the Board and chairman of the Strategic Resource Committee, present a report of the status of the activities of that committee. Mr. Krueger reported that the committee had met with the Hay Group to review information relating to MilkPEP operations. He indicated that this committee was tasked with the responsibility to bring a recommendation back to the Board. Throughout this process, the committee has worked in confidence to ensure that each member of the committee was able to present objective views without concern. The committee has asked the Hay Group to go back and do some additional work, and it is anticipated that the committee will present its recommendation to this Board. Mr. Krueger emphasized that it is the Board that makes the final decision regarding any operational actions relating to this Board. The committee has no authority to change or modify any operations of the Board.

Mr. McCabe thanked everyone for attending the meeting and for their diligence in working through some difficult issues.

There being no further business to come before the Board, the meeting was adjourned at 11:15 a.m. local time.

(b) (6)

APPROVED:

DATE:

July 13, 2007

MINUTES

MilkPEP Board Meeting – General Session

July 13-14, 2007
Colorado Springs, CO

Chairman Bill McCabe called the Board into general session at 9:15 a.m. Members present included Joe Cervantes, Buddy Gaither, Lisa Hillenbrand, Rachel Kylo, Terri Webb, Ed Mullins, Mike Nosewicz, Jay Jaskiewicz, Brian Haugh, Bill McCabe, Mike Krueger, Mike Touhey, Jerry Tidwell, Randy Mooney, Gary Aggus, J.T. Wilcox, and Susan Meadows. Industry representatives present included Al Guida, Jay Bryant, Jay Simon, Bob Baker, Brian Linney, Ann Ocana, Miriam Erickson Brown, Chris Ross, and Mike Smith. Whitney Rick and Angie Salinas (USDA liaison), Kurt Graetzer and Ron Rubin (MilkPEP staff), Connie Tipton (IDFA) and appropriate members of IDFA staff, agency personnel, and Wayne Watkinson (legal counsel) were also in attendance. Ed Kelly and Larry McLennan were also present.

The Board reviewed the minutes of the April 19-21, 2007 meeting of the Board, including the executive session minutes. Motion by Brian Haugh, second by Mike Krueger, to approve the minutes as presented.

Mr. McCabe asked the USDA to present a report to the Board. Angie Salinas of USDA presented a report containing the following items:

- Announced recognition of outgoing/incoming board members – new members to be seated Saturday morning

Retiring Members:

Rachel Kylo – Reg 7; and
J.T. Wilcox – Reg 13

Re-Appointed to 2nd Term:

Mike Touhey – Reg 1;
Bob McCullough – Reg 10;
Jerry Tidwell – Reg 13, and
Randy Mooney- At Large Processor;

Re-appointed to 1st Term after filling vacancy lasting less than 18 mos:

Buddy Gaither – Reg 4; and
Terri Webb – At Large Processor

Newly Appointed:

Jim Green – Reg 7; and
Jay Simon – Reg 14;

- Process for initiating a Proposed Fluid Milk Order Amendment regarding late fees has started through departmental clearance
- Reported on the quarterly visit to RKA (May 25 and Mar 8 visits)
- 2007 Report to Congress is in Departmental clearance
- USDA will solicit nominations for the 2008-2011 term on or before October 1, 2007 for the following positions:
 - Regions 2, 5, 8, 11, 14, and At-Large (Krueger), and for one current vacancy in Region 12

The Board heard a report relating to the 2007 integrated program, including the following program elements:

- Integrated celebrity ad launches
 - Dancing with the Stars
 - Sara Ramirez, star of Grey's Anatomy
 - Results of the ad launches were discussed

90+ ENTERTAINMENT AND BLOG SITES

13 MILLION ONLINE IMPRESSIONS

75% BUMP IN ThinkAboutYourDrink.com TRAFFIC

7,300 ELEVATORS

1 JUMBOTRON IN TIMES SQUARE

- Think About Your Drink Promotions
- April "Body Holiday" sweeps
 - Driving online traffic and engagement
 - 86% of all visitors to thinkaboutyourdrink.com clicked on sweepstakes
 - 33,000 women signed up for the April "Body Holiday" sweepstakes
 - Delivered more than 130,000+ sessions
- Think About Your Drink Milk Mustache Mobile
 - After national launch and months on the road, story continues to evolve with media
 - Shifted prize patrol element to focus more on What America Drinks
 - Large glass visual making splash on-site and in media
 - Obesity stats resonating with local media
 - Saturating our story across outlets: averaging 4 TV, 4 print, 32 radio

(promotions/drops), 15 online

- 120+ million general market media impressions to date and counting
- 27.3 million Hispanic market media impressions including Hispanic radio promotions in all markets

It was reported that 106 processor brands were onboard with the Milk Mustache Mobile.

Teens and Body by Milk

Ads and websites focusing on the Fantastic Four movie premiere were reviewed.

Teen Photo Challenge

- Challenged teens to re-think their drinks
- Trade in your sugary sodas for milk...and you could be a star!
- Teens entered our contest by uploading their milk-drinking photos to bodybymilk.com
- And more than 16,000 voted online to select the winner
- Media outreach generated entries and elevated the issue of teen beverage choice
- 16 million media impressions to date
- Rebecca Eden from New York came out on top
- We've added to the prize package to make a bigger splash

The winner, Rebecca Eden, was treated to a Milk Mustache photo shoot with teen music sensation Teddy Geiger, with the duo's ad debuting in Rolling Stone in conjunction with the "Body by Milk" relaunch.

Body by Milk Summer Adidas T-Shirt Contest

- Adidas partnering with Body By Milk to sponsor a t-shirt design contest
 - Encouraging creativity from teens and expressing how they stay active with milk
 - Winner will have the opportunity to visit the Adidas design team in Portland – and a chance to have their shirt sold by Adidas at retail
 - Contest runs 7/16-8/14; final winners announced week of 9/16

With respect to PR, Susan Meadows, chairperson of the committee, presented a report, including the following elements:

- Nutrition News: What America Drinks showcased to scientists
 - Data from What America Drinks report presented at Experimental Biology 2007
 - Premier scientific conference
 - MAB and Environ members presented data demonstrating the weight and nutrient benefits of drinking milk
 - Reaching top tier group of influencers
 - Opportunity to "officially publish" our data
 - Leveraged presentation with media to generate new round of Think About Your Drink coverage

- TV b-roll package and news release garnered nearly 12 million media impressions

The PR Committee reported on activities relating to Vitamin D and cancer prevention. Activities leveraged new research suggesting calcium and Vitamin D could reduce the risk for cancer by at least 60%. Activities also continued to elevate milk's profile as the premier source of Vitamin D.

The committee reviewed with the Board the coverage relating to the FTC decision and weight loss.

- PCRM attempted to generate media attention and claim "victory" following FTC's letter on dairy-weight advertising
 - The industry worked to blunt the impact, tell our story
- However, it did make news...
 - New York Times and 3 print, 190 online, 470 TV stories
- The burst of activity appeared to have little impact
 - Most of TV coverage limited to short readers
- Majority of articles and segments included our positioning and messages
 - PCRM's vegan agenda was pointed out
- Most coverage referred only to general dairy promotions
 - Few mentions of milk mustache or got milk?

However, based on a consumer survey fielded to gauge impact about one week after the story broke, 9 out of 10 consumers surveyed had not seen or heard anything about the issue and only 13% of consumers had aided awareness of the story.

SAMMY 2007

The Board reviewed the results of the SAMMY program, which garnered 53 million media impressions to date.

Program Measurement

Following the integrated program update, the Board evaluated the 2006 program. Beverage Marketing Corporation presented a report to USDA which was included in the report to Congress, which analyzed the program's impact on sales and consumption, moms/weight loss, Hispanics, teens and schools.

Key findings relating to the competitive universe:

- In the next five years, bottled water will likely have the greatest growth in consumption, but carbonated soft drinks are likely to remain the largest competitive set category.
- A lack of branded milk products weakens milk's overall competitiveness, in part by reinforcing milk's commodity image.

- Milk lags the competitive set in immediate consumption sales because consumers perceive it to be more suited to take home and most of milk's packaging lacks portability.
- The gap between milk's share of voice and share of market is widening, with share of voice now less than half volume share.
- Television and print costs continue to increase; thus, with a flat to declining advertising budget, the generic campaign has been challenged to do more with less.
- In summary, BMC believes the milk industry's marketing programs have been effective on a number of levels.

Assessment of Current Milk Programs

In summary, BMC believes the milk industry's marketing programs have been effective on a number of levels

- For this analysis, BMC did not evaluate program content, but rather assessed the competitive impact of milk's integrated marketing efforts versus the competitive set

***Where the
Programs Have
Helped***

- Key marketing messages on trend with consumer interest in health/wellness and weight-loss
- Increasing alignment/integration of program elements
- Memorable, award-winning ads, with extremely high consumer recall
- Targeted approach to key consumers, primarily gatekeeper moms/women
- Consistency in campaign look/image while evolving messaging to remain relevant and address high order consumer benefits
- Increasing processor marketing efforts that link to generic programs on weight-loss
- Development of effective programs to address immediate consumption distribution gaps (vending, schools, foodservice)
- Relatively high spending efficiency across media/disciplines

***Potential Areas
of Concern for
Future Programs***

- Sustainability of weight-loss message relevance and believability is unclear – will require continual message refreshment to remain effective
- Sustained low share of voice vs. competitors and declining ad spending
- Shift in spending from teens and especially kids
- Continued underutilization of merchandising and display to drive volume
- Shift in focus from value-added, profit driving, innovative products to core white volume
- Declining impact, due to expected maturity, of weight loss messaging

Highlights from the report presented to the Board are as follows:

- Sales and consumption
 - Industry enjoyed positive momentum in 2006 partly due to MilkPEP activities and stable pricing.
 - 2006 marked the second consecutive annual increase of sales which hasn't happened since 1989
 - Per Capita Consumption increased across all milk segments from 2005 to 2006
 - MMA attributed 3.6% of grocery volume to MilkPEP efforts. This was a smaller share than 2005 where the program drove 4.7%.
 - Base volume (driven by loyal habitual users) increased in 2006

- Flavored milk sales appear to have been a driver of growth for the milk industry. However, contribution to the category has softened.
- Moms/weight loss
 - Grow milk's core volume
 - Continue to spread the word about milk's weight loss benefit
 - Build awareness, credibility, and trial among
 - Consumers
 - Retailers
 - Processors
 - With 69% of MilkPEP's 2006 investment, Weight Loss messaging to Women/Moms continued as our primary focus
 - Milk consumption is growing and primary measures related to Weight Loss Message indicate it is helping to drive growth
 - Total market sales are up, and Moms report they are drinking more milk than in the past
 - Awareness of the WL message continued to build during the year and key milk attributes are strong
 - Milk Mustache equity remained strong in 2006

The Board reviewed the results of the marketing mix analysis, which included the following findings:

- Base volume increased for third consecutive year, reflecting a residual, cumulative impact of on-going programs
- All disciplines contributed to the success of the weight loss program, with Mom advertising (TV and Print) and National PR driving the lion's share
- However, overall the 2006 Mom (Weight loss) program proved less efficient for incremental volume than in 2005, especially for Mom TV and print
- Incremental volume generated from Internet and in-store/promotions increased
- Lesser fat milks benefited most from our 2006 marketing activities. Our programs also generated incremental sales of whole milk
- Events continue generating "synergy," which increases impact over and above our investment
- Lower efficiency of larger events suggest the need to shift to smaller events
 - Continuity will yield greater returns

With regard to consumption awareness and attitude measures:

- Recall of milk and weight loss are linked
- Agreement with key weight loss attributes are growing among women
- Milk considered increasingly healthy and suitable for weight loss

- Moms are drinking more milk than 6 months ago, citing healthiness, general liking, interest in losing weight
- Increases in consumption are greatest for moms, who embrace the milk message, who gave similar health/weight rationale for change
- Weight loss message has halo effect on healthy attributes not directly associated with weight

Highlights of the weight loss program measurement for advertising included:

- Awareness of MilkPEP weight loss advertising continued to increase from an already very high level
- By the second quarter of 2006, tv weight loss ad awareness was at an all-time high
- Milk Mustache campaign remains very powerful, helping our message break through and dominate in print
- Talent compensation has not changed since 1995, but the value received has increased dramatically
 - Modest \$25,000 fee is well below what others pay celebrities

With regard to program measurement for weight loss and public relations:

- Weight loss dominated PR budget and message delivery
 - However, PR is also the vehicle for communicating other benefits of milk not directly related to weight loss/healthy weight
- MilkPEP's \$5.01 PR cpm across targets was highly efficient and roughly ½ the industry average of \$10
- The PR strategy has been a blend of national and local programs to optimize reach and efficiency
- Impressions against weight loss increased despite a flat budget in 2006 – cpm came down more than \$1
- Positive milk message continued to drown out negative image messages
- On women's websites, total activity increased 58% from 2005 with year over year increases each month

In the area of promotions, the weight loss program had the following results:

- While incremental gallons from in-store/promotions was down slightly in 2006, revenue per dollar spent increased by about 50%
- Retail can be an effective channel for program message delivery, not just incremental sales generation
- Sweepstakes continue as an effective promotion tool to drive engagement online; strong call to action encourages repeat visits

The committee reviewed the results of the 2006 Halloween promotion, which was a feature incentive program:

Halloween Was A Participation Success

FLAVORED MILK	2000	2001	2002	2003	2004	2005	2006	% Change 2005 vs. 2006
Retail Accounts	2,037	1,322	1,953	1,855	1,856	1,401	1,986	42% increase
Number of Stores	24,500	26,704	23,626	24,750	22,066	24,818	36,159	46% increase

Processors	Channel	Stores '05	Stores '06
	Ind Grocery	4,163	5,967
	C-store/Drug	2,540	7,024
	Dollar Stores (Dollar General/Family Dollar)	4,500	8,536
	Mass Merch	71	478
	S&R Grocery	10,198	14,158
	TOTAL	21,472	36,169

While S&Rs accounted for nearly 50 % of sign-ups in 2005, they accounted for only 39% of sign ups in 2006.

Most of the growth came from increased processor participation.

Processors jumped on the Halloween 2006 program and brought new stores and accounts into the mix.

Source: Milk Reporting Database, Inland Marketing Services
 **Retail impressions based on 100MM consumers, 2.2 store visits/week, 4 week period, 65% visiting dairy section

Match store tests confirmed success. Stores that featured flavored milk and posted POS outperformed non-participating stores. Flavored milk activity stimulated white milk sales, with the promotion having a positive halo effect on white milk.

Plan implications relating to moms are summarized below:

- Weight Loss message continued to work to drive sales in 2006, but in fourth year, incremental impact was lessened
 - Shift to base volume suggests long-term behavior change
 - Continued message evolution and new news are critical
- Integrated events drive continued gains but there is a limit to how big event should be
 - Planning more modest event activity during 2008
- PR continues to be most efficient discipline and the 'work horse' of the program
 - 2008 increase in budget for expansion of grassroots programs, based on more efficient grassroots model
- Promotional efforts have become more efficient
 - Planning more action-driving promotions
- Success of the Halloween program indicates that additional flavored milk programs could be useful
 - Continue to offer flavored milk promotions around holidays and retail calendars, that processors can build upon at retail

The 2006 Hispanic program was evaluated. The objectives for the program were to grow milk's core volume:

- Continue to establish milk's weight loss benefit to Hispanic mom target
- Build awareness, credibility and consumption

Key findings relating to the Hispanic program were:

- 2006 was the last measured year for weight loss/management messaging to our Hispanic target
 - Tracker results validated that weight loss message was not resonating with our target
 - 2006 Weight Loss Message - Mom as a woman
 - 2007 "Healthy, Strong and In Shape" Message - Mom as gate keeper for her family
- Hispanic Print and PR continued to be both highly effective and efficient in generating incremental gallons for the MilkPEP program. TV although still effective was not as efficient.

Compared to the 2006 Hispanic public relations program, impressions against Hispanic moms surpassed 1 million once again in 2006 while maintaining highly efficient cpm level. However, 2006 results were significantly below 2005 due to unprecedented coverage of the Gazelle Blondette ad by Univision in 2005. With regard to processor evaluations, in 2006 we received more positive processor evaluations due in part to an enhanced processor communication program. Implications from the evaluation of the 2006 Hispanic plan for the 2008 program are summarized below:

- Continue "healthy, strong and in-shape" strategy for both TV and print
 - With strong role modeling message
- Shift funds from TV to print and PR to continue to drive incremental volume, improve efficiency and generate strong ROI
- Continue to gain efficiency in PR and Promotions through a combination of overlays and unique Hispanic programs

The Board reviewed the 2006 teens program evaluation and the marketing mix analysis findings relating to teens.

Key insights relating to the program evaluation:

- A teen-focused campaign strategy worked
 - The Body by Milk message resonated strongly with teens
 - Teens reported drinking more milk
- Health attributes were strong and grew among teens
- Milk Mustache equity remains solid

Key issues relating to the teen program included:

- Teen spending declined as MilkPEP prioritized moms and the weight loss message
- A majority of teen marketing dollars were directed to advertising support
- Teen/school program was an efficient use of MilkPEP funds
 - School programs and the internet became the most efficient vehicle for driving teen volume

With regard to the teen advertising element of the program:

- The majority of the teen budget was dedicated to Milk Mustache print
- One-third of budget supported non-print efforts to reach teens
- Teen print awareness dipped in first half and rebounded in second half, in line with spending
- Milk Mustache campaign again topped the Zandl hot list
- Expansion of poster program to elementary schools raised our presence and awareness among kids

The evaluation of the PR program targeted at teens included:

- Focus on integration drove efficiency for teen PR; cpm was \$5.15

The evaluation of the Body by Milk launch resulted in the following plan implications for 2008:

- In-school programs positively affected school and retail sales
- In-school activity was equally as powerful as print
 - Allowed a longer window for activity and an efficient cost
- Schools have proven to be an effective and efficient channel for reaching teens
 - Look for ways to increase presence in schools
- The Body By Milk platform is a strong communication vehicle for teens
 - Message is resonating with Teens
 - Engaging teens actively in school and on the web

The program results for the 2006 schools program revealed the following results:

- Reported milk consumption increased for second year in a row.
- Flavor availability on the rise.
 - 7% of schools added an incremental flavor in 2006
 - Processors remain optimistic about expanding flavor offerings in schools
- MilkPEP promotional materials drove school marketing activity.
- Sampling activity doubled from 2005 level.
- Schools remained hungry for information on ways to improve school milk sales and consumption.
 - Web activity more than doubled! On top of a strong 2005.

With regard to the 2008 plan:

- Continue to strengthen successful strategies in schools to encourage

- Formulation improvements
- Flavor expansion
- Packaging improvements
- Increased school merchandising and marketing activity

Chairman McCabe expressed the appreciation of the Board to staff for providing an evaluation which included (1) numbers you can count; (2) shows the warts as well as the blossoms; and (3) did not lose the big picture. Chairman McCabe asked Jay Jaskiewicz, treasurer and chairman of the Finance Committee, to present a report of the Finance Committee.

Mr. Jaskiewicz's report included the following:

- The Finance Committee was updated on the transition of our banking relationship to BBT, which is going very smoothly.
- The committee reviewed the quarterly competitive bidding update in detail.
- The committee discussed the quarterly investment report as well as the USDA assessment audits.
- The committee analyzed the May, 2007 financial statement and cash flow and noted that projected cash balances remain at healthy levels. It was noted that the 2008 projected program spending has been included in the cash flow at this point and it works with in the goal to stay in a positive balance.
- The committee reviewed the projected changes to milk sales and the impact on the Board's assessments for 2007 and 2008.
- Mr. Jaskiewicz moved the committee recommendation to amend the 2007 budget decreasing the carry-forward into 2007 from the general fund by \$528.5K, and increasing the admin budget by \$25K. Motion approved. (See Exhibit 1.)
- The Finance Committee also reviewed and recommended approval of authorizations for 2007 in the amount of \$9,356,743, pending approval of the appropriate program committees.
- Mr. Jaskiewicz moved the committee recommendation to amend the 2008 budget by increasing the budget by \$1.0 from carryforward funds and \$340K in budgeted interest revenue; and decreasing 2008 assessments by \$1.7m. The 2008 spending budget would be decreased by \$200K to CA and \$415 from FMSTI. Motion approved. (See Exhibit 2.)
- The Finance Committee also recommended approval of authorizations for 2008 in the amount of \$42,314,099, pending approval by the appropriate program committees.
- The committee reviewed the YTD collections report, which takes us through April 2007, and while these numbers are up, the committee also reviewed USDA numbers through May that begin to show sales decreases the industry is experiencing.

Following the report of the Finance Committee, Chairman McCabe recessed the Board.

Chairman Bill McCabe called the Board back into session at 9:00 am on July 14, 2007.

Kurt Graetzer and staff presented a report in conjunction with committee chairmen reviewing interrelated programs such as the upcoming Milk Mustache celebrities Hayden Panettiere and Masi Oka. Also presented was the Steve Nash ad targeted at teen boys. The Board reviewed the school cafeteria posters, including elementary, middle, and high school cafeterias. The Board reviewed an extension of the poster program targeted at middle and high school gymnasiums and in-school promotional posters. Staff presented information on the Body by Milk fall music promotion with final creative to be developed in the near future.

Rachel Kylo, chairman of the Advertising Committee, presented information relating to upcoming activities, including the Laila Ali Milk Mustache ad and the Lili Estefan ad. The committee reviewed with the Board the activities relating to the Biggest Loser, including the following:

- Taped June 25 in Los Angeles
 - Trainer Jillian Michaels discusses the importance of ‘thinking about your drink’ with contestants
 - Explained that 20% of daily calories come from beverages and its important to make sure they are working for you, not against you
 - Talked about drinking milk as an important choice in healthy weight
- Episode to air in late October/early November

The committee reported to the Board on the modifications made to current tv commercials:

- Tweaked “Little Victories” to bring it into line with Healthy Weight message
 - Revision to nutritional claim language
 - Elimination of “Milk your diet. Lose weight” line
- Will begin to air nationally in September
 - In rotation with Mariska Hargitay PSA
 - Also will appear on WebMD starting in August

The committee reviewed with the Board the new 2008 creative:

- Developing new Healthy Weight TV commercials for 2008
 - Targeting debut in January
- Exploring new TV executions that:
 - Communicate the benefits of a healthy weight with milk
 - Define milk’s role in a healthy diet
 - Build on the success of current TV work

With regard to 2007 budget amendments, Rachel Kylo moved the committee recommendation to approve the budget transfers as presented below. Motion approved

**2007 Advertising Authorizations
July 2007**

Project	Auth Code	Budget	Transfer	New Total	Authorizati on Request	Total Authorized	Balance
Broadcast Media	07-01	22,949,162	0	22,949,162	1,505,022	22,949,162	0
Print Media	07-02	27,523,721	-186,801	27,336,920	3,686,920	27,336,920	0
Regional Advertising	07-03	1,550,000	0	1,550,000	0	1,550,000	0
Disney Sponsorship	07-04	2,351,242	0	2,351,242	0	2,351,242	0
Tremor	07-05	1,449,999	-113,199	1,336,800	0	1,336,800	0
Production	07-10	6,085,000	-570,000	5,515,000	0	5,515,000	0
Hispanic Media	07-20	3,786,000	0	3,786,000	661,000	3,786,000	0
School Image	07-21	3,550,000	870,000	4,420,000	870,000	4,420,000	0
Hispanic Production	07-22	725,000	0	725,000	0	725,000	0
IDFA Program Mgmt	07-28	285,000	0	285,000	0	285,000	0
Legal	07-29	400,000	0	400,000	0	400,000	0
Total		\$70,655,124	\$0	\$70,655,124	\$6,722,942	\$70,655,124	\$0

Rachel Kylo reviewed with the Board the 2007 authorizations which have been approved by the committee. With regard to the 2008 Advertising budget, Rachel Kylo moved the budget transfers as presented below. Motion approved.

**2008 Advertising Authorizations
July 2007**

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Broadcast Media	08-01	0	18,758,700	18,758,700	18,758,700	18,758,700	0
Print Media	08-02	0	27,441,300	27,441,300	7,225,000	7,225,000	20,216,300
Regional Advertising	08-03	0	1,500,000	1,500,000	200,000	200,000	1,300,000
Disney Sponsorship	08-04	0	2,400,000	2,400,000	2,400,000	2,400,000	0
Tremor	08-05	0	0	0	0	0	0
Production	08-10	0	5,550,000	5,550,000	2,115,000	2,115,000	3,435,000
Hispanic Media	08-20	0	3,425,000	3,425,000	1,276,274	1,276,274	2,148,726
School Image	08-21	0	4,050,000	4,050,000	2,650,000	2,650,000	1,400,000
Hispanic Production	08-22	0	625,000	625,000	480,000	480,000	145,000
IDFA Program Mgmt	08-28	0	0	0	0	0	0
Legal	08-29	0	0	0	0	0	0
Total		0	\$63,750,000	\$63,750,000	\$35,104,974	\$35,104,974	\$28,645,026

Ms. Kylo reviewed with the Board the authorizations which have been approved by the committee, which completed her report.

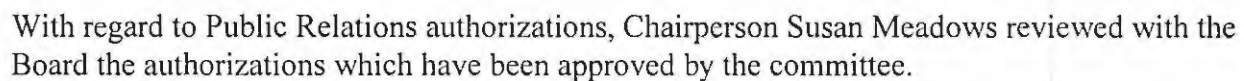
Susan Meadows, chairperson of the Public Relations Committee, presented a report reviewing the major PR programs for the 3rd and 4th quarter of 2007.



The Board reviewed the Think About Your Drink Family Challenge:

- Teamed up with Family Circle and AAP to encourage Moms to
 - Make MILK the “official drink of her family”
- National contest so Mom can show how she chooses milk over other beverages for her family’s meal
- National effort featuring RD-mom and author Jodie Shield
- Outreach in 25 Markets using local RDs to bring the message home for your brand

The committee reported on the Healthiest Student Bodies program.



2007 Public Relations Authorizations
July 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
January Mega Event	07-30	1,094,000	0	1,094,000	0	1,094,000	0
Milk Mustache Mobile/Women's Challenge Tour	07-31	4,585,000	0	4,585,000	490,000	4,585,000	0
Teen Challenge	07-32	530,000	0	530,000	0	530,000	0
Family Challenge	07-33	709,000	0	709,000	359,000	709,000	0
Web Site	07-34	350,000	0	350,000	103,000	350,000	0
Milk Mustache Media Machine	07-35	620,000	0	620,000	185,000	620,000	0
Nutrition News Bureau	07-36	695,000	0	695,000	165,000	695,000	0
MAB Support	07-37	85,000	0	85,000	20,000	85,000	0
Issues	07-38	525,000	0	525,000	230,000	525,000	0
Got News	07-39	100,000	0	100,000	35,000	100,000	0
Service Team	07-40	655,000	0	655,000	195,000	655,000	0
SAMMY	07-41	150,000	0	150,000	0	150,000	0
Health Professionals	07-42	350,000	0	350,000	90,000	350,000	0
Weber Shandwick Program Management	07-43	370,000	0	370,000	130,000	370,000	0
Healthiest Student Bodies	07-44	385,000	0	385,000	280,000	385,000	0
SNA Website	07-45	40,000	0	40,000	0	40,000	0
Halloween/ Chocolate Milk	07-46	1,005,000	0	1,005,000	605,000	1,005,000	0
Hispanic PR	07-48	855,825	0	855,825	0	855,825	0
IDFA PR Program Management	07-49	300,000	0	300,000	0	300,000	0
Total	-	\$13,403,825	\$0	\$13,403,825	\$2,887,000	\$13,403,825	\$0

Amendments to the 2008 Public Relations budget were discussed by Chairperson Meadows. Motion by Chairperson Meadows to approve the budget transfers as presented below. Motion approved.

2008 Public Relations Authorizations July 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Campaign for Healthy Weight Launch	08-30	0	750,000	750,000	720,000	720,000	30,000
Milk Advocates	08-31	0	450,000	450,000	95,000	95,000	355,000
Chief Health Officer Launch Event	08-32	0	375,000	375,000	175,000	175,000	200,000
Nutrition News Bureau	08-33	0	655,000	655,000	45,000	45,000	610,000
Milk Mustache Media Machine	08-34	0	620,000	620,000	98,000	98,000	522,000
Halloween PR Amplification	08-35	0	140,000	140,000	0	0	140,000
Refuel Your School National PR	08-36	0	200,000	200,000	0	0	200,000
SAMMY	08-37	0	150,000	150,000	40,000	40,000	110,000
Web Site	08-38	0	600,000	600,000	120,000	120,000	480,000
Chief Health Officer Tour (MMM)	08-39	0	4,700,000	4,700,000	900,000	900,000	3,800,000
Grassroots - Refuel Your School Events	08-40	0	550,000	550,000	60,000	60,000	490,000
AHA 25-Market Tour	08-41	0	2,250,000	2,250,000	1,100,000	1,100,000	1,150,000
MAB Support	08-42	0	100,000	100,000	15,000	15,000	85,000
Issues	08-43	0	425,000	425,000	40,000	40,000	385,000
Got News?	08-44	0	100,000	100,000	10,000	10,000	90,000
Service Team	08-45	0	660,000	660,000	40,000	40,000	620,000
Health Professionals	08-46	0	350,000	350,000	130,000	130,000	220,000
Weber Shandwick Program Management	08-47	0	425,000	425,000	40,000	40,000	385,000
Hispanic PR	08-48	0	850,000	850,000	169,875	169,875	680,325
Total	-	\$0	\$14,350,000	\$14,350,000	\$3,797,875	\$3,797,875	\$10,552,325

The Board discussed the PR authorization requests which had been approved by the committee. With regard to the 2007 Medical & Scientific budget, the Board reviewed the authorizations which had been approved. There were no proposed budget amendments presented. With regard to the 2008 Medical & Scientific budget, Chairperson Meadows moved approval of the following amendments to the 2008 Medical & Scientific budget. Motion approved.

2008 Medical & Scientific Authorizations July 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Medical Advisory Board (MAB)	08-80	0	200,000	200,000	0	0	200,000
IDFA Program Management - MAB	08-85	0	0	0	0	0	0
Medical Research	08-90	0	200,000	200,000	0	0	200,000
IDFA Program Management - Medical Research	08-94	0	0	0	0	0	0
Total	-	\$0	\$400,000	\$400,000	\$0	\$0	\$400,000

This completed the report of the Public Relations Committee.

Bob McCullough, chairman of the Promotion Committee, presented a report to the Board

reviewing the September feature incentive titled “Give Them Something Smarter.” The objective of this program is to:

- Position mom as a hero
- Retail platform to promote other smart nutritional choices
- All milk feature incentive
- Hispanic materials available for order

The committee also reviewed with the Board the October feature incentive: “Chocolate Milk: The Official Drink of Halloween”. This is an integrated national PR event which positions milk as a healthy treat. The Board reviewed materials which have been developed for processors, including banners, sampling ideas, fill-in-the-blank press materials and scripts for radio and tv interviews. With regard to Hispanic merchandising:

- Focuses on Dia de los muertos (Day of the Dead), a traditional Hispanic holiday
- Same feature incentive as general market program

Mr. McCullough presented a report on 2008 programs, including the following updates:

- Curves
 - Upcoming in-person meeting late July
 - Confirm partnership details
 - Discuss opportunities to grow program with Curve’s branded products
- AHA
 - Finalizing integrated partnership offerings to give us access to 400+ local Heart Walks
 - To be leveraged by the national program with processor involvement (in 25 markets) and/or by local processors on their own

The committee also reviewed with the Board the chief health officer program, which includes the following elements:

Promotion:

- Win a reward worthy of the important position of Chief Health Officer
 - \$100,000 Salary
 - Consumer appeal stood out in quantitative offer test

Public Relations:

- Amplifies program
- Becomes centerpiece of MM Mobile

Mr. McCullough presented a concept to the Board relating to the MilkPEP Awards. The MilkPEP Awards (the Peppy) honor salespeople and other dairy representatives directly engaged in dairy customer contact who boost sales using MilkPEP programs and promotional materials. The major categories for the programs include:

- Retail
- Schools
- Grassroots
- Business development
- Processor/producer coordination

To date, 77 entries have been received.

The committee presented a report on the Milk Mustache Mobile tour, the grassroots program titled “Finish Line” which reported results of increased sales of 40% versus prior year at a ski resort and vending machines at a sports park sold 250-300 units per week. The committee also reviewed the “Think About Your Drink” program with retailers asking to bring the kiosks to their stores to help promote milk. The kiosk is scheduled for events every week through September.

With regard to the 2007 Promotions budget, motion by Bob McCullough to approve the committee recommendation to amend the 2007 Promotions budget as presented below. Motion approved.

2007 Promotion Authorizations July 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Unallocated	07-00	0	0	0	0	0	0
Weight Loss: Program 1 (January: Think About Your Drink Mega Event)	07-50	1,333,200	-50,000	1,283,200	0	1,283,200	0
Weight Loss: Program 2 (April: Another Season, Another Reason)	07-51	2,854,800	-585,000	2,269,800	0	2,269,800	0
Families: Give them something smarter (September)	07-52	917,000	0	917,000	0	917,000	0
Body By Milk/ January - June (Refresh)	07-53	1,632,000	0	1,632,000	0	1,632,000	0
Body By Milk / August - December 2007	07-54	1,902,000		1,902,000		1,902,000	0
Promotional Program Sales Support	07-55	450,000	13,000	463,000	13,000	463,000	0
Trade Advertising	07-56	51,000	0	51,000	0	51,000	0
Local Marketing	07-57	655,000	322,000	977,000	322,000	977,000	0
Management Staff Support & 2008 Planning	07-58	950,000	0	950,000	0	950,000	0
Program Management	07-59	775,000	0	775,000	0	775,000	0
2007 Halloween Feature Incentive Program*	07-76	1,100,000	0	1,100,000	0	1,100,000	0
Research	07-77	0	0	0	0	0	0
Total	-	\$12,620,000	-\$300,000*	\$12,320,000	\$335,000	\$12,320,000	\$0

* Budget decreased from \$12,620,000 to \$12,320,000. The balance of \$300,000 to be transferred out to General Fund.

Mr. McCullough reviewed with the Board the authorizations which had been approved by the committee pending the budget approval. Mr. McCullough reviewed with the Board the 2008 promotion budget as presented below. No amendments were presented, but Mr. McCullough reviewed the authorization requests which had been approved by the committee.

2008 Promotion Authorizations July 2007

Project	Auth Code	Budget	Transfers	New Total	Authorization Request	Total Authorized	Balance
Curves Program (March)	#08-50	\$ 1488,000	\$ -	\$ 1,488,000	\$ 1,000,000	\$ 1,000,000	\$ 488,000
Chief Health Officer Program (May/June)	#08-51	\$ 938,000	\$ -	\$ 938,000	\$ 200,000	\$ 200,000	\$ 738,000
BBM (January - June)	#08-52	\$ 1881,450	\$ -	\$ 1,881,450	\$ 1881,450	\$ 1,881,450	\$ -
BBM (August - December)	#08-53	\$ 1882,350	\$ -	\$ 1,882,350	\$ 200,000	\$ 200,000	\$ 1,682,350
Refuel with Chocolate Milk FI (August/September)	#08-54	\$ 1083,850	\$ -	\$ 1,083,850	\$ 100,000	\$ 100,000	\$ 983,850
Halloween FI (October)	#08-55	\$ 117,350	\$ -	\$ 117,350	\$ 200,000	\$ 200,000	\$ 97,350
Promotional Program Sales Support	#08-56	\$ 550,000	\$ -	\$ 550,000	\$ 100,000	\$ 100,000	\$ 450,000
Processor Support	#08-57	\$ 553,000	\$ -	\$ 553,000	\$ 250,000	\$ 250,000	\$ 303,000
Management Staff Support & 2009 Planning	#08-58	\$ 950,000	\$ -	\$ 950,000	\$ 500,000	\$ 500,000	\$ 450,000
Program Management	#08-59	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total:		\$ 10,400,000	\$ -	\$ 10,400,000	\$ 4,411,450	\$ 4,411,450	\$ 5,988,550

This completed the report of the Promotions Committee.

Following a short recess, Chairman McCabe asked Brian Haugh to present a report of the FMSTI Committee. Chairman Haugh reviewed with the Board the activities related to flavored milk.

Objective:

- Develop and implement a training program that preserves and expands the position of flavored milk by encouraging Processors to research and implement healthy flavored milk formulations.
- The program will focus on products for both school and retail products.

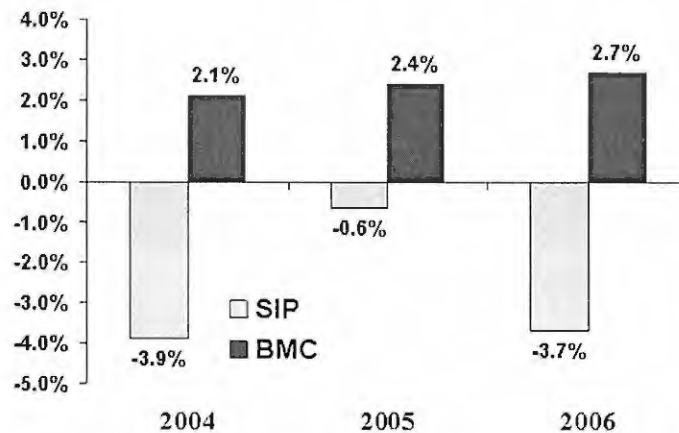
Goal:

- Better flavors/ taste and better health profile for flavored milk.

The Board discussed the need for this program, including the fact that competing beverages are developing products that are trying to reduce milk's lead in nutrient delivery and that meet more stringent calorie and sugar content guidelines. Training sessions have been scheduled with processors to help them understand the issue and to work closely with flavor houses to develop products that meet the guidelines.

Chairman Haugh reviewed with the Board the discussion held by the committee relating to the SIP data.

- Committee discussed validity of data since methodology change
- Committee agreed to discontinue the purchase of SIP data (approximately \$65,000 in savings per year)



With regard to the 2007 Research budget, Chairman Haugh presented a committee recommendation to amend the Research budget as presented below. Motion approved.

2007 Research Authorizations July 2007

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Unallocated	07-1A	0	0	0	0	0	0
Business Performance & Tracking	07-70	1,279,000	0	1,279,000	0	1,279,000	0
Communication Testing	07-71	320,000	0	320,000	0	320,000	0
Program Development	07-72	426,000	40,000	466,000	40,000	466,000	0
Promotion Measurement	07-73	395,000	0	395,000	0	395,000	0
Program Management	07-79	350,000	0	350,000	0	350,000	0
Total	-	\$2,770,000	\$40,000	\$2,810,000	\$40,000	\$2,810,000	\$0

Authorization 07-72: \$40,000 approved by FMSTI/Research Committee by email 5.14.07

With regard to the 2007 FMSTI budget, the committee reviewed with the Board the transfers proposed by the committee. Chairman Haugh moved the committee recommendation to approve the transfers as presented below. Motion approved.

**2007 FMSTI Authorizations
 July 2007**

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
FMSTI Unallocated	07-00	268,500	-268,500	0	0	0	0
BtoB Communications Plan	07-60	672,000	0	672,000	0	672,000	0
Sales Materials	07-61	100,000	0	100,000	0	100,000	0
Trade Show/Seminars	07-62	110,000	0	110,000	0	110,000	0
Alliance for a Healthier Generation/Flavor Formulation	07-63	549,500	0	549,500	60,000	60,000	489,500
Program Management	07-69	250,000	0	250,000	0	250,000	0
Total	-	\$1,950,000	(\$268,500)	\$1,681,500	\$60,000	\$1,192,000	\$489,500

Note: FMSTI Unallocated Transfers = \$40,000 to Research #07-72 Program Development
 \$228,500 to General Fund

Chairman Haugh reviewed the authorization requests which had been approved by the committee pending the budget amendment. With regard to the 2008 budget, Chairman Haugh moved the committee recommendation to approve the budget amendment as presented below. Motion approved.

**2008 FMSTI Authorizations
 July 2007**

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
FMSTI Unallocated	08-00	1,500,000	-1,300,000	200,000	0	0	200,000
BtoB Communications Plan	08-60	0	675,000	675,000	0	0	675,000
Sales Materials	08-61	0	100,000	100,000	0	0	100,000
Trade Show/Seminars	08-62	0	110,000	110,000	0	0	110,000
Program Management	08-69	0	0	0	0	0	0
Total	-	\$1,500,000	(\$415,000)	\$1,085,000	\$0	\$0	\$1,085,000

Note: FMSTI Unallocated Transfer = \$415,000 to General Fund

That concluded the report for the FMSTI Committee.

Chairman McCabe asked that Mike Krueger, chairman of the Resource Development Committee, present a report of the activities approved by the Board during this Board meeting. Mr. Krueger indicated that the Board had approved a recommendation from the committee to organize the MilkPEP structure under the leadership and direction of the MilkPEP CEO. Mr. Krueger expressed appreciation to IDFA for its support of the MilkPEP program and expressed the desire of the MilkPEP Board pursuant to these actions to work closely with IDFA in the future.

Chairman McCabe expressed appreciation to Rachel Kylo and J.T. Wilcox for their service to the MilkPEP Board and their leadership in the industry.

Chairman McCabe, on behalf of the Board, also expressed the Board's and the industry's appreciation to Jay Jaskiewicz and Gary Aggus for their service as officers to MilkPEP. Their influence and commitment as officers and members of the Executive Committee has been incalculable.

There being no further business to come before the Board, the meeting was adjourned.

(b) (6)

APPROVED:

DATE:

1-181-2008

**NATIONAL FLUID MILK PROCESSOR PROMOTION BOARD
BUDGET - YEAR 2007**

	<u>Apr-07 Approved Budget</u>	<u>July-07 Approved</u>	<u>Revised Budget</u>	<u>Jul-06 Authorizations</u>	<u>Jan-07 Authorizations</u>	<u>Apr-07 Authorizations</u>	<u>July-07 Authorizations</u>	<u>Authorized To Date</u>	<u>Remaining Unauthorized</u>
REVENUES									
Assessments	\$ 107,000,000		\$ 107,000,000						
Carryforward Funds	8,640,000	(528,500)	8,111,500						
Interest Income	340,000		340,000						
Total Revenues	\$ 115,980,000	\$ (528,500)	\$ 115,451,500						
PROGRAM EXPENSES									
Advertising	\$ 70,655,124		\$ 70,655,124	31,376,940	18,268,420	14,540,021	6,469,743	70,655,124	-
Public Relations	13,403,825		13,403,825	2,928,587	3,592,000	3,996,238	2,887,000	13,403,825	-
Promotions	12,620,000	(300,000)	12,320,000	5,002,600	4,507,900	3,109,500	(300,000)	12,320,000	-
FMSTI	1,950,000	(268,500)	1,681,500		1,132,000	-	60,000	1,192,000	489,500
Research	2,770,000	40,000	2,810,000	866,000	1,604,000	300,000	40,000	2,810,000	-
Medical & Scientific	605,000		605,000	-	405,000	-	200,000	605,000	-
Program Measurement	217,000		217,000	-	167,000	-	-	167,000	50,000
Program Management	-		-					-	-
TOTAL PROGRAM EXPENSES	\$ 102,220,949	\$ (528,500)	\$ 101,692,449	\$ 40,174,127	\$ 29,676,320	\$ 21,945,759	\$ 9,356,743	\$ 101,152,949	\$ 539,500
OTHER EXPENSES									
Administrative	\$ 2,620,526	\$ 25,000	\$ 2,645,526						
USDA Expenses	550,000		550,000						
California Refund	10,200,000		10,200,000						
Subtotal	\$ 13,370,526	\$ 25,000	\$ 13,395,526						
UNALLOCATED	\$ 338,525	\$ (25,000)	\$ 313,525						
UNCOMMITTED RESERVE	-	-	\$ -						
Total Expenses and Unallocated	\$ 115,930,000	\$ -	\$ 115,401,500						

**NATIONAL FLUID MILK PROCESSOR PROMOTION BOARD
BUDGET - YEAR 2008**

	<u>Apr-07 Approved Budget</u>	<u>Jul-07 Approved</u>	<u>Revised Budget</u>	<u>July-07 Authorizations</u>	<u>Authorizations</u>	<u>Authorized To Date</u>	<u>Remaining Unauthorized</u>
REVENUES							
Assessments	\$ 108,500,000	\$ (1,700,000)	\$ 106,800,000				
Carryforward Funds	1,300,000	1,000,000	2,300,000				
Interest Income		340,000	340,000				
Total Revenues	<u>\$ 109,800,000</u>	<u>\$ (360,000)</u>	<u>\$ 109,440,000</u>				
PROGRAM EXPENSES							
Advertising	\$ 63,750,000		\$ 63,750,000	35,104,974		35,104,974	28,645,026
Public Relations	14,350,000		14,350,000	3,797,675		3,797,675	10,552,325
Promotions	10,400,000		10,400,000	4,411,450		4,411,450	5,988,550
FMSTI	1,500,000	(415,000)	1,085,000	-		-	1,085,000
Research	2,500,000		2,500,000	-		-	2,500,000
Medical & Scientific	400,000		400,000	-		-	400,000
Program Measurement	-		-	-		-	-
Program Management	3,200,000		3,200,000	-		-	3,200,000
TOTAL PROGRAM EXPENSES	<u>\$ 96,100,000</u>	<u>\$ (415,000)</u>	<u>\$ 95,685,000</u>	<u>\$ 43,314,099</u>	<u>\$ -</u>	<u>\$ 43,314,099</u>	<u>\$ 52,370,901</u>
OTHER EXPENSES							
Administrative	\$ 2,292,000		\$ 2,292,000				
USDA Expenses	567,000		567,000				
California Refund	10,506,000	(200,000)	10,306,000				
Subtotal	<u>\$ 13,365,000</u>	<u>(200,000)</u>	<u>\$ 13,165,000</u>				
UNALLOCATED	<u>\$ 335,000</u>	<u>\$ 255,000</u>	<u>\$ 590,000</u>				
UNCOMMITTED RESERVE	<u>-</u>		<u>\$ -</u>				
Total Expenses and Unallocated	<u>\$ 109,800,000</u>	<u>\$ -</u>	<u>\$ 109,440,000</u>				

MINUTES

MilkPEP Board Meeting – General Session I

January 18-19, 2008
Palm Springs, CA

Chairman Bill McCabe called the Board into session at 8:00 am local time. Members present included Jim Green, Jay Jaskiewicz, Jay Simon, Mike Nosewicz, Bob McCullough, Mike Touhey, Terry Webb, Bill McCabe, Mike Krueger, Brian Haugh, Jerry Tidwell, Randy Mooney, and Paul Bikowicz. Industry representatives Jay Bryant, Doug Garlington, Al Guida, Miriam Brown, Ann Ocana, Chris Ross, Brian Linney, Rick Zuroweste, and Jim Walsh were also present. Kurt Graetzer, Ron Rubin and other members of the MilkPEP staff; Whitney Rick, John Mengel, and Angie Salinas (USDA liaison); Wayne Watkinson (legal counsel); Connie Tipton (IDFA); Paul Rovey and Barb O'Brien (DMI) and other industry representatives were also in attendance.

The Board reviewed the minutes of the Board meeting of July 12-14, 2007. Motion by Randy Mooney, second by Paul Bikowicz, to approve the minutes, including the executive session minutes, as presented. Motion approved.

Angie Salinas, on behalf of the U.S. Department of Agriculture, presented a report which included the following topics:

- Nomination Update
- Financial Management Review
- Fluid Order Amendment
- Report to Congress

Mr. Graetzer provided a short update on the planning process and indicated appreciation of the efforts of staff and the Board to work through planning issues in the committee process.

MilkPEP staff and committee chairmen presented an update on the 2007 programs.



The Board reviewed the 2007 calendar and highlights in each of the program areas, including:

- The "Give Your Family Something Smarter" full-feature incentive program featuring both chocolate and white milk at retail;
- Fall Family Challenge
- The Halloween retail merchandising program
- Celebrity ads including
 - Laila Ali
 - The Biggest Loser

The Public Relations Committee presented the results of online and offline activities.



The Board also reviewed results relating to programs targeted at teens and schools.

- School merchandising continues to have impact
 - Estimate over 40% of traffic to site coming from school materials
- Schools continue to support the Body by Milk program and promotional message
 - Amongst schools receiving the Body by Milk, 87.5% report using some portion of the kit
 - On average, schools posted approximately 3 promotional posters and 1 cling in cafeterias during the program time period
 - Kit includes 4 posters and 4 clings

The Board heard a report relating to “Listen Up – Refresh” which rewards teens for engaging with the Body by Milk message and drinking milk by delivering personalized music content. Results relating to the Body by Milk 2 launch were also reviewed.

- More than 400,000 unique visitors
 - New free music promotional offer helped teens engage with milk message
 - Online advertising exceeded expectations in driving teens to bbm.com

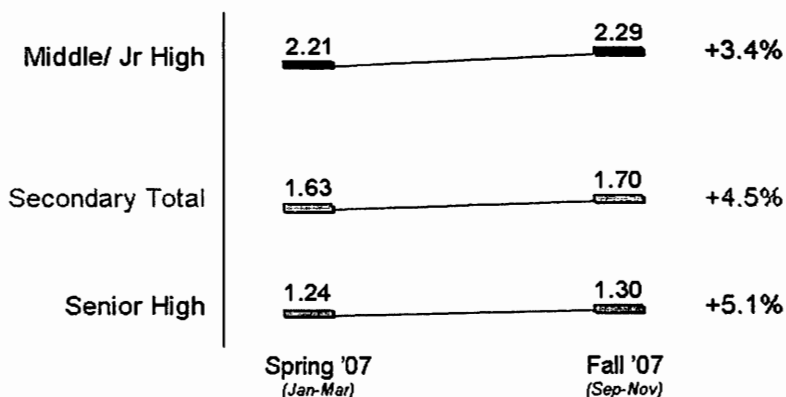
- More than one million nutritional milk messages shared with visitors
- Average visitor time spent on site doubled from last year from 4:33 to 8:22 with addition of new content in 2007
- Top content performers during first semester:
 - High School Musical (ad content)
 - Teddy Geiger (ad content)
 - Hayden Panettiere (ad content)
 - SAMMY
 - Music downloads

Sales impact of the Body by Milk program was presented.

Body by Milk Sales Impact Increased +4.5%

The impact in Senior Highs exceeded Middle/Jr Highs consistent with last year

Weekly Milk Servings per Student

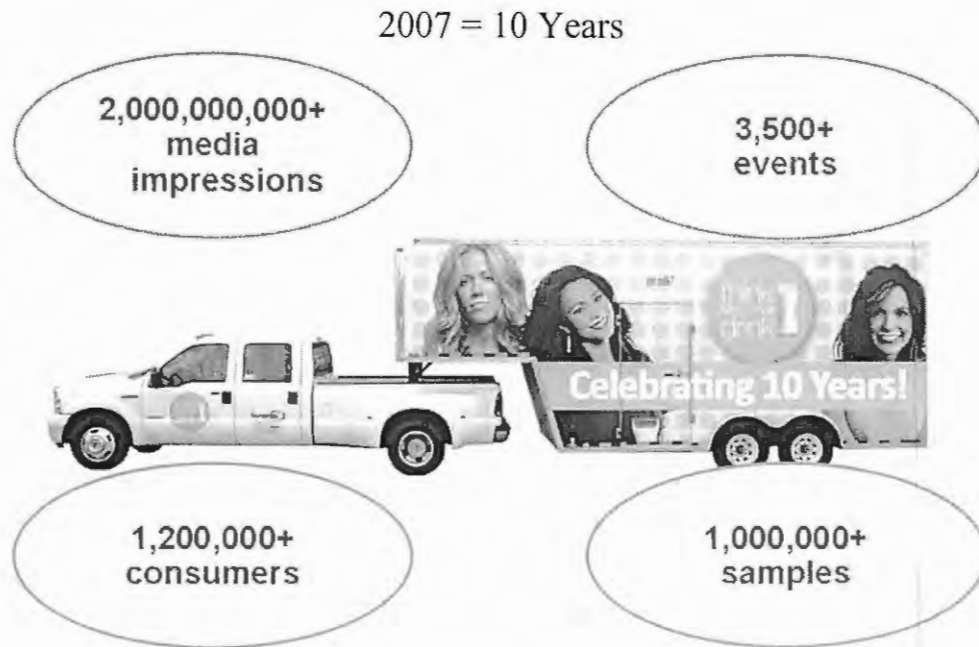


Staff also reviewed with the Board the elements of the 2008 second semester promotion program, which will include the following elements.

- Free exclusive and/or limited-availability mp3s for download
 - Pool of 20k downloads per artist; max of 4 songs per artist
- Streaming music station featuring all program artists
- Artist wake-up calls
- Exclusive giveaways only available from Milk: autographed guitars, CDs, etc.
- Exclusive videos such as interviews, behind the scenes footage from concerts
- Wallpapers and IM icons

Support for this program will also include online media, artist-specific email blasts, and PR support. The Public Relations Committee reviewed the results of the Healthiest Bodies PR activity, which involved 29 processors, 43 million PR impressions, 9,000 samples, and 11,000 students.

Results relating to the Milk Mustache Mobile were discussed.



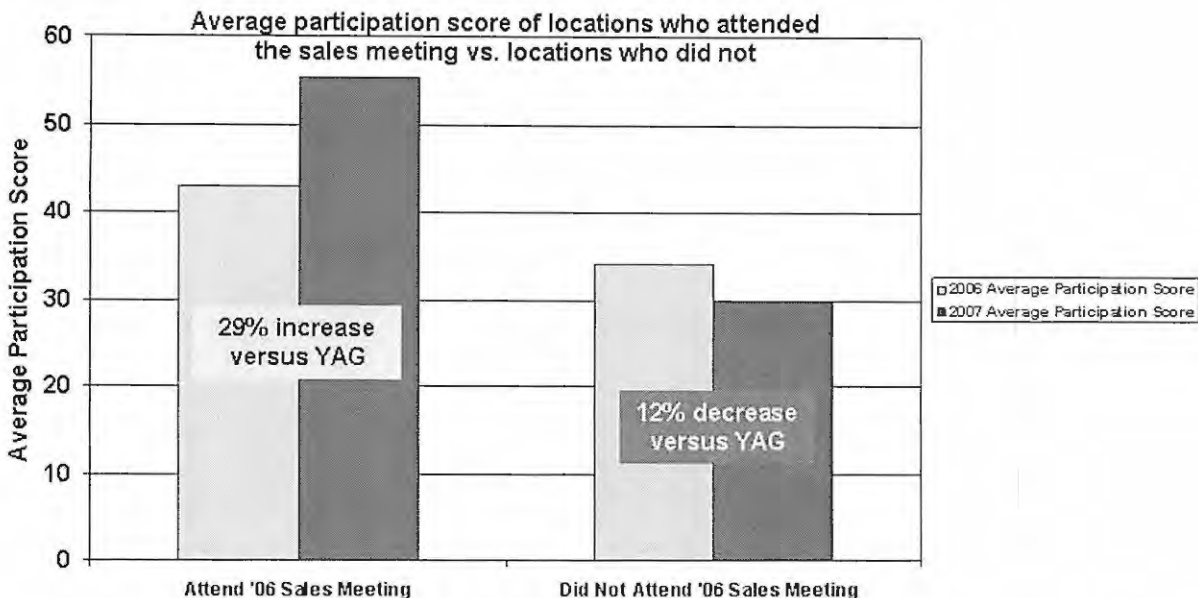
For 2007, the Milk Mustache Mobile achieved 219 million PR impressions and received a 3.5 out of 4 processor rating. The committee also reviewed with the Board the Hispanic overlay of the Milk Mustache Mobile which spanned 8 markets and received 2.2 million media impressions. Activities relating to the Nutrition News Bureau were discussed, which addressed the following issues: diabetes, anti-aging, and healthy weight.

The committee also discussed with the Board issues which are on the horizon or currently in the news, including:

- debates over the use of raw milk
- Listeria outbreak and food safety issues
- rBST labeling
- Research on milk and prostate cancer
- FDA announcement on cloning of animals

The Promotion Committee reported to the Board on the 2007 sales meeting and reviewed with the Board research results relating to sales meeting participation.

- Motivates processors to use MilkPEP programs
- Locations with 2006 Sales Meeting representation increased their participation score by 29% in 2007



The committee also presented to the Board the MilkPEP award winners and the grand prize winners J.C. Montenegro and Hugo Valdez of Hygeia Dairy.

- Retail Category:
 - Wake Up to Weight Loss: Joni Marcello, Meadow Gold Dairies, Hawaii
 - Celebrate Success: Penny Baker, Smith Dairy Products Company, Ohio
 - Halloween Promotion: Janell Janz, Kemps Dairy (Category Winner)
 - Halloween Promotion: Ron Mele, Swiss Dairy Riverside
 - Think About Your Drink: Hugo Valdez and JC Montenegro, Hygeia Dairy
 - Think About Your Drink: Carol Duncan, PET Dairy
- Schools Category:
 - Capturing the School Milk Opportunity: Hugo Valdez and JC Montenegro, Hygeia Dairy (Category Winner)
 - Body By Milk: Kim Lenahan, H. Meyer Dairy
 - Local School Outreach: Carol Duncan, PET Dairy
- Grassroots Category:
 - Milk Mustache Mobile: Gary Summers, Meadow Gold Dairies
 - Milk Mustache Tour: Hugo Valdez and JC Montenegro, Hygeia Dairy
 - Finish Line Promotion: Keith Telaak, Upstate Niagra Coop
 - Finish Line Promotion: Hugo Valdez and JC Montenegro, Hygeia Dairy
 - Think About Your Drink: Gary Summers, Meadow Gold Dairies (Category Winner)
 - Grassroots Event: Carol Stewart, Prairie Farms
- Business Development Category:
 - Schools: Emmanuel "Peanut" Wright, PET Dairy (Category Winner)
- Producer/Processor Coordination Category:

- Grassroots Marketing: Darcy Nichols, Dairy Farmers, Inc
- Grassroots Marketing: Becky Gallagher and Tracey Enslen, Schneider's Dairy and Midatlantic Dairy Association (Category Winner)
- Merit Award: Kemps Dairy

The Board heard a report from the FMSTI Committee which included the status of the flavor formulation workshops which began in August 2007. To date, 23 workshops have taken place with over 225 participants. Participating processors represent nearly 60 percent of milk volume in the United States and the committee is planning to continue outreach in 2008 and follow-up with processors to measure progress. Mr. Haugh discussed the participation of MilkPEP in the School Nutrition Association annual national conference and the National Automatic Merchandising Association national expo. At the NAMA national expo, MilkPEP presented a hot topic session entitled, "Spotlight on Milk Vending Success".

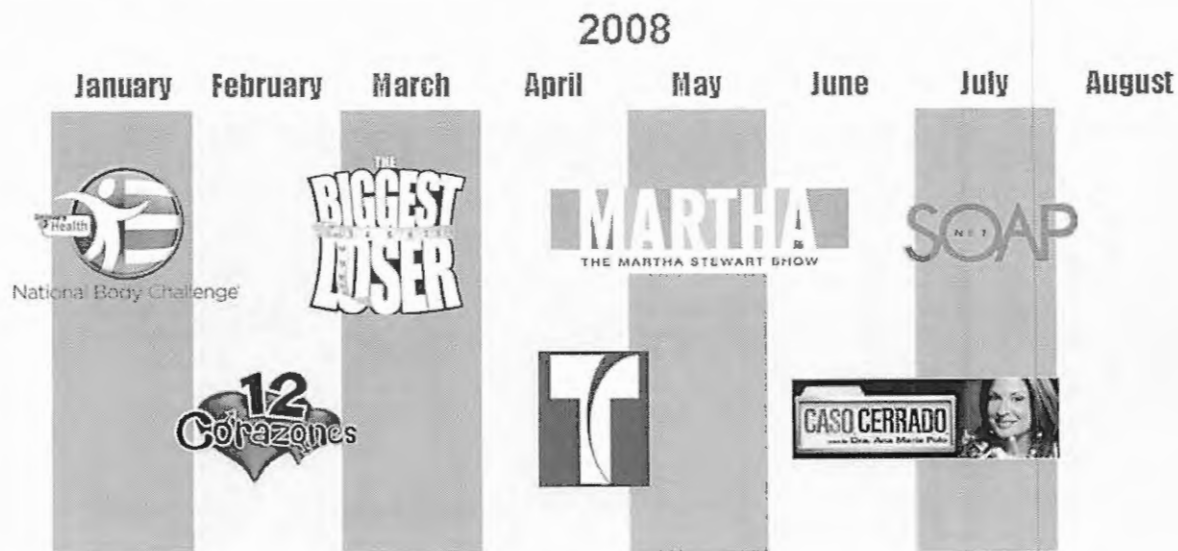
Spotlight on Current School Winner	Spotlight on Current Vending Winner
<p>Sherry Kitson Food Service Director Van Wert City Schools</p> <ul style="list-style-type: none">• Added plastic bottles, in addition to half pints• Began to offer three flavors• Added milk coolers and promotional clings• Used MilkPEP posters and banners• Sales increased 200%• School currently sells approximately 900 pints a day	<p>Jim Braker Co-Owner Beaver Vending</p> <ul style="list-style-type: none">• Vends milk through business and industry and school locations• Converted locations from cartons to chugs• Integrates milk into healthy vending machines• Little problems with waste• "Milk has always done well for us. I'm sure it will continue to be a profitable part of our business plan for the future."

The Board reviewed the retail advertising programs targeted at the trade.

With regard to 2008, the Board reviewed the 2008 calendar and the kickoff for the Campaign for Healthy Weight – Milk Your Diet program.



Also reviewed by the Board were new milk ads, including Hispanic tv spots, and the Milk Advocates program summarized below.



The objectives of the 2008 processor communication plan was also discussed by the Board.

- Communicate on a more consistent level

- Increase participation in promotions
 - Both retail and grassroots programs
- Reach processors on all levels
 - Management
 - Sales

Following a short recess, the Board began its process for 2009 planning. Mr. Graetzer reviewed with the Board that MilkPEP had conducted a review on all current trends, including:

- Competitive beverages
- Consumers
 - Nutrition/weight loss
 - Population shifts

Mr. Graetzer also indicated that MilkPEP had reviewed all of our key measurement tools, including tracking studies, marketing mix analysis, and other tools. In addition, MilkPEP has audited past promotion activity and current retail trends to determine best practices, has researched the current school environment, where we are succeeding, and where there are other opportunities. MilkPEP has sat down with our partners at Dairy Management, Inc. to discuss how we can leverage their programs and S&R network. Mr. Graetzer indicated that MilkPEP has talked to producers to get their impressions of the program's effectiveness overall and to allow processors to tell us what's working and what's not working on the local level. With regard to the MilkPEP industry survey, a total of 55 interviews among CEOs/COOs and other executives of milk-processing organizations nationwide was conducted in July 2007. The highlights of the industry survey are presented below:

- Milk processors solidly approve of MilkPEP's performance (76%) and those who approve represent a vast majority of the industry volume
- Processors feel that MilkPEP has been effective in accomplishing a number of important goals, including:
 - Ability to generate positive stories
 - Competitive advertising impact
 - Generating awareness of milk's healthy message among women
 - Impact of MilkPEP investment
 - Increasing sales 2004-2006
 - Impact of MilkPEP marketing
- Most processors (60%) agree that MilkPEP is favorably impacting the industry nationally, though perceptions are that the program falls short in impacting their business locally.
- A significant majority (80%) of processors would vote to continue the program if a referendum was conducted.

The Board also reviewed specific reasons for support and non-support among industry executives surveyed.

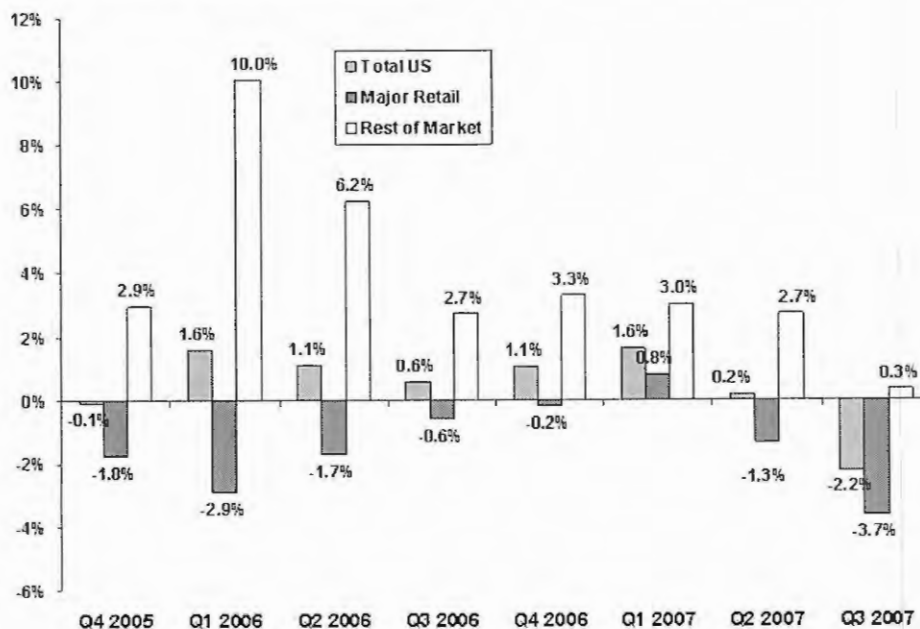
Reasons for Approval	Reasons for Disapproval
<ul style="list-style-type: none"> Marketing Expertise - "MilkPEP is Industry's Resident Experts" Effective Industry Voice of Milk Strong Campaign, Generates Strong Awareness Effectively Communicates Message Understand Consumers & Marketplace Strategically Well Defined, Well Executed, Well Researched Knowledgeable About Industry Strengths & Weaknesses 	<ul style="list-style-type: none"> Benefits Aren't Worth the Cost Not Visible. Don't See the Advertising Don't See Sales Increases Doesn't Help My Brand, My Business Favors Large Processors Lost "Weight Loss"

Input from processors on areas to improve included:

- More advertising
- Increased focus on Hispanics
- Try to make the program more branded/more local

The Board then reviewed the current state of the industry, identifying the following issues:

- Retail prices reached historic heights in 2007
- The gap between milk prices and those of competitive products widened
- Results indicated that milk sales most likely slipped in 2007 by an estimated decline of 0.3%
- 2007 sales softened across the market

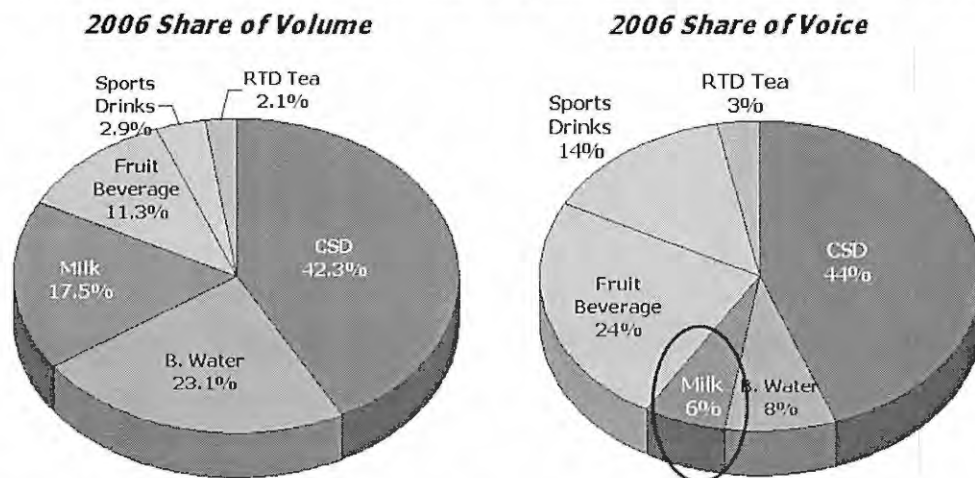


Major Retail includes Supermarkets, Mass Merchants (w/ Walmart), and Drugstores.
Sources: USDA-AMS, and IRI.

- The shift to lower fat levels continues
 - Fat-reduced volume is increasing across channels and nearly offset the whole milk losses in 2007
- Flavored milk declined for the first time in 2007
- Organic volume growing at a time when their price is falling
- Supermarket share continues to decline

The Board also reviewed the spending by competitive categories.

Most competitive categories continue to spend more than milk on advertising



Source: Beverage Marketing Corporation; Lowe; Strategy

The Board reviewed changes in MilkPEP programs, such as increased activity in communication channels where we have success (such as schools and PR) to remain competitive with the competition.

The Board reviewed an evolution of the MilkPEP budget.

- MilkPEP budget allocations shift as appropriate for new targets (e.g. Hispanics) and new media/disciplines (e.g. internet, WOM)

MilkPEP Spending Allocation by Discipline

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Advertising	71.4%	72.0%	72.7%	69.7%	66.7%	66.3%	67.7%	66.6%	64.5%
Hispanic Adv.	0.0%	1.9%	3.6%	3.9%	3.5%	5.1%	4.1%	4.6%	5.4%
PR	11.3%	9.5%	11.3%	14.0%	13.8%	11.9%	12.6%	13.2%	15.0%
Promotions	15.2%	13.8%	9.3%	8.3%	11.7%	12.3%	11.4%	12.0%	11.6%
Other	<u>2.1%</u>	<u>2.8%</u>	<u>3.1%</u>	<u>4.0%</u>	<u>4.3%</u>	<u>4.4%</u>	<u>4.2%</u>	<u>3.5%</u>	<u>4.5%</u>
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

In summary, the Board identified the following issues:

- The unanticipated resilience of milk volume in this environment of historically high prices is encouraging
 - Consumers value milk more, possibly due to pick-up of strong messaging on weight loss and healthy weight
 - Prices did not go up as quickly/dramatically as in 2004, so may be lesser consumer reaction
- Market growth in lesser-fat white milk, while flavored is in decline
 - Lesser-fat milk growth driven by consumer interest in health and wellness and MilkPEP messaging
 - Flavored decline driven by high price which negates impulse purchase
- Migration out of supermarkets continue, but losses can be tracked to other channels - club and drug
 - Need to gain greater understanding of what "all other" channels are and how we can impact them to build on momentum
- Milk's competitive disadvantage worsens
 - Ad spending/share of voice
 - Away-from-home/availability
 - Price
 - Brand Marketing
- Allocation of MilkPEP spending by discipline continues to be supported by better than expected sales, our tracking, marketing mix analysis and other measurement tools

The Board discussed the question as to what was the right question to motivate moms to drink milk and reviewed milk's message evolution for the past four years. The Board also discussed the motivation behind shifting to healthy weight versus weight loss and the evidence to date on the healthy weight program, which indicated a positive response from consumers during focus groups in January and August of 2007 and copy testing for new 2008 tv commercials provided quantitative support for healthy weight.

The Board discussed a potential move from healthy weight to wellness messaging. Below is a

summary of the Board's comments on the wellness opportunity.

- Not moving away from Healthy Weight, but evolving it
- Wellness would provide a broad messaging umbrella that makes an emotional connection with our target
 - Can fold in other benefits beyond Healthy Weight when appropriate
- And no other beverage can support wellness like milk
 - Connecting with consumers on both rational and emotional benefits

The Board discussed broadening the healthy weight message into wellness built on current momentum and motivating consumers and making milk more competitive. The Board reviewed current consumer targets to try to identify the right balance of support of resources against moms, teens, kids, and Hispanics. The Board reviewed historical spending against groups and the growth of the populations of each target area. Questions raised by the Board included: If we emphasize program funding behind the Hispanic target, against which targets? First generation moms, second generation moms, or second generation teens? During the committee planning process, these questions will have to be answered.

With regard to promotion, the Board identified three basic questions:

- What is the optimum role for promotion at retail in 2009?
 - White milk
 - Flavored milk
- How do we best build on past success with new thinking?
- How can we be more surgically focused, retail-relevant, and consistently effective?

The Board discussed the advantages of promotions targeted on flavored milk.

- Low consistency of household penetration
 - Substantial headroom
- An impulse purchase
 - A beverage alternative, not a household staple
 - A special treat
- Highly promotionally responsive
- Untapped opportunities remain on retail calendar
 - For price feature and promotion

The Board identified the following key promotion planning questions: (1) Is our current product and target budget allocation correct? (2) How do we best navigate emerging changes in the retail environment? (3) How can we create extendible programs that best serve local processor needs? (4) In pursuit of the best ROI opportunities, how far are we willing to move from the themes and messages of the national awareness campaign?

With regard to schools, several Board members asked how we build on our success in schools and fill in the gaps where they exist. The Board reviewed the activities and opportunities in

schools and challenges for chocolate milk such as limits on calories, added sweeteners, and/or fat content. The Board identified key questions related to school programs: (1) How do we optimize existing MilkPEP school programs? (2) How can we best go beyond kids/teens and target their influencers? (3) How can we build on existing partnerships to leverage their school relationships? (4) How do we increase our engagement with DMI and processors to make our programs more effective and broaden our influence?

The final planning area engaged in by the Board related to processors. The Board identified a goal, which is to use processor involvement to increase the impact of the national plan and sell more milk. Several key facts were identified:

- Reaching out to processors has a positive effect on participation
- Participation by processors pays off for both the program and the processors

With regard to planning, the following issues were identified:

- What are the opportunities to increase participation by supporting more processors marketing and business needs?
 - Retail
 - Grassroots
 - Flexible programs
 - Schools
- In what ways can we collaborate with DMI to increase processor engagement?

Based on the Board review of the information, Mr. Graetzer reviewed the following issues as the major issues for the 2009 planning process:

- Evolving messaging to remain effective and competitive
- Addressing exploding Hispanic market
- Developing promotions that work harder
- Working with DMI to engage processors more effectively

Following this planning exercise, Chairman McCabe called on Treasurer Terry Webb to present a report of the Finance Committee. Ms. Webb presented the following report:

- The committee had reviewed the competitive bidding report and the November 2007 financials. No issues were raised by the committee.
- The committee reviewed a report on collections and the USDA audit of prior periods which had been submitted by USDA.
- Brandy Van Eecklin of Snyder Cohn presented a report on the Low compliance review. No significant compliance issues were raised.

Ms. Webb then presented the following recommendations for consideration by the Board:

- At the October 2007 meeting of the Finance Committee, the committee approved a recommendation to the Board to accept amendments to the 2007 budget as presented in Exhibit 1. Recommendation approved.

- With regard to allocations for specific programs in the 2007, the Finance Committee is recommending a reallocation of funding as presented in Exhibit 2. Motion approved.
- With regard to the 2008 budget year, the committee is recommending to the Board the budget reallocations as presented in Exhibit 3. Motion approved.
- Ms. Webb also noted that the committee had approved the January 2008 proposed authorizations, pending approval of the appropriate program committee. Ms. Webb also reviewed the administrative budget and recommended changes that were part of the recommendation to the 2008 budget as found in Exhibit 4.
- With regard to the 2009 budget, the committee is recommending the proposed budget identified in Exhibit 5 as “2009 Proposed” with the caveat that the planning process being forward programmed for the additional \$800,000 identified in the alternate 2009 Proposed model. Motion approved.

This completed the report of the Finance Committee. At this time, Chairman McCabe recessed the Board for concurrent program committee meetings.

APPROVED: _____

DATE: _____

**NATIONAL FLUID MILK PROCESSOR PROMOTION BOARD
BUDGET - YEAR 2007**

	<u>July-07 Approved Budget</u>	<u>Oct-07 Proposed</u>	<u>Revised Budget</u>	<u>Jul-06 Authorizations</u>	<u>Jan-07 Authorizations</u>	<u>Apr-07 Authorizations</u>	<u>July-07 Authorizations</u>	<u>Authorized To Date</u>	<u>Remaining Unauthorized</u>
REVENUES									
Assessments	\$ 107,000,000		\$ 107,000,000						
Carryforward Funds	8,111,500	200,000	8,311,500						
Interest Income	340,000	300,000	640,000						
Total Revenues	\$ 115,451,500	\$ 500,000	\$ 115,951,500						
PROGRAM EXPENSES									
Advertising	\$ 70,655,124		\$ 70,655,124	31,376,940	18,268,420	14,540,021	6,469,743	70,655,124	-
Public Relations	13,403,825		13,403,825	2,928,587	3,592,000	3,996,238	2,887,000	13,403,825	-
Promotions	12,320,000		12,320,000	5,002,600	4,507,900	3,109,500	(300,000)	12,320,000	-
FMSTI	1,681,500		1,681,500		1,132,000	-	60,000	1,192,000	489,500
Research	2,810,000		2,810,000	866,000	1,604,000	300,000	40,000	2,810,000	-
Medical & Scientific	605,000		605,000	-	405,000	-	200,000	605,000	-
Program Measurement	217,000		217,000	-	167,000	-	-	167,000	50,000
Program Management	-		-					-	-
TOTAL PROGRAM EXPENSES	\$ 101,692,449	\$ -	\$ 101,692,449	\$ 40,174,127	\$ 29,676,320	\$ 21,945,759	\$ 9,356,743	\$ 101,152,949	\$ 539,500
OTHER EXPENSES									
Administrative	\$ 2,645,526	\$ 649,174	\$ 3,294,700						
USDA Expenses	550,000		550,000						
California Refund	10,200,000		10,200,000						
Subtotal	\$ 13,395,526	649,174	\$ 14,044,700						
UNALLOCATED	\$ 363,525	\$ (149,174)	\$ 214,351						
UNCOMMITTED RESERVE	-		\$ -						
Total Expenses and Unallocated	\$ 115,451,500	\$ -	\$ 115,951,500						

**NATIONAL FLUID MILK PROCESSOR PROMOTION BOARD
BUDGET - YEAR 2007**

	Oct-07 Approved Budget	Jan-08 Proposed	Revised Budget	Jul-06 Authorizations	Jan-07 Authorizations	Apr-07 Authorizations	July-07 Authorizations	Jan-08 Authorizations	Authorized To Date	Remaining Unauthorized
REVENUES										
Assessments	\$ 107,000,000		\$ 107,000,000							
Carryforward Funds	8,311,500		8,311,500							
Interest Income	640,000		640,000							
Total Revenues	\$ 115,951,500	\$ -	\$ 115,951,500							
PROGRAM EXPENSES										
Advertising	\$ 70,655,124		\$ 70,655,124	31,376,940	18,268,420	14,540,021	6,469,743		70,655,124	-
Public Relations	13,403,825		13,403,825	2,928,587	3,592,000	3,996,238	2,887,000		13,403,825	-
Promotions	12,320,000		12,320,000	5,002,600	4,507,900	3,109,500	(300,000) * Reallocation		12,320,000	-
FMSTI	1,681,500		1,681,500		1,132,000	-	60,000		1,192,000	489,500
Research	2,810,000		2,810,000	866,000	1,604,000	300,000	40,000		2,810,000	-
Medical & Scientific	605,000		605,000	-	405,000	-	200,000		605,000	-
Program Measurement	217,000		217,000	-	167,000	-	-		167,000	50,000
Program Management	-		-						-	-
TOTAL PROGRAM EXPENSES	\$ 101,692,449	\$ -	\$ 101,692,449	\$ 40,174,127	\$ 29,676,320	\$ 21,945,759	\$ 9,356,743	\$ -	\$ 101,152,949	\$ 539,500
OTHER EXPENSES										
Administrative	\$ 3,294,700		\$ 3,294,700							
USDA Expenses	550,000		550,000							
California Refund	10,200,000		10,200,000							
Subtotal	\$ 14,044,700	\$ -	\$ 14,044,700							
UNALLOCATED	\$ 214,351	\$ -	\$ 214,351							
UNCOMMITTED RESERVE	\$ -	\$ -	\$ -							
Total Expenses and Unallocated	\$ 115,951,500	\$ -	\$ 115,951,500							

**NATIONAL FLUID MILK PROCESSOR PROMOTION BOARD
BUDGET - YEAR 2008**

	<u>Oct-07 Approved Budget</u>	<u>Jan-08 Approved</u>	<u>Revised Budget</u>	<u>July-07 Authorizations</u>	<u>Oct-07 Authorizations</u>	<u>Jan-08 Authorizations</u>	<u>Authorized To Date</u>	<u>Remaining Unauthorized</u>
REVENUES								
Assessments	\$ 106,800,000	\$ 1,000,000	\$ 107,800,000					
Carryforward Funds	2,300,000	186,050	2,486,050					
Interest Income	340,000		340,000					
Total Revenues	\$ 109,440,000	\$ 1,186,050	\$ 110,626,050					
PROGRAM EXPENSES								
Advertising	\$ 63,750,000	\$ 700,000	\$ 64,450,000	35,104,974		13,750,269	48,855,243	\$ 15,594,757
Public Relations	14,350,000	264,200	14,614,200	3,797,675		5,999,950	9,797,625	4,816,575
Promotions	10,400,000	835,800	11,235,800	4,411,450		4,510,800	8,922,250	2,313,550
FMSTI	1,085,000	200,000	1,285,000	-		1,085,000	1,085,000	200,000
Research	2,300,000	365,000	2,665,000	-	900,000	1,169,000	2,069,000	596,000
Medical & Scientific	400,000	205,000	605,000	-		205,000	205,000	400,000
Program Measurement	200,000	30,000	230,000	-		180,000	180,000	50,000
Program Management	2,600,000	(2,600,000)	-			-	-	-
TOTAL PROGRAM EXPENSES	\$ 95,085,000	\$ -	\$ 95,085,000	\$ 43,314,099	\$ 900,000	\$ 26,900,019	\$ 71,114,118	\$ 23,970,882
OTHER EXPENSES								
Administrative	\$ 2,306,800	\$ 263,050	\$ 2,569,850					
USDA Expenses	567,000	-	567,000					
California Refund	10,306,000	(96,000)	10,210,000					
Subtotal	\$ 13,179,800	167,050	\$ 13,346,850					
UNALLOCATED	\$ 1,175,200	\$ 1,019,000	\$ 2,194,200					
UNCOMMITTED RESERVE	-	\$ -	-					
Total Expenses and Unallocated	\$ 109,440,000	\$ -	\$ 110,626,050					

MilkPEP
ADMINISTRATIVE EXPENSE BUDGET
FISCAL YEAR 2008

	2008 Administrative Budget <u>Oct-07</u>	2008 Administrative Budget <u>Proposed Jan-08</u>	2008 Administrative Budget <u>Final</u>
MilkPEP Board Meetings	350,000		350,000
Ad Hoc Board Committees	-		-
Special Surveys	-		-
IDFA Staff Severance	145,000		145,000
Staff Salaries & Benefits			
Staff Salaries & Compensation	1,255,580	34,060	1,289,640
Staff Retirement Benefit	141,800	3,500	145,300
Payroll Taxes	69,650	5,240	74,890
Health Insurance	39,960	4,500	44,460
Life Insurance	7,620	600	8,220
Disability Insurance	13,980	400	14,380
Workman's Compensation	4,100	-	4,100
Other Employee Benefits	14,400	3,700	18,100
1 Total Staff Salaries & Benefits	1,547,090	52,000	1,599,090
Other Operating Expenses			
Contract Staff (CFO)	160,000		160,000
Consultants - IT, HR	50,000		50,000
Financial Services	325,000		325,000
Legal	275,000		275,000
Audits	110,000		110,000
Employee Development	-	25,000	25,000
Office Facilities	200,000		200,000
2 IDFA Support & Maintenance	302,000		302,000
Miscellaneous	50,000		50,000
Payroll & Pension Admin Expenses	6,900		6,900
Supplies + Equipment	80,000		80,000
Staff Travel	300,000		300,000
Telephone	25,000		25,000
Insurance	40,000		40,000
Postage & Delivery	10,000		10,000
Transition Costs - carryforward	-	186,050	186,050
Total Other Operating Expenses	1,933,900	211,050	2,144,950
Unallocated	-		-
1 Staff costs to Program Management 95%	(1,397,390)		(1,397,390)
2 IDFA Support - Programs - 90%	(271,800)		(271,800)
Total Administrative Budget	2,306,800	263,050	2,569,850

National Fluid Milk Processor Promotion Board

2008 and 2009 Budgets

Assumption: 2008 & 2009 Revenue projected at 2007 actual level.

