



**2018
ANNUAL
REPORT**



A NEW STRATEGIC PLAN

BRINGING DAIRY



I'm excited about how our new vision, Bringing Dairy to Life, has fueled success this past year. Our focus on putting consumers first and concentrating on what they value has continued to convince me about how your checkoff is helping fuel dairy demand and consumer trust.

I know the past year has been challenging. Many of you are developing creative approaches to keep your operations sustainable. With this backdrop, checkoff staff has been mindful about collaborating nationally and regionally to build market access and maximize your investment in the following ways.

- Building demand by sharing our category expertise with retailers to maximize their dairy sales by offering products that meet consumers' needs.
- Increasing consumer confidence by inviting influencers and dairy farmers to sit around a table, learn about each other, enjoy a delicious meal and reaffirm their love of dairy foods.
- Enhancing our school foodservice relationships by helping our partners think more broadly about the many opportunities throughout the day to offer nutritious dairy products to their students.
- Providing leadership opportunities to young dairy leaders to shape them into dairy champions today and into the future.
- Investing in research and providing timely insights to help partners solve industry challenges and develop innovative products that meet consumer needs.

I'm proud of how our focus to bring dairy to life is bringing value to you, your farm and your community.

Lucas Lentsch
Chief Executive Officer, Midwest Dairy

to Life



In 2018, Midwest Dairy launched a new consumer-focused strategic plan under the guidance of dairy farmer leaders. As your chair, it has been rewarding to see how the plan was implemented across the region, and as a result, how your checkoff investment helped increase consumer trust, build dairy demand and grow dairy sales.

In the following pages, you'll find examples of how Midwest Dairy's work to bring dairy to life within four areas of the strategic plan—Giving Consumers an Excellent Dairy Experience, Driving Dairy Demand, Building Tomorrow's Dairy Leaders and Fueling Innovation to Meet Consumer Demand—delivered wins for the industry. You'll also find examples of national checkoff successes that showcase how your investment is helping move the industry forward.

I want to thank each of you for helping bring our strategic plan to life locally by sharing your story. While I recognize it was a difficult year for dairy farmers, there were many signs of progress, many of which are outlined in this report. As we embark on the second year of the plan in 2019, it is my belief we'll see continued progress from a staff who remains committed to doing their best to maximize your checkoff investment.

Allen Merrill
Chairman, Midwest Dairy



GIVING



CONSUMERS AN EXCELLENT DAIRY EXPERIENCE

To win the hearts of consumers, and ultimately build demand for dairy products, it's critical to listen to their needs, connect on shared values and to provide exciting dairy experiences. From Super Bowl LII to state fairs to farm-to-table events across the region, Midwest Dairy fulfilled its mission to Give Consumers an Excellent Dairy Experience by engaging in meaningful, transparent conversations with individuals and groups who both make and influence food-purchasing decisions.



GIVING CONSUMERS AN

REGIONAL SUCCESSES



Super Bowl LII

The Super Bowl Experience, a week-long event leading up to the big game in Minneapolis, set a unique stage for more than 60 Minnesota dairy farmers to talk with thousands of event attendees from across the country about dairy farming, the milk-to-store journey and the importance of the Fuel Up to Play 60 program.

State Fairs

New partnerships, learning opportunities, flavors and foods were central to Midwest Dairy's outreach to state fair goers across the region. For example, together with Iowa beef, pork, corn, egg, soybean and turkey farmers, Midwest Dairy co-sponsored a gathering for more than 400 guests at a Farm to Fair dinner held on the Iowa State Fair grounds. Guests sat alongside dairy farmers, engaged in conversation and shared a meal featuring locally produced foods.

At the Nebraska State Fair, Midwest Dairy teamed up with Nebraska Pork Producers Association and a local chef to offer cooking classes to fair-goers. Participants prepared new recipes featuring dairy and pork, including gourmet mac and cheese with ham and bacon, and pork tacos loaded with cheese and sour cream.



