



2017 **ANNUAL REPORT**

**AT THE
HEART OF
WHAT YOU
LOVE™**





UNDENIABLY DAIRY IS AT THE HEART OF WHAT YOU LOVE

Undenably Dairy is a multi-year campaign that unites the dairy industry to help reconnect consumers with dairy. It has been the centerpiece of the dairy community's consumer outreach and reminds consumers of all the reasons they love nutrient-rich dairy products, while showcasing the dairy community's commitment to animal care, their local communities and the environment.

“The campaign has clearly caught people’s attention, generating 3.2 billion impressions and reaching the average consumer 10 times.”

The campaign is built on four messaging pillars: **Dairy is Responsibly Produced, Locally Driven, Nutrient-Rich** and offers **Real Enjoyment**. In this report, find out how Midwest Dairy has brought the Undenably Dairy story to life. Telling your story, working with partners and engaging with consumers are at the heart of what we love to do.

The campaign has clearly caught people's attention, generating 3.2 billion impressions and reaching the average consumer 10 times. Since its launch, more than 170 organizations have participated in Undenably Dairy. Please help us keep the momentum going by joining the #UndenablyDairy conversation.

#UndenablyDairy



Midwest Dairy Leaders Share Excitement for Undenably Dairy

“ The Undenably Dairy campaign is bigger and better than other campaigns in the past. The name says it all: There's no room for anything but dairy! What makes Undenably Dairy stand out is that it provides clear direction and reinforces that we're all 100% behind dairy. ”

Ryan Anglin, Triple A Farms
Bentonville, Ark., Ozarks Division Board

“ I like the flexibility of Undenably Dairy because anyone can be a part of it. It doesn't matter if you're a dairy farmer telling your story to the consumer or if you are a business promoting dairy products, Undenably Dairy lends itself to a multitude of ideas. ”

Lynda Foster, Foster Dairy
Fort Scott, Kan., Mo-Kan Division Board

“ Sharing the Undeniably Dairy story in social media has an undeniably positive impact. One quick tweet can make thousands of good dairy impressions on people. And, a great cow picture is always loved. ”

Alex Peterson, Peterson Dairy
Trenton, Mo., Mo-Kan Division Board

“ The Undeniably Dairy campaign gave our family great context for hosting key McDonald's employees on our farm. They were interested in seeing our new rotary parlor and all we do to make our cows comfortable, along with our commitment to delivering a quality product their customers enjoy. ”

Amy Hildebrandt, Hildebrandt Farms
South Beloit, Ill., Illinois Division Board



PROUD TO SEE DAIRY FARMER ENGAGEMENT FUELING UNDENIABLY DAIRY CAMPAIGN

In my first year as your Midwest Dairy chairman, I experienced an exciting whirlwind of activity. 2017 gave me a unique perspective to learn how the responsibilities of my position correlate to the function of checkoff. My greatest takeaway: Midwest Dairy's many moving parts and overall vision are a formula for success.

When the Undeniably Dairy campaign became a reality, it was rewarding to see involvement from across the industry. It was also exciting to witness how effective the campaign was — and continues to be — in reaching consumers. The results of Undeniably Dairy are both relevant to, and supportive of, dairy farmers' own interests.

In this report, you will see examples of how Midwest Dairy brought the Undeniably Dairy story to life in our region. I hope these stories will reaffirm the value of dairy farmers' investment in our staff's work.

This work has positioned us to implement Midwest Dairy's new strategic plan, which was developed from dairy farmer insights and aims to bring consumers an excellent dairy experience. No doubt, 2018 and beyond will bring continued success in dairy checkoff.



Allen Merrill,
Midwest Dairy
Chairman

“It was exciting to witness how effective the campaign was in reaching consumers.”



DELIVERING ON YOUR INVESTMENT

This past year, I've had the opportunity to talk with many dairy farmers and have been constantly reminded that while the dairy industry is experiencing challenges, dairy farmers enjoy tremendous pride in their work.

I'm also appreciative of my own family dairy farm background and the values my parents taught me about the benefits of family and hard work. That is why I'm mindful of how the dairy checkoff can consistently deliver on your investment.

In 2017, one of the most compelling checkoff initiatives was the launch of Undeniably Dairy. This campaign is a call to action for the dairy community to be loud and proud about what dairy contributes to people's lives. It's the perfect opportunity to showcase how dairy foods are "at the heart of what we love."