	<u>2007 Current</u>	<u>%</u>	<u>2008 Current</u>	<u>2008 Proposed</u>	<u>%</u>	<u>2009 Proposed</u>	<u>%</u>	<u>Alternate 2009 Proposed</u>	<u>%</u>
Assessment Revenues:	\$ 107,000,000		\$ 106,800,000	\$ 107,800,000		\$ 107,800,000		\$ 108,600,000	
Interest Income	\$ 640,000		\$ 340,000	\$ 340,000		\$ 340,000		\$ 340,000	
Carryforward Funds	8,311,500		2,300,000	2,486,050		-		-	
Total Funding	<u>115,951,500</u>	100%	<u>109,440,000</u>	<u>110,626,050</u>	100%	<u>108,140,000</u>	100%	<u>108,940,000</u>	100%
<u>Expenditures:</u>									
Administration	2,998,543		2,306,800	2,569,850		2,410,000		2,410,000	
IDFA-Management Admin	296,157		-	-		-		-	
USDA	550,000		567,000	567,000		570,000		570,000	
California Refund - 9.47%	10,200,000		10,306,000	10,210,000		10,210,000		10,300,000	
MilkPEP Administration	<u>14,044,700</u>	12%	<u>13,179,800</u>	<u>13,346,850</u>	12%	<u>13,190,000</u>	12%	<u>13,280,000</u>	12%
Total Program Manager	2,578,843	2%	2,600,000	2,600,000	2%	2,700,000	2%	2,700,000	2%
Programs	99,113,606		92,485,000	92,485,000		92,200,000		92,910,000	
Programs & Management	<u>101,692,449</u>	88%	<u>95,085,000</u>	<u>95,085,000</u>	86%	<u>94,900,000</u>	88%	<u>95,610,000</u>	88%
Net Uncommitted	<u>214,351</u>		<u>1,175,200</u>	<u>2,194,200</u>		<u>50,000</u>		<u>50,000</u>	

MINUTES

MilkPEP Board Meeting – General Session II

January 18, 2008
Palm Springs, CA

Chairman Bill McCabe called the Board back into session at 9:45 am local time.

The Promotion Committee presented a report to the Board, which included an update on the March Curves program which will take place March 17-April 17, 2008. Chairman McCullough of the committee presented a report on the Chief Health Officer retail promotion and the Body by Milk: Refuel fall promotion with Adidas. The committee also discussed the change in the Halloween 2008 program which will focus on traditional Halloween characters versus borrowed interest of movie characters. With regard to the 2007 Promotion program budget, the committee is recommending the following budget amendment. Motion approved

2007 Promotion Authorizations - January 2008

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Unallocated	07-00	0	0	0	0	0	0
Weight Loss: Program 1 (January: Think About Your Drink Mega Event)	07-50	1,283,200	0	1,283,200	0	1,283,200	0
Weight Loss: Program 2 (April: Another Season, Another Reason)	07-51	2,269,800	0	2,269,800	0	2,269,800	0
Families: Give them something smarter (September)	07-52	917,000	0	917,000	0	917,000	0
Body By Milk/ January - June (Refresh)	07-53	1,632,000	0	1,632,000	0	1,632,000	0
Body By Milk / August - December 2007	07-54	1,902,000	-100,000	1,802,000	0	1,802,000	0
Promotional Program Sales Support	07-55	463,000	0	463,000	0	463,000	0
Trade Advertising	07-56	51,000	0	51,000	0	51,000	0
Local Marketing	07-57	977,000	0	977,000	0	977,000	0
Management Staff Support & 2008 Planning	07-58	950,000	0	950,000	0	950,000	0
Program Management	07-59	775,000	0	775,000	0	775,000	0
2007 Halloween Feature Incentive Program	07-76	1,100,000	100,000	1,200,000	100,000	1,200,000	0
Research	07-77	0	0	0	0	0	0
Total	-	\$12,320,000	0	\$12,320,000	100,000	\$12,320,000	\$0

Chairman McCullough reviewed the authorization requests that have been approved by the committee. In addition, Chairman McCullough presented the committee recommendations with regard to budget amendments for the 2008 Promotion budget as presented below. Motion approved.

2008 Promotion Authorizations - January 2008

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
March: Curves Program	08-50	1,486,000	0	1,486,000	486,000	1,486,000	0
May/June: Chief Health Officer	08-51	936,000	0	936,000	736,000	936,000	0
January-June: Body By Milk	08-52	1,861,450	0	1,861,450	0	1,861,450	0
August-December: Body By Milk	08-53	1,892,350	0	1,892,350	500,000	700,000	1,182,350
August-September: Refuel with Chocolate Milk Feature Incentive	08-54	1,063,850	0	1,063,850	250,000	350,000	713,850
2008 Halloween Feature Incentive Program	08-55	1,117,350	0	1,117,350	500,000	700,000	417,350
Promotional Program Sales Support	08-56	550,000	0	550,000	450,000	550,000	0
Processor Support	08-57	553,000	60,800	613,800	363,800	613,800	0
Management Staff Support & 2009 Planning	08-58	950,000	0	950,000	450,000	950,000	0
Program Management	08-59	0	775,000	775,000	775,000	775,000	0
Total	-	\$10,400,000	\$835,800	\$11,235,800	\$4,510,800	\$6,922,250	\$2,313,550

The committee reviewed with the Board the authorization requests that have been approved by the committee. There being no further issues, the Promotion Committee completed their report.

Chairman Mike Touhey presented the report of the Advertising Committee and reviewed with the Board upcoming MilkMustache celebrities, including Brooke Shields, which will carry the “healthy weight” message.

The committee also reviewed with the Board its recommendations with regard to the allocation of resources against the 2008 tv media plan.

- 2008 TV media plan presented at July Board Meeting
 - Front-loaded existing dollars, preserving year-over-year TV presence during 1H
- Simultaneously agreed to look for incremental funding to restore TV media weight in the 2H
- Committee agreed to allocate existing \$1.5MM to restore TV media during 2H 2008
 - Delivers 5 weeks of incremental cable
- Continue looking for additional funding to fully restore 2008 plan to 2007 levels
 - Delivers 8 weeks of incremental TV

The committee reviewed with the Board the posters for high schools, middle schools, and elementary schools, including the ad involving Olympic athletes, which is targeted to middle and high schools. A status report was presented on the internet advertising program targeted to teens as presented below:

- Starting Jan '07, Internet advertising became a core communications channel for messaging to Teens
- Online advertising is reaching Teens and driving awareness of our message
- CPM \$18.36 v. benchmarks \$22.00 for Teen Print and \$24.60

	HS	Fantastic	Hayden	Masi
<u>Awareness</u>	<u>Musical</u>	<u>Four</u>	<u>Panettiere</u>	<u>Oka</u>
All Adv Channels	36%	17%	37%	19%
Online Awareness	15%	17%	14%	14%

With regard to budget issues, Chairman Touhey presented the committee recommendation to amend the 2008 Advertising budget as presented below. Motion approved.

2008 Advertising Authorizations - January 2008

Project	Auth Code	Budget	Transfer	New Total	Authoriz. Request	Total Authorized	Balance
Broadcast Media	08-01	18,758,700	0	18,758,700	0	18,758,700	0
Print Media	08-02	27,441,300	0	27,441,300	9,275,000	16,500,000	10,941,300
Regional Advertising	08-03	1,500,000	0	1,500,000	775,000	975,000	525,000
Disney Sponsorship	08-04	2,400,000	0	2,400,000	0	2,400,000	0
Tremor	08-05	0	0	0	0	0	0
Production	08-10	5,550,000	0	5,550,000	1,960,000	4,075,000	1,475,000
Hispanic Media	08-20	3,425,000	0	3,425,000	895,269	2,171,543	1,253,457
School Image	08-21	4,050,000	0	4,050,000	0	2,650,000	1,400,000
Hispanic Production	08-22	625,000	0	625,000	145,000	625,000	0
Program Mgmt	08-28	0	300,000	300,000	300,000	300,000	0
Legal	08-29	0	400,000	400,000	400,000	400,000	0
Total	-	\$63,750,000	\$700,000	\$64,450,000	\$13,750,269	\$48,855,243	\$15,594,757

The committee reviewed with the Board the authorization requests which had been approved subject to the proposed amendment being adopted. This completed the report of the Advertising Committee.

The Public Relations Committee presented a report relating to its 2008 program. Chairman Tidwell reviewed with the Board the campaign for the healthy weight grassroots event, which is a strategic partnership with the American Heart Association Start Initiative to set up a Campaign for Health Weight headquarters at AHA Heart Walks coast-to-coast. The Board also heard a status report on the 2008 Chief Health Officer program integration with the Milk Mustache Mobile tour. In addition, the Refuel Your School program was reviewed.

Chairman Tidwell then presented the committee recommendation to approve a budget amendment as presented below. Motion approved.

2008 Public Relations Authorizations - January 2008

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Campaign for Healthy Weight Launch	08-30	750,000	0	750,000	30,000	750,000	0
Milk Advocates	08-31	450,000	0	450,000	235,000	330,000	120,000
Chief Health Officer Launch Event	08-32	375,000	0	375,000	200,000	375,000	0
Nutrition News Bureau	08-33	655,000	0	655,000	175,000	220,000	435,000
Milk Mustache Media Machine	08-34	620,000	0	620,000	180,000	278,000	342,000
Halloween PR Amplification	08-35	140,000	0	140,000	10,000	10,000	130,000
Refuel Your School National PR	08-36	200,000	0	200,000	0	0	200,000
SAHMY	08-37	150,000	0	150,000	55,000	95,000	55,000
Web Site	08-38	600,000	0	600,000	240,000	360,000	240,000
Chief Health Officer Tour (M&M)	08-39	4,700,000	0	4,700,000	2,300,000	3,200,000	1,500,000
Grassroots - Refuel Your School Events	08-40	550,000	0	550,000	90,000	150,000	400,000
AHA 25-Market Tour	08-41	2,250,000	0	2,250,000	1,150,000	2,250,000	0
MAB Support	08-42	100,000	0	100,000	40,000	55,000	45,000
Issues	08-43	425,000	0	425,000	80,000	120,000	305,000
Got News?	08-44	100,000	0	100,000	35,000	45,000	55,000
Service Team	08-45	660,000	-60,800	599,200	200,000	240,000	359,200
Health Professionals	08-46	350,000	0	350,000	50,000	180,000	170,000
Weber Shandwick Program Management	08-47	425,000	0	425,000	150,000	190,000	235,000
Hispanic PR	08-48	850,000	0	850,000	454,950	624,625	225,375
MilkPEP PR Program Management	08-49	0	325,000	325,000	325,000	325,000	0
Total	-	\$14,350,000	\$264,200	\$14,614,200	\$5,399,950	\$9,797,625	\$4,816,575

The specific authorization requests approved by the committee were discussed with the Board. With regard to the 2008 Medical and Scientific budget, Chairman Tidwell presented the committee recommendation to approve a budget amendment as presented below. Motion approved.

2008 Medical and Scientific Authorizations - January 2008

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Medical Advisory Board (MAB)	08-80	200,000	0	200,000	0	0	200,000
Program Management - MAB	08-85	0	200,000	200,000	200,000	200,000	0
Medical Research	08-90	200,000	0	200,000	0	0	200,000
Program Management - Medical Research	08-94	0	5,000	5,000	5,000	5,000	0
Total	-	\$400,000	\$205,000	\$605,000	\$205,000	\$205,000	\$400,000

This completed the report of the Public Relations Committee.

Chairman Brian Haugh presented the report of the Fluid Milk Strategic Thinking Initiative and Research Committee. The committee reported that they had reviewed and approved the 2008 MilkPEP market research plan, which covers specific initiatives related to:

- Business performance and tracking
- Communication testing
- Program development

- Promotion measurement

Mr. Haugh reported to the Board that the committee had identified the following planning issues in their committee meeting:

- An opportunity to work with DMI to support their research efforts through input and communication
- Understand the dynamics of "all other" to make decisions on moving forward with FMSTI
- Relook at Elasticity Study
- Review industry communications as it relates to school cartons

With regard to program budgets, Chairman Haugh presented the committee recommendation to approve a budget amendment to the FMSTI budget as presented below. Motion approved.

2008 FMSTI Authorizations - January 2008

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Unallocated	08-1A	1,400,000	-729,000	671,000	0	0	671,000
Business Performance & Tracking	08-70	900,000	209,000	1,109,000	209,000	1,109,000	0
Communication Testing	08-71	0	95,000	95,000	95,000	95,000	0
Program Development	08-72	0	350,000	350,000	350,000	350,000	0
Promotion Measurement	08-73	0	75,000	75,000	75,000	75,000	0
Program Management	08-79	0	365,000	365,000	365,000	365,000	0
Total	-	\$2,300,000	\$365,000	\$2,665,000	\$1,094,000	\$1,994,000	\$671,000

Note: #08-60 \$675,000 for B-to-B Communications Plan was approved by the Committee on the 11/29/07 conference call.

With regard to the 2008 Research budget, Mr. Haugh presented the committee recommendation to approve a budget amendment as presented below. Motion approved.

2008 Research Authorizations - January 2008

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Unallocated	08-1A	1,400,000	-729,000	671,000	0	0	671,000
Business Performance & Tracking	08-70	900,000	209,000	1,109,000	209,000	1,109,000	0
Communication Testing	08-71	0	95,000	95,000	95,000	95,000	0
Program Development	08-72	0	350,000	350,000	350,000	350,000	0
Promotion Measurement	08-73	0	75,000	75,000	75,000	75,000	0
Program Management	08-79	0	365,000	365,000	365,000	365,000	0
Total	-	\$2,300,000	\$365,000	\$2,665,000	\$1,094,000	\$1,994,000	\$671,000

With regard to the USDA program measurement budget, Mr. Haugh presented the committee recommendation to approve the budget amendment as presented below. Motion approved.

2008 USDA Program Measurement Authorizations - January 2008

Project	Auth Code	Budget	Transfer	Net Total	Authorization Request	Total Authorized	Balance
Program Measurement	08-95	200,000	0	200,000	150,000	150,000	50,000
Program Management-Program Measurement	08-96	0	30,000	30,000	30,000	30,000	0
Total	-	\$200,000	\$30,000	\$230,000	\$180,000	\$180,000	\$50,000

Mr. Haugh then reviewed all of the authorization requests that had been approved by the committee.

Chairman McCabe expressed the Board's appreciation to staff for the significant planning effort which had been conducted, as well as to the Board members for their participation and input. There being no further issues to come before the Board, the meeting was adjourned.

(b) (6)

APPROVED:

DATE:

✓ 4/25/08

MINUTES

MilkPEP Board Meeting – General Session I

April 24-26, 2008

Naples, FL

Acting Chairman Mike Krueger called the Board into session at 8:00 am. Members present included Randy Mooney, Jay Jaskiewicz, Gary Aggus, Jim Green, Bob McCullough, Brian Haugh, Bill McCabe, Mike Krueger, Terri Webb, Mike Touhey, Jerry Tidwell, Mike Nosewicz, Buddy Gaither, and Paul Bikowitz. Also present were new Board members Jim Walsh, Scottie Mayfield, and Rick Zuroweste. The entire MilkPEP staff was present, including Kurt Graetzer (CEO) and Ron Rubin (CFO). Wayne Watkinson (legal counsel), Angie Salinas and Whitney Rick (USDA liaison), Brandee Van Eekelen (Snyder Cohn accounting firm), and Connie Tipton (IDFA) were also present.

Mr. Krueger welcomed all of the guests, including Connie Tipton of IDFA and Barbara O'Brien of DMI. Industry representatives in attendance included Miriam Erickson, Jay Bryant, Dub Garlington, Al Guida, Brian Linney, and Ann Ocana. New Board members to be appointed at the July meeting (Steve Turner and Mike Smith) were also in attendance.

Acting Chairman Krueger expressed publicly on behalf of the Board his appreciation to Bill McCabe for his one and one-half years of service as chairman of the MilkPEP Board. Mr. Krueger indicated that the Board has made significant strides and successfully achieved the transition to maintaining its own staff.

The minutes of the January meeting of the Board were reviewed. Motion by Jim Green, second by Gary Aggus, to approve the minutes, including the executive session minutes, as presented. Motion approved.

USDA was requested to present a report, and Angie Salinas reported on the following items:

1. USDA conducted a quarterly review of the office of the CEO with no issues identified.
2. The status of Board member appointments and vacancies was discussed, with Ms. Salinas indicating that four Board members would be appointed at the beginning of this meeting and two others appointed at the end of the July meeting.
3. A status report was presented on the order amendment relating to assessment errors.

On behalf of the Secretary of Agriculture, Ms. Salinas proceeded to seat the new Board members filling vacancies. The members seated were Rick Zuroweste, Scottie Mayfield, Jim Walsh, and Janey Thornton. Janey Thornton was not present.

Following the seating of the new Board members, Mr. Krueger requested a report from the committees and staff on the status of 2008 plans and activities. The Board reviewed the 2008

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- The Campaign for Healthy Weight/Milk Your Diet, which achieved 144.4 mm ad impressions, 16 mm PR impressions, and 8 mm online PR impressions
- The Milk Advocates program, which includes the following elements:



- It was indicated that milk was integrated into the February 5 episode of The Biggest Loser
 - It reached a total of 9.7 mm people
 - Including more than 2.7 mm women 25-54
 - Day of the show was the highest traffic day for the year for whymilk.com

- In total, The Biggest Loser achieved 63+ mm impressions
- The American Heart Association partnership
 - Launched program with American Heart Association Start! Initiative
 - Access to AHA's network of 450+ Walks
 - Solicited processors nationwide to participate in walk events in their markets
 - 25 markets with turnkey support
 - 25 markets with remote support
 - It was indicated that 69 processors in 40 markets were participating in the program.
- The Curves promotion
 - This is the fourth year of the partnership.
 - The program will include the following:
 - POS at Curves locations
 - Local processor and retail events
 - Sweepstakes for Curves membership
 - Staff presented several processor extensions, including local sweepstakes and other activities
- The Teen Body by Milk program elements were discussed, including:
 - Celebrity Milk Mustache ads, including Rihanna
 - Online giveaway activities were reviewed, leveraging the celebrities in the Milk Mustache program



- The Body by Milk Listen Up promotion was reviewed, including the Hispanic teen program with Enrique Iglesias. To date, this program directed at Hispanics has received

4.4 mm PR impressions.

The Board reviewed the performance to date of the BBM.com site (currently 43% of our way through the second semester).

	BBM2 Jan – Jul 08 (Goal)	BBM2 Jan – Jul 08 (Actual)	% of Goal Realized to Date
Visits	598,812	407,814	68%
New Visitors	509,627	328,022	64%
Repeat Visitors	89,185 (15%)*	76,472 (19%)*	86%
Nutritional Interactions	983,624	814,770	83%
Registrants Banking Points	37,500	25,773	69%
Users Downloading Songs			

*Percentage of repeat visitors out of total visitors

Staff also reported on activities conducted at the American Alliance for Health, Physical Recreation and Dance convention held April 8-11, 2008 and the National School Board Association's annual convention and exhibit held March 29-31, 2008.

Staff reviewed with the Board nutrition issues and program emphasizing the nutritional attributes of milk.

- Calcium Weighs In
 - Our 2003 program Calcium Weighs In recognized as effective community intervention in prestigious health professional publication The Journal of Physical Activity and Health. Staff worked with the co-author and MAB member Jim Hill to continue to leverage the new report.
- Activities were conducted to showcase milk's role in lowering blood pressure.
 - Activities leveraged the new Harvard study that showed milk was linked to a 10% reduced risk of hypertension, a benefit which was not found from supplements
- New flavored milk study
 - Worked with DMI to publicize a positive new study on flavored milk published in the Journal of the American Dietetic Association
 - Kids and teens who drank flavored milk consumed more nutrients (without adding sugar) and had lower BMIs compared to kids who didn't drink milk

The Board also discussed current issues which affect the environment for marketing milk, including:

- Potential for increased focus on contemporary/modern farming practices
- Largest beef recall in history
- Activists leveraging isolated issues to attack agriculture industries in general
- Issues team prepared to protect broader industry/product reputation in event of local farm issue, including tighter coordination with DMI and local groups
- rBST state labeling issues

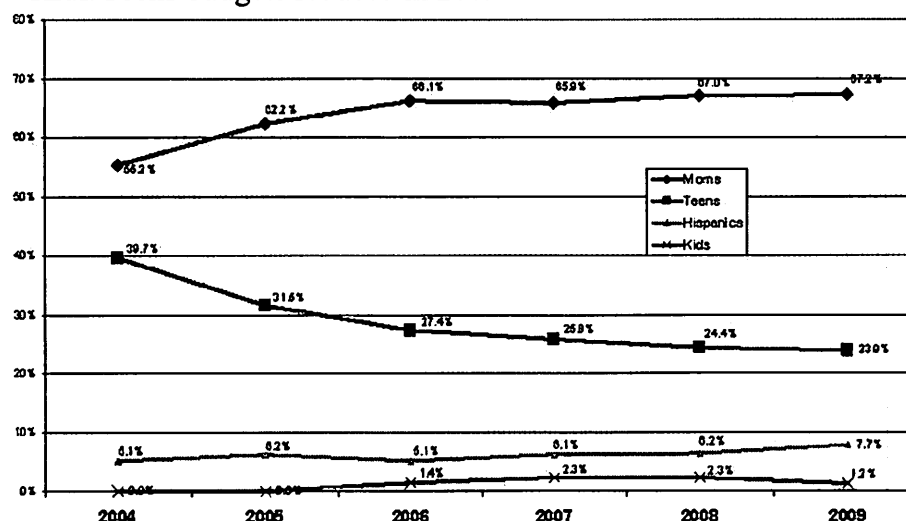
Staff reported on capturing the school milk opportunity workshops which were held at SNA state conventions in 2007 and 2008 and a 2008 vending trade ad featuring Mike Brown of PGI Services. The Board also reviewed retail advertising, focusing on refueling with chocolate milk. This program leverages the Adidas partnership and promotes a feature incentive program, with placements in retail and processor publications.

Following a short recess, the Board reconvened to continue the 2009 planning process. The Board identified the following planning goals:

- Evolve MilkPEP messaging
- Provide more emphasis against Hispanics
- Continue to improve promotion effectiveness
- Provide easy opportunities for processors to engage

The 2009 budget proposal was discussed by target area and by discipline.

- Moms remain the largest target, with Teens secondary
 - Hispanic spending increased to nearly 8% of total budget
 - Kids/Teens budgets reduced in 2009



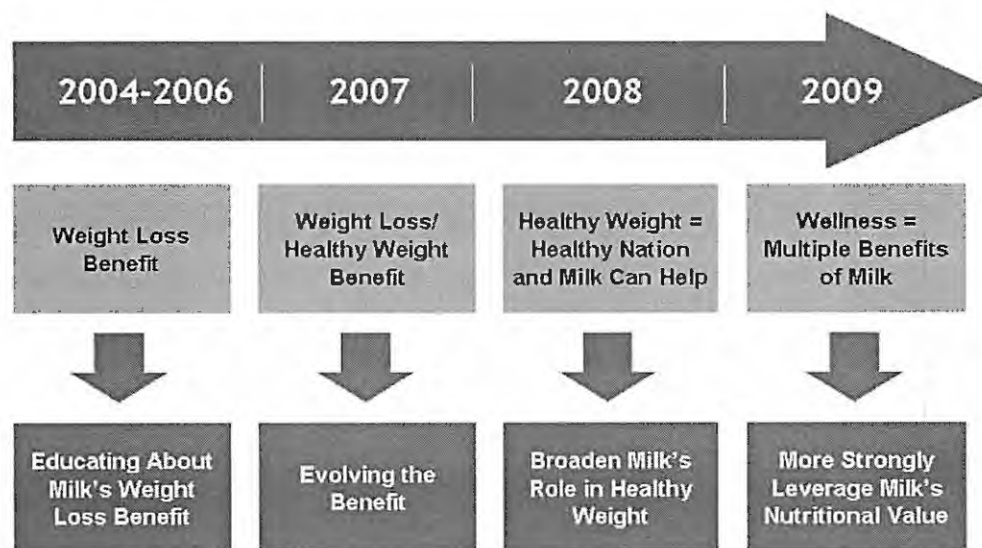
- Going into 2009 MilkPEP is budgeting conservatively, though additional dollars have always become available later in year
 - Significant increase against Hispanic marketing
 - Advertising remains by far our most significant spend

	2008 Original	2008 Final	2009 Original	2008/09 Original	'09 Share of Budget
<i>Advertising</i>	\$59,000,000	\$61,850,000	\$59,540,000	0.9%	65.8%
<i>PR</i>	\$13,500,000	\$14,444,200	\$14,478,500	7.2%	16.0%
<i>Promotion</i>	\$10,400,000	\$11,235,800	\$9,966,000	-4.2%	11.0%
<i>Hispanic</i>	\$4,900,000	\$5,350,000	\$6,500,000	32.7%	7.2%
TOTAL	\$87,800,000	\$92,880,000	\$90,484,500	3.1%	100.0%

Toby Korner of Marketing Management Analytics reviewed the results of the marketing mix analysis with the Board. The results of the analysis indicated the following:

- MilkPEP marketing continues to drive sales, even in a tough pricing environment
- Lesser fat baseline volume seems to have been insulated against the impact of price increase
- Opportunities exist to increase Hispanic communication
- The event strategy continues to drive consumption and is becoming more efficient

Following a discussion of these results, the Board reviewed the evolution of MilkPEP program messages:

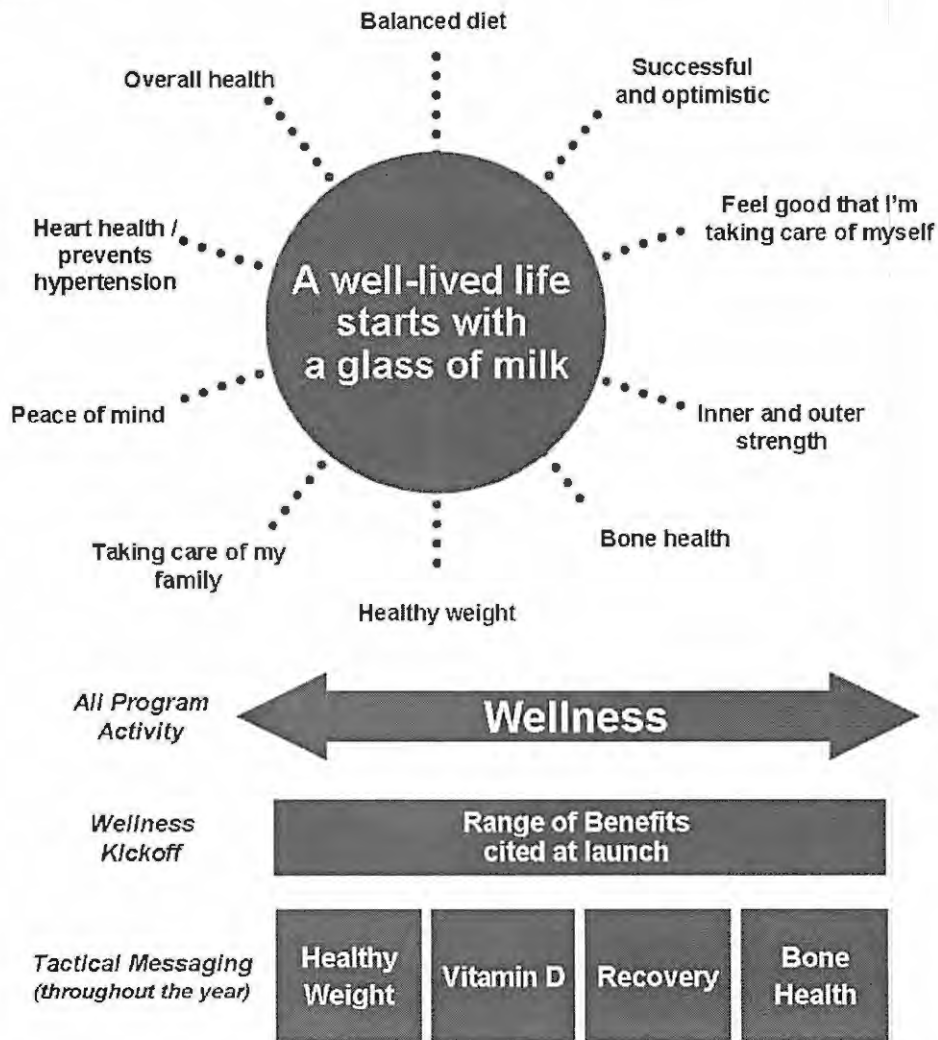


Significant discussion was held relating to the evolution to the “wellness” message. Results from focus groups indicated the following:

- Wellness encompasses not just a healthy body but a healthy mind and spirit as well
- Consumers know that many things contribute to wellness
 - A balance of small things/small steps
 - Wellness is about improving the quality of your life, pursuing the goal of a “well-lived life”
 - There are some very relevant ways that milk can help on the road to wellness

- Nutrition, health, fitness, maintaining a healthy weight

The Board discussed milk's wellness positioning and how the 2009 program messaging would be communicated:



The Board identified several positive attributes of moving to the wellness position, including:

- Positioning is in line with the mindset of our target audience
- Leverages milk's inherent health credentials
- Gives milk a competitive advantage versus other beverages
- Works with our current message of healthy weight
- Flexible enough for other nutritional messages
- Creates an umbrella for local processor initiatives

The Board discussed how the wellness message would work for Hispanics. The following concept was presented:

- BIENESTAR

- As in English, connotes both physical and emotional well-being
- All about her family's well-being...
- Not yoga, a spa or personal space; she reaches out to her family
- Hispanic moms are "guardians of wellness"

It was indicated that in the Hispanic market, milk is still considered healthy and essential, and this position will define the wellness category claiming milk's rightful position.

The Board discussed the tactical plan targeted at moms. A summary of these activities is presented below:

- Milk has benefits that no other beverage can match... so how are we going to communicate that to our target?
 - MAJOR integrated wellness launch in January
 - To establish the link, showcase the array of benefits
 - Focused, integrated efforts supporting specific benefits LINKED TO WELLNESS that will make milk more competitive within individual categories
 - Vitamin D – the new super nutrient
 - Recovery for women who work out
 - Milk for moms seeking wellness for her family
 - Flavored milk and bone health
 - With continuity advertising and PR to support wellness throughout the year

Elements of the program include the following:



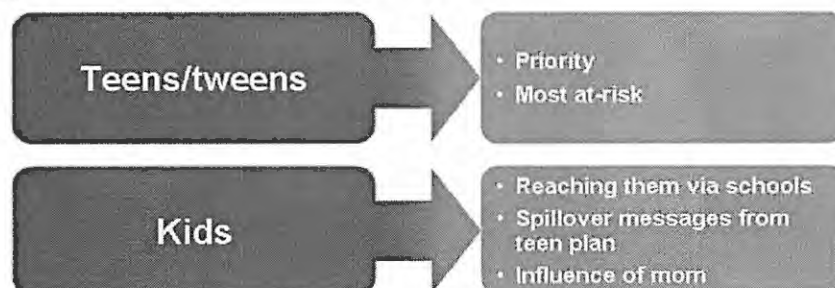
With regard to Hispanics, the Board reviewed the following potential tactics:

- Partner with Univision's public health initiative Entérate to inform and educate the Hispanic community on better health choices
 - Program began in 2003 in partnership with 20 major national health organizations
 - Messaging promotes overall health and wellness of U.S. Latinos
 - Utilize program to deliver milk's wellness message to Hispanics via trusted spokesperson and Univision personality Dr. Aliza

As part of the wellness platform, individual attributes of milk such as Vitamin D, recovery, Hispanic heritage, and bone health would be emphasized strategically throughout the year.



With respect to the teens target, the Board discussed how the wellness message would be relevant to teens.



Two platforms were discussed, which will be the foundation of the teen plan.



The following elements will be included:

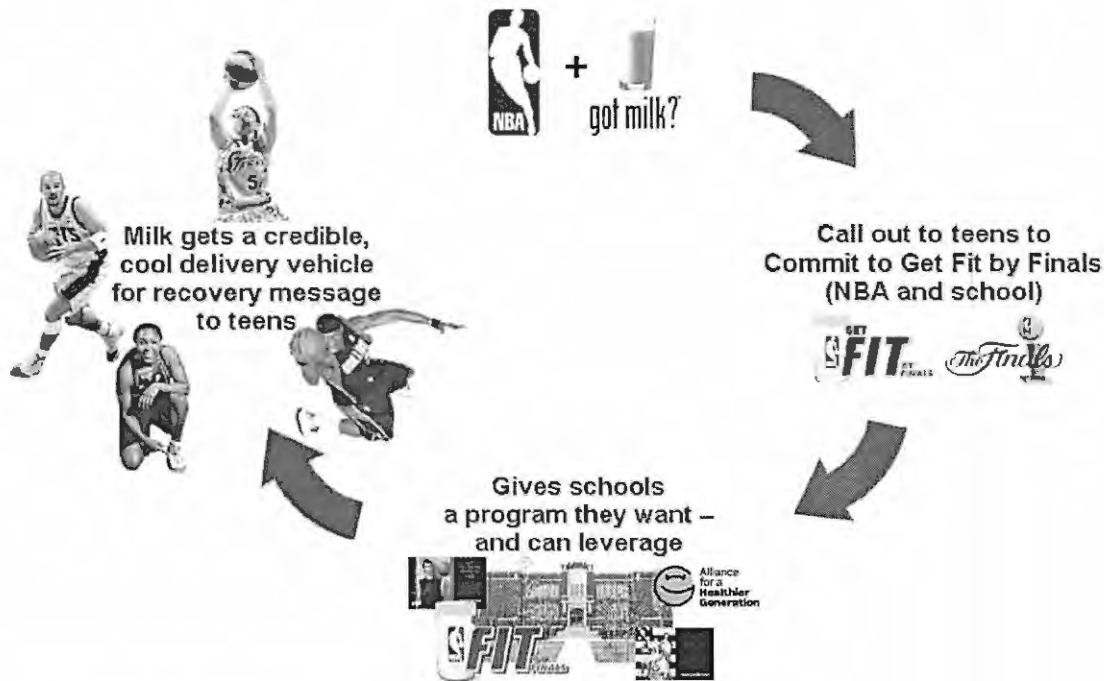
- Milk Mustache advertising
- Online activities, including the following elements:



- A redesign of BBM.com
- A school poster program

Continued partnership with Adidas was discussed, which would be the core of the BBM messaging, involving several celebrity athletes.

Staff also presented a proposed partnership with the NBA to focus on the recovery message to teens. The program would include the following elements, with the sponsorship delivering significant value for the cost:



- Sponsorship for entire 2009 calendar year
- NBA Fit program and content
- Use of all NBA and WNBA marks, logos and uniforms
- Player Appearances
- Trainer appearances
- Regular season and playoff tickets for prizes
- League will secure player advocate as centerpiece of our program
- Creation of exclusive web content for MilkPEP
- \$750k media package across NBA multimedia properties
- Production of :30 commercial for use on TV and online

Mr. Krueger expressed appreciation to the staff for the fine work done both in committees and in developing with the Board the 2009 plan.

Terri Webb, Treasurer of the Board and Chairman of the Finance Committee, presented a report which included the following elements:

- Committee reviewed the competitive bidding contract activity – no action taken
- Financial Review
 - Year to date assessments are relatively flat when compared to the same period the previous year and will continue to be monitored

- Cash flow remains in a strong position
- Drop in interest rates prompted change in cash investment strategy
- 2007 Audit – Snyder Cohn presented audit
- Program budget amendments and authorizations were reviewed

The Committee approved a clarification of the expense reimbursement policy. (A copy was provided to the Board.)

Following her report, Treasurer Webb presented the recommendations of the Finance Committee:

1. The Finance Committee recommended the proposed budget amendment and program allocations as presented below in the 2009 budget. Motion approved.

	Jan -08 Approved Budget	April-08 Approved	Revised Budget
REVENUES			
Assessments	\$ 107,800,000		\$ 107,800,000
Carryforward Funds	-	2,184,500	2,184,500
Interest Income	340,000		340,000
Total Revenues	\$ 108,140,000	\$ 2,184,500	\$ 110,324,500
PROGRAM EXPENSES			
Advertising		\$ 65,020,000	\$ 65,020,000
Public Relations		15,518,500	15,518,500
Promotions		9,946,000	9,946,000
FMSTI		1,000,000	1,000,000
Research		2,500,000	2,500,000
Medical & Scientific		250,000	250,000
Program Measurement		200,000	200,000
Program Management	94,900,000	(92,200,000)	2,700,000
TOTAL PROGRAM EXPENSES	\$ 94,900,000	\$ 2,234,500	\$ 97,134,500
OTHER EXPENSES			
Administrative	\$ 2,410,000		\$ 2,410,000
USDA Expenses	570,000		570,000
California Refund	10,210,000		10,210,000
Subtotal	\$ 13,190,000	-	\$ 13,190,000
UNALLOCATED	\$ 50,000	\$ (50,000)	\$ -
UNCOMMITTED RESERVE	-	-	-
Total Expenses and Unallocated	\$ 108,140,000	\$ -	\$ 110,324,500

2. With regard to the 2008 MilkPEP budget, the Finance Committee recommended the amendments presented below. Motion approved.

MilkPEP Board – General Session I

April 24-26, 2008

Page 13

	Jan -08 Approved Budget	April-08 Approved	Revised Budget
REVENUES			
Assessments	\$ 107,800,000		\$ 107,800,000
Carryforward Funds	2,486,050	2,160,000	4,646,050
Interest Income	340,000		340,000
Total Revenues	\$ 110,626,050	\$ 2,160,000	\$ 112,786,050
PROGRAM EXPENSES			
Advertising	\$ 64,450,000	\$ 3,050,000	\$ 67,500,000
Public Relations	14,614,200	1,005,000	15,619,200
Promotions	11,235,800	-	11,235,800
FMSIT	1,285,000	(170,000)	1,115,000
Research	2,665,000	170,000	2,835,000
Medical & Scientific	605,000	-	605,000
Program Measurement	230,000	-	230,000
Program Management	-	-	-
TOTAL PROGRAM EXPENSES	\$ 95,085,000	\$ 4,055,000	\$ 99,140,000
OTHER EXPENSES			
Administrative	\$ 2,569,850	\$ 295,000	\$ 2,864,850
USDA Expenses	567,000		567,000
California Refund	10,210,000		10,210,000
Subtotal	\$ 13,346,850	295,000	\$ 13,641,850
UNALLOCATED	\$ 2,194,200	\$ (2,190,000)	\$ 4,200
UNCOMMITTED RESERVE	-	-	-
Total Expenses and Unallocated	\$ 110,626,050	\$ -	\$ 112,786,050

3. Ms. Webb indicated that the Finance Committee had reviewed the results of the audit of the MilkPEP program conducted by the accounting firm of Snyder Cohn and that the Finance Committee recommended acceptance of the audit report. Motion approved.

Acting Chairman Mike Krueger recessed the Board so that committee meetings could be conducted.

(b) (6)

APPROVED:

DATE:

7/18/08

MINUTES

MilkPEP Board Meeting – General Session II

April 24-26, 2008
Naples, FL

Chairman Mike Krueger called the Board back into session at 9:15 am. Mike Touhey, chairman of the Advertising Committee, presented a report reviewing with the Board new creative, including the following:

- Marg Helgenberger
- Trisha Yearwood
- Martha Stewart
- The soap stars for Soap Net Advocate Program
- Charytin Goyco
- Miley Cyrus
- Taylor Swift
- Batman
- The All-American Rejects
- Justine Hennen
- Chris Brown

Mr. Touhey reviewed with the Board an update on the mom-targeted TV. The committee has identified 2.6 mm of incremental funding to restore TV weight during the second half of the year. Mr. Touhey also reported that the committee has identified \$450,000 in available funds to bring the Hispanic media plan back to the 2007 level of 2600 grps.

Mr. Touhey reviewed with the Board the committee recommendation to amend the 2008 Advertising budget as presented below.

2008 Advertising Authorizations – April 2008

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Broadcast Media	08-01	18,758,700	2,600,000	21,358,700	2,600,000	21,358,700	0
Print Media	08-02	27,441,300	0	27,441,300	8,500,000	25,000,000	2,441,300
Regional Advertis.	08-03	1,500,000	0	1,500,000	525,000	1,500,000	0
Disney Sponsorship	08-04	2,400,000	0	2,400,000	0	2,400,000	0
Tremor	08-05	0	0	0	0	0	0
Production	08-10	5,550,000	0	5,550,000	1,110,000	5,185,000	365,000
Hispanic Media	08-20	3,425,000	450,000	3,875,000	988,860	3,160,403	714,597
School Image	08-21	4,050,000	0	4,050,000	1,400,000	4,050,000	0
Hispanic Production	08-22	625,000	0	625,000	0	625,000	0
Program Mgmt	08-28	300,000	0	300,000	0	300,000	0
Legal	08-29	400,000	0	400,000	0	400,000	0
Total	-	\$64,450,000	\$3,050,000	\$67,500,000	\$15,123,860	\$63,979,103	\$3,520,897

Mr. Touhey moved the committee recommendation to approve the amendment as presented. Motion approved.

The Board also discussed the authorization requests which had been approved by the committee. There being no further business for the Advertising Committee, Chairman Krueger requested a report from the Public Relations Committee.

Jerry Tidwell, chairman of the committee, reviewed with the Board the online/offline PR effort surrounding the Martha Stewart ad launch. The committee also reviewed the launch event for the Chief Health Officer campaign.

- Unveil Marg Helgenberger as face of milk's national Chief Health Officer campaign
- Charytin Goyco for Super Mamá promotion targeting Hispanic audiences
- Chief Health Officer becomes centerpiece of Milk Mustache Mobile Tour

It was reported that 108 processors, including 6 new dairies, were participating in the Milk Mustache Mobile tour.

The 2008 Halloween PR program was discussed with national outreach including a checklist for a Healthy Halloween, 25 processor market events, and Halloween-themed online content including giveaways and a "Got Milk?" fun kit for families.

The Board also reviewed proposed plans for the integrated recovery launch targeted for August which will include the following elements from a PR standpoint:

- National media event kicks off campaign
- New Milk Mustache athletes unveiled at Adidas training center
- Kickoff 25 market processor event tour

The committee also informed the Board of the date for the 11th Annual SAMMY Awards event, which is Saturday, June 28, in Orlando, FL.

With regard to the 2008 Public Relations budget, Chairman Tidwell reviewed with the Board the committee recommendation to amend the budget as presented below:

2008 Public Relations Authorizations – April 2008

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Campaign for Healthy Weight Launch	08-30	750,000	0	750,000	0	750,000	0
Milk Advocates	08-31	450,000	0	450,000	120,000	450,000	0
Chief Health Officer Launch Event	08-32	375,000	0	375,000	0	375,000	0
Nutrition News Bureau	08-33	655,000	0	655,000	220,000	440,000	215,000
Milk Mustache Media Machine	08-34	640,000	0	640,000	190,000	468,000	152,000
Halloween PR Amplification	08-35	865,000	0	865,000	0	735,000	130,000
Refuel Your School National PR	08-36	200,000	0	200,000	200,000	200,000	0
SAMMY	08-37	150,000	0	150,000	55,000	150,000	0
Web Site	08-38	600,000	190,000	790,000	120,000	480,000	190,000
Chief Health Officer Tour (MMM)	08-39	4,700,000	0	4,700,000	750,000	3,950,000	750,000
Grassroots - Refuel Your School Events	08-40	550,000	0	550,000	0	150,000	400,000
AHA 25-Market Tour	08-41	2,250,000	0	2,250,000	0	2,250,000	0
MAB Support	08-42	100,000	0	100,000	45,000	100,000	0
Issues	08-43	425,000	0	425,000	137,000	257,000	168,000
Got News?	08-44	100,000	0	100,000	23,000	68,000	32,000
Service Team	08-45	669,200	0	669,200	180,000	490,000	179,200
Health Professionals	08-46	350,000	0	350,000	85,000	265,000	85,000
Weber Shandwick Program Management	08-47	425,000	0	425,000	125,000	315,000	110,000
Hispanic PR	08-48	850,000	0	850,000	130,500	755,125	94,875
MilkPEP PR Program Management	08-49	325,000	0	325,000	0	325,000	0
Total	-	\$15,429,200	190,000	\$15,619,200	\$2,380,500	\$12,993,125	\$2,506,075

Mr. Tidwell moved the committee recommendation to approve the budget as presented. Motion approved.

The Board reviewed the authorizations which had been approved by the committee within both the Public Relations budget and the 2008 Medical & Scientific budget. No amendments were proposed to the 2008 Medical & Scientific budget.

2008 Medical & Scientific Authorizations – April 2008

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Medical Advisory Board (MAB)	08-80	200,000	0	200,000	0	100,000	100,000
Program Management - MAB	08-85	0	0	200,000	0	200,000	0
Medical Research	08-90	200,000	0	200,000	0	100,000	100,000
Program Management - Medical Research	08-94	0	0	5,000	0	5,000	0
Total	-	\$605,000	0	\$605,000	0	\$405,000	\$200,000

Mr. Bob McCullough, Chairman of the Promotion Committee, reviewed with the Board the promotion materials for the Chief Health Officer program. The POS materials will deliver the milk-healthy weight message at the dairy case, featuring Milk Mustache celebrity Marg Helgenberger. Consumers can enter the contest online to win a \$100,000 Chief Health Officer salary from April 30 through September 30. With regard to the Hispanic promotion, the Super Mama POS will feature actress, mom and Milk Mustache celebrity Charytin Goyco. POS materials support the \$100,000 Chief Health Officer salary sweepstakes, with the entire program supported by PR and Milk Mustache print advertising.

The committee reviewed with the Board the retail feature incentive program focused on Refuel with Chocolate Milk. POS materials encourage moms to purchase chocolate milk for their little athletes. Two compliance level options are rewarded with Adidas sports watches as incentives.

A second retail feature incentive program focusing on Halloween was discussed. Point-of-sale materials declare chocolate milk “The Official Drink of Halloween” and highlight its nutritional benefits. Two compliance level options are available with iPod Shuffles.

The committee also reviewed with the Board the promotion entitled “Refuel Your A-Game”. The program kicks off with two top athletes as Milk Mustache celebrities, Dwight Howard and Justine Henin, as part of an integrated program. This promotion is intended to build continuity and recognition for the Refuel message within all mediums. Elements of the program are included below:

- Launch the message with gotta-have-it reward to drive consideration, message engagement and purchase.
- Live Like a Pro for a Day!
 - A different sports experience every month
 - Spend a day in the life of a sports celebrity!
 - Exclusive VIP access to a game
 - Outfitted in autographed adidas gear
- Instant wins keep teens engaged with the message online

The Board reviewed proposed changes to the 2009 Promotion plan. Due to promotion constraints, the following changes were made to the 2009 plan:

- Vitamin D retail program changed to all-milk feature incentive
- Eliminated in-store feature incentive program for recovery message

The committee reviewed with the Board proposed changes to the 2008 Promotion budget:

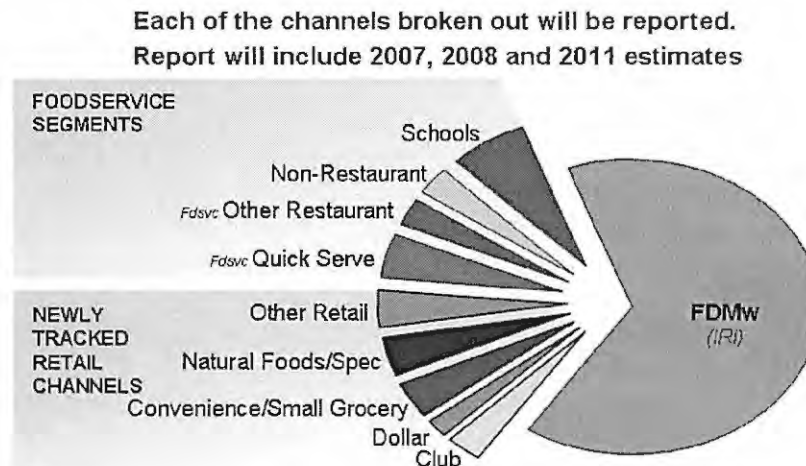
2008 Promotion Authorizations – April 2008

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
March: Curves Program	08-50	1,486,000	-175,000	1,311,000	-175,000	1,311,000	0
May/June: Chief Health Officer	08-51	936,000	0	936,000	0	936,000	0
January-June: Body By Milk	08-52	1,861,450	0	1,861,450	0	1,861,450	0
August-December: Body By Milk	08-53	1,882,350	0	1,882,350	1,182,350	1,882,350	0
August-September: Refuel with Chocolate Milk Feature Incentive	08-54	1,083,850	0	1,083,850	713,850	1,083,850	0
2008 Halloween Feature Incentive Program	08-55	1,117,350	0	1,117,350	417,350	1,117,350	0
Promotional Program Sales Support	08-56	550,000	0	550,000	0	550,000	0
Processor Support	08-57	613,800	175,000	788,800	175,000	788,800	0
Management Staff Support & 2009 Planning	08-58	950,000	0	950,000	0	950,000	0
Program Management	08-59	775,000	0	775,000	0	775,000	0
Total	-	\$11,235,800	\$0	\$11,235,800	\$2,313,550	\$11,235,800	\$0

Mr. McCullough moved the committee recommendation to approve the proposed changes to the budget as presented above. Motion approved.

The Board discussed the authorization requests which have been approved by the committee. This completed the report of the Promotions Committee.

Brian Haugh, Chairman of the FMSTI/Research Committee, presented a report to the Board. Mr. Haugh discussed with the Board the difficulty in quantifying and assessing fluid milk volume in previously untracked channels. The committee approved a study to be conducted by Prime Consulting/Technomic Partnership to attempt to gather this information.



Mr. Haugh reported that the committee discussed at great length product detail and decided to include an organic breakout. It was determined that additional funding would be needed to achieve this level of data. Representatives from DMI indicated that funds would be available from DMI to cover the shortfall (\$20,000) for the additional information.

The Board heard an interim status report on the reformulation effort for chocolate milk. The report is summarized below:

56 Processors responded to the Annual School Survey questions regarding reformulation. Their answers, weighted by their school volume, indicate:

20% are already at 150 calories.
52% are engaged in reformulation efforts.
72% *will be offering 150 calorie flavors by August.*

11% are not engaged in reformulation, and
17% have recently decided to take a "Wait and See" attitude.
28% are not *intending to proactively offer 150 calorie product.*

There was significant discussion relating to the reformulation effort and the pressure to move to 150 calories. Several issues were raised, including:

- Industry Receiving Mixed Messages
 - Sen. Harkins 170 calorie proposition
 - Presented in Farm Bill but since rescinded
 - AHG supporting 150 calories
 - Supported by MilkPEP Flavor Formulation Seminars
 - IOM 22 grams of sugar (120-150 calories)
 - School Nutrition Association position paper states a range of calories (up to 170 calories)
- Mixed messages may stymie processor efforts
 - We are seeing a growing attitude to “wait and see” what happens

It was agreed by the Board that the effort relating to reformulation would continue, with each company able to make an independent decision on this issue.

The committee discussed with the Board areas where there has been significant collaboration with Dairy Management, Inc. Those areas included:

- Processor engagement
 - Retail in schools
 - Work with S/R network to enhance processor outreach
- Industry communication
 - Research

The committee reviewed several meetings which had been held by DMI and MilkPEP staff to discuss research relating to Hispanic market, wellness, recovery and other issues. FMSTI Chairman Brian Haugh indicated that he wanted to be personally involved and informed of the efforts to increase the coordination and collaboration between DMI and MilkPEP. Mr. Haugh reviewed with the Board the 2008 committee recommendations relating to budget amendments.

2008 FMSTI Authorizations – April 2008

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
FMSTI Unallocated	08-00	200,000	(200,000)	0	0	0	0
B-to-B Communications Plan	08-60	675,000	0	675,000	0	675,000	0
Sales Materials	08-61	100,000	0	100,000	0	100,000	0
Trade Show/Seminars	08-62	110,000	0	110,000	0	110,000	0
CSMO School State Seminars	08-63	0	30,000	30,000	30,000	30,000	0
Program Management	08-69	200,000	0	200,000	0	200,000	0
Total	-	\$1,285,000	(\$170,000)	\$1,115,000	\$30,000	\$1,115,000	\$0

Note: \$170,000 from FMSTI Unallocated transferred to Research budget for “All Other” Assessment Analysis

Mr. Haugh moved the committee recommendation to approve the budget amendment as presented above. Motion approved. Mr. Haugh indicated that \$170,000 from the FMSTI unallocated budget had been transferred to Research for the “All other” assessment analysis which the committee approved at this meeting. With regard to the 2008 Research budget, Mr.

Haugh moved the committee recommendation to approve the budget amendment as presented below. Motion approved.

2008 Research Authorizations – April 2008

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Unallocated	08-1A	871,000	-194,000	477,000	0	0	477,000
Business Performance & Tracking	08-70	1,108,000	269,000	1,378,000	269,000	1,378,000	0
Communication Testing	08-71	95,000	95,000	190,000	95,000	190,000	0
Program Development	08-72	350,000	0	350,000	0	350,000	0
Promotion Measurement	08-73	75,000	0	75,000	0	75,000	0
Program Management	08-78	365,000	0	365,000	0	365,000	0
Total	-	\$2,665,000	170,000	\$2,835,000	\$364,000	\$2,350,000	\$477,000

Note: \$170,000 transferred in from FMSTI unallocated for "All Other Assessment Analysis"

As a final action of the committee, the committee recommended to the Board to change the name of the FMSTI/Research Committee to the "Business Development & Research Committee". Chairman Haugh moved that committee recommendation. Motion approved.

Mr. Krueger indicated that the Board had approved a new committee structure focused on targets. Each Board member will be assigned to a new committee with the exception of the Business Development & Research Committee, which will remain the same. Mr. Krueger requested Board members to indicate committee preferences to Mr. Graetzer as soon as possible so that the committees can be appointed.

Mr. Krueger, on behalf of the Board, expressed his appreciation to Mr. Bill McCabe for his service as chairman of the MilkPEP Board and the significant progress which had been made during his chairmanship. Mr. McCabe stepped down as chair when he transferred to a new position in a different company. The Board collectively expressed their appreciation to Mr. McCabe.

Chairman Krueger reviewed with the Board a provision in the bylaws providing that the chairman would appoint a Nominating Committee for ratification by the Board to present a slate of officers to the Board at the July meeting. Chairman Krueger presented the following Board members to serve on the Nominating Committee: Mike Nosewicz (chairman), Bill McCabe, Brian Haugh, Bob McCullough, and Mike Touhey. Motion by Jim Green, second by Gary Aggus, to ratify the appointment of the members of the Nominating committee as presented. Motion approved.

There being no further issues to come before the Board, the meeting was adjourned at 11:30 am.

(b) (6)

APPROVED:

DATE:

7/18/08

MINUTES

MilkPEP Board Meeting – General Session Newly Constituted Board

July 19, 2008
Coeur d'Alene, ID

Chairman Mike Krueger called the Board into session. Members present included Mike Touhey, Scottie Mayfield, Jim Green, Jerry Tidwell, Brian Haugh, Bob McCullough, Mike Nosewicz, Terri Webb, Mike Krueger, Ed Mullins, Randy Mooney, Rick Zuroweste, Jay Simon, Paul Bikowicz, Jay Bryant, Steve Turner and Mike Smith. Also present were industry representatives Al Guida, Brian Linney, Ann Ocana, and Mirian Erickson Brown.

Guests present included Steve James (California Milk Processor Board), and Barbara O'Brien and Paul Rovey (DMI). Also present were Ron Rubin, Kurt Graetzer and various other members of MilkPEP staff; Angie Salinas and Rachel Thomen (USDA liaison); Wayne Watkinson (legal counsel); and Clay Hough (IDFA).

Mr. Krueger asked Angie Salinas of USDA to seat the new board members and reappointed members. Ms. Salinas recognized the service of departing board members Jay Jaskiewicz, Gary Aggus, and Bill McCabe, and seated new board members Mike Smith, Jay Bryant, and Steve Turner. Ms. Salinas also announced the reappointment of Mike Krueger and Brian Haugh.

Mr. Krueger expressed appreciation to Ms. Salinas for her report and requested that Mike Nosewicz, chairman of the Nominations Committee, present a report. Mike Nosewicz presented a report on behalf of nomination committee members Mike Nosewicz, Mike Touhey, Bob McCullough, Bill McCabe, and Brian Haugh. Mike Nosewicz moved the committee recommendation to nominate Jim Green as treasurer. Motion by Brian Haugh, second by Randy Mooney, to close nominations and elect Mr. Green treasurer by acclamation. Motion approved. Mr. Nosewicz presented the Nominating Committee recommendation to nominate Ed Mullins as secretary. Motion by Scottie Mayfield, second by Brian Haugh, to close nominations and elect Mr. Mullins secretary by acclamation. Motion approved. Mr. Nosewicz moved the Nominating Committee recommendation to nominate Terri Webb as vice-chairman. Motion by Brian Haugh, second by Jerry Tidwell, to close nominations and elect Ms. Webb vice-chairman by acclamation. Mr. Nosewicz moved the committee recommendation to nominate Mike Krueger as chairman. Motion by Brian Haugh, second by Randy Mooney, to close nominations and elect by acclamation. Motion approved.

Mr. Krueger expressed appreciation for the Board's support and recommended that the following members constitute the Executive Committee of the Board: Mike Krueger, Terri Webb, Ed Mullins, Jim Green, Mike Touhey, Jerry Tidwell, Brian Haugh, and Bob McCullough. Motion by Scottie Mayfield, second by Randy Mooney, to ratify the appointment of the Executive Committee as presented. Motion approved.

Mr. Krueger indicated that the next meeting of the Board would be on January 8, 2009 in Orlando, FL. Mr. Krueger also noted that Kathy Calhoun of Weber Shandwick had been named PR Executive of the Year. Mr. Krueger also expressed appreciation to Lowe Worldwide for their sponsorship of the cocktail party, and to Bill McCabe for the snacks presented to the Board.

There being no further business to come before the Board, the meeting was adjourned.

(b) (6)

APPROVED:

DATE:

1/9/09 U

MINUTES

MilkPEP Board Meeting – General Session I

July 18, 2008
Coeur d'Alene, ID

Chairman Mike Krueger called the Board into general session. Members present included Bill McCabe, Mike Touhey, Scottie Mayfield, Jim Green, Jerry Tidwell, Brian Haugh, Bob McCullough, Mike Nosewicz, Terri Webb, Mike Krueger, Jay Jaskiewicz, Gary Aggus, Ed Mullins, Randy Mooney, Rick Zuroweste, Jay Simon, and Paul Bikowitz. Also present were industry representatives Al Guida, Jay Bryant, Steve Turner, Mike Smith, Brian Linney, Ann Ocana, and Miriam Erickson Brown. Guests present included Steve James (California Milk Processor Board), Barbara O'Brien and Paul Rovey (DMI). Also present were Ron Rubin, Kurt Graetzer and various other members of MilkPEP staff, Angie Salinas and Rachel Thomen (USDA liaison), Wayne Watkinson (legal counsel), and Clay Hough (IDFA).

The Board reviewed the minutes of the April 24-26, 2008 meeting of the board, including the executive session minutes. Motion by Mike Nosewicz, second by Paul Bikowitz, to approve the minutes as presented. Motion approved.

Angie Salinas presented a report from USDA, reviewing the following issues:

1. She indicated new Board members would be seated Saturday (Steve Turner, Michael Smith, and Jay Bryant).
2. She indicated that they were soliciting nominations for Regions 3, 6, 9, 12, 15 and the At-Large processor position.
3. She indicated that the USDA had conducted a quarterly review at the offices of Rubin Kasnett & Associates. No issues were raised.
4. She indicated that the order amendment relating to late payments had been approved, published in the Federal Register, and incorporated as a rule.

Kurt Graetzer and MilkPEP staff presented an update on the 2008 integrated program, which is presented below:



The Board reviewed the creative and conceptual ideas for the Campaign for Healthy Weight, “Milk Your Diet”, including:

- the Marg Helgenberger and Charytin Goyko creative
- the Mothers’ Day kickoff concept,
- the National Call to Action for the Chief Health Officer contest,
- the nutritional messaging POS at the dairy case,
- the Hispanic Super Mama POS featuring Charytin Goyko,
- online messaging and retail POS,
- local activation and
- the Chief Health Officer-Milk Mustache Mobile tour.

Staff reported on the special Milk Mustache Mobile event with USDA, promoting the Chief Health Officer program in conjunction with My Pyramid and USDA’s Project Mom.

The Board reviewed the results of the activities.

- 156 MM print ad impressions
- 8.1 MM online ad impressions
- 14.1 MM Charytin ad impressions
- 17,437 retailer sign-ups
- 840,000 sweeps entries
- 95 MM PR impressions
- 13.9 MM Hispanic PR impressions

The Board heard a report on the program conducted in conjunction with the American Heart Association Heart Walk. It was reported that 92 processors had signed up to participate in 50 markets. A status report of the program is presented below.

- 12 of 50 events completed
- 33.5MM local market media impressions
- 56,000+ walkers at 12 events across the country
- 14,000 lowfat and fat free milk samples

The Milk Advocates program was discussed by the Board, including the Martha Stewart segment in which she unveiled her Milk Mustache ad live on TV on April 30. This program was a 3-1/2 minute segment live on national TV and was negotiated as part of the media buy with no additional cost. The results of the program are presented below.

- 16.8 million ad impressions
- 8.1 million online ad impressions
- 22.2 million PR impressions

The Board also discussed an ad delivered by SoapNet stars which was also negotiated as part of the media buy at no additional cost which provided 8.7 mm print impressions and 1.2 mm TV impressions.

Results of the Curves partnership were discussed. The partnership delivered 109 million plus targeted impressions with unlimited free consumer incentives.

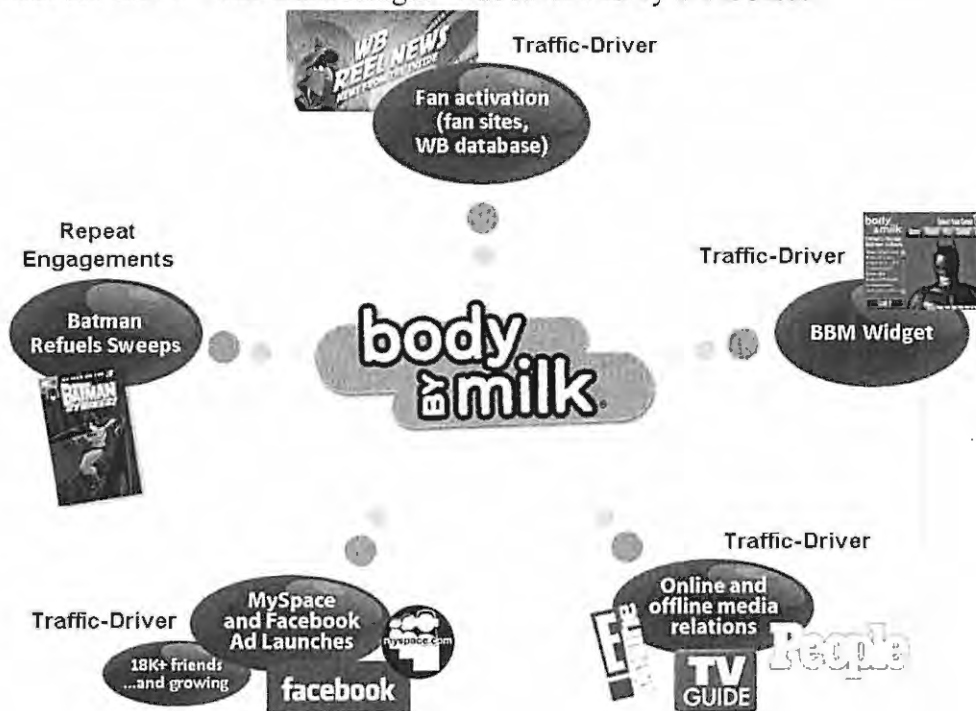
With regard to teen ad launches, the Miley Cyrus "Body by Milk" integrated program was reviewed, which is summarized below:



Results of the program included 30,000+ visits to BBM.com in the first 48 hours, 24,000+ Sweeps entries, 190+ widget views, 137% increase in repeat visitors, 22,000+ Miley fan kit downloads, 12,000+ “message from Miley” calls sent. With regard to media impressions, a summary is presented below:

- 48 million ad impressions
- 44.3 million online ad impressions
- 69 million PR impressions
- 146,000+ nutritional interactions

The tie-in with the movie “The Dark Knight” was reviewed by the Board.



Results of this tie-in were presented and summarized below:

- 15.2 million ad impressions
- 19 million PR impressions
- 40,000+ Batman BBM.com microsite visits
- Traffic: 20,000+ visits to BMM.com in first 48 hours
- 3,195 sweeps entries
- 6.5 million widget views
- 647K widget interactions (10%)

Results of the “BodyByMilk.com” were discussed by the Board:

- Currently 71% of our way through the second semester:

	BBM1 Jan – Jul 07 (Actual)	BBM2 Jan – Jul 08 (Goals)	BBM2 Jan – Jul 08 (Actual)	% of Goal Realized to Date
Visits	689,152	598,812	624,973	104%
New Visitors	536,245	509,627	512,720	101%
Repeat Visitors	33,676	89,185 (15%)*	112,253 (18%)*	126%
Nutritional Interactions	135,254	983,624	1,661,276	169%
Registrants Banking Points	5,542	37,500	54,229	145%
Users Downloading Songs				

* Percentage of repeat visitors out of total visitors

A nutrition update was presented, with the highlights including:

- Milk's role in preventing a bone break
- Promoting milk's heart health benefits
- Hypertension and flavored milk studies
- Milk link to supernutrient Vitamin D
- Use the focus on rising food costs to showcase milk as a smart choice

A report on the Medical Advisory Board meeting was presented and is summarized below:

- Met with our Medical Advisory Board earlier this month to focus the latest science and program direction
 - Fully embraced the 2009 wellness messaging
 - Many said "wellness" was the direction they were going in too.
 - Applauded the industry work on flavored milk reformulations
 - A tremendous example of industry responding to nutrition policy and rallying members to make positive changes
 - Expressed a lot of excitement about vitamin D
 - Thought the strength of the science was quite compelling

A report on the issues that have been monitored was presented, including the following:

- Economic woes/food prices
- Animal welfare
- rBST state labeling debate
- Raw milk debate and proposed state legislation
- Food safety

Kurt Graetzer indicated that a number of awards have been presented to the MilkPEP program,

including those identified below:

- 4 PRSA Chicago Skyline Awards (“Got Chocolate Milk?” - Halloween)
- Mercury Award
- Effie Award
- PRSA Chicago Skyline Award (“Think about your Drink”)
- 3 Tempo Awards

Following a short recess, the Board reviewed the results of the 2007 program. Kurt Graetzer presented a report from the Beverage Marketing Company. Results of the BMC report are summarized below:

- In summary, BMC believes the milk industry’s marketing programs have been effective on a number of levels
 - For this analysis, BMC did not evaluate program content, but rather assessed the competitive impact of milk’s integrated marketing efforts versus the competitive set

***Where the
Programs Have
Helped***

- Messaging on trend with the growing consumer demand for health/wellness
- Targeted approach to key target consumers, primarily gatekeeper moms
- Effective outreach and communications to the Hispanic target (Moms, Teens)
- Increasing processor involvement in key schools, QSR retail channel initiatives
- Continued effectiveness of retail promotions and local PR/events to drive consumption and messaging awareness
- Continued strategic, effective use of cost-efficient media, including non-traditional media such as the Internet

***Potential Areas
of Concern for
Future Programs***

- Sustained low share of voice vs. competitors and declining ad spending
- Shift in spending away from Teens
- Milk packaging, branding competitiveness vs. a growing competitive set
- Ability to capture growth in non-traditional retail channels (i.e. non-supermarkets)

The Board reviewed several measurements relating to sales consumption of milk products. Highlights included the following:

- While milk volume was down for the milk category, it was not down as much as would have been expected given the price environment in 2007.
- White milk enjoyed a modest increase of 0.2% driven by gains beyond traditional retail. Flavored milk declined 1.7%.
- Gains in fat-reduced milk outside traditional retail offset declines of whole milk across the spectrum.
- MilkPEP activities continue to drive >3% of the milk category. For every \$1 invested in the program, MilkPEP returns \$6.60 at retail.
- Gallons generated through marketing vary across marketing elements, but all contribute. Despite declines, moms TV, moms print, and national PR are still among the biggest drivers of incremental gallons. In-store and BBM posters saw the most significant gains.

- Regarding cost efficiency, Hispanic marketing and in-store promotions saw the most improvement. Moms TV and print, national PR and internet advertising saw the most noticeable declines.

Key insights from the research are summarized below:

- With milk volume relatively flat, we did not see the expected impact of higher prices on the total category
 - Consistent marketing and health communications over the years has likely insulated the category from price increases
- From a competitive perspective, milk is still at a disadvantage
 - We continue to be out-spent and out-distributed
- Losses in FDMW were nearly offset by gains outside traditional retail
 - Highlights the need to better understand these channels
- Consumers are increasing consumption of lower fat milks at the expense of whole
 - In part tied to MilkPEP program and a more health conscious consumer base
- Flavored milk sales declined sharply in major retail mainly a function of pricing
 - As an impulse purchase flavored milk is more sensitive to price jumps
- MMA attributed 3.3% of grocery volume to MilkPEP efforts.
 - MilkPEP continues to contribute positively to the category through all disciplines




Program measurements of the 2007 moms program were reviewed. Highlights of the program included:

- Marketing efforts to moms drove 2/3rds of MilkPEP-generated incremental volume/commensurate with spending share.
- Moms targeted marketing effort effective across disciplines
 - Despite move to healthy weight message and high prices
 - Awareness driving elements less impactful in pricing environment
 - Promotions highly effective
- Moms program benefited from more frequent, less expensive events - a strategy evolution based on past MMA learnings.
- Research indicates that moms are drinking more milk
 - Citing healthiness, interest in cutting fat/losing weight
 - Reasons linked to MilkPEP program messaging
- Awareness of link between milk and weight remains strong. There was a decline of recall in 4th quarter when spending was lower.
- Research indicates that the healthy weight message remains highly believable, but not as motivating as weight loss. The weight loss message has a halo effect on healthy attributes not directly associated with weight.

With regard to MilkPEP ad recall, the awareness of the MilkPEP mom-targeted advertising remains strong despite milk's historically low share of voice. Results indicated that the TV ad campaign is a major contributor to high awareness. The 2007 TV advertising debuted with a high level of awareness and remained fairly solid throughout the year. The research also indicated that

running multiple executions versus a single print ad is more impactful. There was a significant discussion on the effectiveness of the Milk Mustache on a continuing basis. Research indicates that the Milk Mustache campaign remains very powerful, coupled with the fact that the talent compensation has not changed since 1995; however the value has increased dramatically. The Board reviewed print and TV production costs, which are summarized below:

Print production costs have remained stable:

	2005	2006	2007
 MM Ads from Existing Art	\$26k	\$46k	\$24k
 Moment and Winner Ads	\$70k	\$96k	\$96k
 "Premiere" Milk Mustache Celebrities	\$170k	\$187k	\$175k

Represents complete advertising production, including photography thru mechanicals for initial run and talent. Includes Annie Leibovitz projects as well as other photographers for all targets. Does not include Super Bowl ads.

- Overall TV production costs have remained relatively low over the past few years
 - Includes (2) :30 television spots plus a :20 cutdown per year
 - National average cost per :30 TV commercial is \$557k

2005	2006	2007
\$850,000	\$1,140,000	\$790,000
Skinny Glass Woman	Magic Moments	Little Victories

The 2007 media buy was reviewed by an outside company, RMV. A summary of the results of their analysis is presented below:

- Print plan rated "excellent"
 - Overall ad positioning rated "exceptional"
 - Circulation exceeded magazine rate base
 - Annual print plan valued \$900k above amount spent
- TV buy rated "good" overall despite a very troubled television marketplace
 - GRP guarantees mirrored performance

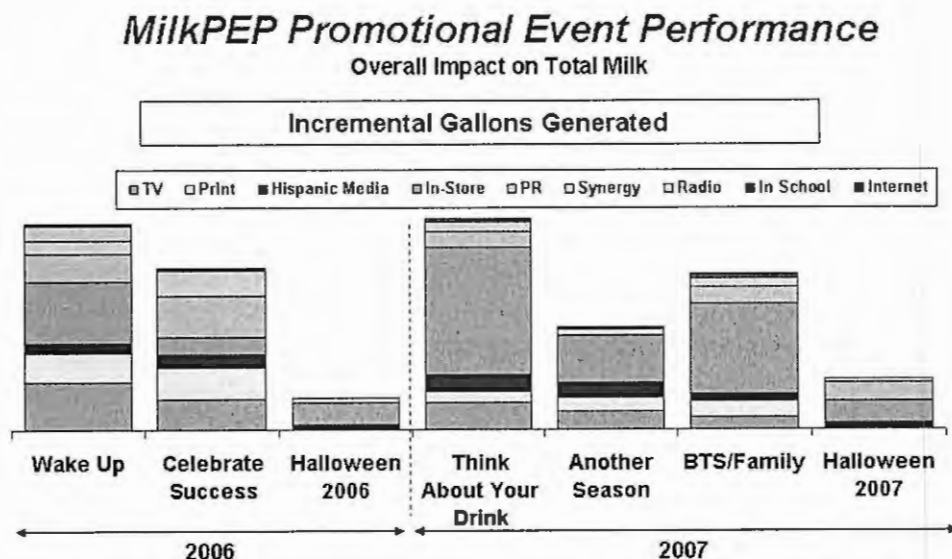
- Negotiations delivered efficient pricing
- \$112k in added value above the dollars invested

Results of the 2007 online advertising WebMD results indicated that the program continued to improve with WebMD, our core internet media partner and most respected source for online health information. This partnership maintained a low overall CPM while upgrading program quality.

The Board reviewed the results of the Public Relations program for moms. Results indicate that MilkPEP's PR program maintains a positive number of milk stories in the press. Board members raised the question as to whether rBST-free and other negative issues are measured as part of these results. Staff confirmed all results were for weight loss messages and did not include the rBST issue. Research also indicated that the PR program is the key vehicle for efficiently communicating other benefits of milk not directly related to weight loss/healthy weight. It was also indicated that PR uses national and local programs to optimize reach and efficiency. The MilkPEP program extended more moms-targeted local PR opportunities for processors, reaching close to a quarter million consumers directly.

Results of the 2007 integrated promotional events were reviewed, as summarized below:

In-store promotions was the most significant volume driving contributor to 2007 integrated events.



Source: MMA Marketing Mix Analysis 2007. 2006 YTD:44 Weeks Ending 11/5/2006. 2007 YTD:44 Weeks Ending 11/4/2007 .

Following a review of the 2007 promotions, the interactive program was evaluated by the Board. A summary of the results are presented below:

- Benefits of website:
 - Increased intent to drink milk, both for mom herself, and for her family/ household

- Improved attitudes towards milk
 - Strong intent to return to the site
 - Likelihood of passing along the site and its information to others
 - ¾ say that the information is “extremely important” or “very important”
- Most visitors are at least moderately health-conscious, and visit the site to find health/nutrition information
 - Other main reason for visit is to enter sweepstakes

Based on the research, the following implications were discussed by the Board as related to the 2009 plan:

- Program has effectively communicated Milk-Weight link, though we have identified need to change messaging for 2009
 - Evolving message into broader wellness positioning to provide new news and expand breadth of milk benefits covered; building on already strong milk attributes
- All disciplines/programs contributed in 2007 -- despite the hostile pricing environment, but some worked better than others over the short-term
 - Will continue strategy of fully integrated programs for Moms, optimizing mix of traditional awareness-driving media with impactful volume-driving promotions
- Revised strategy of smaller, more frequent integrated events is working
 - This integrated events model will remain critical element of Mom program
- Milk Mustache equity continues to deliver
 - Will continue to think outside the box in terms of integrating celebrity equity throughout the program

The 2007 Hispanic program results were reviewed, achieving the highlights presented below:

- The Hispanic campaign more than pulls its weight, driving 12% of incremental volume from 6% of total spending.
- Hispanic PR remains major driver of incremental gallons.
- Effectiveness of Hispanic TV tripled with a return to “Mommy” messaging.
- PR remains extremely efficient for the campaign, even with a notable increase in budget.
- Overall MilkPEP advertising noticed and remembered by ¾ths of all moms.
- Hispanic moms are highly influenced by Spanish-language POS.
- Nearly twice as many Hispanic moms cite awareness of the MilkPEP promotion as compared to general population moms.
- Hispanic families are drinking more milk with the “healthier for me and my child” the number one reason stated.

It was also noted that the 2007 media efficiency improved.

2007 MilkPEP Hispanic TV and print purchase very efficient – significantly less than industry average.

	2006 CPM	2007 CPM	% Change	Ind. Avg
TV	\$26.25	\$18.74	-29%	Flat
Print	\$6.42	\$6.04	-6%	+5%

*Print costs based on tracking open rate cost changes year to year. TV based on post-upfront network industry reports

With regard to the Hispanic Public Relations program, results indicated the following:

- Even with substantial increase to PR budget, only a slight decrease in efficiency with the CPM remaining well below \$10 industry average.
- However, the increased budget for Hispanic grassroots did not translate to higher impressions.
 - Increased budget was to promote the tour stops through in-media radio.
 - Successfully increased consumer traffic, but did not impact earned impressions.

Key insights from the research indicate the following:

- Shift in MilkPEP Hispanic messaging strategy increased impact
 - Continue messaging strategy – emphasizing “Mommy” attributes and role modeling
- Hispanic PR drives ROI and delivers key messages to consumers
 - Continue to leverage PR to its full potential
 - Implement successful GM program – Nutrition News Bureau (NNB) into the Hispanic PR program
 - Apply learnings to improve efficiency of the grassroots overlay
 - Radio promotion was not effective
- Increased emphasis on Hispanic promotion materials is paying off
 - Continue to maximize in store Spanish-language materials

The 2007 teen/schools program results were discussed. The Board discussed the differences between the 2006 and 2007 teen programs.

- 2007 was the first full year of the Body By Milk program and “healthy weight” nutritional message
 - BBM launched in fall 2006 and represented a small part of that year’s activity
- Teen budget declined slightly 2007 vs. 2006
- The internet has become a primary channel for how we reach teens
 - Online marketing opens up new opportunities to drive active engagement with our message, beyond raising awareness
 - Impacts how we design and measure Teen programs
- Celebrity amplification becoming a more important strategy
 - Using celebrity assets to reach and engage teens

Results of the teen program are presented below:

- Volume contribution of teen channels increased 13% versus 2006.
- Efficiency of teen print improved as we reduced investment in that channel.
- In-school efficiency remains very high despite a drop in 2006.
 - The decline driven by new gymnasium program which significantly increased our total investment in the teen program.
- The ratio of teens drinking more milk is greater than ever.
- Weekly milk consumption increased in secondary schools, which is milk's primary target.
- "Body by Milk" continues to drive school milk consumption.
- Despite reduced teen spending, health attitudes have remained strong in that category.

With regard to teen awareness of "Body by Milk" since the slogan launched at the end of 2006, awareness among teens has more than doubled without eroding awareness of the "Got Milk?" message. The Milk Mustache campaign again topped the Zandl hotlist in 2007. With regard to teen advertising, "Body by Milk" advertising is reaching more than 7 out of 10 teens, and online ad awareness is very strong relative to its investment. Teen print efficiency continues to improve, with the average CPM for teen print reduced 21% versus 2006. With regard to teen PR:

- Focus and integration continued to drive up efficiency for Teen PR
 - Public relations reaped benefits of strong teen-targeted ads

	2004	2005	2006	2007
Teen PR	Milk Mustache Mobile, 3x3 Soccer, NBA, Wide World of Sports, Seventeen, SAMMY, Milk Mustache media relations	NBA Partnership/Healthy Schools Challenge, SAMMY, Milk Mustache media relations	Body By Milk/Healthiest Student Bodies, SAMMY, Milk Mustache media relations	Teen Challenge, Healthiest Student Bodies, SAMMY, Milk Mustache media relations
PR Impressions	864 million	293 million	327 million	286 million
PR Budget	\$7 million	\$2.1 million	\$1.7 million	\$1.2 million
CPM	\$8.17	\$7.16	\$5.15	\$4.26

Sources: VMS, Burrelle's and Weber Shandwick Media Monitoring

With regard to website activities, website traffic increased by 5% in 2007. Time spent on teen site increased dramatically (+129%) as the Street Experience and other milk content drove longer engagement. Online web portals, news sites and bloggers take our news and share it beyond traditional media and our BodyByMilk.com visitors.

With regard to schools, the Board discussed activities related to formulating healthier school milk. A summary of the activities with processors is presented below:

- 56 Processors responded to the Annual Survey questions regarding reformulation. Their answers, weighted by their school volume, indicate:

20% are already at 150 calories.
52% are engaged in reformulation efforts.
72% *will be offering 150 calorie flavors by August.*

11% are not engaged in reformulation, and
17% have recently decided to take a "Wait and See" attitude.
28% *are not intending to proactively offer 150 calorie product.*

With regard to marketing in schools, processors report 14% of an average salesperson's time is spent developing school milk sales. Results of the research indicate the following:

- Body By Milk continues to be a strong and relevant communication vehicle to teens
- Internet extensions of celebrity content are as popular as the print ads and we should look to expanding that content wherever possible
- Online media allows us to reach teens more efficiently than traditional media and should continue to maximize this area
- The current mix of activities seems to be driving more interaction but we must continue to optimize the mix
- MilkPEP materials are driving school activity – we must continue to feed the pipeline
 - Provide processors and school influencers with additional tools

Chairman Mike Krueger indicated that the committees would take the results of this research and provide input in committee with respect to the 2009 program.

Terri Webb, treasurer of the Board and chairman of the Finance Committee, presented the following report on behalf of the Finance Committee:

- Staff transition is near completion and we believe successful
- Committee reviewed competitive bidding – no action taken
- Financial Review
 - Year to date assessments are down nearly .8% compared to the previous year. Estimating we will be down .75% for 2008 as compared to 2007
 - Shortfall in assessments will be covered by FROE's and uncommitted dollars
 - Cash flow remains solid

Treasurer Terri Webb moved the committee recommendation to approve the amendment to the 2008 budget as presented below. Motion approved.

2008 Budget

	April-08 Approved Budget	July-08 Changes	Revised Budget
REVENUES			
Assessments	\$ 107,800,000	\$ (\$00,000)	\$ 107,000,000
Carry-forward Funds	4,646,050	\$00,000	5,446,050
Interest Income	340,000		340,000
Total Revenues	\$ 112,786,050	\$ -	\$ 112,786,050
PROGRAM EXPENSES			
Advertising	\$ 67,500,000	-	\$ 67,500,000
Public Relations	15,619,200	-	15,619,200
Promotions	11,235,800	-	11,235,800
FMSTI	1,115,000	-	1,115,000
Research	2,835,000	-	2,835,000
Medical & Scientific	605,000	-	605,000
Program Measurement	230,000	-	230,000
Program Management	-	-	-
TOTAL PROGRAM EXPENSES	\$ 99,140,000	\$ -	\$ 99,140,000
OTHER EXPENSES			
Administrative	\$ 2,864,850		\$ 2,864,850
USDA Expenses	567,000		567,000
California Refund	10,210,000		10,210,000
Subtotal	\$ 13,641,850	-	\$ 13,641,850
UNALLOCATED	\$ 4,200		\$ 4,200
UNCOMMITTED RESERVE	-		\$ -
Total Expenses and Unallocated	\$ 112,786,050	\$ -	\$ 112,786,050

Ms. Webb also reported that the committee had reviewed the authorizations by program areas and recommended approval of the authorizations presented for the 2008 budget, pending approval by the appropriate program committee. Ms. Webb also moved the committee recommendation to amend the 2009 budget as presented below. Motion approved.

2009 Budget

	April-08 Approved Budget	July-08 Changes	Revised Budget
REVENUES			
Assessments	\$ 107,800,000		\$ 107,800,000
Carryforward Funds	2,154,500		2,154,500
Interest Income	340,000		340,000
Total Revenues	\$ 110,324,500	\$ -	\$ 110,324,500
PROGRAM EXPENSES			
Advertising	\$ 65,020,000	\$ (20,000)	\$ 65,000,000
Public Relations	15,518,500	(60,000)	15,458,500
Promotions	9,946,000	(350,000)	9,596,000
FMSTI	1,000,000	455,800	1,455,800
Research	2,500,000	-	2,500,000
Medical & Scientific	250,000	-	250,000
Program Measurement	200,000	-	200,000
Program Management	2,700,000	(200,000)	2,500,000
TOTAL PROGRAM EXPENSES	\$ 97,134,500	\$ (174,200)	\$ 96,960,300
OTHER EXPENSES			
Administrative	\$ 2,410,000		\$ 2,410,000
USDA Expenses	570,000		570,000
California Refund	10,210,000		10,210,000
Subtotal	\$ 13,190,000	-	\$ 13,190,000
UNALLOCATED	\$ -	\$ 174,200	\$ 174,200
UNCOMMITTED RESERVE	-	-	-
Total Expenses and Unallocated	\$ 110,324,500	\$ -	\$ 110,324,500

Chairman Krueger recessed the Board for meetings of the committees.

(b) (6)

APPROVED: _____

DATE: _____

1/9/09

MINUTES

MilkPEP Board Meeting – General Session II

July 19, 2008
Coeur d'Alene, ID

Chairman Mike Krueger called the Board back into session at 9:45 local time.

