

2013

**ANNUAL
REPORT**

MidwestDairy[®]
ASSOCIATION



MidwestDairy.com
DairyMakesSense.com
MidwestDairyCheckoff.com

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2015 Rice Street, St. Paul, Minnesota

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What does it feel like to have a whole team of champions behind you? As a dairy farmer, I can say, "Terrific!"

The dairy checkoff has spent the last several years turning companies and individuals into believers in dairy. We reached the conclusion that, if there are going to be limited numbers of dairy farmers and limited funds to accomplish our goals, we had to figure out how to get others to do a fair share of the heavy lifting.

Because we've designed programs based on those needs, we now have food and dairy processors, grocery and restaurant chains, school administrators and coaches, dietitians and wellness enthusiasts – and so many others – sharing the work required to reach our goals.

Those accomplishments matter to each and every one of us. For our own farms to survive and be profitable, we need an ever-growing market for milk and consumers who believe dairy farms and foods are good for them.

We're leading a parade of champions for dairy, and I hope you can hear the cheering from the sidelines.

Jerry Messer

Midwest Dairy Association Chairman



When I began work for the dairy checkoff some 30 years ago, I couldn't have imagined a scenario where the CEO of Quaker Oats, the NFL commissioner or the First Lady of the United States would be champions of the dairy checkoff's work. But they are.

I couldn't possibly have envisioned outside organizations and companies adding their own money to the funds dairy farmers contribute to promote their products. But they have – millions of dollars have been contributed to health and wellness, research and sustainability efforts led by your checkoff.

And I definitely never dreamed the dairy checkoff would be setting the standard for addressing consumer expectations for sustainable operation of our dairy food system from farm to fork. But it is. The Innovation Center for U.S. Dairy, created by

the checkoff, has gathered the people and the projects that are moving us toward that goal.

Check out the champions listed in this annual report. Without a doubt, you're seeing our best work ever.

Mike Kruger

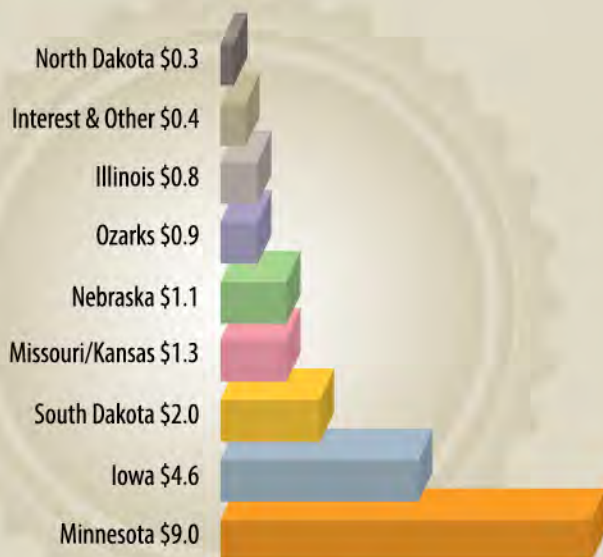
Midwest Dairy Association CEO



*serves as Ex Officio on Corporate board

2013 Revenue by Division

\$20.4 Million
total revenue



2013 Expenses by Spending Category

\$20.3 Million
total expenses



Midwest Dairy is Funded by Farmers

Midwest Dairy Association exists to serve the best interests of dairy farmers. We work to increase dairy food sales, foster innovation and inspire consumer confidence in dairy products and production practices. Our farmer-funded programs support the entire dairy community.

About 12 percent of total U.S. milk production comes from our Midwest Dairy region, and our funding represents 10 cents of the national 15-cent per hundredweight dairy checkoff, which went into effect in 1984. We work to coordinate Midwest spending with national checkoff programs, making them more effective and efficient, while focusing on Midwest priorities. Our goal is to maximize the return on investment of our farmer funders. We demand that every penny works as hard as the farmers who earned it.

