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2016 ANNUAL REPORT



INSIDE:
AN EMBLEM YOU
CAN DISPLAY

MIDWESTDAIRY.COM     

2016 ANNUAL REPORT



INSIDE:
AN EMBLEM
YOU CAN
DISPLAY

IMAGINE A WORLD

where everyone consumed three dairy servings every day.

It could change your life – and theirs.

3

With U.S. dairy consumption growing, yet the average person only getting about 1.5 servings of dairy every day, there's tremendous upside potential for milk and dairy. Three servings is the recommended amount of dairy in our diets. In early 2016, the Dietary Guidelines for Americans reaffirmed this recommendation, thanks in large part to the nutrition research dairy farm families have funded through the dairy checkoff for the past 30-plus years and the daily work it takes to share that research.

Midwest Dairy Association worked to keep people focused on three servings during 2016, launching a Dairy 3 for Me campaign that secured more than 10,000 pledges. Beyond that simple step, Dairy 3 for Me became a guide for our work.

We began to think in terms of
... those who should consume their Dairy 3 for Me – everyone;
... those who provide the Dairy 3 for Me – our dairy farm families; and
... those who benefit when people get their Dairy 3 for Me – the entire dairy community.

It's such a simple concept: consume three servings of milk, cheese or yogurt as recommended by the Dietary Guidelines for Americans, and we all win.

At Midwest Dairy Association, we're thinking about Dairy 3 for Me every day. Let's have others do the same. Post the Dairy 3 for Me cling inserted between the pages of this Annual Report in a place others will see and remember: your truck window, your office door, your farm sign or where you'd most like to display it.

It's a message of pride, and it represents a goal all of us in the dairy community would like to achieve.



Midwest Dairy's Steph Cundith talks about the Dairy 3 for Me pledge on a Wichita television station.



A Dairy 3 for Me pledge board filled up rapidly at the Iowa State Fair.



Sticking to three servings of dairy!



Jerry Messer
Dairy Farmer
Richardton, N.D.

YOUR DAIRY FARMER BOARD CHAIRMAN

WHAT WE DO ...
THE STORIES WE TELL ...

... and how others are impacted

Throughout my time as your Midwest Dairy Association chairman, I've had to find ways to show the connection between what dairy farm families invest in the checkoff and the impact it has.

I've found three ways to do that. For some, it's as simple as explaining something we do – like our research, what we do in schools or the way we reach out to consumers.

For others, a story makes it easier to see how our work matters. For instance, when I talk about a student who has blossomed as a leader and become an advocate for dairy because of Fuel Up to Play 60, that program makes more sense to people.

And other times, it's when someone else talks about the difference we've made for them.

In our 2016 Annual Report, we're showcasing our work in all three ways – simple descriptions of some of the things we do, a few stories about what's taken place and sharing some comments from those who were touched by our work.

I firmly believe dairy farmers benefit from Midwest Dairy Association's work, and my belief is based on understanding what we do and how we do it. I'd like nothing better than having you reach the same conclusion after looking through the examples highlighted here. And if you don't find what you're looking for, reach out to us and ask your questions. We love talking about what we do.

Corporate Board officers, from left: Bill Siebenborn, Missouri; Ken Herbranson, Minnesota; Jerry Messer, North Dakota; Allen Merrill, South Dakota; and Dan Grunhovid, Minnesota.



YOUR DAIRY STAFF

GOOD THINGS COME IN THREES



Lucas Lentsch
CEO

When I joined Midwest Dairy Association in 2016, several things became clear very quickly. First, the work of the dairy checkoff has been a vital force behind many of the positive developments in dairy throughout the last several decades. Second, much of the work of our checkoff organizations may have been taken for granted by dairy farm families. And finally, I had a lot to learn.

I had the pleasure of joining Midwest Dairy during the launch of our Dairy 3 for Me campaign, and in fact, I took the pledge on my first day! Since then, I realized we all have our own “three,” whether it’s faith, family and farm, or we think more broadly about things like farms, industry and consumers.

Another observation was quickly made. Midwest Dairy Association has been successful because of:

- Strong and supportive board members;
- Skilled and dedicated staff; and
- Effective and dynamic programs.

I’ve seen all three of those success factors in action. From Division board meetings with lively discussion, to creative planning sessions with staff, to student presentations about their Fuel Up to Play 60 experience – each one has left me with a better understanding of where promotion and research has been. More importantly, it has helped me visualize where we’re going.