Mike Nosewicz presented a report from the Moms Committee in place of Mike Touhey, chairman of the committee, who had to leave the meeting early. Mr. Nosewicz reported on the following activities;

- Awarding our Chief Health Officer
 - Local market CHO search
 - 75 finalists announced Oct. 1
 - National CHO winner announced late October
 - \$100,000 CHO salary sweepstakes winner selected in October
- Refuel feature incentive program
- Halloween program
 - In-store POS
 - National kickoff event with People magazine
 - Heidi Klum on “Halloween Moment” ad
 - Halloween supermarket RD toolkit
 - 25 processor markets for media/sampling

Mr. Nosewicz reviewed with the committee the 2009 planning/wellness launch:

- Creative Development
 - Qualitative Testing in August
 - Quantitative testing in September
 - Selection and Committee Approval in October
 - Production in November
- Wellness Booklet
 - 200+ celebrity endorsements
 - Decades of milk research
 - Documents science-based benefits of drinking milk
 - Nutrient Rich (calcium, vitamin D and other nutrients)
 - Stronger bones
 - Lower blood pressure
- Consumer Offer Testing
 - Strength of fit with idea of “wellness”
 - Motivation to purchase milk
 - Greatest appeal across all three target segments
 - Get on your way to wellness with a trip to a luxury resort and spa in Maui!

Mr. Nosewicz also reviewed with the Board a discussion held in committee relating to the current effect economic conditions may have on the marketing of milk, including the following:

- Milk prices up
- Fuel costs up 38%
- Food costs up 26%
- Wage increases not keeping up with inflation
- Discretionary spending down as much as 40%

As a result, the committee identified several implications to the MilkPEP plan:

- Short Term – 2008
 - Bring value story to local markets (building on Dr. Ayoob media tour)
 - Flavored milk (eg. Halloween messaging)
- Longer Term – 2009 and beyond
 - Evaluating current plan with economic dynamics in mind
 - Consider doing further consumer research
- Messaging
 - Opportunity to tailor messaging by mindset segments
 - Price versus Value
 - Competitive benefit approach (versus empty calories)
- Leveraging right channels
 - In Store (point of decision)

Mr. Krueger indicated that each of the committees conducted this discussion, with similar results, and directed staff to review the current marketing plan and make recommendations as a result of these discussions.

Mr. Nosewicz reviewed with the Board the authorizations which had been approved by the committee as presented below.

2008 Mom Target Authorizations

Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
Broadcast Media	Lowe	08-01	21,358,700	0	21,358,700	0	21,358,700	0
Mom Print Media	Lowe	08-02	27,441,300	0	27,441,300	2,441,300	27,441,300	0
Advertising Production	Lowe	08-10	5,550,000	0	5,550,000	365,000	5,550,000	0
Regional Media	Lowe	08-03	1,500,000	0	1,500,000	0	1,500,000	0
Campaign for Healthy Weight Launch	Weber	08-30	750,000	0	750,000	0	750,000	0
Milk Advocates	Weber	08-31	450,000	0	450,000	0	450,000	0
Chief Health Officer Launch Event	Weber	08-32	375,000	0	375,000	0	375,000	0
Nutrition News Bureau	Weber	08-33	655,000	0	655,000	215,000	655,000	0
Milk Mustache Media Machine	Weber	08-34	444,000	0	444,000	100,000	444,000	0
Halloween PR Amplification	Weber	08-35	865,000	0	865,000	130,000	865,000	0

2008 Mom Target Authorizations

Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
Web Site	Weber	08-38	395,000	0	395,000	60,000	395,000	0
Chief Health Officer Tour (MMH)	Weber	08-39	4,700,000	0	4,700,000	750,000	4,700,000	0
AHA 25-Market Tour	Weber	08-41	2,250,000	0	2,250,000	0	2,250,000	0
MAB Support	Weber	08-42	100,000	0	100,000	0	100,000	0
Issues	Weber	08-43	425,000	0	425,000	168,000	425,000	0
Health Professionals	Weber	08-46	350,000	0	350,000	85,000	350,000	0
Weber Shandwick Program Management	Weber	08-47	425,000	0	425,000	110,000	425,000	0
March Curves Program	Draft	08-50	1,311,000	0	1,311,000	0	1,311,000	0
May/June Chief Health Officer	Draft	08-51	936,000	0	936,000	0	936,000	0
Aug/Sept Refuel Feature Incentive	Draft	08-54	1,063,850	0	1,063,850	0	1,063,850	0
Halloween Feature Incentive	Draft	08-55	1,117,350	0	1,117,350	0	1,117,350	0
Draft Management/Staff Support '09 Plan	Draft	08-58	950,000	0	950,000	0	950,000	0
Legal	PEP	08-29	400,000	0	400,000	0	400,000	0
Promotion Program Management	PEP	08-59	775,000	0	775,000	0	775,000	0
Advertising Program Management	PEP	08-28	300,000	0	300,000	0	300,000	0
PR Program Management	PEP	08-49	325,000	0	325,000	0	325,000	0
MAB	PEP	08-80	200,000	0	200,000	100,000	200,000	0
Program Management MAB	PEP	08-85	200,000	0	200,000	0	200,000	0
Medical Research	PEP	08-90	200,000	0	200,000	100,000	200,000	0
Program Management Medical Research	PEP	08-94	5,000	0	5,000	0	5,000	0
Total			75,817,200	0	75,817,200	4,424,300	75,817,200	0

With regard to the 2009 Mom target budget, Mr. Nosewicz moved the committee

recommendation to approve the 2009 Mom target authorization and budget as presented below.
 Motion approved.

2009 Mom Target Authorizations

Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
Broadcast Media	Lowe	09-01-01	18,800,000	0	18,800,000	18,800,000	18,800,000	0
Mom Print Media	Lowe	09-01-02	18,300,000	0	18,300,000	5,000,000	5,000,000	13,300,000
Advertising Production	Lowe	09-01-03	3,500,000	0	3,500,000	1,845,000	1,845,000	1,655,000
White Milk (Jan, Sept)	Draft	09-03-19	2,323,000	0	2,323,000	1,675,500	1,675,500	647,500
Feature Incentive (Mar, Oct)	Draft	09-03-20	2,758,000	0	2,758,000	1,250,000	1,250,000	1,508,000
Wellness Launch (Jan)	Weber	09-02-05	921,000	0	921,000	921,000	921,000	0
Milk Advocates	Weber	09-02-06	400,000	0	400,000	95,000	95,000	305,000
MMM: Wellness Tour	Weber	09-02-07	5,250,000	0	5,250,000	1,000,000	1,000,000	4,250,000
Liquid Sunshine/Vitamin D	Weber	09-02-08	485,000	0	485,000	100,000	100,000	385,000
Women's Recovery/Muscle and Bone	Weber	09-02-09	660,000	0	660,000	100,000	100,000	560,000
Hispanic Heritage	Weber	09-02-10	110,000	0	110,000	0	0	110,000

2009 Mom Target Authorizations

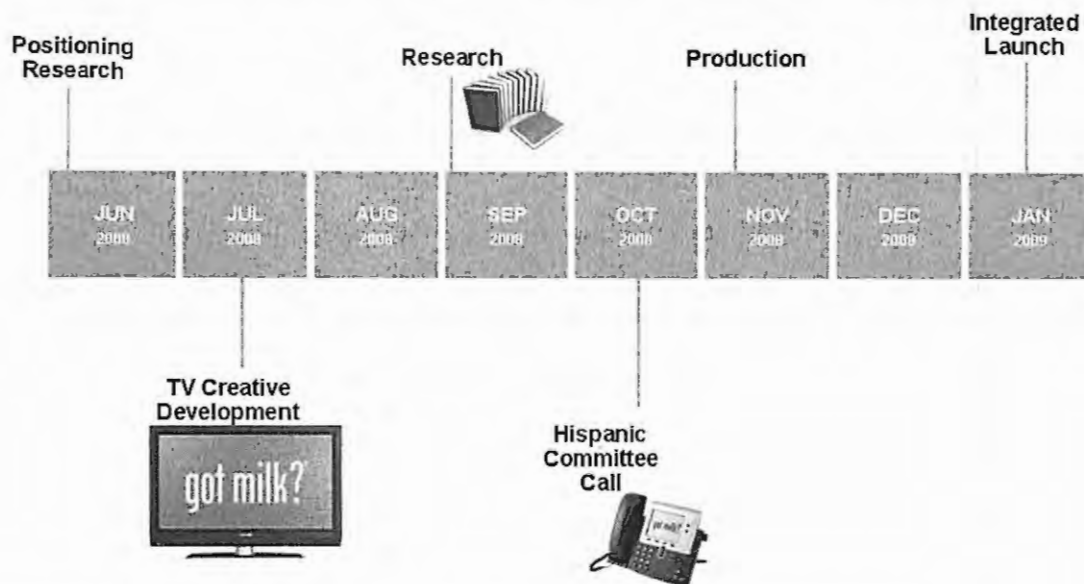
Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
Halloween	Weber	09-02-11	790,000	0	790,000	0	0	790,000
Women Ad Breaks (ongoing Media Relations)	Weber	09-02-12	240,000	0	240,000	40,000	40,000	200,000
Nutrition News Bureau	Weber	09-02-13	655,000	0	655,000	45,000	45,000	610,000
Whymilk.com	Weber	09-02-14	280,000	0	280,000	60,000	60,000	220,000
Medical Advisory Board	Weber	09-02-15	100,000	0	100,000	15,000	15,000	85,000
Health Professionals	Weber	09-02-16	300,000	0	300,000	130,000	130,000	170,000
Issues Management	Weber	09-02-17	467,500	0	467,500	40,000	40,000	427,500
Program Management/2010 Planning	Draft	09-03-21	475,000	0	475,000	250,000	250,000	225,000
Program Management/2010 Planning	Weber	09-02-18	367,500	0	367,500	40,500	40,500	327,000
MAB/Medical Research	PEP	09-00-28	250,000	0	250,000	0	0	250,000
Legal	PEP	09-00-27	200,000	0	200,000	0	0	200,000
MilkPEP Program Management	PEP	09-00-29	755,000	0	755,000	0	0	755,000
Total			58,387,000	0	58,387,000	31,407,000	31,407,000	26,980,000

This completed the report of the Moms Committee.

Bob McCullough, chairman of the Hispanic Committee, presented a report for the committee which addressed the following issues:

- Hispanic overlay for the Refuel program
 - Support the Refuel message through a Hispanic event
 - Partner with a famous Hispanic athlete to deliver the Refuel message
 - Spanish language POS
- Hispanic overlay for the Chocolate Milk-Official Drink of Halloween program
- Crowning the Super Mama
 - Finalists selected last week of September
 - Announce Super Mama early November

The committee reviewed with the Board the proposed Wellness program launch.



The committee also reviewed with the Board its 2009 media recommendation.

- Media Objectives:
 - Build from Successful 2007 Media Plan
 - Amplify Wellness Message
- TV
 - Utilize spot TV in key Hispanic markets
 - Partner with Univision's Enterate program
 - Health and wellness initiative
 - Galavision sponsorship of Ingrid Hoffman's show Simply Delicioso
- Print
 - Focus on key publications that can provide strong added value to help deliver the wellness message

Mr. McCullough reviewed with the Board the authorizations which had been approved by the committee in the 2008 budget.

2008 Hispanic Target Authorizations

Project	Agency	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Hispanic Media (TV & Print)	SiboneyUSA	08-04-20	3,875,000	0	3,875,000	714,597	3,875,000	0
Hispanic Production	SiboneyUSA	08-04-22	652,000	0	625,000	0	625,000	0
Hispanic Public Relations	SiboneyUSA	08-04-48	850,000	0	850,000	94,875	850,000	0
Total			\$5,350,000	0	\$5,350,000	\$809,472	\$5,350,000	

Mr. McCullough also reviewed the 2009 Hispanic target budget.

2009 Hispanic Target Authorizations

Project	Agency	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Hispanic Media (TV & Print)	SiboneyUSA	09-04-60	4,650,000	0	4,650,000	2,200,000	2,200,000	2,450,000
Hispanic Production	SiboneyUSA	09-04-61	\$850,000	0	850,000	600,000	600,000	250,000
Hispanic Public Relations	SiboneyUSA	09-04-62	1,000,000	0	1,000,000	250,000	250,000	750,000
Program Management	MilkPEP	09-00-69	100,000	0	100,000	0	0	100,000
Total		-	\$6,600,000	0	\$6,600,000	\$3,050,000	\$3,050,000	\$3,550,000

Mr. McCullough moved the committee recommendation to approve the 2009 Hispanic budget as presented above. Motion approved. That concluded the report of the Hispanic Committee.

The Teen Committee was the next committee to report. Jerry Tidwell presented the report and reviewed with the Board upcoming teen ad breaks, including:

- All American Rejects – July 2008
- Olympic Athletes – July 2008
- Taylor Swift – October 2008
- Chris Brown – November 2008
- Danica Patrick – 2009

The committee also presented 2008 upcoming school posters featuring Dwight Howard in elementary schools, the All American Rejects in middle and high schools, and Taylor Swift in high schools, and Miley Cyrus in elementary and middle schools. The committee discussed with the Board the various elements of the Refuel With Chocolate Milk program, including retail promotion, school posters promotion, national PR, in-school activity through coaches, online engagement, and celebrity ad launches.

With regard to 2009 planning, the committee reviewed a sponsorship program with the NBA which included the following elements:

- 2 NBA/WNBA player advocates
 - Print ad
 - :30 advocate-style video
- Use of all NBA and WNBA marks
- \$700k media package on NBA properties
- Official NBA Fit partnership
- 25 player and trainer appearances
 - Used as prize for “winning schools” and PR events
 - Use in school program materials
- Production of video and exclusive web content
- Hospitality package including over 200 tickets
- \$2.0 MM commitment

The committee reviewed the process it followed to develop this program.

- Created a task force to guide development of program

- Including NBA sports dietitians, school nutrition professionals
- Outlined influencer marketing program
 - Attending School Nutrition Association meeting July 20-23 to tease campaign with these influencers
- Currently working with NBA to identify two players as the centerpiece of our program

Another new program presented to the Board was the “Got Noise?” concept which includes the following elements:

- Deliver a teen relevant message in a whole new way
- Teen-created videos go head-to-head with the studio version in a nationwide competition event
 - Online voting at bodybymilk.com
- Includes Milk Mustache print ad from celebrity band Fall Out Boy
 - Ad launch amplifies our efforts
- Multimedia exposure for milk and our nutritional message
- Partnership with Apple

With respect to authorization requests, Chairman Tidwell reviewed with the Board the 2008 authorizations which had been approved by the committee.

2008 Teen Target Authorizations – July 2008

Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
Milk Mustache Media Machine	Weber	08-34	196,000	0	196,000	52,000	196,000	0
Refuel Your School National PR	Weber	08-36	200,000	0	200,000	0	200,000	0
SAMMY	Weber	08-37	150,000	0	150,000	0	150,000	0
Web Site	Weber	08-38	395,000	0	395,000	60,000	395,000	0
Grassroots - Refuel Your School Events	Weber	08-40	550,000	0	550,000	400,000	550,000	0
Disney Sponsorship	Lowe	08-04	2,400,000	0	2,400,000	0	2,400,000	0
School Image	Lowe	08-21	4,050,000	0	4,050,000	0	4,050,000	0
Jan-June Body By Milk	Draft	08-52	1,861,450	0	1,861,450	0	1,861,450	0
Aug-Dec Body By Milk	Draft	08-53	1,882,350	0	1,882,350	0	1,882,350	0
Total			11,684,800	0	11,684,800	512,000	11,684,800	0

Mr. Tidwell also reviewed with the Board the committee recommendation to approve the 2009 budget as presented below. Motion approved.

2009 Teens Authorizations – July 2008

Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
Teen Advertising Media	Lowe	09-01-30	8,600,000	0	8,600,000	3,100,000	3,100,000	5,500,000
Teen Advertising Production	Lowe	09-01-31	2,600,000	0	2,600,000	930,000	930,000	1,670,000
School Image program	Lowe	09-01-32	3,100,000	0	3,100,000	1,200,000	1,200,000	1,900,000
Disney Sponsorship	Lowe	09-01-33	2,400,000	0	2,400,000	2,400,000	2,400,000	0
NBA Sponsorship	Lowe	09-01-34	2,000,000	0	2,000,000	2,000,000	2,000,000	0
Body by Milk Promotion	Draftfcb	09-03-35	2,550,000	0	2,550,000	1,585,000	1,585,000	965,000
Get Fit By Finals	Weber	09-02-36	1,150,000	0	1,150,000	500,000	500,000	650,000
Teen Ad Breaks/Ongoing Media Relations	Weber	09-02-37	450,000	0	450,000	40,000	40,000	410,000
SAMMY	Weber	09-02-38	160,000	0	160,000	40,000	40,000	120,000
Bodybymilk.com	Weber	09-02-39	740,000	0	740,000	250,000	250,000	490,000
Program Management/2010 Planning	Weber	09-02-40	157,500	0	157,500	27,500	27,500	130,000
Program Management/2010 Planning	Draftfcb	09-03-41	475,000	0	475,000	250,000	250,000	225,000
MilkPEP Program Management	PEP	09-00-59	\$500,000	0	\$500,000	0	0	\$500,000
Total			24,882,500	0	24,882,500	12,322,500	12,322,500	12,560,000

Brian Haugh, chairman of the Business Development/Research Committee, reviewed with the Board the committee objectives in developing programs.

- Identify opportunities of growth for the industry
- Increase processor and trade participation
- Conduct research to aid in strategy, development, planning and evaluation
- Educate the industry on key trends and threats to maximize the environment for milk
- Coordinate industry efforts

The committee also discussed with the Board the national sales meeting and identified some key objectives in making the meeting a success:

- Recognition among CEOs of importance of sending representatives to the sales meeting
- Processors finance their own attendance
- Recognize the importance of tying in to MilkPEP programs

The committee will analyze attendance and participation numbers and determine the next course of action for recommendation to the Board. The Board also heard a report relating to a proposed school advisory council which would have the following purposes:

- Identify and incubate new opportunities for milk consumption
 - New testing ideas may result
- Identify and provide insight on industry issues and developments and their effect on consumption
 - Nutrition issues

- Cost issues
 - Funding issues
- Use members to proactively influence the industry
- Give feedback on proposed MilkPEP strategies and specific elements
 - MilkPEP programs

Recruitment for membership on the School Advisory Council and potential topics of discussion have been initially developed by the committee. With regard to funding, the committee has recruited Prime Consulting to aid in facilitating the council. The cost of the council is projected to be \$90,000 per year.

With regard to current activities conducted with DMI, four areas have been identified:

- Processor engagement
 - Successful integration of processor efforts through involvement in tutorial at July sales meeting
- Research coordination
- School coordination
- Program coordination
 - Developing coordinated WIC offensive

The committee also reviewed with the Board an update on the all-channel tracking effort and reported that recruitment efforts for processor participation have nearly been completed.

Chairman Brian Haugh reviewed with the Board the committee recommendation to amend the 2008 Research budget as presented below. Motion approved.

2008 Research Authorizations - July 2008

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Unallocated	08-1A	477,000	-410,000	67,000	0	0	67,000
Business Performance & Tracking	08-70	1,378,000	0	1,378,000	0	1,378,000	0
Communication Testing	08-71	190,000	100,000	290,000	100,000	290,000	0
Program Development	08-72	350,000	30,000	380,000	30,000	380,000	0
Promotion Measurement	08-73	75,000	280,000	355,000	280,000	355,000	0
Program Management	08-79	365,000	0	365,000	0	365,000	0
Total	-	\$2,835,000	0	\$2,835,000	\$410,000	\$2,768,000	\$67,000

Mr. Haugh also reviewed the authorizations approved by the committee as presented above. With regard to the 2009 Research budget, Chairman Haugh moved the committee recommendation to transfer funding within the budget as presented below. Motion approved.

2009 Research Authorizations - July 2008

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Unallocated	09-1A	2,500,000	-900,000	1,600,000	0	0	1,600,000
Business Performance & Tracking	09-00-80	0	900,000	900,000	900,000	900,000	0
Communication Testing	09-00-81	0	0	0	0	0	0
Program Development	09-00-82	0	0	0	0	0	0
Promotion Measurement	09-00-83	0	0	0	0	0	0
Program Management	09-00-87	380,000	0	380,000	0	0	380,000
Total	-	\$2,880,000	0	\$2,880,000	\$900,000	\$900,000	\$1,980,000

Mr. Haugh also reviewed the authorization requests which had been authorized.

The 2009 Program Measurement budget was presented by the committee to the Board. Mr. Haugh moved the committee recommendation to approve the 2009 Program Measurement budget as presented below. Motion approved.

2009 Program Measurement Authorizations - July 2008

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Program Measurement	09-00-86	200,000	0	200,000	0	0	200,000
Program Management-Program Measurement	09-00-88	15,000	0	15,000	0	0	15,000
Total	-	\$215,000	\$0	\$215,000	\$0	\$0	\$215,000

No authorizations were approved within this budget.

With regard to the 2008 Business Development budget, Mr. Haugh reviewed the committee authorizations as presented below.

2008 Business Development Authorizations

Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
Got News?	Weber	08-44	100,000		100,000	32,000	100,000	0
Service Team	Weber	08-45	889,200		889,200	179,200	889,200	0
Promotion Program Sales Support	Draft	08-56	550,000	0	550,000	0	550,000	0
Processor Support	Draft	08-57	788,800	0	788,800	0	788,800	0
B-to-B Communications Plan	PEP	08-60	675,000	0	675,000	0	675,000	0
Sales Materials	PEP	08-61	100,000	0	100,000	0	100,000	0
Trade Shows/Seminars	PEP	08-62	110,000	0	110,000	0	110,000	0
CSMO/School State Seminars	PEP	08-63	30,000	0	30,000	0	30,000	0
Program Management	PEP	08-68	200,000	0	200,000	0	200,000	0
Total			3,223,000	0	3,223,000	211,200	3,223,000	0

2009 Business Development Authorizations

Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
Industry Communication Plan (Trade and Processor)	Outloud	09-05-70	1,155,800	0	1,155,800	1,155,800	1,155,800	0
Print Media (Trade)	Lowe	09-01-71	200,000	0	200,000	200,000	200,000	\$0
Sales Materials	MilkPEP	09-00-72	100,000	0	100,000	0	0	100,000
Trade Shows/Seminars	MilkPEP	09-00-73	110,000	0	110,000	0	0	110,000
Processor/Sales Support	Draftjob	09-03-74	1,015,000	0	1,015,000	450,000	450,000	565,000
Service Team	Weber	09-02-75	775,000	0	775,000	50,000	50,000	725,000
School Advisory Council	MilkPEP	09-00-76	90,000	0	90,000	90,000	90,000	0
MilkPEP Program Management	MilkPEP	09-00-89	550,000	0	550,000	0	0	550,000
Total			3,995,800	0	3,995,800	1,945,800	1,945,800	2,050,000

No budget amendments were recommended at this time. That concluded the report of the Business Development & Research Committee.

Chairman Krueger expressed his appreciation to the committee members and committee chairs for their reports. In his closing comments, Mr. Krueger expressed his appreciation to Jay Jaskiewicz and Gary Aggus for their commitment to the MilkPEP Board as officers and board members and the value which they brought to the proceedings of the Board as members of the industry. Mr. Krueger also expressed appreciation once again to Bill McCabe for his contributions to the Board as chairman and wished him the best in his new endeavor.

There being no further business to come before the Board, the meeting was adjourned.

(b) (6)

APPROVED:

DATE:

11/9/09

MINUTES

MilkPEP Board Meeting – General Session I

January 8-10, 2009
Orlando, FL

Chairman Mike Krueger called the Board into session at 8:00 am local time. Members present included Jay Bryant, Steve Turner, Buddy Gaither, Scottie Mayfield, Bob McCullough, Jim Green, Terri Webb, Mike Krueger, Brian Haugh, Ed Mullins, Jerry Tidwell, Mike Touhey, Mike Nosewicz, Janey Thornton, Randy Mooney, Jay Simon. Jim Walsh and Rick Zuroweste participated by telephone. Also present were industry representatives Chris Ross, Scott Shehadey, Tim Kelbe, Al Guida, Ann Ocana, Miriam Erickson Brown, and Dub Garlington. Also present were Kurt Graetzer, Ron Rubin and other members of the MilkPEP staff; Dana Coale, Whitney Rick and Angie Salinas (USDA liaison); Wayne Watkinson (legal counsel); Connie Tipton (IDFA); and Vivien Godfrey (new MilkPEP CEO designee). In addition, Paul Rovey and Barb O'Brien were present representing DMI, along with representatives from various agencies.

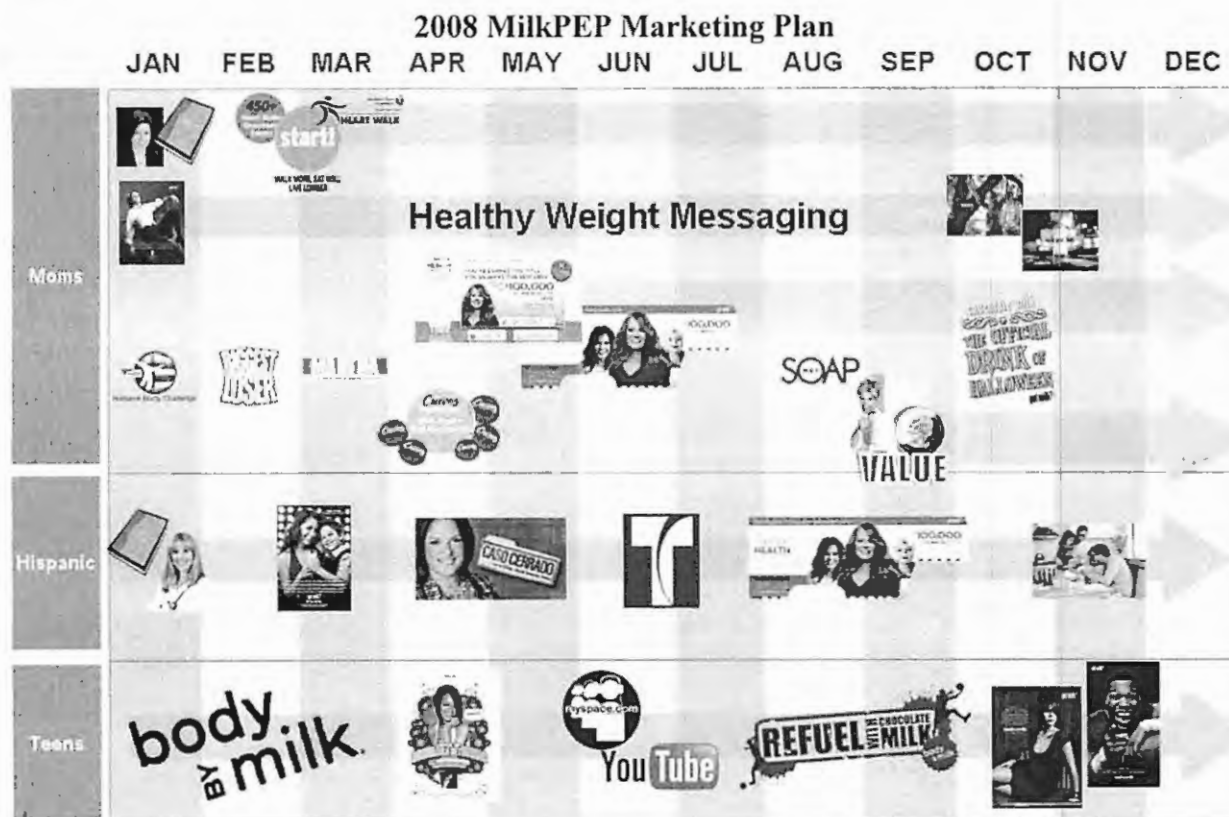
Mr. Krueger reviewed with the Board the minutes of the July 2008 meeting of the Board, including the Executive Committee session. Motion by Mr. Haugh, second by Mr. Tidwell, to approve the minutes as presented.

Angie Salinas, on behalf of USDA, presented a report to the Board including the following:

1. She reported on nominations which were currently going through department clearance for regions 3, 6, 9, 12, 15, one at-large processor and one at-large public member.
2. Ms. Salinas indicated that the report to Congress is moving through department clearance and copies will be distributed to the Board and staff when printed.
3. Ms. Salinas commended the Board on the search process they conducted and welcomed Vivien Godfrey as the CEO designee.

Mr. Krueger introduced several guests to the Board meeting, including Connie Tipton (IDFA), Barb O'Brien and Paul Rovey (DMI), Steve James (California Milk Processor Board), and new industry reps Tim Kelbel from Kroger and Scott Shehadey from Producers Dairy.

Kurt Graetzer and staff presented a report to the Board relating to 2008 integrated programs.



The review included the following programs:

- Value program “Milk gives you great nutritional bang for your buck”
 - Examples of online materials and supermarket outreach materials were presented
 - The components of the Hispanic value outreach program were also presented
 - Results of the program were presented as follows:
 - 21.8 mm ad impressions
 - 4.5 mm online ad impressions
 - 110 mm PR impressions
 - 9.3 mm Hispanic PR impressions
 - 105,326 sweeps entries
- The Chief Health Officer sweepstakes
 - Results indicated that there were 80,000 registrants, with 2.1 mm total entries and 1.2 mm site visits
- The Milk Mustache Mobile tour
 - Results indicated 220,000+ mm impressions, 363 processor events
 - Hispanic portion of the program garnered 54.7 mm impressions
- Super Mama contest
 - Generated 11.2 mm impressions
- Halloween feature incentive retail program was reviewed

Channel	Accounts	Stores
Ind. Grocery	413	5,085
C-Store/Drug	1,268	6,838
Mass Merch	149	614
ADA Key Acct	80	12,476
TOTAL	1,910	25,013

- 41.4 mm ad impressions
- 27 k retail participation
- 115 mm PR media impressions
- 54 processors in local events

The Board reviewed the results of the mom ad launches as presented below:

- Heidi Klum
 - 20.5 mm ad impressions
 - 15 mm PR impressions
- Trisha Yearwood
 - 145.3 mm ad impressions
 - 13.2 mm PR impressions
 - 144 k widget views

The Milk Advocates program results were reviewed, with 21 mm paid media impressions and 20 mm PR impressions garnered from the program.

The Board received an update relating to current activities surrounding breaking nutrition research. Areas identified were:

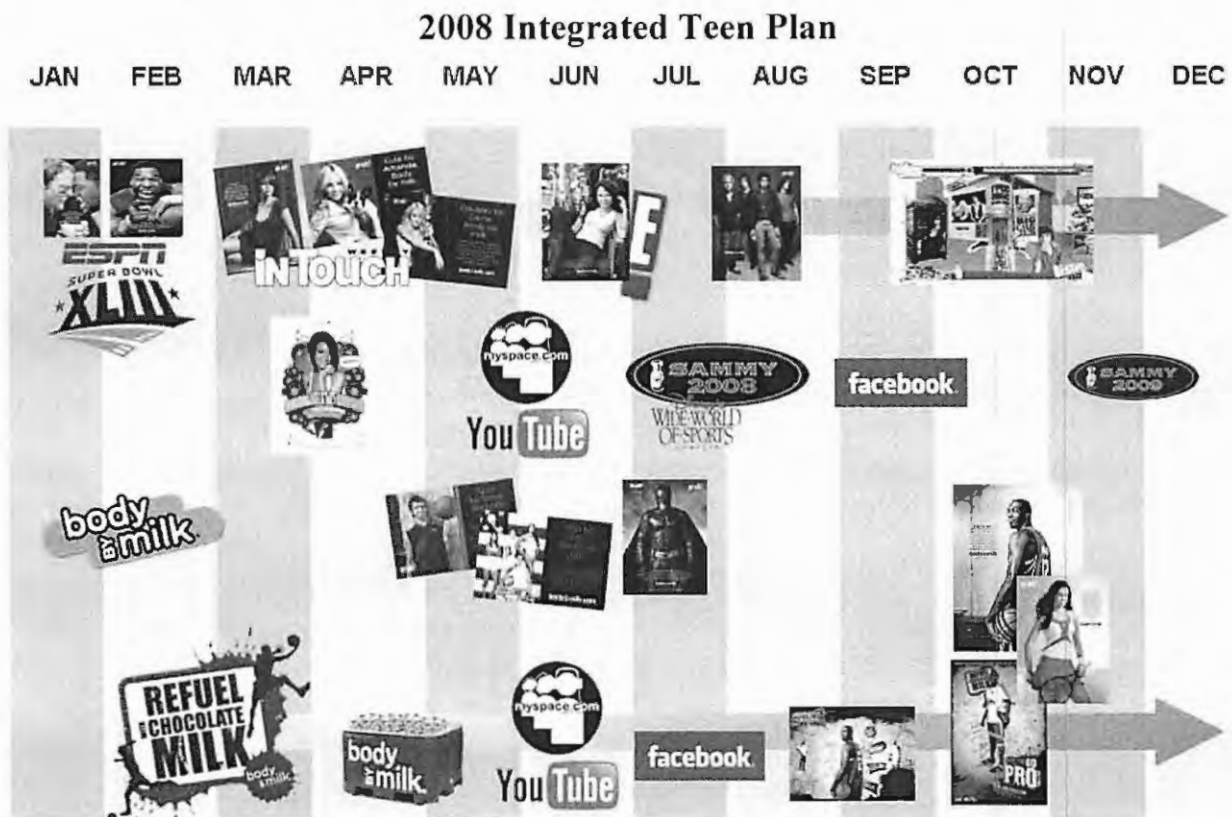
- Heart health
- Bone health
- Hypertension
- Hydration
- Calcium/vitamin D health claim

The Board also discussed the following issues:

- Melamine
 - Proactive and rapid response efforts to ensure safety of U.S. milk supply
- Higher food prices
 - Messaging and fact sheet for milk specific pricing issues
- rbST state labeling debates

- Continued coverage, Monsanto sell-off of Posilac
- Raw milk
 - Several states proposed legislation to permit sales of raw milk
 - Adding to semi-annual issues tracker to gauge consumer awareness, attitudes
- Lactose intolerance
 - Coordinated effort with DMI to correct NIDDK resource site

The 2008 integrated team plan was reviewed, including the following programs:



- “Refuel with Chocolate Milk” - to date, the program garnered the following results:
 - 71 mm ad impressions
 - 85.9 mm online ad impressions
 - 100 mm PR impressions
 - 62,361 sweeps entries
 - 15 k retail signups

The results of the teen ad breaks were reviewed.

- The All-American Rejects garnered 21.4 mm ad impressions, 21.2 mm online ad impressions, and 15 mm PR impressions.
- The Olympic athlete ad break garnered 39.2 mm ad impressions, 20.5 mm PR impressions

- Taylor Swift ad break garnered 6.5 mm ad impressions, 30 mm online ad impressions, and 32 mm PR impressions
- Chris Brown ad break garnered 13.7 mm ad impressions, 12.2 mm PR impressions

The fall 2008 school image program materials were reviewed by the Board for high schools, middle schools and elementary schools. This was followed by a report on the business development/research update.

Results of the National Dairy Sales and Milk Marketing meeting held July 28-30, 2008 were presented.

- Record showing of 119 processors in attendance
- NEW MilkPEP 101 session highlighted important processor “how-to’s”
- Workshops featured video demonstrations of MilkPEP programs in action
- Attendees indicated that their most important takeaway from the meeting is that MilkPEP programs are effective and easy to use

The second annual MilkPEP award winners were presented to the Board and management reviewed with the Board the revision of the milkdelivers.org website which provides a greater emphasis on MilkPEP programs and materials available to various trade channels.

The Board had a short recess and moved into a planning process discussion.

The Board heard a report from Marketing Management Analysis (John Manuli and Toby Korner), who presented results of the category equity study. The study objectives were as follows:

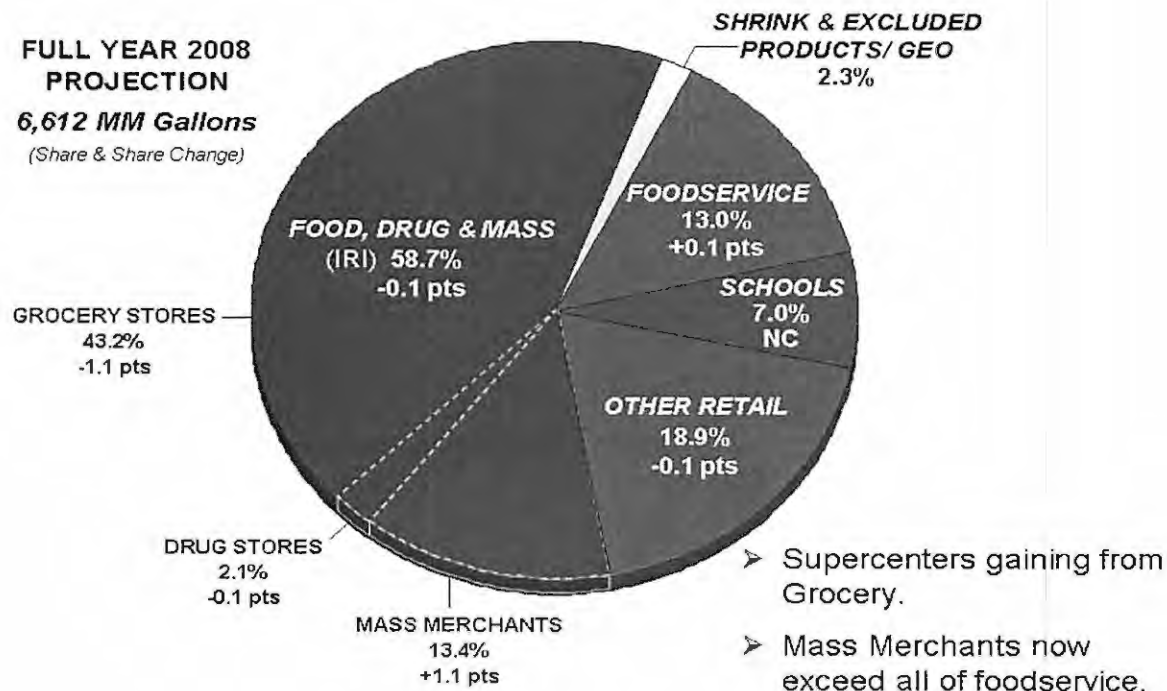
- Determine the interrelationships among consumer attitudes and perceptions that define “Category Equity” for the milk category.
- Determine the degree to which “Category Equity” drives milk segment base sales.
- Quantify the impact of marketing drivers on “Category Equity”.
- Measure the longer-term ROI derived from marketing spending.
 - Longer-term is defined as the ROI due to marketing’s impact on consumer attitudes, which can be related to changes in sales

Following the presentation of the study, the following recommendations were discussed.

- Increase spending behind the Got Milk? Print campaign
 - The current print campaign has shown the highest impact on consumer attitudes
 - The visual cue in the ads may be overriding the text, allowing consumers to project their feelings about milk and the images onto the ad, allowing it to play into pre established positive feelings
- Consider increasing Hispanic media spend.
 - Despite no clear read on Hispanic media’s ability to drive long term equity, Hispanic tactics have strong returns in the short term and should be increased
- Reconsider the role of TV going forward

- TV as currently executed is not having as strong an impact on attitudes as Print or PR.
 - Attempt to replicate the consumer takeaway from Print ads using TV. Print has shown that it is possible to put the interpretive power into the mind of the consumer.
 - Continue to look for tactical efficiencies and other ways to be on TV rather than the typical :30 spot
- Align the MilkPEP program strategy with the inherent strength of Milk
 - Healthy Weight is important for adults but Kid's Health is still the core driver of the Milk Category Equity.
 - This study validates that mom is the correct target, since Kids Health is a key driver of Equity. The health message could be expanded to include health for all ages, to build upon feelings already there.
- Do not completely abandon the healthy weight message, incorporate it into the general health and wellness message.
 - Weight Management was one of the significant factors in the analysis, and is highly related to adult nutrition and strength. In looking at the attitudinal data, these two factors go hand in hand in the consumer's mind.
- Given the strength and stability of the Category Equity, consider shifting a small amount of media support to fund additional in store promotions, which are highly efficient short term demand drivers.
 - Milk's Category Equity is very stable. Most of it is non-marketing driven, providing a low risk situation to shift to more tactical and efficient vehicles.
- Additional effort behind the national PR program should be considered.
 - In addition to strong short term efficiency, National PR changes consumer attitudes, likely building on the strength of the print campaign
 - Product placement and PR should continue to be used in the best context where the message will have a better chance of being received
- Extend the use of Online activity to create more links from appropriate contextual sites
 - The health message in a receptive context (example, WebMD) showed a strong ability to drive longer term equity.

As part of the planning process, Doug Adams of Prime Consulting presented the results of a study projecting milk volume by sales channel. MilkPEP engaged Prime Consulting to develop and implement a channel tracking program to provide the Board with accurate projections of fluid milk sales in gallons for each major channel of distribution, along with quantification of growth trends. Below is a summary of the projection of milk sales by channel:

**FULL YEAR 2008
PROJECTION****6,612 MM Gallons***(Share & Share Change)*

The study identified several areas which presented opportunities:

CONVENIENCE	Single-serve flavors are battling against energy drinks for shelf space. Consider Refuel promotion aimed at C-store target consumer.	
SCHOOLS	Currently achieving 61% of potential. Focus on protecting flavored milk status while expanding the number of flavors and overall consumption. Achieving "a milk with every meal" would yield an incremental 287 MM gallons each year.	
CLUBS	Single-serve and flavors are notable opportunities. May call for shelf stable products or UHT/ESL.	
WHITE FAT LEVELS	Be on the lookout for lowering of fat content in Full Service Restaurants, as menu nutrition labeling requirements grow. Whole milk represents over 50% of White milk. This channel also represents roughly 20% of Buttermilk. Dollar stores have similar White fat mix driven by shopper demographics.	
BUTTERMILK	Restaurants & Retail Products	Signature marketing of Buttermilk based products could expand beyond Cracker Barrel and Hardees.

FOOD SERVICE	Limited Service	Chain by chain revamping program (<i>similar to McDonald's, Wendy's, Subway</i>) could yield 11-40 MM gallons per year.
	Long Term Care/ Senior Living	Strong volume today with no marketing effort. Growth expected to be very strong with aging of population. Consider nutrition and osteoporosis based information to increase consumption amongst baby boomers.
	Colleges/ Universities	Consider expanding Body By Milk poster and Refuel programs to Colleges. Potential for Refuel College Tour that could be captured and used in High School/ teen efforts.
	3 Residential Channels • Colleges • LTC/ Senior Living • Corrections	Evaluate/ promote proper daily intake/ servings as way to gauge marketing opportunity/ payout.

The Board proceeded to conduct a planning process to identify strategic issues and objectives and gather input from Board members.

The Board reviewed the current economic environment and the effect it has had on consumers of all products. Key points identified:

- Consumers are scaling back on a number of items and not just lower-income households
- Increased prices for household staples are forcing consumers to make harder choices. When it comes to choosing between beverages, milk is at a distinct disadvantage.
- Even upper-income segments are shifting their shopping and purchasing behaviors
- Health and nutrition are at risk among lower income segments
- Organic milk has bucked the trend of price-driven declines, with double-digit growth every month despite price increases
- Since limiting MilkPEP's strategic focus on flavored milk, volume growth has declined
- Flavored milk prices near historic highs with corresponding volume decline
- Innovation has shifted focus from flavored to white milk
- Flavored milk is losing shelf space
- Nearly half of all flavored milk is sold in schools and volume there is eroding
- All other non-retail channels are posting gains

Several issues were raised and discussed:

- What is the impact of the new administration? (less sympathy for industry, closer ties to consumers)
- Where is the industry on green initiatives?
- What does the consumer really care about? There is a need to continually monitor consumer attitudes and build into the planning process.

- There seems to be trouble correlating market research and market signals.
- We need to have resources available to focus on changes as they become necessary.
- How does the nutrient-rich foods platform fit within the program?
- How do we test the influence of kids on their moms' decisions?

Following discussion, staff was to look at several of these questions for response to the Board during the planning process.

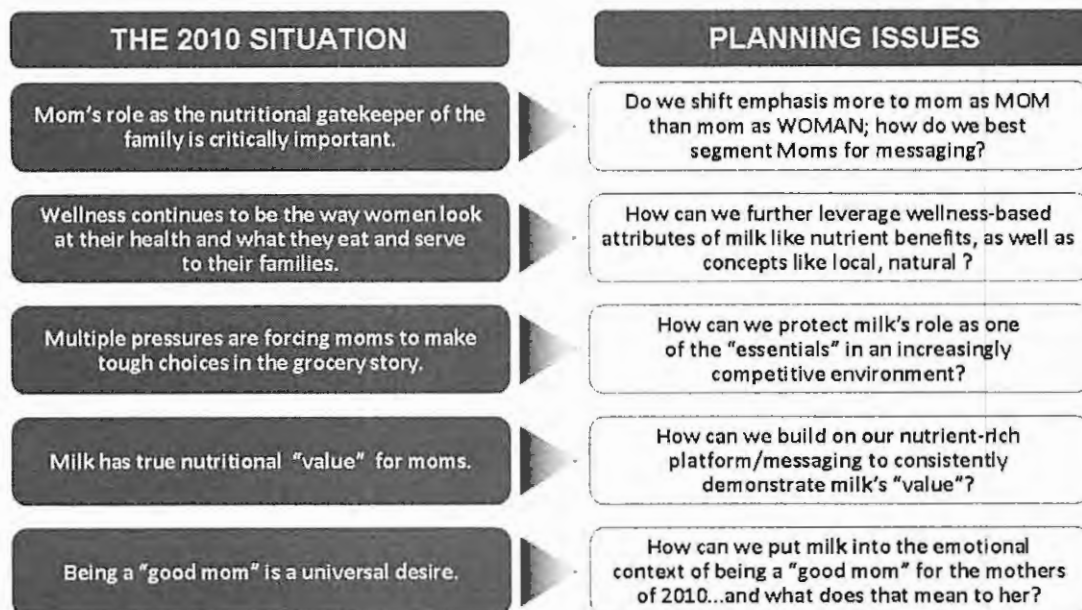
The Board discussed inputs that have been provided by processors and discussed the following key issues:

- Most processors are participating on some level
- Processors and retailers are asking for program consistency
 - Year after year programs and themes are easier to sell in
- Processor-generated activity is a growth area
 - Processors are focusing on local opportunities
 - Utilization reports show a slight shift away from national retail participation and into locally-driven activities, and processors say retailers are doing less and less milk promotion

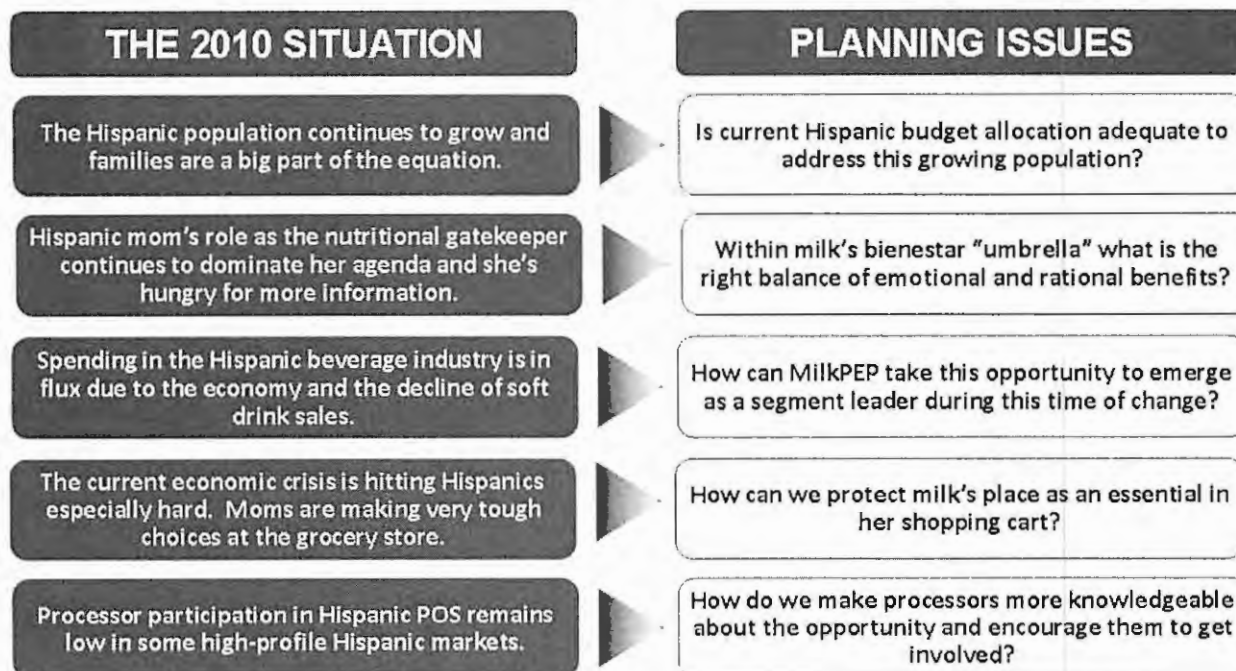
The Board reviewed the objectives they have set for the program.

1. Drive milk volume/consumption among consumer targets
2. Educate consumers about milk's benefits (messaging)
3. Create opportunities for processors to improve their business
4. Execute plan effectively and efficiently
5. Stewardship of budget

With these objectives in mind, the Board discussed how to best reach the targets of the program. Many Board members identified moms as the gatekeeper for the family and that today's moms are in a wellness mindset. As a result of the discussion, the following issues were identified:

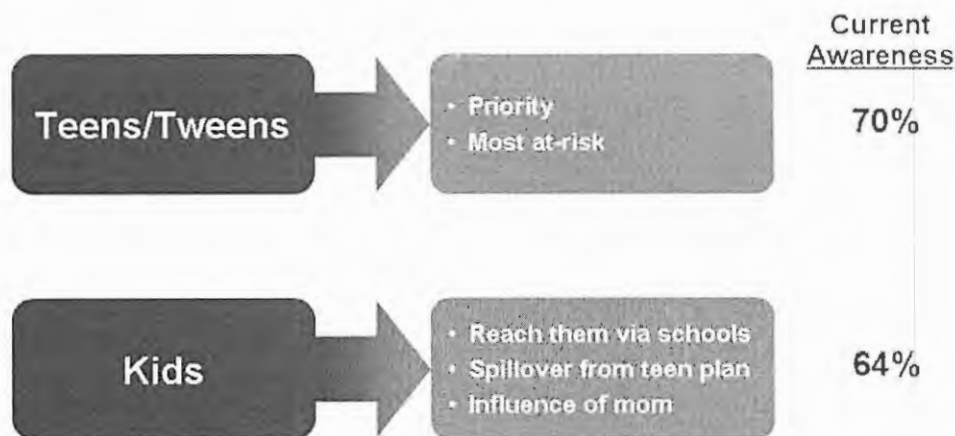


The Board conducted a similar planning process for Hispanics. It was pointed out that the Hispanic budget for MilkPEP is disproportionate to the Hispanic market size and that the MMA study identified Hispanic media as an opportunity area for increased funding. The Board identified the following issues to be addressed through the planning process:

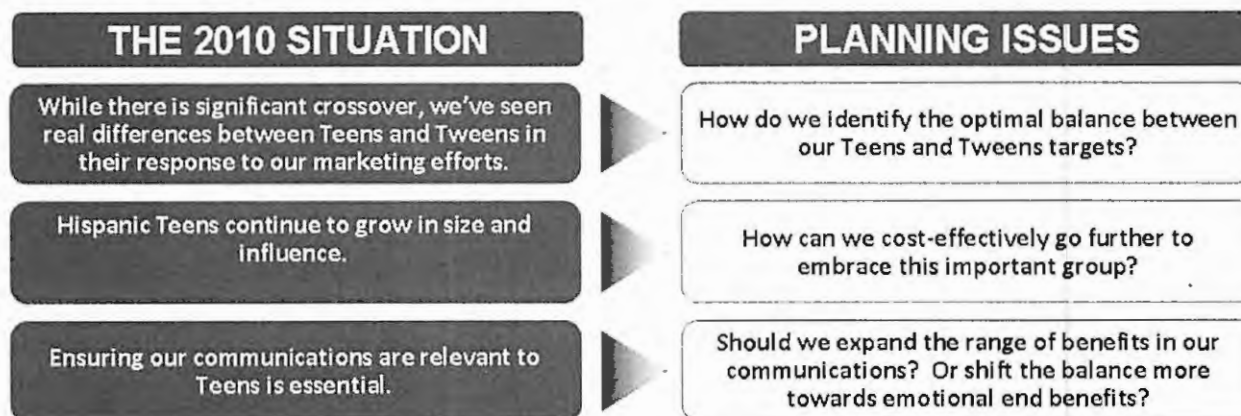


With regard to the teen market, it was pointed out that the total youth population will expand to nearly 70 mm by 2050, with teens and tweens comprising over half of this group. The Board also

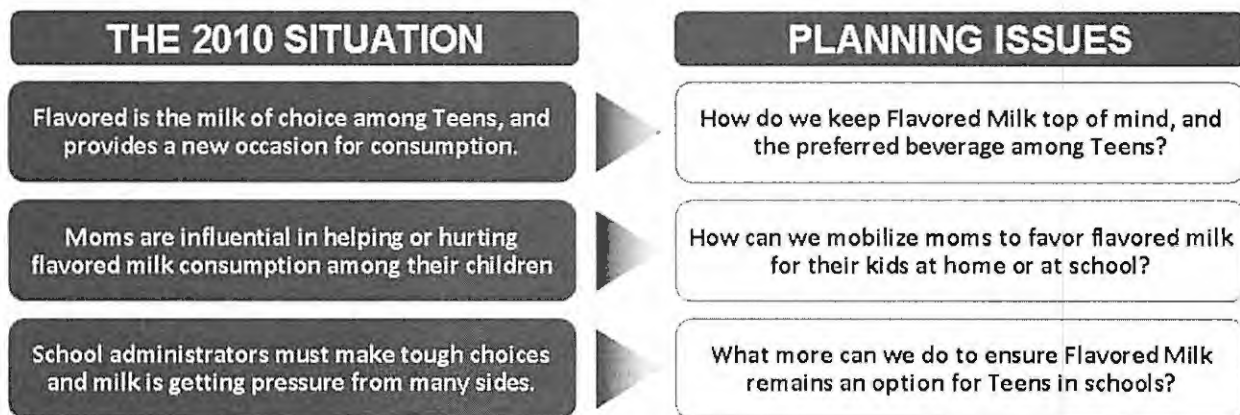
reviewed current targeting priorities, with several Board members noting that the marketing landscape is changing for teens and tweens.



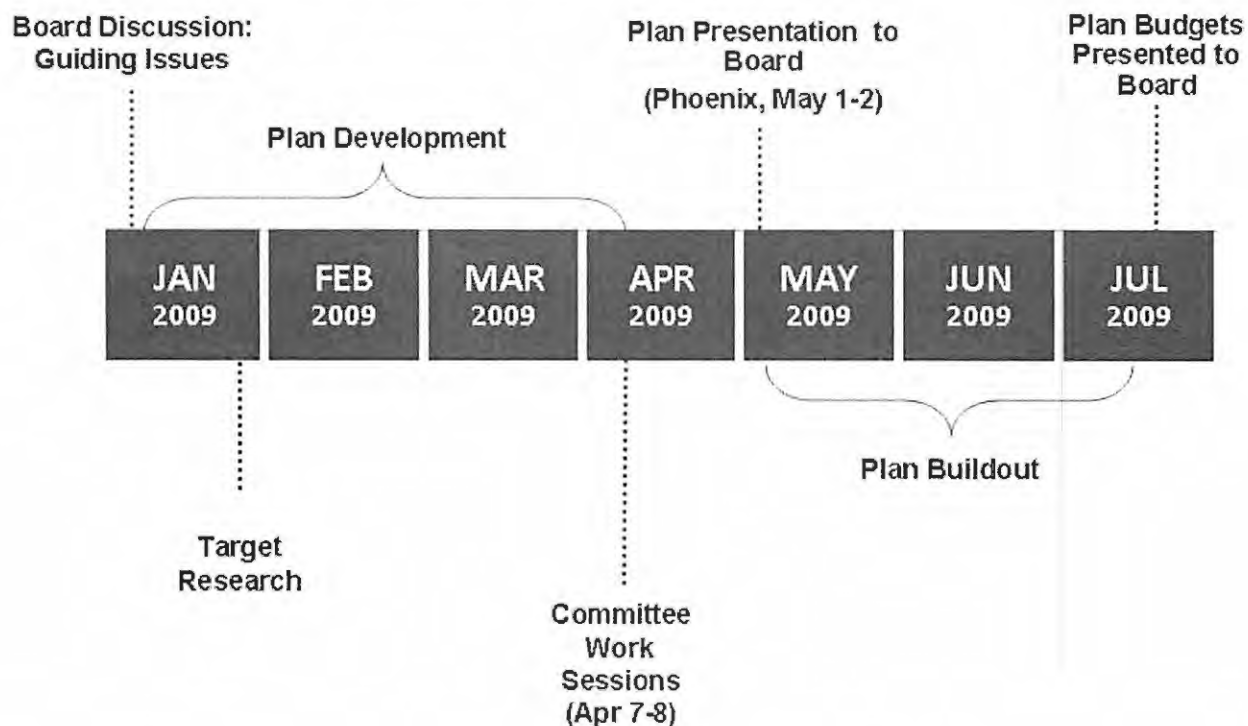
The Board discussed the current milk benefit messaging targeted at teens, which includes the two lead benefits of appearance and fitness. Based upon the discussion, the following planning issues were identified:



The Board discussed the flavored milk market and how to best impact consumption. Nearly half of all flavored milk is sold in schools; however, flavored milk consumption and volume in schools is eroding, while other non-retail channels are posting gains. It was pointed out that flavored milk is preferred by teens, 75% to 25%, when a choice is given. The Board discussed several issues related to flavored milk in schools, including increased competition from healthy beverage offerings, including a possible elimination of flavored milk, the rising cost of milk potentially leads to higher cost product or inferior product offerings, and potential pushback on flavored milk from parents, teachers and principals based upon a wellness platform. As part of the planning process, the Board identified the following issues:



The Board discussed the 2010 planning timeline, which is summarized below:



Chairman Krueger requested Treasurer Jim Green to present a report of the Finance Committee. Mr. Green reported that the committee had carefully reviewed assessment projections and cash flow reports for 2009 and 2010. He indicated that management had presented a competitive bidding analysis and they have reviewed the November 2008 financials as provided by management. The committee also reviewed the results of compliance and collections activity by USDA, which resulted in a net credit back to producers of \$51,412 for 2008.

Mr. Green reported that for 2008 the Board achieved an expense savings of over \$300,000 in administrative costs and \$800,000 in a reduction of program management expenses. The

committee is recommending carrying over \$800,000 from the 2008 budget to the 2009 budget and will present a recommendation to this effect. The committee will also present a recommendation on a projection for assessment income for 2010 so that the planning process can begin. Mr. Green moved the following committee recommendations:

1. Motion to approve the Finance Committee recommendation to approve the 2008 budget amendment, including the revisions to the administrative budget as presented in Exhibit I. Motion approved.
2. Motion to approve the January 2009 authorization requests funded from the 2008 budget, pending approval by the appropriate program committee. Motion approved.
3. Motion to approve the Finance Committee recommendation to approve the budget amendment to the 2009 budget, including amendments to the administrative budget as presented in Exhibit II. Motion approved.
4. Motion to approve the Finance Committee recommendation to approve the 2009 authorization requests pending approval of the appropriate program committee. Motion approved.
5. Motion to approve the Finance Committee recommendation to establish a 2010 budget baseline for projected assessments at \$107 million. Motion approved.

Mr. Green discussed with the Board the results of a review by the audit firm Snyder Cohn of the Siboney agency retained by MilkPEP. Mr. Green moved the Finance Committee recommendation to accept the financial review submitted by Snyder Cohn of Siboney. Motion approved.

There being no further business to come before this session of the Board, the meeting was recessed. (b) (6)

APPROVED:

DATE:

— 5/1/09 —

MINUTES

MilkPEP Board Meeting – General Session II

January 10, 2009
Orlando, FL

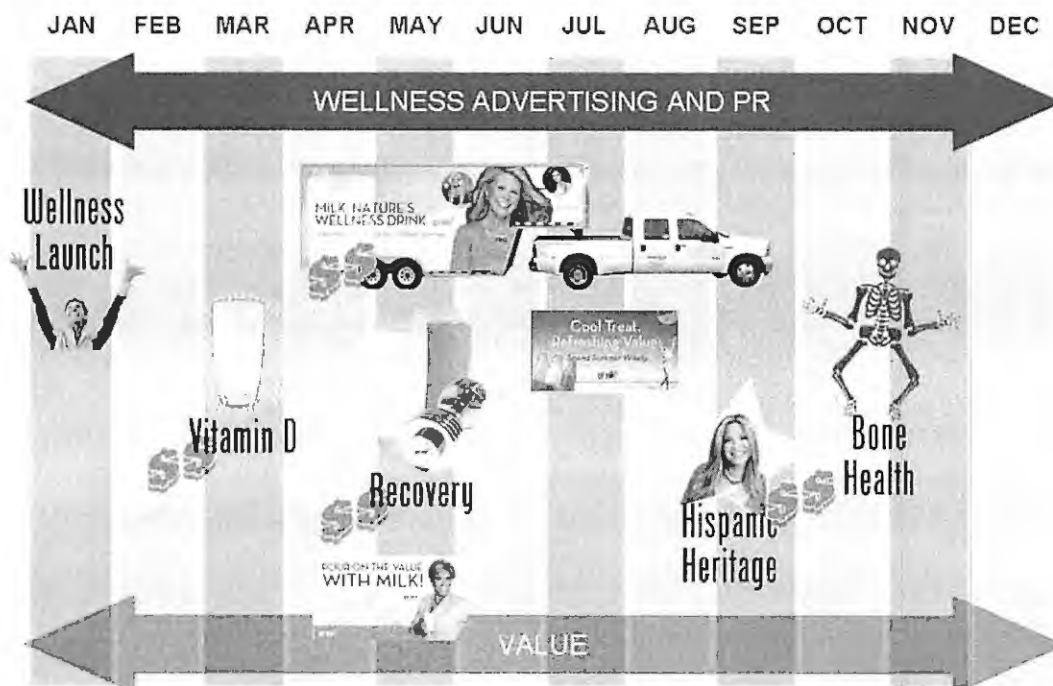
Chairman Mike Krueger reconvened the Board into session at 10:00 am local time. Mr. Krueger introduced Vivien Godfrey, the MilkPEP CEO designee, and provided Ms. Godfrey an opportunity to make a few comments to the Board and guests.

Barbara O'Brien of Dairy Management, Inc. made a presentation to the Board reviewing certain activities that DMI was conducting, including:

- An overview of the 2006-2010 business plan for DMI
- Innovation Center for U.S. Dairy
- A brief overview of the child nutrition and fitness initiative

Following Ms. O'Brien's presentation, Mr. Krueger introduced Connie Tipton and asked her to make a few remarks to the Board. She reviewed with the Board the status of the congressional and executive branch transitions, the current economic environment and its impact on the dairy industry. Mr. Krueger expressed appreciation to Ms. O'Brien and Ms. Tipton for their input.

Mr. Krueger asked Mike Touhey to present a report of the Moms Committee. Mr. Touhey reviewed with the Board the new creative for the Wellness and Value components of the 2009 program. Presented below is a calendar of the integrated activities for 2009:



The 2009 Milk Advocates program was presented.

	Investment	Est. Value
Martha Stewart	0	\$115k
Rachael Ray	\$500k	\$1,100k
The Biggest Loser	\$167k	\$240k
	\$667k	\$1,455k

The committee also reviewed with the Board the vitamin D and muscle recovery and bone health activities which will be conducted.

Mr. Touhey discussed with the Board tentative determinations for the 2010 plan as discussed by the committee, which are summarized below:

- Role of TV
 - Do not abandon completely
 - Advocates provides contextual relevance
 - Explore ways to duplicate print equity
- In-store promotions
 - More tied to retailer calendars
 - May require departure from program events
 - Explore partnerships (e.g., Oreo, cereal, fruits, oatmeal)
- Messaging and segmentation
 - Need to avoid diluting with too many messages
 - Explore “green”/sustainability
 - Learnings from organic for good mom insights?

With regard to the 2009 Moms Committee budget, Mr. Touhey reviewed with the Board the committee recommendations to transfer funding as presented below. Mr. Touhey moved the committee recommendation to recommend approval of the budget amendment presented. Motion approved.

2009 Mom Target Authorizations

Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
Broadcast Media	Lowe	09-01-01	18,800,000	-2,100,000	16,700,000	-2,100,000	16,700,000	0
Mom Print Media	Lowe	09-01-02	18,300,000	1,500,000	19,800,000	4,500,000	9,500,000	10,300,000
Advertising Production	Lowe	09-01-03	3,500,000	0	3,500,000	920,000	2,765,000	735,000
White Milk (Jan, Sept)	Draft	09-03-19	2,323,000	-68,000	2,255,000	300,000	1,975,500	279,500
Feature Incentive (Mar, May, July, Oct)	Draft	09-03-20	2,758,000	1,788,000	4,546,000	2,050,000	3,300,000	1,246,000
Wellness Launch (Jan)	Weber	09-02-05	921,000	0	921,000	0	921,000	0
Milk Advocates	Weber	09-02-06	400,000	-125,000	275,000	180,000	275,000	0
MMM: Wellness Tour	Weber	09-02-07	5,250,000	0	5,250,000	3,250,000	4,250,000	1,000,000
Liquid Sunshine/Vitamin D	Weber	09-02-08	\$485,000	-60,000	425,000	325,000	425,000	0
Women's Recovery/Muscle and Bone	Weber	09-02-09	660,000	-250,000	410,000	310,000	410,000	0
Hispanic Heritage	Weber	09-02-10	110,000	0	110,000	30,000	30,000	80,000

2009 Mom Target Authorizations

Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
Halloween	Weber	09-02-11	790,000	0	790,000	100,000	100,000	690,000
Women Ad Breaks (ongoing Media Relations)	Weber	09-02-12	240,000	0	240,000	100,000	140,000	100,000
Nutrition News Bureau	Weber	09-02-13	655,000	0	655,000	300,000	345,000	310,000
Whymilk.com	Weber	09-02-14	280,000	0	280,000	100,000	160,000	120,000
Medical Advisory Board	Weber	09-02-15	100,000	0	100,000	50,000	65,000	35,000
Health Professionals	Weber	09-02-16	300,000	0	300,000	170,000	300,000	0
Issues Management	Weber	09-02-17	467,500	0	467,500	200,000	240,000	227,500
Program Management/2010 Planning	Weber	09-02-18	367,500	0	367,500	150,000	190,500	177,000
Program Management/2010 Planning	Draft	09-03-21	475,000	0	475,000	225,000	475,000	0
MAB/Medical Research	PEP	09-00-28	250,000	0	250,000	90,000	90,000	160,000
Legal	PEP	09-00-27	200,000	0	200,000	100,000	100,000	100,000
MilkPEP Program Management	PEP	09-00-29	755,000	0	552,000	0	0	552,000
Total			58,387,000	685,000	58,869,000	11,350,000	42,757,000	16,112,000

Mr. Touhey reviewed with the Board the authorizations which had been approved by the committee pending the approval of the amendment. This completed the report of the committee.

Bob McCullough, chairman of the Hispanic Committee, reviewed with the Board the La Leche Es Bienestar program. The launch will include the following elements:

- Unveil the latest celebrity to join the Hispanic campaign
 - Launch new BIENESTAR platform
- Opportunity to educate reporters
 - Have Su-Nui talk about why milk is nature's wellness drink...
 - SMT
- Host a media "wellness" luncheon in Miami with Dayanara
 - Location: Doral Spa
 - Date: January 30

The committee also presented activities relating to the vitamin D promotion and the "liquid

sunshine” feature incentive Hispanic overlay program. New creative involving Carolina Herrera and her daughter was reviewed. With regard to the value initiative, the Board reviewed the July-August all milk value feature incentive, which will showcase milk as a budget-minded, kid-friendly treat. With regard to 2010 planning, Chairman McCullough reviewed the following issues:

- Budget
 - Understand mom budget spending that is spent directly against Hispanic program
 - Consider additional spending in the Hispanic spending
- Economy
 - Regressive economy impacts Hispanics especially hard
 - Value message needs to be front and center of all programs (2009-2010)
- Processor Participation
 - Staff and agency homework
 - Increased direct communication to processors on the program

The 2009 Hispanic Committee budget was reviewed by the Board. Mr. McCullough reviewed the authorizations which had been approved by the committee pursuant to the budget as presented below:

2009 Hispanic Target Authorizations

Project	Agency	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Hispanic Media (TV & Print)	SiboneyUSA	09-04-60	4,650,000	0	4,650,000	1,081,500	3,281,500	1,368,500
Hispanic Production	SiboneyUSA	09-04-61	\$850,000	0	850,000	250,000	850,000	0
Hispanic Public Relations	SiboneyUSA	09-04-62	\$1,000,000	0	1,000,000	242,000	492,000	508,000
Total		-	\$6,500,000	0	\$6,500,000	\$1,573,500	\$4,623,500	\$1,876,500

This completed the report of the committee.

The chairman of the Teens Committee, Jerry Tidwell, reviewed new creative for the following programs:

- BodyByMilk.com
- Get Fit by Finals
- School posters
- Upcoming celebrity teen ads
- “Got Noise?” video program

An update was presented on the SAMMY program as presented below:

**Attention
High School Seniors:**

**\$7500
for college**

Are you game?


The Milk Mustache Campaign is pleased to bring you SAMMY 2009, the "Scholar Athlete Milk Mustache of the Year" Awards

What game? How about a winning milk? Milk mustache tag, you with both of these things. Some studies suggest teens who mustache milk, are happy, drive hard to be better, join the playground team spirit. Staying active, eating right and drinking 7 glasses a day of milk or milk products help you look your best. So for a winning mustache, milk can provide you with a \$7500 college scholarship.


How to Enter and Win Big:
The SAMMY Awards recognize outstanding graduating high school student athletes from across the country who show excellence in academics, athletic performance, leadership and community service. For complete rules and an online application, log on to the Milk Mustache site at bodybymilk.com.


The Prize of a Lifetime:
After preliminary judging by a panel of students and coaches, winners will be chosen. Along with their Milk Mustache & Shave, will receive \$7500. The winners will receive a \$7500 college scholarship, an invitation to attend an awards ceremony scheduled for June 20-28, 2009, and an opportunity to be featured in a special Milk Mustache ad in a June 2009 edition of USA TODAY and other national publications.

For complete rules, information and to fill out application, visit us at bodybymilk.com



**body
BY milk.**

got milk? 



©2009 American Dairy Farmers

10,000+ applications to date

Applications due March 6, 2009!

15MM+ impressions to date

With regard to the Teens Committee budgets, Mr. Tidwell reviewed with the Board the committee recommendation to amend the 2008 teen budget as presented below. Motion approved.

2008 Teen Authorizations – January 2009

Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
Milk Mustache Media Machine	Weber	08-34	196,000	0	196,000	0	196,000	0
Refuel Your School National PR	Weber	08-36	200,000	0	200,000	0	200,000	0
SAMMY	Weber	08-37	150,000	0	150,000	0	150,000	0
Web Site	Weber	08-38	395,000	0	395,000	0	395,000	0
Grassroots - Refuel Your School Events	Weber	08-40	550,000	0	550,000	0	550,000	0
Disney Sponsorship	Lowe	08-04	2,400,000	0	2,400,000	0	2,400,000	0
School Image	Lowe	08-21	4,050,000	25,000	4,075,000	25,000	4,075,000	0
Jan-June Body By Milk	Draft	08-52	1,861,450	0	1,861,450	0	1,861,450	0
Aug-Dec Body By Milk	Draft	08-53	1,882,350	0	1,882,350	0	1,882,350	0
Total			11,684,800	25,000	11,709,800	25,000	11,709,800	0

NOTE: \$25,000 transfer to #08-21 School Image from BDR # 08-61 (Sales Materials) to pay for additional charges for gym banners based on current environmental factors (increased costs of vinyl and increased distribution costs).

Mr. Tidwell also explained the authorization which was approved by the committee pending approval of that budget amendment. With regard to the 2009 teen budget, Mr. Tidwell moved the committee recommendation to approve the budget amendment as presented below. Motion approved.

2009 Teen Authorizations – January 2009

Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
Teen Advertising Media	Lowe	09-01-30	8,600,000	0	8,600,000	2,500,000	5,600,000	3,000,000
Teen Advertising Production	Lowe	09-01-31	2,600,000	0	2,600,000	1,100,000	2,030,000	570,000
School Image program	Lowe	09-01-32	3,100,000	0	3,100,000	65,000	1,265,000	1,835,000
Disney Sponsorship	Lowe	09-01-33	2,400,000	0	2,400,000	0	2,400,000	0
NBA Sponsorship	Lowe	09-01-34	2,000,000	0	2,000,000	0	2,000,000	0
Body by Milk Promotion	Draft/b	09-03-35	2,550,000	0	2,550,000	482,500	2,067,500	482,500
Get Fit By Finals	Weber	09-02-36	1,150,000	0	1,150,000	650,000	1,150,000	0
Teen Ad Breaks/Ongoing Media Relations	Weber	09-02-37	450,000	0	450,000	200,000	240,000	210,000
SAMMY	Weber	09-02-38	160,000	0	160,000	95,000	135,000	25,000
Bodybymilk.com	Weber	09-02-39	740,000	0	740,000	250,000	500,000	240,000
Program Management/2010 Planning	Weber	09-02-40	157,500	0	157,500	50,000	77,500	80,000
Program Management/2010 Planning	Draft/b	09-03-41	475,000	0	475,000	225,000	475,000	0
MilkPEP Program Management	PEP	09-00-59	\$500,000	(134,000)	\$366,000	\$366,000	\$366,000	0
Total			\$24,882,500	(134,000)	\$24,748,500	\$5,983,500	\$18,306,000	\$6,442,500

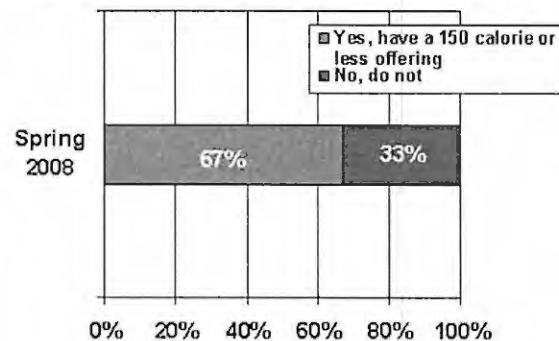
Mr. Tidwell also reviewed the authorizations which had been approved by the committee pending approval of the budget amendment. This completed the report of the Teens Committee.

Brian Haugh, chairman of the Business Development & Research Committee, presented results on the flavor formulation workshops.

Processors

- At the processor level, 67% of all Processors have 150 calorie or less flavored offerings in schools
- Results are heavily skewed in favor of Processors who held the MilkPEP Flavored Milk Formulation Workshop
 - 83% who held workshop have reduced calorie reformulation

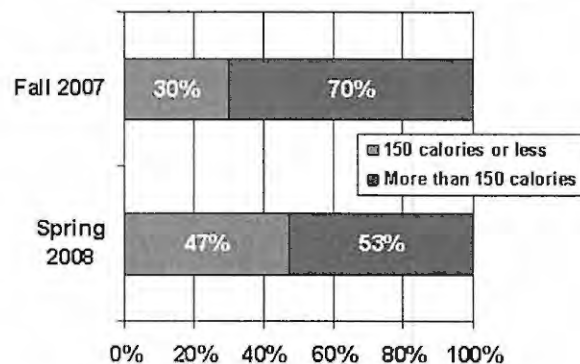
Processors Who Have Flavored Milk 150 Calories or Less



In Schools

- More reformulated flavored milk products have been introduced in schools (17 point improvement)
- Now nearly half of flavored milk products satisfy the 150 calorie

Flavored Milk Products Available in Schools



Source: Flavor Formulation Measurement, Spring 2008. Prime Consulting

In addition, Mr. Haugh reported that 10% of respondents reported changes in milk versus last year and over half of these changes related to lowered fat levels, while 43% lowered sugar/calorie levels. He also pointed out that nearly half of the decisions to change a nutritional component of flavored milks were made by the food service director and the Alliance for a Healthier Generation was cited for only 10% of the changes made to flavored milk.

Mr. Haugh also reviewed with the Board the school advisory council created by the MilkPEP Board.

School Food Service

Michelle Risenhower, Birdville ISD, TX
Helen Ferguson, Boston Public Schools, MA
Janey Thorton, Hardin Cty Schools, KY
Linda Stoll, Jefferson Cty Schools, CO
Lilly Bouie, Little Rock Schools, AR
Kathy Lazor, Montgomery Cty Schools, MD
Tammy Yarmon, Omaha Schools, NE
Carmen Fisher, Rockwood Schools, MO
Kelly Orton, Salt Lake City District, UT
Sally Spero, San Diego USD, CA
Sandra Ford, Manatee Cty, FL
Mary Ann Lopez, South Windsor, CT

Processors

Rich Winkler, Prairie Farms
John Morgan, Darigold
Penny Baker, Smith's Dairy
Vince Varjabedian, NDH

Dairy Council

Camelia Patey, DMI
Laura Wilford, Wisconsin
Milk Marketing Board

*Other representatives to be recruited on need basis based on discussion topics

With regard to 2010 planning, the committee reported the following determinations:

What we heard in from SAC & 2010 Planning Meeting

Flavored milk is under fire in some schools from principals, teachers, and parents because of added sugars and calories



Quantify prevalence of current threat to determine plan of action
Quantify effect of flavored milk elimination in schools

Key influencers are often uneducated and unaware of the benefits of flavored milk



Increased and more aggressive communication to influencers may be necessary to educate them on the benefits of flavored milk

Vocal minorities are driving policy changes and the elimination of flavored milk in some settings



Empower the silent majority with simple and easy nutritional tools/resources to reach key influencers and influence policy decisions

MilkPEP Action Plan

Mr. Haugh also reported that his company, National Dairy Holdings, has requested their individual dairies get more involved and educated with available programs and partners. NDH requested that each region hold meetings with MilkPEP and state/regional organizations to:

- Understand current priorities and competencies of both entities and how NDH can best leverage these priorities
- Understand current structures of partners and discuss working relationships that allow NDH to take advantage of opportunities
- Understand current plans and initiatives from both partners
- Understand specific responsibilities regarding retail promotions and schools
- Expectations and working relationships as we move into the future

One meeting has been held so far and was very successful. Three additional meetings have been planned.

The Board reviewed the 2009 market research plan as presented below:

- Business Performance and Tracking
 - On-going tracking efforts including IRI scan track data and advertising tracking
- Communication Testing
 - Qualitative and quantitative testing of planned 2009 creative for General Market and Hispanic Moms including quantitative message testing for teens
- Program Development
 - Includes research to understand what defines a modern “Good Mom” and how best to talk to Mom about her family
- Promotion Measurement
 - Interactive Evaluation
 - Marketing Mix
- USDA Program Measurement

With regard to the 2009 Research budget, Mr. Haugh moved the committee recommendation to approve the amendment to the budget as presented below. Motion approved.

2009 Research Authorizations – January 2009

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Business Performance & Tracking	09-00-80	900,000	122,500	1,022,500	122,500	1,022,500	0
Communication Testing	09-00-81	0	120,000	120,000	120,000	120,000	0
Program Development	09-00-82	0	165,000	165,000	165,000	165,000	0
Promotion Measurement	09-00-83	0	100,000	100,000	100,000	100,000	0
Program Management	09-00-87	380,000	-102,000	278,000	278,000	278,000	0
Unallocated	09-1A	1,600,000	-507,500	1,092,500	0	0	1,092,500
Total	-	\$2,880,000	\$-102,000	\$2,778,000	\$785,500	\$1,685,500	\$1,092,500

The Board reviewed the authorizations which were approved by the committee pending approval of the budget amendment. Mr. Haugh reviewed with the Board the 2009 program measurement

budget and moved the committee recommendation to approve the amendment as presented below. Motion approved.

2009 Program Measurement Authorizations – January 2009

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Program Measurement	09-00-86	200,000	0	200,000	100,000	100,000	100,000
Program Management-Program Measurement	09-00-88	15,000	-6,000	9,000	9,000	9,000	0
Total	-	\$215,000	-\$6,000	\$209,000	\$109,000	\$109,000	\$100,000

With regard to the 2008 Business Development budget, Mr. Haugh moved the committee recommendation to approve the budget amendment as presented below. Motion approved.

2008 Business Development Authorizations – January 2009

Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
Got News?	Weber	08-44	100,000		100,000	0	100,000	0
Service Team	Weber	08-45	669,200		669,200	0	669,000	0
Promotion Program Sales Support	Draft	08-58	550,000	0	550,000	0	550,000	0
Processor Support	Draft	08-67	788,800	72,000	860,800	72,000	860,800	0
B-to-B Communications Plan	PEP	08-60	675,000	70,000	745,000	70,000	745,000	0
Sales Materials	PEP	08-61	100,000	(25,000)	75,000	0	75,000	0
Trade Shows/Seminars	PEP	08-62	110,000	(20,000)	90,000	0	90,000	0
CSMO/School State Seminars	PEP	08-63	30,000	0	30,000	0	30,000	0
Program Management	PEP	08-69	200,000	0	200,000	0	200,000	0
Total			3,223,000	97,000	3,320,000	142,000	3,320,000	0

72k transfer to Auth 08-57 =

Auth 08-57 \$45,000 – into Processor Support for Online offer (creative development)

Auth 08-57 \$27,000 – into Processor Support for Values Sales Kit Addendum

70k transfer to Auth 08-60 =

Auth 08-60 \$50,000 – into Industry Communication Plan for additional processor and trade communication

Auth 08-60 \$20,000 to transfer within the current budgets from Auth 08-62 (Trade Show/Seminars) to Auth 08-60 (Industry Communication Plan) to cover additional work and updates necessary to Milkpep.org

\$25,000 to transfer out of BRD budget Auth 08-61 (Sales Materials) to Auth 08-21 (School Image in the Teen Committee Budget) to pay for additional charges for gym banners based on current environmental factors (increased costs of vinyl and increased distribution costs)

Approved via email to Committee on 9/26/08

Finally, Mr. Haugh reviewed the 2009 Business Development budget and moved the committee recommendation to amend the budget as presented below. Motion approved.

2009 Business Development Authorizations -- January 2009

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Industry Communication Plan (Trade and Processor)	09-70	1,155,800	75,000	1,230,800	75,000	1,230,800	0
Print Media (Trade)	09-71	200,000	125,000	325,000	125,000	325,000	0
Sales Materials	09-72	100,000	0	100,000	100,000	100,000	0
Trade Shows/Seminars	09-73	110,000	0	110,000	110,000	110,000	0
Processor/Sales Support	09-74	1,015,000	0	1,015,000	400,000	690,000	165,000
Service Team	09-75	775,000	0	775,000	275,000	325,000	450,000
School Advisory Council	09-78	90,000	0	90,000	0	90,000	0
MilkPEP Program Management	09-89	550,000	(148,000)	402,000	402,000	402,000	0
Total	-	\$3,995,800	\$52,000	\$4,047,800	\$1,487,000	\$3,432,800	\$815,000

\$200k coming into BDR from general funds to support value communications and trade media

Mr. Haugh reviewed with the Board the authorization requests which had been approved by the committee pending approval of the budget amendment. This completed the report of the Business Development & Research Committee.

Mr. Krueger expressed appreciation to the committee chairmen and staff for their presentations to the Board. He asked if there was any other business to come before the Board at this time. Once again, he expressed appreciation to all of the Board members and staff for their participation and guests for their input.

There being no further business to come before the Board, the meeting was recessed.

(b) (6)

APPROVED: _____

DATE: _____

5/11/07

MINUTES

MilkPEP Board Meeting – General Session I

April 30-May 2, 2009
Phoenix, AZ

Chairman Mike Krueger called the Board into session at 8:00 am local time. Members present included Terri Webb, Mike Touhey, James Walsh, Mike Smith, Steve Turner, Rick Zuroweste, Jerry Tidwell, Mike Krueger, James Green, Ed Mullins, Mike Nosewicz, and Brian Haugh. Also present were industry reps Chris Ross, Tim Kelbel, Miriam Erickson Brown, Mary Hill, Al Guida, and Bryan Linney. Guests present included Connie Tipton (IDFA), Paul Rovey and Barb O'Brien (DMI), and Steve James (CMPB). Also present were Kurt Graetzer, Vivien Godfrey and Ron Rubin (MilkPEP staff), Angie Salinas and Whitney Rick (USDA liaison), and Wayne Watkinson (legal counsel).

Following roll call, Chairman Krueger requested the Board's intent with regard to the minutes of the January 8-10, 2009 meeting in Orlando, FL, including the executive session. Motion by Mike Nosewicz, second by Mike Smith, to approve the minutes as presented. Motion approved.