Farm-to-Table Events

Partnering food influencers and dairy farmers at farm-to-table events created a cascade of valuable interactions with consumers.

EXCELLENT DAIRY EXPERIENCE

At a Bringing Dairy to Life dinner in Kansas City, 26 influential guests including food writers, bloggers and chefs shared stories with local dairy farmers and enjoyed a dairy-centric meal. Influencers highlighted their positive experiences on social media, extending the reach of the event by nearly 163,000 impressions.



Chef Lauren Lane, who attended the event, went on to host a farmer and other food influencers at a dinner in her own home, further amplifying dairy

farmer stories. Dinner guest and registered dietitian, Shanna Hutcheson, who connects with more than 20,000 followers on Instagram on the topic of intuitive eating, blogged about her takeaways from the experience and how she fits dairy into her diet.

“The opportunity to visit these dairy farmers and share that backstory with my followers has helped us ALL connect with our food more fully. The passion for their cows, land and our community is truly inspiring.”

Lauren Lane, chef and food influencer

NATIONAL SUCCESSES

The Undeniably Dairy campaign, launched by the Innovation Center for U.S. Dairy and now in its second year, continues to unite the industry to grow consumer trust in dairy. Through interactions in person and online, Midwest Dairy, along with more than 300 dairy companies and organizations, engaged in the campaign by sharing content featuring farmers. The outreach has proven to evoke a strong and positive emotional response from consumers. Not only do consumers feel a deeper connection to where their food comes from, but research shows when people have engaged with Undeniably Dairy content their intent to purchase dairy alternatives decreases.



DRIVING



DAIRY DEMAND

Deepening relationships with retailers, schools and industry partners is key to building demand for dairy products. By sharing research with retailers to help them optimize their dairy case, working with key school districts to increase meal participation and convening industry partners to explore demand opportunities, Midwest Dairy generated momentum to grow dairy sales.



REGIONAL SUCCESSES

Retail

This year, Midwest Dairy began to position itself as a dairy category advisor to retailers across the region. Specifically, efforts focused on providing expertise and research to help retailers rebalance their product offering and enhance their shopper marketing outreach, in turn giving their customers a better dairy experience and increasing the potential for dairy sales. Through this process, Midwest Dairy has established credibility and earned trust among multiple influential partners in the dairy supply chain, setting the stage for continued collaboration and future sales growth.

School Foodservice



Midwest Dairy provided support to the Webb City School District in Missouri to introduce breakfast programs which would give students greater access to a nutritious morning meal including dairy. Within the school year, three schools in the district launched Grab N' Go Breakfast and Breakfast in the Classroom programs, which resulted in an increase in school meal participation and more than 75,000 incremental pounds of milk sold.

“Since we implemented our new breakfast programs, we’ve seen meal participation numbers skyrocket. This means more students are getting the nutrition they need to start their school day.”

Dina Winningham,
Webb City School District Foodservice Director

DEMAND

Dairy Experience Forum

The inaugural Dairy Experience Forum, sponsored by Midwest Dairy, explored the critical connection between engaging with consumers to build dairy demand. The event's live consumer focus group highlighted the need for the dairy industry to shift its mindset in how to better meet the needs of today's consumers with the goal of giving them a better dairy experience and driving overall demand.



Podcast Launch

On the heels of the forum, Midwest Dairy launched the podcast series, *Dairy on the Air*. Hosted by Midwest Dairy CEO Lucas Lentsch, *Dairy on the Air* features ongoing conversations about trends impacting the dairy industry. Guests this year included dairy farmer leaders and industry experts and partners such as U.S. Dairy Export Council (USDEC) President Tom Vilsack and food influencer Lauren Lane.

NATIONAL SUCCESSES

When it comes to building demand, there's considerable promise in exports. Dairy farmer funding has contributed to USDEC's success, despite elevated trade barriers this year. In 2018, dairy exports totaled \$5.6 billion, 2 percent more than 2017, while overall volume was equivalent to nearly 16 percent of U.S. milk solids, which is a record high.