We’ve accomplished a lot, but there is so much more to do. The evolution of dairy on the farm, in the processing and distribution channels, and in the marketplace is changing rapidly. Our programs can help dairy stay out in front of the issues, needs and opportunities presented by the consumer.

As we look toward the next few years, I hope you’ll share your own perspective on how our programs can serve Midwest dairy farm families. My background in the dairy community is strong, but I’m still learning.



A breakfast cart in a school can significantly increase breakfast and dairy sales.



CREATING LIFELONG DAIRY CONSUMERS

The USDA and National Dairy Council announced \$35 million in federal and private grants to help schools purchase equipment to serve breakfast outside the cafeteria. The equipment includes coolers to keep milk cold and blenders for dairy-based smoothies.

Midwest Dairy Council received more than 492 Fuel Up to Play 60 School Nutrition Grant applications representing 898 schools across our region. This serves dairy farmers in three ways:

- 1) Serving breakfast outside the cafeteria increases student participation, growing dairy sales since milk, cheese and yogurt are a key part of the menu;
- 2) Milk coolers help keep milk cold, so students have a positive experience; and
- 3) Smoothies are a popular choice for students outside of school – new school rules allow smoothies to be served as part of a meal at school.

A STORY OF COOPERATION

When Missouri’s then-Gov. Jay Nixon made plans to announce the state’s No Kid Hungry campaign, it was Midwest Dairy his office contacted to locate a school for the announcement.

Rogers Middle School in Affton, Mo., was chosen; the school was active in Fuel Up to Play 60, dairy farmers’ partnership with the National Football League focused on improving child health, and offered “Breakfast After the Bell” as a grab-and-go breakfast helping to increase the number of students eating breakfast.

The governor later mentioned Midwest Dairy’s work during a news conference. In August, the Missouri Breakfast Challenge was introduced, with Gov. Nixon meeting privately with Midwest Dairy and No Kid Hungry to express his gratitude for this important work.



Gov. Nixon and a student leader at Rogers Middle School.

“Fuel Up to Play 60 harnesses the leadership of American youth to encourage a healthy lifestyle, which means a happier one, too.”

IN THE WORDS OF A STUDENT

John Dugan, Illinois Fuel Up to Play 60 state ambassador, a senior at Glenbard West High School in Glen Ellyn



IDENTIFYING DAIRY SALES OPPORTUNITIES



As global demand for dairy products and ingredients became one of the most important factors in farm milk prices, Midwest Dairy's research turned toward making dairy perform better under export conditions.

Storage and physical conditions during export affect ingredient quality and functionality at the final destination, which could limit the growth of our dairy ingredient market.

Midwest Dairy, in cooperation with the national checkoff, is funding projects at South Dakota State and Kansas State to address the challenge. One project focuses on spray drying whey and milk powders, while another is about improving the mouthfeel of high-protein foods and beverages with dairy ingredients. Both have the potential to help address the quality of dairy products during export.

A STORY ABOUT FILLING NEEDS

In late 2015, the national checkoff saw a need for research about millennials, those 18-35, and how they make food purchases. The resulting research led Midwest Dairy staff to meet with retailers, processors, state grocers' groups, and

foodservice chefs and their associations in our region. Our information and expertise developed relationships and opportunities to put dairy on the radar of these important partners.

Millennial views about dairy were also shared in webinars, meeting presentations and a story in *Dairy Foods* magazine. Most importantly, Midwest Dairy's partners now have data about dairy buying habits to help them use and sell more dairy in the future.

Cindy Sorensen of Midwest Dairy highlights millennial research at a national grocers convention.



IN THE WORDS OF A GROCERY PARTNER

Heidi Huff, director of marketing, IGA, USA, with nearly 2,000 stores across the country

"The working relationship IGA has with Midwest Dairy is invaluable. Midwest Dairy constantly provides IGA and our retailers and shoppers with relevant dairy content."



A STORY ABOUT THE POWER OF ONE

It's more important than ever that dairy farmers tell their story, because it helps build consumer trust, which leads to sales. One recent example of a dairy farmer telling her story came from Lisa Leach of Linwood, Kansas.