Mr. Krueger requested a report from USDA. Angie Salinas presented a report including the following items:

1. Ms. Salinas reviewed the status of Board appointments.
2. Ms. Salinas indicated that the USDA evaluation report for 2008 has been published and is available for distribution..

Mr. Krueger thanked Ms. Salinas for her report.

Jim Green (chairman of the Finance Committee and Treasurer of the Board) presented a report relating to the actions of the Finance Committee.

- The committee reviewed competitive bidding – no action taken
- The committee reviewed Snyder Cohn audit on 2008 financials
- Financial Review
 - Final 2008 collections came in at \$107.2 MM down .5% compared to 2007
 - 2009 year to date assessments are down approximately 1.14% compared to the previous year
 - Adjusting for extra day in February 2008 assessments would have been up .4%
 - Recommending we continue to monitor and not making any changes to our budgeted assessments at this time
 - Cash flow remains solid
- The Committee discussed developing an ethics statement and conflict of interest policy

With respect to specific recommendations to the Board, Mr. Green moved the committee

recommendation to amend the 2009 budget by adding \$500,000 in 2008 carryover and allocating that amount to the Teen line item. Motion approved. Mr. Green also reviewed with the Board the audit report presented by the Snyder Cohn accounting firm for fiscal year 2008. Mr. Green moved the committee recommendation to accept the report pending a revision to a footnote in item #7 relating to the American Heart Association. This revision does not change the overall opinion of Snyder Cohn. Motion approved.

There being no further business to be presented by the Finance Committee, Mr. Green concluded his report.

The Board engaged in a discussion relating to the 2010 integrated strategy and action plan. The Board reviewed strategic information influencing the 2010 Mom plan.

Milk's kid-targeted benefits are the most compelling to mom

- They drive long-term milk category equity (MMA, 2008)

Milk's primary consumption is in-home

- But it's been losing the most consumption at in-home meals, especially family dinner
- Breakfast now the largest milk occasion, especially with kids (NPD Eating Trends)

Mom less willing to 'push' milk on her kids than in the past

- Willing to sacrifice nutrition to win on bigger family issues
- Looking for an ally/solution in milk, not another moral imperative must

Other beverages and foods are treading on milk's nutrient territory

- Many moms believe other foods/beverages supply equivalent nutrients, and are easier to get kids to consume

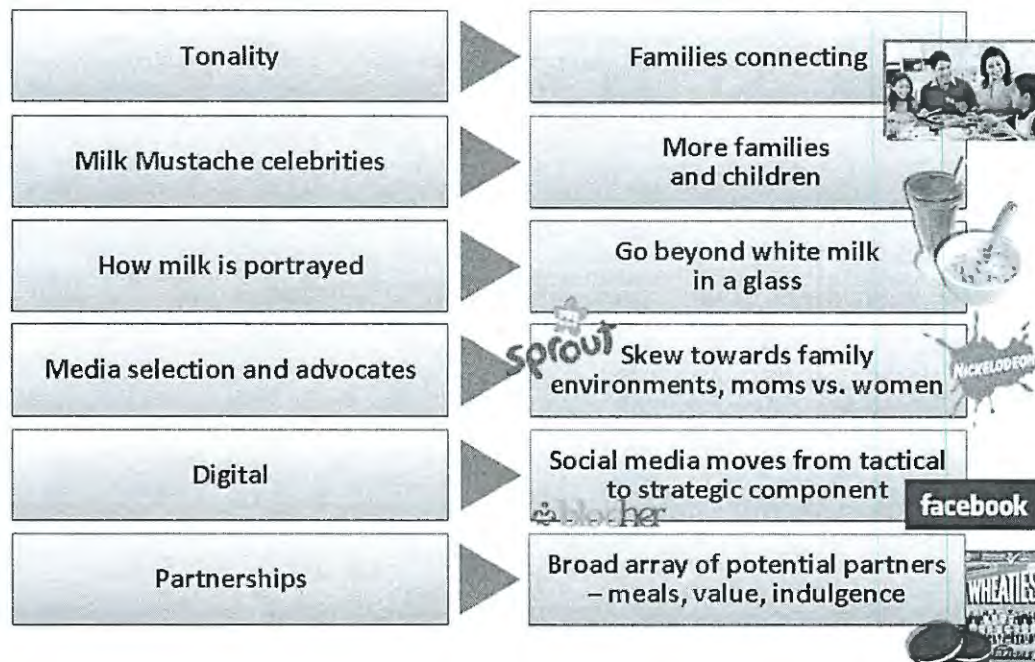
Economy impacting how mom shops and what she buys

- Eliminating non-essentials and trying not to cut back on essentials
- Hispanic moms harder hit – are having to cut back on essentials too

Strategic and tactical partnerships can help milk get into homes

- Expand how we can talk about milk and how milk is consumed – go beyond the glass
- Potential to share costs and make MilkPEP dollars go further

Research has indicated that milk's primary consumption is in the home, but it has been losing consumption at in-home meals, especially family dinner. Breakfast is now the largest milk occasion, especially with kids (research provided by NPD Eating Trends). As a result of these strategic insights, there have been changes in the 2010 program for Moms.



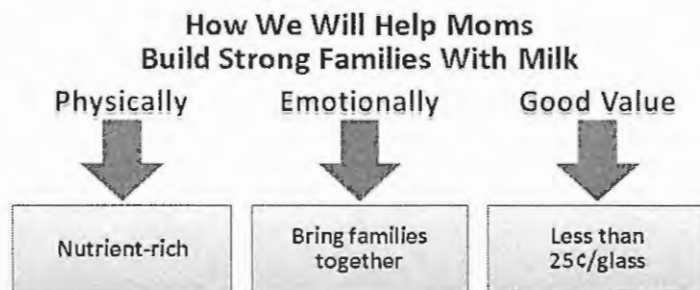
The mission of the 2010 plan has three elements for the Mom target:

1. Elevating milk's role as the essential wellness beverage for the family.
2. Make milk Mom's partner in making her family healthy.
3. Demonstrate the value of milk in trying economic times.

The Board discussed the various elements establishing milk as the family's wellness drink, and reviewed the three 2010 program messages (physical, emotional and value).

Why ONLY milk can be the family's wellness drink:

- 9 essential nutrients
- Naturally nutrient-rich
- One of the "food groups to encourage"
- Proven health benefits
- Makes meals healthier
- Displaces less nutritious beverages
- Helps decrease "empty calories"
- Easy nutritional upgrade
- Real, local, fresh
- Strong emotional connection
- Can be part of fun family moments



The Board reviewed initial concepts relating to the launch of the 2010 plan. Concepts discussed included The Great Gallon Giveaway, which would include the following elements:



Potential partnerships to amplify the program included the American Academy of Pediatrics, USDA through the MyPyramid program, America's YMCAs, and the National Hispanic Medical Association. The Board discussed whether giving away milk promoted the value message. Board questions and comments also included a directive to have an objective process for picking processors to participate. It was also questioned whether 200,000 gallons were enough to gain attention. Staff was directed to review these issues.

The second program discussed by the Board focused on increasing milk consumption at dinner. Research indicates that more families are eating at home (71% of meals), and dinner is the most important meal for moms emotionally. However, milk is not necessarily at the table for many of the meals. This concept would include both national advertising support in the general market and Hispanic market and a national promotion activity targeted for March, which would include potential partners such as Kraft and ConAgra foods to mine the complete consumer path of purchase in store, online, and out of store. The program would also include a significant PR program directed at both the general market and Hispanic market and a tie-in with the Milk Mustache Mobile which would allow moms to twitter at Milk Mustache Mobile locations. This would also include a Milk Mustache Mobile Hispanic overlay in specific markets. The Board asked staff to provide the beverage competitive set for dinner. It was suggested that resources should be put against one target (dinner) rather than spreading them out across other meals. The Board asked the staff to consider this as the 2010 plan in finalized.

The third program presented focused on the snacking concept. Research indicates that snacking is now the fourth meal of the day, but fewer than 7% of snacks include milk. Due to the nutrients in milk, including milk in a snacking experience will bolster the nutritional value of the snack, and snacking can be a source of fun and pleasure for kids and for moms. This concept would include a summer feature incentive touting the “pure joy of milk” to both the general and Hispanic markets and pair activities which would present a new view of snacks.

The fourth concept presented to the Board included a program targeting breakfast during the August-September time period. Breakfast at home is on the rise – it is more economical than away from home breakfast consumption. Milk is the most popular breakfast beverage for kids. Research indicates that eating breakfast is linked to multiple benefits important to moms. Cereal is the top morning meal, but other kid-friendly foods are increasing. This program concept included a national promotion activity targeted for August.

RISE AND SHINE



Buy milk today and enter to win

1 of 30 Apple computers

A winner every day for 30 days

•Daily instant wins include:

Leap Frog (or other educational toys)

Amazon.com gift certificates



The promotion would be supported by national advertising for the general market and Hispanic advertising. In addition, the program would include radio advertising which was customizable for processors, which would allow for tagging with regional brands. In addition, PR activities would provide a spotlight on milk in the morning, both in the general market and Hispanic market. In addition, processors could extend the program through a milk cap drive which allows schools to compete to win a free Apple computer system. This element of the program might be conducted in partnership with General Mills or other cereal manufacturer.

The Board reviewed additional activities which could be included in the Moms plan. These included a program targeted at Hispanic heritage which would include a launch recipe booklet featuring the top five winners of the Meal Under \$10 recipe contest, a PR activity around the booklet and winners, and customizable point-of-sale materials. Concerns were raised about utilizing Chef Lala and the potential purchase of NDH by the Mexican processor LaLa. Staff agreed to always reference Chef Laura by her correct name and not the diminutive “LaLa”. Also discussed was a program which would support flavored milk at Halloween and a program to maximize our retail strategy.

- Based on previous committee discussions, the Retail Advisory Council (RAC) input and Processor past successes the 2010 calendar will
 - Be closer aligned with retailer marketing strategies and calendars
 - Include annual programs with a consistent message and/or partner
 - Deliver on consumer and shopper insights
 - Snacking is part of a balanced, happy life for mom & her family
 - Milk consumption is synonymous with fun food (cookies, cake)



A plan was presented to continue the Nutrition News Bureau, which includes the following elements:



Staff also reviewed with the Board a program to increase the use of social media for moms.



Mom Blogger Ad



Milk Mustache Mobile



Facebook Presence

Connect all social media components through Facebook hub and encourage participation in a social cause



Mom Blogger Giveaway

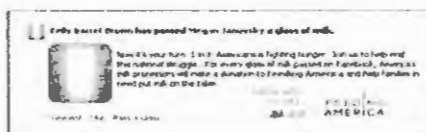


Weekly Chat

Speak With Authority



Family Strength Badge



With respect to the timeline for the Moms 2010 programs, below is a calendar outlining the proposed events.



The Board discussed the 2010 Teen integrated strategy and action plan. The strategic insights driving the 2010 Teen plan were discussed by the Board and are presented below.

- Address their key interests
 - Appearance
 - Performance
- Identify the most relevant message
 - More emotional than rational
 - Speak in the “here and now”
 - Why celebrities drink milk now
- Leverage their desire to be personally and socially responsible
 - With their friends, in their community, globally
 - Feed their need to make a difference
- Live in their world
 - Electronically, virally
- Allow them to “own the message”
 - Engage in messages and materials
- Reach influencers beyond mom
 - Coaches
 - Celebrities/sports heroes
 - Peers
 - Dads

The overall concept is to “allow them to own the message”. The conceptual elements driving the program were discussed by the Board and are presented below.

- Of all beverages, only milk still has the power to change so many things.
- How you look. Feel. Perform.
- This year, we’ll open teens’ eyes to the world of change that milk offers them.
- We’ll create an activation platform for our specific milk benefits under a wellness umbrella that’s relevant to teens: CHANGE.
- And bring it to life with milk mustache celebrities who can show teens how drinking milk changed their bodies...and why they still drink it today.
- Through promotional activities and social networking, we’ll reach teens in entirely new ways...
- And show them how milk can change their bodies...and their world.

The staff reported to the Board that the Teen programs will more closely follow the school year calendar and not an annual calendar. Specific messaging was presented in the following timeline:



The program would enlist celebrity “change agents” to influence teens in schools, online, and in media. The program would include partners that would extend the program, including the following:



With regard to the fall program reaching out to teens, the focus is on both performance and appearance and presents a call to action:

Drink Milk For A Change

Got a change you want to make this year? How you look, how you feel, how you stay in the game? Milk can make it happen. Commit to drink milk for a change...and milk will help make a change in the world.

- Commit to drink milk...
- Choose your milk benefit and make your own Milk Mustache ad
- For every teen who does, \$1 will go to dosomething.org
 - To help fuel teen projects across America

The program would allow teens to go online to change their drink to milk and allow them to tell us why they made that change and hear from MilkPEP celebrities. As part of the program, if teens change their drink, their activity would contribute to a milk sponsorship of DoSomething.org. In addition, a Facebook connection would allow them to see their friends who have committed to change, with their other friends finding out on their Facebook page. As part of the program, a new Milk Mustache change agent would be unveiled (Jordan Sparks). An element of the program would also carry the message into schools, in addition to a PR program which would promote the campaign during the back-to-school period.

The Board also reviewed a program targeted for fall 2009 focused on the concept of "recovery". The program focuses on the following elements:

- We'll brand the 2 hours after exercise and elevate chocolate milk's role in helping teens refuel: it's the Chocolate Chill.
- Research shows our refuel message is important to teens, and science shows chocolate milk is a better choice over traditional sports drinks.
- But we'll need to keep at it to continue to break through...and enlist teens' biggest influencers – their coaches – to help us.

- And who better to help us than the NBA?

The concept included a new NBA Milk Mustache change agent (athlete TBD) and included an element to deliver the message in schools through a poster program. An additional element was a program to reach children through coaches.

- Processors and NBA host Recovery clinics
- Clinics for coaches in 30 NBA markets
- Chocolate Chill Kits to top summer camps
- Downloadable materials for coaches and processors

An additional element of the program rewards school influencers who are change agents with milk. Monthly change agents would receive a prize package and two prize grants would be distributed to be used by the winning schools to fund appropriate projects.

A program element focused on activating processors was discussed. In addition, a PR element would be implemented.

- Activating Processors
 - Through the POS Customization Website
 - Introduce new POS kits on the customization site
 - Focus on the Refuel message for teens
 - Can be used at Retail or in-school
 - Through a Processor Incentive Program
 - Incent processors to utilize existing Milk Marketing Materials to create events with schools in their local areas

For spring 2010, a program focusing on appearance was reviewed which is summarized below.

- In Spring, we'll bring teens in on the secret of milk's APPEARANCE benefits and show them how milk can help them change their look.
- Great skin. A bright smile. Healthy hair. Standing tall.
- The nutrients in milk offer teens real benefits for beauty inside and out.
- And with the help of milk's celebrity change agents, we'll show teens that what's in the glass is just as important to them during their teen years.
- And get teens to change their beauty drink to milk.

The program would introduce a new celebrity TBD as the change agent promoting "beauty from within with milk." Cafeteria banners would support our change message, in addition to print placements in selected publications such as Allure and Seventeen. Teen media partnerships would be developed as presented below:



With regard to the performance aspect of the Teen message, the following program concept for 2010 was presented as summarized below:

- January – June 2010 will be a super season for sports lovers.
 - The Super Bowl
 - NBA All-Star Game...Playoffs and Finals
 - The Final Four
 - Opening Day for Major League Baseball
 - The Winter Olympics.
- It's the perfect time to remind teens that
 - Athletes of all types drink milk to stay strong
 - Fitness and nutrition go hand-in-hand.
- We'll enlist teens and tweens to Change Your Game With Milk

The program would include the following elements:

DRINK MILK FOR A CHANGE

body by milk

Message

Change your
game - and your
performance -
with milk

Celebrity Change Agents



Partner



Causes



With respect to the fall of 2010, the Board and staff discussed a concept summarized below. Program elements have yet to be determined.



Milk Mustache ads



School gym posters



School cafeteria posters

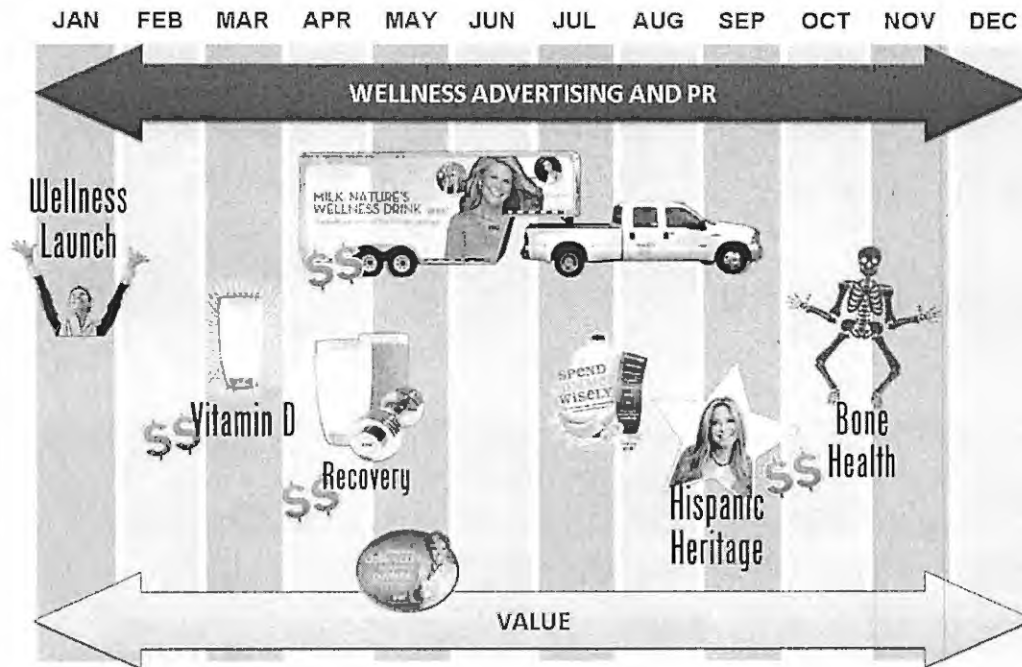
With regard to the continuity of existing programs, the Scholar-Athlete Milk Mustache of the Year (SAMMY) award would continue, in addition to the following activities:



The calendar for these activities is presented below:



Following a short break, the Board and staff reviewed the 2009 year-to-date results of integrated activities presented below, for the period January to April 2009:



Discussion reviewed current results of the “Drink Well Live Well” wellness launch program, which are presented below:

Ad impressions	200 MM
Online ad impressions	19 MM
PR impressions	73.6 MM
Hispanic PR impressions	48 MM
Retail POS kits ordered	15.9 K
Retail impressions	885 MM
Sweeps entries	398 K
Web site visits	516 K

A status report was presented on the “Liquid Sunshine” Vitamin D program, which to date have achieved the following results:

Ad impressions	79.5 MM
Online ad impressions	8.6 MM
PR impressions	61.9 MM
Hispanic PR impressions	15.4 MM
Retail kits ordered	20.4 K
Retail impressions	885.5 MM
Web site visits	84 K

The Board reviewed the Muscle Recovery and Bone Health program featuring Dara Torres. This program has just been implemented and has already achieved some strong results.

Ad impressions	77.6 MM
Online ad impressions	8.5 MM
PR impressions	93.1 MM
Web site visits	21.9 K

The Board received an update on nutrition issues which provide positive messages for milk, including research which indicates that drinking three glasses of milk a day would help lower cancer risk and research results which link Vitamin D and milk to increase muscle performance. The Board discussed key issues which may affect consumption of milk:

- Food safety
- Raw milk
- Organic-related issues
- Consumer research conducted two times per year to help guide priorities

The Board discussed the composition of the issues team and the collaboration of several organizations, including DMI, MilkPEP, IDFA, NMPF, and the U.S. Dairy Export Council. Potential challenges in the dietary guidelines for Americans were reviewed and are summarized below:

- Emphasis on “whole” foods
 - Shortfall food groups, not simply nutrients
 - Milk used as an example, more than simply calcium
- Big focus on affordable nutrition
 - “Diet for a new Depression”
- Several discussions on nutrient-rich
 - Making better choices within food categories
- Identified need to examine effect of breakfast

- Milk consumption (calcium, vitamin D), grains intake
- Debate around dietary fat
 - Saturated fat and cholesterol bigger priorities than total fat
- Targeting sodium
 - Benefits of increasing potassium, calcium and magnesium

With regard to the 2009 integrated Teen program, the Board reviewed the results of the Get Fit by Finals program as shown below:

Ad impressions	81.3 MM
Online ad impressions	12.6 MM
PR impressions (to date)	56.3 MM
Hispanic PR impressions	12.4 MM
<i>What's Your Fit?</i> entries	16 K
Widget game plays	399 K
Web site	216 K

The results of current ad breaks targeted at teens relating to Ben Rothlisberger and the collaboration with the movie Wolverine were discussed, with final results to be presented at the July meeting.

A status report from the Business Development & Research Committee relating to the processor and retailer advertising program was presented, as well as the All Channel Tracking (ACT) webcast series which are presented below:

ACT research condensed into 5 easy to digest data presentations and practical implications for sales development opportunities.

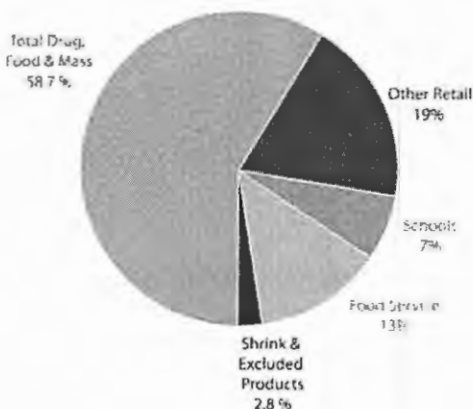
Webcast Attendance:

- Overview: 49
- Schools: 40
- C-stores: 40

Upcoming Webcasts:

- May 13: Food Service – Restaurant
- June 3: Food Service – Non restaurant

U.S. Milk Sales By Channel for 2008



The 2009 MilkPEP awards program “Be a Milk Rock Star” was reviewed with discussion by Board members about the planned meeting in August in Cleveland, and a new spotlight on winter ad was presented to the Board that is currently running in various trade publications. The committee also presented a Refuel ad for coach publications and a report on the committee’s participation in the American Alliance for Health Professional Education, Recreation and Dance National Convention and the National School Board National Conference.

Marketing Mix Analysis Presentation

John Manuli of MMA presented the results of the analysis. Based on the analysis, the following recommendations were presented:

- Sustained or increased levels of TV support are warranted, given the results seen in 2008.
 - Like other MilkPEP tactics, TV advertising benefits from contextual placement.
 - Network TV provides contextual opportunity through The Biggest Loser (TBL); placement on TBL in 2010 should be considered.
 - Expand the Advocates program to reach the target audience when they are most receptive to MilkPEP’s health message.
 - Complement the strong reach of Network TV with relevant cable programming and tie-ins to provide continuity. Avoid over-reliance on cable, as in 2007.
 - Seek out less expensive message placement in environments where users are already seeking health information.
- Do not change spending on the Moms print campaign, but consider spending more on Teen print.
 - Teen Print is showing no sign of saturation at current spend levels.
 - Strategically, this is a good option to reach this market segment. However, since Teen print does not drive high gallon volume, increases will have a relatively small marginal impact.
- Carefully monitor the costs of General Market (GM) grassroots PR efforts.
 - In 2008, the American Heart Association (AHA) component increased the cost without delivering a commensurate impact on sales.
 - Net result in 2008 was lower efficiency for grassroots PR.
- Increase Hispanic PR effort that is linked to the Hispanic celebrity campaigns; shift back to greater continuity, if possible.
 - Be mindful of costs of Hispanic grassroots efforts which were more expensive and drove down efficiency.
 - More continuous efforts in 2007 seemed to work better vs. fewer larger events in 2008.
- Focus on driving consumer engagement in all online activity.

- Many of the consumer engagements were associated with sweepstakes events; test different values and offers over time to learn more about what works best.
- Dig deeper into understanding which online or offline tactics drive consumers to engage with Milk and sweeps or events.
- Should additional funding be allocated to the event program, emphasis should be placed on increasing the frequency/number of events, as well as diversification of the tactics used.
 - Continuity of events provides a constant presence which takes advantage of the regular purchase pattern associated with milk.
 - The increased effectiveness/efficiency of the MilkPep advertising in 2008, compensated for the lower levels of in-store activity during event periods.
 - While these results suggest that in-store support may not be essential to the success of all events (e.g. “Campaign for Healthy Weight” in 2008), findings from prior years indicate that the in-store component can contribute significantly to sales.

Chairman Krueger expressed appreciation to the committees for their work in developing the concepts which were presented and requested that the Board members go back into committee and consider the input which had been provided by the Board during this session. The Board meeting was recessed at 1:10 pm local time.

(b) (6)

APPROVED:

DATE:

7/17/09

MINUTES

MilkPEP Board Meeting – General Session II

April 30-May 2, 2009
Phoenix, AZ

Chairman Mike Krueger called the Board back into session at 9:30 am local time.

The Board received a report from Barb O'Brien of DMI. Ms. O'Brien's report reviewed the 2009 DMI Unified Marketing Plan, which has been restructured and includes the following elements:

- Strategic focus and funding concentration around kids and schools
- Foundational investment in knowledge; nutrition and product science; consumer insights; nutrition affairs
- \$30 million redirect to short-term volume driving innovation initiatives

Ms. O'Brien also reviewed the areas in which DMI and MilkPEP are collaborating to ensure coordination and reviewed with the Board the concept behind the Innovation Center for U.S. Dairy which is a pre-competitive forum for industry-wide focus on innovation barriers and opportunities.

Connie Tipton, CEO of the International Dairy Foods Association, presented an overview of the IDFA meeting which will begin on May 3. Ms. Tipton also reviewed activities in which IDFA is collaborating with NMPF on behalf of the dairy industry to present a unified position. She also reported on activities by the Grocers Marketing Association and Pepsi to focus on a healthy weight program.

Chairman Krueger expressed appreciation to both Ms. O'Brien and Ms. Tipton for their reports and requested the chairmen of the committees to present their updated committee reports to the entire Board.

Mike Touhey, Chairman of the Moms Committee, reviewed with the Board the summer value retail program being conducted in May and July. With regard to 2010 planning, Chairman Touhey reported that several members of the committee expressed a concern that there may be too many different events. He reviewed with the Board the committee discussion, which is summarized below:

- Messaging priorities
 - Explore extending Dinner, reducing Breakfast
- Cause-related programming
 - Explore use of Feeding America vs. local food banks
 - Understand USDA limitations on cash donations
- Flavored milk – can we do more with it?
- TV/MMA implications, should we spend more on TV and less on print
- Supporting processors with social media
- Size of Great Gallon Giveaway

Mr. Touhey reviewed with the Board the actions by the Moms Committee to approve authorizations as presented below:

2009 Mom Target Authorizations

Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
Broadcast Media	Lowe	09-01-01	16,700,000	0	16,700,000	0	16,700,000	0
Mom Print Media	Lowe	09-01-02	19,800,000	0	19,800,000	2,900,000	12,400,000	7,400,000
Advertising Production	Lowe	09-01-03	3,500,000	0	3,500,000	400,000	3,165,000	335,000
White Milk (Jan, Sept)	Draft	09-03-19	2,255,000	0	2,255,000	279,500	2,255,000	0
Feature Incentive (Mar, May, July, Oct)	Draft	09-03-20	4,546,000	0	4,546,000	700,000	4,000,000	546,000
Wellness Launch (Jan)	Weber	09-02-05	921,000	0	921,000	0	921,000	0
Milk Advocates	Weber	09-02-06	275,000	0	275,000	0	275,000	0
MMM: Wellness Tour	Weber	09-02-07	5,250,000	0	5,250,000	1,000,000	5,250,000	0
Liquid Sunshine/Vitamin D	Weber	09-02-08	425,000	0	425,000	0	425,000	0
Women's Recovery/Muscle and Bone	Weber	09-02-09	410,000	0	410,000	0	410,000	0
Hispanic Heritage	Weber	09-02-10	110,000	0	110,000	80,000	110,000	0
Halloween	Weber	09-02-11	790,000	0	790,000	300,000	400,000	390,000
Women Ad Breaks (ongoing Media Relations)	Weber	09-02-12	240,000	0	240,000	100,000	240,000	0
Nutrition News Bureau	Weber	09-02-13	655,000	0	655,000	150,000	495,000	160,000
Whymilk.com	Weber	09-02-14	280,000	0	280,000	120,000	280,000	0
Medical Advisory Board	Weber	09-02-15	100,000	0	100,000	35,000	100,000	0
Health Professionals	Weber	09-02-16	300,000	0	300,000	0	300,000	0
Issues Management	Weber	09-02-17	467,500	0	467,500	150,000	390,000	77,500
Program Management/2010 Planning	Weber	09-02-18	367,500	0	367,500	177,000	367,500	0
Program Management/2010 Planning	Draft	09-03-21	475,000	0	475,000	0	475,000	0
MAB/Medical Research	PEP	09-00-28	250,000	0	250,000	50,000	140,000	110,000
Legal	PEP	09-00-27	200,000	0	200,000	50,000	150,000	50,000
MilkPEP Program Management	PEP	09-00-29	552,000	0	552,000	552,000	552,000	0
Total			50,869,000	0	50,869,000	7,043,500	49,000,500	9,068,500

This completed the report of the Moms Committee.

Mike Nosewicz presented a report for the Hispanic Committee on behalf of Bob McCullough, who had to leave the meeting early. Mr. Nosewicz reviewed with the Board a new ad featuring Carolina Herrera and the "Milk Looks Good on You" ads. The Hispanic value program targeted at summer 2009 was discussed, as well as the July-August summer value program. With regard to committee discussions relating to the 2010 plan, Mr. Nosewicz presented the following comments:

- 2009
 - Committee was pleased with the addition of the Summer Value Program
- 2010
 - Approved shift in 2010 Hispanic Heritage Program
 - Media direction for Hispanic was approved
 - For budget planning do not cut Hispanic program funding

Mr. Nosewicz reviewed with the Board the committee recommendations relating to the 2009 Hispanic budget and moved the committee recommendation to the Board to approve the budget amendment as presented below. Motion approved.

2009 Hispanic Authorizations - April 2009

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Hispanic Media	09-04-60	4,650,000	0	4,650,000	380,000	3,661,500	988,500
Hispanic Production	09-04-61	850,000	0	850,000	0	850,000	0
Hispanic Public Relations	09-04-62	1,000,000	0	1,000,000	302,000	794,000	206,000
MilkPEP Program Management	09-00-69	100,000	-27,000	73,000	73,000	73,000	0
Total	-	\$6,600,000	-\$27,000	\$6,573,000	\$755,000	\$5,378,500	\$1,194,500

The Board reviewed the authorization requests which had been approved pending approval of the budget amendment by the Board.

Jerry Tidwell, Chairman of the Teens Committee, presented new print ads featuring Danica Patrick (May), Ryan Sheckler (July), and Usher (to be launched in July), Demi Lovato (fall) the got noise? view and vote program. The SAMMY 2009 program was reviewed and the SAMMY awards event will be conducted on Saturday, June 27, 2009 at Orlando, FL.

Mr. Tidwell presented a timeline for creative evolution for the Teen program, and reviewed the committee discussion relating to the 2010 plan as summarized below.

Quantitative Teen Research on Benefits and Claims

- Refine current / proposed new claims April/May
- Research In-Field May/June
- Results early July

Advertising Creative Exploratory Begins in May

- Optimize Teen Milk Mustache advertising
- Recognizable celebrity remains as key driver
- Ways to make the benefit story break through more strongly
- Explore photography, claims, copy

Planning Discussion

- NBA partnership
 - Approved 2010 for six months only
- Disney recommendation
 - Recommendation from the staff and agencies was not to renew
 - Committee agreed that the recommendation was sound; however, asked for more exploration on other changes to the deal or funding options that make it more viable
 - Committee to make final decision by conference call before July

The committee action relating to the 2009 Teen budget was discussed. Mr. Tidwell moved the committee recommendation to amend the budget as presented below. Motion approved.

2009 Teen Authorizations - April 2009

Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
Teen Advertising Media	Lowe	09-01-30	8,600,000	0	8,600,000	3,000,000	8,600,000	0
Teen Advertising Production	Lowe	09-01-31	2,600,000	0	2,600,000	570,000	2,600,000	0
School Image program	Lowe	09-01-32	3,100,000	(329,000)	2,771,000	1,506,000	2,771,000	0
Disney Sponsorship	Lowe	09-01-33	2,400,000	0	2,400,000	0	2,400,000	0
NBA Sponsorship	Lowe	09-01-34	2,000,000	0	2,000,000	0	2,000,000	0
Body by Milk Promotion	Draftfcb	09-03-35	2,550,000	(100,000)	2,450,000	382,500	2,450,000	0
Get Fit By Finals	Weber	09-02-36	1,150,000	0	1,150,000	0	1,150,000	0
Teen Ad Breaks/Ongoing Media Relations	Weber	09-02-37	450,000	0	450,000	210,000	450,000	0
SAMMY	Weber	09-02-38	160,000	0	160,000	25,000	160,000	0
Bodybymilk.com	Weber	09-02-39	740,000	0	740,000	240,000	740,000	0
Program Management/2010 Planning	Weber	09-02-40	157,500	0	157,500	60,000	157,500	0
Program Management/2010 Planning	Draftfcb	09-03-41	475,000	0	475,000	0	475,000	0
Fall 2009 Teen Program – DMFC*	Weber	09-02-42	0	274,000	274,000	274,000	274,000	0
Fall 2009 Teen Program – Chocolate Chill*	Weber	09-02-43	0	655,000	655,000	655,000	655,000	0
MilkPEP Program Management	PEP	09-00-59	366,000	0	366,000	0	366,000	0
Total			\$24,748,500	\$500,000	\$25,248,500	\$6,942,500	\$25,248,500	0

*Note: \$500K transfer into Auth 09-02-43 from General Fund to support teen fall programming

Committee action relating to authorization requests pending Board approval of the budget was reviewed. This completed the report of the Teens Committee.

Brian Haugh entered a report of the Business Development & Research Committee and indicated that the committee had conducted a planning brainstorming session which generated results as summarized below:

- Schools (All school subjects to be discussed with School Advisory Council in June)
 - Quantify the impact on consumption from eliminating or curtailing flavored milk availability.
 - Investigate opportunities to expand breakfast service in schools.
 - Investigate best practices to build relationships between milk processors and their schools.
- Foodservice
 - Investigate and understand opportunities available in two of food service's unexplored channels as identified by the All Channel Tracking Study.
 - Long Term Care & Senior Living Centers.
 - Colleges/Universities.

- Retail
 - Survey retail attitudes and actions (relating to promotion, couponing, channel and trip blurring, etc.). Consumer trip missions and related outlets (fill-in/stock up).
 - Understand the need for further work to optimize the Convenience channel.
 - State of the Industry, best practices.
 - Investigate Dairy Aisle Opportunities working with DMI
 - Value of Secondary placements.
 - DMI Dairy Aisle Reinvention project update to be provided at July Board meeting.
- Market Analyses
 - Comprehensive look at who milk's competitors are today (beverages, nutrition, wellness, need states, etc.).
 - Using packaging as a communications tool.

Staff was directed to take this input and develop an action plan based upon the discussion. Mr. Haugh reviewed with the Board the committee action relating to the 2009 Business Development budget as presented below:

2009 Business Development Authorizations - April 2009

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Industry Communication Plan (Trade and Processor)	09-05-70	Outloud	1,230,800	0	1,230,800	0	1,230,800	0
Print Media (Trade)	09-01-71	Lowe	325,000	0	325,000	0	325,000	0
Sales Materials	09-00-72	MilkPEP	100,000	0	100,000	0	100,000	0
Trade Show/Seminars	09-00-73	MilkPEP	110,000	0	110,000	0	110,000	0
Processor/Sales Support	09-03-74	Draft	1,015,000	0	1,015,000	165,000	1,015,000	0
Service Team	09-02-75	Weber	775,000	0	775,000	250,000	575,000	200,000
School Advisory Council	09-00-76	MilkPEP	90,000	0	90,000	0	90,000	0
MilkPEP Program Management	09-00-89	MilkPEP	402,000	0	402,000	0	402,000	0
Total	-		\$4,047,800	\$0	\$4,047,800	\$415,000	\$3,847,800	\$200,000

****Authorized during April 9th BDR Committee call**

With regard to the 2009 Research budget, Mr. Haugh presented a committee recommendation to amend the budget as presented below. Motion approved.

2009 Research Authorizations - April 2009

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Business Performance & Tracking	09-00-80	1,022,500	0	1,022,500	0	1,022,500	0
Communication Testing	09-00-81	120,000	0	120,000	0	120,000	0
Program Development	09-00-82	165,000	45,000	210,000	45,000	210,000	0
Promotion Measurement	09-00-83	100,000	0	100,000	0	100,000	0
Program Management	09-00-87	278,000	0	278,000	0	278,000	0
Unallocated	09-1A	1,092,500	-45,000	1,047,500	0	0	1,047,500
Total	-	\$2,778,000	0	\$2,778,000	\$45,000	\$1,730,500	\$1,047,500

The authorization requests pending approval by the Board of the budget amendment were reviewed. This completed the report of the Business Development & Research Committee.

Mr. Krueger expressed appreciation to all the committee chairmen, committee members, and staff for their efforts during both the Board meeting and committee sessions.

Chairman Krueger reported to the Board that he has appointed a Nominating Committee comprised of Mike Nosewicz, Mike Touhey, Brian Haugh, Bob McCullough, and Jim Walsh to present a slate of officers for nomination to the Board in July, as provided for in the bylaws. The appointment of this committee must be ratified by the Board. Motion by Jim Walsh, second by Jim Green, to ratify the appointment of the Nominating Committee. Motion approved.

Mr. Krueger indicated that this would be the final Board meeting in which Mr. Kurt Graetzer would participate as the CEO as MilkPEP. He expressed on behalf of the Board and the industry his appreciation to Mr. Graetzer over the past 14 years to lead both the MilkPEP program and the industry to improve both the competitive position and consumer acceptability and to improve the marketing approach as it relates to milk. Mr. Krueger indicated that Mr. Graetzer's tenure would be celebrated at industry meetings in October. Mr. Graetzer expressed appreciation to the Board, staff, and other industry members for their support during this tenure and looked forward to continuing to watch the progress that the industry attains.

There being no further business to come before the Board, the meeting was adjourned.

(b) (6)

APPROVED:

DATE:

7/17/09

MINUTES

MilkPEP Board Meeting – General Session I

July 17, 2009
Colorado Springs, CO

Vice-Chairman Terri Webb, serving as chairman in the absence of Mike Krueger, called the Board into session at 9:00 am local time. Members present included Brian Haugh, Jerry Tidwell, Scottie Mayfield, Rick Zuroweste, Buddy Gaither, Mike Smith, Jim Walsh, Steve Turner, Mike Nosewicz, Jay Simon, Bob McCullough, and Mike Touhey. Also present were industry representatives Al Guida, Brian Linney, Dub Garlington, Tim Kelbel, Chris Ross, Scott Shehadey, and Miriam Erickson Brown. Also present were Vivien Godfrey, Ron Rubin, and other members of the MilkPEP staff; Angie Salinas and Whitney Rick (USDA liaison); and Wayne Watkinson (legal counsel). Industry representatives present included Connie Tipton (IDFA), Barbara O'Brien (DMI), and Steve James (California Milk Processor Board).

Ms. Webb expressed appreciation for all the members and guests attending the meeting and indicated that this was a special meeting since it was the first meeting that Vivien Godfrey would manage as CEO. She also expressed appreciation to all of the industry representatives and industry partners that had provided input during the planning process.

The minutes of the April meeting of the Board were reviewed. Motion by Mike Smith, second by Brian Haugh, to approve the minutes as presented. Motion approved. It was indicated that the Executive Session minutes of that meeting had been approved by the Board in executive session.

On behalf of USDA, Angie Salinas presented a report which addressed the following issues:

- Ms. Salinas reviewed the status of several appointments at USDA and the process for seating the new Board members at the session of the Board on Saturday morning.
- A status report on the report to Congress was presented.
- An update on the rulemaking process relating to the National Dairy Promotion and Research Program was presented.
- Ms. Salinas reviewed the revenue and status of other promotion boards which are under the oversight of USDA.

Connie Tipton (CEO of International Dairy Foods Association) discussed with the Board several developments affecting the dairy industry.

- Ms. Tipton reviewed the four new appointees and key players at the Food and Drug Administration and at USDA.
- She discussed the following issues, which will have a significant impact on the dairy industry:
 - USDA and milk pricing
 - Food safety
 - Child Nutrition Act reauthorization

- Health care funding

Barbara O'Brien (Executive Vice President at Dairy Management, Inc.) presented a report which reviewed results of the recent Innovation Center meeting as summarized below:

- The globalization report, which is available to processors and will be presented in a webinar to be scheduled in the future.
- Priorities of the Innovation Center
 - Knowledge and integrity
 - Health and wellness
 - Youth and schools

Ms. O'Brien expressed appreciation to Ms. Godfrey and the MilkPEP staff for the close working relationship which is being developed.

Steve James (CEO of the California Milk Processor Board) expressed his appreciation for being invited to attend the meeting. He indicated that he brought along representatives from his agencies to see the portfolio and assets existing within the MilkPEP program, and to look for future opportunities for CMPB and MilkPEP to work together.

Ms. Webb expressed appreciation to the industry representatives for their reports and asked Jim Green, chairman of the Finance Committee, to present a report of the committee.

Mr. Green presented the report which is summarized below:

- Committee reviewed competitive bidding and active contracts – no action taken
- Financial Review
 - 2009 year to date assessments are down approximately 0.45% compared to the previous year
 - Economists projecting we will end the year up .25% to 1%
 - Recommending we continue to monitor and not making any changes to our budgeted assessments at this time
 - Year to date expenses remain in line
 - Cash flow remains solid
- Committee reviewed recommendation to reduce cash flow reserve by \$2.5 million
 - Committee also approved securing a line of credit of \$2.5 million

Mr. Green reviewed with the Board proposed budget amendments to the 2009 as presented in Exhibit I. Mr. Green moved the committee recommendation to approve the budget amendment. Motion approved.

Mr. Green indicated that the committee had approved the authorization requests by program areas pending approval by the appropriate program committees.

The 2010 budget was discussed, as summarized below:

- Outside sources are still projecting a decline of .25% to as much as 1.75% compared to

2009

- Depending on how 2009 ends this puts us at range of \$105.5MM conservatively up to as much as \$108MM
- Recommend maintaining \$107MM in assessments
- Addition of \$800,000 in carry forward funds based on current balance
- Addition of \$2.5 MM from cash flow reserve reduction
- Increase program expense by \$1,530,800
 - Program management was reduced by \$100,000 to \$1.9 million
 - Programs were increased by \$1,630,800
- Other expenses were maintained at original budget levels

Mr. Green reviewed with the Board the proposed amendment to the 2010 budget as recommended by the committee. Mr. Green moved the committee recommendation. Motion approved to amend the budget as presented in Exhibit II. Mr. Green also indicated that the committee had reviewed the authorization requests and had approved them pending approval by the appropriate program committees to be funded by the 2010 budget.

The final issue presented by the Treasurer related to the committee recommendation to establish a \$2.5 million line of credit which would allow the cash flow reserve to be reduced by a like amount. Mr. Green moved the committee recommendation to establish a line of credit in the amount of up to \$2.5 million and to allow the Treasurer and CFO to identify the appropriate financial institution for the line of credit. Motion approved. This completed the report of the Finance Committee.

Chairman Webb asked Ms. Godfrey to provide an update on the 2010 plan. A status report for the 2010 plan was presented for each of the program areas and is summarized below:

2010 Moms Plan

- The plan's primary focus on influencing milk consumption at home leverages the recent trend of increasing time spent and meals eaten at home, in part due to current economic pressures.
- While the recession may wane prior to 2010, these trends will likely persist, along with continued consumer focus on value

Key Strategies

- Talk to moms about the importance of milk in keeping her family strong, both emotionally and physically
- Reinforce milk as an ally in mom's efforts to keep her family's diet nutritious and a good value
- And protect milk's position as an essential in her grocery cart and fridge
- Defend milk consumption at home by reminding moms that milk is an essential part of the family's diet...and help her make milk 'not an issue' for her kids
- Remind mom of the pleasures of drinking milk; help her pass those pleasures along to her

family

- Show her ways to add milk that align with her family's tastes, schedules and differences
- Start building enduring partnerships with like-minded complementary brands to broaden consumer reach and improve program efficiency

Staff reviewed with the Board changes that have been made to the plan as the result of input from Board members at the April Board meeting.

- Launch: addressing value via giveaway, market selection, gaining media attention
- Connecting our story via Feeding America
- Supporting breakfast while shining the spotlight on dinner
- Supporting flavored milk throughout the year

As a result of the discussion, several suggestions were made:

- How could we engage distributors with local food banks?
- The nutrient-rich concept should be highlighted in all the messages.
- Investigate partnering with Oreos and look at the possibility of creating template programs with other products such as bakery products with the potential to develop a tool kit for processors to take to retailers.
- Liquid Sunshine program was a great program focusing on Vitamin D. Does it have a place in the 2010 plan?

All of these suggestions to be discussed at the committee session.

The Board reviewed the 2010 Moms program budget. The budget for the Moms program in 2010 will be \$56.6 MM, 66% of total program spending (a 3.9% decrease from 2009)

		<u>% Moms Budget</u>
National media advertising	\$40.2 MM	71.0%
National PR	\$4.8 MM	8.5%
Grassroots PR	\$5.5 MM	9.7%
Promotions	<u>\$6.1 MM</u>	<u>10.8%</u>
TOTAL	\$56.6 MM	100%
Celebrity Milk Mustache Activity	\$30.5 MM	53.9%
All Other Activity	<u>\$26.1 MM</u>	<u>46.1%</u>
TOTAL	\$56.6 MM	100%

As part of the program, business goals had been developed to measure effectiveness. The following business goals were discussed by the Board.

- Drive 2% to 3% of incremental milk sales volume (2.6% in 2008)
- Reach efficiency target of 1.8 to 2.5 gallons sold per \$1 spent (2.1 in 2008)
- Increase consumer awareness of relevant milk attributes related to Building Strong

Families (attribute composite TBD)

- Increase ratio of impressions to engagement across all internet activities (work in progress to define and measure)
- Increase efficiency of grassroots PR program, particularly the Milk Mustache Mobile tour

The Board reviewed the 2010 Hispanic Moms plan. Key strategies for the plan are presented below:

- Talk to moms about the importance of milk in keeping her family strong, both emotionally and physically
- Defend milk consumption at home and protect milk's position as an essential in her grocery cart and 'fridge
- Reinforce that moms are responsible for their families' bienestar and that milk is her ally because it is naturally nutrient rich like no other beverage
- Start building enduring partnerships with like-minded complementary brands to broaden consumer reach and improve program efficiency

During the discussion of the plan elements, the following points were made:

- Due to economic pressure, consumers are buying less. Milk has become a better value.
- The Halloween holiday lasts for a longer period in retail stores, and it was asked if the promotion could begin earlier.
- How do the general market and the Hispanic market come together?
- What is the consumer takeaway from our messages? Can't make consumers work to make connection with the messages.

All of these points to be reviewed at the Hispanic Committee session.

The 2010 Hispanic Mom program budget was reviewed. The budget for the Hispanic Moms program in 2010 will be \$6.5MM, 7.5% of total program spending (flat from 2009).

		<u>% Hisp Moms</u>
		<u>Budget</u>
Media and Production	\$4.6 MM	70%
National PR	\$1.0 MM	15%
All Other Activity	<u>\$0.9 MM</u>	<u>15%</u>
TOTAL	\$6.5 MM	100%
Celebrity Milk Mustache Activity	\$1.9 MM	29%
All Other Activity	<u>\$4.6 MM</u>	<u>71%</u>
TOTAL	\$6.5 MM	100%

The program business goals as presented below were discussed by the Board:

- Drive 0.3% to 0.8% of incremental milk sales volume (0.4% in 2008)
- Reach efficiency target of 3.0 to 3.5 gallons sold per \$1 spent (3.1 in 2008)
- Increase consumer awareness of relevant milk attributes related to Building Strong Families (attribute composite TBD)
- Expand participation and awareness of the Hispanic Program among processors (work in progress to define and measure)

The 2010 Teens plan was presented, with the key strategies presented below:

- Increase the relevance of milk's benefits to teens
 - Power up the language and claims and talk in the "here and now"
 - Build celebrity links to drinking milk now, not when they were kids
 - Evolve Milk Mustache creative to maximize impact
- Fine tune the target
 - Focus on impressionable ages of 14-16
 - Keep tweens engaged and develop Hispanic outreach
- Leverage teen's drive for personal responsibility and social conscience
 - Transform ownership of who makes the choices to teens
 - Make social responsibility a catalyst for drinking milk
- Go deeper into schools to more fully engage influencers
 - Educate coaches and get them to recommend milk after a workout and increase teen milk consumption

As a result of the discussion, the following issues were raised:

- With the "Refuel" message, one way to position chocolate milk is to promote consumption within 2-hour window after exercise, not compete against drinks such as Gatorade.
- It was indicated that 55% of the kids involved in organized sports are influenced by their coaches.

These issues to be discussed in the Teen Committee session.

The 2010 Teen program budget was reviewed by the Board. The budget for the Teens program in 2010 will be \$22.9 MM, 27% of total program spending (a 10.1% decrease from 2009).

		<u>% Teens Budget</u>
Advertising	\$16.9 MM	74%
PR	\$2.8 MM	12%
Promotion	<u>\$3.2 MM</u>	<u>14%</u>
TOTAL	\$22.9 MM	100%
Celebrity Milk Mustache Activity	\$19.9 MM	87%
All Other Activity	<u>\$3.0 MM</u>	<u>13%</u>
TOTAL	\$22.9 MM	
100%		

The following business goals for the program were reviewed by the Board:

- Drive 0.7% to 1.0% of incremental milk sales (0.7% in 2008)
- Reach efficiency target of 1.6 to 1.8 gallons sold per \$1 spent (1.6 in 2008)
- Increase weekly servings per student in secondary schools by 4-6% (2.2 in 2008)
- Increase ratio of impressions to engagement for all interactive activities (metrics TBD, work in progress)
- Increase teen awareness of refuel message 2-3 points (current awareness is at 45%)
- Increase teen awareness of appearance based messages 1-2 points (current awareness is 56%)
- Build base awareness of refuel message among school influencers (metrics to follow analysis of GFBF program)

Staff presented a status report on the 2010 plan for the Business Development & Research program. Below is a summary of the plan as presented:

- Business Development
 - Focus on shorter-term, actionable activities that processors can put to work for their business
- Marketing Research
 - Focus on longer-term, strategic projects and support for the entire program

The elements of the plan were discussed and are summarized below:

- Business Development
 - Committee planning brainstorm identified priorities
 - Quantify the impact of eliminating or curtailing flavored milk in schools
 - Redefining milk's competitive set*
- Market Research
 - The plan is built around three activities
 - Measuring past MilkPEP program success
 - Monitoring current market activities
 - Conducting exploratory and evaluative research to develop the strongest programs for the upcoming year

- In 2010 exploration will be made in long-term strategic planning
 - Using a third party consulting firm (which would include redefining milk's competitive set)*
 - Launch a universal segmentation study to identify the most profitable customer segments

The discussion relating to the plan raised the following issues:

- The issue as to how the research would be communicated to the industry was discussed. Is a structure necessary to help distribute research? It was indicated that webcasts and other communication vehicles will be used to distribute information. Management was asked to think about how we could formalize the structure to distribute information.

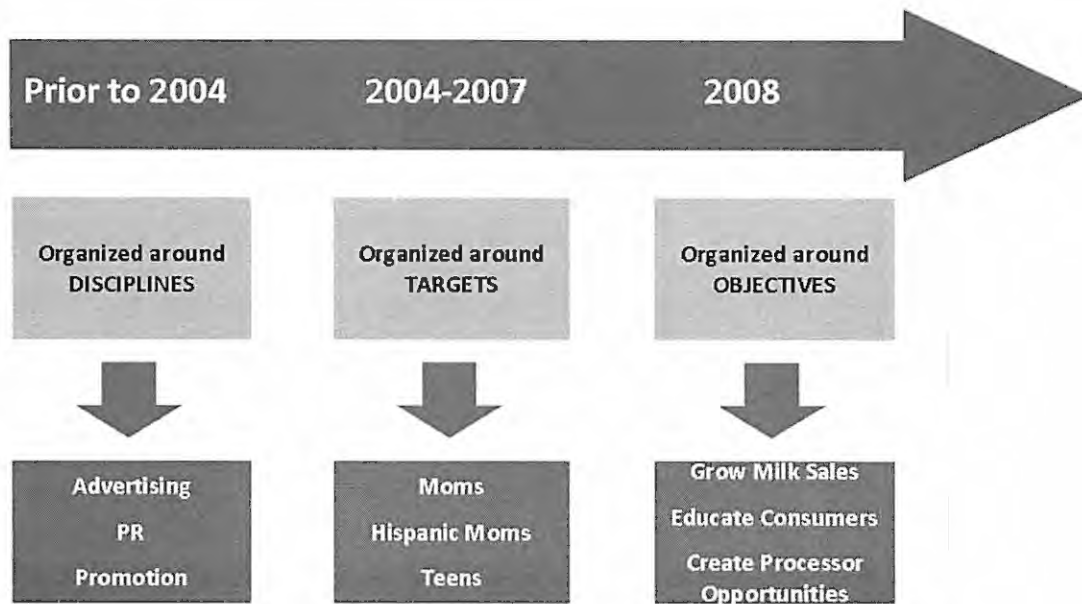
The 2010 Business Development & Research budget was reviewed. The planned budget for Business Development/Research in 2010 is \$7.2MM.

		<u>% BDR Budget</u>
Industry Communication	\$2.1MM	29.0%
Processor Support	\$1.5MM	21.0%
Market Research	\$3.6MM	50.0%
Total	\$7.2MM	100%

The program business goals were reviewed by the committee:

- Focus resources on developing strategic insights for future programs and plans while reducing spending on the measurement of existing, proven tactics.
- Continue to conduct, package and disseminate research that is actionable and applicable to processors.
- Make more use of in-market tests to assess impact on new unexplored tactics prior to national roll out.
- Provide processors with a deeper sense of program tools and resources and how it can be used in their business.
- Educate processors on the value of the MilkPEP program.

Following a short recess, the Board reviewed information relating to program measurement of the 2008 program. The Board discussed the evolution of the MilkPEP program as presented below, as well as the objectives of the MilkPEP program:



MilkPEP Objectives:

- Drive milk volume/consumption among consumer targets
- Educate consumers about milk's benefits
- Create opportunities for processors to sell more milk
- Execute plan effectively and efficiently

Staff reviewed with the Board information relating to the following issues:

- Flavored milk sales by year (2000-2008)
- U.S. milk sales by channel for 2008
- U.S. milk sales by channel for 2008 by segment
- Competitive landscape
- Competitive pricing
- New product introductions (2007-2008)
- Milk's relative share of voice (1998-2008)

With regard to the competitive landscape, the following was presented to the Board:

*U.S. Beverage Market
 Volume, Share, and Growth by Category*

Categories	Millions of Gallons			Growth	CAGR	Share
	2003	2007	2008	2007/08	2003/08	2008
Competitive Set						
Carbonated Soft Drinks	15,258.5	14,699.2	14,249.5	-3.1%	-1.4%	39.1%
Bottled Water	6,269.8	8,757.6	8,669.3	-1.0%	6.7%	23.8%
Milk	6,393.1	6,405.5	6,411.6	0.1%	0.1%	17.6%
Fruit Beverages*	4,219.7	3,847.1	3,719.4	-3.3%	-2.5%	10.2%
Sports Beverages	882.6	1,362.7	1,320.2	-3.1%	8.4%	3.6%
RTD Tea	509.4	875.4	890.7	1.7%	11.8%	2.4%
Value-Added Water	120.6	506.6	525.4	3.7%	34.2%	1.4%
Energy Drinks	59.5	335.7	362.5	8.0%	43.6%	1.0%
Soy Beverage	141.1	220.7	235.0	6.5%	10.7%	0.6%
RTD Coffee	26.4	44.6	54.4	21.9%	15.6%	0.1%
Competitive Set TOTAL	33,880.7	37,055.1	36,438.1	-1.7%	1.5%	100%

* Includes vegetable juices, powders and miscellaneous others.

Source: Beverage Marketing Corporation

As part of the presentation, information was presented on milk volume and consumption among consumer targets in 2008, with the highlights presented below:

- MilkPEP marketing activities accounted for 3.6 of the category volume with TV advertising driven sales increasing substantially in the current year.
- Marketing efforts across targets generated incremental volume roughly commensurate with spending share.
- At estimated 10-20% margins, total MilkPEP return was above MMA consumer package goods benchmark and all MilkPEP programs improved in 2008.
- MilkPEP marketing activities generated 2.1 gallons per dollar spent in 2008.

Information relating to Objective 2, to educate consumers about milk benefits, was reviewed as summarized below:

- Recall of MilkPEP marketing strong at about 8 in 10 for all targets.
- Print is the most broadly recognized advertising channel, reaching about 3 of every 4 moms.
- TV is second, reaching about half of all moms.
- 7 in 10 Hispanic moms are aware of the Milk Mustache campaign and 6 in 10 Hispanic moms are aware of MilkPEP's Hispanic TV, a sharp rise from 2007.
- With regard to teens, advertising channels combine for a strong impact, reaching more than 7 out of 10 teens, and online ad awareness is very strong relative to its investment.
- About 2/3rds of moms are aware of the connection between milk and weight. Research indicates a slight softening with the shift from "weight loss" to "healthy weight".

With regard to Objective 3, to create processor opportunities to sell more milk, the research presented is summarized below:

- Nearly 90% of processing locations have engaged in some sort of MilkPEP-sponsored

activity.

- Percent of processor locations that are highly involved has increased by 5 points since 2006.
- Following a complete redesign of milkpep.org and increased communication efforts driving processors to the site, traffic was up substantially in 2008.
- MilkPEP in-store promotions generate incremental volume for participating processors and the efficiencies outperform MilkPEP's average.

As the result of research, the following planning implications were discussed:

<i>Key Learning</i>	<i>Implications</i>
Moms program drove incremental milk sales, profitably, through strong TV and efficient mix of print, in-store programs and national PR	Continue to execute against best practices <ul style="list-style-type: none"> • More, smaller events • Revised TV buy and advocate program • More celeb ads running concurrently • Strong national PR (celeb plus nutrition)
The Healthy Weight message was not as impactful as Weight Loss – did not optimize our opportunity with Moms	Shifted in 2009 to Wellness messaging and in 2010 to a family focus <ul style="list-style-type: none"> • Broader range of benefits • Broader target (mom for herself and for her family)
The Hispanic programs continued to perform at a high ROI, with no indication of media saturation	Protect the MilkPEP budget for Hispanic program <ul style="list-style-type: none"> • Prioritize Hispanic if additional funds become available • Where feasible and appropriate incorporate Hispanic celebrities/themes into GM programs
Milk Mustache equity continues to deliver for Moms program but TV awareness declined in 2008	Explore breakthrough creative for future TV as well as print executions <ul style="list-style-type: none"> • Draw attention to our new family message • Exploit window of opportunity while other wellness beverage categories suffering
Grassroots PR programs are relatively less efficient than other Mom program elements, but are a valuable tool for engaging processors in their local markets	Work to make grassroots PR programs more efficient over time, by minimizing cost as well as developing new avenues for higher impact (e.g. national media pickup)

<i>Key Learning</i>	<i>Implications – Teens</i>
Teen cost efficiency is holding steady	Build on proven tactics to protect efficiency in

	light of reduced spending
Teen print continues to be the highest driver behind awareness among teens	Explore creative evolution that makes the print work harder and more relevant to teens
Teen online advertising performs well given its low spend	Maximize the investment for online advertising and look at expanding the spend
The introduction of additional messages (refuel) spurred an increase in school consumption	Develop more specific benefits like Refuel that teens can relate to

<i>Key Learning</i>	<i>Implications - Processors</i>
Outside of Halloween, processors seem to be less enthused about MilkPEP retail programs	Create other events like Halloween that processors are excited to activate
Processors are gravitating to local marketing activities that help build their brands	Provide processors access to more local type activities that more easily accommodate their brands
When processors do participate, it drives milk sales	Help processors understand the results that can be achieved with participation

Several questions and comments were discussed:

1. What is Mom's perspective of flavored milk vs. juice (sugar)?
2. How are schools dealing with sugar content? Are there standards?
3. What do we know about the elasticity of chocolate milk vs. milk?
4. Can the milk mustache translate to TV? It was indicated that research shows the milk mustache celebrities don't work well on TV.

These issues to be further discussed in the BDR Committee session.

At this point the Board recessed for committee meetings.

There being no further business to come before this session of the Board, the meeting was recessed.

(b) (6)

APPROVED:

DATE:

— 1-16-2010 U

2009 Budget Revised by Target

	April-09 Approved Budget	July-09 Changes	July-09 Transfers & Requests	Revised Budget
REVENUES				
Assessments	\$ 107,000,000			\$ 107,000,000
Carryforward Funds	4,024,500		300,000	4,324,500
Interest Income	340,000	(100,000)		240,000
Total Revenues	\$ 111,364,500	\$ (100,000)	\$ 300,000	\$ 111,564,500
PROGRAM EXPENSES				
Moms	\$ 58,869,000		\$ -	\$ 58,869,000
Teens	25,248,500		300,000	25,548,500
Hispanic	6,573,000		-	6,573,000
Business Development	4,047,800		-	4,047,800
Research	2,778,000		-	2,778,000
Program Measurement	209,000		(100,000)	109,000
Unallocated	-		-	-
TOTAL PROGRAM EXPENSES	\$ 97,725,300	\$ -	\$ 200,000	\$ 97,925,300
OTHER EXPENSES				
Administrative	\$ 2,855,346			\$ 2,855,346
USDA Expenses	570,000			570,000
California Refund	10,210,000			10,210,000
Subtotal	\$ 13,635,346	\$ -	\$ -	\$ 13,635,346
UNALLOCATED	\$ 3,854	\$ (100,000)	\$ 100,000	\$ 3,854
UNCOMMITTED RESERVE	\$ -			\$ -
Total Expenses and Unallocated	\$ 111,364,500	\$ (100,000)	\$ 300,000	\$ 111,564,500

2010 Budget by Target

	Jan 2009 Approved Budget	July-09 Changes	July-09 Transfers & Requests	Revised Budget
REVENUES				
Assessments	\$ 107,000,000			\$ 107,000,000
Carryforward Funds		800,000		800,000
Cash Flow Reserve Reduction		2,500,000		2,500,000
Interest Income	160,000			160,000
Total Revenues	\$ 107,160,000	\$ 3,300,000	\$ -	\$ 110,460,000
PROGRAM EXPENSES				
Moms			\$ 57,500,000	\$ 57,500,000
Teens			23,300,000	23,300,000
Hispanic			6,580,000	6,580,000
Business Development			4,090,800	4,090,800
Market Research			3,855,000	3,855,000
Program Measurement			105,000	105,000
Unallocated	93,900,000	1,530,800	(95,430,800)	-
TOTAL PROGRAM EXPENSES	\$ 93,900,000	\$ 1,530,800	\$ -	\$ 95,430,800
OTHER EXPENSES				
Administrative	\$ 2,455,346			\$ 2,455,346
USDA Expenses	570,000			570,000
California Refund	10,210,000			10,210,000
Subtotal	\$ 13,235,346	\$ -	\$ -	\$ 13,235,346
UNALLOCATED	\$ 24,654	\$ 1,769,200	\$ -	\$ 1,793,854
UNCOMMITTED RESERVE	\$ -			\$ -
Total Expenses and Unallocated	\$ 107,160,000	\$ 3,300,000	\$ -	\$ 110,460,000

MINUTES

MilkPEP Board Meeting – General Session II

July 18, 2009
Colorado Springs, CO

Vice-Chairperson Terri Webb, serving as chairman in the absence of Mike Krueger, called the Board back into session at 8:00 am local time.

Ms. Webb requested a report from the Business Development & Research Committee. Mr. Haugh reported that the committee had reviewed and approved research projects under the 2009 budget. He also reported that the committee had discussed and approved a proposed long-term strategic milk industry assessment. The design of the assessment is to understand the environment in which the milk industry is operating and how it will evolve over the next 3-7 years. Mr. Haugh reviewed with the Board the proposed committee recommendations to amend the 2009 market research budget as presented below. Motion approved.

2009 Market Research Authorizations - July 2009

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Business Performance & Tracking	09-00-80	1,022,500	77,500	1,100,000	77,500	1,100,000	0
Communication Testing	09-00-81	120,000	205,000	325,000	205,000	325,000	0
Program Development**	09-00-82	210,000	510,000	720,000	510,000	720,000	0
Promotion Measurement	09-00-83	100,000	255,000	355,000	255,000	355,000	0
Program Management	09-00-85	278,000	0	278,000	0	278,000	0
Unallocated	09-/A	1,047,500	-1,047,500	0	0	0	0
Total	-	\$2,778,000	0	\$2,778,000	\$1,047,500	\$2,778,000	0

** 09-00-82: BDR Committee approved \$115,000 of the \$510,000 by email July 1, 2009

Mr. Haugh reviewed with the committee the authorization requests which had been approved by the committee pending the approval of the budget amendment.

With regard to the 2010 market research budget, the following budget was recommended by the committee for approval by the Board. Motion approved.

2010 Market Research Authorizations - July 2009

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Consumer and Marketplace Insights	10-00-80	2,085,000	0	2,085,000	150,000	150,000	1,935,000
Communication Testing	10-00-81	440,000	0	440,000	150,000	150,000	290,000
Program Development	10-00-82	175,000	0	175,000	0	0	175,000
Program Performance	10-00-83	900,000	0	900,000	0	0	900,000
Program Management	10-00-85	255,000	0	255,000	0	0	255,000
Total	-	\$3,855,000	0	\$3,855,000	\$300,000	\$300,000	\$3,555,000

Mr. Haugh reviewed the 2010 program measurement budget, which is being recommended by the committee as presented below. Motion approved.

2010 USDA Program Measurement Authorizations - July 2009

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
USDA Program Measurement	10-00-86	100,000	0	100,000	0	0	100,000
Program Management	10-00-88	5,000	0	5,000	0	0	5,000
Total	-	\$105,000	0	\$105,000	0	0	\$105,000

With regard to business development activities, Mr. Haugh reported that staff reviewed with the committee the outcome of the first council meeting of the School Advisory Council. Based on committee input, staff will review and assess the worth of the SAC and report back to the committee. Staff will review the possibility of collaborating with DMI on this effort.

Mr. Haugh reviewed with the Board two projects relating to quantifying flavored milk that the committee is considering. These projects are summarized below.

Prime Consulting

- Data Collection
 - Sept-Dec 2009
- Report Delivery
 - April 2010
- Process
 - School FSD responsible for data collection
 - Sample size
 - 110-140 schools
- Budget
 - \$395,000-\$485,000

RTI International

- Data Collection
 - Feb-July 2010
- Report Delivery
 - August 2010
- Process
 - Hire local staff to go into schools to collect waste consumption
 - Sample size
 - 12 schools
- Budget
 - \$420,000

An analysis was presented of the sales meeting which is summarized below.

- Objective of the Sales Meeting
 - Stimulate sign up and participation in all aspects of the MilkPEP program
 - Retail and local marketing
- Considerations
 - Host one meeting in late July/early August before the selling season
 - Provide information on the entire coming year calendar to lock up milk promotion at retail and stimulate planning
 - Follow up with monthly updates, visits, calls, etc. to stimulate activity
 - The total cost of the sales meeting is approximately \$450,000
 - Sales materials = \$115,000
 - Meeting specifics = \$335,000
 - Began paying for one representative from each location to attend the meeting in 2005
 - Cost of incentive is \$75,000-\$90,000 historically
 - \$1,000 budgeted per representative (oftentimes 1 person represents several locations)
 - Depends on number of locations interested in attending

Mr. Haugh reviewed with the Board the authorization requests which had been approved by the committee from the 2009 business development budget as presented below.

2009 Business Development Authorizations - July 2009

Project	Auth Code	Agency	Budget	Transfer	New Total	Auth Request	Total Authorized	Balance
Industry Communication Plan (Trade and Processor)	09-05-70	Outloud	1,230,800	0	1,230,800	0	1,230,800	0
Print Media (Trade)	09-01-71	Lowe	325,000	0	325,000	0	325,000	0
Sales Materials	09-00-72	MilkPEP	100,000	0	100,000	0	100,000	0
Trade Show/Seminars	09-00-73	MilkPEP	110,000	0	110,000	0	110,000	0
Processor/Sales Support	09-03-74	Draft	1,015,000	0	1,015,000	0	1,015,000	0
Service Team	09-02-75	Weber	775,000	0	775,000	200,000	775,000	0
School Advisory Council	09-00-76	MilkPEP	90,000	0	90,000	0	90,000	0
MilkPEP Program Management	09-00-89	MilkPEP	402,000	0	402,000	0	402,000	0
Total	-		\$4,047,800	\$0	\$4,047,800	\$200,000	\$4,047,800	\$0

Mr. Haugh reported that an outcome of the discussions was to discontinue the incentive for one representative from each location to attend the Sales Meeting in 2010.

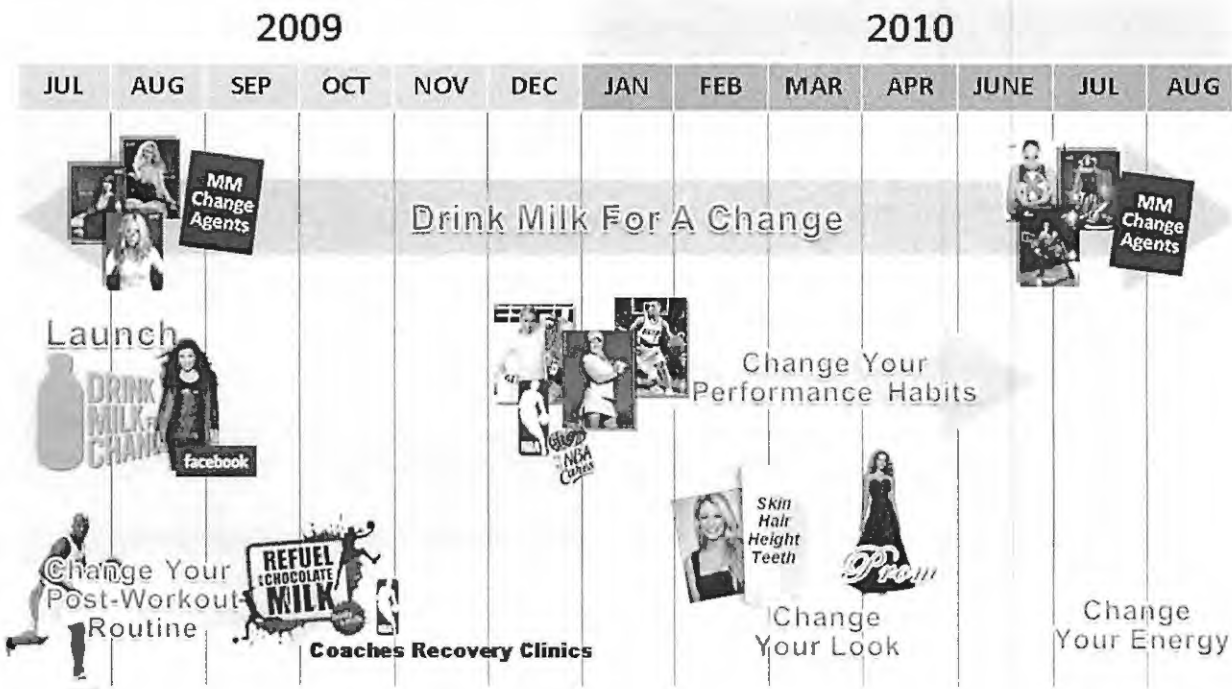
With regard to the 2010 business development budget, Mr. Haugh moved the committee recommendation to approve the budget as presented below. Motion approved.

2010 Business Development Authorizations - July 2009

Project	Auth Code	Agency	Budget	Transfer	New Total	Auth Request	Total Authorized	Balance
Industry Communication Plan (Trade and Processor)	10-05-70	Outloud	1,475,800	0	1,475,800	800,000	800,000	675,800
Print Media (Trade)	10-01-71	Lowe	325,000	0	325,000	325,000	325,000	0
Sales Materials	10-00-72	MilkPEP	100,000	0	100,000	100,000	100,000	0
Trade Show/Seminars	10-00-73	MilkPEP	110,000	0	110,000	110,000	110,000	0
Processor/Sales Support	10-03-74	Draft	1,035,000	0	1,035,000	450,000	450,000	585,000
Processor Service Team	10-02-75	Weber	480,000	0	480,000	200,000	200,000	280,000
School Advisory Council	10-00-76	MilkPEP	90,000	0	90,000	90,000	90,000	0
MilkPEP Program Management	10-00-89	MilkPEP	475,000	0	475,000	0	0	475,000
Total	-		4,090,800	\$0	4,090,800	2,075,000	2,075,000	2,015,800

This completed the report of the Business Development & Research Committee.

A report was presented by the Teens Committee. Jerry Tidwell, chairman of the committee, reviewed with the Board the calendar of event as presented below.



Elements of the "Drink Milk for a Change" program were reviewed with the Board. The status of the "Refuel with Chocolate Milk" program and the Coaches' Recovery Clinics was discussed and the Ryan Scheckler and Demi Lovato creative was presented. With regard to evolving the teen Milk Mustache campaign, the committee presented the following report.

- Benefits Research: Quantitative study to identify the milk benefits that are most motivating for Teens

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- 900 Teens/Tweens between the ages of 9 and 17
- 30 statements covering a wide range of milk benefits
- Evaluation based on Teen interest, motivation to drink milk, and uniqueness relative to competitive beverages
- Creative Exploratory to optimize the Teen Milk Mustache campaign. Will look at a range of approaches:
 - More emotional
 - Bring milk's benefits to life
 - Speak to Teens in their own language

With regard to the 2009 Teen budget, Mr. Tidwell moved the committee recommendation to amend the budget as presented below. Motion approved.

2009 Teen Authorizations - July 2009

Project	Agency	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Teen Advertising Media	Lowe	09-01-30	8,600,000	0	8,600,000	0	8,600,000	0
Teen Advertising Production	Lowe	09-01-31	2,600,000	0	2,600,000	0	2,600,000	0
School Image Program	Lowe	09-01-32	2,771,000	300,000	3,071,000	300,000	3,071,000	0
Disney Sponsorship	Lowe	09-01-33	2,400,000	0	2,400,000	0	2,400,000	0
NBA Sponsorship	Lowe	09-01-34	2,000,000	0	2,000,000	0	2,000,000	0
Body by Milk Promotion	Draftfcb	09-03-35	2,450,000	0	2,450,000	0	2,450,000	0
Get Fit By Finals	Weber	09-02-36	1,150,000	0	1,150,000	0	1,150,000	0
Teen Ad Breaks/Ongoing Media Relations	Weber	09-02-37	450,000	0	450,000	0	450,000	0
SAMMY	Weber	09-02-38	160,000	0	160,000	0	160,000	0
Bodybymilk.com	Weber	09-02-39	740,000	0	740,000	0	740,000	0
Program Management/2010 Planning	Weber	09-02-40	157,500	0	157,500	0	157,500	0
Program management/2010 Planning	Draftfcb	09-03-41	475,000	0	475,000	0	475,000	0
Fall 09 Teen Program - DMFC	Weber	09-02-42	274,000	0	274,000	0	274,000	0
Fall 09 Teen Program - Chocolate Chill	Weber	09-02-43	655,000	0	655,000	0	655,000	0
MilkPEP Program Management	PEP	09-00-59	366,000	0	366,000	0	366,000	0
Total		-	\$25,248,500	\$300,000	\$25,548,500	\$300,000	\$25,548,500	0

*Note: \$300,000 transfer into School Image Program from General Fund to support elementary school posters.

Mr. Tidwell also reviewed the authorizations which had been approved by the committee pending approval of the budget amendment.

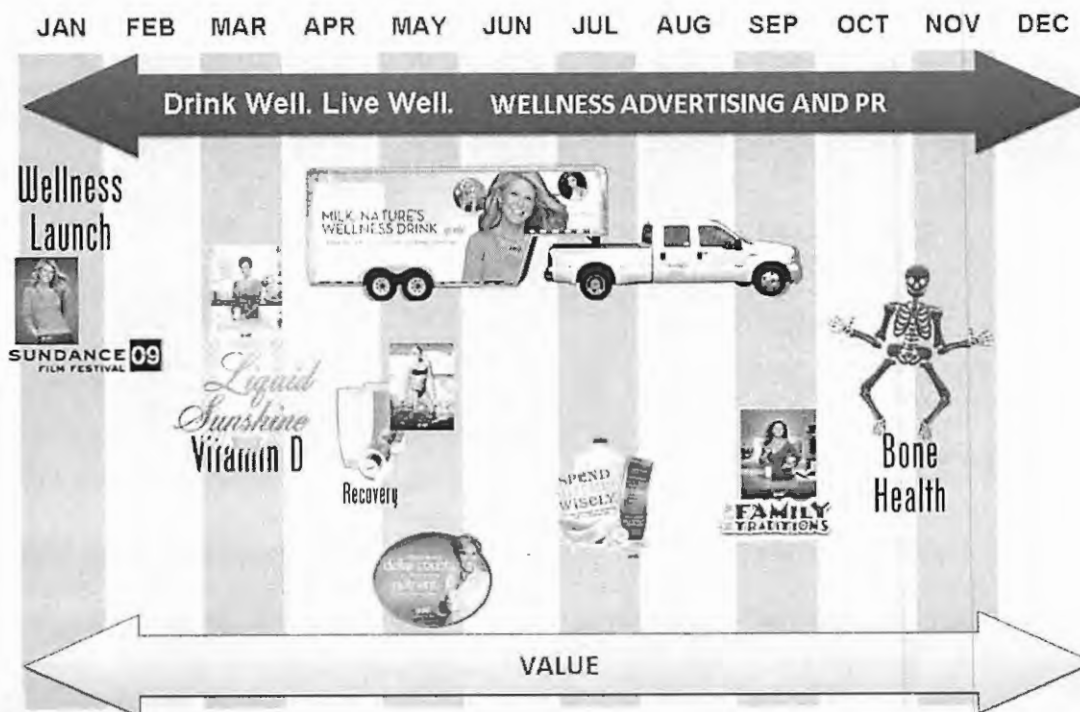
Mr. Tidwell reviewed with the Board the committee recommendation regarding the 2010 Teens budget as presented below.

2010 Teens Authorizations -July 2009

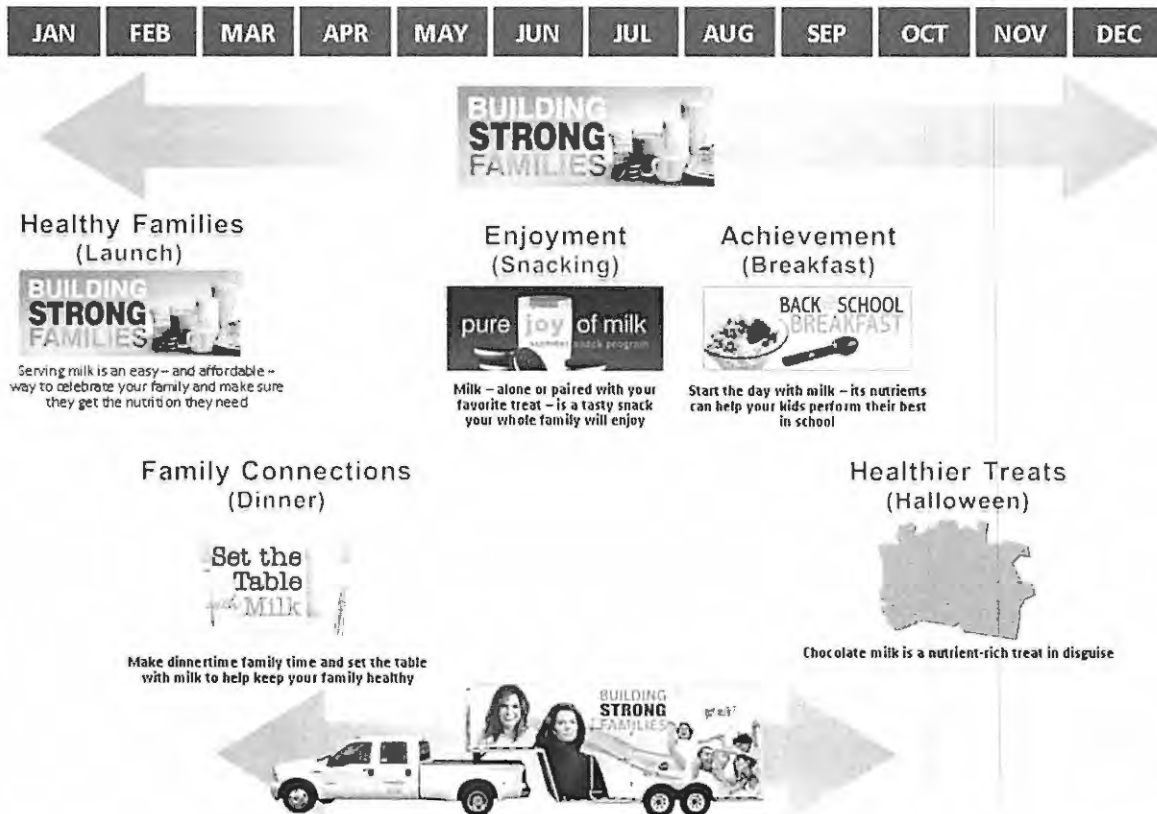
Project	Agency	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Teen Advertising Media	Lowe	10-01-31	10,200,000	0	10,200,000	4,080,000	4,080,000	6,120,000
Teen Advertising Production	Lowe	10-01-32	2,600,000	0	2,600,000	1,325,000	1,325,000	1,275,000
School Image program	Lowe	10-01-33	3,100,000	0	3,100,000	1,800,000	1,800,000	1,300,000
NBA Sponsorship	Lowe	10-01-34	1,000,000	0	1,000,000	1,000,000	1,000,000	0
Spring: Change your Game	Weber	10-02-35	520,000	0	520,000	520,000	520,000	0
Spring: Appearance	Weber	10-02-36	400,000	0	400,000	400,000	400,000	0
Fall: Energy	Weber	10-02-37	200,000	0	200,000	0	0	200,000
SAMMY	Weber	10-02-38	170,000	0	170,000	70,000	70,000	100,000
Teen Ad Breaks/Ongoing Media Relations	Weber	10-02-39	475,000	0	475,000	75,000	75,000	400,000
Social media/Digital - Teen	Weber	10-02-40	305,000	0	305,000	55,000	55,000	250,000
Bodybymilk.com	Weber	10-02-41	425,000	0	425,000	125,000	125,000	300,000
Program Management/2011 Planning - Teen	Weber	10-02-42	255,000	0	255,000	25,000	25,000	230,000
MMI/SEO Hosting	Weber	10-02-43	60,000	0	60,000	60,000	60,000	0
Body by Milk Promotion	Draftfcb	10-03-45	2,710,000	0	2,710,000	1,500,000	1,500,000	1,210,000
2011 Planning/2010 Program Mgmt	Draftfcb	10-03-46	525,000	0	525,000	225,000	225,000	300,000
MilkPEP Program Management	MilkPEP	10-00-59	355,000	0	355,000	0	0	355,000
Total			\$23,300,000	\$0	\$23,300,000	\$11,260,000	\$11,260,000	\$12,040,000

Mr. Tidwell moved approval of the 2010 budget as presented. Motion approved.

Mike Touhey presented a report on behalf of the Moms Committee and reviewed the elements of the 2009 Moms program as presented below.



New creative including Carolina Herrera and Angie Harmon was presented to the Board, as well as a timeline for 2010 programs as presented below.



Mr. Touhey reviewed with the Board the discussion which the committee conducted relating to the 2010 plan. A summary is presented below.

- Building Strong Families launch – details around tactics
 - Processor opportunities in local markets
 - Extension beyond 20 markets
 - Food bank red flags
 - Next step: solidify plan for sales meeting
- Breakfast
 - Explore synergies with teen/school program
 - Giving processors tools to do their own cross-promotion
- Expanding partnership search to other commodities, e.g., eggs
- Discussion of nutrient-rich messaging, dial up competitive messaging, e.g., naturally, simple
- Opportunities to focus young women falling out of gap – how can we increase milk’s relevance for these future moms

The committee also presented new personalities with children which will be part of the program, including Rebecca Romjin and Martina McBride. With regard to the 2009 Moms budget, Mr. Touhey reviewed the authorization requests which had been approved by the committee as presented below.