To learn more about the dairy checkoff, visit
MidwestDairyCheckoff.com
Dairy.org

To learn more about our programs, visit
MidwestDairy.com
DairyMakesSense.com
DairyGood.org
USDairy.com

To receive monthly updates on Midwest Dairy activities, send an email to mycheckoff@midwestdairy.com or call 1-800-642-3895.

For promotion resources, call the Midwest Dairy Producer Service Center 1-877-360-FARM (3276)

Where Your Checkoff Goes

Innovation and Market Development (11%)

Covers cheese, milk and ingredient innovation and growth through support for export, processor and manufacturer collaboration, retail consultation and support for research through the Midwest Dairy Foods Research Center, including the University of Minnesota, South Dakota State University and Iowa State University, and market development research through the Dairy Economic Advisory Council.

Consumer Confidence (10%)

Covers Consumer Confidence programs including influencer presentations and farm tours, traditional and social media, *DairyMakesSense.com* and *MidwestDairy.com* websites, communications training and issues/crisis management.

Health and Wellness (37%)

Covers Fuel Up to Play 60, NFL activities, Dairy Optimization projects, Nutrition Affairs programs, and communications with key thought leaders and health professionals on nutrition and health topics.

Division Local Programs (10%)

Covers consumer-targeted efforts by producers, princess programs, Ag in the Classroom, scholarships, industry relations, local sponsorships, state agriculture coalition programs and sustainability efforts.

Partnerships and Research Projects (25%)

Covers funding of nutrition research on milkfat and dairy protein, product research on cheese, whey and food safety through the Dairy Research Institute, and cheese and milk initiatives with national partners through Dairy Management Inc.

Producer Communications (2%)

Covers cost of the producer newsletter, other publications and producer annual meetings.

Administration (5%)

Covers board expenses, audit, legal fees, and staff expenses of accounting, administrative and computer network.



Nutrition Influencers



Jen Haugen

Hy-Vee Registered Dietitian,
Minnesota

"I believe that telling the story of food from the farm to the plate is where my passion lies – sharing real stories, from real farmers, and translating that to how moms can most nourish their families."

Midwest Dairy arms nutrition communicators, dietitians and health professionals with dairy information.

- These efforts provide dairy farmers with an important third-party voice to help increase the reach of dairy's unique nutrition story.
- Influencers help us fill the pipeline with positive information, helping to offset potential negatives.



Telling Our Story



Kristina Haverkamp

Dairy Farmer, Kansas

"I always come home from a Midwest Dairy training refreshed and ready to do things. Right now, I'm planning to go back to schools and tell students about dairy. We have to start them young."

Midwest Dairy helps dairy farmers tell their story.

- More than 250 dairy farmers have received training and support to speak on behalf of dairy.
- Our Producer Service Center provides resources to carry out local events and creates personalized farm brochures.
- Dairy farmers and others receive updates to help them respond to current issues surrounding dairy.



From the nomination of the Dairy Management Inc. team for the U.S. Supplier Excellence Award by

Danielle Paris

Director, Product Innovation & Development, McDonald's USA, LLC

"Our partnership with DMI, one of the most innovative partnership models in the industry, continues to flourish ... the success of DMI as a supplier is best measured by the outstanding work of the on-site team of dairy scientists, which includes four full-time dairy scientists, a nutritionist and a sustainability expert."



Strategic partnerships with McDonald's, Taco Bell, Quaker and Domino's have led the way in the dairy checkoff's work to expand the use of dairy. These efforts are among the most visible and effective ways to apply checkoff funds to growing dairy sales.

- In 2013, the checkoff helped Quaker to introduce two new products, including Warm and Crunchy Oatmeal, which can only be prepared with milk.
- The Taco Bell partnership is working to grow dairy on the menu by nearly 6 percent.
- McDonald's is working on more than 27 new menu items where dairy is a key ingredient, with the potential to move an additional 3 billion pounds of milk over three years.
- Innovation with leading brands provides a ripple effect with competing chains, growing sales without investment by dairy farmers.