After reading what she felt was misleading information about dairy farming and milk on a cup from Chipotle, Lisa wrote a personal Facebook post that went viral, receiving more than 7,800 shares. It resulted in a call from

the chain's brand manager during which Lisa and her husband, Rob, set the record straight, which led to the cups being pulled from circulation.

Midwest Dairy helped her prepare for the conversation with Chipotle, which in turn, led to the national checkoff hosting the same brand manager on a dairy farm visit.



IN THE WORDS OF A DIETITIAN

Chere Bork, registered dietitian and professional speaker from Minnesota, after having attended a Midwest Dairy ambassador training

"I learned a lot. I met wonderful people... the best part was sharing (Midwest Dairy's) practical solutions to help your 'champions' and your genuine love of helping us all."



WELCOME TO THE FARM!

The opening visual of the Online Farm Experience at *MidwestDairy.com* includes a birds-eye view.



PROVIDING THE POSITIVES OF DAIRY ONLINE

Midwest Dairy helps to build trust with consumers by ensuring a steady supply of positive stories about dairy are being shared online – where consumers are! Two new resources showing how milk is produced were added – the Online Farm Experience, a 10-stop video tour on *MidwestDairy.com* to bring the farm to life virtually, and the Discover Dairy curriculum, an interactive series of lessons for upper elementary and middle school students.

A Midwest Dairy Instagram account joined existing channels of Facebook, Twitter, Pinterest and YouTube, to provide dairy fans of all ages the opportunity to engage.

And lastly, a series of five online webinars addressing important consumer topics of concern were provided for retailers, manufacturers, university faculty, and health and wellness professionals to help them to better communicate about dairy with their clients and consumers.

PUTTING DAIRY IN THE SPOTLIGHT



Dairy farmer Joyce Racicky talks about dairy with kids visiting the Nebraska State Fair Midwest Dairy display.

Through state fairs across the region, Midwest Dairy builds trust in dairy and sales of dairy products, reminding those who attend how delicious and satisfying dairy can be, and how important dairy is to each state's culture.

Food concessions owned by dairy farmers and run by Midwest Dairy in Illinois, Iowa, Minnesota, Missouri, North Dakota and South Dakota provide fair-goers with a "Dairy Good" experience. The revenue is

re-invested in Midwest Dairy's programs on behalf of dairy farmers. Educational displays and events help tell dairy's story at those same fairs and the others in Midwest territory.

In addition, dairy farmers and youth participating in state fairs are provided with tools and training to ensure they are comfortable sharing information with people while showing or volunteering.

A STORY ABOUT WORKING TOGETHER

Livestock commodity groups share the same consumer audience and often the same challenges in communicating the farm-to-food story. That's why in South Dakota, those groups and Farm Bureau have joined forces as Ag United. Midwest Dairy provides funding to Ag United and, in turn, Ag United works closely with Midwest Dairy to provide information and perspective about dairy to the public.

Five dairy open houses are coordinated throughout the summer, and several "After Five" tours are held with city-dwelling moms. Communication also takes place through an Adopt-A-Classroom effort and outreach to dietetic students.



Greg Ode talks about feed during the 10th year of tours at Royalwood Dairy.

IN THE WORDS OF A DAIRY CHAMPION

"I found consumers understand the information they see on social media platforms is often skewed and by going to family-owned dairy farms, interacting with the cows and asking questions, they are able to form more accurate opinions and become better informed."



Tyler Marotz, 17, a participant in Midwest Dairy's ambassador efforts in Nebraska



INNOVATION CENTER FOR U.S. DAIRY
HEALTHY PEOPLE • HEALTHY PRODUCTS • HEALTHY PLANET



NATIONAL VISION
LOCAL RESULTS

Of the 15 cents per hundredweight dairy farm families invest in the checkoff, five cents is directed to the National Dairy Promotion and Research Board, with 10 cents managed by state and regional units of the checkoff, such as Midwest Dairy Association. Midwest Dairy participates in the Unified Plan for Dairy Promotion and Research, through which the national nickel and the local dime come back together.

The Unified Plan provides a road map for dairy's work, and the programs and tools developed nationally are used locally to reflect the needs of the region's dairy farmers. Likewise, Dairy Management Inc. (DMI), which leads promotion efforts at the national level, maintains important

relationships at its level, while Midwest Dairy mirrors those relationships at the state level. DMI also leads the U.S. Dairy Export Council.

