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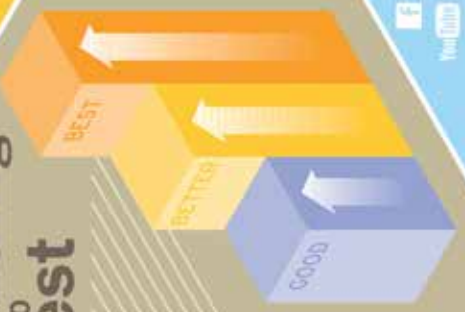


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St. Paul, MN 55113

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Annual Report OF DAIRY CHECKOFF SPENDING

Building TO Best



Midwest
Dairy
ASSOCIATION

Building TO Best



ANNUAL REPORT
2015

BUILDING IS GREAT -
it's fun to watch wherever
it happens. When you're
involved with Building to
Best, it's pretty special.

Jerry Messer, Dairy Farmer
Richardton, N.D.



ON BEHALF OF YOUR DAIRY FARMER BOARD

Midwest Dairy wrote a three-year Strategic Plan two years ago. At the time, we thought in terms of how GOOD our checkoff programs were during the first year of the plan. Then we considered how much BETTER they could be during the second year, and how those efforts could be the BEST by the plan's final year.

So 2015 is midway through our plan, and there's no doubt in my mind that we've been Building to Best.

The Good-Better-Best path applies to Midwest Dairy through its 15 years of existence, too. What the organization and its predecessor groups accomplished in the beginning was very good, and over the years it quickly became better.

This is a report on how Midwest Dairy – where 10 cents of your checkoff goes – is making great progress, and I think the five cents you invest directly into the national program is also Building to Best. The resources, relationships and plans provided by that nickel are put to work here in our home states using the dime. The collaboration has taken promotion from its good start in 1983 to a level of excellence far beyond where we were then. And each day the staff and boards are building the best programs we possibly can.

It's your board's job to oversee the construction. And we're pleased with what we're seeing.

Jerry Messer, Chairman

Jerry Messer completes a
television interview during the
National Association of Farm
Broadcasters meeting in
November, 2015.



A Path Forward

**Stronger
TOGETHER**
Dairy Growth is Good for the Midwest

During 2015, Midwest Dairy Association led an industry-wide effort with a vision of how our region could meet the demand created by growing global dairy consumption over the next 10 years. *A Path Forward* began a year earlier with a focus on three areas of work – consumer trust, market research and dairy development. The topics were identified with help from farmers, processors and dairy leaders, with the first two subjects falling within Midwest Dairy's mission.

Consumer trust, or social license, is an important part of the dairy community's future. Midwest Dairy's work has included providing resources for industry partners and farmers to share dairy's positive stories, prepare for potential crises and become Dairy Champions.

Building on an initial study, a second phase of market research was conducted in partnership with the checkoff's Midwest Dairy Foods Research Center. It identified challenges and opportunities surrounding American-style cheese and coproducts. Results were shared across the region and future areas of research were identified.

Midwest Dairy also brought together farmers and industry leaders to identify actions they could take to assure the Midwest's future competitiveness. More than 110 people participated in two Midwest Dairy-led webinars during which state leaders set goals and developed action plans. Separately, four state Dairy Summits were held to help move plans forward.

As *A Path Forward* continued, it gathered momentum across the region, helping to provide the Midwest with a solid framework for the future.



Dairy farmers and industry leaders
discussed *A Path Forward* in South
Dakota in August.



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Building Trust

IN DAIRY FARMS AND DAIRY FOODS

The theme of consumer confidence arches over all of Midwest Dairy's work. The journey to BEST practices has meant creating a foundation of information and tools to tell dairy's story. Through those resources, our work reached far beyond the organization – to those who influence what people say, what people eat, and what people think about dairy foods and dairy farms.

Launching EASIER ACCESS ...

Midwest Dairy's websites were streamlined in 2015, providing a simpler way to get information and resources to tell dairy's story. Dairy Makes Sense, our consumer theme, continued to be featured in our work through *MidwestDairy.com*.