Dustin Oedekoven

State Veterinarian, South Dakota,
participant in a dairy checkoff Crisis Drill

"What set this crisis preparedness opportunity apart from other planning exercises is the number and variety of dairy industry experts that were present. These drills are a model for what every livestock industry should be doing."

Outreach to consumers, crisis preparedness and issues management are key to maintaining consumer confidence, as well dairy farmers' "social license" to operate.

- More than 150 people participated in three different Crisis Drills in 2013 to help the industry prepare for potential crisis situations.
- More than 260,000 visitors have accessed the *DairyMakesSense.com* website, connecting them with dairy products and dairy farmers.
- Midwest Dairy's base of followers in social media has grown to more than 6,200.



Consumer Confidence



Alan Sarka

PE Teacher, Nebraska

"Fuel Up to Play 60 has been the platform for a culture change with our students. Milk sales are up, and students are excited about healthy eating. They even bring low-fat yogurt and string cheese in their lunch from home."



Fuel Up to Play 60 is the checkoff's school-based nutrition and physical fitness program, carried out in partnership with the National Football League and the USDA.

- Fuel Up to Play 60 has recognition as the country's premier health and wellness program, involving more than 73,000 schools with 14 million kids.
- Nationally, more than \$15 million has been contributed for grants and marketing support of the program.
- Fuel Up to Play 60 has helped move more than 53 million pounds of milk nationally.

Don Boelens

CEO, Swiss Valley Farms

"Our relationship with USDEC has opened doors for new business opportunities. Not only has this partnership helped our company gain visibility in the global marketplace with our cheese and whey powder, but our members reap the benefits with strong milk prices."



Exports



U.S. Dairy
Export Council

While the U.S. Dairy Export Council works on behalf of dairy farmers nationally through the checkoff, Midwest Dairy has:

- Assisted potential USDEC members to join the consortium;
- Helped exporting companies develop products through the Dairy Research Center; and
- Directed funds toward U.S. pizza cheese exports through chains operating in global markets.



Ingredients & Research



Erika Smith

Technology Director, General Mills, Inc.

"Midwest Dairy helps us solve problems and challenges that we encounter with dairy ingredients, which allows us to provide the highest quality products to the marketplace, while ensuring new products containing dairy move to market quickly."

The checkoff's research is helping the food industry understand the value and opportunities in dairy, attracting their investment in products and marketing.

- The checkoff's research centers, including the Midwest Dairy Foods Research Center, have provided technical assistance and training to more than 115 companies and 350 industry participants.
- Nutrition research on dairy intake is building a case for dairy's stake in government food policy.



Food Security



Kelly Brasseur

Vice President of Nutrition and Network Programs, Northern Illinois Food Bank

"Our pilot milk distribution program has provided 73,456 gallons of low-fat milk. Through a grant from the National Dairy Council, we were able to expand our capacity and education. Milk is one of our most valued foods."



The dairy checkoff has entered the conversation about hunger, and is doing something about it.

- 37 million people use U.S. food banks, and milk is one of the top five preferred foods, yet only 5.3 percent of the pounds of food available are dairy foods.
- A partnership with Feeding America is directed at education, awareness and strategies to make dairy more available to those who are food insecure.
- Increased access to dairy at food banks has tremendous volume potential and will help keep low-income individuals and families consuming dairy after their financial difficulties. It also addresses the social good – a topic important to dairy farm families.



Lori Danella

School Nutrition Coordinator, Missouri

"Midwest Dairy is so targeted in helping us promote breakfast and healthy eating...not just promoting dairy, which they do a great job of, but all health and wellness topics. Other organizations focus on regulations or on their particular product."

Expanding the number of school breakfasts served is important to growing dairy sales in schools, because milk is offered with every breakfast.

- Less than half of the students nationwide who eat free or reduced-price school lunch eat school breakfast, and school breakfast contains at least one dairy serving. That translates into a 10 million pound opportunity.
- In schools that received breakfast grants for innovative use of dairy, breakfast participation increased 30.5 percent.



School Breakfast