BUILDING



TOMORROW'S DAIRY LEADERS

Identifying and developing dairy leaders is critical to the dairy industry's long-term success. Midwest Dairy works with college-age students to hone their leadership and communications skills as they share dairy's story. Not only does this build stronger dairy champions, but it creates more opportunities to populate the future workforce with well-versed dairy advocates.



BUILDING TOMORROW'S

REGIONAL SUCCESSES

Dairy Ambassadors

In 2018, Midwest Dairy expanded its successful Dairy Ambassador program, selecting 32 college students to enhance their leadership skills and become even stronger champions for dairy. The program, which began in Nebraska three years ago, now extends across seven states which also include Illinois, Iowa, Kansas, Minnesota, Missouri and South Dakota.

This year, ambassadors participated in a variety of training sessions hosted by Midwest Dairy, as well as a wide variety of state and local events at which they shared dairy-related stories and connected personally with more than 43,000 people.

"I enjoyed being a part of the Dairy Ambassador program because it provided me the opportunity to interact and share my dairy story with consumers at a variety of events throughout the year."

Kayla Leiding, University of Minnesota

Through this program, college students are taking an active role as leaders in the dairy community while deepening their knowledge of the dairy



DAIRY LEADERS

community. These young leaders will continue to have a positive impact on the dairy industry for years to come.

Princess Programs

This year, dairy princesses continued to be strong advocates for the industry. These young dairy leaders from Iowa, Minnesota, Nebraska and South Dakota served as official goodwill ambassadors for the dairy farm families in their states and brought dairy to life, sharing their dairy farm stories through conversations, classroom visits and various speaking engagements.

NATIONAL SUCCESSES

Earlier in the year, more than 70 people participated in an industry food safety crisis drill held in Arlington, Texas. They joined attendees from across the dairy industry—including farmers, co-ops, processors, state government officials, retail brands and the FBI—to put their crisis preparedness skills to work by attending workshops and working through challenges related to a food safety scenario.

The conference offered several breakout sessions on topics that included on-farm crisis preparedness, the Food Safety Modernization Act, media interaction during a crisis and social media crisis response. Participants left with action steps to advance their organizations' crisis preparedness efforts.



FUELING



INNOVATION TO MEET CONSUMER DEMAND

Translating consumer insights into the development of innovative dairy products is key to staying relevant with consumers and differentiating dairy from competing foods and beverages. The work of the Midwest Dairy Foods Research Center, coupled with Midwest Dairy's outreach to partners, helped fuel innovation to meet consumers' demand for dairy foods.



FUELING INNOVATION TO

REGIONAL SUCCESSES

Midwest Dairy Foods Research Center

The Midwest Dairy Foods Research Center (MDFRC) translated consumer insights into solving industry challenges through product innovation and process improvement. To best determine how to use dairy farmer's investment, the MDFRC meets regularly with farmers, industry representatives and researchers to assess dairy farmer needs and industry trends and determine which needs are most pressing.

For example, to address relevant consumer snacking trends, MDFRC researchers focused on the development of snacks which can be enjoyed at any time of day or occasion. MDFRC's University of Minnesota team, in partnership with U.S. Dairy Export Council, showcased a prototype for a whey protein-based lemon ginger popsicle, to be enjoyed as either a post-workout snack or an indulgent treat, at the international 2018 Institute of Food Technology conference.



“As a student researcher, MDFRC provided an extensive background in dairy research, unlocked opportunities to learn new skills and helped me build a strong network of dairy professionals, all of which helped me secure my research position at Midwest Dairy.”

Vaishu Sankarlal, Midwest Dairy Scientific Research Manager and former Iowa State University MDFRC team member.

MEET CONSUMER DEMAND

With teams comprised of faculty leaders and graduate students at six universities in the Midwest, the MDFRC also plays a valuable role in developing students' leadership and research skills. By filling the industry's professional pipeline with experienced talent, the MDFRC plays an important role in securing a future workforce.