The newly designed website also includes a For Farmers section and a Resource Library, and allows us to identify the site's effectiveness in getting and keeping visitors looking for dairy information.

Getting SOCIAL ...

The growth of social media means the dairy checkoff depends heavily on it as a tool to deliver consumer confidence efforts. Following the national checkoff's strategy and content, Midwest Dairy's social media outreach shared dairy stories, videos and facts daily, and developed ways for other advocates to extend the conversation even further.

Recruitment of dairy farmers, nutrition communicators, industry partners and dairy enthusiasts took place through our Dairy Farm Moms, Nutrition Communicators and Farmer Spokespersons, workshops across the region and the national Dairy Amplification Center hosted by Dairy Management Inc. Regular social media suggestions gave direction to our partners to help them keep dairy front and center in their own social media communication.



In a television appearance in Lincoln, Neb., Midwest Dairy's Beth Bruck-Upton, right, showcased dairy snacks for active students.

ON THE AIR ...

Four major media campaigns featured Midwest Dairy's registered dietitian spokespersons sharing dairy tips and nutrition facts on television throughout the region. Holidays, Back-to-School, June Dairy Month and Lactose Intolerance were the featured topics.

In addition, key nutrition communicators were part of a network through which Midwest Dairy developed third-party advocates speaking on dairy's behalf. Media training was provided to this group as well as to dietitians from Hy-Vee stores region-wide.

Preparing others to TELL THE STORY ...

Putting easy-to-use information on topics like sustainability, animal care and environment into the hands of others built a strong network of supporters who, in turn, provided that information through their own networks. Toolkits on dairy topics were promoted to processors, food companies, health professionals and many others who could share dairy's stories.

Our consumer confidence work also included crisis drills and trainings for dairy farmers, processors and food companies to ensure the dairy community is aligned on responding to potential issues that may put dairy in a negative light.



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A Leader IN HEALTH AND WELLNESS

Dairy's contributions to health and wellness may be indisputable, but continuing to talk about its unique role has been at the core of dairy checkoff's work for decades. In times of online "experts" and questionable "science," Midwest Dairy's efforts to place dairy at the center of health conversations are critical to dairy's place in the diet.

CELEBRATING 100 YEARS of driving health and wellness ...

In 2015, National Dairy Council celebrated its 100th anniversary. Nine Midwest governors signed letters of congratulations, publicizing dairy's unique role in nutrition, child wellness and local economies. Health organizations joined in, prompted by Midwest Dairy, giving milk toasts at events that brought dairy's leadership to everyone's attention.

What's more, students involved with Fuel Up to Play 60 joined the party during summits held to reward program activity. At each, they signed cards and recorded video messages saying "thank you" to dairy farmers for their 100-year commitment to health and wellness.



SOLVING HUNGER with dairy ...

Showing how dairy can be a solution to hunger in local communities became a Midwest Dairy focus during 2015, as we worked with key players who serve the food insecure in each of our states. As a result, more than 340,000 people were reached either with milk offerings or dairy nutrition information from their food banks.

Midwest Dairy worked with processors to help food banks with milk purchase agreements. Research shows food bank milk can add to total milk sales while helping to keep needy families drinking milk after their crisis has ended.

Fuel Up to Play 60 students CONSUME MORE DAIRY ...

Developing life-long dairy consumers among our nation's kids means having access to them at school – through school decision-makers and in their classrooms and lunchrooms. That's what Fuel Up to Play 60, the checkoff's partnership with the National Football League, provides through its broad focus on health and wellness. Using the in-school portion of the program, Midwest Dairy influenced healthy food choices including more dairy options, along with more physical activity in schools across the region.

Increasing school breakfast participation, especially through new models like grab-and-go, breakfast in the classroom or after first period was a primary goal. It's a boost to dairy sales because milk, and often other dairy products, are offered with every breakfast served.

A 2015 national survey of Fuel Up to Play 60 participants showed 75 percent of the students reported eating or drinking more dairy at school, and 86 percent reported eating or drinking more dairy at home.