2009 Mom Target Authorizations

Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
Broadcast Media	Lowe	09-01-01	16,700,000	0	16,700,000	0	16,700,000	0
Mom Print Media	Lowe	09-01-02	18,300,000	0	19,800,000	7,400,000	19,800,000	0
Advertising Production	Lowe	09-01-03	3,500,000	0	3,500,000	335,000	3,500,000	0
White Milk (Jan, Sept)	Draft	09-03-19	2,255,000	0	2,255,000	0	2,255,000	0
Feature Incentive (Mar, May, July, Oct)	Draft	09-03-20	4,546,000	0	4,546,000	546,000	4,546,000	0
Wellness Launch (Jan)	Weber	09-02-05	921,000	0	921,000	0	921,000	0
Milk Advocates	Weber	09-02-06	275,000	0	275,000	0	275,000	0
MMM Wellness Tour	Weber	09-02-07	5,250,000	0	5,250,000	0	5,250,000	0
Liquid Sunshine/Vitamin D	Weber	09-02-08	425,000	0	425,000	0	425,000	0
Women's Recovery/Muscle and Bone	Weber	09-02-09	410,000	0	410,000	0	410,000	0
Hispanic Heritage	Weber	09-02-10	110,000	0	110,000	0	110,000	0

Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
Halloween	Weber	09-02-11	790,000	0	790,000	390,000	790,000	0
Women Ad Breaks (ongoing Media Relations)	Weber	09-02-12	240,000	0	240,000	0	240,000	0
Nutrition News Bureau	Weber	09-02-13	655,000	0	655,000	160,000	655,000	0
Whymilk.com	Weber	09-02-14	280,000	0	280,000	0	280,000	0
Medical Advisory Board	Weber	09-02-15	100,000	0	100,000	0	100,000	0
Health Professionals	Weber	09-02-16	300,000	0	300,000	0	300,000	0
Issues Management	Weber	09-02-17	467,500	0	467,500	77,500	467,500	0
Program Management/2010 Planning	Weber	09-02-18	367,500	0	367,500	0	367,500	0
Program Management/2010 Planning	Draft	09-03-21	475,000	0	475,000	0	475,000	0
MAB/Medical Research	PEP	09-00-28	250,000	0	250,000	110,000	250,000	0
Legal	PEP	09-00-27	200,000	0	200,000	50,000	200,000	0
MilkPEP Program Management	PEP	09-00-29	552,000	0	552,000	0	552,000	0
Total			58,869,000	0	58,869,000	9,060,500	58,869,000	0

With regard to the 2010 Moms budget, Mr. Touhey presented the committee recommendation to approve the proposed budget as presented below. Motion approved.

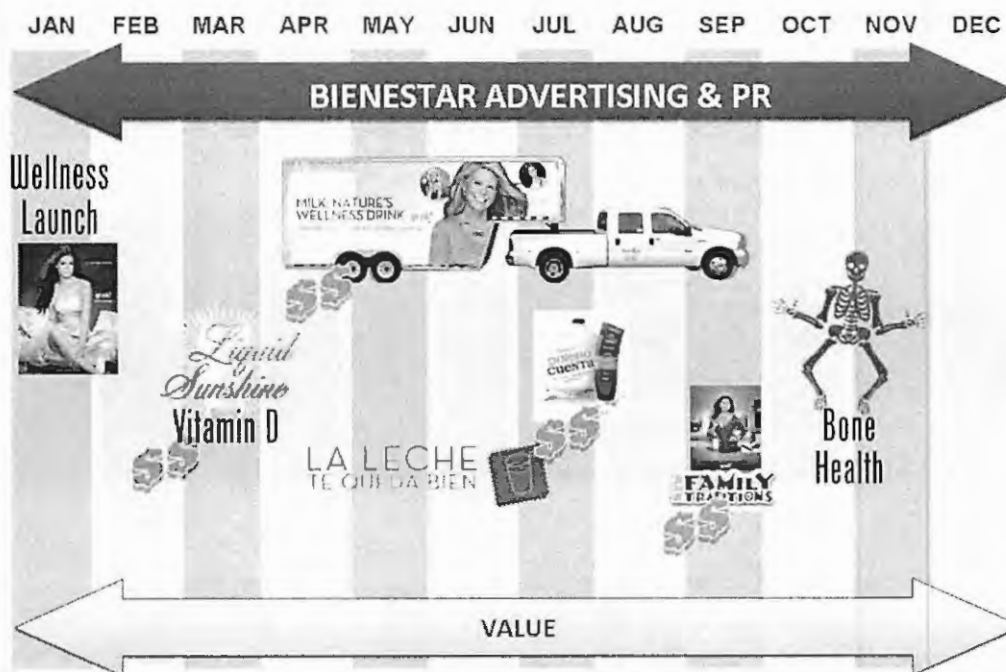
2010 Moms Authorizations - July 2009

Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
Broadcast Media	Lowe	10-01-02	17,200,000	0	17,200,000	17,200,000	17,200,000	0
Mom Print Media	Lowe	10-01-03	19,500,000	0	19,500,000	7,800,000	7,800,000	11,700,000
Advertising Production	Lowe	10-01-04	3,500,000	0	3,500,000	2,270,000	2,270,000	1,230,000
January	Weber	10-02-05	1,150,000	0	1,150,000	1,150,000	1,150,000	0
Dinner	Weber	10-02-06	425,000	0	425,000	225,000	225,000	200,000
Milk Mustache Mobile Tour	Weber	10-02-07	4,957,500	0	4,957,500	1,000,000	1,000,000	3,957,500
Breakfast	Weber	10-02-08	200,000	0	200,000	0	0	200,000
Snack	Weber	10-02-09	190,000	0	190,000	0	0	190,000
Women Ad Breaks/Ongoing Media Relations	Weber	10-02-10	340,000	0	340,000	40,000	40,000	300,000
Nutrition News Bureau	Weber	10-02-11	655,000	0	655,000	55,000	55,000	600,000
Milk Advocates	Weber	10-02-12	220,000	0	220,000	70,000	70,000	150,000
Social Media/Digital - Mom	Weber	10-02-13	350,000	0	350,000	50,000	50,000	300,000
Whymilk.com	Weber	10-02-14	325,000	0	325,000	50,000	50,000	275,000
Medical Advisory Board	Weber	10-02-15	80,000	0	80,000	40,000	40,000	40,000
Health Professionals	Weber	10-02-16	300,000	0	300,000	150,000	150,000	150,000
Issues Management	Weber	10-02-17	467,500	0	467,500	67,500	67,500	400,000
Program Management/2011 Planning - Mom	Weber	10-02-18	470,000	0	470,000	70,000	70,000	400,000
MMV/SEO Hosting - Mom	Weber	10-02-19	60,000	0	60,000	60,000	60,000	0

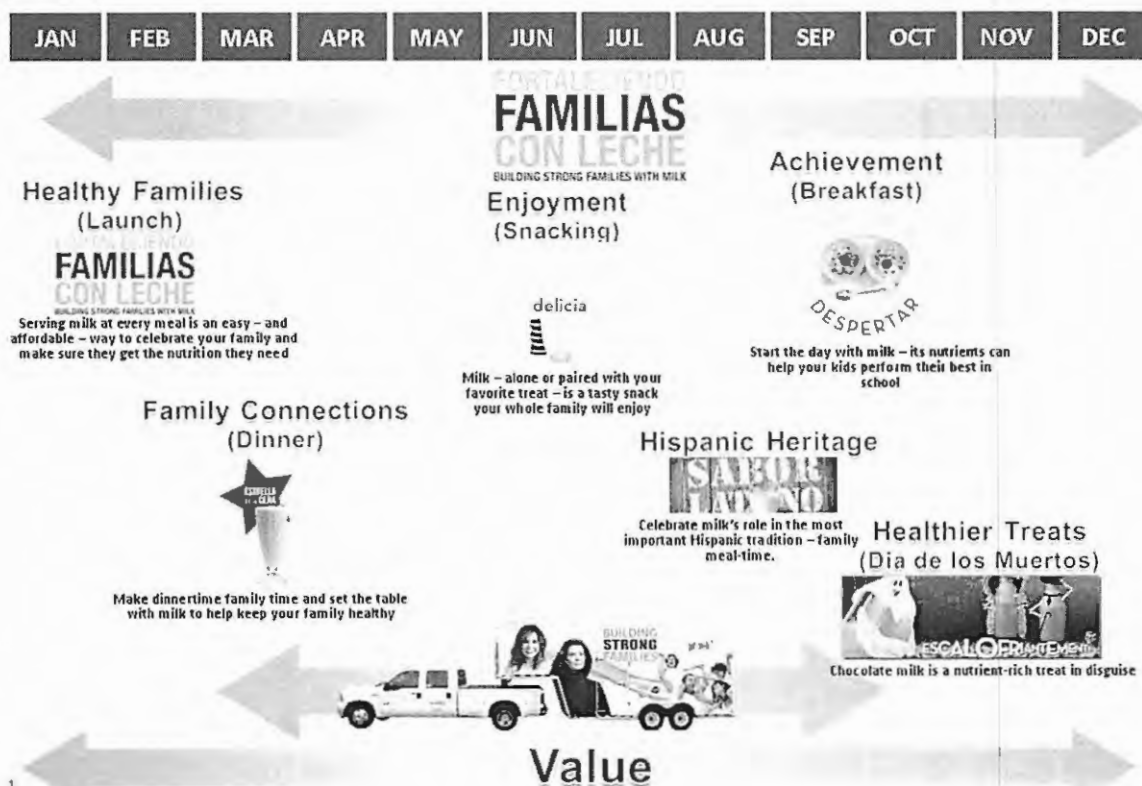
Project	Agency	Auth Code	Budget (\$)	Transfer (\$)	New Total (\$)	Authorization Request (\$)	Total Authorized (\$)	Balance (\$)
White Milk/Flavored Milk Promotion	Draft	10-03-21	5,605,000	0	5,605,000	2,219,000	2,219,000	3,386,000
2011 Planning/2010 Program Mgmt	Draft	10-03-22	525,000	0	525,000	225,000	225,000	300,000
MAB/Medical Research	MilkPEP	10-00-26	250,000	0	250,000	0	0	250,000
Legal	MilkPEP	10-00-27	200,000	0	200,000	0	0	200,000
MAB/Med Research Program Mgmt	MilkPEP	10-00-28	145,000	0	0	0	0	0
Moms Program Management	MilkPEP	10-00-29	385,000	0	0	0	0	0
Total		-	\$57,500,000	\$0	\$56,520,000	\$32,741,500	\$32,741,500	\$23,778,500

This completed the report of the Moms Committee.

Mr. Bob McCullough presented a report on behalf of the Hispanic Committee. The elements of the 2009 Hispanic Moms program were discussed with the Board as presented below.



With regard to 2010 planning, the committee presented a working timeline for the Hispanic program as presented below and reviewed with the Board several issues which were addressed by the committee.



- Explore extending into Hispanic holidays that fit within the Building Strong Families platform (ex. cinco de mayo)
- Investigate the long term value of Hispanic mom target to the milk category
- Quantify cost implications of having a separate Hispanic truck for the MMM tour; optimize locations to be relevant to Hispanic moms
- More cross over celebrities in the print campaign and maximize integration between GM and Hispanic programs

Mr. McCullough reviewed with the Board the highlights of the Hispanic media plan.

- TV support expanded and segment integrations upgraded
 - FROM “Delicioso” on Galavision TO “Despierta America” on Univision
- Print plan remains strong and enhanced
 - FROM Ser Padres Recipe card TO Ser Padres 8 page insert
 - FROM Siempre Mujer Recipe card TO Siempre Mujer 8 page insert
- Online funds shifted & combined with TV savings to fund segment integrations in Despierta America and increase target TV impressions
 - FROM 90,652,910 impressions TO 99,786,400 impression UP 10%

With regard to the 2009 Hispanic budget, Mr. McCullough reviewed with the Board the authorizations which had been approved by the committee. Mr. McCullough then reviewed with the Board the 2010 Hispanic budget as recommended by the committee. Mr. McCullough moved the committee recommendation to approve the budget as presented below. Motion approved.

2010 Hispanic Authorizations - July 2009

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Hispanic Media	10-04-60	4,650,000	0	4,650,000	2,470,000	2,470,000	2,180,000
Hispanic Production	10-04-61	850,000	0	850,000	550,000	550,000	300,000
Hispanic Public Relations	10-04-62	1,000,000	0	1,000,000	215,000	215,000	785,000
MilkPEP Program Management	10-04-69	80,000	0	80,000	0	0	80,000
Total	-	\$6,580,000	\$0	\$ 6,580,000	\$3,235,000	\$3,235,000	\$3,345,000

Vivien Godfrey and other staff presented an update with regard to the status of 2009 programs.

Following a review of the 2009 program, Chairman Webb indicated that management and the committees were to move forward with the 2010 plan as presented and the budgets which had been approved for each of the committees. Ms. Webb indicated that prior to adjourning the Board she wanted to express her appreciation to retiring Board members Paul Bikowicz and Mike Nosewicz for their significant contributions to the MilkPEP program on behalf of the industry.

There being no further business to come before the Board, the meeting was adjourned.

(b) (6)

APPROVED:

DATE:

1-16-2010

MINUTES

MilkPEP Board Meeting – General Session I

January 16, 2010
Phoenix, AZ

Chairman Mike Krueger called the Board into session at 8:30 am local time. Members present included Jerry Tidwell, Buddy Gaither, Bob McCullough, Randy Mooney, Jay Bryant, Terri Webb, Mary Hill, Mike Smith, Scottie Mayfield, Mike Krueger, Rick Zuroweste, Steve Turner, Ed Mullins, Mike Touhey, Miriam Erickson Brown, Chris Ross, Mike Bell, and Tim Kelbel. Also present were industry representatives Al Guida, Dub Garlington, Brian Linney, and Scott Shahadey. Also present were Connie Tipton (IDFA), Barb O'Brien and Paul Rovey (Dairy Management, Inc.). Also present were Angie Salinas, John Mengel, Dana Coale, and Whitney Rick (USDA liaison); Vivien Godfrey and Ron Rubin (MilkPEP staff); and Wayne Watkinson (legal counsel).

Chairman Krueger indicated that the minutes of the July meeting had been circulated. Motion by Steve Turner, second by Tim Kelbel to approve the minutes as presented, including the executive session minutes. Motion approved.

The Board then reviewed the code of conduct which had been circulated. Motion by Mike Smith, second by Ed Mullins, to approve the code of conduct for use by Board members and industry representatives. Motion approved.

Ms. Salinas presented the USDA report. She indicated that Chris Ross and Mike Bell had been seated, representing Region 2 and Region 8. Ms. Salinas also indicated that the report to Congress had been distributed. This completed her report.

Connie Tipton (IDFA) presented an update to the Board and covered the following issues:

- Health care legislation
- Food safety issues
- Child nutrition
- Update on dietary guideline development
- Preliminary Farm Bill activity
- Ms. Tipton also reviewed the highlights of the IDFA meeting which would take place beginning Sunday.

Barb O'Brien of Dairy Management, Inc. presented a report to the Board covering the following issues:

- Fuel Up to Play 60
 - Event in New York which included Roger Guidel of the NFL, Secretary Vilsack (USDA), Tom Gallagher (DMI)
- Innovation Center sustainability issues and memorandum of understanding signed by

USDA and the Innovation Center.

Mr. Krueger expressed appreciation to Ms. Salinas, Ms. Tipton and Ms. O'Brien for their reports. Mr. Krueger requested a report from Terri Webb, who would be serving as temporary chair of the Finance Committee due to the absence of Jim Green.

Terri Webb reviewed the actions of the Finance Committee. Mr. Rubin (CFO) reviewed with the Board certain corporate changes to Rubin Kasnett & Associates. Ms. Webb presented a number of recommendations to the Board which had been approved by the Finance Committee as presented below.

- The committee reviewed competitive bidding and active contracts
- Financial Review
 - 2009 Year-to-date assessments are up 0.8% over previous year and are at \$108MM
 - Year-to-date expenses remain in line
 - Administrative budget projected to come in \$110K lower than budget
 - CA refund projected to come in over budget
 - Cash flow remains strong
- Reviewed Snyder Cohn audit of Weber Shandwick

Motion by Ms. Webb to approve the Finance Committee recommendation to increase the 2009 administrative budget by \$15,000 for accounting services provided by Rubin Kasnett & Associates. Motion approved.

Ms. Webb moved the Finance Committee recommendation to approve changes to the 2010 budget as presented in Exhibit 1 (attached). Motion approved.

Motion by Ms. Webb to establish an initial revenue amount for 2011 of \$107 million. Motion approved. This completed the report of the Finance Committee.

The Board heard a report on program updates. Rick Zuroweste (chairman of the Moms Committee) and Julia Caddison presented an update on programming targeting moms, which included:

- Review of new creative
- Initial results on program awareness
- Transition from 2009 to 2010 programming

Bob McCullough and Julia Caddison presented a report for the Hispanic Committee, outlining:

- Targeted activities conducted since July
- Initial results from programming activities
- Transition activities to 2010 programming

With regard to Teen Committee activities for 2009, Jerry Tidwell and Julie Buric presented a

report focusing on:

- New creative concepts targeting teens
- New internet applications and opportunities for expanding the message
- Initial results of 2009 activities

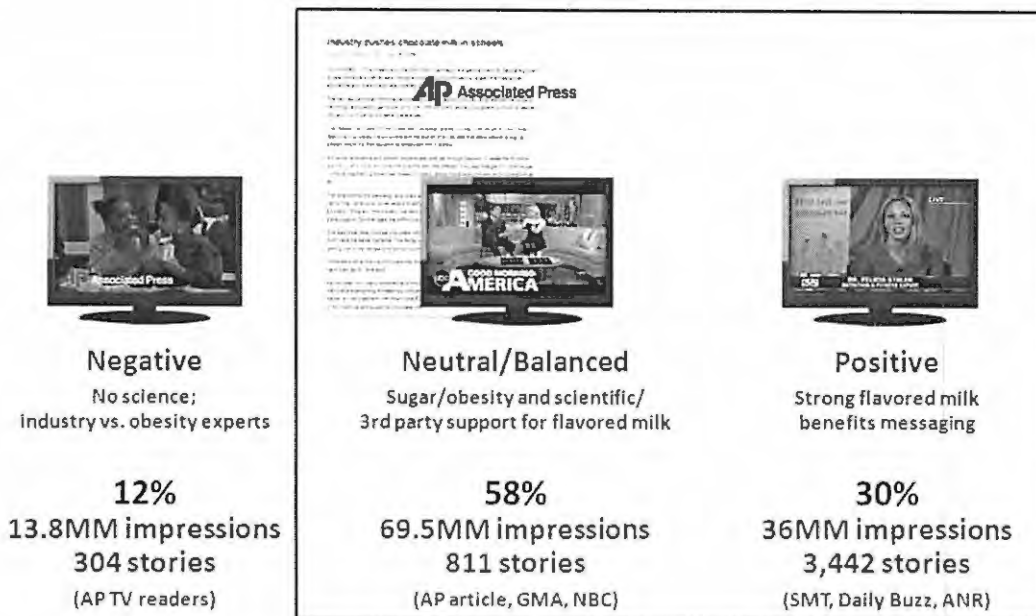
The Business Development & Research Committee presented a report. Ed Mullins (chairman) and Julie Buric reviewed with the Board the committee's plans to strategically analyze opportunities that have the greatest impact on sales. Specific areas included in the report:

- Processor and trade development activities
- Market research, including project updates
- Update on the Dairy Reinvention program

Following a short break, the Board heard a status report relating to the growing threat to flavored milk in schools. Julia Caddison presented information relating to threats emerging in the school environment for chocolate milk. Ms. Caddison reviewed the issues relating to a chocolate milk campaign as summarized below.

DEFINING THE PROBLEM			
Increased action towards restricting sweetened beverages in public buildings and federal meal programs is, mistakenly, being applied to chocolate milk by some decision-makers, public health, and others. This puts chocolate milk in schools at risk of becoming restricted and categorized like other sweetened beverages. If restricted, consumption would be affected negatively, putting the health of our children at risk.			
GOALS			
Achieve greater support for chocolate milk as a mainstay of good nutrition in schools	Eliminate any threats to pulling chocolate milk	Avoid chocolate milk being categorized like other sweetened beverages	Preserve chocolate milk's place in wellness policies and nutrition recommendations for in- and out-of-home use

Ms. Caddison indicated that the targets for the campaign would be thought leaders, dairy industry, and consumers. She also indicated that several health professional organizations, such as the American Academy of Pediatrics, Eat Right (which is a program implemented by the American Dietetic Association), and the American Heart Association was providing support for the campaign. Ms. Caddison then called on Kathy Calhoun of Weber Shandwick to review the specific tactics within the campaign. Ms. Calhoun reviewed the results of consumer research and messaging testing, which indicated that when moms were told that some schools were removing chocolate milk over concerns about added sugars and also given positive chocolate milk messages, 79% said they agreed it is important for chocolate milk to be available to their child at school. The various tactics included in the campaign were reviewed by the Board, including the use of Felicia Stoler, a mother of two who is also a DCN, MS, and an RD. Results of media coverage of the campaign to date are summarized below.



With regard to next steps, Ms. Calhoun and staff indicated that several elements had been built into the 2010 mom and teen programs to promote chocolate milk and that the recent study quantifying flavored milk in schools would be used to communicate the danger of removing chocolate milk from school cafeterias.

Doug Adams of Prime Consulting Group presented a report to the Board on the results of a study measuring the impact on milk consumption from limiting or eliminating flavored milk availability in schools. The objective of this study, funded by MilkPEP, is described below.

- The objective of this MilkPEP study was to:
 - quantify the milk consumption impact from changing the availability of flavored milk in schools.
- The changes were:
 - eliminating flavored milk from the cafeteria.
 - curtailing the availability of flavored milk (such as limiting flavors to certain days).
- understand the reasons and attitudes surrounding why to limit or eliminate flavors.
- model the implications on student nutrition delivery and cost as it relates to the National School Lunch Program (NSLP) and School Breakfast Program (SBP).
- develop projections and ramifications from various levels of curtailment/ elimination.
- make actionable recommendations for MilkPEP and other key stakeholders to consider in light of the learnings from the study.

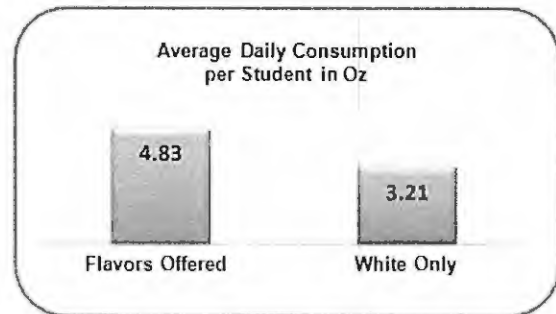
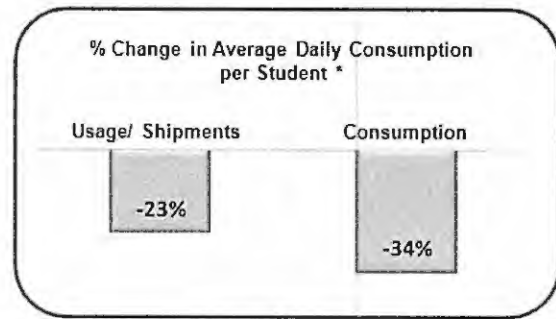
A summary of the results of the study are presented below.

Elementary student milk consumption drops dramatically when flavors are not offered.

The waste level grows 12 points at Elementary level when only White milk is offered.

- Elementary (24 grew to 36%)
- Secondary waste grows 3 points (7-10%)

The average student's actual consumption falls to 3.21 oz per day when only White milk is made available.



Mr. Adams also reported that school nutrition directors continue to face more questions/concerns about flavored milk, indicating that nearly 90% of those questions are negative with over half related to added sugar/calories. However, he indicated that the school nutrition directors are turning to good sources for help in addressing the questions with 55% reporting they went to Dairy Council or government nutrition websites for responses to the questions. It was also indicated that school nutrition directors are often not the decision makers relating to the reduction or elimination of flavored milk in schools. Mr. Adams then reviewed results of milk elimination trials in Weston, CT; Atlanta, GA; and Huntington, WV. He indicated that additional trials in San Francisco, CA; Madison, WI and Austin, TX are also planned. With regard to next steps as it relates to the study:

- Complete Nutrition Modeling phase
 - Quantify shortfall in key nutrients when milk consumption drops
 - Identify alternatives to replace nutrients
 - Project cost implications on meal cost
- Develop/ Implement Action Plan
 - Communications
 - Support to Processors and Dairy Council in addressing topic with Schools, Governing bodies, etc.
 - Further Research?

With regard to specific recommendations arising from the study:

- Recognize efforts to eliminate/ curtail flavors as a serious threat that could greatly undermine not only current school milk volume in schools but levels of consumption in everyday life.

- Develop/ Implement Action Plan: Consider 3-prong approach in the short term
 - Multi-layer Communication Plan
 - Nutrition Professionals – MilkPEP & Dairy Council
 - Policy level – IDFA
 - SNA, SNE & ADA Professional Conference workshops – MilkPEP, Dairy Council, Prime
- Establish Support Team to work directly with large districts that consider eliminating flavors - MilkPEP, Dairy Council, Prime
 - Combine the best of this study with the Capturing the School Milk Opportunity Workshop and make team available for Top 100 district support.
 - Presentation of study, modeling of nutrient delivery, cost implications, etc.
- Further Study – Recent IOM recommendations push for Fat Free only flavors
 - Other F/U questions related to impact on various ethnic groups, income levels, etc.

Chairman Krueger asked whether there were any questions related to the chocolate milk study or the program contemplated. There being no further questions, the Board discussed the 2010 Building Strong Families program. The Board discussed the change in direction for the 2010 program, recently moving from healthy weight and wellness to building strong families. New TV ads focusing on the build-strong-families theme were reviewed by the Board. The Board reviewed results of an advertising assessment doing by Harris Interactive, which is summarized below.

- Positive reaction to “Building Strong Families” platform
 - 91% of respondents claimed it was important to them
- “Pass the Milk” delivers both rational and emotional benefits
 - Seen as involving and relevant
 - Motivated moms to encourage their families to drink (and use) more milk
- Moms appreciated seeing varied uses and forms of milk, and could relate to the diversity of family types and situations
- Research helped strengthen the claim language for nutrient-rich
 - Competitive edge was powerful
 - Vitamin B and Protein injected “news value”
 - When possible, connect nutrients to specific benefits

New Hispanic TV advertising was presented to the Board which featured Rebecca Romijn and her two children and Cristian de la Fuente.

Also as part of the 2010 discussion, the committee reviewed the elements of the Great Gallon Giveaway program, including TV integrations with various programs. An update was also provided on the Hispanic Great Gallon launch, with the national launch taking place in Miami, FL and several local market events also being conducted.

Board and staff engaged in a discussion relating to the 2011 planning process. Ms. Godfrey indicated that it was very important that the Board provide input to ensure clear direction. Key planning issues for 2011 were discussed and are summarized below:

- White milk v. flavored milk
- Taste v. health
- Integration v. ala carte
- Beverage v. other uses
- “Got Milk?” v. other platforms

Ms. Godfrey and Chairman Krueger indicated that it was important for Board members to participate in the committee planning processes to provide input into the 2011 plan.

Chairman Krueger recessed the Board meeting to allow Board members to participate in various program committee meetings.

(b) (6)

APPROVED:

DATE:

4/30/10

2010 Budget

	September 2009 Approved Budget	January 2010 Changes	January 2010 Transfers & Requests	January 2010 Revised Budget
REVENUES				
Assessments	\$ 107,000,000	\$ 500,000		\$ 107,500,000
Carryforward Funds	800,000			800,000
Cash Flow Reserve Reduction	2,500,000			2,500,000
Interest Income	160,000			160,000
Total Revenues	\$ 110,460,000	\$ 500,000	\$ -	\$ 110,960,000
PROGRAM EXPENSES				
Moms	\$ 58,000,000		\$ 220,000	\$ 58,220,000
Teens	23,300,000		-	23,300,000
Hispanic	6,580,000		400,000	6,980,000
Business Development	4,464,600		185,000	4,649,600
Market Research	3,855,000		-	3,855,000
Program Measurement	105,000		-	105,000
Unallocated/Opportunistic	-			-
TOTAL PROGRAM EXPENSES	\$ 96,304,600	\$ -	\$ 805,000	\$ 97,109,600
OTHER EXPENSES				
Administrative	\$ 2,455,346		\$ 195,000	\$ 2,650,346
USDA Expenses	570,000			570,000
California Refund	10,210,000		40,000	10,250,000
Subtotal	\$ 13,235,346	\$ -	\$ 235,000	\$ 13,470,346
UNALLOCATED/OPPORTUNISTIC BUDGET	\$ 920,054	\$ 500,000	\$ (1,040,000)	\$ 380,054
UNCOMMITTED RESERVE	\$ -			\$ -
Total Expenses and Unallocated/Opportunistic Budget	\$ 110,460,000	\$ 500,000	\$ -	\$ 110,960,000

MINUTES

MilkPEP Board Meeting – General Session II

January 17, 2010

Phoenix, AZ

Chairman Mike Krueger called the Board back into session at 9:00 a.m. local time.

Mr. Krueger requested that the chairmen of committees present reports to the Board on committee actions. Rick Zuroweste presented a report on behalf of the Moms Committee, assisted by Julia Kadison. The theme for the 2010 Milk Mustache Mobile program was reviewed, including a Fuel Up to Play 60 Kid Zone which has been added to the tour. An update was provided on potential partners, including Nabisco and Post, for programs being contemplated by the committee. Mr. Zuroweste reviewed with the Board the 2011 planning issues which were discussed by the committee:

- Messaging
- Connecting with the target
- Flavored milk
- Program integration
- Partnerships

Two areas of concern discussed by the committee were: (1) a continuation of kids' consumption declines, and (2) women's penetration and consumption continues to be low. Key points of discussion within the committee were:

- Consider 2010 plan to be Year 1 of a multi-year effort. No reason to deviate from current course.
- Since Mom milk consumption is largest driver of kids' consumption, what is the primary messaging? Benefits for her or for her kids (or balance of both).
- Find the path of least resistance to optimize the volumetric opportunity
- How do we address the insight that moms believe kids are getting enough milk?
- Discussion of relevant and motivational benefits for mom.
- Flavored milk remains important for the program.
- Agreement that there are a lot of potential partnerships that would enhance our program.
- Agreement that fully integrated programs are not always the rule.

Mr. Zuroweste stated that the committee would continue to work to provide insight into the 2011 plan. Chairman Zuroweste also indicated that the committee had reviewed the 2010 budget for the Moms target area and the committee was recommending a budget amendment as presented below:

2010 Moms Authorizations-January 2010

Project	Agency	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Broadcast Media	Deutsch	10-02	17,200,000	0	17,200,000	0	17,200,000	0
Mom Print Media	Deutsch	10-03	19,500,000	0	19,500,000	7,100,000	14,900,000	4,600,000
Advertising Production	Deutsch	10-04	3,500,000	0	3,500,000	950,000	3,220,000	280,000
January	Weber	10-05	1,150,000	0	1,150,000	0	1,150,000	0
Dinner	Weber	10-06	425,000	0	425,000	200,000	425,000	0
Milk Mustache Mobile Tour	Weber	10-07	4,957,500	200,000	5,157,500	2,957,500	3,957,500	1,200,000
Breakfast	Weber	10-08	200,000	0	200,000	200,000	200,000	0
Snack	Weber	10-09	190,000	0	190,000	190,000	190,000	0
Women Ad Breaks/Ongoing Media Relations	Weber	10-10	340,000	0	340,000	200,000	240,000	100,000
Nutrition News Bureau	Weber	10-11	655,000	0	655,000	350,000	405,000	250,000
Milk Advocates	Weber	10-12	220,000	0	220,000	150,000	220,000	0
Social Media/Digital-Mom	Weber	10-13	350,000	0	350,000	200,000	250,000	100,000
Whymilk.com	Weber	10-14	325,000	0	325,000	175,000	225,000	100,000

Mr. Zuroweste moved the committee recommendation to approve the budget amendment as presented. Motion approved. The Board discussed the authorizations which had been approved by the committee. This completed the report of the Moms Committee.

Bob McCullough and Julia Kadison presented the report of the Hispanic Committee. The report included a discussion of the March dinner program and the Hispanic elements of the 2010 dinner program which was part of the Milk Mustache Mobile tour. Mr. McCullough reviewed with the Board the 2011 planning issues identified by the committee, which included:

- Level of integration
- Targeting/subtargets
- Program investment
- Flavored milk
- Partnerships
- Research/testing

The key areas of discussion by the committee are summarized below:

- Bring back/continue programs that work (e.g., “Design by Milk”, “Liquid Sunshine”, Halloween)
- Not necessary to integrate with all of general market plan; only where it makes sense
- Larger investment in program will allow for greater reach, including smaller markets
- Hispanic segmentation work discussed; need to better understand and build on DMI/TNS segmentation study

- Are there opportunities to do niche targeting against segments we are not currently addressing?
- Why are flavors such a small part of Hispanic milk sales? (availability, preference, cost)
- Ideas for partnership

Mr. McCullough reviewed with the Board the 2010 Hispanic Committee budget. He indicated that the committee was recommending a budget amendment as presented below:

2010 Hispanic Authorizations - January 2010

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Hispanic Media	10-04-60	4,650,000	400,000	5,050,000	1,365,000	3,835,000	1,215,000
Hispanic Production	10-04-61	850,000	0	850,000	300,000	850,000	0
Hispanic Public Relations	10-04-62	1,000,000	0	1,000,000	375,000	590,000	410,000
MilkPEP Program Management	10-04-69	80,000	0	80,000	80,000	80,000	0
Total	-	\$6,580,000	\$400,000	\$6,980,000	\$2,120,000	\$5,355,000	\$1,625,000

Mr. McCullough moved the committee recommendation to amend the 2010 Hispanic budget as presented above. Motion approved.

Mr. Krueger thanked Mr. McCullough for the report and asked Jerry Tidwell (Chairman of the Teen Committee) to present a report. Mr. Tidwell and Julie Buric reviewed with the Board the 2010/2011 planning issues discussed by the committee:

- Chocolate Milk
 - Explore ways to bring “fun”/”cool” into the way we’re delivering our message
 - Concerns about layering on a stand-alone chocolate milk effort; but insert more chocolate milk into current programming
- Refuel
 - Agreed to continue to champion refuel and owning the 2-hours after exercise
 - Taste and price are our advantage
 - Need to continue reaching coaches
- Program Development
 - Discussed the idea of delivering our message through context of passion points
 - Passion points must connect to product
 - Multiple, interactive efforts allows us to reach multiple interests and targets
- Got milk? equity vs. Body By Milk equity
 - Continue to explore whether there is value to Body By Milk
 - Will be assessing equity ROI on got milk?

Mr. McCullough reported that the committee members have provided direction to staff to develop information to be presented to the committee at the April meeting. Mr. McCullough reviewed with the committee some insights developed from creative exploratory research conducted by the committee. These insights are summarized below:

- Visuals must tell the full benefit story
 - Cannot rely solely on copy to deliver our message

- Exaggeration works and is appreciated by Teens
- Be show-stopping with the photography
 - Eye-catching photography can hook them in
- Keep the copy simple
 - Copy should be as short as possible, supporting a story told visually
- Teens are very accepting of a broader approach
 - Humor and exaggeration can be effective with Teens, as long as it remains relevant
 - Young or irreverent talent in our mix cues authenticity and that the ad is “for teens”
- Consider ways to keep “crave-ability” and taste in the mix while staying focused on benefits

The Board reviewed the elements of the “Drink Milk for a Change” performance program, including potential celebrities Deron Williams, Albert Pujols and Shawn Johnson. School posters and school banners developed for distribution were reviewed, along with the elements of the “Drink Milk for a Change” appearance/prom program. As part of this program, a media partnership with the magazine *Seventeen* was discussed.

Mr. Tidwell reviewed with the Board the 2010 Teen budget as presented below:

2010 Teens Authorizations - January 2010

Project	Agency	Auth Code	Budget	Transfer	New Total	Authorizatio n Request	Total Authorized	Balance
Teen Advertising Media	Deutsch	10-01-31	10,200,000	0	10,200,000	3,500,000	7,580,000	2,620,000
Teen Advertising Production	Deutsch	10-01-32	2,600,000	0	2,600,000	950,000	2,275,000	325,000
School Image program	Deutsch	10-01-33	3,100,000	0	3,100,000	0	1,800,000	1,300,000
NBA Sponsorship	Deutsch	10-01-34	1,000,000	0	1,000,000	0	1,000,000	0
Spring: Change your Game	Weber	10-02-35	520,000	0	520,000	0	520,000	0
Spring: Appearance	Weber	10-02-36	400,000	0	400,000	0	400,000	0
Fall: Energy	Weber	10-02-37	200,000	0	200,000	0	0	200,000
SAMMY	Weber	10-02-38	170,000	0	170,000	60,000	130,000	40,000
Teen Ad Breaks/Ongoing Media Relations	Weber	10-02-39	475,000	0	475,000	200,000	275,000	200,000
Social media/Digital - Teen	Weber	10-02-40	305,000	0	305,000	150,000	205,000	100,000
Bodybymilk.com	Weber	10-02-41	425,000	0	425,000	200,000	325,000	100,000
Program Management/2011 Planning - Teen	Weber	10-02-42	255,000	0	255,000	150,000	175,000	80,000
MMI/SEO Hosting	Weber	10-02-43	60,000	0	60,000	0	60,000	0
Body by Milk Promotion	Draftfcb	10-03-45	2,710,000	0	2,710,000	500,000	2,000,000	710,000
2011 Planning/2010 Program Mgmt	Draftfcb	10-03-46	525,000	0	525,000	300,000	525,000	0
MilkPEP Program Management	MilkPEP	10-00-59	355,000	0	355,000	355,000	355,000	0
Total		-	\$23,300,000	\$0	\$23,300,000	\$6,365,000	\$17,625,000	\$5,675,000

Mr. Tidwell reviewed the authorizations which had been approved by the committee and indicated that no amendments to the budget were necessary at this time.

Ed Mullins (Chairman of the Business Development & Research Committee) and Julie Buric presented a report to the Board, which focused on the process for development of the 2010 committee plan. It was reported that the areas of concentration identified by the committee were:

- Processor development and activation
- Trade development and activation
- Research collaboration and development

At the committee meeting, the committee members identified priorities and plans for expansion and implementation of responsibilities for the committee. Staff will refine these priorities and the committee will participate in a brainstorming session at the April meeting. The committee also agreed that staff should develop methodology and budget for a research study to understand the processor environment for committee approval.

Mr. Mullins discussed with the Board the key objectives identified by the committee. The overarching objective is to position MilkPEP as a key resource to better serve the fluid milk industry. The main elements of the committee discussion relating to 2010 processor and trade activities are summarized below:

- Communications Audit: Deliver results at April or July Board Meeting
- CEO Communications: Committee advised in person and customized approach
- Point Person Plan: Proceed with pilot program
- Regional Workshops: Replace National Sales Meeting
- International Dairy Show: Large presence
- Issues Seminars: Table pending processor input on need and executional feasibility. Investigate early warning framework for issues.
- Retail Communications Plan: Step-up efforts and streamline sign-up

Mr. Mullins reported that Team Services, a sports marketing company that works with DMI and the NFL partnership Fuel Up to Play 60, had been retained to provide consulting services on various sports opportunities. The committee also reported progress on the long-term strategic planning process, with alternative vendors being reviewed for potential projects. Julie Buric reported on committee discussion relating to opportunities to broaden the use of the “Got Milk?” trademark in program activities. Based upon direction from the committee, staff was directed to develop a methodology and budget and come back to the committee for approval. It was also reported that the committee discussed the DMI project dairy aisle experience. The committee discussed the role of MilkPEP and processors’ involvement in the project and indicated that a webcast was being developed to present findings.

With regard to committee budgets, Mr. Mullins reviewed with the Board the 2010 Business Development budget as presented below:

2010 Business Development Authorizations - January 2010

Project	Auth Code	Agency	Budget	Transfer	New Total	Auth Request	Total Authorized	Balance
Industry Communication Plan (Trade and Processor)	10-05-70	Outloud	1,475,800	0	1,475,800	200,000	1,000,000	475,800
Print Media (Trade)	10-01-71	Lowe	325,000	0	325,000	0	325,000	0
Sales Materials	10-00-72	MilkPEP	100,000	0	100,000	0	100,000	0
Trade Show/Seminars	10-00-73	MilkPEP	110,000	0	110,000	0	110,000	0
Processor/Sales Support	10-03-74	Draft	1,035,000	0	1,035,000	250,000	700,000	335,000
Processor Service Team	10-00-75	MilkPEP	480,000	0	480,000	0	200,000	280,000
School Advisory Council	10-00-76	MilkPEP	90,000	0	90,000	0	90,000	0
Quantifying Flavored Milk	10-00-77	MilkPEP	373,800	0	373,800	0	373,800	0
Team Services	10-00-78	MilkPEP	0	180,000	180,000	180,000	180,000	0
MilkPEP Program Management	10-00-89	MilkPEP	475,000	5,000	480,000	480,000	480,000	0
Total	-		\$4,464,600	\$185,000	\$4,649,600	\$1,110,000	\$3,558,800	\$1,090,800

Mr. Mullins moved the committee recommendation to amend the budget as presented above.
Motion approved.

Mr. Mullins reviewed with the Board the 2010 Market Research budget and 2010 USDA Program Measurement budget as presented below:

2010 Market Research Authorizations - January 2010

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Consumer and Marketplace Insights	10-00-80	2,085,000	0	2,085,000	67,500	1,003,500	1,081,500
Communication Testing	10-00-81	440,000	0	440,000	40,000	190,000	250,000
Program Development	10-00-82	175,000	0	175,000	65,000	65,000	110,000
Program Performance	10-00-83	900,000	0	900,000	150,000	600,000	300,000
Program Management	10-00-85	255,000	0	255,000	255,000	255,000	0
Total	-	\$3,855,000	0	\$3,855,000	\$577,500	\$2,113,500	\$1,741,500

2010 USDA Program Measurement Authorizations - January 2010

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
USDA Program Measurement	10-00-86	100,000	0	100,000	100,000	100,000	0
Program Management	10-00-88	5,000	0	5,000	5,000	5,000	0
Total	-	\$105,000	0	\$105,000	\$105,000	\$105,000	\$0

The Board discussed the authorization requests that had been authorized by the committee. Mr. Mullins indicated that no budget amendments were necessary at this time. This completed the report of the Business Development & Research Committee.

Mr. Krueger expressed appreciation to the committee chairs and staff for the reports of the committees. Mr. Krueger said it was very important for committee members to participate in the planning process to ensure that clear direction was provided to staff as it relates to the program. Vivien Godfrey addressed the Board, reiterating that it is important that committee members and Board members provide input into the planning process. She welcomes phone calls and emails from Board members and industry representatives to provide insights to improve program elements.

Mr. Krueger asked if there was any other business to be brought before the Board at this meeting. There was no further business. Mr. Krueger expressed his appreciation to all of the guests, Board members, and industry representatives that had participated in the Board meeting. He informed the Board that the next meeting of the Board would be held in Key Largo, FL on April 29-May 1, 2010. The meeting was adjourned.

(b) (6)

APPROVED:

DATE:

7/20/10

MINUTES

MilkPEP Board Meeting – General Session

April 30-May 1, 2010
Key Largo, FL

Chairman Mike Krueger called the Board into session at 7:30 a.m. local time. Members present included Buddy Gaither, Mary Hill, Mike Smith, Bob McCullough, Jerry Tidwell, Mike Touhey, Mike Krueger, Jim Green, Terri Webb, Rick Zuroweste, Ed Mullins, Jay Bryant, Mike Bell, Miriam Brown, Scottie Mayfield, and Tim Kelbel. Also present were Vivien Godfrey, Ron Rubin, and other members of MilkPEP staff; Whitney Rick, Megan Tremarche, and Angie Salinas (USDA liaison); Steve James (California Milk Processor Board); Barb O'Brien and Paul Rovey (Dairy Management, Inc.); Cary Frye (IDFA); and Wayne Watkinson (legal counsel).

The chairman indicated that minutes had been distributed to the Board prior to the meeting. Motion by Jerry Tidwell, second by Ed Mullins, to approve the minutes of the January 16-17, 2010 meeting of the Board, including the executive session minutes. Motion approved.

Angie Salinas presented a report on behalf of the United States Department of Agriculture and discussed the following issues:

- Appointments
- Report to Congress
- A review of checkoff revenues for other programs
- Ms. Salinas introduced Megan Tremarche, who will replacing Angie Salinas as the marketing specialist responsible for the MilkPEP program

Chairman Krueger, on behalf of the Board and the industry representatives, expressed his appreciation to Angie Salinas for her hard work and diligence in representing the MilkPEP Board at USDA. Mr. Krueger also welcomed Ms. Tremarche and indicated that the Board looked forward to working with her in the future. That completed the USDA report.

Cary Frye of IDFA presented a report to the Board which highlighted the following issues:

- Emerging recommendations relating to the Dietary Guidelines (sodium, added sugars, fats, plant-based diets)
- FTC draft marketing guidelines targeted at marketing and advertising to children
- White House initiative on childhood obesity
- Information relating to FDA activities to regulate front-of-package labeling

Mr. Krueger expressed appreciation to Ms. Frye for her report and asked Steve James, CEO of the California Milk Processor Board, to present a report.

Mr. James reviewed with the Board the CMPB strategies relating to the Hispanic and general markets in California. He also discussed the CMPB budget and other financial information. In closing, he presented new ads related to the concept of "Mootopia". Mr. Krueger expressed

appreciation to Mr. James for his report and asked Barb O'Brien of Dairy Management Inc. to present a report.

Barb O'Brien presented an update on work by the Innovation Center for U.S. Dairy relating to sustainability, including a successful change in the U.N. Committee estimate on gas emissions. Ms. O'Brien also presented a review of the Fuel Up to Play 60 programs and new websites which are going online soon which would provide industry members with marketing information on a password-protected site. Mr. Krueger expressed appreciation to all of the guests for their reports and requested Treasurer Jim Green to present a report on behalf of the Finance Committee.

Mr. Green's report included the following elements:

- Committee reviewed competitive bidding and active contracts – no action taken.
- Financial review
 - Final 2009 collections are complete. Ended the year at \$108.2MM or a nearly 1% increase over 2008
 - 2010 YTD collections through February are -0.6% compared to the same period in 2009
 - Budget represents an approximately 1% decline compared to 2009 final collections
 - Cash flow remains positive

On behalf of the committee, Mr. Green recommended amendments to the 2010 budget as presented in Exhibit 1. Motion approved. Mr. Green indicated that the committee had reviewed the authorizations which were to be presented at the committee meetings and that the committee approved the authorizations pending approval of the appropriate program committees.

With regard to the 2011 budget, Mr. Green presented the committee recommendation to establish line items within the 2011 budget as presented in Exhibit 2. Motion approved.

Mr. Green reviewed with the Board the highlights of the audit report presented by Snyder Cohn relating to the 2009 financials of the MilkPEP Board. Following significant discussion, Mr. Green presented a recommendation by the Finance Committee to accept the audit report. Motion approved. This completed the report of the Finance Committee.

MilkPEP CEO Vivien Godfrey presented a report expressing appreciation to the MilkPEP staff, agencies, and related organization staffs in the preparation of materials which will be reviewed at the Board meeting. Ms. Godfrey also reviewed the committee procedures, indicating that committee meetings will be held sequentially to allow Board members to attend all committee meetings, if desired.

Jeff Braiewa of Marketing Management Analytics (MMA) presented a report to the Board. The report presented performance information related to various marketing channels within the MilkPEP program. Attached as Exhibit 3 is a summary of key learnings from the report.

During the report, several issues were discussed as summarized below:

- There appears to be an opportunity in late November/December which the Board should look at for a possible program with a holiday theme
- Several questions were raised regarding the size of base volume
- The spend by processors within the market was discussed and further information requested
- Is it possible to look at markets that have programs versus markets that do not have programs?
- Review per capita consumption – is there a process to build programs to address per capita consumption loss?

It was indicated that staff would review these questions and provide information to the Board. Several recommendations resulted from the study presented to the Board and are summarized below:

- A portion of the reduced budget for GM TV should be returned to that medium, however additional spending should be spread across lower cost GRPs via Cable or Syndication.
 - While some, if not most TV advertising should be focused on major networks to get a broad audience, a mix of lower cost GRPs will help to minimize the impact on efficiencies and possibly attain a larger audience reach and build continuity to the TV plan.
 - Avoid a heavy dependence on Network or Cable
 - Continue to utilize the Advocates program to build on endorsing the benefits of milk through trusted “On-Air” personalities.
- Mom MM Celeb Print was able to take advantage of a soft Print business in 2009, further budget allocations should consider whether or not such deals will be available in future years.
 - From an efficiency standpoint, reductions in Teen MM Celeb Print are warranted, however, strategically this is a good option to reach this market segment and typically begins the engagement with Teens online which is known to be efficient.
- Carefully monitor the costs of GM grassroots PR efforts to increase efficiencies.
 - By reducing costs in comparison to 2008, grassroots PR improved efficiencies by more than 30%. Continue to monitor closely.
- While Hispanic marketing has been proven to work in the past, it is difficult to measure any marginal increases in volume caused by the budget change in 2009 within this model.
 - TV – Increased cost per TRP in 2009 led to lower efficiencies. Utilize a broader audience and manage costs to leverage size of category and broad consumer appeal.
 - MM Celeb Print – Continue to utilize, however increases in spend are not recommended without further confirmation of potential upside.
- Develop targeted online plans for Mom vs Teen to leverage opposing online interaction.
 - Online engagements were more effective against the Teen audience while Moms tended to be influenced by impressions.

- Leverage Online Advertising impressions high efficiencies to maximize impact among Moms.
 - Utilize a blend of Online Advertising and Site engagements to continue to drive volume among Teens.
 - Utilize Social Networking across both groups as a constant reminder of benefits and upcoming programs and events.
- Continue to utilize multiple low cost events that utilize multiple touchpoints, including in store and online activity rather than large events spanning more than a month.
 - January should always have a program running as it is a critical time to hit consumers while health and family is top of mind, and natural seasonality is at its peak.
 - In store promotions in November/December should also be considered due to high seasonality as well.
 - Make sure to deliver BBM and School Posters for the full school year to maximize visibility and impact as costs are still incurred regardless of delivery timing.

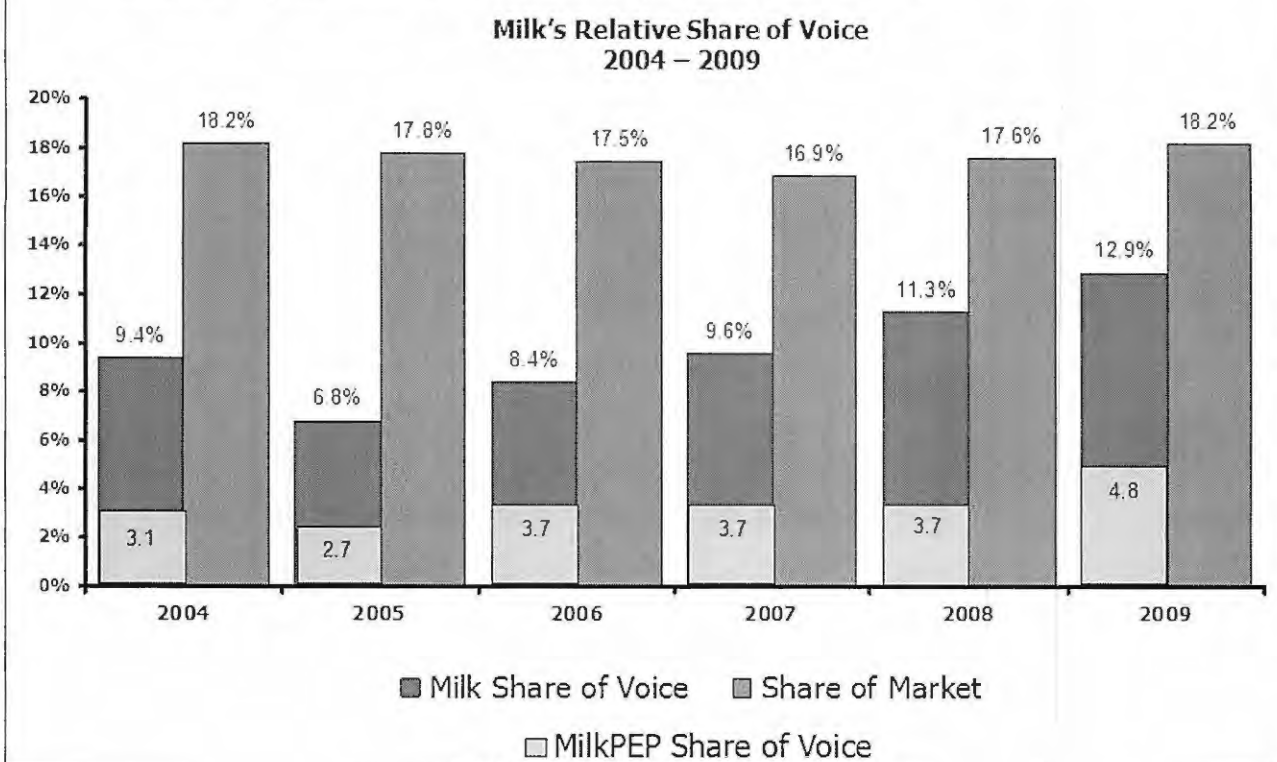
It was suggested that staff distribute a copy of the Marketing Mix analysis report prior to the Board meeting to allow Board members to review the information. It was also suggested that the Business Development & Research Committee be delegated the responsibility to review the MMA results and deliverables.

The Board discussed the 2009 program measurement results. It was indicated that prior to 2004, programs were organized around disciplines, such as Advertising, PR, and Promotion. Following 2004, there was a transition (2004-2007) to organize around targets (Moms, Hispanics, Teens). The 2008-2009 program was organized around objectives as listed below:

- Drive milk volume/consumption among consumer targets
- Educate consumers about milk's benefits
- Create opportunities for processors to sell more milk
- Execute plan effectively and efficiently

Information was presented reviewing the competitive landscape and fluid milk volume for 2000-2009. The Board also reviewed information relating to new product introductions for 2008-2009 and milk's relative share of voice.

- Gap between milk's share of voice and share of market narrowed, but still exists. MilkPEP represents under 5% of beverage industry advertising.



Specific measurements for the following categories were presented and reviewed by the Board.

- Total milk category sources of volume
 - MilkPEP increased its marketing contribution to sales mainly driven by online and in-store programs
- Cost efficiency
 - Overall MilkPEP increased efficiencies by almost 20% in 2009, driven by Mom and Teen program investments which helped offset price/revenue declines
- Processor ROI/profit per dollar spent
 - At the aggregate level, ROIs continue to perform at or above the CPG average, even with the lower margins driven by price declines
- MilkPEP integrated event performance
 - Volume contribution improved this year as the number of programs has increased from 5 in 2008 to 6 in 2009
 - All disciplines contributed, but online and in-store improved the most versus 2008
 - As incremental volume gains continued throughout the 2009 programs and spending was kept in check, efficiencies improved.

During the discussion, staff was requested to gather additional data relating to competition within the share of stomach.

With regard to Objective 2, educating consumers about milk's benefits, results were presented on the following issues:

- Total MilkPEP campaign recall (2006-2009)
 - Recall of MilkPEP marketing is strong at nearly 8 in 10 for all targets
 - Teen awareness has been slipping slightly over the past two years
- Awareness by media channel/Moms
 - Print is the most broadly recognized advertising channel, reaching about 3 of every 4 moms, and reached a peak in 2009
 - Declines in TV awareness over time coincide with budget reduction and more continuous flighting at lower GRP levels, but may also reflect less compelling messaging
- Awareness by media channel/Hispanic Moms
 - Both print and TV generate high levels of awareness with Hispanic moms
- Awareness by media channel/Teens
 - Advertising channels combine for a strong impact
 - School banner awareness down in 2009, due to later shipment dates, which will be remedied for the 2010 program
- Recall of primary messages/GM Moms
 - While 2/3rds of moms were aware of the connection between milk and weight in 2007 and 2008, awareness of the connection between milk and "wellness" is more limited
- Recall of primary milk messages/first-generation Hispanic Moms
 - The connection between milk and "wellness" draws slightly higher and increasing awareness than did "healthy weight" with just over 4 in 10 first-generation Hispanic moms citing awareness
- Recall of primary messages/Teens
 - Nearly 6 in 10 Teens agree with the primary milk claims, which is slightly higher than 2008 and 2007
 - Early recall of the Refuel message hovers around 1/3
- PR/General Market Moms
 - PR remains key vehicle to efficiently communicate secondary milk benefits
- PR/Hispanic Moms
 - 2009 Hispanic PR impressions were up 47% versus 2008
 - Increase is driven by "bienestar" efforts/Vitamin D and Hispanic heritage
- PR/Teens
 - For teens, the program focused on the Refuel message.

Information was presented relating to efficiencies relating to message delivery. Highlights include:

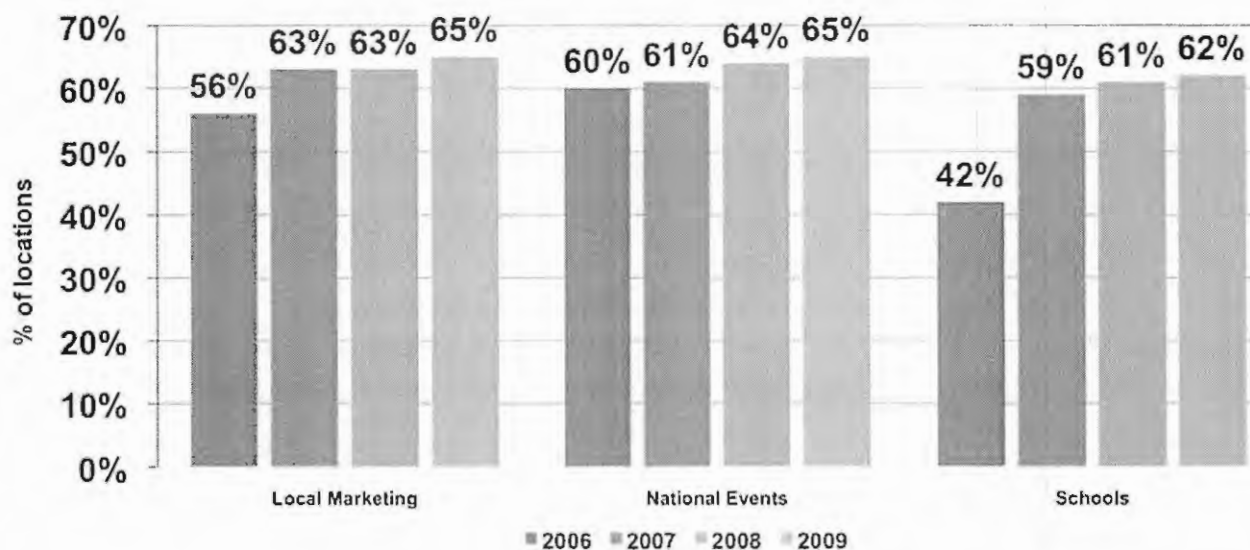
- 2009 MilkPEP media continue to be purchased very efficiently, with overall efficiency improved by 10%
- Hispanic media also delivered strong CPM differentials when compared to the industry
- General market PR impressions continue to outperform industry/CPG average

- Research indicated that local programs are less efficient but impactful for processors' brands on the local level to extend campaign message to local media
- Hispanic PR efficiency improved with more relevant messaging and the expanded support of Nutrition News Bureau within the Hispanic market

The Board discussed information and results relating to Objective 3 (Creating processor opportunities to sell more milk). The Board discussed processor participation by program areas within the MilkPEP program.

- Based on participation rates, MilkPEP continues to hit the mark on providing relevant marketing tools to processors

Percent of locations who participate in MilkPEP Marketing Opportunities



Research indicates that MilkPEP's efforts to assist processors to reformulate flavored milk continue to be a catalyst for change in schools and processors continue to respond to industry messages to protect milk in schools. With regard to milkpep.org website traffic, the comparison of 2009 versus 2008 indicates that page views per visit are increasing significantly. The site continues to be a welcome resource for processors.

Results relating to store signups from 2009 to 2008 indicate an overall store count decline; however, the MMA results indicate promotion contribution is strong and signups are rebounding in 2010. Flavored milk promotions continue to drive strong engagement by stores.

The Board also reviewed samples of processor marketing activities utilizing MilkPEP programs. During the discussion, staff was asked to provide information relating to the size of the total store universe which could sign up for these promotions and the trend relating to these stores. It was also indicated that staff should review the retail calendar to determine if MilkPEP could tie its programs more conveniently with a request to look at the November/December timeline for

potential programs. Staff indicated that the results of this research created several planning questions which will be reviewed by the committees for the 2011 program planning sessions.

Mr. Krueger expressed appreciation to the Board, staff and industry participants for their input during the Board meeting discussion. The Board was recessed to participate in committee meetings.

Chairman Krueger called the Board back into session at 9:00 am on May 1, 2010. The Board heard program updates from each of the committees.

Rick Zuroweste, chairman of the Moms Committee, presented a report reviewing each of the programs identified on the calendar as presented below:



Mr. Zuroweste also presented a report outlining some of the issues discussed by the committee during the 2011 committee planning process. Mr. Zuroweste reviewed with the Board proposed changes by the committee to the 2010 Moms Committee budget as presented below.

2010 Moms Authorizations-April 2010

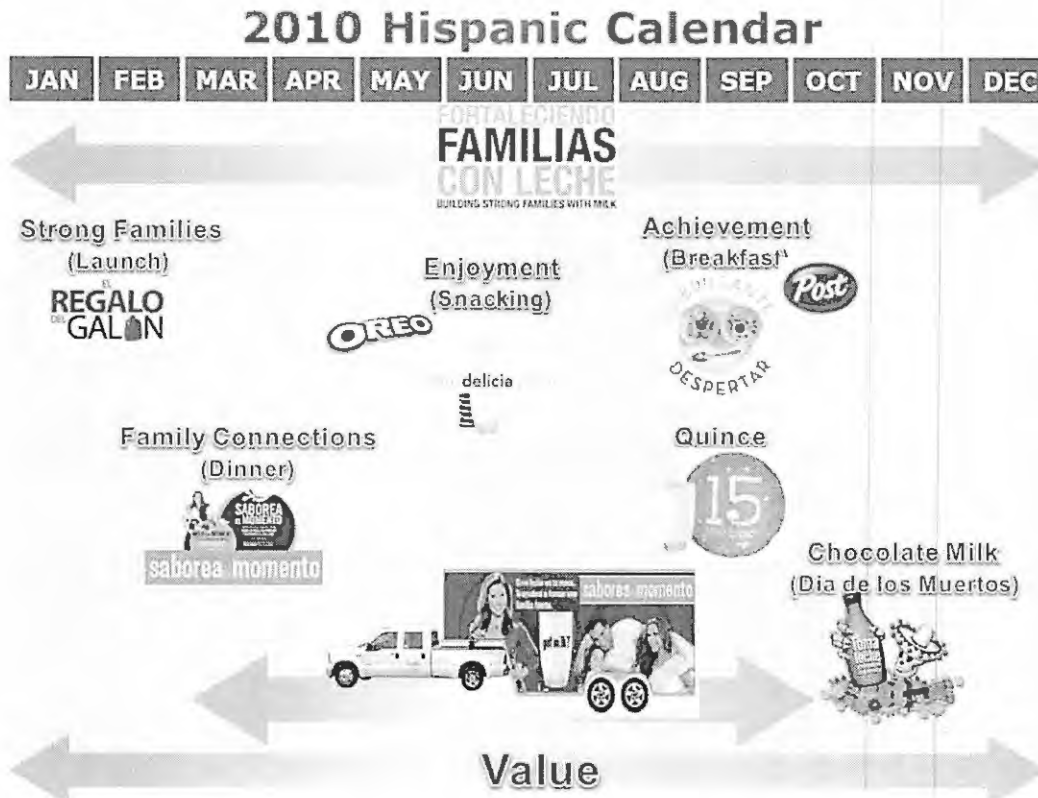
Project	Auth Code	Budget	Transfer	New Total	Authorizatio n Request	Total Authorized	Balance
Broadcast Media	10-01-02	17,200,000	0	17,200,000	0	17,200,000	0
MomPrint Media	10-01-03	19,500,000	0	19,500,000	2,600,000	17,500,000	2,000,000
Advertising Production	10-01-04	3,500,000	0	3,500,000	280,000	3,500,000	0
January	10-02-05	1,150,000	0	1,150,000	0	1,150,000	0
Dinner	10-02-06	425,000	0	425,000	0	425,000	0
Milk Mustache Mobile Tour	10-02-07	5,157,500	0	5,157,500	1,200,000	5,157,500	0
Breakfast	10-02-08	200,000	150,000	350,000	150,000	350,000	0
Recovery for Mom (formerly Snack)	10-02-09	190,000	0	190,000	0	190,000	0
Women Ad Breaks/Ongoing Media Relations	10-02-10	340,000	0	340,000	100,000	340,000	0
Nutrition News Bureau	10-02-11	655,000	0	655,000	250,000	655,000	0
Milk Advocates	10-02-12	220,000	0	220,000	0	220,000	0
Social Media/Digital -Mom	10-02-13	350,000	0	350,000	100,000	350,000	0
Whymilk.com	10-02-14	325,000	0	325,000	100,000	325,000	0

2010 Moms Authorizations-January 2010

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Medical Advisory Board	10-02-15	80,000	0	80,000	0	80,000	0
Health Professionals	10-02-16	300,000	0	300,000	0	300,000	0
Issues Management	10-02-17	467,500	0	467,500	150,000	367,500	100,000
Program Management/ 2011 Planning	10-02-18	470,000	0	470,000	200,000	470,000	0
MM/SEO Hosting - Mom	10-02-19	60,000	0	60,000	0	60,000	0
White Milk/Flavored Milk Promotions	10-03-21	5,605,000	0	5,605,000	700,000	4,919,000	686,000
2011 Planning/Program Management	10-03-22	525,000	80,000	605,000	80,000	605,000	0
Chocolate Milk Defense	10-00-25	500,000	0	500,000	0	500,000	0
MAB/Medical Research	10-00-26	250,000	0	250,000	50,000	150,000	100,000
Legal	10-00-27	200,000	0	200,000	100,000	100,000	0
MAB/Medical Research Program Management	10-00-28	145,000	0	145,000	100,000	145,000	0
Moms Program Management	10-00-29	385,000	0	405,000	0	405,000	0
Total		\$58,220,000	\$230,000	\$58,450,000	\$6,160,000	\$55,564,000	\$2,886,000

Motion approved. That completed the report of the Moms Committee.

A report was presented by Bob McCullough, chairman of the Hispanic Committee, and Julia Kadison relating to the 2010 upcoming programs as summarized in the calendar below:



Mr. McCullough also reviewed with the Board the framework for the 2011 Hispanic plan as discussed by the committee.

STRATEGIC STATEMENT			
Build strong families with one more serving of naturally nutrient rich milk			
BIGGEST OPPORTUNITIES			
Launch (Building Strong Families, One More)	Role Modeling*	Family Dinners	
SECONDARY OPPORTUNITIES			
Lactose Intolerance	Diabetes	Flavored Milk	Beyond The Glass

*Will cross over to teen girls

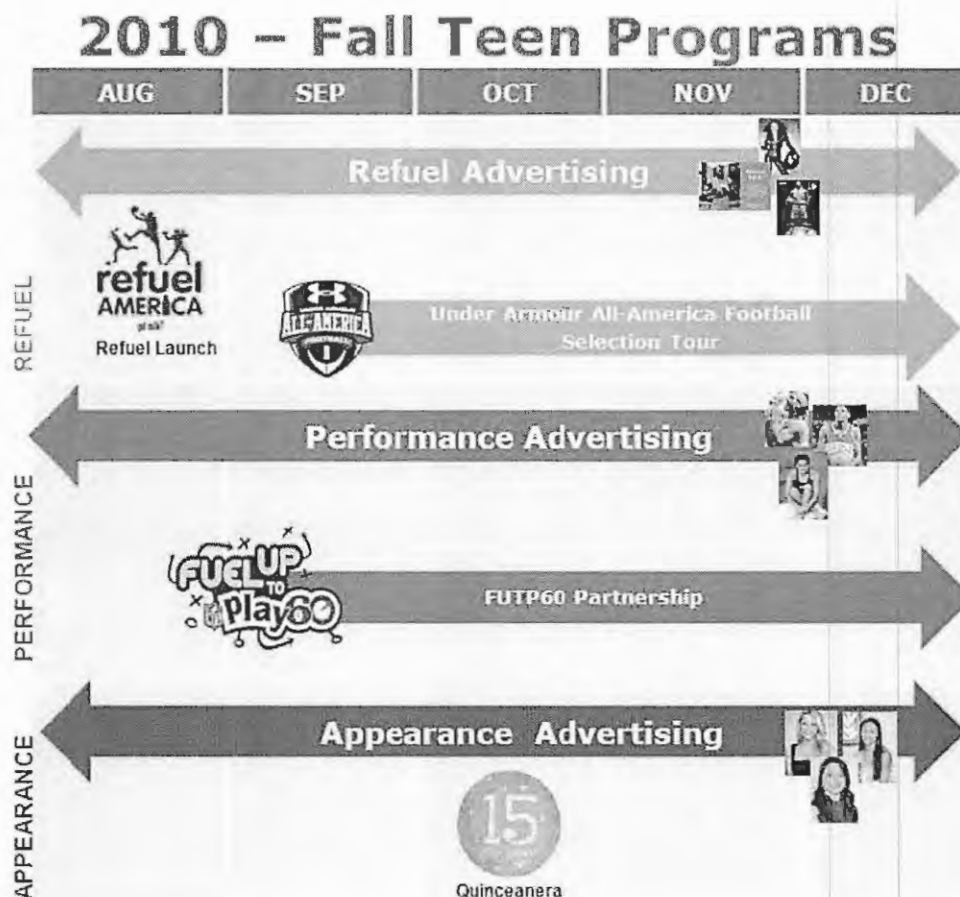
The 2010 Hispanic budget was reviewed by the Board. Mr. McCullough indicated that the committee was recommending a budget amendment as presented below:

2010 Hispanic Authorizations - April 2010

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Hispanic Media	10-04-60	5,050,000	20,000	5,070,000	753,000	4,588,000	482,000
Hispanic Production	10-04-61	850,000	30,000	880,000	30,000	880,000	0
Hispanic Public Relations	10-04-62	1,000,000	60,000	1,060,000	316,500	906,500	153,500
MilkPEP Program Management	10-04-69	80,000	0	80,000		80,000	0
Total	-	\$6,980,000	\$110,000	\$7,090,000	\$1,099,500	\$6,454,500	\$635,500

Mr. McCullough moved the committee recommendation. Motion approved. Ms. Kadison reviewed with the Board the authorization requests which had been approved by the committee pending Board approval of the budget amendment. This completed the report of the Hispanic Committee.

The Teen Committee presented a report reviewing 2010 upcoming programs as summarized below.



Mr. Tidwell's report highlighted the 13th Annual SAMMY Award presentation, which will be conducted Saturday, June 26, in Orlando, FL. With regard to committee planning for 2011, Mr. Tidwell reviewed with the Board the program platform for teens as summarized below.

STRATEGIC STATEMENT	
Perform better and look better with one more serving of naturally nutrient-rich milk	
PERFORMANCE	APPEARANCE
Build muscle, achieve full height potential	Stay fit, be at a healthy weight; Feel good and look good inside and out
REFUEL	

Refuel with chocolate milk

The 2010 Teens program budget was reviewed. Mr. Tidwell presented a committee recommendation to amend the 2010 Teen budget as presented below.

2010 Teens Authorizations - April 2010

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Teen Advertising Media	10-01-31	10,200,000	0	10,200,000	1,920,000	9,500,000	700,000
Teen Advertising Production	10-01-32	2,600,000	225,000	2,825,000	550,000	2,825,000	0
School Image Program	10-01-33	3,100,000	0	3,100,000	1,300,000	3,100,000	0
NBA Sponsorship	10-01-34	1,000,000	0	1,000,000	0	1,000,000	0
Spring Performance	10-02-35	520,000	0	520,000	0	520,000	0
Spring Appearance	10-02-36	400,000	0	400,000	0	400,000	0
Fall Teen	10-02-37	200,000	425,000	625,000	625,000	625,000	0
SAMMY	10-02-38	170,000	0	170,000	40,000	170,000	0
Teen Ad Breaks Ongoing Media Relations	10-02-39	475,000	0	475,000	200,000	475,000	0
Social Media Digital Teen	10-02-40	305,000	0	305,000	100,000	305,000	0
Bodybymilk.com	10-02-41	425,000	0	425,000	100,000	425,000	0
Program Management 2011 Planning Teen	10-02-42	255,000	0	255,000	60,000	255,000	0
MML SEO Hosting	10-02-43	60,000	0	60,000	0	60,000	0
Body by Milk Promotion	10-03-45	2,710,000	50,000	2,760,000	760,000	2,760,000	0
2011 Planning 2010 Program Mgmt	10-03-46	525,000	0	525,000		525,000	0
Quinceanera	10-04-47	0	120,000	120,000	120,000	120,000	0
NFL Sponsorship Fuel Up	10-00-55	0	100,000	100,000	100,000	100,000	0
MilkPEP Program Management	10-00-59	355,000	0	355,000		355,000	0
TOTALS		\$23,300,000	\$920,000	\$24,220,000	\$5,895,000	\$23,520,000	\$700,000

Motion approved. The Board reviewed authorization requests approved by the committee pending approval of the committee recommendation to amend the budget. This completed the report of the Teens Committee.

Ed Mullins presented a report on behalf of the Business Development & Research Committee. Mr. Mullins reported on the status of the long-range planning program with a timeline summarized below.

- Staff has conducted Q&A sessions with each firm to help them prepare their proposals
- Proposals due May 12
- Staff will review proposals with each firm and cull down to 2-4 firms
- An ad hoc committee has been formed by the Executive Committee
 - MilkPEP Board Representatives
 - MilkPEP Staff and Agency Representatives
- Finalists will present proposals to Committee June 1-3, 2010 (location TBD)
- After the June meeting, firm will be selected
- Staff will hold a kick-off with the chosen firm in late June
- Chosen firm will attend the July Board Meeting to meet the board and discuss the project
- Target January 2011 Board Meeting for presentation of full results

Two market research projects were also discussed, focusing on the Got Milk?/Milk Mustache equity and a market research audit with the objective to analyze and organize MilkPEP's collection of research. The investment in the audit is projected at \$55,000. The Got Milk?/Milk Mustache equity research project proposals are currently being reviewed by staff.

The 2010 Market Research budget was reviewed with the Board and a description of the authorization requests approved by the committee was discussed. No amendment to the budget was proposed. With regard to the Business Development activities of the committee, an update was presented relating to the flavored milk in schools research and the school influencer outreach program. Changes to the regional sales meeting format were reviewed as summarized below.

- Changing the model to reach more people, with more impact
 - Host multiple regional meeting vs. one annual sales meeting
- Objectives are:
 - Increase attendance and educate more of the industry on MilkPEP resources
 - Get closer to individuals to understand their needs and help them access the program according to their needs
- Scheduling seven meetings throughout the country
- Work with DMI S/R organizations to solicit processor participation

The committee also reported on 2010 retail support activities. Mr. Mullins also reported that the committee had engaged in a stimulating 2011 program planning discussion.

With regard to the 2010 Business Development budget, Mr. Mullins indicated that the committee was recommending an amendment to the budget as presented below.

2010 Business Development Authorizations - April 2010

Project	Auth Code	Agency	Budget	Transfer	New Total	Auth Request	Total Authorized	Balance
Industry Communication Plan (Trade and Processor)	10-05-70	Outloud	1,475,800	160,000	1,635,800	635,800	1,635,800	0
Print Media (Trade)	10-01-71	Lowe	325,000	0	325,000	0	325,000	0
Sales Materials	10-00-72	MilkPEP	100,000	0	100,000	0	100,000	0
Trade Show/Seminars	10-00-73	MilkPEP	110,000	0	110,000	0	110,000	0
Processor/Sales Support	10-03-74	Draft	1,035,000	0	1,035,000	335,000	1,035,000	0
Processor Service Team	10-00-75	MilkPEP	480,000	0	480,000	280,000	480,000	0
School Advisory Council	10-00-76	MilkPEP	90,000	(90,000)	0	0	0	0
Quantifying Flavored Milk	10-00-77	MilkPEP	373,800	90,000	463,800	90,000	463,800	0
Team Services	10-00-78	MilkPEP	180,000	18,000	198,000	18,000	198,000	0
Refuel School Influencers	10-00-79	MilkPEP	0	269,000	269,000	269,000	269,000	0
MilkPEP Program Management	10-00-89	MilkPEP	480,000		480,000	0	480,000	0
Total	-		\$4,649,600	\$447,000	\$5,096,600	\$1,627,800	\$5,096,600	\$0

Mr. Tidwell moved the committee recommendation to amend the budget as presented above. Motion approved. Staff reviewed with the Board the authorization requests which had been approved by the committee pending approval of the budget amendment. This completed the report of the Business Development & Research Committee.

Chairman Krueger expressed appreciation to the committees for their reports and to the staff for the work conducted within the committee sessions. Chairman Krueger called on Steve James to present the new California Milk Processor Board commercials, which due to a technical difficulty could not be presented during his earlier report. Mr. Krueger once again expressed appreciation to Angie Salinas for her service as USDA liaison to the MilkPEP program. The next meeting of the Board will be held July 15-17, 2010 in Coeur d'Alene, Idaho.

There being no further business to come before the Board, the meeting was adjourned (b) (6)

APPROVED:
 DATE:

7/16/10

2010 BUDGET

	January 2010 Approved Budget	April 2010 Changes	April 2010 Transfers & Requests	April 2010 Revised Budget
REVENUES				
Assessments	\$ 107,500,000			\$ 107,500,000
Carryforward Funds	800,000	\$ 1,400,000		2,200,000
Cash Flow Reserve Reduction	2,500,000			2,500,000
Interest Income	160,000			160,000
Total Revenues	\$ 110,960,000	\$ 1,400,000	\$ -	\$ 112,360,000
PROGRAM EXPENSES				
Moms	\$ 58,220,000		\$ 230,000	\$ 58,450,000
Teens	23,300,000		920,000	24,220,000
Hispanic	6,980,000		110,000	7,090,000
Business Development	4,649,600		447,000	5,096,600
Market Research	3,855,000		-	3,855,000
Program Measurement	105,000		-	105,000
Unallocated/Opportunistic	-			-
TOTAL PROGRAM EXPENSES	\$ 97,109,600	\$ -	\$ 1,707,000	\$ 98,816,600
OTHER EXPENSES				
Administrative	\$ 2,650,346			\$ 2,650,346
USDA Expenses	570,000			570,000
California Refund	10,250,000			10,250,000
Subtotal	\$ 13,470,346	\$ -	\$ -	\$ 13,470,346
UNALLOCATED/OPPORTUNISTIC BUDGET	\$ 380,054	\$ 1,400,000	\$ (1,707,000)	\$ 73,054
UNCOMMITTED RESERVE	\$ -			\$ -
Total Expenses and Unallocated/Opportunistic Budget	\$ 110,960,000	\$ 1,400,000	\$ -	\$ 112,360,000

TOP LINE BUDGET

	January 2010 Approved Budget	April 2010 Changes	April 2010 Transfers & Requests	April 2010 Revised Budget
REVENUES				
Assessments	\$ 107,500,000			\$ 107,500,000
Carryforward Funds	800,000	\$ 1,400,000		2,200,000
Cash Flow Reserve Reduction	2,500,000			2,500,000
Interest Income	160,000			160,000
Total Revenues	\$ 110,960,000	\$ 1,400,000	\$ -	\$ 112,360,000
PROGRAM EXPENSES				
Moms	\$ 58,220,000		\$ 230,000	\$ 58,450,000
Teens	23,300,000		920,000	24,220,000
Hispanic	6,980,000		110,000	7,090,000
Business Development	4,649,600		447,000	5,096,600
Market Research	3,855,000		-	3,855,000
Program Measurement	105,000		-	105,000
Unallocated/Opportunistic	-			-
TOTAL PROGRAM EXPENSES	\$ 97,109,600	\$ -	\$ 1,707,000	\$ 98,816,600
OTHER EXPENSES				
Administrative	\$ 2,650,346			\$ 2,650,346
USDA Expenses	570,000			570,000
California Refund	10,250,000			10,250,000
Subtotal	\$ 13,470,346	\$ -	\$ -	\$ 13,470,346
UNALLOCATED/OPPORTUNISTIC BUDGET	\$ 380,054	\$ 1,400,000	\$ (1,707,000)	\$ 73,054
UNCOMMITTED RESERVE	\$ -			\$ -
Total Expenses and Unallocated/Opportunistic Budget	\$ 110,960,000	\$ 1,400,000	\$ -	\$ 112,360,000

EXHIBIT 3

Key Learnings Summary

Overall Performance

- Despite the -8% decline in the marketing budget, MilkPEP has increased its marketing program contribution in 2009.
 - MilkPEP Online and In Store activity were the primary drivers for the increase in marketing efficiency.
 - Despite the drop in profit margin due to the price decrease in 2009, the majority of tactic ROIs remain above the industry average.
- Advertising
 - The change in TV focus to network produced a significant increase in GRP effectiveness, however, due to the sizeable decline in GRPs (-65%) and spending (-22%), volumes dropped vs prior year. Some of the drivers of the increased effectiveness include:
 - Flighting bursts in alignment with promotional events.
 - Successful advocate programs (e.g. "Rachel Ray").
- MM Celeb Print continues to be an effective and efficient driver of sales across Mom and Hispanics.
 - While Teen Print may be low in efficiency compared to other marketing drivers, it maintains a strategic purpose in the marketing mix, serving as the creative foundation for other channels.
 - While Hispanic MM Celeb Print continues to be effective and efficient, measuring Hispanic media within Hispanic markets needs to be assessed to confirm before advising on additional spending.
- Hispanic TV effectiveness did not increase to offset the higher cost per TRP.
 - Further research into the balance of value vs. costs of Hispanic advertising should be done to understand potential for investment.

PR

- PR programs varied in terms of their effectiveness and efficiency in the current year.
 - While National PR efficiencies have declined, it still remains a powerful and efficient part of the marketing plan for MilkPEP.
 - Hispanic PR continues to be the strongest performer from an efficiency standpoint, and increased volume due to support increases.
 - Grassroots efficiencies improved slightly, but remain the least efficient PR vehicle.
 - Although less efficient, grassroots PR efforts play a strategic role for MilkPEP.

EXHIBIT 3

Key Learnings Summary

Internet

- Internet saw significant efficiency gains in 2009. This was largely due to impact from Online Advertising impressions and engagements, which drove a large amount of sales.
 - Mom online initiatives are driven by Online Advertising impressions, while Teens are driven more by engagements, requiring two different approaches for reaching each target.
 - Changed focus in 2009 has shown success and can be utilized in the future as a primary vehicle to reach targets.

In-store Promotions

- The performance of in-store promotions in 2009 was consistently stronger than programs in the prior year.
 - Retail promotion in 2009 drove more volume in comparison, and given the lower cost basis for each promotion, efficiencies were stronger as well.
 - Lowered prices in 2009 may have helped to bump up the effectiveness of the in store activity.

Integrated Events

- Overall event performance increased in 2009 with more event volume being driven by internet and in-store.
 - Adding an in store promotion during January 2009 was a success for the category.

MINUTES

MilkPEP Board Meeting – General Session I

July 15-17, 2010
Coeur d'Alene, ID

Chairman Mike Krueger called the Board into session at 8:00 a.m. local time. Members present included Ed Mullins, Mike Bell, Tim Kelbel, Buddy Gaither, Jim Green, Miriam Erickson Brown, Rick Zuroweste, Mike Krueger, Scottie Mayfield, Terri Webb, Steve Turner, Mary Hart, Bob McCullough, and Jerry Tidwell. Industry representatives present included Eva Balazs, Henry Michon, Dub Garlington, Nick Mysore, Al Guida, Scott Shehadey, Brian Linney and Fred Calvert. Also present were Vivien Godfrey, Ron Rubin, and other members of MilkPEP staff; Whitney Rick and Meghan Tremarche (USDA liaison); Steve James (California Milk Processor Board); Barb O'Brien and Paula Meabon (Dairy Management, Inc.); Connie Tipton (IDFA); and Wayne Watkinson (legal counsel).

Chairman Krueger expressed his appreciation to the Board members, industry representatives, and other attendees, for committing their time to improve marketing conditions for milk. Mr. Krueger recognized that this will be the last meeting of four Board members: Mike Touhey, Bob McCullough, Jerry Tidwell and Randy Mooney, and expressed his appreciation on behalf of the Board and industry for their participation on the Board. He also said that four new members would be seated on Saturday morning: Eva Balazs, Nick Mysore, Henry Michon and Brian Linney, indicating that he welcomes their participation on the Board.