The campaign played out in our region and nationally in many ways: online, in the media, at local events and through partnerships. The entire value chain has been engaged and has shared the campaign's messages.

Undeniably Dairy laid a foundation for the strategic planning process we completed in 2017 to ensure our programs serve Midwest dairy farm families.

With input from staff, dairy farmer leaders and partners, we have shifted to a consumer-focused strategy and to a new way of listening to meet their needs.

We are excited to put our new vision:

Bring Dairy To Life! and our new mission: **Give Consumers An Excellent Dairy Experience!** into action. We are confident this new focus will bring even more value to dairy farmers throughout the region.



Lucas Lentsch,
Midwest Dairy
CEO

CREATING LIFELONG DAIRY CONSUMERS

The earlier healthy habits form, the more likely they are to be sustained in adulthood. Through dairy farmers' support of the Fuel Up to Play 60 program, Midwest Dairy works closely with schools across our region to empower students to eat nutritious foods and to be more active.

BREAKFAST FUELS STUDENTS' PERFORMANCE IN SCHOOLS

Access to the School Breakfast Program, which requires milk to be served, plays a critical role in helping students perform their best throughout the school day.

Using funds from a Midwest Dairy Fuel Up to Play 60 School Nutrition Equipment Grant, Olathe North High School in Olathe, Kansas, implemented a Second Chance Breakfast program to increase breakfast participation.

By making a second breakfast available later in the morning, they increased the average number of students eating school breakfast from 179 to 425 students daily. An Olathe North student spoke to the

program's benefits, "I no longer get hungry before lunch. This second breakfast opportunity has given me the ability to stay more focused in class."



Cindy Jones,
Business Management
Coordinator,
Olathe Public Schools
Food Services

"Since receiving the breakfast grant from Midwest Dairy, teachers say students are more alert and focused after fueling up with healthy options, including milk. We are excited to expand the program into all middle and high schools in our district in 2018."

— Cindy Jones



“My experience has helped me, my family and friends make healthy choices and be active everyday.”

— State Student Ambassador Dustin, participating in a milk toast with his father, Charles; Midwest Dairy registered dietitian, Whitney Blindert; and South Dakota Governor and First Lady Daugaard.

GOVERNOR RECOGNIZES FUEL UP TO PLAY SUPPORT AND SUCCESS

South Dakota dairy farmers were recognized by Governor and First Lady Daugaard in a special video message for their support of the successful Fuel Up to Play 60 program. This video message was shared with all 378 schools in South Dakota enrolled in Fuel Up to Play 60, reaching more than 125,000 students.

The video features Fuel Up to Play 60 State Student Ambassador Dustin who embodies the leadership characteristics which Fuel Up to Play 60 uniquely helps shape.

In the video, Dustin asks the Governor and First Lady how they fuel up and stay active. Many schools shared the video on their social media channels — including the two largest districts, Sioux Falls and Rapid City — which significantly extended the reach.



“I want to thank the local dairy farmers who have supported the Fuel Up to Play 60 program. Nutrition and exercise are important, and this program is helping kids adopt those good habits while they are young.”

— South Dakota Governor
Dennis Daugaard

FUELING DAIRY SALES

Increasing trust and sales in dairy are key goals of Midwest Dairy. Through ongoing collaboration with thought leaders, researchers and other partners, Midwest Dairy shares a variety of resources and expertise to fuel growth in trust and sales, through product innovation and by partnering to encourage them to be advocates for enjoying the undeniable goodness of dairy foods every day.

SHARING RESEARCH ON IMPROVING PRODUCT QUALITY

Because dairy product and ingredient quality are of critical importance to the industry, Midwest Dairy has funded numerous research studies on methods to prevent or eliminate biofilm bacteria from forming on manufacturing surfaces in the food and beverage industry.

The reduction of biofilms in a manufacturing or on-farm environment minimizes the potential for contamination or spoilage throughout the value chain and maximizes the quality of dairy ingredients.

This research was presented at the annual Midwest Dairy Research Forum, co-sponsored by Midwest Dairy and the National Dairy Council, and held in conjunction with the annual meeting of the North Central Cheese Industries Association. By addressing the attendees at this combined meeting, Midwest Dairy shared the research findings with a broader group of industry

leaders looking to improve processes for producing safe, high quality food.