Students toast dairy farmers during a Kansas Fuel Up to Play 60 Reward Summit.

Bringing national health organization RELATIONSHIPS HOME ...

While National Dairy Council pursued important partnerships and relationships with health organizations at its level, Midwest Dairy's health and wellness staff mirrored that effort locally. They took an active role in school nutrition, dietetic and physicians' associations on dairy farmers' behalf. Their involvement led to opportunities such as dairy-focused sessions at meetings, dairy farm tours, dairy resource offerings to members, and features in newsletters and websites.



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Expanding DAIRY SALES

Midwest Dairy's approach to growing the market for dairy not only builds upon national partnerships and programs, but also positions us as a one-stop shop for all things dairy. Our Business Development team has relationships with food companies, processors and grocery chains. They provide dairy solutions to those partners' challenges, giving them new ways to use dairy and feature dairy farmers, helping to build trust and sales.

EXPANDING IMPACT with stakeholder contributions ...

Midwest Dairy expanded its resources beyond dairy farmer funds by seeking outside support for its health and wellness efforts. Nationally, the GENYOUth Foundation receives funds to support checkoff's Fuel Up to Play 60 program. Midwest contributions in 2015 came from companies like Land O' Lakes, the Minnesota Vikings and Bears Care, a community support effort affiliated with the Chicago Bears.



Kevin Warren, left, presents a \$10,000 check to Midwest Dairy representatives during halftime at a December Vikings game.

NATIONAL PARTNERSHIPS - big win for the Midwest ...

National checkoff partnerships paid off big for dairy sales. Domino's, McDonald's, Taco Bell and Pizza Hut each host checkoff staff in their headquarters, resulting in multiple menu items with more dairy.

Across the Midwest, more than 4,500 restaurants from the partner chains are serving more dairy as a result of the partnerships. In addition, since many of the new items are cheese-friendly, they contribute even more to the sales of Midwest milk, which is primarily directed to cheese.



McDonald's ended 2015 by taking Mozzarella Sticks, developed in cooperation with the dairy checkoff, to its customers.



RETAIL serves up dairy foods AND facts ...

Through relationships with grocery retailers, Midwest Dairy expanded dairy's footprint in 2015. A workshop at a SUPERVALU national food expo showcased the dairy department as a great opportunity to grow sales, including suggestions for signage and product arrangement. Several other partners began using Midwest Dairy information online and in social media, with their activity serving as a tool to build consumer confidence throughout the dairy supply chain.

Partners like Aldi took advantage of consumer, product and nutrition research, and Jewel-Osco conducted a pilot of Midwest Dairy's Online Retail Academy. Among the topics shared with retailers, processors and manufacturers were dairy protein's health benefits and the growing consumer interest in protein.

Building a RESEARCH BANK ...

Midwest dairy farmers' investment in research was directed to new opportunities for flavor, safety and processing to help grow dairy sales and inspire consumer confidence. Projects in 2015 included:

- Better understanding of what may be driving milk off-flavors;
- Faster and easier detection of mold during processing;
- Solutions for low-sodium cheese that meet taste, nutrition and quality needs;
- Preventing spore formation from farm to processing; and
- Investigating technologies that result in "clean labels" for processed products.

Midwest Dairy also funded clinical nutrition and economics research to understand how dairy consumption affects the human body. Research results were communicated through partner relationships and meetings, along with articles in trade press and peer-reviewed journals.



Industry members, dairy farmers, faculty and funders toured the Iowa State University dairy foods pilot plant in April.



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Richardton, N.D.