Chairman Krueger reported that the minutes of the April 29-May 1, 2010 meeting of the Board had been distributed to the Board prior to the meeting for review. Motion by Terri Webb, second by Miriam Brown, to approve the minutes as presented, including the executive session minutes. Motion approved.

Meghan Tremarche presented a report on behalf of the United States Department of Agriculture. She provided a status of appointments to the Board, indicating that new Board members would be appointed on Saturday morning. She also reported on the status of the Report to Congress.

Connie Tipton of IDFA presented a report to the Board which highlighted the following issues:

- The National Milk Producers Federation proposed safety-net for dairy producers
- Status report on the 2010 dietary guidelines
- An update on the Child Nutrition Reauthorization legislation
- Highlights of the dairy show, which included
 - First MilkPEP regional sales meeting being conducted at the dairy show
 - MilkPEP and Innovation Center for U.S. Dairy involved in programming

Mr. Krueger thanked Ms. Tipton for her report and asked Barbara O'Brien to present a report on the Innovation Center for U.S. Dairy.

Ms. O'Brien reviewed the sustainability program, including:

- Overall industry goal 25% GHG reduction by 2020
- Life cycle analysis for fluid milk
- Baseline measures at industry and company level
 - Processing/transport projects update
 - Communications efforts

Mr. Kruger thanked Ms. O'Brien for her report and asked treasurer Jim Green to present a report on the actions of the Finance Committee.

Mr. Green reported the following:

- The committee reviewed an analysis of all MilkPEP existing contracts and those contracts that had been competitively bid since the last meeting
- Reviewed the 2010 financials and analysis of collections, and the USDA audit of prior periods report
- The committee reviewed the 2010 budget and amendments which had been approved by the committee and will be bringing forward a recommendation to the Board for amendment of the 2010 budget
- With respect to the 2011 budget, the committee reviewed projected revenues and is recommending maintaining \$107MM in projected assessments. The committee is also recommending a decrease in the administrative budget for 2011 by \$267,000. In addition, the committee is recommending the transfer of \$91.8MM into specific program areas, and the authorization of \$0.406MM in program expenses. This recommendation also includes \$2 million left in the opportunistic funding reserve.

Prior to presenting specific recommendations from the committee, Mr. Green reported that the committee had requested staff to develop an RFP for a 2011 MilkPEP audit and contractor audits to ensure cost efficiency. Having presented his report, Mr. Green moved as follows:

1. Mr. Green moved the committee recommendation to amend the 2010 budget as presented in Exhibit 1 of the general minutes. Motion approved. Mr. Green also reported that \$4.45 million in program expenses was authorized by the committee pending approval of the appropriate program committee.
2. With respect to the 2011 budget, Mr. Green moved the committee recommendation to approve the budget amendment as presented in Exhibit 2.

This completed the report of the Finance Committee.

Vivien Godfrey reviewed with the Board the priorities for the Board meeting. She indicated that the focus of the Board meeting is on:

- 2011 annual plan
- Long range planning project with the Monitor Group

The committee schedule was created so that Board members could attend all committee meetings if they chose to.

With respect to the 2011 plan, Ms. Godfrey indicated that the plan had been developed with the following perspective:

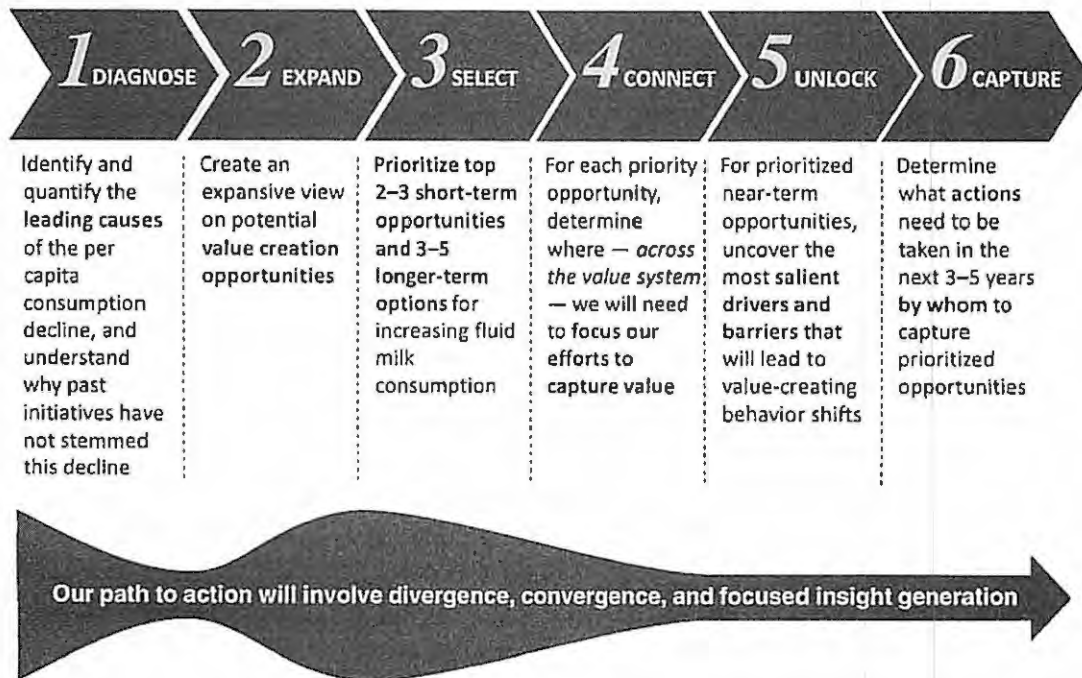
- To look for synergies across our target areas
- To build-in more opportunities for processor involvement (some programs have been moved out of the Moms Committee to the BDR Committee to facilitate processor involvement)
- \$2 million in opportunistic dollars have been held back at this point in the planning process
- As a result, 2011 budgets will be lower than 2010 spending

A preliminary 2011 program budget was presented.

Preliminary 2011 Program Budget

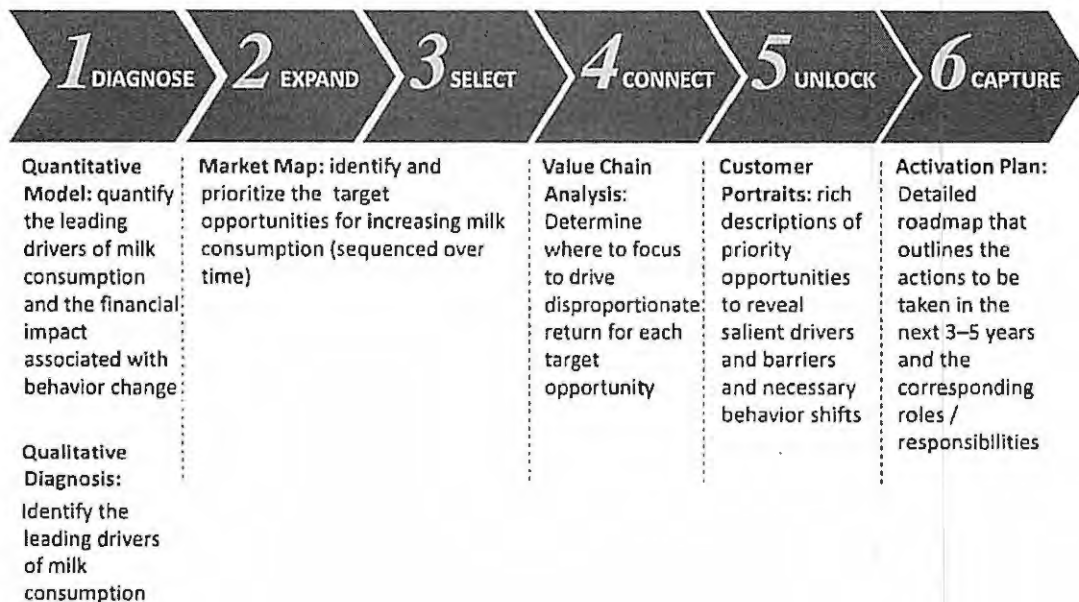
<u>Program</u>	<u>Dollar Amount</u>	<u>Percent of Total</u>
Moms Programs	49,625,000	54.0%
Teens	20,527,500	22.3%
Hispanic	6,920,000	7.5%
Business Development	9,382,500	10.2%
Market Research	3,245,000	3.5%
Program Measurement	100,000	0.1%
Opportunistic	2,000,000	2.4%
Total Programs	91,800,000	100%

Ms. Godfrey then introduced several members of the project team chosen by the Board from the Monitor Company Group, LP. Monitor representatives discussed with the Board the six-step approach to be used in the project.



Several questions were raised regarding timing and other issues relating to the research. Monitor was asked by several Board members to identify the deliverables which would result from the project. Below is a summary of the deliverables from the project.

At the conclusion of the project, Monitor will transfer the following deliverables from each phase of work to MilkPEP for ongoing use, as desired...



The Board also reviewed with the Monitor representatives the timeline for the project. Below is a summary of the timeline discussed.

We will be working against a 20-week timeline; although the steps are generally sequential, some degree of overlap will exist in order to efficiently push the work forward

Month	July			August			September			October			November			Dec									
Week Starting	26 th	2 nd	9 th	16 th	23 rd	30 th	6 th	13 th	20 th	27 th	4 th	11 th	18 th	25 th	1 st	8 th	15 th	22 nd	29 th	6 th					
1 DIAGNOSE																									
2 EXPAND																									
3 SELECT																									
4 CONNECT																									
5 UNLOCK																									
6 CAPTURE																									

Ms. Godfrey indicated that the project team would start the project on July 26, and Board members will be contacted for one-on-one interviews. Ms. Godfrey also indicated that the Business Development and Research Committee meeting would be devoted to discussing in greater detail the project approach.

There being no further business to come before the Board in General Session I, the meeting was recessed. (b) (6)

APPROVED:
 DATE:

 2/2/11

2010 Budget

	June 2010 Approved Budget	July 2010 Changes	July 2010 Transfers & Requests	July 2010 Revised Budget	July 2009 Authorizations	Aug - Oct 2009 E-Vote Authorizations	January 2010 Authorizations	April 2010 Authorizations	June 2010 E-Vote Authorizations	July 2010 Authorizations	July 2010 Authorized To Date	July 2010 Remaining Unauthorized
REVENUES												
Assessments	\$ 107,500,000			\$ 107,500,000								
Carryforward Funds	3,368,500			3,368,500								
Cash Flow Reserve Reduction	2,500,000			2,500,000								
Interest Income	160,000			160,000								
Total Revenues	\$ 113,528,500	\$ -	\$ -	\$ 113,528,500								
PROGRAM EXPENSES												
Moms	\$ 58,450,000			\$ 58,450,000	\$ 32,741,500	\$ 500,000	\$ 16,162,500	\$ 6,160,000		\$ 2,886,000	\$ 58,450,000	\$ -
Teens	24,320,000			24,320,000	11,260,000		6,365,000	5,895,000	\$ 100,000	700,000	\$ 24,320,000	-
Hispanic	7,090,000			7,090,000	3,235,000		2,120,000	1,099,500		635,500	\$ 7,090,000	-
Business Development	5,246,600			5,246,600	2,078,000	373,800	1,110,000	1,637,800	\$ 150,000		\$ 5,246,600	-
Market Research	4,773,500			4,773,500	300,000	1,238,000	577,500	105,000	2,000,000	230,000	\$ 4,448,500	325,000
Program Measurement	105,000			105,000	-		105,000	-		-	\$ 105,000	-
Unallocated/Opportunistic	-			-	-					-	\$ -	-
TOTAL PROGRAM EXPENSES	\$ 99,885,100	\$ -	\$ -	\$ 99,885,100	\$ 48,811,500	\$ 2,109,800	\$ 26,440,000	\$ 14,797,300	\$ 2,250,000	\$ 4,451,500	\$ 99,660,100	\$ 325,000
OTHER EXPENSES												
Administrative	\$ 2,650,346			\$ 2,650,346								
USDA Expenses	570,000			570,000								
California Refund	10,250,000			10,250,000								
Subtotal	\$ 13,470,346	\$ -	\$ -	\$ 13,470,346								
UNALLOCATED/OPPORTUNISTIC BUDGET	\$ 73,054			\$ 73,054								
UNCOMMITTED RESERVE	\$ -			\$ -								
Total Expenses and Unallocated/Opportunistic Budget	\$ 113,528,500	\$ -	\$ -	\$ 113,528,500								

2011 Budget

	April 2010 Proposed Budget	July 2010 Changes	July 2010 Transfers & Requests	July 2010 Revised Budget	July 2010 Authorizations	July 2010 Authorized To Date	July 2010 Remaining Unauthorized
REVENUES							
Assessments	\$ 107,000,000			\$ 107,000,000			
Carryforward Funds				-			
Interest Income	160,000			160,000			
Total Revenues	\$ 107,160,000	\$ -	\$ -	\$ 107,160,000			
PROGRAM EXPENSES							
Moms			\$ 50,150,000	\$ 50,150,000	\$ 30,405,000	\$ 30,405,000	\$ 19,745,000
Teens			20,802,500	20,802,500	8,521,000	\$ 8,521,000	12,281,500
Hispanic			7,000,000	7,000,000	3,216,500	\$ 3,216,500	3,783,500
Business Development			9,932,500	9,932,500	3,867,500	\$ 3,867,500	6,065,000
Market Research			3,520,000	3,520,000	-	\$ -	3,520,000
Program Measurement			105,000	105,000	-	\$ -	105,000
Unallocated/Opportunistic	93,577,137		(91,510,000)	2,067,137	-	\$ -	2,067,137
TOTAL PROGRAM EXPENSES	\$ 93,577,137	\$ -	\$ -	\$ 93,577,137	\$ 46,010,000	\$ 46,010,000	\$ 47,567,137
OTHER EXPENSES							
Administrative	\$ 2,782,863	\$ (267,679)		\$ 2,515,184			
USDA Expenses	600,000			600,000			
California Refund	10,200,000			10,200,000			
Subtotal	\$ 13,582,863	\$ (267,679)	\$ -	\$ 13,315,184			
UNALLOCATED/OPPORTUNISTIC BUDGET	\$ -	\$ 267,679		\$ 267,679			
UNCOMMITTED RESERVE	\$ -			\$ -			
Total Expenses and Unallocated/Opportunistic Budget	\$ 107,160,000	\$ (0)	\$ -	\$ 107,160,000			

MINUTES

MilkPEP Board Meeting – General Session II

July 17, 2010
Coeur d'Alene, ID

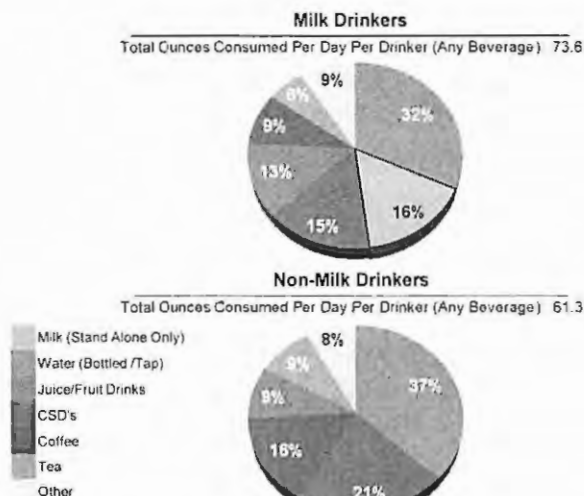
Chairman Mike Krueger called the Board back into session at 9:15 am local time. Mr. Krueger indicated that it was time for the committees to report on activities. Ed Mullins, chairman of the BDR Committee was asked to present a report.

Mr. Mullins reported that the committee had fully discussed the Marketing Mix models and reviewed the methodology for the projects. The committee spent a significant amount of time understanding how the Marketing Mix analysis is built and what are the various components that generated the results. The committee determined that the model needed to be evaluated in light of its dual purpose: (1) measure what worked in the past and (2) use these metrics to inform decisions about the program's direction going forward. It was also reported that the committee reviewed the milk consumption tracker project. The background of this project is to determine, track and understand how milk consumption fits within the non-alcoholic beverage category. Once again, the committee dug deep into the project methodology to ensure that they not only fully understood it but were confident in the results generated. An example of the data that is generated by the report is presented below:

Share of Total Beverage Consumption*

Milk Drinkers vs. Non-Milk Drinkers

- For those who don't drink milk as a stand alone beverage, water, CSDs and coffee are replacements.



*Based on past day stand alone beverage consumption
Q.3a-20c: Please indicate how many ounces of each type of (insert beverage) you drank.

One of the reasons for reviewing the methodology of these projects is to ensure confidence that this information could be used in a long-range planning process. In addition, these projects provide information which can be provided to processors in their market development efforts.

Mr. Mullins also reported on the communications effort to report the results of the “Flavored Milk in Schools” study. Below is a summary of those activities:

- Results of in-school study documents the dramatic drop of milk consumption – and nutrient decline – if flavored milk is restricted in schools
 - Largest study of its kind to validate the negative impact of flavored milk policies
- Unveiled findings at education session at the School Nutrition Association Annual National Conference earlier this week
 - Doug Adams, Rachel Johnson and Linda Stoll presented
 - New flavored milk brochure featuring the findings were distributed at MilkPEP booth
- Leveraged the research in the media
 - Press release quoting Johnson and Stoll
 - Additional third-party experts lined up as spokespeople
 - Distributed TV video package and audio news release
 - Conducted social media outreach

With regard to the 2011 plan, Mr. Mullins reported that the committee is working through some concepts which will be further developed at the September meeting of the committee. With regard to the 2010 program budget, Mr. Mullins moved the committee recommendation to approve the transfer and amendment of the budget as presented below. Motion approved.

2010 Business Development Authorizations /July 2010

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Industry Communication Plan (Trade and Processor)	10-05-70	Outloud	1,835,800	0	1,835,800	0	1,835,800	0
Print Media (Trade)	10-01-71	Deutsch	325,000	0	325,000	0	325,000	0
Sales Materials	10-00-72	Milk PEP	100,000	-20,000	80,000	(20,000)	80,000	0
Trade Show/Seminars	10-00-73	Milk PEP	110,000	20,000	130,000	20,000	130,000	0
Processor/Sales Support	10-03-74	DraftFCB	1,035,000	0	1,035,000	0	1,035,000	0
Processor Service Team	10-00-75	Milk PEP	480,000	0	480,000	0	480,000	0
School Advisory Council	10-00-76	Milk PEP	0	0	0	0	0	0
Quantifying Flavored Milk in Schools	10-00-77	Milk PEP	463,800	0	463,800	0	463,800	0
Team Services	10-00-78	Milk PEP	198,000	0	198,000	0	198,000	0
Refuel School Influencers	10-00-79	Milk PEP	269,000	0	269,000	0	269,000	0
School Lunch Initiative	10-00-86	Weber-Shandwick	150,000	0	150,000	0	150,000	0
MilkPEP Program Management	10-00-89	Milk PEP	480,000	0	480,000	0	480,000	0
Total	-	-	\$5,246,600	\$0	\$5,246,600	\$0	\$5,246,600	\$0

With regard to the 2011 Business Development budget, Mr. Mullins moved the recommendation to approve the budget as presented below. Motion approved.

2011 Business Development Authorizations /July 2010

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Industry Communication Plan (Trade and Processor)	11-05-70	Outloud	1,850,000	0	1,850,000	800,000	800,000	1,050,000
Print Media Trade	11-01-71	Deutsch	325,000	0	325,000	325,000	325,000	0
Sales Materials	11-00-72	Milk PEP	100,000	0	100,000	100,000	100,000	0
Trade Show/Seminars	11-00-73	Milk PEP	130,000	0	130,000	130,000	130,000	0
Processor/Sales Support	11-03-74	DraftFCB	1,100,000	0	1,100,000	450,000	450,000	650,000
Processor Service Team	11-00-75	Milk PEP	645,000	0	645,000	350,000	350,000	295,000
Refuel-Grassroots	11-02-76	Weber-Shandwick	4,020,000	0	4,020,000	1,000,000	1,000,000	3,020,000
Refuel Advocacy	11-02-77	Weber-Shandwick	475,000	0	475,000	375,000	375,000	100,000
Team Services	11-00-78	Milk PEP	220,000	0	220,000	220,000	220,000	0
Supermarket RD Outreach	11-02-79	Weber-Shandwick	50,000	0	50,000	50,000	50,000	0
Issues Management	11-02-80	Weber-Shandwick	467,500	0	467,500	67,500	67,500	400,000
MilkPEP Program Management	11-00-89	Milk PEP	550,000	0	550,000	0	0	550,000
Total	-	-	\$9,932,500	\$0	\$9,932,500	\$3,867,500	\$3,867,500	\$6,065,000

The Board reviewed the 2010 Market Research budget as presented below. Mr. Mullins reviewed the authorization requests approved by the committee. No amendments were necessary.

2010 Market Research Authorizations - July 2010

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Consumer and Marketplace Insights	10-00-80	1,003,500	0	1,003,500	0	1,003,500	0
Communication Testing	10-00-81	440,000	0	440,000	200,000	440,000	0
Program Development	10-00-82	175,000	0	175,000	30,000	150,000	25,000
Program Performance	10-00-83	900,000	0	900,000	0	600,000	300,000
Long Range Planning	10-00-84	2,000,000	0	2,000,000	0	2,000,000	0
Program Management	10-00-85	255,000	0	255,000	0	255,000	0
Total	-	\$4,773,500	0	\$4,773,500	\$230,000	\$4,448,500	\$325,000

The following actions were approved by the Finance Committee by email on June 11, 2010:

- The creation of a new authorization (10-00-84) for Long Range Planning within the Market Research budget.
- A transfer from the General Fund of \$918,500 into the Market Research Budget, authorization #10-00-84
- A transfer within the Market Research budget: \$1,081,500 from #10-00-80 to #10-00-84
- Approval of the above transfers into the Market Research budget
- Authorization of all funds

The 2011 Market Research budget was discussed, as summarized below. Mr. Mullins moved the approval of the budget as presented. Motion approved.

2011 Market Research Authorizations - July 2010

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Consumer and Marketplace Insights	11-00-80						
Communication Testing	11-00-81						
Program Development	11-00-82						
Program Performance	11-00-83						
Long Range Planning	11-00-84						
Unallocated		3,245,000	0	3,245,000	0	0	3,245,000
Program Management	11-00-85	275,000	0	275,000	0	0	275,000
Total	-	\$3,520,000	0	3,520,000	\$0	\$0	\$3,520,000

The committee also reviewed with the Board the 2011 USDA Program Measurement budget as presented below. Mr. Mullins moved the committee recommendation to approve the budget as presented. Motion approved.

2011 USDA Program Measurement Authorizations - July 2010

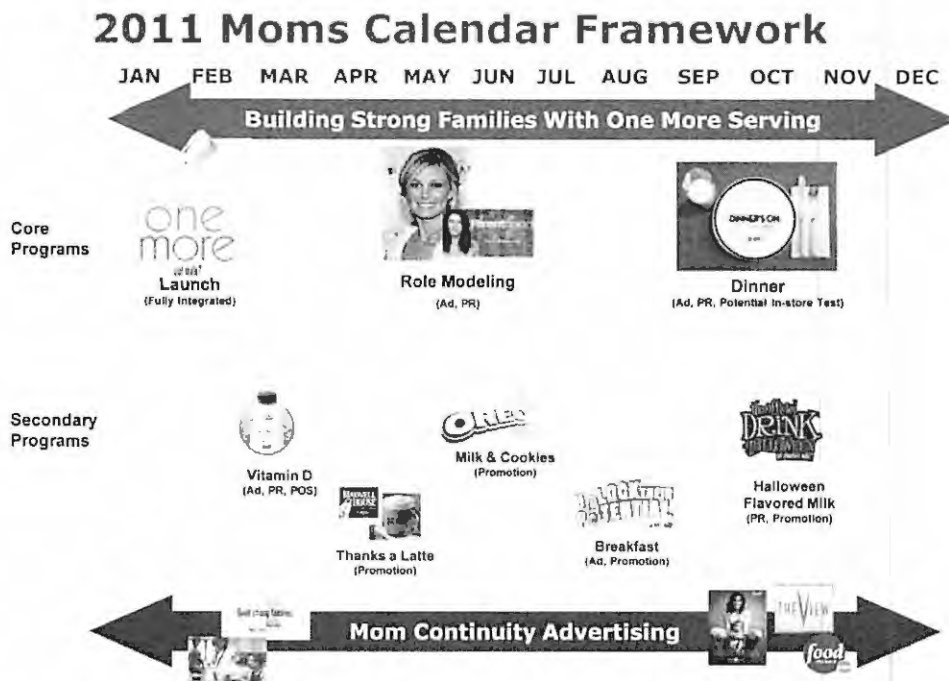
Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
USDA Program Measurement	11-00-86	100,000	0	100,000	0	0	100,000
Program Management	11-00-88	5,000	0	5,000	0	0	5,000
Total	-	\$105,000	0	\$105,000	0	\$0	\$105,000

This completed the report of the Business Development & Research Committee.

Chairman Krueger requested a report from the Moms Committee. Rick Zuroweste, chairman of the Moms Committee, reviewed with the Board the 2010 programs which were underway and are summarized below.



With regard to the 2011 planning process, Mr. Zuroweste reported on the progress the committee has made, including the concept of “Pour One More” and the various concepts designed around that program. Also discussed were the Thanks A Latte and the second year of the Milk and Oreo partnership. At this point, the 2011 Moms calendar is summarized below:



With regard to the committee budgets, Mr. Zuroweste reviewed the 2010 budget with the Board and recommended the budget amendment as presented below. Motion approved.

MilkPEP Board Meeting – General Session II

July 15, 2010

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2010 Moms Authorizations – July 2010

Project	Agency	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Broadcast Media	Deutsch	10-01-02	17,200,000	0	17,200,000	0	17,200,000	0
Mom Print Media	Deutsch	10-01-03	19,500,000	0	19,500,000	2,000,000	19,500,000	0
Advertising Production	Deutsch	10-01-04	3,500,000	0	3,500,000	0	3,500,000	0
January	Weber	10-02-05	1,150,000	0	1,150,000	0	1,150,000	0
Dinner	Weber	10-02-06	425,000	0	425,000	0	425,000	0
Milk Mustache Mobile Tour	Weber	10-02-07	5,157,500	0	5,157,500	0	5,157,500	0
Breakfast	Weber	10-02-08	200,000	150,000	350,000	0	350,000	0
Recovery for Mom (formerly Snack)	Weber	10-02-09	190,000	0	190,000	0	190,000	0
Women Ad Breaks/Ongoing Media Relations	Weber	10-02-10	340,000	0	340,000	0	340,000	0
Nutrition News Bureau	Weber	10-02-11	655,000	0	655,000	0	655,000	0
Milk Advocates	Weber	10-02-12	220,000	0	220,000	0	220,000	0
Social Media/Digital -Mom	Weber	10-02-13	350,000	0	350,000	0	350,000	0
Whymilk.com	Weber	10-02-14	325,000	0	325,000	0	325,000	0

Project	Agency	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Medical Advisory Board	Weber	10-02-15	80,000	0	80,000	0	80,000	0
Health Professionals	Weber	10-02-16	300,000	0	300,000	0	300,000	0
Issues Management	Weber	10-02-17	467,500	0	467,500	100,000	467,500	0
Program Management/ 2011 Planning	Weber	10-02-18	470,000	0	470,000	0	470,000	0
MMI/SEO Hosting - Mom	Weber	10-02-19	60,000	0	60,000	0	60,000	0
White Milk/Flavored Milk Promotions	DraftFCB	10-03-21	5,605,000	0	5,605,000	686,000	5,605,000	0
2011 Planning/Program Management	DraftFCB	10-03-22	605,000	0	605,000	0	605,000	0
Chocolate Milk Defense	MilkPEP	10-00-25	500,000	0	500,000	0	500,000	0
MAB/Medical Research	MilkPEP	10-00-26	250,000	0	250,000	100,000	250,000	0
Legal	MilkPEP	10-00-27	200,000	0	200,000	0	200,000	0
MAB/Medical Research Program Management	MilkPEP	10-00-28	145,000	0	145,000	0	145,000	0
Moms Program Management	MilkPEP	10-00-29	385,000	0	405,000	0	405,000	0
TOTALS			\$58,450,000	\$0	\$58,450,000	\$2,886,000	\$58,450,000	\$0

With regard to the 2011 committee budget, Mr. Zuroweste reviewed the proposed budget presented by the committee and moved approval of the budget by the Board as presented below. Motion approved.

2011 Moms Authorizations – July 2010

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Broadcast Media	11-01-01	Deutsch	17,200,000	0	17,200,000	17,200,000	17,200,000	0
Print Media	11-01-02	Deutsch	18,500,000	0	18,500,000	6,500,000	6,500,000	12,000,000
Advertising Production	11-01-03	Deutsch	3,500,000	0	3,500,000	2,275,000	2,275,000	1,225,000
January (20 markets)	11-02-05	Weber Shandwick	1,410,000	0	1,410,000	1,410,000	1,410,000	0
Vitamin D	11-02-06	Weber Shandwick	110,000	0	110,000	110,000	110,000	0
Role Modeling (no local markets)	11-02-08	Weber Shandwick	587,500	0	587,500	100,000	100,000	487,500
Dinner	11-02-09	Weber Shandwick	222,000	0	222,000	0	0	222,000
Halloween	11-02-10	Weber Shandwick	165,500	0	165,500	0	0	165,500
Women Ad Breaks (ongoing Media Relations; 2 ad breaks)	11-02-11	Weber Shandwick	250,000	0	250,000	0	0	250,000
Nutrition News Bureau/Health Professionals	11-02-12	Weber Shandwick	705,000	0	705,000	100,000	100,000	605,000
Flavored Milk Support - TBD	11-02-13	Weber Shandwick	200,000	0	200,000	50,000	50,000	150,000
Social Media/Digital Mom	11-02-14	Weber Shandwick	250,000	0	250,000	50,000	50,000	200,000
Whymilk.com	11-02-15	Weber Shandwick	250,000	0	250,000	50,000	50,000	200,000
Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Medical Advisory Board	11-02-16	Weber Shandwick	80,000	0	80,000	40,000	40,000	40,000
Program Management/2012 Planning Teen	11-02-17	Weber Shandwick	470,000	0	470,000	70,000	70,000	400,000
2011 Mom Programs	11-03-21	DraftFCB	4,646,000	0	4,646,000	2,200,000	2,200,000	2,446,000
2012 Mom Planning/2011 Program Management	11-03-22	DraftFCB	484,000	0	484,000	200,000	200,000	284,000
MAB/Medical Research	11-00-26	MilkPEP	250,000	0	250,000	0	0	250,000
Legal	11-00-27	MilkPEP	200,000	0	200,000	50,000	50,000	150,000
MAB/Medical Research Program Management	11-00-28	MilkPEP	145,000	0	145,000	0	0	145,000
Moms Program Management	11-00-29	MilkPEP	525,000	0	525,000	0	0	525,000
Total	-	-	50,150,000	0	50,150,000	30,405,000	30,405,000	19,745,000

This completed the report of the Moms Committee.

Chairman Krueger asked Bob McCullough, chairman of the Hispanic Committee, to present his final report as chairman and expressed his appreciation to Mr. McCullough for his contribution to the MilkPEP Board. Mr. McCullough reviewed with the Board the 2010 programs which are underway and are summarized below.



With regard to the 2011 plan, Mr. McCullough indicated that the Hispanic marketing budget had remained flat, which is summarized below.

	2010	2011
Media	\$5,070MM	\$5,090MM
Production	\$880M	\$830M
Public Relations	\$1,060M	\$1MM
Total	\$7,010MM	\$6,920MM

The draft 2011 Hispanic calendar was presented and is shown below:



Mr. McCullough presented a comparison of the 2010 versus 2011 media plan to the Board, which is presented below.

Media Plan Comparison: 2010 vs 2011

MilkPEP Hispanic Media	2010	Recommended Plan	% Chg vs 2010
Television			
Total GRPs per Market (Equiv)	1702.0	1472.0	-13.5%
Total Impressions HW18-49	99,790,400	84,839,098	
Enterate Impressions	58,593,120	59,485,046	
Spot TV Impressions	30,136,280	14,127,137	
Despierta America Impressions	11,061,000	11,226,915	
# Markets	27	27	
# of Weeks	26	22	
Avg. Weekly GRPs	65	67	
Total Investment (net)	\$ 3,136,280	\$ 2,904,529	-7.4%
CPM	\$ 31.43	\$ 34.24	
Print			
Total GRPs	1062.0	1062.0	
Total Impressions HW18-49	89,201,928	89,201,928	0.0%
# of Titles	9	10	
# of Insertions	61	61	
Total Investment (net)	\$ 938,052	\$ 943,052	0.5%
CPM	\$ 10.52	\$ 10.57	
Online			
Total GRPs		252.4	
Total Impressions HW18-49		29,239,492	
# of Websites		2	
# of Months		6	
Total Investment (net)		\$ 240,800	
CPM	n/a	\$ 8.24	
Total Plan Investment	\$ 4,074,332	\$ 4,088,381	0.3%
Total GRPs	2764.0	2786.4	0.8%
Total Impressions HW18-49	188,992,328	203,280,518	7.6%
CPM	\$ 21.56	\$ 20.11	-6.7%
Reach/Frequency	87.4 / 31.6	88.7 / 31.4	

The committee also presented the results of research which was conducted on Hispanic teens. The summary of the conclusions reached from the research is presented below.

- Hispanic teens are an “at risk” group
 - And because they’re different from GM teens, we may need to communicate with them differently
- Missing key education points surrounding benefits of milk
 - We have the opportunity to educate them with motivating messages about milk
- Lack “enticement” to become more active and involved with milk
 - Need relevant reminders and reasons to re-engage with milk
- Their moms demonstrate commitment to milk...we need to encourage Hispanic teens to follow suit
 - We’re exploring opportunities to talk to both groups

Based on these research results, the committee is taking the following steps:

Immediate:

- Quince program targets Hispanic girls (the most at risk portion of the group) and their moms
- Continue to look for ways to better connect with these targets by leveraging General Market Moms programs

Research under consideration:

- Exploratory: in depth discussion with Hispanic teens about their lives/culture, food & beverage, milk, and ads/outreach that they consider impactful
- Attitude and Consumption Tracking: supplement GM teen tracker with Hispanic teen pull-out

With regard to the committee’s program budgets, Mr. McCullough reviewed with the committee the authorization requests which were authorized based on the budget below.

2010 Hispanic Authorizations – July 2010

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Hispanic Media	10-04-60	5,070,000	0	5,070,000	482,000	5,070,000	0
Hispanic Production	10-04-61	880,000	0	880,000	0	880,000	0
Hispanic Public Relations	10-04-62	1,060,000	0	1,060,000	153,500	1,060,000	0
MilkPEP Program Management	10-04-69	80,000	0	80,000		80,000	0
Total	-	\$7,090,000	\$0	\$7,090,000	\$635,500	\$7,090,000	\$0

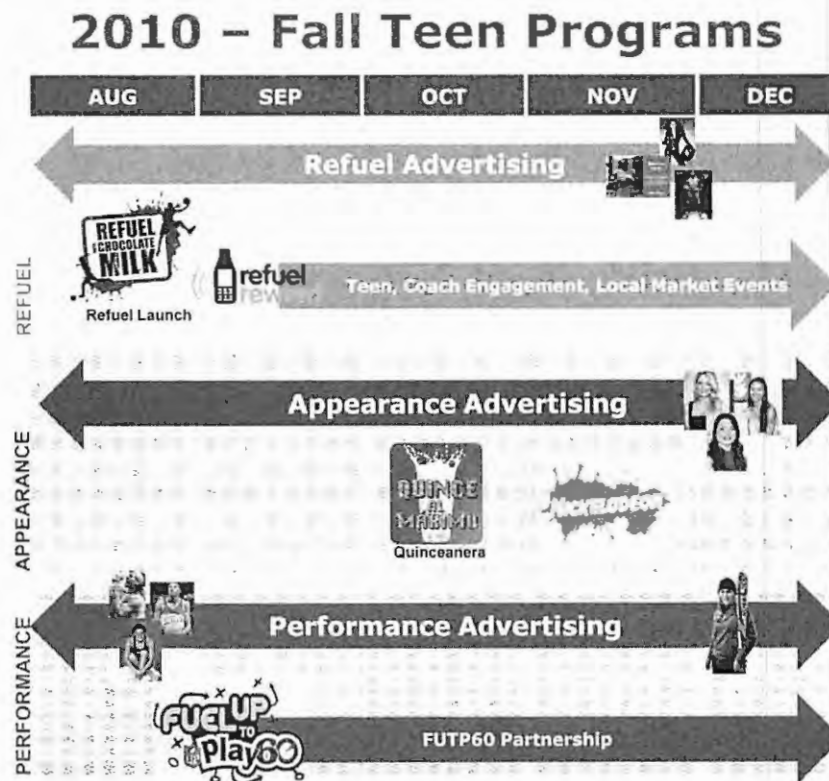
Mr. McCullough also reviewed the 2011 proposed budget by the committee as presented below.

2011 Hispanic Authorizations – July 2010

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Hispanic Media	11-04-60	5,090,000	0	5,090,000	2,329,000	2,329,000	2,761,000
Hispanic Production	11-04-61	830,000	0	830,000	500,000	500,000	330,000
Hispanic Public Relations	11-04-62	1,000,000	0	1,000,000	387,500	387,500	612,500
MilkPEP Program Management	11-00-69	80,000	0	80,000			80,000
Total	-	\$7,000,000	\$0	\$7,000,000	\$3,216,500	\$3,216,500	\$3,783,500

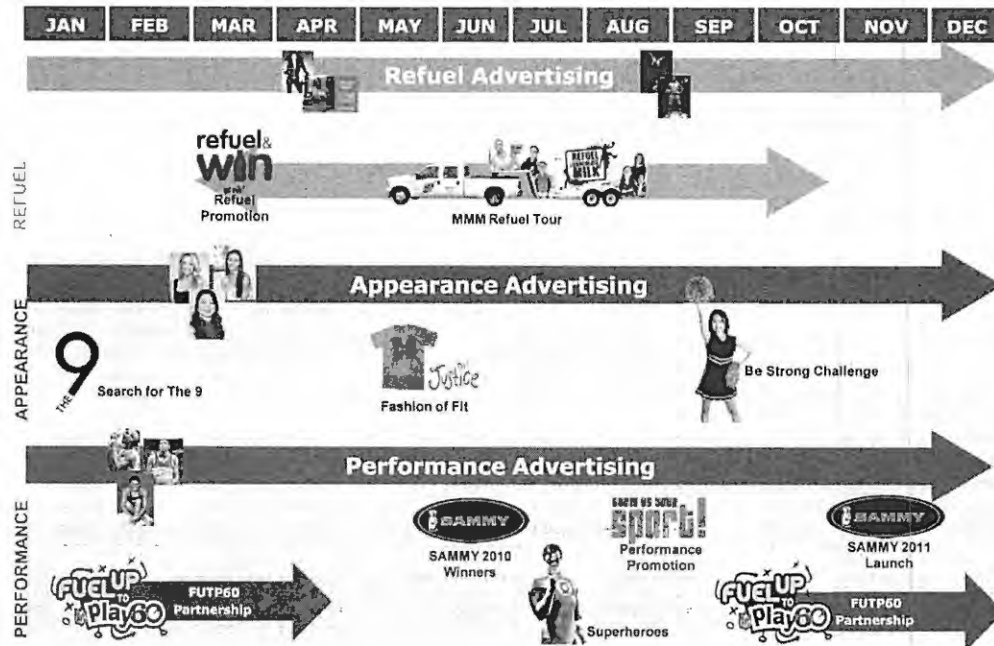
Mr. McCullough moved the committee recommendation to approve the budget as presented. Motion approved. This completed the report of the Hispanic Committee.

Jerry Tidwell, chairman of the Teens Committee, presented a report. Mr. Tidwell began his report with a review of the 2010 Fall Teen programs, which are summarized in the calendar below:



Mr. Tidwell reported that the committee had looked at research on teen and tween consumption which indicated a significant milk deficit among Hispanic teens. The committee is looking very closely at this as it builds its 2011 plan. With regard to the 2011 plan, Mr. Tidwell presented an update of the teen program which is presented below.

2011 – All Teen Programs



Mr. Tidwell reviewed the 2010 Teen Committee budget with the Board.

2010 Teen Authorizations – July 2010

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Teen Advertising Media	10-01-31	Deutsch	10,200,000	0	10,200,000	700,000	10,200,000	0
Teen Advertising Production	10-01-32	Deutsch	2,825,000	0	2,825,000	0	2,825,000	0
School Image Program	10-01-33	Deutsch	3,100,000	0	3,100,000	0	3,100,000	0
NBA Sponsorship	10-01-34	Deutsch	1,100,000	0	1,100,000	0	1,100,000	0
Spring Performance	10-02-35	Weber-Shandwick	520,000	0	520,000	0	520,000	0
Spring Appearance	10-02-36	Weber-Shandwick	400,000	0	400,000	0	400,000	0
Fall Teen	10-02-37	Weber-Shandwick	625,000	0	625,000	0	625,000	0
SAMMY	10-02-38	Weber-Shandwick	170,000	0	170,000	0	170,000	0
Teen Ad Breaks Ongoing Media Relations	10-02-39	Weber-Shandwick	475,000	0	475,000	0	475,000	0
Social Media Digital Teen	10-02-40	Weber-Shandwick	305,000	0	305,000	0	305,000	0
Bodybymilk.com	10-02-41	Weber-Shandwick	425,000	0	425,000	0	425,000	0
Program Management 2011 Planning Teen	10-02-42	Weber-Shandwick	255,000	0	255,000	0	255,000	0
MMI SEO Hosting	10-02-43	Weber-Shandwick	60,000	0	60,000	0	60,000	0

MilkPEP Board Meeting – General Session II

July 15, 2010

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Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Body by Milk Promotion	10-03-45	DraftFCB	2,760,000	0	2,760,000	0	2,760,000	0
2011 Planning 2010 Program Mgmt	10-03-46	DraftFCB	525,000	0	525,000	0	525,000	0
Quinceanera	10-04-47	Siboney	120,000	0	120,000	0	120,000	0
NFL Sponsorship Fuel Up	10-00-55	Milk PEP	100,000	0	100,000	0	100,000	0
MilkPEP Program Management	10-00-59	Milk PEP	355,000	0	355,000	0	355,000	0
Total	-	-	\$24,320,000	0	\$24,320,000	\$700,000	\$24,320,000	\$0

With regard to the 2011 Teen Committee budget, Mr. Tidwell presented the committee recommendation to approve the budget as presented below. Motion approved.

2011 Teen Authorizations – July 2010

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Teen Advertising Media	11-01-30	Deutsch	8,640,000	0	8,640,000	3,100,000	3,100,000	5,540,000
Teen Advertising Production	11-01-31	Deutsch	2,600,000	0	2,600,000	1,300,000	1,300,000	1,300,000
School Images	11-01-32	Deutsch	3,100,000	0	3,100,000	1,800,000	1,800,000	1,300,000
USAB Sponsorship	11-01-33	Deutsch	580,000	0	580,000	0	0	580,000
The 9	11-02-36	Weber-Shandwick	506,000	0	506,000	506,000	506,000	0
Cheerleading	11-02-37	Weber-Shandwick	350,000	0	350,000	0	0	350,000
Superheroes	11-02-38	Weber-Shandwick	289,000	0	289,000	0	0	289,000
SAMMY	11-02-39	Weber-Shandwick	170,000	0	170,000	70,000	70,000	100,000
Teen Ad Breaks (Ongoing Media Relations) 5-7 ad breaks, including FUTP60	11-02-40	Weber-Shandwick	465,000	0	465,000	65,000	65,000	400,000
Social Media/Digital Teen	11-02-41	Weber-Shandwick	200,000	0	200,000	50,000	50,000	150,000
Bodybymilk.com	11-02-42	Weber-Shandwick	375,000	0	375,000	125,000	125,000	250,000
Program Management/2012 Planning Teen	11-02-43	Weber-Shandwick	255,000	0	255,000	55,000	55,000	200,000

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Teen Promotions	11-03-50	DraftFCB	2,542,500	0	2,542,500	1,250,000	1,250,000	1,292,500
2012 Teen Planning/2011 Program Management	11-03-51	DraftFCB	475,000	0	475,000	200,000	200,000	275,000
MilkPEP Program Management	11-00-59	MilkPEP	275,000		275,000	0	0	275,000
Total	-	-	\$20,802,500	0	\$20,802,500	\$8,521,000	\$8,521,000	\$12,281,500

Mr. Krueger expressed his appreciation to Mr. Tidwell for his contributions to the MilkPEP Board and his leadership on the Teen Committee. This completed the report of the Teen Committee.

At this time, both Meghan Tremarche and Mr. Krueger expressed their appreciation to the outgoing Board members for the commitment of their time on behalf of the industry to the

Mr. Krueger asked if there was any further business to come before the Board at this time. Hearing none, Mr. Krueger adjourned the meeting. (b) (6)

(b) (6)

DATE:

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1/23/11

MINUTES

MilkPEP Board Meeting – General Session

January 22-23, 2011
Miami, FL

Chairperson Terri Webb called the Board into session at 8:00 a.m. local time. Members present included Eva Balazs, Miriam Erickson Brown, Mike Krueger, Steve Turner, Jim Green, Scottie Mayfield, Mike Smith, Jay Simon, Ed Mullins, Rick Zuroweste, Jay Bryant, Terri Webb, Nick Mysore, Mike Bell, Tim Kelbel, Brian Linney, and Mary Hill. Also present as industry reps were Al Guida, Jim Walsh, and Scott Shehadey. Others present included Vivien Godfrey and Ron Rubin (MilkPEP staff); Dana Coale, Meghan Tremarche and Whitney Rick (USDA liaison), Connie Tipton (IDFA), Steve James (California Milk Processor Board); Barb O'Brien and Paula Meabon (DMI); Wayne Watkinson (legal counsel); and Brandi Van Eecklin (accounting firm Snyder Cohn).

Terri Webb made introductions of guests present at the Board meeting and thanked all of those in attendance. Chairperson Webb expressed appreciation to Board members Ed Mullins, Rick Zuroweste, and Mike Smith, and the other members of the Long-Range Planning Committee, for their efforts over the past seven months to oversee the development of Phase I of the long-range planning project. Before introducing the Monitor representatives, she indicated that the minutes of the July meeting had been circulated. Motion by Jay Bryant, second by Rick Zuroweste, to approve the minutes as distributed, including the minutes of the Executive Session of the Board. Motion approved.

Vivien Godfrey reviewed with the Board the process for developing Phase I of the long-range planning project and introduced representatives from the Monitor Group to present their findings to the Board. Monitor reported that the key themes of Phase I were:

- Flat overall beverage consumption over decades means growing milk consumption requires stealing share from other beverages.
- Water is highest volume and most ubiquitous milk competitor; soda, soy beverage and energy drinks are the next tier of opportunities within beverages.
- High-growth beverage categories are characterized by more successful innovation and branding, particularly in the area of functional benefits.
- It is important not to underestimate the role that complements play in milk consumption.

The Monitor representatives, Board staff, and the Board engaged in a discussion while reviewing a significant amount of market data. With regard to marketing insights, Monitor indicated that there existed milk-specific opportunities that could be taken advantage of, as summarized below:

- Occasions explain the variation in milk consumption better than demographics.
- Opportunities exist to defend breakfast in the home, extend success in breakfast to lunch/dinner at home, and create new milk-drinking habits outside of meal occasions.
- Winning requires changing behaviors specific to those occasions. Generic messages are unlikely to "move the needle."

Monitor also indicated that as a result of their research, three additional insights were identified:

- Broad category marketing has successfully supported milk consumption, but in an evolving competitive market, the industry needs to drive both volume and value.
- Fragmented investment pools limit the investment in value-added products.
- MilkPEP's role should evolve to effectively support new priority opportunities.

These insights were discussed with regard to changes that would result in the MilkPEP program.

Monitor presented strategic recommendations to the Board as a result of its research:

1. Shift from demographic, broad-based benefit messaging to target specific occasions.
2. Tailor messaging, product distribution and price to usage occasions to create a set of opportunities that work together to increase volume and value.
3. While MilkPEP's strategic priorities will be occasion/opportunity-specific, there are broad themes included in the recommendations:
 - a. Drinking milk instead of other beverages is the key behavior change. In particular, water is the most ubiquitous competitor.
 - b. Increasing the focus on complements relevant to the occasion (e.g., cereal at breakfast).
 - c. Developing new innovative milk branding offerings that don't necessarily adhere to the standard of identity or development (e.g., after dinner).
 - d. Reversing the decline and reigniting growth requires participation from multiple constituents on the value system. Actions by MilkPEP alone will not be sufficient to drive an increase in volume and value.

Mr. Watkinson indicated that as part of the recommendation of the MilkPEP Board, each company participating in the industry will need to look at its opportunities on an individual basis, based upon its unique market position.

Monitor presented to the Board a historical consumption model identifying the drivers of changing milk consumption.

Monitor also presented to the Board a presentation identifying the most attractive market opportunities for the following occasions:

- Breakfast at home
- Breakfast and lunch at school
- Lunch and dinner at home
- After dinner at home
- Working out/sports
- After school at home
- On the go

The Board members, Board staff and Monitor representatives discussed several issues relating to opportunities as presented.

As part of the presentation, Monitor reviewed with the Board a market map analysis which identified usage occasions by consumption location. The Board members engaged in an active

discussion with Monitor representatives relating to several findings within the presentation. Chairperson Webb indicated that the Board would be able to discuss the findings in the executive session scheduled for 5:30 p.m.

Ms. Webb indicated that if there were no further issues to come before the Board at this time, the Board is recessed to conduct program committees. She indicated that the Board would reconvene in executive session at 5:30 p.m.

General Session II

Chairperson Webb called the Board back into session at 7:00 a.m. on January 23, and asked Meghan Tremarche (marketing specialist from USDA) to present the USDA report. Ms. Tremarche reviewed the AMS guidelines which had been published on November 4, 2010. She indicated that the guidelines would require MilkPEP to implement a GAGUS audit for its next fiscal year. Ms. Tremarche also reported on the status of the report to Congress and appointments which will be requested prior to the next Board meeting.

Connie Tipton presented a report on behalf of the International Dairy Foods Association, reviewing three key issues:

- The new Congress elected in November
- 2010 dietary guidelines
- Front of pack labeling issues relating to FDA

Ms. Tipton also reviewed the recent policy changes relating to the reauthorization of the Child Nutrition laws and the Food Safety Modernization Act.

Following Ms. Tipton's presentation, the Board heard a report from Steve James (California Milk Processor Board). Mr. James presented research indicating why Californians are different from consumers in other marketing areas in the U.S. Following Mr. James' s report, Tom Gallagher, on behalf of Dairy Management, Inc., presented a report reviewing the business plan that had been developed by DMI. Ms. Webb expressed appreciation to Ms. Tremarche, Ms. Tipton, Mr. James and Mr. Gallagher for their presentations.

Ms. Webb asked Treasurer Jay Bryant to present a report on behalf of the Finance Committee. Mr. Bryant indicated that the committee reviewed the competitive bidding in active contracts currently undertaken by MilkPEP. He indicated that the committee will be reviewing the contract process to determine if any changes need to be made moving forward. With regard to the 2010 budget, year-to-date assessments are down 1.1% over 2009, with 2010 total assessments projected at \$106.9 million. Mr. Bryant also indicated that year-to-date expenses remain in line with administrative expenses projected to be nearly \$140,000 below budget. Mr. Bryant also indicated that cash flow remained positive. Mr. Bryant presented recommendations on behalf of the committee:

2010 Budget Recommendation Changes:

- Mr. Bryant recommended approval of the committee recommendation to carry forward funds of \$900K to provide for anticipated shortfall in 2010 assessments (11/1/10 Finance Committee call). Motion approved.
- Mr. Bryant recommended ratification by the Board of \$325K in market research authorizations as approved by both the BDR and Finance committees at their Fall meetings (11/1/10 Finance Committee call), Motion approved.
- Mr. Bryant recommended approval of the committee recommendation to transfer \$35K within the Business Development budget from Processor Sales & Support to Service Team. Motion approved.

2011 Budget Overview

- Mr. Bryant reported that the Finance Committee approved reduction of \$1MM to the 2011 budget in its November Committee call (\$106MM) based on updated economist forecasts
 - Mr. Bryant recommended ratification by the Board of the current budget of \$106MM, but reserve any final 2010 FROE's or carry forward funds until we have a better sense of 2011 assessments. Motion approved.
- Mr. Bryant recommended ratification of \$1.567M in market research authorizations as approved by both the BDR and Finance committees at their Fall meetings (11/1/10 Finance Committee call). Motion approved.
- Mr. Bryant recommended approval of the committee recommendation to reduce \$225K from California Refund which will increase unallocated/opportunistic by \$225K. Motion approved.
- Mr. Bryant recommended approval of the committee recommendation to transfer \$118K in carry forward funds into the unallocated/opportunistic budget. Motion approved.
- Mr. Bryant recommended approval of the committee recommendation to transfer \$285K from unallocated/opportunistic to program expenses (Moms and Business Development). Motion approved.
- Mr. Bryant reported the committee's approval of \$26.9MM in program expenses pending approval by the appropriate program committees.

2012 Assessment Projection: Mr. Bryant reported that it was necessary to provide initial assessment budget for 2012 so planning could take place.

- Mr. Bryant indicated that 2012 is leap year so there is an extra day, which typically boosts sales by 0.3%, which outside sources have taken into account – projecting assessments to be anywhere from up 1% to down as much as 1.5%, and that the impact of the long range plan had not been determined.
- Mr. Bryant moved the committee recommendation of a \$105.5MM assessment budget for 2012. Motion approved.

Following the Treasurer's report, the Board heard a status report on the launch of the 2011 programs on the Pour One More program and an education campaign entitled "What America's Missing" relating to our nation's nutrient gap. The Susan Sarandon ad campaign was presented, as well as the media blitz, including exposure on Good Morning America and The View. The

Board also reviewed the Hispanic overlay to Pour One More, including the Edith Gonzalez print ad.

With regard to 2010 program updates, Rick Zuroweste presented a report on behalf of the Moms Committee. Mr. Zuroweste reviewed the 2011 Moms calendar and discussed each of the programs recommended by the committee.



With regard to 2011 authorizations, Mr. Zuroweste recommended an amendment to the 2011 Moms budget as presented below. Motion approved.

MilkPEP Board Meeting – General Session

January 22-23, 2011

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2011 Moms Authorizations/Jan. 2011

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Broadcast Media	11-01	Deutsch	17,200,000	0	17,200,000	0	17,200,000	0
Print Media	11-02	Deutsch	18,500,000	200,000	18,700,000	7,100,000	13,600,000	5,100,000
Advertising Production	11-03	Deutsch	3,500,000	0	3,500,000	1,100,000	3,375,000	125,000
January (20 markets)	11-05	Weber-Shandwick	1,410,000	0	1,410,000	0	1,410,000	0
Vitamin D	11-06	Weber-Shandwick	110,000	0	110,000	0	110,000	0
Role Modeling (no local markets)	11-08	Weber-Shandwick	587,500	0	587,500	487,500	587,500	0
Dinner	11-09	Weber-Shandwick	222,000	0	222,000	122,000	122,000	100,000
Halloween	11-10	Weber-Shandwick	165,500	0	165,500	100,000	100,000	65,500
Women Ad Breaks (ongoing Media Relations; 2 ad breaks)	11-11	Weber-Shandwick	250,000	50,000	300,000	300,000	300,000	0
Nutrition News Bureau/Health Professionals	11-12	Weber-Shandwick	705,000	0	705,000	305,000	405,000	300,000
Flavored Milk Support- TBD	11-13	Weber-Shandwick	200,000	0	200,000	50,000	100,000	100,000
Social Media/Digital Mom	11-14	Weber-Shandwick	250,000	0	250,000	100,000	150,000	100,000
Whymilk.com	11-15	Weber-Shandwick	250,000	0	250,000	100,000	150,000	100,000

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Medical Advisory Board	11-16	Weber-Shandwick	80,000	0	80,000	0	40,000	40,000
Program Management/2012 Planning Teen	11-17	Weber-Shandwick	470,000	0	470,000	200,000	270,000	200,000
2011 Mom Programs	11-21	DraftFCB	4,646,000	0	4,646,000	1,500,000	3,700,000	946,000
2012 Mom Planning/2011 Program Management	11-22	DraftFCB	484,000	0	484,000	284,000	484,000	0
MAB/Medical Research	11-26	Milk PEP	250,000	0	250,000	100,000	100,000	150,000
Legal	11-27	Milk PEP	200,000	0	200,000	50,000	100,000	100,000
MAB/Medical Research Program Management	11-28	Milk PEP	145,000	0	145,000	0	0	145,000
Moms Program Management	11-29	Milk PEP	525,000	0	525,000	525,000	525,000	0
Total	-	-	50,150,000	250,000	50,400,000	12,423,500	42,828,500	7,571,500

Ms. Webb expressed appreciation for the report and asked Mike Smith to present a report on behalf of the Hispanic Committee. Mr. Smith reviewed the programs discussed by the committee as represented in the calendar below:



Mr. Smith also indicated that the committee had approved authorization requests within the budget previously approved by the Board, as presented below.

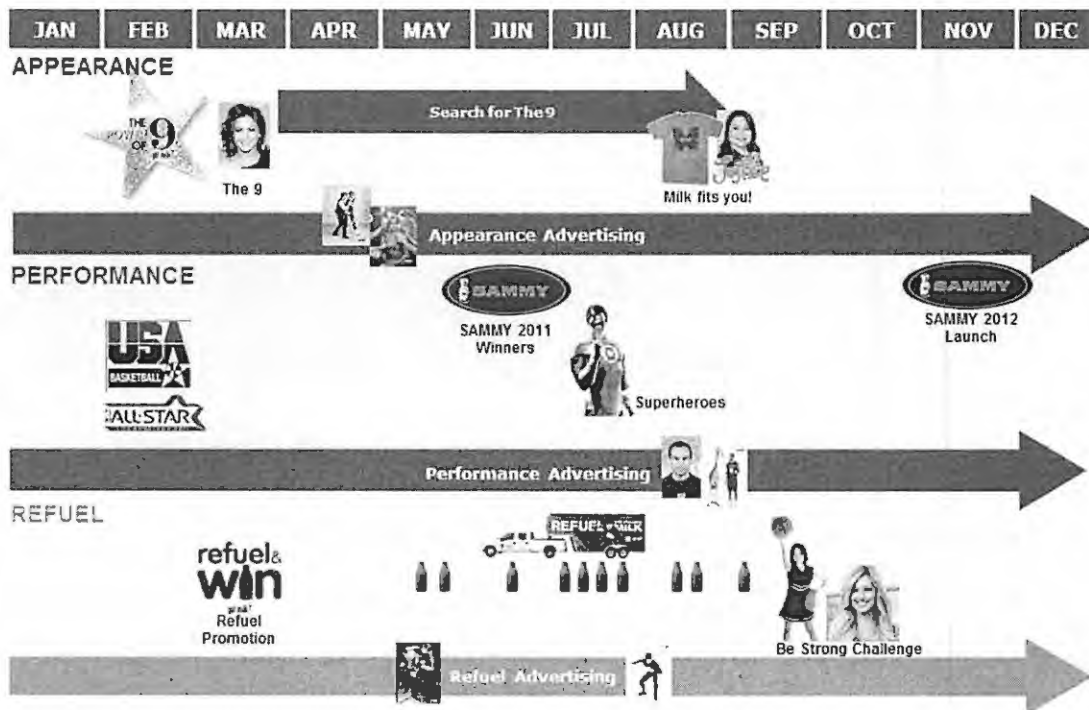
2011 Hispanic Authorizations - January 2011

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Hispanic Media	11-04-60	5,090,000	0	5,090,000	1,151,000	3,480,000	1,610,000
Hispanic Production	11-04-61	830,000	0	830,000	130,000	630,000	200,000
Hispanic Public Relations	11-04-62	1,000,000	0	1,000,000	250,000	637,500	362,500
MilkPEP Program Management	11-00-69	80,000	0	80,000	80,000	80,000	0
Total	-	\$7,000,000	\$0	\$7,000,000	\$1,611,000	\$4,827,500	\$2,172,500

This completed the report of the Hispanic Committee.

Miriam Erickson Brown presented a report on behalf of the Teen Committee. She reviewed each of the programs identified on the calendar below:

2011 Teen Calendar



Ms. Brown also reviewed with the Board the authorization requests which were approved by the committee within the committee budget as presented below:

2011 Teens Authorizations /January 2011

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Teen Advertising Media	11-01-30	Deutsch	8,640,000	0	8,640,000	4,000,000	7,100,000	1,540,000
Teen Advertising Production	11-01-31	Deutsch	2,600,000	0	2,600,000	1,000,000	2,300,000	300,000
School Images	11-01-32	Deutsch	3,100,000	0	3,100,000	0	1,800,000	1,300,000
USAB Sponsorship	11-01-33	Deutsch	560,000	0	560,000	560,000	560,000	0
The 9	11-02-36	Weber-Shandwick	506,000	0	506,000	0	506,000	0
Cheerleading	11-02-37	Weber-Shandwick	350,000	0	350,000	250,000	250,000	100,000
Superheroes	11-02-38	Weber-Shandwick	289,000	0	289,000	289,000	289,000	0
SAMMY	11-02-39	Weber-Shandwick	170,000	0	170,000	100,000	170,000	0
Teen Ad Breaks (Ongoing Media Relations) 5-7 ad breaks	11-02-40	Weber-Shandwick	465,000	0	465,000	250,000	315,000	150,000
Social Media/Digital Teen	11-02-41	Weber-Shandwick	200,000	0	200,000	150,000	200,000	0
Bodybymilk.com	11-02-42	Weber-Shandwick	375,000	0	375,000	150,000	275,000	100,000
Program Management/2012 Planning Teen	11-02-43	Weber-Shandwick	255,000	0	255,000	100,000	155,000	100,000

MilkPEP Board Meeting – General Session

January 22-23, 2011

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Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Teen Promotions	11-03-50	DraftFCB	2,542,500	0	2,542,500	800,000	2,050,000	492,500
2012 Teen Planning/2011 Program Management	11-03-51	DraftFCB	475,000	0	475,000	275,000	475,000	0
MilkPEP Program Management	11-00-59	MilkPEP	275,000		275,000	275,000	275,000	0
Total	-	-	\$20,802,500	0	\$20,802,500	\$8,199,000	\$16,720,000	\$4,082,500

This completed the report of the Teens Committee.

Ms. Webb asked Ed Mullins to present a report on behalf of the Business Development & Research Committee. Mr. Mullins and staff presented a report on the regional sales meeting with a comparison to past meetings. In addition, the results of a processor survey report were presented to the Board.

Staff reviewed with the Board tour and tent events relating to the Refuel with Chocolate Milk program and community and influencer outreach activities being conducted.

As part of the committee report, a status report on chocolate milk in schools was presented, including the sports influencer programs to magnify the Refuel message.

Mr. Mullins discussed with the Board the concept of creating a research library, which will create an online searchable database of all MilkPEP market research to enable processors to easily utilize key research findings and insights.

Mr. Mullins reviewed with the Board the 2010 Business Development budget and recommended the committee recommendation to approve the budget amendment as presented below. Motion approved.

2010 Business Development Authorizations /Jan 2011

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Industry Communication Plan (Trade and Processor)	10-05-70	Outloud	1,635,800	0	1,635,800	0	1,635,800	0
Print Media (Trade)	10-01-71	Deutsch	325,000	0	325,000	0	325,000	0
Sales Materials	10-00-72	Milk PEP	80,000	0	80,000	0	80,000	0
Trade Show/Seminars	10-00-73	Milk PEP	130,000	0	130,000	0	130,000	0
Processor/Sales Support	10-03-74	DraftFCB	1,035,000	(35,000)	1,000,000	(35,000)	1,000,000	0
Processor Service Team	10-00-75	Milk PEP	480,000	35,000	515,000	35,000	515,000	0
School Advisory Council	10-00-76	Milk PEP	0	0	0	0	0	0
Quantifying Flavored Milk in Schools	10-00-77	Milk PEP	463,800	0	463,800	0	463,800	0
Team Services	10-00-78	Milk PEP	198,000	0	198,000	0	198,000	0
Refuel School Influencers	10-00-79	Milk PEP	269,000	0	269,000	0	269,000	0
School Lunch Initiative	10-00-86	Weber-Shandwick	150,000	0	150,000	0	150,000	0
MilkPEP Program Management	10-00-89	Milk PEP	480,000	0	480,000	0	480,000	0
Total	-	-	\$5,246,600	\$0	\$5,246,600	\$0	\$5,246,600	\$0

Mr. Mullins also reviewed with the Board the authorization requests approved by the committee as presented above with regard to the 2011 Business Development budget. Mr. Mullins recommended the committee recommendation to approve the budget amendment as presented below. Motion approved.

2011 Business Development Authorizations /Jan 2011

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Industry Communication Plan (Trade and Processor)	11-05-70	Outloud	1,850,000	0	1,850,000	600,000	1,400,000	450,000
Print Media Trade	11-01-71	Deutsch	325,000	0	325,000	0	325,000	0
Sales Materials	11-00-72	Milk PEP	100,000	0	100,000	0	100,000	0
Trade Show/Seminars	11-00-73	Milk PEP	130,000	0	130,000	0	130,000	0
Processor/Sales Support	11-03-74	DraftFCB	1,100,000	0	1,100,000	150,000	600,000	500,000
Processor Service Team	11-00-75	Milk PEP	645,000	0	645,000	0	350,000	295,000
Refuel-Grassroots	11-02-76	Weber-Shandwick	4,020,000	0	4,020,000	2,520,000	3,520,000	500,000
Refuel Advocacy	11-02-77	Weber-Shandwick	475,000	0	475,000	100,000	475,000	0
Team Services	11-00-78	Milk PEP	220,000	0	220,000	0	220,000	0
Supermarket RD Outreach	11-02-79	Weber-Shandwick	50,000	35,000	85,000	35,000	85,000	0
Issues Management	11-02-80	Weber-Shandwick	467,500	0	467,500	200,000	267,500	200,000
MilkPEP Program Management	11-00-89	Milk PEP	550,000	0	550,000	550,000	550,000	0
Total	-	-	\$9,932,500	\$35,000	\$9,967,500	\$4,155,000	\$8,022,500	\$1,945,000

With respect to the 2011 Market Research budget, Mr. Mullins reviewed with the Board the recommendation by the committee to recommend the 2011 Market Research budget as presented below. Motion approved.

2011 Market Research Authorizations - January 2011

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Consumer and Marketplace Insights	11-00-85	1,086,000	100,000	1,186,000	100,000	1,186,000	0
Communication Testing	11-00-86		50,000	50,000	50,000	50,000	0
Program Development	11-00-87						
Program Performance	11-00-88	481,000		481,000		481,000	0
Long Range Planning	11-00-89						
Unallocated		1,678,000	-150,000	1,528,000			1,528,000
Program Management	11-00-94	275,000		275,000	275,000	275,000	0
Total	-	\$3,520,000		3,520,000	\$425,000	\$1,992,000	\$1,528,000

Mr. Mullins reviewed the authorization requests approved by the committee in the Market Research budget. With regard to the 2011 USDA Program Measurement budget, Mr. Mullin reviewed the authorization requests approved by the committee as presented below.

2011 USDA Program Measurement Authorizations - January 2011

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
USDA Program Measurement	11-00-86	100,000	0	100,000	100,000	100,000	0
Program Management	11-00-88	5,000	0	5,000	5,000	5,000	0
Total	-	\$105,000	0	\$105,000	\$105,000	\$105,000	\$0

This completes the report of the Business Development & Research Committee.

Ms. Webb expressed appreciation to the Committee Chairs for their reports. She also indicated and expressed appreciation to the Board staff for their patience in working through this Board meeting and the amount of information which was presented to the Board members. Ms. Webb indicated that the Board needed to work on two areas of insights: (1) recommendations to MilkPEP relating to resource allocations and focus; and (2) recommendations to industry players relating to their activities.

Ms. Webb asked if there was any further business to come before the Board at this meeting. There being none, the Board was adjourned at 11:35 EST.

(b) (6)

APPROVED:

DATE:

9/9/11

MINUTES

MilkPEP Board Meeting – General Sessions I and II

April 8-9, 2011
Carlsbad, CA

General Session I – April 8, 2011

Chairperson Terri Webb called the Board into session at 8:00 a.m. local time. Members present included Mike Bell, Eve Balazs, Miriam Erickson Brown, Mike Smith, Rick Zuroweste, Jay Bryant, Terri Webb, Nick Mysore, Chris Ross, Tim Kelbel, Steve Turner, Brian Linney, and Scottie Mayfield. Also present were Vivien Godfrey and Ron Rubin (MilkPEP staff), Meghan Tremarche and Whitney Rick (USDA liaison), Brandee Van Eekelen (Snyder Cohn accounting firm), and Wayne Watkinson (legal counsel). Also present were industry representatives Al Guida and Sandy Kelly. Also present were Connie Tipton (IDFA), Steve Maddox (National Dairy Council), members of the MilkPEP staff, and other industry representatives

Chairperson Webb welcomed the Board members and all industry representatives present at the meeting. She indicated that the Board has been working hard to develop and finalize a long-range plan, and that this meeting was an important element of that process. She asked the Board to be interactive and ask questions as it related to the information being presented and decisions being made.

Vivien Godfrey discussed with the Board the three priorities which would be reviewed by the Board at this meeting:

1. Review the committee's change in tactics to the 2011 plan due to information developed through the long-range planning process;
2. Fully discuss the elements of the 2012-2014 strategic plan;
3. Provide guidance and input on the 2012 tactics activating that plan.

The Board reviewed the process that has been followed as it relates to the long-range plan since the January Board meeting. The Board acknowledged the need for a longer term strategy plan to allow annual plans to maintain focus against strategic objectives. As part of the planning process, committees have already begun to review programs to determine what fits within the plan. It was acknowledged that all investments made by the Board need to be viewed with an open lens.

Key insights developed in the planning process were reviewed in addition to strategies to take advantage of those insights. Several questions were raised by Board members relating to complementary products associated with milk at home, school breakfast, and the post-dinner consumption opportunity. MilkPEP staff and agency personnel presented information to the Board, highlighting opportunities and strategies designed around the plan insights. Each of the priority occasions identified within the plan were discussed by the Board. Finally, examples of tactics designed against those occasions were presented and discussed.

As part of the discussion, the Board reviewed implications as related to the MilkPEP organization. Ms. Godfrey indicated that it was important for the Board to review the MilkPEP

mission and vision, work processes, committee structure, decisions, responsibilities, and role of the Board to ensure the organization operates as effectively as possible.

The Board engaged in a discussion on the Board vision and mission, with several members providing input on possible changes that may result. The Board also discussed work processes as they relate to budgeting, planning, and committee structures.

The Board discussed the process and responsibilities for key planning decisions. The role of the Board in focusing on planning, budgeting, overseeing implementation, and ensuring effective evaluation was discussed. It was agreed by consensus that phone calls would be conducted to allow further Board input into these various issues.

There being no further business, Chairperson Webb recessed the meeting.

General Session II – April 9, 2011

Chairperson Terri Webb called the Board into session at 8:00 a.m. local time.

It was indicated that the minutes of the January 2011 Board meeting, including the executive session minutes, were distributed to the Board in advance. Motion by Miriam Erickson Brown, second by Rick Zuroweste, to approve the minutes, including the executive session minutes, of the January meeting. Motion approved.

Meghan Tremarche (USDA liaison) presented a report to the Board addressing the following issues:

- Dairy import assessment final rule
- New AMS promotion and research programs
- An update on the 2010 report to Congress

In addition, she presented an update on upcoming appointments, identifying six vacancies which will need to be filled.

Connie Tipton (IDFA) presented information to the Board on the following issues:

- Flavored milk in schools
- Milk standards – legislation proposed in Congress which would impose higher nonfat solids standards for fluid milk nationwide
- Potential dairy policy reforms and federal order reform proposals

Mark Leitner (on behalf of Dairy Management, Inc.) presented information relating to the Fuel Up to Play 60 program and discussed the purpose and goals of the Gen YOUth Foundation, recently created to promote dairy products in schools. Mr. Leitner also presented information relating to the challenges to flavored milk in schools.

Following these presentations, Ms. Webb expressed her appreciation to each of the presenters.

Jay Bryant, Treasurer of the Board and chairman of the Finance Committee, presented a report on behalf of the Finance Committee highlighting the following issues:

- The committee had reviewed the competitive bidding and active contract status.
- Reviewed the February 2011 financials
- An update was provided relating to collections and the status of USDA audits for prior period payments

With respect to recommendations from the committee, Mr. Bryant moved a recommendation as follows:

- For 2011, the committee recommends maintaining a budget of \$106MM
 - Projected range based on economist projections would be \$105.6MM to \$107.8MM
- Motion approved.
- The committee recommends transferring \$520,000 from Moms budget and \$233,000 from Teens budget to unallocated/opportunistic program budget. Motion approved.
- The committee recommends transferring \$300,000 from unallocated opportunistic program budget to Market Research budget. Motion approved.
- The committee recommends the authorization of \$11.2MM in program expenses contingent upon approval of the appropriation program committees. Motion approved.

2011 Budget (As Amended)									
	March 2011 Revised Budget	April 2011 Changes	April 2011 Transfers & Requests	April 2011 Revised Budget	July 2010 to January 2011 Authorizations	March 2011 E-Vote Authorizations	April 2011 Authorizations Requested	April 2011 Authorized To Date	April 2011 Remaining Unauthorized
REVENUES									
Assessments	\$ 106,000,000			\$ 106,000,000					
Carryforward Funds	118,000			118,000					
Interest Income	160,000			160,000					
Total Revenues	\$ 106,278,000	\$ -	\$ -	\$ 106,278,000					
PROGRAM EXPENSES									
Moms	\$ 50,400,000	\$ -	\$ (520,000)	\$ 49,880,000	\$ 42,828,500	\$ -	\$ 4,801,500	\$ 47,630,000	\$ 2,250,000
Teens	20,802,500	-	(233,000)	20,569,500	16,720,000	-	3,209,500	19,929,500	640,000
Hispanic	7,000,000	-	-	7,000,000	4,827,500	-	1,039,000	5,866,500	1,133,500
Business Development	9,967,500	-	-	9,967,500	8,022,500	-	1,800,000	9,822,500	145,000
Market Research	4,138,000	-	300,000	4,438,000	1,992,000	2,146,000	300,000	4,438,000	-
Program Measurement	105,000	-	-	105,000	105,000	-	-	105,000	-
Unallocated/Opportunistic	449,137	-	453,000	902,137	-	-	-	-	902,137
TOTAL PROGRAM EXPENSES	\$ 92,862,137	\$ -	\$ -	\$ 92,862,137	\$ 74,495,500	\$ 2,146,000	\$ 11,150,000	\$ 87,791,500	\$ 5,070,637
OTHER EXPENSES									
Administrative	\$ 2,515,184			\$ 2,515,184					
USDA Expenses	600,000			600,000					
California Grant	9,975,000			9,975,000					
Subtotal	\$ 13,090,184	\$ -	\$ -	\$ 13,090,184					
UNALLOCATED/OPPORTUNISTIC BUDGET	\$ 325,679			\$ 325,679					
UNCOMMITTED RESERVE	\$ -			\$ -					
Total Expenses and Unallocated/Opportunistic Budget	\$ 106,278,000	\$ -	\$ -	\$ 106,278,000					

With respect to the 2012 budget, Mr. Bryant reviewed the following:

- Assessment budget for 2011 is \$105.5MM

- 2012 is a leap year so there is an extra day which typically boosts sales by 0.3%.
- Outside sources are projecting assessments to be anywhere from up 1.5% to down 1.5%. This would put us at a range of \$104.4MM to \$107.6MM.
- Impact of long-range plan undetermined.
- The committee recommends maintaining \$105.5MM budget until a better analysis of 2011 collections is available.

The committee also reviewed the independent auditor's report on the MilkPEP financial statements for 2010. Mr. Bryant reported that it was a clean audit and moved the committee recommendation that the Board accept the audit report as presented. Motion approved.

This completed the report of the Finance Committee.

Donna Armstrong, Communications Director for the MilkPEP program, presented a report relating to radiation concerns emanating from Japan. Ms. Armstrong also reviewed with the Board the activities of the Dairy Communications Management Team (DCMT), which is a collaboration of MilkPEP, DMI, USDEC, IDFA and NMPF. Julie Buric and Donna Armstrong represent MilkPEP on that working group.

Following this report, the Board heard updates from the committees.

Scottie Mayfield presented a report for the Business Development & Research Committee on behalf of Ed Mullins who could not attend the meeting. Mr. Mayfield reported that the committee reviewed the proposals received from potential contractors to conduct the trends and data analysis project. The committee approved the use of Prime Consulting to do this work. The committee also discussed a communications program designed to communicate the long-range plan to processors, suppliers, and producers. The committee is in the initial stage of packaging the information for distribution to all the target audiences.

The committee also discussed various research needs in the Refuel area. With regard to the Business Development & Research 2011 budget, motion by Al Guida, second by Nick Mysore, to amend the budget as presented below, including adding \$300,000 to the budget. Motion approved.

2011 Market Research Authorizations /April 2011

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Consumer and Marketplace Insights	11-00-85	1,486,000		1,486,000		1,486,000	0
Communication Testing	11-00-86	50,000	150,000	200,000	150,000	200,000	0
Program Development	11-00-87	240,000	150,000	390,000	150,000	390,000	0
Program Performance	11-00-88	481,000		481,000		481,000	0
Long Range Planning	11-00-89	1,606,000		1,606,000		1,606,000	0
Program Management	11-00-94	275,000		275,000		275,000	0
Total		4,138,000	300,000	4,438,000	\$300,000	\$4,438,000	0

11-00-86: 2012 Refuel Program Research

11-00-87: Dinner Opportunity Exploratory

Mr. Mayfield then reviewed with the Board the authorization requests which had been approved by the committee pending approval of the budget amendment by the Board. This completed the report of the Business Development & Research Committee.

2011 Business Development Authorizations /Apr 2011

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Industry Communication Plan (Trade and Processor)	11-05-70	Outloud	1,850,000	0	1,850,000	450,000	1,850,000	0
Print Media Trade	11-01-71	Deutsch	325,000	0	325,000	0	325,000	0
Sales Materials	11-00-72	Milk PEP	100,000	0	100,000	0	100,000	0
Trade Show/Seminars	11-00-73	Milk PEP	130,000	0	130,000	0	130,000	0
Processor/Sales Support	11-03-74	DraftFCB	1,100,000	0	1,100,000	500,000	1,100,000	0
Processor Service Team	11-00-75	Milk PEP	645,000	0	645,000	150,000	500,000	145,000
Refuel-Grassroots	11-02-76	Weber-Shandwick	4,020,000	0	4,020,000	500,000	4,020,000	0
Refuel Advocacy	11-02-77	Weber-Shandwick	475,000	0	475,000	0	475,000	0
Team Services	11-00-78	Milk PEP	220,000	0	220,000	0	220,000	0
Supermarket RD Outreach	11-02-79	Weber-Shandwick	85,000	0	85,000	0	85,000	0
Issues Management	11-02-80	Weber-Shandwick	467,500	0	467,500	200,000	467,500	0
MilkPEP Program Management	11-00-84	Milk PEP	550,000	0	550,000	0	550,000	0
Total	-	-	\$9,967,500	0	\$9,967,500	\$1,800,000	\$9,822,500	\$145,000

Miriam Erickson Brown presented a report on behalf of the Teens Committee. Ms. Erickson Brown reviewed with the Board adjustments which had been made to the program as a result of the long-range plan activities. Ms. Erickson Brown also reviewed with the Board the upcoming 2011 Teen programs as summarized below.



The committee reviewed in detail the Power of 9 program and the elements of the Be Strong-Refuel program to be implemented later in the year. In addition, the committee discussed with the Board the elements of the Milk Fits You program, which is designed to show tween girls how milk's nine essential nutrients can help them look and feel great from the inside out. An update was presented on the collaboration with the blockbuster movie "The Green Lantern" and teen celebrity ads with Heidi Klum and Lamar Odom were discussed.

Miriam Erickson Brown provided a quick update on the results of a Hispanic research project conducted by Radius.

With respect to the 2011 Teen budget, Ms. Erickson Brown moved that the Board approve the amendments to the 2011 Teen budget as presented below. Motion approved.

2011 Teens Authorizations /April 2011

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Teen Advertising Media	11-01-30	Deutsch	8,640,000	(50,000)	8,590,000	850,000	7,950,000	640,000
Teen Advertising Production	11-01-31	Deutsch	2,600,000	0	2,600,000	300,000	2,600,000	0
School Images	11-01-32	Deutsch	3,100,000	0	3,100,000	1,300,000	3,100,000	0
USAB Sponsorship	11-01-33	Deutsch	560,000	0	560,000	0	560,000	0
The 9	11-02-36	Weber-Shandwick	506,000	0	506,000	0	506,000	0
Cheerleading	11-02-37	Weber-Shandwick	350,000	0	350,000	100,000	350,000	0
Superheroes	11-02-38	Weber-Shandwick	289,000	(183,000)	106,000	(183,000)	106,000	0
SAMMY	11-02-39	Weber-Shandwick	170,000	0	170,000	0	170,000	0
Teen Ad Breaks (Ongoing Media Relations) 5-7 ad breaks	11-02-40	Weber-Shandwick	465,000	0	465,000	150,000	465,000	0
Social Media/Digital Teen	11-02-41	Weber-Shandwick	200,000	0	200,000	0	200,000	0
Bodybymilk.com	11-02-42	Weber-Shandwick	375,000	0	375,000	100,000	375,000	0
Program Management/2012 Planning Teen	11-02-43	Weber-Shandwick	255,000	0	255,000	100,000	255,000	0

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Teen Promotions	11-03-50	DraftFCB	2,542,500	0	2,542,500	492,500	2,542,500	0
2012 Teen Planning/2011 Program Management	11-03-51	DraftFCB	475,000	0	475,000	0	475,000	0
MilkPEP Program Management	11-00-59	MilkPEP	275,000		275,000	0	275,000	0
Total			\$20,802,500	\$(233,000)	\$20,569,500	\$3,209,500	\$19,929,500	\$640,000

Miriam Erickson Brown reviewed the authorization requests which had been approved by the committee pending approval of the amendment by the Board. This completed the report of the Teen Committee.

Rick Zuroweste presented a report on behalf of the Moms Committee. Mr. Zuroweste reviewed with the Board the calendar of programs for 2011 as presented below.



Various programs as presented above were reviewed by Rick Zuroweste to provide an update to the Board. Ads including Angie Harmon and Shaq were presented.

Mr. Zuroweste also reviewed the elements of the Oreo-“Got Milk?” partnership and the Post cereal program. A status report on the Milk Advocates program was presented by the committee as well as the elements of the “Family of the Year” program. With regard to the 2011 Moms budget, Mr. Zuroweste, on behalf of the committee, moved that the Board approve the budget amendment as presented below. Motion approved.

2011 Moms Authorizations/April 2011

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Broadcast Media	11-01-01	Deutsch	17,200,000	0	17,200,000	0	17,200,000	0
Print Media	11-01-02	Deutsch	18,700,000	0	18,700,000	3,100,000	16,700,000	2,000,000
Advertising Production	11-01-03	Deutsch	3,500,000	0	3,500,000	125,000	3,500,000	0
January (20 markets)	11-02-05	Weber-Shandwick	1,410,000	0	1,410,000	0	1,410,000	0
Vitamin D	11-02-06	Weber-Shandwick	110,000	(106,220)	3,780	(106,220)	3,780	0
Role Modeling (no local markets)	11-02-08	Weber-Shandwick	587,500	0	587,500	0	587,500	0
Dinner	11-02-09	Weber-Shandwick	222,000	(222,000)	0	(122,000)	0	0
Halloween	11-02-10	Weber-Shandwick	165,500	0	165,500	65,500	165,500	0
Women Ad Breaks (ongoing Media Relations; 2 ad breaks)	11-02-11	Weber-Shandwick	300,000	428,220	728,220	428,220	728,220	0
Nutrition News Bureau/Health Professionals	11-02-12	Weber-Shandwick	705,000	0	705,000	300,000	705,000	0
Flavored Milk Support - TBD	11-02-13	Weber-Shandwick	200,000	(200,000)	0	(100,000)	0	0
Social Media/Digital Mom	11-02-14	Weber-Shandwick	250,000	0	250,000	100,000	250,000	0
Whymilk.com	11-02-15	Weber-Shandwick	250,000	0	250,000	100,000	250,000	0
Medical Advisory Board	11-02-16	Weber-Shandwick	80,000	0	80,000	40,000	80,000	0
Program Management/2012 Planning Moms	11-02-17	Weber-Shandwick	470,000	0	470,000	200,000	470,000	0
2011 Mom Programs	11-03-21	DraftFCB	4,646,000	(420,000)	4,226,000	526,000	4,226,000	0
2012 Mom Planning/2011 Program Management	11-03-22	DraftFCB	484,000	0	484,000	0	484,000	0
MAB/Medical Research	11-00-26	Milk PEP	250,000	0	250,000	0	100,000	150,000
Legal	11-00-27	Milk PEP	200,000	0	200,000	0	100,000	100,000
MAB/Medical Research Program Management	11-00-28	Milk PEP	145,000	0	145,000	145,000	145,000	0
Moms Program Management	11-00-29	Milk PEP	525,000	0	525,000	0	525,000	0
Total	-	-	\$50,400,000	\$(520,000)	\$49,880,000	\$4,801,500	\$47,630,000	\$2,250,000

Rick Zuroweste reviewed with the Board the authorization requests which had been approved. This completed the report of the Moms Committee.