Lloyd Metzger,
Ph.D., Executive
Director, NCCIA

“The NCCIA meeting and Research Forum provide a format to share scientific knowledge and innovative solutions to advance the dairy industry. The meeting provides an opportunity to learn about innovation, market trends, and scientific and technical knowledge.”

— Lloyd Metzger



BEL BRANDS EMBRACES DAIRY SUSTAINABILITY STORY

Connecting with leaders at the highest levels of an organization can pay big dividends. Midwest Dairy proved this when they connected with Bel Brands' corporate social responsibility team to develop their sustainability agenda for the organization's U.S.-based business.

Throughout the year, we organized educational sessions, including a dairy farm tour for members of the sustainability committee. What's most exciting is that their corporate social responsibility team is now more aware of dairy farmers' commitment to sustainability.

Given their extensive social media presence under The Laughing Cow, Mini Babybel and Boursin brands, the potential to share these messages with consumers is significant.



Francis Perrin,
Chief Marketing
Officer,
Bel Brands USA

“Sustainability has always been core to our business, but this year having the opportunity to visit a dairy farm and meet farm families allowed us to better appreciate their hard work and commitment and fueled our teams to continue to provide the best dairy goodness to our consumers.”

— Francis Perrin

BUILDING DAIRY CHAMPIONS

To tell the Undeniably Dairy story with one voice, and to ensure consumers were listening, we worked with dairy farmers and other valued groups in the industry to equip them with the training, resources and tools they need to be dairy advocates.

“We look forward to this event each year to tell our dairy farm story. This year’s addition of the Undeniably Dairy theme built excitement and encouraged visitors to share information about their visit.”

— Brooke Engelman

SHARING OUR DAIRY FARM STORY

There is no better story teller to share the dairy farm story with consumers than dairy farmers themselves. For the eighth year, Engelman’s Classic Dairy was involved in the Moo at the Zoo event, a tradition with Omaha’s Henry Doorly Zoo.

The dairy farm family displayed six breeds of dairy cows, bringing their farm to 23,000 zoo visitors at the two-day event. Sixteen dairy farm families and more than 100 volunteers talked to zoo visitors and joined in the activities.

In collaboration with Dairy Management Inc., Undeniably Dairy was featured at the event, including a photo booth that encouraged visitors to share their experience on social media. Nebraska’s Lt. Governor, Mike Foley, led a milk toast, shared a June Dairy Month proclamation and presented a check to Omaha’s Food Bank of the Heartland.



Brooke Engelman,
Nebraska dairy
farmer,
Classic Dairy, Inc.



“Kudos to Midwest Dairy for thinking of an activity that resonates with families. Snapping a photo was a great step in engaging consumers in conversations about dairy and agriculture.”

—Lindsey Foss,
Public Relations Manager,
Iowa Food and Family
Project

USING TECHNOLOGY TO ENGAGE CONSUMERS

State fair season offers a chance to reach consumers like no other time of year. New for 2017, Midwest Dairy hosted an Undeniably Dairy-themed photo booth at the Iowa State Fair. Our goal was to collect consumer email addresses for ongoing outreach. The photo booth offered fair goers a photo to remember their fair experience.

Jointly, the Iowa Food and Family Project and the Minnesota State Fair photo booths collected 3,200 email addresses of individuals who opted-in to receive ongoing communication from