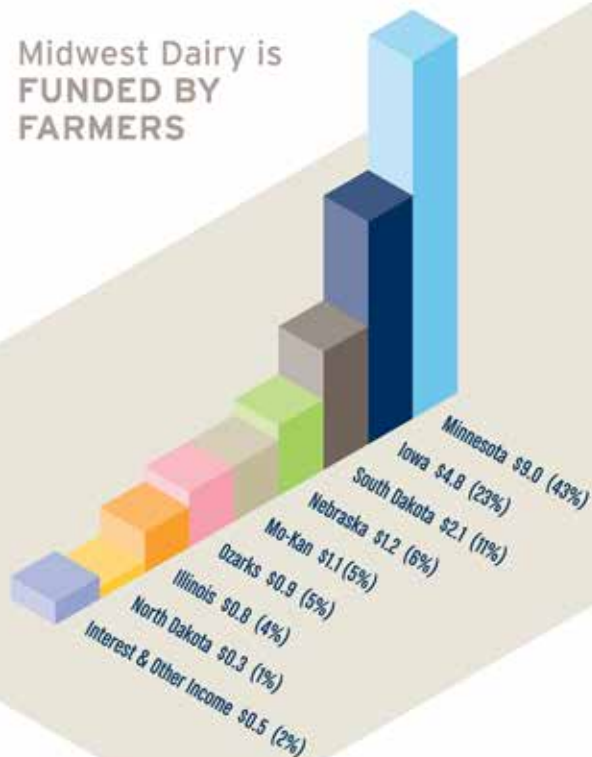


2015

REVENUE BY DIVISION

\$20.7 Million Total Revenue

Midwest Dairy is
FUNDED BY FARMERS



2015

EXPENSES BY SPENDING CATEGORY

\$20.8 Million Total Expenses



Where Your CHECKOFF GOES

Innovation & Market Development (10%)

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

Consumer Confidence (12%)

Covers Consumer and Influencer Confidence programs including influencer presentations and farm tours, traditional and social media, *Midwest Dairy.com*, communications training, thought leader communications support and Issues/crisis management.

Health & Wellness (35%)

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 (11%)

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

Partnerships & Research Projects (25%)

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

Producer Communications (2%)

Covers cost of the Dairy Promotion Update newsletter and other publications, producer annual meetings and a farmer survey.

Administration (5%)

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



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2015 DIVISION BOARD MEMBERS

Bold indicates Corporate Board Member

▼ Ex Officio

▲ Serves as Ex Officio Corporate Board

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Mike Chwaszcinski, Ashley
William Deutsch, Sycamore
Ardath DeWall, Shannon
Kristi Dinderman, Orangeville
Frank Doll, Pocahontas
Linda Drendel, Hampshire
Mark Erdman, Chenoa ▼▲
Amy Hildebrandt, South Beloit
David Jarden, Staunton
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John Merdan, Avon
Ron Rinkel, Hillman
Peter Ripka, Ogilvie
Dave Schwartz, Slayton
Kathleen Skiba, North Branch
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Suzanne Vold, Glenwood
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Rita Young, Plainview

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Orville Miller, Hutchinson, Kan.
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Steve Ohlde, Linn, Kan.
Robert Riegel, Washington, Mo.
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Donna Telle, Uniontown, Mo.

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Deb Eschliman, Ericson
Jim Eschliman, Ericson ▼
Rob Jackson, West Point Dairy ▼
Dwayne Junck, Carroll
Paul Kononoff, Ph.D., UNL ▼
Leah Marotz, Hoskins
Lowell Mueller, Hooper
Doug Nuttelman, Stromsburg
Joyce Racicky, Mason City
Dan Rice, Firth
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Kristi Doll, New Salem
Terry Entzminger, Jamestown
Doug Hanson, Dean Foods ▼
Kenton Holle, Mandan
Heidi John, New Salem
Lilah Krebs, Gladstone
Dale Kuhn, Towner
Jerry Messer, Richardton
Rita Mosset, Linton
Shaun Quissell, N.D. Dept. of Ag ▼
J.W. Schroeder, Ph.D., NDSU Extension ▼
Austin Wald, Napoleon

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Marilyn Calvin, Mt. Vernon, Mo.
Charles Fletcher, Purdy, Mo.
Lloyd Gunter, Conway, Mo.
David Hutsell, Hartville, Mo.
Alfred Million, Tahlequah, Okla.
Randy Mooney, Rogersville, Mo.
Edwin Rogers, Mountain Grove, Mo.
Nathan Roth, Mountain Grove, Mo.
Norris Sloan, Mountain Grove, Mo.