Mike Smith, chairman of the Hispanic Committee, presented a report to the Board which began by reviewing the 2011 Hispanic Mom calendar.



The report included an update on the elements of the Ejemplo Amor to tie in with the Oreo milk-and-cookies promotion, the Sabor Latino Hispanic heritage program, the Hispanic Halloween tie-in and the Café con Leche promotion. Ads were presented for review by the Board, including Sofia Vergala and her mom, and the Board discussed the Advocates program involving Giselle Blondet. Mr. Smith also indicated that the committee had reviewed research relating to the Hispanic population and conducted discussions relating to the implications of the long-range plan on the Hispanic market.

With regard to the Hispanic budget, the committee is not recommending any amendments to the 2011 budget. Mr. Smith reviewed with the Board the authorization requests which had been approved by the committee. This completed the report of the Hispanic Committee.

2011 Hispanic Authorizations - April 2011

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Hispanic Media	11-04-60	5,090,000	0	5,090,000	732,000	4,212,000	878,000
Hispanic Production	11-04-61	830,000	0	830,000	100,000	730,000	100,000
Hispanic Public Relations	11-04-62	1,000,000	0	1,000,000	207,000	844,500	155,500
MilkPEP Program Management	11-00-69	80,000	0	80,000	0	80,000	0
Total	-	\$7,000,000	\$0	\$7,000,000	\$1,039,000	\$5,866,500	\$1,133,500

MilkPEP Board Meeting – General Sessions I and II

April 8-9, 2011

Page 11

Chairperson Webb expressed appreciation to the committee members, the staffs, and the agencies for all the work performed at the Board meeting. She indicated that the Board had made great progress in moving to implement the findings of the long-range plan activities.

Ms. Webb reported that she was appointing a Nominating Committee on behalf of the Board which would include Scottie Mayfield as chair, Nick Mysore, Steve Turner, Brian Linney, and Mike Krueger. Motion by Tim Kelbel, second by Jay Bryant, to ratify the appointments to the Nominating Committee. Motion approved.

Chairperson Webb indicated to the Board that it was important that Board members become the guardians of the long-range plan and work to integrate it within the industry. She indicated that how we communicate this information to processors, suppliers, producers, and other members of our industry will determine how it is accepted. She expressed appreciation to all of the guests who participated in the meeting and wished everyone a safe trip home.

There being no further business to come before the Board, the meeting was adjourned.
(b) (6)

APPROVED:

DATE:

— 7/15/11 —

MINUTES

MilkPEP Board Meeting – General Session

July 15, 2011
Boston, MA

Chairperson Terri Webb called the Board into session at 8:00 am local time. Members present included Mike Smith, Brian Linney, Nick Mysore, Miriam Erickson Brown, Ed Mullins, Mike Krueger, Eva Balacz, Terri Webb, Rick Zuroweste, Steve Turner, Jim Green, Mike Bell, Scottie Mayfield, Tim Kelbel, Jay Bryant and Mary Hall. Industry representatives in attendance were Jim Walsh, Scott Shehadey, Al Guida and Sandy Kelly. Also present were Vivien Godfrey, Ron Rubin and other members of the MilkPEP staff; Connie Tipton (International Dairy Foods Association); Kenton Holle, Paul Rovey and Barb O'Brien (DMI); Steve James (California Milk Processor Board); Meghan Tremarche, Whitney Rick and Dana Coale (USDA liaison); and Wayne Watkinson (legal counsel).

Ms. Webb expressed appreciation for the significant efforts of the Long-Range Planning Committee, including Mike Smith, Rick Zuroweste, Ed Mullins, and Sal Taibi.

Vivien Godfrey reviewed with the Board information which would be presented and indicated the MilkPEP staff, agency personnel, and Monitor Group personnel worked as a cohesive unit to develop the information which will be presented to the Board. She indicated that it was important for Board members to fully vet the information discussed and provide strategic direction. The Board engaged in a discussion focusing on industry metrics and expressed the need to clearly identify metrics that the program can use to hold the Board accountable for decisions. Several members indicated they need to identify what constitutes "success". It was also expressed that there is a need to prioritize leading indicators to monitor progress within the industry. It was indicated that the Consumption Tracker project has the potential to break down beverages as a meal (e.g., glass of milk for breakfast) as opposed to use of milk as a complement with other foods.

The Board discussed roles and expectations for the Board and the MilkPEP CEO. A summary of the initial conclusions is presented below:

<i>MilkPEP Board</i>	<i>MilkPEP CEO</i>
<ul style="list-style-type: none">• Act as custodians of the MilkPEP program's investment• Approve strategic decisions against each occasion as committees• Participate in "action teams" deployed against certain initiatives, as appropriate (e.g., defending flavored milk in schools)• Expect to ensure own organizations are aware of MilkPEP's programming and, as relevant, are participating• Agree to and monitor metrics	<ul style="list-style-type: none">• Provide strategic leadership over all aspects of MilkPEP's planning and operations (e.g., articulate vision & mission, lead strategic planning)• Propose metrics to track success• Direct and influence annual planning process• Build strategic capabilities within organization• Ensure strong communications with industry constituencies• Serve as chief spokesperson for MilkPEP

The Board also discussed the need to align resources and committees and staffing responsibilities against the long-range plan. Creation of an annual planning process and communications with industry stake holders were also discussed.

The Board was provided an update relating to chocolate milk in schools. Staff reviewed several activities conducted with other industry organizations to address the removal of chocolate milk from various school districts. Strategies to assist processors and state and regional programs to address concerns were reviewed. Several Board members expressed concern about the loss of nutrients resulting from lack of chocolate milk and questioned whether those nutrients were being provided through another source. The status of the IOM report to USDA and regulations issued by USDA relating to meal requirements were discussed. It was indicated that it was important to identify the sources of the flavored milk threat and to proactively stay ahead of the issue. Doug Adams of the Prime Consulting Group presented the results of the annual school survey. Trends identified are summarized below.

Positive:

- Average calorie level for flavors has declined 14% over four years due to:
 - Schools selecting lower fat levels
 - Processors reformulating and reducing added sugar
- Awareness of chocolate milk as a recovery beverage held steady at 40%
- Nutritionally empty a la carte beverages (in secondary schools) slowed and lost a portion of distribution

Negative:

- Milk declined for the second consecutive year
 - The flavored milk challenges are continuing to build and become more mainstream
 - Number of flavors is declining
 - New flavor development has slowed significantly
 - Larger sizes have been removed from a la carte
 - Vending presence has dropped 50% over 2 years
 - **And Most Important** – Chocolate milk distribution has begun to drop
- MilkPEP's presence and impact on school milk volume appears to have diminished over the past 2-3 years
 - The research, training and news from 2005-2008 has dried up (St. Louis test, *Capturing the School Milk Opportunity* workshops, and Recovery beverage)
 - School use of MilkPEP materials declined by 5 points for the third year in a row (*now stands at 77%, down from 93%*)
 - Basic marketing recommendations from workshops have not been reinforced or carried on as strongly in the tougher economic times
 - Packaging graphics are not being regularly refreshed
 - New flavors have dropped away

- Frequency of meetings has declined and more time is being devoted to distribution issues and the bid process

The Board engaged in a discussion relating to concepts presented in the long-range plan. The importance of segmenting consumers to identify targets that are attractive and actionable was discussed. Questions relating to consideration of the over-age-65 population was raised, as well as the need to review existing data for other potential occasions such as dinner. Questions were raised as to the percent of flavored milk consumed at breakfast, as well as the need to understand the impact of culture on consumer behavior. Consumer segment profiles, in addition to consumption drivers and barriers, were discussed. In summary, the following implementations were developed:

- To succeed, MilkPEP needs to disproportionately focus on defense
- Desired behaviors differ by segment, as do persuasive reasons to believe – we will need to tailor our messages appropriately
- Market volume suggests a need to go beyond our historical target of children and to target adults for their own consumption
- Milk must be reinforced as a critical part of the breakfast ‘routine,’ and to do so we need to leverage reasons to believe that are specific to a segment’s beliefs and consumption patterns
- Industry innovation (product, packaging, flavor, function, etc.) has the potential to create incremental volume and value for Breakfast at Home – we see competitive products meeting certain need-states extremely well

Chairperson Webb indicated that the minutes of the April Board meeting, in addition to the Executive Session minutes, were distributed. Motion by Ed Mullins, second by Miriam Erickson Brown, to approve the minutes as distributed. Motion approved.

The Board recessed until 4:00 pm local time. Chairperson Webb called the Board back into executive session. The Board recessed the executive session at 5:15 local time.

General Session II

Chairperson Webb called the Board back into session on July 16th at 10:00 am local time. Meghan Tremarche, on behalf of USDA, presented a report addressing the following issues:

- A review of the USDA My Plate program
- A report projecting checkoff revenues for various industry programs overseen by USDA
- 2010 status report and Report to Congress
- AMS Guidelines implementation to be completed by November 4, 2011
- Status of the dairy import assessment
- Board member appointments and the process for soliciting nominations for the 2012-2015 term

- The Board discussed the need to identify additional industry representatives to provide input into the program and assist in communication with processors, retailers and suppliers

Connie Tipton, CEO of the International Dairy Foods Association, presented a report highlighting:

- IDFA activities related to USDA's rollout of the My Plate program
- Activities to address concerns relating to flavored milk in schools and industry coordination efforts on this issue
- Status of dairy legislation and concerns relating to the imposition of the California fluid milk standards nationally

A report was presented by Barb O'Brien of Dairy Management, Inc. relating to priorities and activities of the Innovation Center for United States Dairy. She reviewed with the Board the six priority areas identified by the Innovation Center and various methods DMI is using to measure performance against these priorities and to report to the various stakeholders within the industry.

Steve James, CEO of the California Milk Processor Board, discussed CMPB's general market summer campaign focusing on PMS. Mr. James also reviewed the general market fall campaign, as well as the CMPB Hispanic fall campaign. Ms. Webb expressed her appreciation to the industry representatives who had made presentations to the Board.

Jay Bryant, Treasurer of the Board and chairman of the Finance Committee, presented a report which contained the following highlights:

With regard to 2011 assessments,

- Assessments for the month of April were down 2.1% and May was down 1.6%
- YTD May 2011 assessments were \$44.3MM which is down 1.54% over the same period in 2010
- Economists are forecasting that assessments will be down 1% to 2% over 2010
- Recommend decreasing the 2011 budget to \$105.0MM and transfer \$1.0MM from uncommitted funds to cover the shortfall

With regard to 2012 assessments, Mr. Bryant indicated that economists were forecasting assessments to be up 1.5% to down as much as 1.5%. Mr. Bryant moved the committee recommendation to decrease the budget for 2012 to \$105 million and utilize \$500,000 from uncommitted funds. Mr. Bryant then moved several recommendations proposed by the committee as it related to the 2011 budget.

- Motion to recommend a decrease in the assessment budget to \$105.0MM and transfer \$1.0MM from uncommitted funds
- Motion to recommend transfer of \$40,000 to the BDR budget for new authorization for Crisis Drills

- Motion to recommend transfer of \$563,500 from Unallocated/Opportunistic to the BDR budget for new authorization Flavored Milk in Schools
- Motion to recommend transfer of \$125,000 to Market Research Budget for 2013 Planning and Media Buy Evaluation & Optimization
- Recommend authorization of \$4,647,000 in program funds

Attached as Exhibit 1 is a summary of the 2011 budget as modified by the Board.

With regard to 2012 budget modification, Mr. Bryant moved the following committee recommendations:

- Recommend a decrease in the assessment budget to \$105.0MM and transfer \$500K from uncommitted funds
- Recommend approval of program expense budget:
 - \$48.5MM to Meals at Home - General Market
 - \$7.5MM to Meals at Home – Hispanic
 - \$17.0MM to Refuel
 - \$16.0MM to BDR
- Recommend decrease of \$50K in the interest income budget to approximate our current earnings rate for 2011

Modifications made to the 2012 budget are depicted in Exhibit 2.

Staff reviewed with the Board several activities focusing on the My Plate USDA program and updates relating to the status of 2011 programs. The Board discussed the allocation of \$21 million for an upfront general media buy for 2012. Miriam Erickson Brown, on behalf of the Meals at Home – General Market Committee, moved the committee recommendation to authorize the \$21 million buy. Motion approved.

Mike Smith, chairman of the Hispanic Committee segment of the Meals at Home Committee, discussed with the Board the committee's recommendation to authorize \$3.27 million. Motion by Mike Smith to approve the committee's recommendation to authorize a \$3.27 million upfront media buy for the 2012 budget. Motion approved.

Ed Mullins, chairman of the Business Development and Research Committee, reviewed various activities to be conducted to support the long-range plan. The Board discussed several tactics to be undertaken to positively impact flavored milk at school. Motion by Mr. Mullins to approve the recommendation of the BDR committee to authorize \$563,500 for activities related to flavored milk in schools. Motion approved.

With regard to activities in the program management area, Mr. Mullins reviewed with the Board the need to fund activities to support the long-range plan. Mr. Mullins indicated that \$40,000 had already been authorized by the recommendation of the Finance Committee. An additional \$125,000 was needed to fund program measurement activities. Motion by Mr. Mullins to

recommend approval of the committee recommendation to authorize \$125,000 for program measurement activities. Motion approved.

Ms. Webb expressed her appreciation to the Board, staff and agency representatives for their significant efforts to activate MilkPEP's long-range plan. She indicated that Board members had met their obligation to represent the industry through their willingness to express their opinions freely and not automatically accept information and strategies presented.

There being no further business to come before the Board, the meeting has adjourned. (b) (6)

APPROVED:

DATE:

7/13/12

EXHIBIT 1

2011 Budget

	April 2011 Revised Budget	July 2011 Status	July 2011 Transfers & Revisions	July 2011 Revised Budget
REVENUES				
Assessments	\$ 106,000,000	\$ (1,000,000)		\$ 105,000,000
Carryforward Funds	118,000	\$ 1,000,000		1,118,000
Interest Income	160,000			160,000
Total Revenues	\$ 106,278,000	\$ -	\$ -	\$ 106,278,000
PROGRAM EXPENSES				
Moms	\$ 49,880,000	\$ -	\$ -	\$ 49,880,000
Teens	20,569,500	-	-	20,569,500
Hispanic	7,000,000	-	-	7,000,000
Business Development	9,967,500	-	603,500	10,571,000
Market Research	4,438,000	-	125,000	4,563,000
Program Measurement	105,000	-	-	105,000
Unallocated/Opportunistic	902,137	-	(728,500)	173,637
TOTAL PROGRAM EXPENSES	\$ 92,862,137	\$ -	\$ -	\$ 92,862,137
OTHER EXPENSES				
Administrative	\$ 2,515,184			\$ 2,515,184
USDA Expenses	600,000			600,000
California Grant	9,975,000			9,975,000
Subtotal	\$ 13,090,184	\$ -	\$ -	\$ 13,090,184
UNALLOCATED/OPPORTUNISTIC BUDGET	\$ 325,679			\$ 325,679
UNCOMMITTED RESERVE	\$ -			\$ -
Total Expenses and Unallocated/Opportunistic Budget	\$ 106,278,000	\$ -	\$ -	\$ 106,278,000

EXHIBIT 2

2012 Budget

	April 2011 Proposed Budget	July 2011 Changes	July 2011 Transfers & Requests	July 2011 Revised Budget
REVENUES				
Assessments	\$ 105,500,000	\$ (500,000)		\$105,000,000
Carryforward Funds	-	\$ 550,000		550,000
Interest Income	150,000	(50,000)		100,000
Total Revenues	\$ 105,650,000	\$ -	\$ -	\$105,650,000
PROGRAM EXPENSES				
Meals at Home - General Market	\$ -	\$ -	\$ 48,500,000	\$ 48,500,000
Meals at Home - Hispanic	-	-	7,500,000	\$ 7,500,000
Refuel	-	-	17,000,000	\$ 17,000,000
Business Development	-	-	16,000,000	\$ 16,000,000
Market Research	-	-	-	\$ -
Program Measurement	-	-	-	\$ -
Unallocated/Opportunistic	92,625,000	-	(89,000,000)	\$ 3,625,000
TOTAL PROGRAM EXPENSES	\$ 92,625,000	\$ -	\$ -	\$ 92,625,000
OTHER EXPENSES				
Administrative	\$ 2,500,000			\$ 2,500,000
USDA Expenses	600,000			600,000
California Grant	9,925,000			9,925,000
Subtotal	\$ 13,025,000	\$ -	\$ -	\$ 13,025,000
UNALLOCATED/OPPORTUNISTIC BUDGET	\$ -			\$ -
UNCOMMITTED RESERVE	\$ -			\$ -
Total Expenses and Unallocated/Opportunistic Budget	\$ 105,650,000	\$ -	\$ -	\$105,650,000

MINUTES

MilkPEP Board Meeting – General Session

January 14-15, 2012

Palm Springs, CA

Chairperson Terri Webb called the Board into session at 8:00 am local time. Members present included Ed Mullins, Chris Ross, Henry Michon, Scottie Mayfield, Miriam Erickson Brown, Brian Linney, Tim Kelbel, Rick Zuroweste, Terri Webb, Jay Bryant, Eva Balazs, Jim Green, Scott Shehadey, Mary Hill, Steve Turner, and Mike Smith. Also present were Vivien Godfrey, Ron Rubin, and other members of the MilkPEP staff; Dana Coale and Whitney Rick (USDA liaison); Connie Tipton (International Dairy Foods Association); Paul Rovey and Barb O'Brien (Dairy Management, Inc.); Steve James (California Milk Processor Board); and Wayne Watkinson (legal counsel). Also in attendance were Mac Berry, Veronica Rendon, Richard Shehadey, Tracy Twomey, and Matt Williams, representing the California Milk Processor Board (CMPB). Industry representatives present included Al Guida, Sandy Kelly, Jim Walsh, Dwight Moore, Mike Lasky, Gary Aggus, and Bob McCullough.

Ms. Webb expressed appreciation to all of the Board members and guests for their commitment to attend the Board meeting. She acknowledged the five representatives from the California Milk Processor Board. Ms. Webb indicated that the executive committee of the MilkPEP Board and representatives of the California Milk Processor Board will meet on Sunday morning to discuss possible ways the two programs could better coordinate activities. Chairperson Webb also acknowledged recent staffing changes at some dairy processors and indicated it was important that MilkPEP utilize its resources to improve the marketing conditions for milk.

Vivien Godfrey (CEO of the MilkPEP Board) reviewed highlights of the 2011 annual program, which are summarized below.

- Completion of first ever Long Range Plan
 - One year process completed July 2011 and move from demographic to occasion based targets
- Celebrities in TV, print and PR integrated
 - Susan Sarandon and Angie Harmon
- National and Regional meetings replaced
 - Shift to individual company meetings
- Execution of new Refuel Tour
 - More processor participation in Tour than ever
- Greater focus on research and thought leadership

In addition, the Board reviewed the priorities it had set for the 2012 program:

- Fewer bigger bets
 - Defend Breakfast at Home
 - Grow Refuel with Chocolate Milk
- Refresh our Long Range Plan

- Finalize new metrics and scorecard
- Continue to invest in research
- Collaborate further with dairy industry partners, e.g. DMI, CMPB
- Work more with complements
 - Cereal, coffee, pancakes, fruits

As part of the discussion, the Board discussed the planning calendar as presented below and committee activities that would take place within that calendar:

- Long Range Plan refresh in first half 2012
 - Review spending priorities for 2013-2016
 - Use refreshed LRP to guide 2013 plan
- New metrics presentation in May 2012
 - Measure success against our new occasion focus
- 2013 Plan preliminary look in May 2012
 - Committees approve overall strategies for 2013
- 2nd State of the Industry September 2012
 - Learn from feedback to focus on most requested topics

Kikke Riedel (MilkPEP staff) presented a report highlighting data relating to business trends. Staff was asked if they could identify by category what were the factors contributing to the decline of milk. Other issues discussed included whether consumers believe they consume more milk than they really do.

Julie Buric provided an update on flavored milk in schools. She identified four major accomplishments in 2011:

- Significant industry commitment
- Increased education and support
- Shifted the conversation to focus on positive aspects
- Local efforts that helped prevent bans

The Board discussed several issues relating to flavored milk in schools, including elimination efforts in LAUSD and Minneapolis. Staff will continue to update the Board on this issue.

Julia Kadison presented a report on changes in the MilkPEP program to evolve to a more effective digital program. Ms. Kadison reviewed data that indicated 96% of moms are online versus 76% of women in general. She also reviewed the increase in social media activity. The Board discussed several brands that use Facebook as a platform. Several questions related to how the digital activities will be measured as related to performance. As part of the presentation, the Board reviewed websites and examples of digital advertising already in use within the MilkPEP program. Concepts such as the Breakfast Project, the Got Chocolate Milk? website and Facebook pages were discussed. In addition, the Board discussed the development of a resource to monitor, identify, intersect and amplify messages on an ongoing basis to ensure milk is properly positioned within social media channels.

Victor Zaborsky presented information on the acculturation of Hispanics and how MilkPEP is seeking to leverage changes in US population. The Board reviewed the close relationship between the General Market-Breakfast at Home and the Hispanic Market-Breakfast at Home committees. It was suggested that they continue to meet jointly to leverage opportunities in both markets.

Following this presentation, Chairman Webb indicated that the minutes of the July 15-16, 2011 meeting of the Board had been distributed, including the Executive Session minutes. Motion by Chris Ross, second by Miriam Erickson Brown, to approve the minutes as distributed. Motion approved.

The Board was recessed to participate in committee meetings.

General Session II

Chairperson Terri Webb called the Board back into session at 9:30 a.m. local time on January 15.

Whitney Rick presented a report to the Board on behalf of the United States Department of Agriculture indicating that Michael Johnson, a marketing specialist at the Agriculture Marketing Service, would begin to serve as a liaison between the USDA and the MilkPEP Board. Ms. Rick also reviewed the status of nominations.

Connie Tipton (CEO of the International Dairy Foods Association) presented a report relating to the status of the current Farm Bill discussion and the impact it may have on the dairy industry. Barbara O'Brien (executive vice-president of Dairy Management, Inc.) presented a report relating to lactose intolerance and a study recently prepared for the Innovation Center for US Dairy. In addition, she acknowledged the effective cooperation of all the dairy industry organizations as it related to flavored milk in schools and continued progress against that issue.

Steve James (California Milk Processor Board) presented a report on new advertising being developed by the CPMB. Fred Fried (Team Services) reviewed with the Board the program being implemented by MilkPEP as it related to Fuel Up to Play 60. This report included several opportunities for processors to become engaged with the program in three main areas:

- Container activity
- Retail promotions
- In-school promotions

Chairperson Webb asked Treasurer and Chairman of the Finance Committee Jay Bryant to present a report on behalf of the committee. Mr. Bryant reviewed with the Board final projections for the end of the 2011 budget year:

- Projected assessments of \$104.9MM or \$100K less than budget

- Approximately \$885K in administrative and other expense savings. Propose no action at this time and any savings will go toward shortfall in budget with the balance to use as potential carryforward funds
 - Administrative expenses projected at \$2.46MM or nearly \$50K below our budget
 - CA refund expenses projected at \$9.73MM or approximately \$250K below budget
 - USDA expenses projected at \$515K or \$85K below budget
 - \$500K in unallocated/opportunistic
- No further authorizations for 2011

With respect to the 2012 budget, Mr. Bryant indicated that the committee had two recommendations:

- Mr. Bryant moved the committee recommendation to transfer \$755K from the opportunistic fund to the Meals at Home-General Market budget. Motion approved.
- Mr. Bryant moved a housekeeping recommendation to move \$70K from unallocated to the BDR Market Research program, with a second by Brian Linney. Motion approved.

Mr. Bryant also reviewed four reports on applying agreed-upon procedures to MilkPEP agencies (Siboney USA, Draftfcb Inc., Deutsch Incorporated, and Weber-Shandwick). Following a review of the reports, Mr. Bryant moved the reports be accepted. Motion approved.

Chairperson Webb asked Mike Smith to present a report on behalf of the Breakfast at Home-General Market and Hispanic General Market Committees. Mr. Smith reviewed with the Board the 2012 Breakfast at Home-Hispanic Market calendar and 2012 Breakfast at Home-General Market calendar.

Mr. Smith indicated that the committee had fully vetted the Milk Command Center concept, providing staff with several important insights. As part of his presentation, Mr. Smith reviewed the various proposed activities included on the 2012 Meals at Home budget presented below:

*2012 Meals at Home Authorizations (General Market)
January 2012*

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
TV Media	12-01-01	Deutsch	21,000,000	-	21,000,000	-	21,000,000	-
Print/Digital Media	12-01-02	Deutsch	14,350,000	200,000	14,550,000	5,200,000	10,200,000	4,350,000
Production	12-01-03	Deutsch	3,540,000	330,000	3,870,000	470,000	3,870,000	-
School Image Program	12-01-04	Deutsch	1,390,000	-	1,390,000	-	-	1,390,000
Breakfast Learning Lab	12-02-07	Weber	375,000	-	375,000	-	375,000	-
Program Support/Media Relations	12-02-08	Weber	2,570,000	225,000	2,795,000	1,000,000	2,000,000	795,000
SAMMY/Mik Makes My Day	12-02-09	Weber	330,000	-	330,000	230,000	330,000	-
Social Media Support	12-02-10	Weber	860,000	-	860,000	500,000	600,000	260,000
Weber Planning/Program Management	12-02-11	Weber	470,000	-	470,000	250,000	270,000	200,000
Retail Promotions	12-03-14	Draftfcb	3,020,000	-	3,020,000	1,000,000	2,400,000	620,000
Role Modeling Consumer Promotion	12-03-15	Draftfcb	1,060,000	-	1,060,000	750,000	750,000	310,000
Digital/Mobile Support	12-03-16	Draftfcb	427,000	-	427,000	150,000	300,000	127,000
Draftfcb Planning/Program Management	12-03-17	Draftfcb	483,000	-	483,000	283,000	483,000	-
MilkPEP Planning/Program Management	12-00-20	MilkPEP	525,000	-	525,000	525,000	525,000	-
Total			50,400,000	755,000	51,155,000	10,358,000	43,103,000	8,052,000

Mr. Smith moved the committee recommendation to approve the 2012 Meals at Home budget. Motion approved.

In addition, the 2012 Meals at Home-Hispanic budget was discussed. Motion by Mr. Smith to approve the budget as presented below. Motion approved.

*2012 Meals at Home Authorizations (Hispanic)
January 2012*

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Hispanic Media	12-04-21	Siboney	5,520,000	-	5,520,000	1,275,000	4,545,000	975,000
Hispanic Production	12-04-22	Siboney	900,000	-	900,000	300,000	800,000	100,000
Hispanic Public Relations	12-04-23	Siboney	1,000,000	-	1,000,000	250,000	500,000	500,000
MilkPEP Program Management	12-00-30	MilkPEP	80,000	-	80,000	80,000	80,000	-
Total			7,500,000	-	7,500,000	1,905,000	5,925,000	1,575,000

Mr. Smith reviewed the various projects which have been authorized by the committee pending approval of the budgets. This completed the report on behalf of the Meals at Home-General Market and Meals at Home-Hispanic Committees.

Miriam Erickson Brown presented a report on behalf of the Refuel Committee. She reviewed with the Board committee efforts to define the Refuel target. The Board reviewed the 2012 Refuel calendar and the various program elements to be implemented:



Athletes who will participate in the program include Carmelo Anthony and Dara Torres, USA Basketball and USA Swimming, and Apolo Anton Ohno, who will serve as a "insider" during the Olympic Games. Miriam Erickson Brown also reviewed the affiliation with the Iron Man program and other potential partnerships. Finally, she discussed the opportunities being discussed with the Challenged Athletes Foundation.

With regard to the 2012 Refuel budget, Ms. Erickson Brown reviewed the various programs being implemented within the Refuel program. Ms. Erickson Brown moved the committee recommendation to approve the 2012 Refuel budget as presented below. Motion approved.

2012 Refuel Authorizations/January

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Hispanic Media	12-04-21	Siboney	5,520,000	-	5,520,000	1,275,000	4,545,000	975,000
Hispanic Production	12-04-22	Siboney	900,000	-	900,000	300,000	800,000	100,000
Hispanic Public Relations	12-04-23	Siboney	1,000,000	-	1,000,000	250,000	500,000	500,000
MilkPEP Program Management	12-00-30	MilkPEP	80,000	-	80,000	80,000	80,000	-
Total			7,500,000	-	7,500,000	1,905,000	5,925,000	1,575,000

Ms. Erickson Brown reviewed the various authorization requests which had been approved by the committee pending approval of the budget by the Board. This completed the Refuel Committee's report.

Ed Mullins, Chairman of the Business Development & Research Committee, presented a report on the following activity:

- Progress on the All Channel Tracking Study
- Breakfast validation research: Activities to prove that focusing on the Breakfast at Home message drives milk consumption and sales of complementary products
- College campus evaluation for Refuel: Research to understand the students and their interactions on campus to determine the advantage of on-campus milk marketing activities for Refuel
- Milk imposter research: Assessing consumer confusion over the differences between cows' milk and other milk beverages and develop a blueprint on how to position milk within the competitive set

Mr. Mullins also reviewed the committee discussion relating to a proactive issues management program utilizing various resources within the industry to support flavored milk in school, position milk positively versus milk imposters, and fight milk myths such as cancer and acne. Mr. Mullins also reported on enhanced industry communication efforts with trade associations such as the Grocery Manufacturers Association and Food Marketing Institute, as well as communications programs to processors and retailers.

Mr. Mullins also reviewed the flavored milk strategy that encompasses two feature incentive programs: Refuel and Halloween.

With respect to the 2012 Business Development budget, Mr. Mullins reviewed the various projects included in the budget and moved the committee recommendation to approve the budget as presented below. Motion approved.

*2012 Business Development Authorizations
January 2012*

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Industry Communications	12-05-61	Outloud	2,500,000		2,500,000	500,000	700,000	1,800,000
Processor Sales/Support	12-03-62	Draftfcb	1,500,000	-	1,500,000	450,000	450,000	1,050,000
Chocolate Milk Retail Strategy	12-03-63	Draftfcb	2,000,000	-	2,000,000	650,000	650,000	1,350,000
Supermarket RD Program	12-02-64	Weber	190,000	-	190,000	190,000	190,000	-
Proactive Issues Mgmt	12-02-65	Weber	695,000	-	695,000	200,000	400,000	295,000
NNB/Health Professionals	12-02-66	Weber	805,000	-	805,000	305,000	505,000	300,000
Medical Advisory Board	12-00-67	MilkPEP	170,000	-	170,000	170,000	170,000	-
Medical Research	12-00-68	MilkPEP	200,000	-	200,000	200,000	200,000	-
Service Team	12-00-69	MilkPEP	730,000	-	730,000	305,000	305,000	425,000
Regulatory Consultation	12-00-70	MilkPEP	280,000	-	280,000	280,000	280,000	-
Database	12-00-71	MilkPEP	150,000	-	150,000	-	150,000	-
Crisis Drills	12-00-72	MilkPEP	50,000	-	50,000	50,000	50,000	-
Analytics/Insights	12-00-73	MilkPEP	250,000	-	250,000	-	-	250,000
Legal	12-00-79	MilkPEP	200,000	-	200,000	200,000	200,000	-
MilkPEP Program Management	12-00-80	MilkPEP	550,000	-	550,000	550,000	550,000	-
Total			10,270,000	-	10,270,000	4,050,000	4,800,000	5,470,000

Mr. Mullins also reviewed the 2012 Market Research budget as presented below. Mr. Mullins moved the committee recommendation to approve the budget as presented. Motion approved.

*2012 Market Research Authorizations
January 2012*

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Breakfast	12-00-81	MilkPEP	645,000	70,000	715,000	395,000	435,000	280,000
Refuel	12-00-82	MilkPEP	600,000	-	600,000	502,000	502,000	98,000
Dinner	12-00-83	MilkPEP	210,000	-	210,000	-	-	210,000
Schools	12-00-84	MilkPEP	210,000	-	210,000	-	210,000	-
Multiple Occasions	12-00-85	MilkPEP	1,620,000	-	1,620,000	192,000	1,202,000	418,000
Ongoing Research	12-00-86	MilkPEP	705,000	-	705,000	40,000	705,000	-
MilkPEP Strategic Plan	12-00-87	MilkPEP	235,000	-	235,000	85,000	85,000	150,000
MilkPEP Program Management	12-00-90	MilkPEP	275,000	-	275,000	275,000	275,000	-
Total			4,500,000	70,000	4,570,000	1,489,000	3,414,000	1,156,000

The 2012 Program Measurement budget was discussed, as presented below. Mr. Mullins moved the committee recommendation to approve the budget as presented. Motion approved.

***2012 Program Measurement Authorizations
January 2012***

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
USDAProgram Measurement	12-00-96	MilkPEP	100,000	-	100,000	100,000	100,000	-
MilkPEP Program Management	12-00-97	MilkPEP	5,000	-	5,000	5,000	5,000	-
Total			105,000	-	105,000	105,000	105,000	-

This completed the report of the Business Development & Research Committee.

Chairman Webb expressed appreciation to all the participants in the Board meeting. She indicated that the Board was engaged in providing significant insight to help steer this program on behalf of the industry. Ms. Webb also expressed appreciation to the members of the California Milk Processor Board for their willingness to meet and engage with members of the MilkPEP Board.

There being no further business to come before the Board, the meeting was adjourned.

APPROVED: _____

DATE: _____

(b) (6)

MINUTES

MilkPEP Board Meeting – General Session I

May 4-5, 2012
Ponte Vedra, FL

Chairperson Terri Webb called the Board into session at 8:15 am local time. Members present included Steve Turner, Scott Shehadey, Ed Mullins, Miriam Erickson Brown, Nick Mysore, Eva Balazs, Scottie Mayfield, Rick Zuroweste, Mary Hill and Mike Smith. Also participating in the session were Brian DeFelice, Gary Aggus, Bob McCullough, Dwight Moore, industry representatives, Vivien Godfrey and Ron Rubin (MilkPEP staff), Tatum Wan (California Milk Processor Board), Connie Tipton, Michael Johnson and Whitney Rick (USDA liaison), and Wayne Watkinson (legal counsel).

Chairperson Terri Webb welcomed all the Board members, industry representatives, staff and agency personnel to the Board meeting. Ms. Webb indicated that the Board's programs were being implemented under the new long-range plan. It was important that the Board provide input and ensure adherence to the plan and to begin to look at various methods to measure progress against objectives.

Vivien Godfrey (CEO of the MilkPEP program) presented a report reviewing with the Board differences between programs which had been implemented in the past and the programs implemented under the current long-range strategic plan. She indicated that the current plan presented a strategic shift from multiple initiatives against specific targets to one singular occasion-based campaign focused on the number-one usage occasion for milk, which is breakfast at home. Current programs include one message across all platforms ("It's Just Not Breakfast Without Milk") and present a Brand Promise ("The Original Superfood") that is also a fundamental pleasure. Milk is a natural partner that fuels your body as it nourishes you for a lifetime of daily success.

She reviewed with the Board the various opportunities to utilize Salma Hayek in both the general market and Hispanic market. The Board reviewed the various tactics being utilized in the Breakfast@Home general market and Hispanic market, in addition to the advertising. These tactics include online content on various websites, communicating with consumers through Facebook and driving engagement with consumers through Twitter and other opportunities. In addition, 95,700 coupons are in the marketplace to activate consumers. A status report was presented on the Breakfast Project command center. The Board discussed various methods to measure the various tactics being utilized. Periodic reports were being generated for review by the committee relating to these efforts. In addition, there was a discussion relating to processor participation within the program. Various processors are working with MilkPEP staff to take advantage of contacts with consumers.

The Board also discussed MilkPEP partnership activities, including Kellogg's and the Super Bowl ads partnering with the NFL and Fuel Up To Play 60. Ms. Godfrey indicated that various icons of Kellogg's, such as Tony the Tiger and others, will be available within the partnership.

As part of the program, various tools are being developed for processors to participate in various activities.

Ms. Godfrey reviewed with the Board the status of the Refuel with Chocolate Milk program. The program includes four specific elements outlined below:

- “My After” which is a powerful campaign theme focusing on every athlete’s personalized after workout recovery routine
- Teaming up with elite, credible athletes who will serve as spokespeople\
- Relationship with leading athletic organizations
- Advocacy through increased engagement among influencers and everyday athletes

The Board reviewed creative focusing on the “My After” campaign theme for print, television and online applications. As part of the program, partnerships have been developed with USA Basketball, USA Swimming, Ironman, and other athletic organizations to spread the message to consumers. Various athletes have been included in the program, including Carmelo Anthony, Apolo Ohno and others, to serve as credible spokesmen for the program.

The fourth element of the program includes 32 tour events in which athletes are engaged in competition. Various opportunities are provided for processors to participate in the planned events. In addition, processors and retailers can engage with consumers on the Refuel web page. Ms. Godfrey also reported that gotchocolatemilk.com was launched on March 9.

Kikke Riedel presented a report to the Board on fluid milk performance for 2011. A summary of Kikke’s report for 2011 is presented below:

- Fluid Milk declines for both white and flavored
 - Organic Milk has fared better partly due to non-retail performance
- Declines focused mainly at retail
- Multiple drivers of poor Milk performance
 - Tough economic situation for many families
 - Significant portion of population is struggling to make ends meet in the face of declining income, higher food and gasoline expenditures
 - High prices – milk and other key categories
 - Expanding competitive set stealing share of stomach and shelf space
 - Out spent, out promoted, out distributed, out innovated
 - Complementary categories in decline (especially cereal)

Staff was asked to analyze various data for the next Board meeting, including the following:

- Conduct an analysis of the first quarter of 2012, focusing on
 - Private label versus branded
 - Walmart and grocery dataand determine whether volume could be generated from other channels where consumers are shopping, including convenience and drugstores
- Are schools impacting the decline in volume?
- Where does coffee fall into the milk complement declines?

- Take a look at how the retailer is allocating the refrigerated space
- What is the cause of the jump in Q4 for milk alternatives?

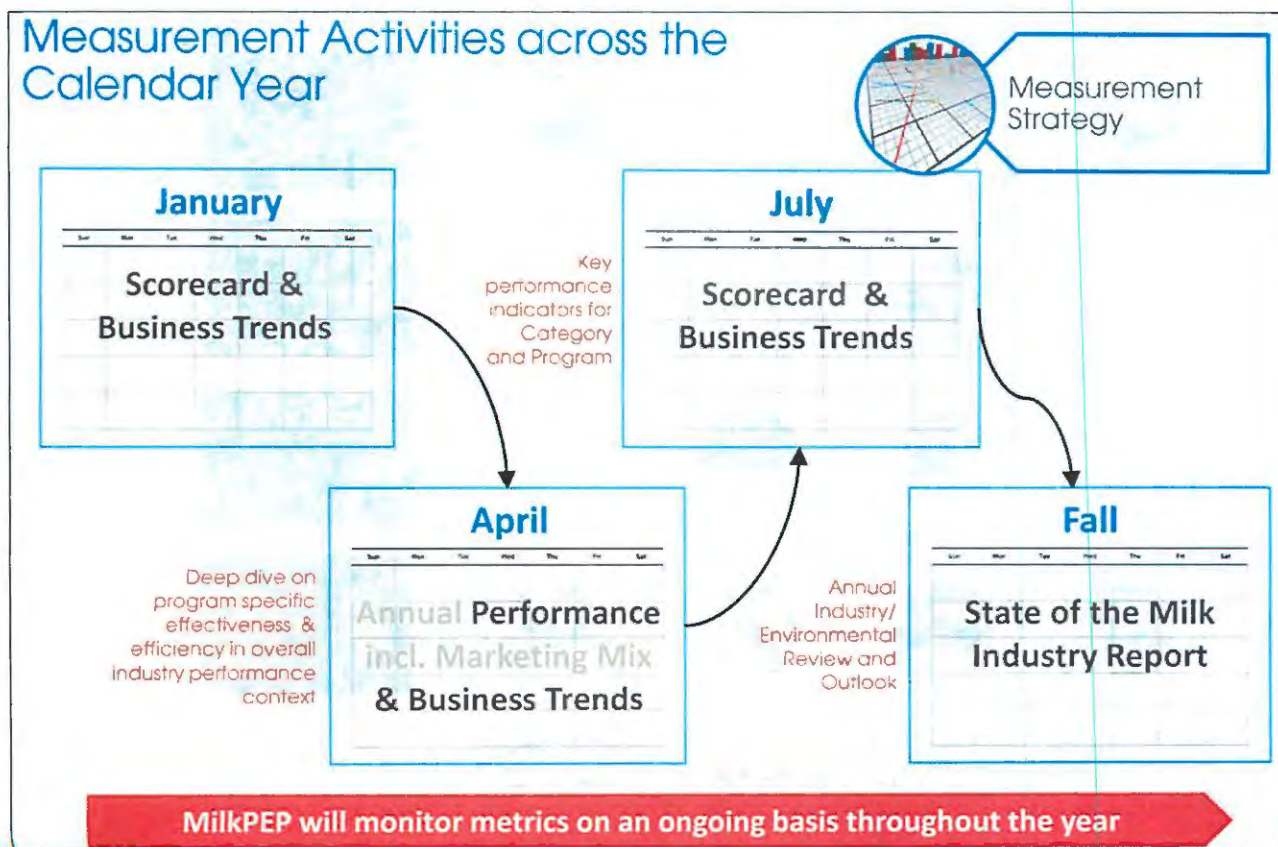
Staff indicated that they would report back to the Board at the next meeting.

The Board discussed the Breakfast@Home launch, featuring Salma Hayek. The various elements included in the launch were discussed by the Board. The discussion generated various comments summarized below:

- What is the point of view for moving the message forward? Can we look at including the RTBs in future creative?
- The Brand Promise is coming to life, but it is important not to lose sight of nutritional opportunities. Staff was requested to look at data to see where the gaps are in the perceived benefits of milk.

Kikke Riedel led the Board in a discussion relating to various opportunities to measure effectiveness of the MilkPEP programs. The Board discussed various approaches to program measurement, including:

- Semiannual topline assessments of MilkPEP program results
- An indepth annual assessment



The Board recessed at 10:00 am local time and reconvened at 4:00 pm local time, at which time Chairperson Webb called the Board back into session.

Due to the absence of the MilkPEP treasurer, Jay Bryant, Scottie Mayfield presented a report on behalf of the Finance Committee. Mr. Mayfield reported the following:

- Cash flows continue to be strong and to date the line of credit has not been utilized.
- The committee reviewed three selected contracts, identified by the chairman, to ensure the committee fully understood the contracting process. The committee will continue, on a periodic basis, to review specific contracts.
- The committee reviewed the March 2012 financials and assessment projections for the 2012 budget year.
- The committee reviewed the 2012 budget and authorizations to be presented to the committees.
- A 2013 assessment projection and initial budget was discussed by the committee.
- The committee heard a presentation of the 2011 audit report from the auditing firm Snyder Cohn and conducted an executive session with the auditors.

Mr. Mayfield moved the recommendation of the committee to transfer \$843,400 from the unallocated opportunistic program budget with the allocations as follows:

- \$85,000 to Meals at Home-General Market
- \$460,000 to Meals at Home-Hispanic Market
- \$140,000 to Refuel program budget
- \$158,400 to Business Development and Research program budget

Motion approved. A copy of the 2012 budget, including the committee recommendations, is attached as Exhibit I.

Mr. Mayfield also moved the committee recommendation to establish an initial assessment budget for the 2013 program year at \$104 million. Motion approved. Mr. Mayfield also reviewed with the Board the results of the audit conducted by the Board's auditor, Snyder Cohn. Following discussion of the report, Mr. Mayfield moved the committee recommendation to accept the audit report from the MilkPEP auditors for the 2011 and 2010 program years. Motion approved. This completed the report relating to the Refuel Launch.

Miriam Erickson Brown and Vivien Godfrey presented a report on the Refuel launch activities, including the CAF's Heroes, Heart and Hope Gala.

The Board adjourned at 4:30 pm local time.

Chairperson Webb reconvened the Board in general session at 8:30 am local time.

Vivien Godfrey presented a report relating to implementation of the long-range plan and the status of the annual report for 2011.

Michael Johnson presented a report on behalf of USDA providing an update on the status of nominations.

Connie Tipton of the International Dairy Foods Association presented a report providing an update on the status of various issues being addressed in the Farm Bill being considered by Congress. Ms. Tipton also addressed various nutrition issues involving federal agencies and provided an update on the raw milk issue.

Ms. Godfrey presented a report relating to Dairy Management, Inc. and several efforts in which MilkPEP and DMI are collaborating. She indicated that representatives from DMI were not able to attend due to their Board meeting being scheduled for the next week.

Tatum Wan, representing the California Milk Processor Board, presented a report focusing on the Refuel Chocolate Milk message being utilized in California by CMPB.

Ms. Webb expressed appreciation to all of the organization's representatives for the presentation.

Rick Zuroweste, chairman of the Breakfast@Home General Market committee, presented a report seeking input from Board members relating to 2012 programs. The Board provided input to the committee. In addition, Mr. Zuroweste reviewed with the Board the 2013 planning schedule for the committee.

Mr. Zuroweste indicated that the committee was recommending a budget amendment to the Board as presented below. Motion approved.

2012 Meals At Home Authorizations

General Market May 2012

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
TV/Media	12-01-01	Deutsch	20,780,000	-	20,780,000	-	20,780,000	-
Print/Digital Media	12-01-02	Deutsch	14,460,000	-	14,460,000	3,000,000	13,110,000	1,350,000
Production	12-01-03	Deutsch	5,172,000	-	5,172,000		5,172,000	-
School Image Program	12-01-04	Deutsch	1,390,000	-	1,390,000	1,390,000	1,390,000	-
Breakfast Learning Lab	12-02-07	Weber	375,000	-	375,000	-	375,000	-
Program Support/Media Relations	12-02-08	Weber	2,795,000	-	2,795,000	795,000	2,795,000	-
SAMMY/Milk Makes My Day	12-02-09	Weber	330,000	-	330,000	-	330,000	-
Social Media Support	12-02-10	Weber	860,000	-	860,000	260,000	860,000	-
Weber Planning/Program Management	12-02-11	Weber	470,000	-	470,000	200,000	470,000	-
Retail Promotions	12-03-14	Draftfcb	3,020,000	85,000	3,105,000	385,000	2,785,000	320,000
Role Modeling Consumer Promotion	12-03-15	Draftfcb	1,060,000	-	1,060,000	310,000	1,060,000	-
Digital/Mobile Support	12-03-16	Draftfcb	427,000	-	427,000	127,000	427,000	-
Draftfcb Planning/Program Management	12-03-17	Draftfcb	483,000	-	483,000	-	483,000	-
MilkPEP Planning/Program Management	12-00-20	MilkPEP	525,000	-	525,000	-	525,000	-
Total			52,147,000	85,000	52,232,000	6,467,000	50,562,000	1,670,000

Mr. Zuroweste indicated that since the Board had approved the budget amendment, several authorization requests were approved by the committee. This completed the report of the Breakfast@Home-General Market Committee.

Mike Smith, chairman of the Breakfast@Home-Hispanic Market Committee, presented a report outlining the schedule and process for 2013 program planning. Mr. Smith also reviewed the proposed upfront media with the Board as it related to the Hispanic market program. Mr. Smith indicated that the committee would conduct a conference call to look at resources for the 2012-2013 programs. Mr. Smith indicated that the committee was recommending a budget amendment to the Breakfast@Home-Hispanic Market program budget as presented below. Motion approved.

2012 Meals At Home Authorizations

Hispanic Market May 2012

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Hispanic Media	12-04-21	5,520,000	100,000	5,620,000	675,000	5,220,000	400,000
Hispanic Production	12-04-22	900,000	360,000	1,260,000	460,000	1,260,000	-
Hispanic Public Relations	12-04-23	1,000,000		1,000,000	500,000	1,000,000	-
MilkPEP Program Management	12-00-30	80,000	-	80,000	-	80,000	-
Total		7,500,000	460,000	7,960,000	1,635,000	7,560,000	400,000

This completed the report of the Breakfast@Home-Hispanic Market Committee.

Ed Mullins, chairman of the Business Development and Research Committee, presented a report. Mr. Mullins summarized the committee's discussion relating to program measurement and indicated that staff had presented to the committee research results relating to "milk imposter" data.

Mr. Mullins indicated that the committee was recommending a budget amendment to the Business Development program budget as presented below. Motion approved.

2012 Business Development Authorizations May 2012

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Industry Communications	12-05-61	Outloud	2,500,000	-	2,500,000	750,000	1,450,000	1,050,000
Processor Sales/Support	12-03-62	Draftfcb	1,500,000	-	1,500,000	500,000	950,000	550,000
Chocolate Milk Retail Strategy	12-03-63	Draftfcb	2,000,000	-	2,000,000	850,000	1,500,000	500,000
Supermarket RD Program	12-02-64	Weber	190,000	-	190,000	-	190,000	-
Proactive Issues Mgmt	12-02-65	Weber	695,000	-	695,000	295,000	695,000	-
NNB/Health Professionals	12-02-66	Weber	805,000	-	805,000	300,000	805,000	-
Medical Advisory Board	12-00-67	MikPEP	170,000	-	170,000	-	170,000	-
Medical Research	12-00-68	MikPEP	200,000	-	200,000	-	200,000	-
Service Team	12-00-69	MikPEP	730,000	-	730,000	200,000	505,000	225,000
Regulatory Consultation	12-00-70	MikPEP	280,000	-	280,000	-	280,000	-
Database	12-00-71	MikPEP	150,000	8,400	158,400	8,400	158,400	-
Crisis Drills	12-00-72	MikPEP	50,000	-	50,000	-	50,000	-
Analytics/Insights	12-00-73	MikPEP	250,000	-	250,000	250,000	250,000	-
DCMT	12-00-74	MikPEP	-	150,000	150,000	150,000	150,000	-
Legal	12-00-79	MikPEP	200,000	-	200,000	-	200,000	-
MikPEP Program Management	12-00-80	MikPEP	550,000	-	550,000	-	550,000	-
Total			10,270,000	158,400	10,428,400	3,303,400	8,103,400	2,325,000

Mr. Mullins also indicated that the committee was recommending a budget amendment to the Market Research program budget as presented below. Motion approved.

2012 Market Research Authorizations May 2012

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Breakfast	12-00-81	MikPEP	715,000	-	715,000	40,000	715,000	-
Refuel	12-00-82	MikPEP	600,000	-	600,000	98,000	600,000	-
Dinner	12-00-83	MikPEP	210,000	-	210,000	-	-	210,000
Schools	12-00-84	MikPEP	210,000	-	210,000	-	210,000	-
Multiple Occasions	12-00-85	MikPEP	1,620,000	(68,000)	1,552,000	-	1,552,000	-
Ongoing Research	12-00-86	MikPEP	705,000	68,000	773,000	68,000	773,000	-
MikPEP Strategic Plan	12-00-87	MikPEP	235,000	-	235,000	75,000	160,000	75,000
MikPEP Program Management	12-00-90	MikPEP	275,000	-	275,000	-	275,000	-
Total			4,570,000	-	4,570,000	281,000	4,285,000	285,000

Breakfast 12-00-81: Breakfast TV Qualitative
 Refuel 12-00-82: Creative Testing
 On-Going Research 12-00-86: Symphony IRI all outlet data (including Walmart)
 MikPEP Strategic Plan 12-00-87: Annual Planning, Long Range Planning Analytics

Mr. Mullins also indicated that the committee was recommending a budget amendment to the Program Measurement budget as presented below. Motion approved.

2012 Program Measurement Authorizations May 2012

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
USDA Program Measurement	12-00-96	MikPEP	100,000	-	100,000	100,000	100,000	-
MikPEP Program Management	12-00-97	MikPEP	5,000	-	5,000	5,000	5,000	-
Total			105,000	-	105,000	105,000	105,000	-

Miriam Erickson Brown presented a report of the Refuel Committee. She indicated that she would appreciate if the Refuel Committee was not the last to report at the next meeting. The committee reviewed with the Board the 2012 creative being used in the program and opportunities for processor tie-in through various events and online activities. An update was presented on the 2013 planning. Ms. Erickson Brown presented a recommendation from the committee to amend the Refuel program budget as presented below. Motion approved.

REFUEL Authorizations: May 2012

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Refuel Advertising Media	12-01-31	Deutsch	6,051,800	-	6,051,800	2,051,800	6,051,800	-
Sponsorships	12-01-32	Deutsch	830,000	-	830,000	-	830,000	-
Refuel Advertising Production	12-01-33	Deutsch	1,500,000	-	1,500,000	-	1,500,000	-
Olympics	12-02-37	Weber	746,500	140,000	886,500	140,000	886,500	-
Program Support	12-02-38	Weber	770,000	-	770,000	345,000	770,000	-
Team Refuel	12-02-39	Weber	760,000	-	760,000	310,000	760,000	-
Grassroots	12-02-40	Weber	2,316,700	-	2,316,700	516,700	2,316,700	-
Weber Program Management	12-02-41	Weber	255,000	-	255,000	55,000	255,000	-
Olympic Support	12-03-46	Draftfcb	1,025,000	-	1,025,000	-	1,025,000	-
Health Club Partnership	12-03-47	Draftfcb	1,000,000	-	1,000,000	-	1,000,000	-
Digital	12-03-48	Draftfcb	750,000	-	750,000	200,000	750,000	-
Draftfcb Program Management	12-03-49	Draftfcb	500,000	-	500,000	200,000	500,000	-
Team Services	12-00-55	MilkPEP	220,000	-	220,000	-	220,000	-
2013 Refuel Planning/2012 Program Management	12-00-60	MilkPEP	275,000	-	275,000	-	275,000	-
Total			\$ 17,000,000	\$ 140,000	\$ 17,140,000	\$ 3,818,500	\$ 17,140,000	\$ -

This completed the report of the Refuel Committee.

Chairperson Webb expressed appreciation to each of the chairmen of the committees and the committee members for their efforts.

Ms. Webb indicated that under the bylaws a Nominating Committee was to be appointed to present nominees to the Board at the July meeting for the four MilkPEP officers to serve from July 2012 to July 2013. Ms. Webb appointed Scottie Mayfield, Steve Turner, Nick Mysore, Brian Linney, and Ed Mullins to serve as the Nominating Committee to report to the Board in July.

There being no further business to come before the Board, the meeting was adjourned.

(b) (6)

APPROVED:

DATE:

7/20/12

2012 Budget

	Mar 2012 Budget	May 2012 Transfers & Requests	May 2012 Revised Budget	July 2011 to Jan 2012 Authorizations	Feb/Mar 2012 Authorizations	May 2012 Authorizations Requested	May 2012 Remaining Unauthorized
REVENUES							
Assessments	\$ 105,000,000		\$ 105,000,000				
Carryforward Funds	550,000		550,000				
Interest Income	100,000		100,000				
Total Revenues	\$ 105,650,000	\$ -	\$ 105,650,000				
PROGRAM EXPENSES							
Meals at Home - General Market	\$ 52,147,000	\$ 85,000	\$ 52,232,000	\$43,103,000	\$ 992,000	\$ 6,467,000	\$ 1,670,000
Meals at Home - Hispanic	7,500,000	460,000	7,960,000	\$ 5,925,000	-	1,635,000	\$ 400,000
Refuel	17,000,000	140,000	17,140,000	\$13,321,500	-	3,818,500	\$ -
Business Development	10,270,000	158,400	10,428,400	\$ 4,800,000	-	3,303,400	\$ 2,325,000
Market Research	4,570,000	-	4,570,000	\$ 3,414,000	590,000	281,000	\$ 285,000
Program Measurement	105,000	-	105,000	\$ 105,000	-	-	\$ -
Unallocated/Opportunistic	1,033,000	(843,400)	189,600				\$ 189,600
TOTAL PROGRAM EXPENSES	\$ 92,625,000	\$ -	\$ 92,625,000	\$70,668,500	\$ 1,582,000	\$15,504,900	\$ 4,869,600
OTHER EXPENSES							
Administrative	\$ 2,500,000		\$ 2,500,000				
USDA Expenses	600,000		600,000				
California Grant	9,925,000		9,925,000				
Subtotal	\$ 13,025,000	\$ -	\$ 13,025,000				
UNALLOCATED/OPPORTUNISTIC BUDGET	\$ -		\$ -				
UNCOMMITTED RESERVE	\$ -		\$ -				
Total Expenses and Unallocated/Opportunistic Budget	\$ 105,650,000	\$ -	\$ 105,650,000				

MINUTES

MilkPEP Board Meeting – General Session

July 20, 2012
Park City, UT

Chairperson Terri Webb called the Board into session at 8:00 a.m. local time. Members present included Mike Smith, Jay Simon, Jim Green, Brian Linney, Dwight Moore, Mary Hill, Jim Walsh, Tim Kelbel, Henry Michon, Scott Shehadey, Ed Mullins, Rick Zuroweste, John Gillam, Miriam Erickson Brown, Nick Mysore, Mike Lasky, Terri Webb, Scottie Mayfield, Steve Turner and Jay Bryant. Also present were Sandy Kelly, Bob McCullough, Gary Aggus, and Brian DeFelice; Vivien Godfrey and Ron Rubin (MilkPEP staff); Whitney Rick and Michael Johnson (USDA liaison); Connie Tipton of the International Dairy Foods Association (IDFA); Wayne Watkinson (legal counsel); members of the MilkPEP staff and agency representatives; Steve James and agency representatives of the California Milk Processors Board (CMPB); and Barb O'Brien and Paul Rovey of Dairy Management, Inc. (DMI).

Chairperson Webb welcomed various guests who were attending the Board meeting and expressed the importance of input from Board members and industry guests during the progress of the meeting. Ms. Webb indicated that the July Board meeting always has a hint of sadness due to the expiration of terms of several valuable Board members. At this meeting, Ed Mullins, Scottie Mayfield, Nick Mysore and Rick Zuroweste will attend their final meeting on the Board. Ms. Webb indicated that the minutes of the May 3-5, 2012 meeting of the Board, including the Executive Session, had been distributed. Motion by Ed Mullins, second by Scottie Mayfield, to approve the minutes, including the Executive Session minutes, as distributed. Motion approved.

Ms. Webb called on Michael Johnson of USDA to seat Board members filling vacancies. Mr. Johnson sat new Board members James Walsh, Dwight Moore, Mike Lasky and John Gillam.

Vivien Godfrey (MilkPEP CEO) welcomed all Board members and guests and reviewed the logistics for the meeting and the schedule of events which would take place. Ms. Godfrey indicated that milk sales have been down and it was important for the MilkPEP program to do everything it could to increase consumption of fluid milk immediately. In addition, Ms. Godfrey introduced representatives from the California Milk Processor Board and the CMPB advertising agencies who were invited to attend this meeting.

Kikke Reidel was introduced to present an analysis on business trends. Ms. Reidel presented the following information as summarized below:

- Fluid milk sales by year (2000-2012) YTD
- Fluid milk volume sales versus YAGO in USDA market areas
- Milk sales volume by outlet type
- Volume trends for milk alternatives
- Economic indicators
- Gas prices over past five years
- An analysis of consumer value-seeking habits developed during the recession

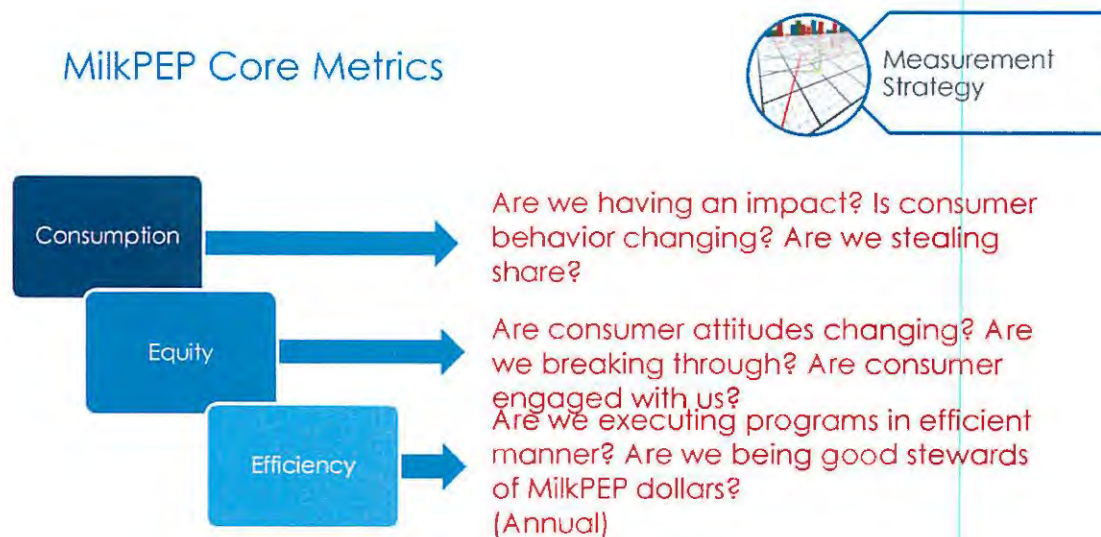
- 12-month outlook
- Expanded IRI Symphony retail coverage

The presentation generated several questions from Board members and invited guests, including:

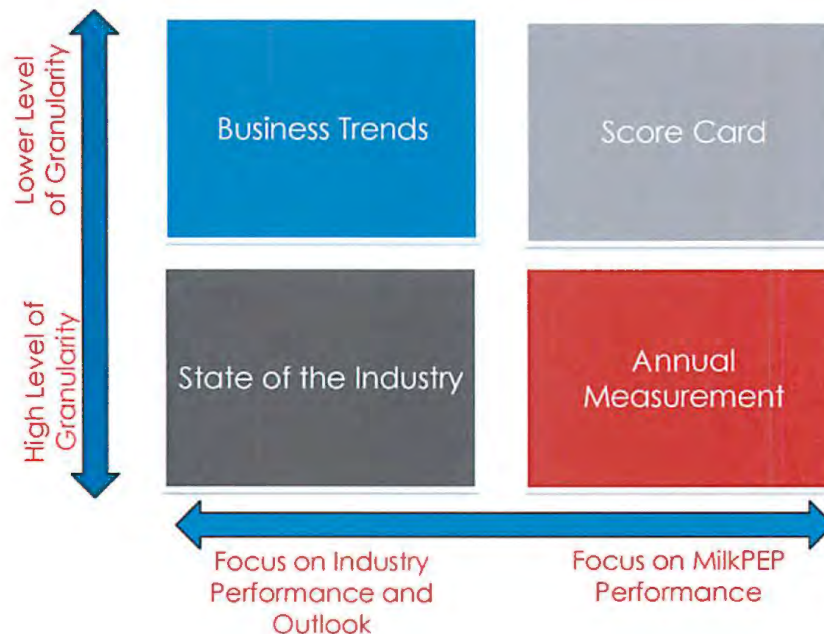
- Regarding a question about the significant decrease in milk consumption in California, several people indicated that it was necessary to take a second look at this data since other numbers from California did not correspond.
- Staff was asked to conduct an analysis of consumption of alternatives to dairy in the regions identified.
- Several members indicated that since retailers are vertically integrated, there are no suppliers outside of the retailer aggressively marketing milk.
- Does the IRI data take into account food stamps?
- Is there a correlation between gas prices versus disposable income?

Staff will go back and review the data to provide additional analysis.

Kikke Reidel then presented an update on the measurement plan to provide the Board and industry with information relating to progress against the strategic plan. The core metrics were reviewed as presented below:



The key measurement deliverables were discussed. It was indicated that it was important for the industry to be provided updates as it related to the program. The key measurement deliverables are presented below:



The Board reviewed the various volume and consumption analysis which will be part of the measurement plan. The Board also reviewed data relating to competitive products as part of the measurement program. The measurement plan includes both an analysis of consumption and volume at breakfast and during refuel occasions. It was agreed that the scorecard element of the measurement plan should include the overall milk volume/share of stomach and focus on the strategic plan areas of key occasions: (1) Breakfast and (2) Refuel, and the actions and execution of processors and retailers.

Victor Zaborsky presented an update relating to the Breakfast@Home program in 2012 year-to-date. A summary of the activities reviewed by the Board is presented below:

- Continue to leverage Salma Hayek as our year-long spokesperson
- Tapped into excitement around the 2012 Olympics
- Engaged moms through co-viewing with our Disney partnership – New Phineas and Ferb print, TV and digital assets
- Kept the milk at breakfast message in the Hispanic media with the launch of our Araceley Arabula ad
- Emphasized that starting the day with milk can help lead to success with the Saborea el Exito program
- Brought important energy message to life with Arranca con Energia for Hispanic consumers.
- Integrated the Breakfast@Home messaging into SAMMY platform
- Elevated role modeling message with the Like Her, Like Me program
- Encouraged consumers to share their take on “It’s just not breakfast without milk” : user-generated video
- Expanded our reach and shared our message with consumers, media, bloggers, celebrities and more via social listening and engagement

Miranda Abney presented a report to the Board relating to the activities conducted within the Refuel program in 2012 year-to-date. A summary of those activities is presented below:

- Tapped into Olympic excitement
- Educated and engaged athletes at events
- Built and activated the Team REFUEL race community
- Launched Sarah Reinertsen's "my After" ad
- Leveraged new research
- Delivered REFUEL message via branded broadcast integration
- Engaged athletes in the "my AFTER" promotion
- Engaged influencers

Following a short recess, the Board reconvened and Chairperson Webb requested a report from the Treasurer and Chair of the Finance Committee. Treasurer Jay Bryant presented a report highlighting the following areas:

- The Finance Committee reviewed competitive bidding and active contracts and the May 2012 financial statements of the Board.
- With respect to year-to-date assessments, assessments are down 1.65% compared to May 2011.
- Cash flow remains positive.

With respect to the 2012 budget:

- Recommend transfer of \$1,004,400 from unallocated to cover change in assessment budget and \$4,400 in Business Development
- Recommend transfer of \$284,600 from unallocated/opportunistic to Meals at Home General Market
- Recommend authorizations of \$4,969,000 in program expenses:
 - \$1,954,600 in Meals at Home – General Market
 - \$400,000 in Meals at Home – Hispanic
 - \$2,329,400 in Business Development
 - \$285,000 in Market Research

Mr. Bryant reviewed with the Board various elements of the 2013 MilkPEP budget and recommended the following actions:

- Recommend 2013 program budgets as follows:
 - \$51,000,000 to Meals at Home – General Market (M@H Committee established budget during July committee call)
 - \$8,000,000 to Meals at Home – Hispanic
 - \$17,000,000 to Refuel
 - \$9,900,000 to Business Development
 - \$4,000,000 to Market Research
 - \$105,000 to Program Measurement

- Recommend authorizations of \$37,975,000 in program expenses:
 - \$28,220,000 in Meals at Home – General Market (M@H previously authorized \$3,700,000 during July committee call, and Finance Committee approved)
 - \$2,250,000 in Meals at Home – Hispanic
 - \$7,305,000 in Refuel
 - \$200,000 in Business Development

The Board engaged in a discussion relating to “working” versus “non-working” expenditures. Staff was asked to look within the budget at those funds “which are talking to customers” versus other funding. Staff will report back to the Board at its next meeting. At this time, Ms. Webb recessed the Board to allow participation in committee meetings.

Ms. Webb reconvened the Board at 8:30 a.m. local time.

Michael Johnson presented a report to the Board on behalf of USDA and thanked the MilkPEP program for the Abe Lincoln milk ad. Connie Tipton (CEO of the International Dairy Foods Association) presented a report on the progress of the Farm Bill in Congress and other regulatory matters on an informational basis. Barbara O’Brien of DMI presented a report on various activities being conducted through the producer-funded checkoff program. Steve James of the California Milk Processor Board presented a report on activities being conducted by his organization relating to competitive beverages. Several Board members expressed the need to be more aggressive as it related to competitive beverage opportunities.

Doug Adams (Prime Consulting Group) presented results of the All Channel Tracking (ACT) analysis for 2011. The objective of this analysis is to provide accurate projections of fluid milk sales in gallons for each major channel of distribution, along with quantification of growth trends from year to year and regional analysis of trends. A summary of the analysis is presented below:

- Milk volume declined 1.7% in 2011 (vs. 2010) driven by:
 - Higher retail prices
 - Changing consumer economics – “new normal” of living with less
 - Declines in all geographies. The West (excl. CA) lost the least (-0.5%)
- Retail -2.2%
- Schools -1.1%
- Foodservice +1.8% on strength in:
 - Limited Service Rest., Coffee Shops, Colleges & Community Support Services.
- Channel shifting by consumers ...
 - Benefited clubs, dollar and drug stores
 - At the expense of grocery, mass and C-stores.
 - Sizeable differences by region – based on individual channel & chain development initiatives.
 - For 2012 these trends will continue, some (such as club and dollar) may accelerate

In addition, the Board discussed opportunities within each of the channels of distribution.

Chairperson Webb expressed appreciation to each of the presenters and requested the chairs of the program committees to present reports to the Board.

Ed Mullins (Chair of the Business Development & Research Committee) indicated that the committee was presented the annual school survey and an update on the flavored milk proactive activities conducted within the program. In addition, the committee heard a report on milk imposter research and proactive work being conducted in that venue. In addition, the committee heard a report on a new database tool to enhance communication efforts.

With respect to the 2012 Business Development budget, Chair Mullins moved the committee recommendation to approve an amendment to the budget as presented below. Motion approved.

2012 Business Development Authorizations – July 2012

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Industry Communications	12-05-61	Outloud	2,500,000	-	2,500,000	1,050,000	2,500,000	-
Processor Sales/Support	12-03-62	Draftfcb	1,500,000	-	1,500,000	550,000	1,500,000	-
Chocolate Milk Retail Strategy	12-03-63	Draftfcb	2,000,000	-	2,000,000	500,000	2,000,000	-
Supermarket RD Program	12-02-64	Weber	190,000	-	190,000	-	190,000	-
Proactive Issues Mgmt	12-02-65	Weber	695,000	-	695,000	-	695,000	-
NNB/Health Professionals	12-02-66	Weber	805,000	-	805,000	-	805,000	-
Medical Advisory Board	12-00-67	MilkPEP	170,000	-	170,000	-	170,000	-
Medical Research	12-00-68	MilkPEP	200,000	-	200,000	-	200,000	-
Service Team	12-00-69	MilkPEP	730,000	-	730,000	225,000	730,000	-
Regulatory Consultation	12-00-70	MilkPEP	280,000	-	280,000	-	280,000	-
Database	12-00-71	MilkPEP	158,400	4,400	162,800	4,400	162,800	-
Crisis Drills	12-00-72	MilkPEP	50,000	-	50,000	-	50,000	-
Analytics/Insights	12-00-73	MilkPEP	250,000	-	250,000	-	250,000	-
DCMT	12-00-74	MilkPEP	150,000	-	150,000	-	150,000	-
Legal	12-00-79	MilkPEP	200,000	-	200,000	-	200,000	-
MilkPEP Program Management	12-00-80	MilkPEP	550,000	-	550,000	-	550,000	-
Total			10,428,400	4,400	10,432,800	2,329,400	10,432,800	-

Mr. Mullins reviewed with the Board the authorization requests which had been approved by the committee pending approval of the amendment to the budget by the Board.

Mr. Mullins reviewed the 2012 Market Research budget and moved the committee recommendation to amend the budget as presented below.

2012 Market Research Authorizations – July 2012

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Breakfast	12-00-81	MilkPEP	715,000	210,000	925,000	210,000	925,000	-
Refuel	12-00-82	MilkPEP	600,000	-	600,000	-	600,000	-
Dinner	12-00-83	MilkPEP	210,000	(210,000)	-	-	-	-
Schools	12-00-84	MilkPEP	210,000	-	210,000	-	210,000	-
Multiple Occasions	12-00-85	MilkPEP	1,552,000	-	1,552,000	-	1,552,000	-
Ongoing Research	12-00-86	MilkPEP	773,000	-	773,000	-	773,000	-
MilkPEP Strategic Plan	12-00-87	MilkPEP	235,000	-	235,000	75,000	235,000	-
MilkPEP Program Management	12-00-90	MilkPEP	275,000	-	275,000	-	275,000	-
Total			4,570,000	-	4,570,000	285,000	4,570,000	-

Breakfast 12-00-81: Breakfast TV – Super Bowl

MilkPEP Strategic Plan 12-00-87: Annual Planning Long Range Planning Analytics

The Board heard a report on the authorization requests which were approved by the committee pending approval by the Board of the amendment to the budget.

With respect to the 2013 Business Development budget, Mr. Mullins moved the committee recommendation to approve the 2013 budget as presented below. Motion approved.

2013 Business Development Authorizations – July 2012

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Industry Communications	13-05-61	Outloud	2,500,000	-	2,500,000	-	-	2,500,000
Processor Sales/Support	13-00-62	MilkPEP	1,500,000	-	1,500,000	-	-	1,500,000
Chocolate Milk Retail Strategy	13-03-63	Draftcb	2,000,000	-	2,000,000	200,000	200,000	1,800,000
Supermarket RD Program	13-02-64	Weber	180,000	-	180,000	-	-	180,000
NNB/Health Professionals	13-02-65	Weber	1,000,000	-	1,000,000	-	-	1,000,000
Medical Advisory Board	13-00-66	MilkPEP	170,000	-	170,000	-	-	170,000
Service Team	13-00-67	MilkPEP	730,000	-	730,000	-	-	730,000
Regulatory Consultation	13-00-68	MilkPEP	280,000	-	280,000	-	-	280,000
Database	13-00-69	MilkPEP	140,000	-	140,000	-	-	140,000
Crisis Drills	13-00-70	MilkPEP	50,000	-	50,000	-	-	50,000
Analytics/Insights	13-00-71	MilkPEP	375,000	-	375,000	-	-	375,000
DCMT	13-00-72	MilkPEP	200,000	-	200,000	-	-	200,000
Legal	13-00-79	MilkPEP	75,000	-	75,000	-	-	75,000
MilkPEP Program Management	13-00-80	MilkPEP	700,000	-	700,000	-	-	700,000
Total			9,900,000	-	9,900,000	200,000	200,000	9,700,000

The authorization requests approved by the committee pending approval of the budget by the Board were reviewed.

Mr. Mullins presented the 2013 Market Research budget as recommended by the committee. He moved the committee recommendation to approve the budget as presented below. Motion approved.

2013 Market Research Authorizations - July 2012

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Breakfast		MilkPEP		-	-	-	-	-
Refuel		MilkPEP		-	-	-	-	-
Dinner		MilkPEP		-	-	-	-	-
Schools		MilkPEP		-	-	-	-	-
Multiple Occasions		MilkPEP		-	-	-	-	-
Ongoing Research		MilkPEP		-	-	-	-	-
MilkPEP Strategic Plan		MilkPEP		-	-	-	-	-
Market Research Unallocated		MilkPEP	3,775,000	-	3,775,000	-	-	3,775,000
MilkPEP Program Management		MilkPEP	225,000	-	225,000	-	-	225,000
Total			4,000,000	-	4,000,000	-	-	4,000,000

Please note: 2012 Budget \$4,570,000

Mr. Mullins also presented the committee recommendation relating to the 2013 Program Measurement budget and moved the committee recommendation to approve the budget as presented below. Motion approved.

2013 Program Measurement Authorizations - July 2012

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
USDA Program Measurement	13-00-96	MilkPEP	100,000	-	100,000	-	-	100,000
MilkPEP Program Management	13-00-97	MilkPEP	5,000	-	5,000	-	-	5,000
Total			105,000	-	105,000	-	-	105,000

Please note: no change vs 2012

This completed the report of the Business Development & Research Committee.

Miriam Erickson Brown (Chair of the Refuel Committee) presented a report indicating that the committee had reviewed the various activities within the Refuel program scheduled for 2012. In addition, the committee had engaged in a planning process relating to 2013. With respect to the 2013 Refuel program budget, Ms. Erickson Brown presented the committee recommendation to approve the budget for 2013 as presented below. Motion approved.

2013 REFUEL Authorizations: July 2012

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Refuel Advertising Media	13-01-31	Deutsch	6,580,950	-	6,580,950	2,000,000	2,000,000	4,580,950
Sponsorships	13-01-32	Deutsch	70,000	-	70,000	35,000	35,000	35,000
Refuel Advertising Production	13-01-33	Deutsch	1,400,000	-	1,400,000	1,000,000	1,000,000	400,000
The Road to Ironman	13-02-37	Weber	952,750	-	952,750	800,000	800,000	152,750
Media Relations	13-02-38	Weber	515,000	-	515,000	200,000	200,000	315,000
Advocates Program	13-02-39	Weber	708,000	-	708,000	300,000	300,000	408,000
Grassroots	13-02-40	Weber	2,643,300	-	2,643,300	950,000	950,000	1,693,300
Digital and Social Media	13-02-41	Weber	275,000	-	275,000	100,000	100,000	175,000
Weber Program Management	13-02-46	Weber	275,000	-	275,000	100,000	100,000	175,000
Consumer Engagment	13-03-47	Draftfcb	1,540,000	-	1,540,000	700,000	700,000	840,000
Health Club Partnership	13-03-48	Draftfcb	1,060,000	-	1,060,000	600,000	600,000	460,000
Digital	13-03-49	Draftfcb	260,000	-	260,000	100,000	100,000	160,000
Draft Program Management	13-03-50	MilkPEP	500,000	-	500,000	200,000	200,000	300,000
2014 Refuel Planning/2013 Program Management	13-00-60	MilkPEP	220,000	-	220,000	220,000	220,000	-
Total			17,000,000	-	17,000,000	7,305,000	7,305,000	9,695,000

This completed the report of the Refuel Committee.

Rick Zuroweste (Chair of the Breakfast@Home General Market Committee) presented a report indicating that the committee had reviewed several opportunities relating to the breakfast occasion and participated in a planning process for evolving the Breakfast@Home program for 2013. With respect to the program budgets, Mr. Zuroweste reviewed the 2012 Meals@Home budget and moved the committee recommendation to amend the budget as presented below. Motion approved.

2012 Meals at Home Authorizations

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
TVMedia	12-01-01	Deutsch	20,780,000	284,600	21,064,600	284,600	21,064,600	-
Print/Digital Media	12-01-02	Deutsch	14,460,000	-	14,460,000	1,350,000	14,460,000	-
Production	12-01-03	Deutsch	5,172,000	-	5,172,000	-	5,172,000	-
School Image Program	12-01-04	Deutsch	1,390,000	-	1,390,000	-	1,390,000	-
Breakfast Learning Lab	12-02-07	Weber	375,000	-	375,000	-	375,000	-
Program Support/Media Relations	12-02-08	Weber	2,795,000	-	2,795,000	-	2,795,000	-
SANMY/Milk Makes My Day	12-02-09	Weber	330,000	-	330,000	-	330,000	-
Social Media Support	12-02-10	Weber	860,000	-	860,000	-	860,000	-
Weber Planning/Program Management	12-02-11	Weber	470,000	-	470,000	-	470,000	-
Retail Promotions	12-03-14	Draftfcb	3,105,000	250,000	3,355,000	570,000	3,355,000	-
Role Modeling Consumer Promotion	12-03-15	Draftfcb	1,060,000	(250,000)	810,000	(250,000)	810,000	-
Digital/Mobile Support	12-03-16	Draftfcb	427,000	-	427,000	-	427,000	-
Draftfcb Planning/Program Management	12-03-17	Draftfcb	483,000	-	483,000	-	483,000	-
MilkPEP Planning/Program Management	12-00-20	MilkPEP	525,000	-	525,000	-	525,000	-
Total			52,232,000	284,600	52,516,600	1,954,600	52,516,600	-

Mr. Zuroweste discussed the authorization requests which had been approved by the committee pending approval of the budget amendment by the Board. With respect to the 2013 Meals@Home program budget, Mr. Zuroweste presented the committee recommendation to approve the 2013 budget as presented below. Motion approved.

2013 Meals at Home Authorizations

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Media	13-01-01	Deutsch	3,700,000	30,000,000	33,700,000	20,500,000	24,200,000	9,500,000
Production	13-01-02	Deutsch	6,300,000	-	6,300,000	300,000	300,000	6,000,000
School Image Program	13-01-03	Deutsch	1,390,000	-	1,390,000	-	-	1,390,000
Program Support/Media Relations	13-02-07	Weber	2,535,000	-	2,535,000	1,450,000	1,450,000	1,085,000
The Breakfast Project/Content Marketing	13-02-08	Weber	650,000	-	650,000	100,000	100,000	550,000
Social Media Support	13-02-09	Weber	650,000	-	650,000	100,000	100,000	550,000
Weber Planning/Program Management	13-02-10	Weber	470,000	-	470,000	250,000	250,000	220,000
Super Bowl Promotion	13-03-14	Draftfcb	1,151,000	-	1,151,000	850,000	850,000	301,000
Retail/Consumer Promotions	13-03-15	Draftfcb	2,263,000	-	2,263,000	-	-	2,263,000
Processor/Digital Support	13-03-16	Draftfcb	255,000	-	255,000	-	-	255,000
Draftfcb Planning/Program Management	13-03-17	Draftfcb	491,000	-	491,000	250,000	250,000	241,000
MilkPEP Partnerships	13-00-19	MikPEP	645,000		645,000	220,000	220,000	425,000
MilkPEP Planning/Program Management	13-00-20	MikPEP	500,000		500,000	500,000	500,000	-
Total			21,000,000	30,000,000	51,000,000	24,520,000	28,220,000	22,780,000

This completed the report of the Breakfast@Home Committee.

Mike Smith (Chair of the Breakfast@Home-Hispanic Committee) indicated that the committee had received a 2012 program update and discussed with the Board the committee recommendation relating to a national TV buy. In addition, the committee had conducted a 2013 planning session and reviewed various budget amendments and approved authorizations. With respect to the 2012 program budget, Mr. Smith reviewed with the Board authorization requests which had been approved as presented below.

2012 Meals at Home – Hispanic Authorizations

Project	Auth Code	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Hispanic Media	12-04-21	5,620,000	-	5,620,000	400,000	5,620,000	-
Hispanic Production	12-04-22	1,260,000	-	1,260,000	-	1,260,000	-
Hispanic Public Relations	12-04-23	1,000,000	-	1,000,000	-	1,000,000	-
MilkPEP Program Management	12-00-30	80,000	-	80,000	-	80,000	-
Total		7,960,000	-	7,960,000	400,000	7,960,000	-

With respect to the 2013 Hispanic Meals@Home budget, Mr. Smith presented the committee recommendation to approve the budget as presented below. Motion approved.

2013 Meals at Home – Hispanic Authorizations

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Hispanic Media	13-04-21	MGS	6,300,000		6,300,000	2,000,000	2,000,000	4,300,000
Hispanic Production	13-04-22	MGS	750,000		750,000	150,000	150,000	600,000
Hispanic Public Relations	13-04-23	MGS	850,000		850,000	100,000	100,000	750,000
MilkPEP Program Management	13-00-30	MilkPEP	100,000	-	100,000	-	-	100,000
Total			8,000,000	-	8,000,000	2,250,000	2,250,000	5,750,000

This completed the committee reports. Ms. Webb expressed appreciation to all of the industry representatives and Board members who had participated in the meeting. Ms. Webb also expressed appreciation to the four retiring Board members, Ed Mullins, Scottie Mayfield, Nick Mysore and Rick Zuroweste for their participation as Board members and their contributions to the program.

There being no further business to come before the Board, the meeting was adjourned.

(b) (6)

APPROVED:

DATE:

U 1/26/13

MINUTES

MilkPEP Board Meeting – General Session I

January 26, 2013
Orlando, FL

Chairman Jim Green called the Board into session at 7:35 am local time. Members present included Brian Linney, Jim Green, Scott Shehadey, Gary Aggus, Dwight Moore, Tim Kelbel, Steve Turner, Mike Smith, Jay Bryant, Terri Webb, Jim Walsh, Miriam Erickson Brown, Henry Michon, Mike Laskey, Brad Anderson, Mary Hill, and Sandy Kelly. Also present were industry representatives Brian Defelice, Al Guida, Bob McCullough and Tracy Twomey (sitting in for Jay Simon). Also present were Connie Tipton (International Dairy Foods Association); Barb O'Brien (Dairy Management, Inc.); Steve James (California Milk Processor Board); Vivien Godfrey, Ron Rubin and other members of the MilkPEP staff; Michael Johnson (USDA liaison); and Wayne Watkinson (legal counsel).