National partnerships with McDonald's, Domino's, Taco Bell and Pizza Hut have grown domestic dairy sales, especially cheese. Fluid milk innovation through DMI has prompted processors to spend \$10 for every \$1 of dairy farmer investment.

Midwest Dairy also participates in the checkoff-led Innovation Center for U.S. Dairy, where members from all parts of the dairy industry collaborate on sustainability, food safety, animal care and consumer confidence.

MIDWEST DAIRY RESOURCES

To get involved with Midwest Dairy Association efforts, or to access resources, promotion tools and materials, call the Producer Service Center at 1-877-360-FARM (3276) or email psc@midwestdairy.com.

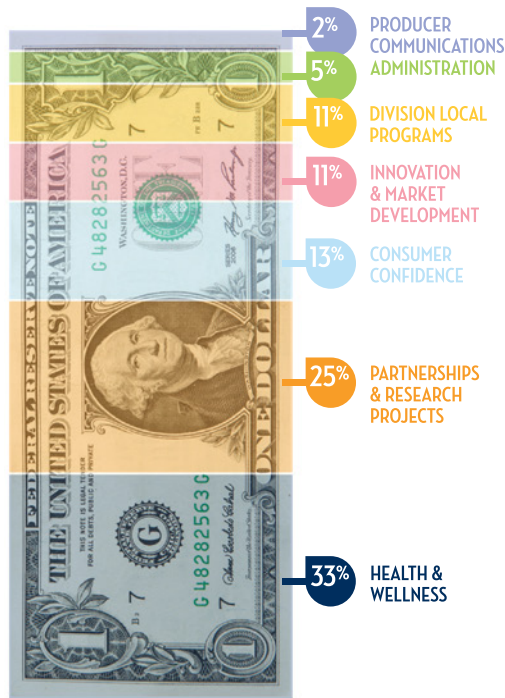
Questions can be directed to the Industry Relations Manager for your state, or call 1-800-642-3895.

Illinois	Marla Behrends	815-635-3333	mbehrends@midwestdairy.com
Iowa	Sue Ann Claudon	515-965-4626	saclaudon@midwestdairy.com
	Mitch Schulte	319-228-8503	mschulte@midwestdairy.com
Minnesota	Jenna Davis	763-355-9697	jdavis@midwestdairy.com
	Jodi Jetson	651-487-4756	jjetson@midwestdairy.com
	Shannon Seifert	507-766-6864	sseifert@midwestdairy.com
	Lucas Sjostrom	320-346-2216	lsjostrom@midwestdairy.com
Nebraska	Rod Johnson	402-261-5482	rjohnson@midwestdairy.com
North Dakota	Char Heer	701-782-4154	cheer@midwestdairy.com
Northern Missouri/Kansas	Ron Grusenmeyer	816-873-0351	rgrusenmeyer@midwestdairy.com
Ozarks	Stacy Dohle	417-267-5039	sdohle@midwestdairy.com
South Dakota	Roger Scheibe	605-692-1775	rscheibe@midwestdairy.com

2016 EXPENSES BY SPENDING CATEGORY

\$22.1 MILLION
TOTAL EXPENSES

WHERE YOUR CHECKOFF GOES



Innovation & Market Development (11%) 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, University of Missouri and the University of Nebraska-Lincoln.

Consumer Confidence (13%) Covers consumer and influencer confidence programs including influencer presentations and farm tours; traditional and social media; *MidwestDairy.com*; communications training; thought leader communications support; and issues/crisis management.

Health & Wellness (33%) 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; and producer annual meetings.

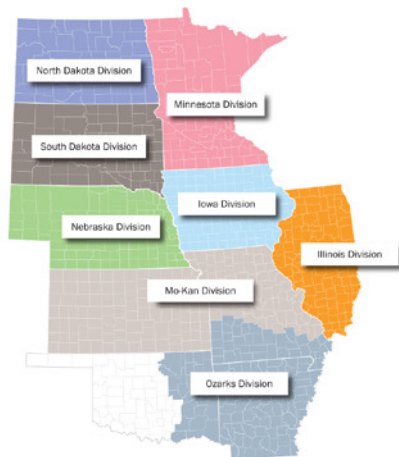
Administration (5%) Covers board expenses; audit; legal fees; and staff expenses of accounting, administrative and computer network staff.

