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JUL 28 2011

TO: National Dairy Promotion and Research Board
Dairy Management Inc.
Qualified Dairy Product Promotion, Research, or Nutrition Education Programs

FROM: Dana H. Coale
Deputy Administrator
Dairy Programs

A handwritten signature in black ink that reads "Dana H. Coale".

SUBJECT: Neutral Promotion of Dairy Products with Respect to Country of Origin

This memorandum outlines the AMS policy regarding neutral promotion of dairy products with respect to country of origin (neutrality) to ensure compliance with the Dairy Production Stabilization Act of 1983 and the Dairy Promotion and Research Order, as amended (Federal Register Volume 76, No. 53, March 18, 2011).

National Program Activities:

The Final Rule states that "the purpose of the program is to expand the consumption of dairy products, whether produced domestically or imported." Promoting the use of domestic dairy products in place of imported dairy products, or vice versa, for consumption in the U.S. market is not consistent with the Dairy Act and is not permitted in the National Program. Neutrality requirements do not apply to export programs and activities and may be continued without change.

All other programs (non-export) must be in full compliance with the neutrality requirement, effective August 1, 2011, and all future programs must comply with the neutrality requirement in order to be funded by the National Dairy Promotion and Research Board (Dairy Board). This includes a full prohibition on co-funding or partial funding of activities that may incidentally contain a non-neutral component. For example, Dairy Board funds could not be used in a research project intended to demonstrate superior traits of a particular dairy ingredient wherein a U.S.-produced dairy product is shown to be superior in some way to a non-U.S. produced dairy product.

Programs that focus on the U.S. market are permissible, provided they do not promote domestic dairy products as a substitute for foreign dairy products or promote competition between domestic and foreign dairy producers. AMS will review continually all Dairy Management Inc. (DMI) programs and activities funded by the Dairy Board to ensure that incidental references to U.S. do not violate the neutrality requirement.

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Additionally, no Dairy Board funds may be used for overhead or staff expenses of any affiliated companies of DMI, including but not limited to, the Innovation Center for U.S. Dairy and the Dairy Research Institute, that conduct activities that are non-neutral. DMI must maintain accounting records and adequate documentation to clearly identify those staff expenses attributed to activities that are conducted outside the scope of the neutrality requirement. AMS will conduct regular audits and reviews to ensure compliance with this requirement.

Qualified Dairy Product Promotion, Research, and Nutrition Education Programs:

Qualified State, regional, and importer dairy production promotion programs may refer to State, region or country of origin in its promotion and advertising materials. No programs or activities may refer to a brand or trade name unless approved by the Dairy Board and the USDA.