Chairman Green expressed appreciation to the Board members and guests for their participation in the meeting. He also expressed appreciation to the Board members for participating in one-on-one teleconferences with Mr. Green over the past few months. Mr. Green indicated that the Board meeting format had been modified due to several comments from Board members during the telephone calls. He reviewed with Board members and guests the agenda for the Board meeting and indicated that the Board would be going into executive session twice during the meeting to discuss various organizational issues.

Vivien Godfrey (CEO of MilkPEP) welcomed all Board members and guests and indicated that there was a change in the agenda to allow Connie Tipton to present to the Board during General Session I. She presented a review of research activities indicating that the results of this research will be presented to the Board at this meeting. Ms. Godfrey introduced Chip Lister and Mark Vogel of the research firm Radius and Tom Cotton from Protagonist. These individuals will report to the Board during General Session I. Ms. Godfrey also indicated that at this Board meeting fewer staff members and representatives of agencies were in attendance for two reasons: (1) to reduce costs, and (2) to encourage increased interaction and engagement by the Board.

Vivien Godfrey, Julia Kadison and Victor Zaborsky presented 2012 program progress reports. Activities and programs implemented in Q3 and Q4 were presented.

During the update, a status report on the Super Bowl 2013 program was presented and reaction to the MilkPEP Super Bowl ad and related program were very positive.

Ms. Godfrey reviewed with the Board the focus areas of the Business Development & Research Committee, indicating that flavored milk in schools continued to be a priority and that positive, proactive messages were beginning to resonate within the target areas. Ms. Godfrey also indicated that the BDR Committee is looking at milk imitators that criticize dairy milk. This activity within the committee is being refocused to promote milk's nutritional value in conversations to distinguish real milk from milk imitators. Several questions were asked by

Board members relating to milk versus competitive products, including: what was driving milk imitator consumption; any new initiatives to eliminate mistake and confusion; and why do health conscious consumers continue to drink milk when they also consume imitators. Kikke Riedel responded to several of the questions and presented data from the scorecard Business Trends report.

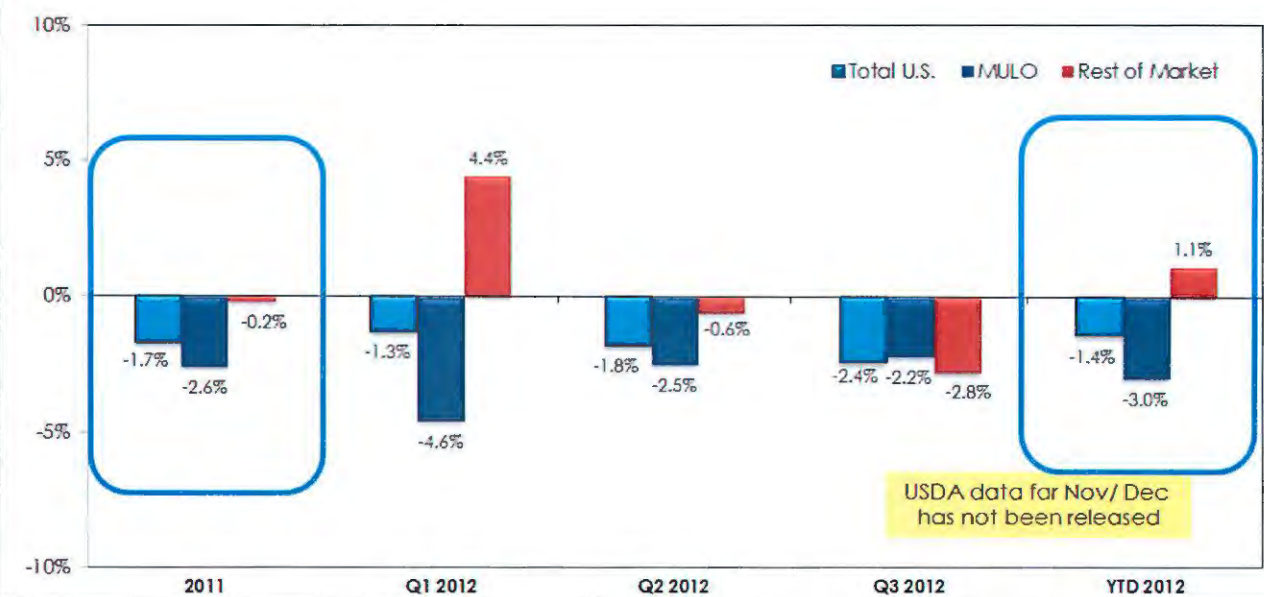
The Board reviewed data for alternative beverages to milk which indicated a volume increase of 15.1% for the period 2011-2012. This increase was driven by growth in the almond milk segment, which increased by 54% and will soon replace soy as the largest segment in the alternative beverage category. The Board engaged in a discussion relating to how milk will compete against these alternative beverages. It was indicated that both price and nutritional profile should be positives for dairy milk against almond milk. It was indicated that the California research on its campaign against alternative beverages would be available in approximately two weeks.

Reviewed with the Board data relating to business trends. Ms. Riedel indicated that total fluid milk sales volume declines continued in 2012, with USDA data through October showing a decrease of 1.4% versus last year. Data for milk sales versus the previous year in USDA market areas was presented, with all regions down with the exception of the central region. Volume of milk sales by outlet for 2011-2012 was presented and is summarized below:

Milk Sales Volume by Outlet Type 2011-12

Declines in 2012 were driven by sluggish retail sales in Food channel.

Rest of Market trend was better in 2012 than 2011

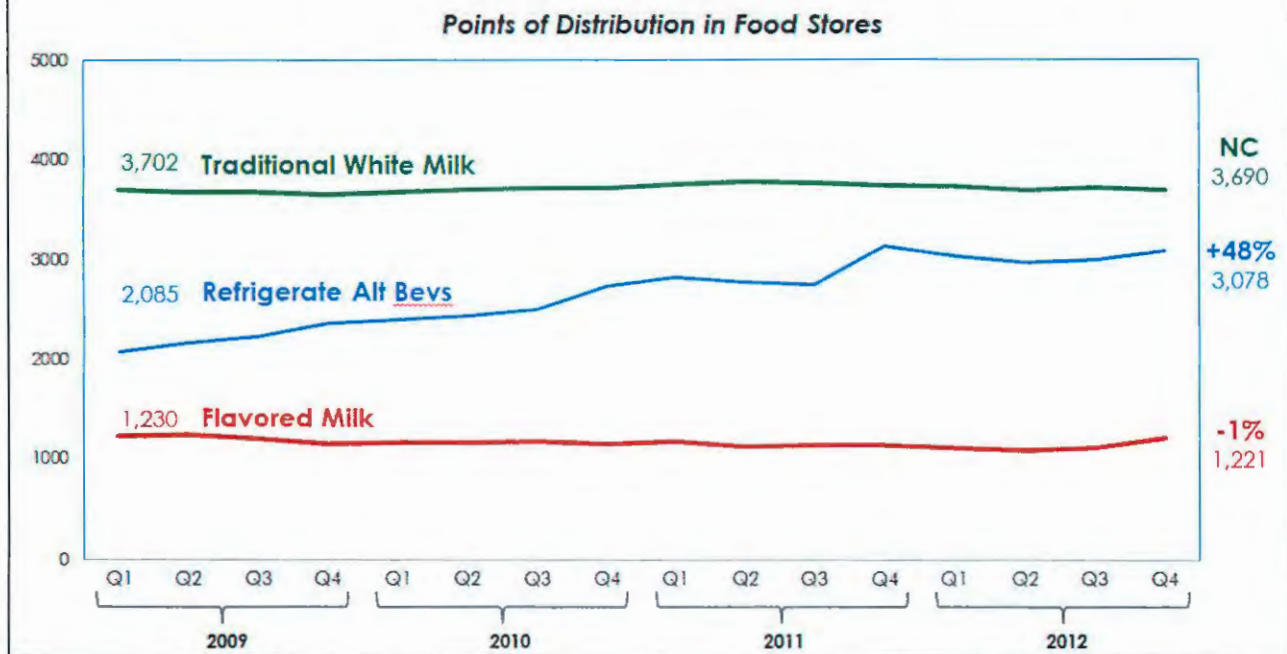


With regard to the data relating to club stores, Board members wanted to know what club stores were included. Staff would verify the club stores included in the data and respond to the Board.

The data presented for white milk retail sales indicated a decrease of 3.1% for 2012 compared against 2011. For flavored milk retail sales, a 0.2% decline was experienced in 2012 versus 2011. Price/volume data was presented for flavored traditional, organic and alternative beverages and was discussed. It was indicated that the price per gallon for flavored traditional was up 16 cents over the last 13 weeks of the period, which could have been a factor in the sluggish sales in late 2012. Organic prices held steady for the past several periods at \$7.35 for equivalent gallon, but sales growth of 5% for the most recent period have continued. Alternative beverages experienced flat pricing for most of 2012, with double-digit volume growth. Information on distribution changes at retail was presented and is summarized below:

Distribution Changes at Retail

- The points of distribution of white Milk items has remained flat coinciding with a sharp expansion of Milk Alternatives
- Distribution gains for Alternative Beverages have helped drive volume growth and weaken milk's position in the dairy case.
- The decline in flavored milk distribution is a big concern—with industry support of the Refuel message, it will be important to maintain or grow distribution in the future.



In addition, data indicated that complements to milk such as cereal and cookies all showed volume declines in 2012, while energy drinks, milk alternatives, and bottled water enjoyed strong growth. Juices and carbonated soft drinks also declined. In summary, Ms. Riedel indicated:

- Total Fluid milk volume declines continued in 2012, the third consecutive year of decline.

- Flavored milk rebounded somewhat in 2H but was hampered by an uptick in prices late in the year
- Declines occurring primarily in traditional retail channels.
 - Prices, competitive pressure, overall economic uncertainty and consumer dynamics were all unfavorable to the category in 2012

A report relating to key measurement indicators for the MilkPEP program was referenced but due to lack of time was not presented. The full report was distributed to the Board and outline below:



Data relating to total and per capita milk volume, milk penetration and consumption behaviors, and changes in share of stomach of milk versus competitors was shared. The Board received information relating to milk consumption during breakfast by target segments and data relating to the share of stomach at breakfast by milk versus competitors.

Data which indicated the awareness of the breakfast campaign on an overall basis and broken down by television and print were shared with the Board along with information on breakfast attitudes by key target areas.

With regard to Refuel measurements, information on milk consumption during refuel occasions by target was compiled, in addition to an analysis of refuel beverages consumed, comparing milk versus competitors.

Information relating to the awareness of the Refuel campaign by various segments was included, as well as information relating to refuel attitudes of consumers. This completed Ms. Riedel's report.

Mr. Green introduced Connie Tipton of the International Dairy Foods Association to present a report to the Board. Ms. Tipton reviewed with the Board the legislative activities in the 113th Congress. She also discussed activities by USDA and FDA relating to national labeling issues.

She also reviewed activities which will be held at the Dairy Forum following the MilkPEP meeting. Ms. Tipton responded to a question relating to the corn as a food v. fuel issue, indicating that IDFA is working to build coalitions with other organizations to address this issue. Chairman Green thanked Ms. Tipton for her report.

Ms. Godfrey introduced Chip Lister and Mark Vogel of Radius Global Market Research to review with the Board MilkPEP's marketing research tracking program. The objective of the presentation was to ensure that the Board understood the role of the tracking research conducted for MilkPEP and to understand the scope and mechanics of the tracking studies. Mr. Lister and Mr. Vogel reviewed with the Board the various tools that are available through the tracking and other research activities conducted by Radius. The scope and mechanics of the consumption tracker were presented, with the elements of the research presented below:

Consumption Tracker

- The survey is conducted online for 25 minutes and focuses on past day beverage consumption of non-alcoholic beverages with over 4,000 consumers, exploring the following:
 - **Stand Alone Beverage Consumption** (penetration/volume)
 - For milk specifically, type of milk consumed, where purchased, motivations for drinking, etc.
 - **Milk as Part of Other Foods and Beverages** (penetration/volume)
 - For cereal and coffee, motivations for having milk in these foods/beverages
 - **Where and when beverages are consumed**
 - **Refuel** (whether exercise, work out or play sports, beverages consumed in preparation for or to rehydrate, replenish or refuel during or after exercise, barriers of drinking chocolate milk to refuel)
 - **Spoonable yogurt** (penetration/ways consume yogurt)
- To help consumers record all of the different types and ways they drank beverages in the past 24 hours, we break the day into six day parts:

• Early Morning (6:00 am – 8:59 am)	• Mid Afternoon (2:00 pm – 4:59 pm)
• Mid Morning (9:00 am – 10:59 am)	• Evening (5:00 pm – 7:59 pm)
• Late Morning/Early Afternoon (11:00 am – 1:59 pm)	• Late Night (8:00 pm – 5:59 am)

Various elements of the consumption tracker were discussed, including what specific beverages were tracked, how is beverage penetration measured, total milk penetration versus standalone milk penetration with regard to age, and how does share of stomach during breakfast vary by age. The Board engaged in significant discussion relating to these measurements.

With regard to the scope and mechanics of the advertising tracking, the Board reviewed what is tracked as summarized below:

Advertising Tracker

- The survey is conducted online for 25 minutes with more than 4,000 consumers and covers the following main topics:
 - Advertising awareness
 - Unaided awareness
 - Aided TV awareness
 - Aided print awareness
 - Aided promotional awareness
 - Aided digital awareness
 - Aided TV product integration awareness
- Awareness of specific MilkPEP campaigns (Breakfast and Refuel)
- Attitudes towards milk
- Healthiness perceptions of beverages

The Advertising Tracker has evolved as MilkPEP's advertising campaign has branched out to a wider variety of media touchpoints. This tool offers the efficiency of measuring awareness of each media in one survey rather than having separate research to measure each medium. Board members asked what has been learned from the messaging activity that MilkPEP could act on. Data was presented indicated how agreement with key milk attributes impacts milk consumption.

Information relating to how unaided and aided advertising awareness was measured was discussed by the Board. It was indicated that by understanding the awareness levels of all campaigns and executions, MilkPEP can determine total MilkPEP awareness across all targets.

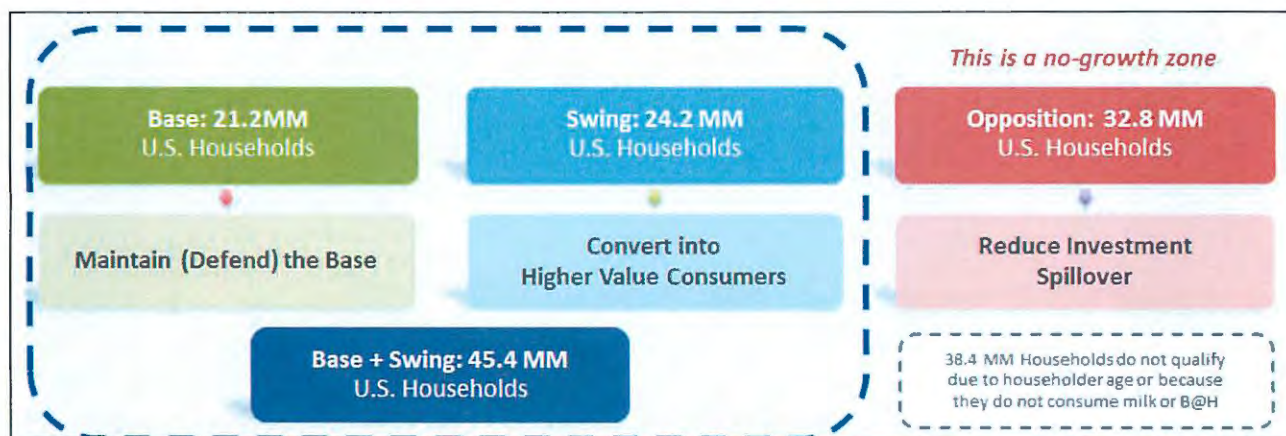
It was indicated that use of the information from these tracking studies was important:

- To develop marketing strategies
- To uncover partnership opportunities
- To identify our target consumers
- To broaden our understanding of milk consumption trends
- To substantiate our business projections

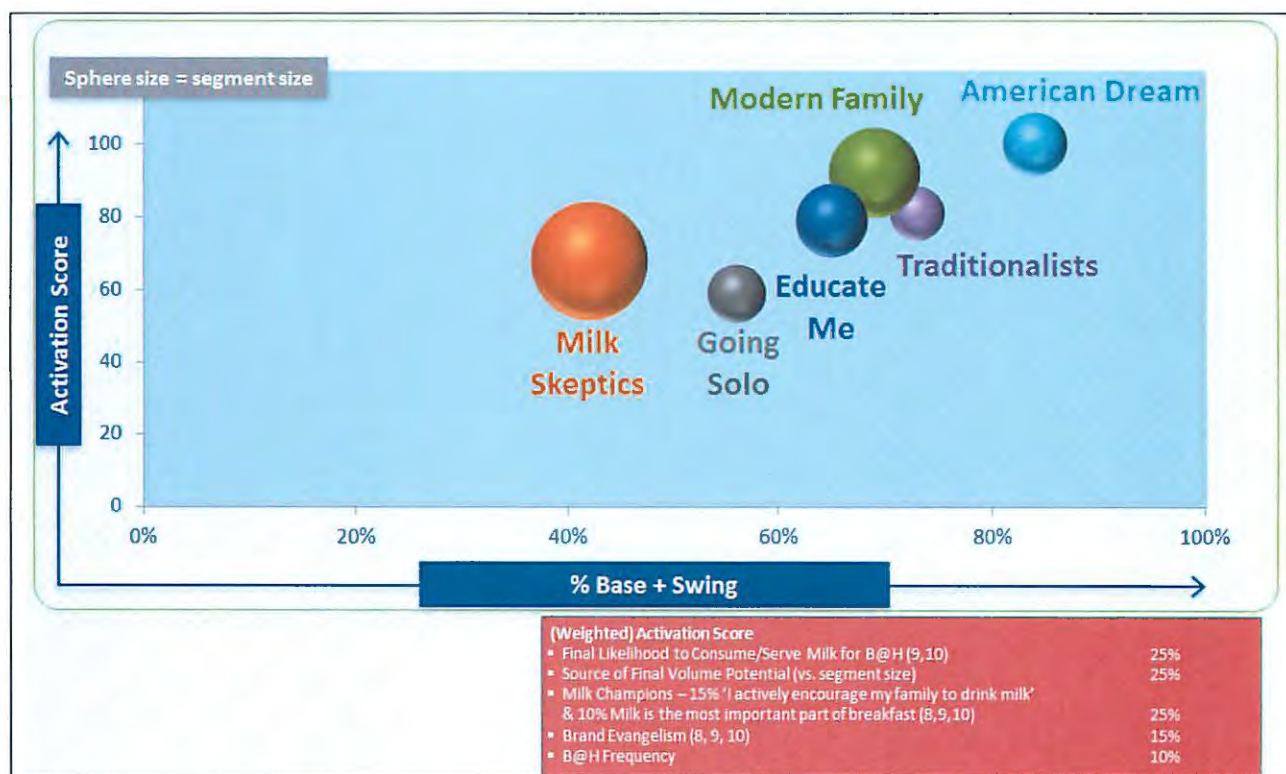
This concluded the report from Radius.

Vivien Godfrey introduced Tom Cotton from Protagonist to present to the Board a unique research study to assist the industry to increase consumption of milk at breakfast. Ms. Godfrey indicated that this research activity uses a political campaign model to identify opportunities and persuade "base and swing" consumers to serve and consume more milk. Mr. Cotton reviewed with the Board the philosophy driving the ExactCast research as summarized below:

- A Political Model was used along with other custom analyses to identify opportunities to persuade the Base and Swing to serve and consume more milk during B@H
- This Model supports the view that the opposition cannot be convinced to change their views and that time and resources should not be expended against them (see chart below)
- Swing consumers show the highest persuasion potential to consume more Milk at B@H, and hold the best prospects for targeting messaging & maximizing ROI
- Most political campaigns focus on identifying & moving the Base & Swing into action





Mr. Cotton reviewed six categories and lifestyle segments of consumers that the research identified, with each containing varying amounts of base and swing:



It was indicated that inoculation of the Milk Skeptics was very important. Both opportunities and barriers for each segment were discussed. Perceived lactose intolerance should be added in future research. Mr. Cotton indicated that the heart of our growth target should be the American Dream and Modern Family segments. Creative focus should be on these segments. With focus on these two segments, other segments such as the Traditionalist and Educate Me segments would be positively impacted. It was indicated that parents are the key to the Breakfast @ Home

growth. The Board discussed whether it was worth targeting “informed” skeptics and decided against it. Various messages that worked across key audiences were discussed, as well as what does not work, as summarized below:

 WHAT WORKED	<ul style="list-style-type: none"> • Fueling active, successful days... <u>every day</u> • Specific nutrients (9 essential, protein, vitamin B, calcium, etc.) • Strong bones • Building, maintaining muscles • Being competitive on nutrition vs. OJ • Super Food / Brain Food • BUT you have to make them believe it! Give them the facts! 	 WHAT DIDN'T WORK	<ul style="list-style-type: none"> • Competing with Milk alternatives explicitly is far less compelling than going against OJ • Hard-pressed to make up for lost nutrients later in the day • Weight loss – it may work, but not during breakfast • Make your own latte to save \$ & get full serving of milk • Messages that are all emotion, no support behind them
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The Board discussed a MilkPEP Breakfast @ Home message platform, which is summarized below:

Platform	Fuel active, successful days by starting <i>every day</i> with Milk
Main Message	Milk is a super food that builds muscles, strengthens bones, and keeps you/your kids energized.
RTBs	An 8 oz. glass of milk has 8 grams of high-quality, natural protein and 9 essential nutrients.
Competitive	You won't get that from orange juice.



The Board reviewed the Breakfast @ Home communications blueprint as summarized below:

- Have begun to incorporate the new strategy in-market (e.g., protein RTB, in-store pilot with Roche Bros.)

- Tested English and Spanish concepts to validate the Message Architecture and optimize the strategy and copy platforms
 - English concepts tested among General Market Parents in the American Dream and Modern Family segments
 - Spanish concepts tested among Latina Moms in key Hispanic markets
- Results confirm that the “new” news / RTBs are indeed highly impactful—and can be applied easily and effectively for both General Market and Hispanics.

Various concepts for Breakfast @ Home messaging were discussed by the Board. Messaging concepts focused on General Market Parents were identified, along with concepts targeted at Latina Moms. The Board discussed the opportunity to compete against orange juice to potentially steal share for milk. Various strategies were discussed, including presenting milk’s story on packaging and to compete more aggressively in-store where important trade and consumer decisions are made. A strategy was recommended for the media channel as depicted below:



Use of media assets such as TV, in-store and inserts were indicated to have the most influence over base and swing purchase decisions. It was also indicated that local dairies’ own marketing and weekly community newspapers provide a local low-cost opportunity to influence consumer behavior, in print and online.

The Board engaged in a discussion relating to the current strategy of utilizing celebrities to present milk’s message. Board members raised questions as to whether results would indicate that celebrities were able to activate consumers to buy milk. Mr. Green indicated that this discussion should take place within committee and expressed appreciation to Mr. Cotton for his presentation.

This concluded Session I of the Board meeting, and the meeting was adjourned.
(b) (6)

APPROVED:
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 JJ 3/3/13

MINUTES

MilkPEP Board Meeting – General Session II

January 27, 2013
Orlando, FL

Chairman Jim Green reconvened the Board into general session at 11:10 am local time. Mr. Green indicated that the minutes of the July 20, 2012 meeting of the Board, including the Executive Session minutes, had been distributed. Motion by Jay Bryant, second by Jim Walsh, to approve the minutes as distributed. Motion approved.

Mr. Green also indicated that it was the obligation of the chairman, pursuant to the bylaws, to appoint an Executive Committee to be ratified by the Board. Mr. Green indicated that he appointed Miriam Erickson Brown, Scott Shehadey, Mike Smith and Jim Walsh as at-large members of the Executive Committee. Motion by Dwight Moore, second by Henry Michon, to ratify the appointments by the chair to the Executive Committee. Motion approved.

Barbara O'Brien of Dairy Management, Inc. presented a report to the Board highlighting the following issues:

- MilkPEP activities relating to the Super Bowl campaign highlighting support by several dairy producer state and regional programs in this effort
- The Innovation Center, Health & Wellness Committee had identified protein as a priority. This committee is chaired by Miriam Erickson Brown.
- Food Safety activities being conducted by the Innovation Center
- Long-term research entitled "The Future of Dairy and Its Implications to the Industry"
- DMI activities relating to fluid milk, indicating that she would present a more in-depth report on these activities at the May meeting of the MilkPEP Board

Mr. Green expressed appreciation to Ms. O'Brien for her participation and asked Michael Johnson to present a report on behalf of the Agriculture Marketing Service of the U.S. Department of Agriculture. Mr. Johnson reviewed with the Board the status of nominations for Board members and the timeline for submission of nominations.

Mr. Steve James of the California Milk Processor Board reviewed concepts relating to the CMPB "Toma Leche" campaign, targeted to Spanish-speaking consumers. This campaign is focused on encouraging consumers to drink milk at bedtime.

Mr. Green expressed appreciation to the presenters for their reports and asked Miriam Erickson Brown, chairperson of the Breakfast @ Home Committee to present a report. Ms. Erickson Brown indicated that the committee had engaged in a spirited discussion relating to both targeting strategy and message strategy. Four specific activity items were identified from the committee meeting:

1. The committee would like to weigh in on the development of the creative brief relating to the "Reasons to Believe"
2. The committee would like to look at protein and other nutritionals for messaging

3. In-depth analysis of the Breakfast @ Home “Reasons to Believe” with greater interaction between staff, agencies, and committee members
4. Possibility of Creating a brand identity for milk, similar to the “Refuel” brand identity for chocolate milk.

Ms. Erickson Brown and Julia Kadison reviewed with the Board the authorizations which had been approved by the committee pursuant to their budget as indicated below.

**2013 Meals at Home Authorizations
January 2013**

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Media	13-01-01	Deutsch	33,700,000	-	33,700,000	3,500,000	27,700,000	6,000,000
Production	13-01-02	Deutsch	6,300,000	-	6,300,000	500,000	4,400,000	1,900,000
School Image Program	13-01-03	Deutsch	1,390,000	-	1,390,000	-	-	1,390,000
Program Support/Media Relations	13-02-07	Weber	2,535,000	-	2,535,000	725,000	2,175,000	360,000
The Breakfast Project/Content Marketing	13-02-08	Weber	650,000	-	650,000	300,000	400,000	250,000
Social Media Support	13-02-09	Weber	650,000	-	650,000	300,000	400,000	250,000
Weber Planning/Program Management	13-02-10	Weber	470,000	-	470,000	-	250,000	220,000
Super Bowl Promotion	13-03-14	Draftfcb	1,151,000	-	1,151,000	301,000	1,151,000	-
Retail/Consumer Promotions	13-03-15	Draftfcb	2,263,000	-	2,263,000	2,000,000	2,000,000	263,000
Processor/Digital Support	13-03-16	Draftfcb	255,000	-	255,000	150,000	150,000	105,000
Draftfcb Planning/Program Management	13-03-17	Draftfcb	491,000	-	491,000	50,000	300,000	191,000
MilkPEP Partnerships	13-00-19	MilkPEP	645,000	-	645,000	400,000	620,000	25,000
MilkPEP Planning/Program Management	13-00-20	MilkPEP	500,000	-	500,000	-	500,000	-
Total			51,000,000	-	51,000,000	8,226,000	40,046,000	10,954,000

This completed the report of the Breakfast @ Home Committee.

Mike Smith, chairman of the Hispanic Breakfast @ Home Committee, presented a report. Mr. Smith indicated that the committee had engaged in a significant discussion relating to optimizing the Breakfast @ Home ExactCast platform for the Hispanic market. The committee also reviewed the results from the Victor Cruz Breakfast Blitz launch and the creative for the March Breakfast Week ad. He also indicated that the committee wanted to review the proposed “Reasons to Believe” within the Hispanic messaging strategy.

Finally, the committee reviewed the 2013 media plan relating to a national TV buy versus a spot buy, with 2013 being the first year that we will make a national TV buy in the history of the campaign. This has been driven by the growth of the Hispanic population. Mr. Smith and Mr. Victor Zaborsky presented authorizations reviewed by the committee as summarized below:

2013 Meals at Home – Hispanic Authorizations January 2013

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Hispanic Media	13-04-21	MGS	6,300,000		6,300,000	800,000	2,800,000	3,500,000
Hispanic Production	13-04-22	MGS	750,000		750,000	150,000	300,000	450,000
Hispanic Public Relations	13-04-23	MGS	850,000		850,000	300,000	400,000	450,000
MilkPEP Program Management	13-00-30	MilkPEP	100,000	-	100,000	100,000	100,000	-
Total			8,000,000	-	8,000,000	1,350,000	3,600,000	4,400,000

This completed the report of the Hispanic Breakfast @ Home Committee.

Scott Shehadey, chairman of the Business Development/Research Committee, presented an overview of the committee's activities relating to business development for the industry.

Industry Communications	Regulatory Consultation
Processor Sales/Support	Database
Chocolate Milk Retail Strategy	Crisis Drills
Supermarket RD Program	Analytics/Insights
NNB/Health Professionals	DCMT
Medical Advisory Board	Legal
Service Team	MilkPEP Program Management

With regard to strategy and market research activities, Mr. Shehadey reviewed the activities planned by the committee for 2013. With regard to committee action, Chairman Shehadey reviewed with the Board several committee actions on authorizations relating to the business development program budget as presented below.

**2013 Business Development Authorizations
January 2013**

Project	Auth Code	Agency	Budget	Transfer Request	New Total	Authorization Request	Total Authorized	Balance
Industry Communications	13-05-61	Outloud	2,500,000	-	2,500,000	1,150,000	1,350,000	1,150,000
Processor Sales/Support	13-00-62	MilkPEP	1,500,000	(50,000)	1,450,000	500,000	690,000	760,000
Chocolate Milk Retail Strategy	13-03-63	Draftfco	2,000,000	-	2,000,000	1,000,000	1,200,000	800,000
Supermarket RD Program	13-02-64	Weber	180,000	-	180,000	60,000	60,000	120,000
NNE/Health Professionals	13-02-65	Weber	1,000,000	-	1,000,000	300,000	300,000	700,000
Medical Advisory Board	13-00-66	MilkPEP	170,000	(15,000)	155,000	(15,000)	155,000	-
Service Team	13-00-67	MilkPEP	730,000	-	730,000	200,000	450,000	280,000
Regulatory Consultation	13-00-68	MilkPEP	225,100	-	225,100	-	225,100	-
Database	13-00-69	MilkPEP	140,000	(35,000)	105,000	(35,000)	105,000	-
Crisis Drills	13-00-70	MilkPEP	50,000	-	50,000	50,000	50,000	-
Analytics/Insights	13-00-71	MilkPEP	375,000	(75,000)	300,000	(75,000)	300,000	-
DCMT	13-00-72	MilkPEP	200,000	(50,000)	150,000	150,000	150,000	-
Legal	13-00-79	MilkPEP	75,000	(25,000)	50,000	50,000	50,000	-
MilkPEP Program Management	13-00-80	MilkPEP	700,000	(250,000)	450,000	(250,000)	450,000	-
Unallocated		MilkPEP	54,900	-	54,900	-	-	54,900
Total			9,900,000	(500,000)	9,400,000	3,085,000	5,535,100	3,864,900

With regard to the 2013 strategy and market research budget, the committee was recommending a budget amendment as presented below (transfer request column).

**2013 Strategy & Market Research Authorizations
January 2013**

Project	Auth Code	Agency	Budget	Transfer Request	New Total	Authorization Request	Total Authorized	Balance
Schools	13-00-84	MilkPEP	170,000	-	170,000	-	170,000	-
Breakfast & Refuel Research	13-00-85	MilkPEP	1,183,000	1,365,000	2,548,000	565,000	1,748,000	800,000
Category Trends	13-00-86	MilkPEP	760,000	(30,000)	730,000	(30,000)	730,000	-
MilkPEP Program Management	13-00-90	MilkPEP	225,000	-	225,000	-	225,000	-
Unallocated Market Research		MilkPEP	1,662,000	(1,335,000)	327,000	-	-	327,000
Total			4,000,000	-	4,000,000	535,000	2,873,000	1,127,000

Motion by Mr. Shehadey to move the committee recommendation to approve the budget amendments as presented above. Motion approved.

The budget authorizations approved by the committee pending approval of the Board were discussed. Mr. Shehadey also reviewed with the Board the 2013 program measurement authorizations approved by the committee as presented below.

**2013 Program Measurement Authorizations
January 2013**

Project	Auth Code	Agency	Budget	Transfer Request	New Total	Authorization Request	Total Authorized	Balance
USDA Program Measurement	13-00-96	MilkPEP	100,000	-	100,000	40,000	40,000	60,000
MilkPEP Program Management	13-00-97	MilkPEP	5,000	-	5,000	-	5,000	-
Total			105,000	-	105,000	40,000	45,000	60,000

Project jointly funded by MilkPEP and DMI. Conducted by Texas A&M. Mandated by USDA.

Jim Walsh, chairman of the MilkPEP Refuel Committee, presented a report to the Board on the committee's actions. Mr. Walsh indicated that the committee reviewed the Refuel marketing strategy and the key elements of the 2013 Refuel marketing plan. The committee also engaged in a 2014 planning update and received a report of 2012 program accomplishments. With regard to funding activities by the committee, Mr. Walsh reviewed the 2013 program authorizations approved by the committee as presented below.

**2013 REFUEL Authorizations
January 2013**

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Refuel Advertising Media	13-01-31	Deutsch	6,580,950	-	6,580,950	3,000,000	5,000,000	1,580,950
Sponsorships	13-01-32	Deutsch	70,000	-	70,000	35,000	70,000	-
Refuel Advertising Production	13-01-33	Deutsch	1,400,000	-	1,400,000	250,000	1,250,000	150,000
2013 Ironman - Become One	13-02-37	Weber	952,750	-	952,750	152,750	952,750	-
Media Relations	13-02-38	Weber	515,000	-	515,000	50,000	250,000	265,000
Advocates Program	13-02-39	Weber	708,000	-	708,000	50,000	350,000	358,000
Grassroots	13-02-40	Weber	2,643,300	-	2,643,300	300,000	1,250,000	1,393,300
Digital/Social	13-02-41	Weber	275,000	-	275,000	50,000	150,000	125,000
Weber Program Management	13-02-46	Weber	275,000	-	275,000	100,000	200,000	75,000
Consumer Engagement	13-03-47	Draftfcb	1,540,000	-	1,540,000	440,000	1,140,000	400,000
Health Club Partnership	13-03-48	Draftfcb	1,060,000	-	1,060,000	460,000	1,060,000	-
Digital	13-03-49	Draftfcb	260,000	-	260,000	60,000	160,000	100,000
Draft Program Management	13-03-50	MilkPEP	500,000	-	500,000	150,000	350,000	150,000
2014 Refuel Planning/2013 Program Management	13-00-60	MilkPEP	220,000	-	220,000	-	220,000	-
Total			17,000,000	-	17,000,000	5,097,750	12,402,750	4,597,250

This completed the report of the Refuel Committee.

Chairman Green recognized Treasurer Brian Linney to present a report of the Finance Committee. Mr. Linney reported that the committee had reviewed all active contracts currently held by MilkPEP and analyzed the status of the cash flow position through December 2012. The Finance Committee also engaged in an analysis of assessment projections for both 2012 and 2013. The Finance Committee felt that the current 2012 assessment budget of \$103 million would be met or slightly exceeded, and for 2013 projected assessments are in line with a \$101.5 million budget. The committee did have several recommendations it would like to bring to the Board. Mr. Linney moved that the Board accept the committee recommendation to reduce the 2013 assessment budget to \$101,500,000, utilizing \$1,280,500 from carry-forward funds. Motion approved.

Mr. Linney moved the committee recommendation to reduce the 2013 administrative expense budget by \$219,500. Motion approved. Mr. Linney also moved the following Finance Committee recommendations relating to 2013 budget reduction:

- Reduce administrative expenses an additional \$2,600
- Reduce USDA expenses by \$100,000 to \$500,000
- Reduce the California grant by \$150,000 to \$9,750,000

Motion approved. A summary of the proposed actions relating to the budget is presented below:

2013 Budget

	Jan 2013 Proposed Budget	July 2012 Authorizations	Nov & Dec 2012 Authorizations	Jan 2013 E-Vote Authorizations	Jan 2013 Board Mtg Authorizations	Jan 2013 Remaining Unauthorized
REVENUES						
Assessments	\$ 101,500,000					
Carryforward Funds	1,280,500					
Interest Income	50,000					
Total Revenues	<u>\$ 102,830,500</u>					
PROGRAM EXPENSES						
Meals at Home - General Market	\$ 51,000,000	\$28,220,000	\$ 3,600,000	\$ -	\$ 8,226,000	\$ 10,954,000
Meals at Home - Hispanic	\$ 8,000,000	2,250,000	-	-	1,350,000	\$ 4,400,000
Refuel	\$ 17,000,000	7,305,000	-	-	5,097,750	\$ 4,597,250
Business Development	\$ 9,900,000	200,000	1,155,000	1,095,100	3,535,000	\$ 3,914,900
Strategy & Market Research	\$ 4,000,000	-	2,113,000	225,000	660,000	\$ 1,002,000
Program Measurement	\$ 105,000	-	-	5,000	40,000	\$ 60,000
Unallocated/Opportunistic	\$ 45,000					\$ 45,000
TOTAL PROGRAM EXPENSES	<u>\$ 90,050,000</u>	<u>\$37,975,000</u>	<u>\$ 6,868,000</u>	<u>\$ 1,325,100</u>	<u>\$18,908,750</u>	<u>\$ 24,973,150</u>

This completed the actions of the Board for this Board meeting. Mr. Green expressed appreciation for the participation of all Board members during the meeting.

There being no further business to come before the Board, the meeting was adjourned.

(b) (6)

APPROVED:

DATE:

5/3/13

MINUTES

MilkPEP Board Meeting General Session I

May 3, 2013
Phoenix, AZ

Chairman Jim Green called the MilkPEP Board into session at 7:30 a.m. local time. Members present included Jim Green, Jim Walsh, Mike Smith, Tracy Twomey (sitting in on behalf of Jay Simon), Miriam Erickson Brown, Sandy Kelly, Jay Bryant, Brian Anderson, Brian Linney, Steve Turner, Mike Lasky, Bob McCullough and Brian DeFelice (Industry Representatives), Henry Michon, Chris Ross, and Gary Aggus. In addition, Vivien Godfrey, Ron Rubin, various members of the MilkPEP staff, Michael Johnson (USDA liaison), Wayne Watkinson (Legal Counsel), Steve James (California Milk Processor Board), Connie Tipton (International Dairy Foods Association), Barb O'Brien (Dairy Management, Inc.), and Ann Ocaña were also present.

Mr. Green welcomed the Board members and guests to the meeting of the Board. He introduced guests in attendance and expressed appreciation for their willingness to participate. Mr. Green indicated that the Minutes of the January 25th - 27th 2013 Board Meetings, including the Executive Sessions, had been distributed. Motion by Miriam Erickson Brown, seconded by Chris Ross, to approve the Minutes as distributed.

Kikke Riedel presented information to the Board relating to trends in the U.S. economy. In her report, she discussed major costs for consumers such as energy and food, food volume projections, and indicated that food costs have exceeded income growth. It was indicated that consumers are coming back to dinner and how can MilkPEP capitalize on this? Questions were asked as to what MilkPEP knows about milk as a dinner companion and should MilkPEP increase its understanding of dinner behaviors? Doug Adams of Prime Consulting reviewed various economic and external factors, which impact milk consumption as indicated below:

Economic & External Factors

Tailwinds (in favor)	Varied (either way)	Headwinds (challenging)
Efforts to curb obesity / eat healthy -Changing beverage habits	Movements to Buy fresh Buy local Less processing	Income & employment uncertainty -Family budget pressure (PR tax) -Delay in home formation -Changing channel landscape = fewer milk choices
Post-workout trend- favorable for chocolate milk but small overall	"New normal" changing habits -Health focus -Sources of nutrition & info	Declining birth rates
More meals prepared/ eaten at home , less eating out (esp. among millennials)	Sweetener Petition (Image & ultimate decision)	Increase in "child vegans"
Breakfast focus in schools	Slowly Improving Economy	School Fruit & Veg. Focus
		Cereal in decline
		Less innovation vs. competition
		Competing product growth & spending levels

Several issues were identified during this discussion:

- Is it important for MilkPEP to understand breakfast habits, if they are eating multiple breakfasts, and where is MilkPEP's opportunity?
- Does the strategy to focus on only 2 occasions properly address the headwinds discussed, should we as a Board discuss moving away from share of stomach, and/or more directly counter the ??? ??? challenges?
- What is the consumer mindset, nutrition equals absence of calories, and what are the drivers around the "slippery slope" for teens?

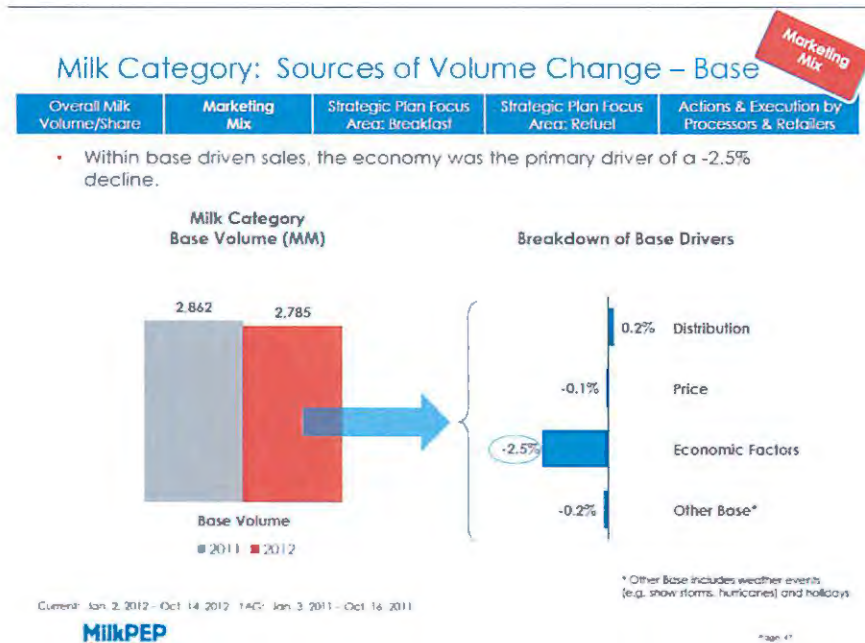
Kikke Riedel presented demographic implications for milk in future, including the fact that the birth rate has been declining for four (4) years and, with young children being the largest per capita consumer of milk, this is having a big impact in milk consumption. In addition, an increase in child vegans and an increase in yogurt and cheese points of distribution have added further challenges to fluid milk sales. It was suggested that there was a need to address the economic and external factors as a Board and the need to address short and long term strategies beyond orange juice. Questions were raised as to whether there was a loss of effectiveness in driving incremental gallons in 2012 versus 2011 and what were the factors contributing to the drop in incremental gallons (timing, messaging, targeting)? The learnings say that breakfast is the appropriate occasion to tell our story, but we need to connect with the consumer our Reasons to Believe. Is it possible that when the MilkPEP program concentrates on breakfast, we are leaving on the table a lot of other opportunities and should we consider how to address these opportunities more aggressively? As projected, fluid milk has a negative 4% headwind as relates to consumption. Do we have a strategy to address these issues? Implications for marketing programs by MilkPEP were discussed and are summarized below:

Implications for MilkPEP

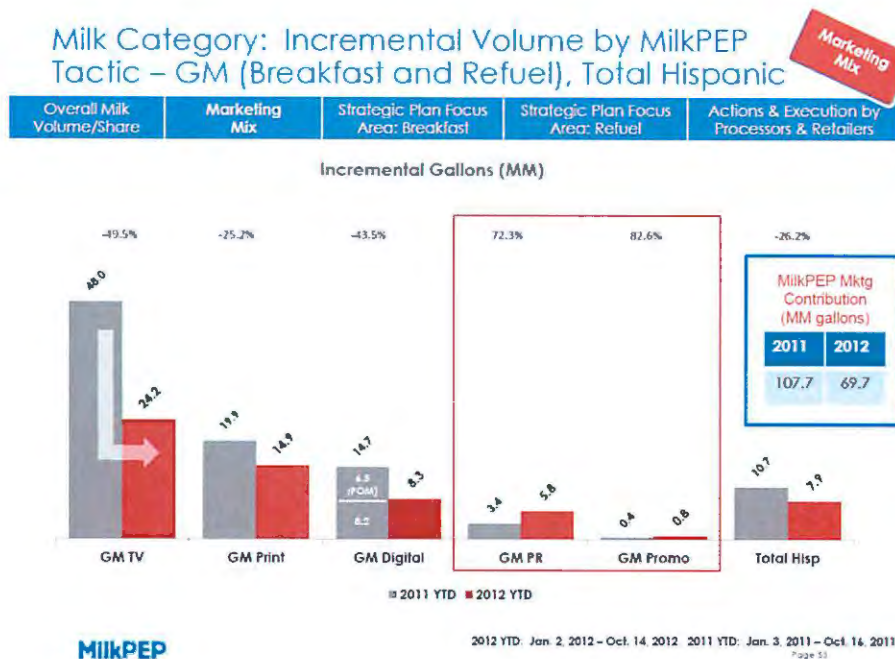
MilkPEP has to

1. Inoculate consumers against emerging trends (i.e. growth in alternatives, Lactose Intolerance) with persuasive, strong, well-supported messaging in all channels
2. Strengthen milk's brand identity supported by strong RTBs so consumers will recognize milk's value and act on it... in good times and bad
3. Expand our Refuel and breakfast target footprints
 - Reduce our reliance on Moms (and kids)
4. Find ways to help processors shore up distribution/shelf space
5. Is there a way to augment the ongoing efforts by cereal industry to address their sales slump?
6. To build on current momentum, help processors drive additional flavored milk in store activity at retail
7. Fewer, bigger, BETTER bets against proven growth opportunities

Kikke Riedel presented data relating to 2012 annual measurements and score card results for the MilkPEP program. Within the milk category, the sources of milk volume changed. These changes are depicted below:



Additional data presented included volume trends in all outlets, changes in marketing driven category volume, and marketing contribution through MilkPEP activities by segment. Within the milk category, the incremental volume by MilkPEP tactic was reported below:



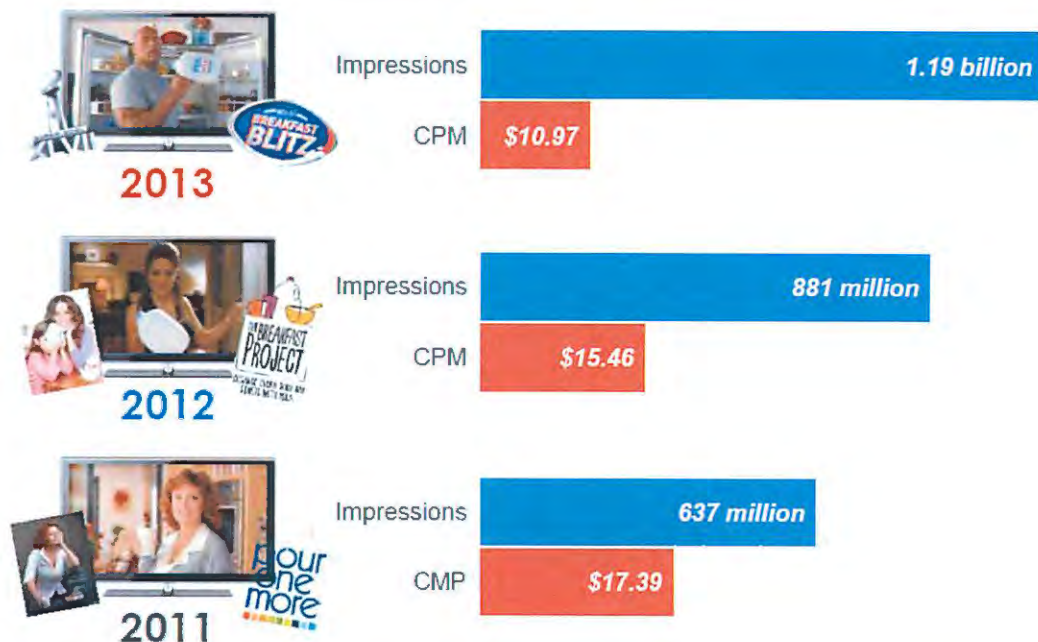
Three factors which may have impacted volume contribution and efficiency in 2012 were:

- Volume – target focus was on a single target (moms) within the breakfast occasion strategy
- Timing – delayed start for marketing activities versus prior years for both breakfast and refuel
- Messaging – Breakfast at home advertising message was not explicit on nutritional reasons to believe

Information was presented on milk penetration and consumption behaviors, as well as change in share of stomach of milk versus competitors. Data relating to milk consumption during breakfast was presented with specific information by target area and by share of stomach of milk versus competitors. In addition, awareness measurements of the breakfast campaign were reviewed. The Board discussed the data on milk consumption during the Refuel occasions by target, as well as how milk fared versus competitors within the Refuel occasion. Awareness figures of the Refuel campaign and consumer attitudes were presented.

The Board received data relating to the Super Bowl Program. It was reported that 1.19 billion paid and earned media impressions resulted from the program between January 1st and February 15th. When compared to previous launch programs implemented by MilkPEP, the Super Bowl was the largest and most efficient program to date as depicted below:

The largest and most efficient MilkPEP launch program to date



"Blended" impressions and costs across all marketing channels, including all activity related to each program.

PAGE 2

MilkPEP | got milk?

Results indicated that there were strong key message pull through in earned media articles with:

- 84% of media coverage included breakfast messaging (109.8MM impressions)
- 89% included protein messaging (114.6MM impressions)
- 56% included FUTP60 messaging (82MM impressions)

With regard to consumer engagement, there were 274,000 visits to the Breakfast Blitz program website resulting in 112,200 milk UPCs entered. Regression analysis of News America POS stores indicate a modest increase in those stores that participated leading to sales of 988,000 incremental gallons of milk as presented below:

News America shows program generated incremental gallons

Effectiveness:

- Extrapolating sales lift from match panel test to general markets, the program resulted in **988K gallons of incremental milk sales**

Efficiency:

- Program generated an efficiency of **2.96 gallons per dollar**
- Well within benchmark range of 0.66 to 4 gallons per dollar spent**

$$\begin{array}{ccccccc} \text{Milk sales lift:} & & \text{Median weekly} & & \text{Total number of stores:} \\ 0.81\% & \times & \text{store sales:} & \times & 4 \text{ Weeks} & \times & 13,897 \\ & & 2,188 \text{ gallons} & & & & \\ \hline & & \text{988K gallons of incremental milk sales} & & & & \\ & & @ 2.96 gallons per dollar & & & & \end{array}$$

* Milk Sales Lift from News America Match Panel Test
** Historical 2007 - 2011 benchmarks range from 0.66 to 4.0 gallon per dollar

MilkPEP | got milk?

Board and staff discussed whether this program should be repeated next year. The current thinking was to not repeat a Super Bowl Program in the future, but look for opportunities to take advantage of the event. Several questions were raised relating to merchandising opportunities around the Super Bowl Program. Data on increased retail presence by participating retailers during the program was reviewed and is presented below:

The Super Bowl program resulted in **increased retail presence** for milk and milk content **during a key retail period**

6.7MM impressions with **8,500** clings in 7-11 stores (through Dean's)

10MM impressions from 2,000 retailer toolkits

50MM impressions from Borden-specific in-store elements

125 Supermarket RDs requested materials



MilkPEP | got milk?

It was also reported that 36 retailers representing more than 200 stores entered the Breakfast Blitz display contest with an average store increase of 15.5% over the same period the prior year. It was noted that the Super Bowl program provided a significant opportunity for MilkPEP to partner with and support DMI and its state and regional programs. Support for the Fuel Up to Play 60 program is summarized below:

Support for **Fuel Up to Play 60** program

56% of all media placements mentioned FUTP60 (82MM impressions)

280MM retail impressions via branding on Box Top and Shelf Talkers

National TV and print media (575MM impressions, a \$3.7MM value)

Banner ads promoted FUTP60 grant and drove promo site traffic



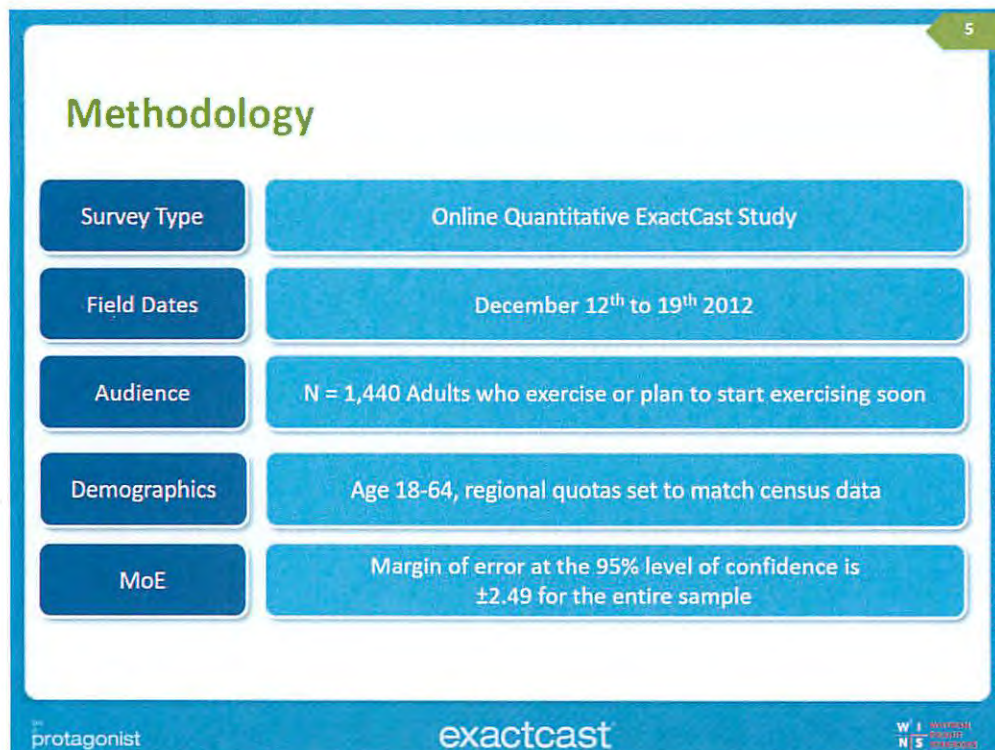
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MilkPEP | got milk?

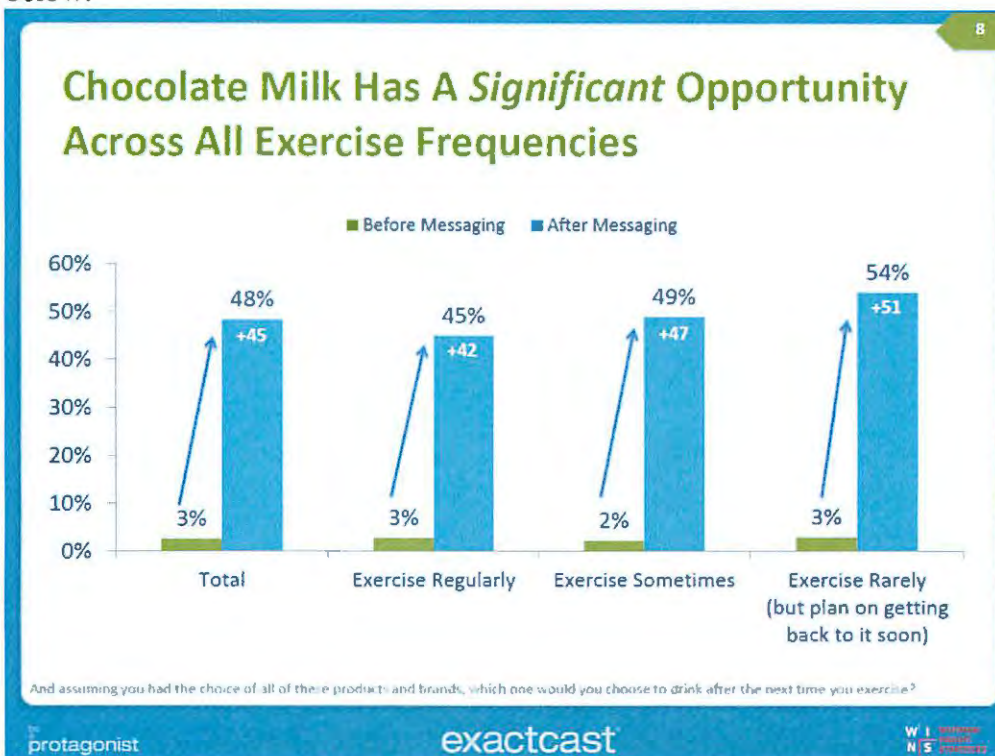
With regard to Hispanic support for the Fuel Up to Play 60 program, 94% of all media placements mentioned Fuel Up to Play 60 (131MM impressions) with a 155MM total impressions (TV, print, digital, P). It was indicated that it is difficult to break out of the clutter around the Super Bowl. Was the sales lift sufficient enough versus the effort/resources spent to justify another program? As part of the planning process, committees will review the results and assess whether a future Super Bowl Program will be part of the annual plan. Barb O'Brien of Dairy Management, Inc., stated that DMI has just renewed its agreement with the NFL for 5 years. The new Agreement contains for pass through rights for processors, which MilkPEP may want to include in its analysis. It was also indicated that the state and regional promotion programs affiliated with DMI supported the campaign at the local level in 36 states, using MilkPEP social media content and other resources generation 70,600 incremental consumer impressions.

Steve James of the California Milk Processor Board presented the new campaign CMPB launched focusing on milk consumption in the evening. Mr. James reviewed the various elements of the campaign and presented new TV creative for both the general market and Hispanic market. Mr. James also indicated that CMPB was participating in the Rock n Roll Marathon series in California with MilkPEP with 5 races already on the calendar.

Mr. Green expressed appreciation for Mr. James' report and introduced Tom Cotton of Protagonist and Bernard Whitman from Whitman Strategies to present a report. Tom Cotton reviewed with the Board the methodology behind the ExactCast research project relating to the Refuel Got Chocolate Milk program. This methodology is summarized below:

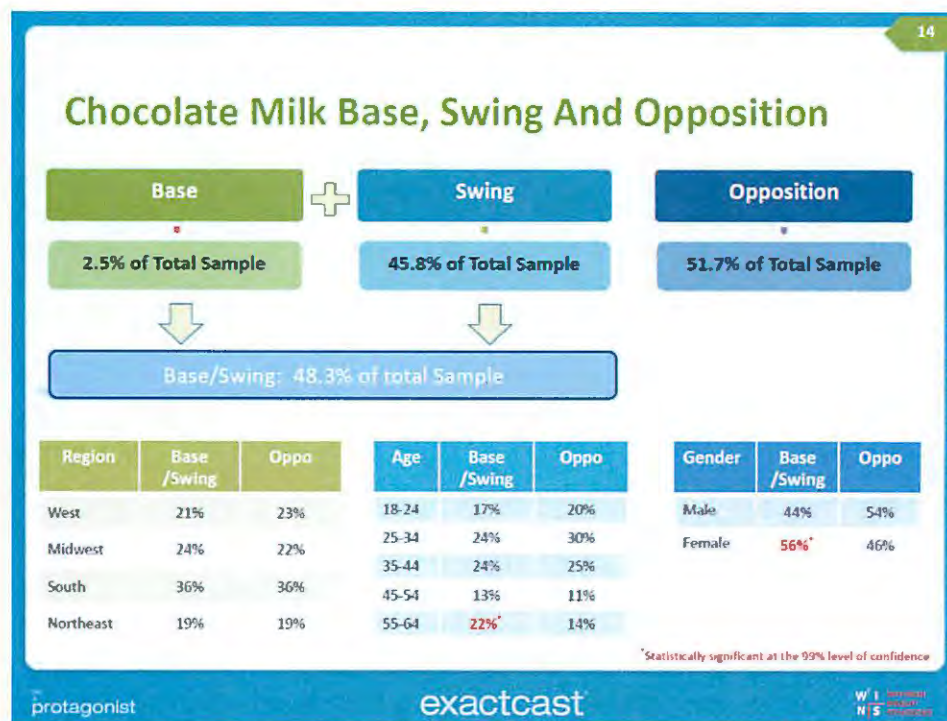


Based on the data, chocolate milk has a significant opportunity across all exercise frequencies as indicated below:



It was reported that, while the data indicated that one in three have tried chocolate milk after exercising, about half of the respondents have never heard of drinking chocolate milk as a post work out drink with health benefits. Questions were asked as to whether youth organizations should be included in the target as it relates to the program. It was indicated that claims research, as it exists today, is based on adult athletes with very little in existence around youth, therefore, it is not possible to translate the benefits to younger consumers. The Board discussed what would be necessary to confirm the Refuel benefits and what would be appropriate for younger consumers. It was indicated that while messages can be delivered, these messages need to be more nutrient focused rather than more recovery/benefit focused. It was suggested that staff consider a chocolate milk active youth platform outside of Refuel. Staff and Michael Johnson (USDA) indicated that this will be a tricky target to pursue under current USDA guidelines and the Board was reminded of the significant volumetric opportunity that exists among the adult target.

The Board received information defining the base, swing and opposition targets which are summarized below:



The methodology for segmenting base/swing consumers was discussed and refuel segments identified were:

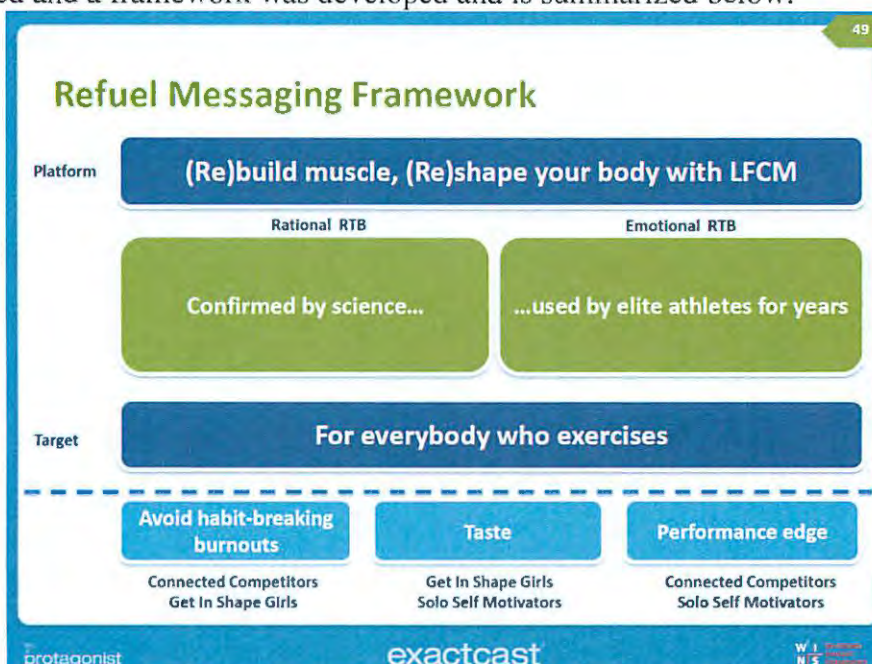
- Solo Self Motivators
- Connected Competitors
- Get in Shape Girls
- Apathetic Average Joes

Segments were discussed with various activation opportunities targeted at each.

The Board discussed the segment profiles and barriers to marketing within each segment, including the fact that Refuel's point of purchase and packaging is not as appealing as other recovery products. Bernard Whitman of Whitman Strategies presented a chocolate milk market and sizing volumetric estimate as summarized below:



The Board engaged in a discussion relating to competing products such as Core Power and Muscle Milk. It was suggested that in order to capitalize within this target area, processors need to more aggressively embrace packaging change to prevent competitors from reaping the benefits of the refuel messaging. As part of the presentation, Tom Cotton presented the results of messaging research that resonated with consumers within the target area. Various messages were prioritized and a framework was developed and is summarized below:



Information was presented on where segment target consumers seek information on exercise and fitness. It was suggested by Tom Cotton of Protagonist that within the channel strategy, research allocations should be based on understanding media influence rather than the more typical media usage approach. Concepts discussed during the presentation included the following:

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Channels: A Few Things to Think About

- **Magazines and Internet drive the Channel Strategy**
 - TV if you have the budget...and think "long-form"
 - You Tube, Webisodes, Long-Form TV
- **There is a big role for Social, in sync with WOM**
 - Friends and family are the top source of advice
 - 67% are 'regularly' on Facebook
 - Twitter, Pinterest are less important
 - Blogs are a mixed bag
 - More important for 'Connected Competitors'
 - For 'fitness-related product advice' blogs are important
 - Less so for 'exercise and fitness advice'

protagonist

exactcast

W I 04/02/13
N S 04/02/13

It was indicated that the Refuel Committee will continue discussions of the research information at its committee meeting. Chairman Green expressed appreciation to all of the presenters and recessed the Board until 9:30 a.m. Saturday, May 4, 2013.

(b) (6)

APPROVED: _____

DATE: _____

J 7/12/13

MINUTES

MilkPEP Board Meeting General Session II

May 4, 2013
Phoenix, AZ

Chairman Jim Green called the MilkPEP Board back into session at 9:30 a.m. local time. Mr. Green indicated that the Board would receive a report relating to the 3 discussion groups which were conducted the previous afternoon. Doug Adams reviewed with the Board results of the discussion relating to the battle for distribution of chocolate milk. A summary of his report is presented below:

Battle for Distribution

Obstacles

- Shelf life / insufficient product turns
- Competition for finite space
- **Package problem - Lack of multi-packs of single serve (Research)**
- Lack of sustained effort to build separate Flavored Milk category
 - Case Study on Yogurt, Gatorade or Ice Cream
- Lack of retailer interest / don't have the compelling story
 - Lack of data
 - Comparison point / bar set at white milk / too high (SuperStudy data)
 - All have experience with more distribution – wasn't sustainable in light of competitive offerings.
- Skill set challenges (for some processors) (teach/model/tell the story)
- Several more that we tabled (innovation penalty, margin, etc.)

It was agreed that the concept relating to the battle for distribution would be referred to both the Refuel and BDR Committees for potential activity.

Julia Kadison presented the discussion points for the role of research in the MilkPEP program. By consensus, the group agreed that resources need to be allocated to inform and measure programs. It was suggested that not enough time is spent on research at Board meetings and findings/insights could be presented in a more user friendly manner. Questions were also asked as to whether MilkPEP was using the right measurements with regard to the program. Vivien Godfrey indicated that staff was working on an ROI project around the Breakfast Blitz that could be used as a prototype for measuring other programs.

Bernard Whitman presented the report for the discussion group relating to opportunities with Quaker. He indicated that the discussion group focused on a Make it with Milk concept currently being developed with DMI. He also suggested that the group believed it was important to work with a broad cereal coalition to have a greater impact within the market. Mr. Green expressed appreciation to all of the participants in the discussion groups and indicated that the input presented would be reviewed further by the committees and staff.

Michael Johnson from USDA presented a report identifying various positions on the Board which required nominations. USDA is currently conducting the nomination process with hopes of identifying Board members by the July meeting. Mr. Johnson also reviewed the status of a Freedom of Information Act request submitted by PCRM indicating that USDA was working closely with MilkPEP Staff and legal counsel to comply with the request.

Connie Tipton of the International Dairy Foods Association presented an update on the following issues:

- Milk Standard Petition update
- Proposed rule on competitive foods in schools
- Farm Bill status
- Raw milk as a growing threat

Mr. Green expressed appreciation to Ms. Tipton for her report and called on Barb O'Brien of Dairy Management Inc., to present a report to the Board. Ms. O'Brien reviewed with the Board several short term and long term fluid milk projects seeking to increase fluid milk consumption. Her report also included an analysis of the various resources which could be provided by DMI to assist the industry as it relates to fluid milk. She also presented a report relating to the DMI/Quaker partnership as it relates to oatmeal and milk.

Mr. Green asked Brian Linney to present a report on behalf of the Finance Committee. Mr. Linney indicated that the Finance Committee had reviewed the status of competitive bidding and active contracts and discussed the March 2013 financials. He indicated that cash flow remains positive. With regards to assessments, 2012 actual assessments were \$103,341, 981 with actual balance reported being down 1.6% as compared to 2011. At its meeting, the Finance Committee reviewed the 2013 budget projection for assessments, which is currently \$101.5MM. Based upon the economist's projections for 2013, the current budget is in line with projected assessments. With regard to 2013 budget amendments, the Finance Committee is recommending the following:

2013 Budget Recommendations

- Recommend Budget Transfers
 - Transfer of \$1,818,400 from general carry forward funds to the 2013 budget
 - Transfer of \$752,600 from the 2013 general unallocated/opportunistic budget to the program expense budget
 - Increase of \$2,500,000 to Meals at Home
 - Increase of \$116,000 to Refuel (\$71K transferred from the 2013 general unallocated and \$45K from program unallocated)
- Recommend Transfer within Strategy & Market Research
 - Transfer of \$100,000 from unallocated to Strategic Plan (13-00-87) for the Competitive Beverage/OJ analysis

Mr. Linney moved the Committee recommendations as presented above, motion approved. Mr. Linney also reported that the Committee had reviewed proposed authorizations within committee budgets of \$15,305,045 and was recommending approval of those authorization requests pending approval by the appropriate program committees. A summary of the proposed amendments to the 2013 budget is presented below:

2013 Budget

	Jan 2013 Budget	Proposed Changes	May 2013 Proposed Budget
REVENUES			
Assessments	\$ 101,500,000		\$ 101,500,000
Carryforward Funds	1,280,500	1,818,400	3,098,900
Interest Income	50,000		50,000
Total Revenues	\$ 102,830,500	\$ 1,818,400	\$ 104,648,900
PROGRAM EXPENSES			
Meals at Home - General Market	\$ 51,000,000	\$ 2,500,000	\$ 53,500,000
Meals at Home - Hispanic	8,000,000	-	8,000,000
Refuel	17,000,000	116,000	17,116,000
Business Development	9,400,000	-	9,400,000
Strategy & Market Research	4,000,000	-	4,000,000
Program Measurement	105,000	-	105,000
Unallocated/Opportunistic	45,000	(45,000)	-
TOTAL PROGRAM EXPENSES	\$ 89,550,000	\$ 2,571,000	\$ 92,121,000
OTHER EXPENSES			
Administrative	\$ 2,277,900	\$ -	\$ 2,277,900
USDA Expenses	500,000	-	500,000
California Grant	9,750,000	-	9,750,000
Subtotal	\$ 12,527,900	\$ -	\$ 12,527,900
UNALLOCATED/OPPORTUNISTIC BUDGET	\$ 752,600	\$ (752,600)	\$ -
UNCOMMITTED RESERVE	\$ -		\$ -
Total Expenses and Unallocated/Opportunistic Budget	\$ 102,830,500	\$ 1,818,400	\$ 104,648,900

2013 Budget

	May 2013 Proposed Budget	July - Dec 2012 Authorizations	Jan 2013 Authorizations	May 2013 Authorizations	May 2013 Remaining Unauthorized
REVENUES					
Assessments	\$ 101,500,000				
Carryforward Funds	3,098,900				
Interest Income	50,000				
Total Revenues	\$ 104,648,900				
PROGRAM EXPENSES					
Meals at Home - General Market	\$ 53,500,000	\$31,820,000	\$ 8,226,000	\$ 7,075,000	\$ 6,379,000
Meals at Home - Hispanic	8,000,000	2,250,000	1,350,000	2,650,000	1,750,000
Refuel	17,116,000	7,305,000	5,097,750	2,921,950	1,791,300
Business Development	9,400,000	1,355,000	4,180,100	2,480,000	1,384,900
Strategy & Market Research	4,000,000	2,113,000	760,000	178,500	948,500
Program Measurement	105,000	-	45,000	-	60,000
Unallocated/Opportunistic	-				-
TOTAL PROGRAM EXPENSES	\$ 92,121,000	\$44,843,000	\$19,658,850	\$15,305,450	\$ 12,313,700

Mr. Linney indicated that it was necessary for the Board to establish a projected assessment budget for 2014 to allow an initial allocation of funds to program areas to begin the planning process. Mr. Linney moved the Finance Committee recommendation to establish a projected revenue budget for 2014 at \$100,230,000. This would allow total program expense allocation of \$87,930,000. Motion approved. The Finance Committee also recommended to the Board that Wayne Watkinson be designated the trustee for the Fidelity Employee Benefit program. Motion Approved. Mr. Linney also reported that MilkPEP's outside auditors, Snyder Cohen, presented a report to the Finance Committee indicating that the Board had received a clean audit report. Mr. Linney moved the Finance Committee recommendation to accept the audit report as presented, motion approved. This completed the report of the Finance Committee.

Chairman Green asked that program Committee Chairperson present reports relating to activities conducted by their respective Committees at the Board meeting. Miriam Erickson Brown presented a report on behalf of the Breakfast at Home Committee General Market. She reviewed with the Board the objectives established by the Breakfast at Home Committee and program modifications resulting from research data. These modifications included:

- Broadening our target beyond moms to capture more of the Breakfast opportunity
- Deliver "New" news to motivate the behavior change between base and swing
- Drill down to specific Reasons to Believe and benefits with protein as the most important
- Get more competitive on nutrition versus products like orange juice

Ms. Erickson Brown also reviewed the Committee's recommended allocation of media resources within the program area. During the Committee meeting, the Committee had recommended amendments to the 2013 Meals at Home general market budget as presented below:

2013 Meals at Home Authorizations May 2013

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Media	13-01-01	Deutsch	33,700,000		33,700,000	3,300,000	31,000,000	2,700,000
Production	13-01-02	Deutsch	6,300,000	(700,000)	5,600,000	900,000	5,300,000	300,000
School Image Program	13-01-03	Deutsch	1,390,000		1,390,000	1,390,000	1,390,000	
Program Support/Media Relations	13-02-07	Weber	2,535,000		2,535,000	360,000	2,535,000	
The Breakfast Project/Content Marketing	13-02-08	Weber	650,000		650,000	250,000	650,000	
Social Media Support	13-02-09	Weber	650,000		650,000	250,000	650,000	
Weber Planning/Program Management	13-02-10	Weber	470,000		470,000	220,000	470,000	
Super Bowl Promotion	13-03-14	Draftfcb	1,151,000		1,151,000		1,151,000	
Retail/Consumer Promotions	13-03-15	Draftfcb	2,263,000		2,263,000	150,000	2,150,000	113,000
Processor/Digital Support	13-03-16	Draftfcb	255,000		255,000	105,000	255,000	
Draftfcb Planning/Program Management	13-03-17	Draftfcb	491,000		491,000	125,000	425,000	66,000
MilkPEP Partnerships	13-00-19	MilkPEP	645,000		645,000	25,000	645,000	
MilkPEP Planning/Program Management	13-00-20	MilkPEP	500,000		500,000		500,000	
Unallocated Meals at Home		MilkPEP		3,200,000	3,200,000			3,200,000
Total			51,000,000	2,500,000	53,500,000	7,075,000	47,121,000	6,379,000

Ms. Erickson Brown moved the Committee recommendation to amend the budget as presented above, motion approved. In closing, she reviewed the authorization requests, which had been approved by the Committee pending approval of the Board of the budget amendment. This completed the report of the Meals at Home General Market Committee.

Mike Smith, Chairman of the Breakfast at Home Committee for Hispanic Market, reviewed with the Board results of Committee discussions based on the ExactCast research. He indicated that the Hispanic program would continue to focus on Latina moms, but calibrate the message to include her and her family's consumption to capture more of the Hispanic breakfast opportunity. In addition, since the Hispanic program works in conjunction with the general market program, protein would be a priority within the messaging and the program would become more competitive on nutrition versus orange juice. He reviewed with the Board the messaging architecture as approved by the Committee and discussed certain cultural differences which were captured in the Hispanic creative briefs as compared to the general market program. With regard to development of Hispanic Creative TV, Mr. Smith reviewed a timeline which would put an ad on the air around July 29th. Mr. Smith indicated that the Committee had approved several authorizations within its 2013 budget as presented below:

2013 Meals at Home – Hispanic Authorizations May 2013

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Hispanic Media	13-04-21	MGS	6,300,000		6,300,000	2,000,000	4,800,000	1,500,000
Hispanic Production	13-04-22	MGS	750,000		750,000	450,000	750,000	-
Hispanic Public Relations	13-04-23	MCS	850,000		850,000	200,000	600,000	250,000
MilkPEP Program Management	13-00-30	MilkPEP	100,000	-	100,000	-	100,000	-
Total			8,000,000	-	8,000,000	2,650,000	6,250,000	1,750,000

This completed the report of the Hispanic Committee.

Brad Anderson, Vice Chairman of the Business Development and Research Committee, presented a report on behalf of the Committee. He reviewed the objective of the BDR program as established by the Committee and the key elements of the program identified by the Committee. A progress report on research was presented, including the status report on the retail pilot test, the sales topline market detail, the annual school survey, the all channel tracking, and the Breakfast at Home Hispanic creative testing. Mr. Anderson also reported that the Committee had discussed a proposal from a MilkPEP research vendor to utilize the MilkPEP existing database such a partnership would allow MilkPEP to:

- Field surveys with different target audiences at cost
- Offer low cost research options to processors
- Benefit from the revenue stream that results from other clients of this research vendor surveying these respondents for their own research purposes

Staff will continue to work with the Committee as it relates to the development of this partnership. Mr. Anderson reviewed the 2013 Strategy and Market Research budget and reported the Committee proposed amendments as presented below:

2013 Strategy & Market Research Authorizations May 2013

Project	Auth Code	Agency	Budget	Transfer Request	New Total	Authorization Request	Total Authorized	Balance
Schools	13-00-84	MIKPEP	170,000	-	170,000	-	170,000	-
Breakfast & Refuel Research	13-00-85	MIKPEP	2,548,000		2,548,000	78,500	1,826,500	721,500
Category Trends	13-00-86	MIKPEP	730,000	-	730,000	-	730,000	-
MIKPEP Strategic Plan	13-00-87	MIKPEP	-	100,000	100,000	100,000	100,000	-
MIKPEP Program Management	13-00-90	MIKPEP	225,000	-	225,000	-	225,000	-
Unallocated Market Research		MIKPEP	327,000	(100,000)	227,000	-	-	227,000
Total			4,000,000	-	4,000,000	178,500	3,051,500	948,500

13-00-85: Breakfast Coalition pilot

13-00-87: Competitive Beverage/OJ analysis, including a modest amount set aside for unanticipated outside consulting as required

Mr. Anderson moved the Committee recommendation to amend the budget as presented above, motion approved.

Mr. Anderson reported that the Committee discussed the conduct of industry crisis drills relating to:

- A US outbreak of foot and mouth disease
- A multistate outbreak of a food borne illness linked to dairy
- A terrorist attack impacting the availability/safety of milk and dairy products

It was also indicated that a copy of the spring 2013 catalog of materials available to processors was presented to each Board member during the meeting. With regard to the 2013 business development program budget, Mr. Anderson indicated that the Committee had authorized program dollars as presented below:

2013 Business Development Authorizations May 2013

Project	Auth Code	Agency	Budget	Transfer Request	New Total	Authorization Request	Total Authorized	Balance
Industry Communications	13-05-61	Outloud	2,500,000	-	2,500,000	520,000	1,870,000	630,000
Processor Sales/Support	13-00-62	MikPEP	1,450,000	-	1,450,000	500,000	1,190,000	260,000
Chocolate Milk Retail Strategy	13-03-63	Draftlab	2,000,000	-	2,000,000	800,000	2,000,000	-
Supermarket RD Program	13-02-64	Webster	180,000	-	180,000	50,000	120,000	60,000
NNBHealth Professionals	13-02-65	Webster	1,000,000	-	1,000,000	350,000	650,000	350,000
Medical Advisory Board	13-00-66	MikPEP	155,000	-	155,000	-	155,000	-
Service Team	13-00-67	MikPEP	730,000	-	730,000	250,000	700,000	30,000
Regulatory Consultation	13-00-68	MikPEP	225,100	-	225,100	-	225,100	-
Database	13-00-69	MikPEP	105,000	-	105,000	-	105,000	-
Crisis Drills	13-00-70	MikPEP	50,000	-	50,000	-	50,000	-
Analytics/Insights	13-00-71	MikPEP	300,000	-	300,000	-	300,000	-
DCMT	13-00-72	MikPEP	150,000	-	150,000	-	150,000	-
Legal	13-00-79	MikPEP	50,000	-	50,000	-	50,000	-
MikPEP Program Management	13-00-80	MikPEP	450,000	-	450,000	-	450,000	-
Unallocated		MikPEP	54,900	-	54,900	-	-	54,900
Total			9,400,000	-	9,400,000	2,480,000	8,915,100	1,384,900

The Committee was not proposing any amendments to the budget at this time. This concluded the report of the BDR Committee.

Mike Lasky, Vice Chairman of the Refuel Committee, reviewed with the Board the results of the Committee discussion with regards to the chocolate milk ExactCast market sizing and volumetric estimate. He also reviewed the Refuel messaging architecture, which was discussed by the Committee. A revised 2014 retail calendar was presented to the Board and is included below:

2013 revised retail calendar.

	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
In-Store Media			 In-Store Media Program						
Targeted Consumer Incentive		 Catalina Program (test)			 Catalina Program (National)				
Processor Driven		 Refuel Feature Incentive	 WIN	 WIN					
Grassroots Retail Program (Customizable)									
 got milk?									

Mr. Lasky also indicated that the Committee had engaged in program planning for the 2014 winter Olympics platform. With regard to the 2013 Refuel Program budget, Mr. Lasky reported that the Committee was requesting Amendments to the budget as presented below:

2013 Refuel Authorizations May 2013.

Project	Auth Code	Agency	Budget	Transfer	New Total	Authorization Request	Total Authorized	Balance
Refuel Advertising Media	13-01-31	Deutsch	6,580,950	-	6,580,950	1,580,950	6,580,950	-
Sponsorships	13-01-32	Deutsch	70,000	50,000	120,000	50,000	120,000	-
Refuel Advertising Production	13-01-33	Deutsch	1,400,000	(50,000)	1,350,000	-	1,290,000	100,000
2013 Chairman - Becoming One	13-02-37	Weber	962,750	-	962,750	-	962,750	-
Media Relations	13-02-38	Weber	515,000	-	515,000	50,000	300,000	215,000
Advocates Program	13-02-39	Weber	708,000	-	708,000	200,000	550,000	158,000
Grassroots	13-02-40	Weber	2,643,300	-	2,643,300	700,000	1,960,000	683,300
Digital and Social Media	13-02-41	Weber	275,000	-	275,000	50,000	200,000	75,000
Weber Program Management	13-02-45	Weber	275,000	-	275,000	25,000	225,000	50,000
Consumer Engagement	13-03-47	Draftfit	1,540,000	-	1,540,000	-	1,140,000	400,000
Health Club Partnership	13-03-48	Draftfit	1,060,000	-	1,060,000	-	1,060,000	-
Digital	13-03-49	Draftfit	250,000	115,000	375,000	215,000	375,000	-
Event Program Management	13-03-50	MILKPEP	500,000	-	500,000	50,000	400,000	100,000
2014 Refuel Planning/2013 Program Management	13-06-60	MILKPEP	220,000	-	220,000	-	220,000	-
TOTAL			17,896,950	115,000	17,115,000	2,921,950	15,324,700	1,791,300

Draftfit's request to increase funding in 13-03-49. Amount requested was unused from 2012 authorization 12-00-46 and referred to FIVE back after final costs are reconciled.

MILKPEP | got milk?
THE NATIONAL DAIRY FARMERS' PROMOTION BOARD

Mr. Lasky moved the Committee recommendation to amend the budget as presented above, motion approved. The Committee approved various program authorizations pending approval of the budget amendment by the Board. Mr. Lasky reviewed these authorizations. This completed the report of the Refuel Committee.

Chairman Green expressed appreciation to each of the Chairmen for their reports and reminded the Board that he had appointed Dwight Moore, Steve Turner and Jim Green to serve as the Nominating Committee to present a slate of officers for Board consideration at the July Board meeting. He indicated that the July meeting would be the last meeting for some Board members, himself and Brian Linney, and expressed appreciation to their further commitment to the industry and for their friendship developed during their service on the Board. There being no further business to come before the Board at this meeting, the meeting was adjourned.

(b) (6)

APPROVED:

DATE:

// 7/12/13