2016 REVENUE BY DIVISION

\$22 MILLION
TOTAL EXPENSES

MINNESOTA	\$9.7	44%
IOWA	\$4.9	22%
SOUTH DAKOTA	\$2.5	11%
NEBRASKA	\$1.3	6%
MO-KAN DIVISION	\$1.0	5%
OZARKS	\$0.9	4%
ILLINOIS	\$0.9	4%
NORTH DAKOTA	\$0.3	2%
INTEREST & OTHER INCOME	\$0.5	2%

MIDWEST DAIRY IS FUNDED BY FARMERS



2016

DIVISION BOARD MEMBERS

BOLD Indicates Corporate Board Member ▼ Ex Officio ▲ Serves as Ex Officio Corporate Board

ILLINOIS DIVISION

Donald Berlage, Elizabeth
Doug Block, Pearl City
Mike Chwaszczinski, Ashley
William Deutsch, Sycamore
Ardath DeWall, Shannon
Kristi Dinderman, Orangeville
Frank Doll, Pocahontas
Linda Drendel, Hampshire
Amy Hildebrandt, South Beloit
David Jarden, Staunton
Kurt Johnson, Greenville
Kappy Koch, Tremont
Donald Mackinson, Pontiac
Glen Meier, Ridott
Brent Mueller, Garden Prairie
Richard Streutker, Downs

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Paul Bodensteiner, West Union
Pam Bolin, Clarksville
Bruce Brockshus, Ocheyedan
Doug Carroll, Ryan
Gerrit Davelaar, Inwood
Dan Dietzenbach, Fort Atkinson
Jeff Dresser, Keokuk
Alan Feuerhelm, Le Mars
Dale Hackman, Fort Atkinson
Robert Horst, Bristow
Dan Hotvedt, Decorah
Lee Maassen, Maurice
Jonna Schutte, Monona
Larry Shover, Delhi ▲
Al Steffens, Clermont
Jessica Tekippe-Schmitt,
Fort Atkinson ▼▲
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Leo Timms, Ph.D., ISU ▼
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Jim Dose, Lake City
Carolyn Freese, Lanesboro
Paul Fritsche, New Ulm
Dan Grunhovd, Gary
Ken Herbranson, Clitherall

Karen Kasper, Owatonna
Keith Knutson, Pine Island
Charles Krause, Buffalo
Barb Liebenstein, Dundas
Corrine Lieser, Belgrade
John Merdan, Avon
Ron Rinkel, Hillman
Peter Ripka, Ogilvie
Dave Schwartz, Slayton
Kathleen Skiba, North Branch
Kristine Spadgenske, Menahga
Christine Sukalski, Leroy
deb Vander Kooi, Worthington ▼▲
Suzanne Vold, Glenwood
Tom Walsh, DeGraff
Rita Young, Plainview

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Byron Lehman, Newton, Kan.
Orville Miller, Hutchinson, Kan.
Tom Oelrichs, Mora, Mo.
Steve Ohlde, Linn, Kan.
Alex Peterson, Trenton, Mo.
Robert Riegel, Washington, Mo.
David Rottinghaus, Seneca, Kan.
Larry Schmidt, Laredo, Mo.
Bill Siebenborn, Trenton, Mo.
Curtis Steenbock, Longford, Kan.
Steve Strickler, Iola, Kan.
Donna Telle, Uniontown, Mo.

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David Crook, Humboldt
Dean Engelman, Jansen
Deb Eschliman, Ericson
Jim Eschliman, Ericson ▼
Mike Guenther, Beemer
Rob Jackson, West Point Dairy ▼
Dwayne Junck, Carroll
Paul Kononoff, Ph.D., UNL ▼
Lowell Mueller, Hooper
Doug Nuttelman, Stromsburg
Joyce Racicky, Mason City
Dan Rice, Firth

Kevin Smith, AMPI ▼
Mary Temme, Wayne

NORTH DAKOTA DIVISION

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Kristy 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 ▼

OZARKS DIVISION

Ryan Anglin, Bentonville, Ark. ▲
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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Mike Frey, Claremont
Gary Jarding, Alexandria
Wayne Jarman, Wilmot
Secy. Mike Jaspers,
S.D. Dept. of Ag. ▼
Ron Krogstad, Baltic
Jody Kuper, Valley Queen ▼
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