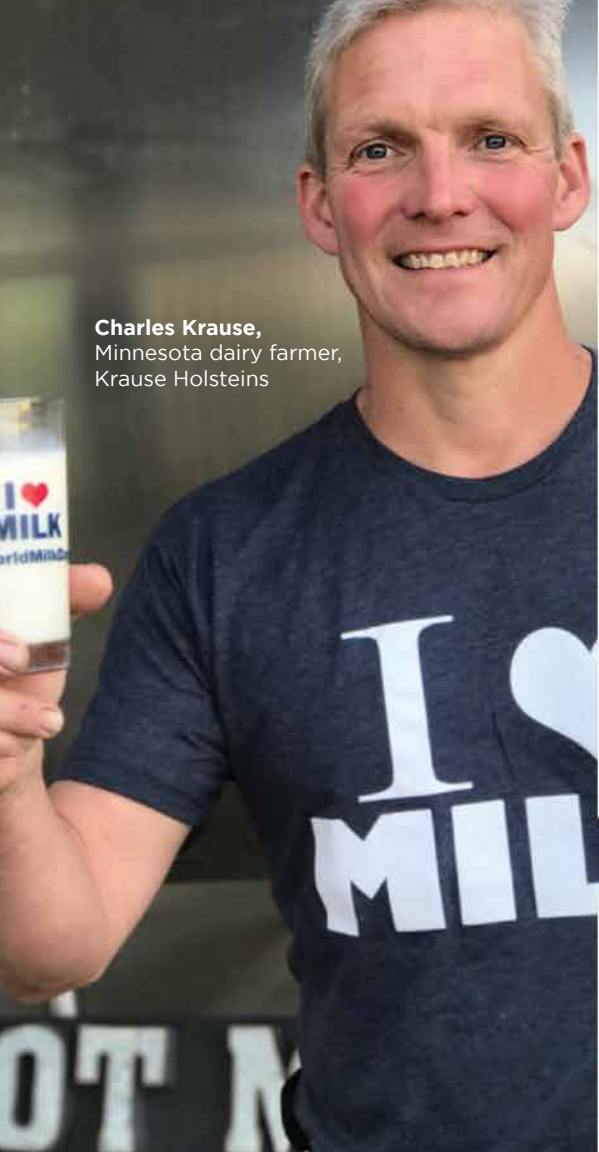
Midwest Dairy about dairy nutrition, farmer stories and recipes.



Uniting the Dairy Industry Through Training

Midwest Dairy works within our region to provide training and resources for staff, dairy farmers, dairy student leaders and industry partners. In 2017, we conducted more than 20 trainings, reaching more than 900 individuals.

From farmer values messaging to social media best practices, crisis preparedness and response strategies, our efforts shaped a skilled group of Dairy Champions who can loudly and proudly remind consumers of the many reasons why they love dairy.



Charles Krause,
Minnesota dairy farmer,
Krause Holsteins

CONNECTING CONSUMERS TO THE FARM

Video sharing through social media is a highly effective platform for connecting consumers to dairy farmers.

To launch Undeniably Dairy, and in celebration of World Milk Day and the start of June Dairy Month, Midwest Dairy went live on Facebook at 6 a.m. with Minnesota Division and Corporate Board member, Charles Krause. Krause took time to toast the people who enjoy dairy products and give a tour of his farm.

Many tuned in to watch the video live, and thousands have watched the video since. To date, it has garnered more than 24,000 views and reached more than 42,000 people. Midwest Dairy continues to use Facebook LIVE to increase consumer confidence in dairy. This provides

another level of authenticity to the information that is being shared.



“The Facebook LIVE event was easy. I was able to talk about and show several different aspects of the farm. Just from mentioning my farm’s Facebook account, we picked up 100 new followers that week.”

– Charles Krause



DAIRY IN THE NATIONAL SPOTLIGHT

Your dairy checkoff investment pays big dividends with national partnerships that drive dairy sales both locally and throughout the country.

Butter Is Best

McDonald's switch from margarine to butter in its 14,000+ stores resulted in an additional use of 40 million lbs. of butter, which translates to 700 million lbs. of milk equivalent. This change was made possible by checkoff's research and health professional partnerships, which created a more positive atmosphere for dairy fat. The decision to use butter contributed to an 8% increase in McDonald's sales in 2016 and led the way for other chains to follow, including Burger King and Bob Evans.

More Pizza Please

Dairy checkoff's partnership with Domino's is



driving dairy sales and helping connect consumers to a food they love. Since the partnership with Domino's started in 2008, the chain has increased overall cheese usage by more than 58%, an average growth rate of almost 7% per year.

Domino's Smart Slice pizza is now in more than 7,500 schools and has made its way to colleges and professional sports teams. The chain also has introduced new methods to order pizza, including texting, tweeting and smart TV. They were a significant partner in telling the Undeniably Dairy story by adding the campaign logo to their more than 7 million pizza boxes seen each week.