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Gary Jarding, Alexandria
Wayne Jarman, Wilmot
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Jody Kuper, Valley Queen ▼
Lucas Lentsch, S.D. Dept. of Ag. ▼
Allen Merrill, Parker
Vikram Mistry, Ph.D., SDSU ▼
James Neugebauer, Dimock
Doug Ode, Brandon
Todd Pennings, Davisco ▼
Marv Post, Volga
Annelies Seffrood, Summit
Daniel Thyen, Waverly



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TELLING YOUR STORY... AND OURS

BUILDING Dairy Champions

Midwest Dairy has pursued a new level of involving dairy farmers in telling the story of great animal care, responsible stewardship and sustainability, and wholesome dairy for people's health. More than 100 dairy farmers were featured at school events and nutrition-related meetings, and in media interviews. Farm families hosted dietitians, students, health professionals and grocery store personnel on their dairies, providing the perspective that only a farm tour can give. Collectively, 6,600 people heard your dairy stories this way.

But beyond our work to help dairy farmers tell their story, many Dairy Champions stepped forward on their own locally. Midwest Dairy's Producer Service Center provided resources and materials, serving nearly 500 requests that eventually reached more than 360,000 people.

To get involved with Midwest Dairy's efforts and workshops to help you tell your story, or to ask questions about this Annual Report, contact your state's Industry Relations Manager:

Illinois	Marla Behrends	mbehrends@midwestdairy.com	815-635-3333
Iowa	Sue Ann Claudon	saclaundon@midwestdairy.com	515-965-4626
Minnesota	Barb Luehmann	bluehmann@midwestdairy.com	651-487-4744
Nebraska	Rod Johnson	rjohnson@midwestdairy.com	402-261-5482
North Dakota	Char Heer	cheer@midwestdairy.com	701-782-4154
South Dakota	Roger Scheibe	rscheibe@midwestdairy.com	605-692-1775
Ozarks/Mo-Kan	Ron Grusenmeyer	rgrusenmeyer@midwestdairy.com	816-873-0351

PRODUCER SERVICE CENTER producerservicecenter@midwestdairy.com
1-877-360-FARM (3276)

INFORMING Dairy Farmers



Barb Luehmann, left, and Mary Wilcox of Midwest Dairy's staff provide checkoff material at the First District Annual Meeting in Minnesota.

Midwest Dairy's Industry Relations team members met with individual dairy farmers and groups, provided workshops and updates for dairy events, and supplied information to board members to help them with decisions on behalf of dairy farmers. A small portion of checkoff funds are directed toward reaching out to funders, leaving the majority of the checkoff investment to make the maximum impact on sales and trust far beyond the farm.



Missouri dietitians hear about producing milk at Scheer Dairy, New Haven, Mo.

ON BEHALF OF YOUR STAFF

The theme for this year's annual report is "Building to Best," representing an ongoing quest for us to field the best possible work and most effective staff to build trust and increase sales for dairy products and dairy farmers.

As a dairy farmer, you want a place to market your milk and a fair price for it. You also want growing milk sales and the support of the community for what you do on the farm. In 2015, we did some of our best work to reach these goals, as you see in this report. As we go from "good, to better, to best," we continue on the path we have been on throughout my tenure at Midwest Dairy.

For dairy farmers, 2016 may not be any different, but it will be for me. I plan to retire from Midwest Dairy Association on July 1, 2016, on the 35th anniversary of my employment with the dairy checkoff program.

I want to offer my extreme gratitude for the opportunity dairy farmers have provided me throughout my career. I am lucky to be one of the very few people to have had the opportunity to serve a community that embodies the essence of American values and represents a product that is fundamental to sound consumer nutrition and enjoyment. It's been an honor and a privilege working for all of you.

I want to wish a prosperous future to all of the dairy farmers across the Midwest. Thank you!

Mike Kruger, CEO



Mike Kruger presents at the national meeting of the dairy checkoff in October, 2015.