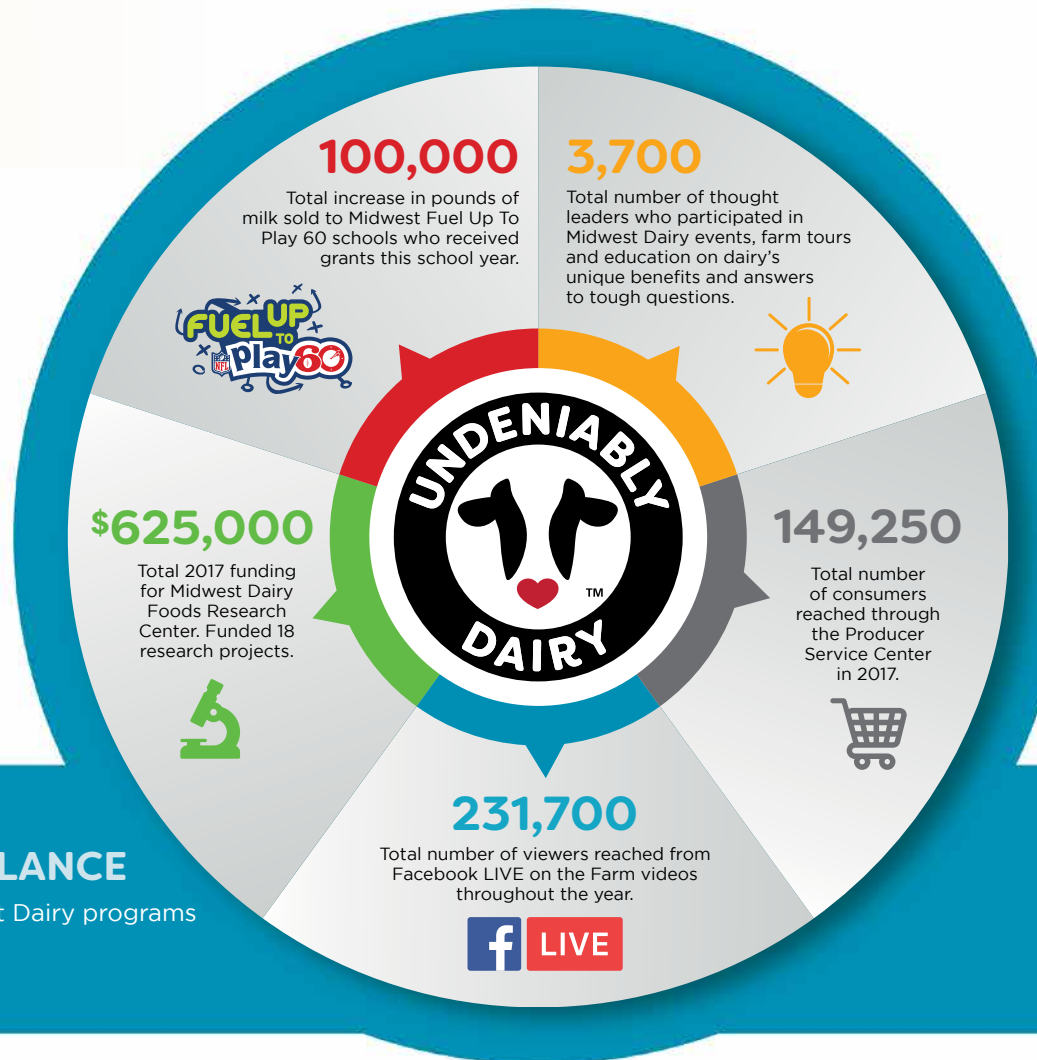


MIDWEST DAIRY IS FUNDED BY FARMERS

2017 REVENUE BY DIVISION

\$22.7 Million Total Revenue

MINNESOTA	\$10.1 M	44%
IOWA	\$5.1 M	23%
SOUTH DAKOTA	\$2.6 M	11%
NEBRASKA	\$1.4 M	6%
MO-KAN	\$1.0 M	4%
OZARKS	\$0.8 M	4%
ILLINOIS	\$0.8 M	4%
NORTH DAKOTA	\$0.3 M	1%
INTEREST AND OTHER INCOME	\$0.6 M	3%



CHECKOFF IMPACT AT A GLANCE

Here's a snapshot of the impact of Midwest Dairy programs during 2017.

2017 Expenses by Spending Category

Total Expenses: **\$21.8 Million**

Where Your Checkoff Goes

Innovation and 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, 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 (32%)

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 (12%)

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

Partnerships and Research Projects (26%)

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, other publications and producer annual meetings.

Administration (5%)

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

MIDWEST DAIRY RESOURCES

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

You can also access resources online at **MidwestDairy.com** in the For Farmers tab.

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

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**Bold
Indicates
Corporate
Board Member**

▲ **Ex Officio**

▼ **Serves as
Ex Officio
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