Sharing Consumer Insights

By sharing consumer insights research, Midwest Dairy helps its partners better meet consumers' needs while driving demand for dairy. When Minnesota-based retailer, Coborn's, requested research on grocery shopping preferences and trends among Somalis, a large and growing population in St. Cloud, Minnesota, and the surrounding area, Midwest Dairy delivered valuable insights which indicated East Africans value health and nutrition, appreciate new flavors and include dairy in their snacking. Helping Coborn's better understand how they can improve the dairy experience for every shopper who visits their stores can grow dairy sales.

NATIONAL SUCCESSES



National checkoff partnerships continue to help build demand for dairy and grow dairy sales. In 10 years of partnership with McDonald's, their dairy use has grown by 1.2 billion pounds.

McDonald's recent decision to upgrade to a 30 percent larger white cheddar slice for use on their premium sandwiches was made in collaboration with DMI staff.

The "Put More Cheese in More Places" partnership plan with Pizza Hut has resulted in a 25 percent increase in the amount of cheese on pan pizzas, requiring an additional 150 million pounds of milk yearly. Also, U.S. cheese use at Pizza Hut Asia-Pacific has increased by 29 percent.

2018 EXPENSES BY

\$22.7 MILLION TOTAL EXPENSES

Where Your Checkoff Goes

Partnership & Research Projects (27%) – Covers funding of nutrition research on milkfat and dairy protein, product research on cheese and whey through Dairy Management Inc., cheese, milk and food security initiatives with national partners through Dairy Management Inc., and global demand opportunities through the U. S. Dairy Export Council.

Dairy Experience (46%) – Covers work done in business units and work led by the strategy group.

Demand Development (7%) – This work is focused on increasing dairy sales in retail.

Marketing Communications (12%) – Covers consumer and influencer confidence programs including influencer presentations and farm tours; traditional and social media and thought leader communication support.

Wellness-Youth (14%) – Covers projects to build dairy sales in schools and Fuel Up to Play 60 activities.

Wellness-Nutrition Affairs (6%) – Includes relationship building and communications with key thought leaders and health professionals on nutrition and health topics.

Farmer Activation (7%) – Includes efforts to engage farmers with consumers through the Producer Service Center, princess programs and farm tours.

Research & Innovation (6%) – Covers process innovation and growth through support for export, processor and manufacturer collaboration, market development research; and retail consultation. Support for dairy product and economics 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.

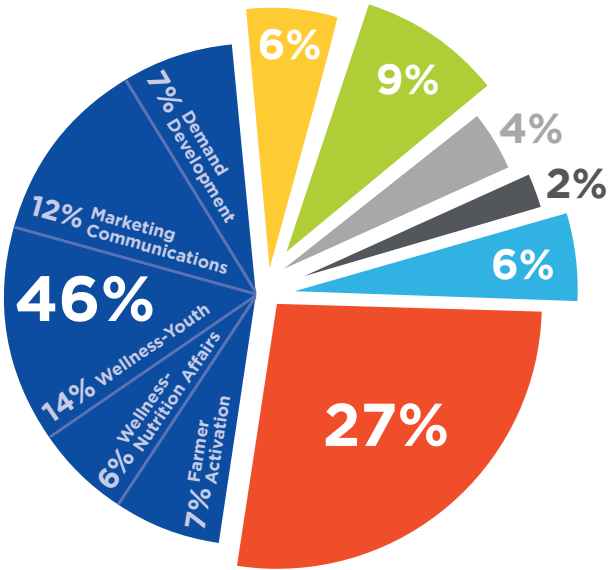
Agricultural Affairs (9%) – Covers consumer-targeted efforts by farmers, scholarships, state agriculture coalition programs, the Dairy Ambassador program, leadership development and sustainability efforts.

SPENDING CATEGORY

Corporate Communications (4%) – Covers overall reputation management for organization; producer communications, including various newsletters and reports targeted at dairy farmers to raise awareness about checkoff value; MidwestDairy.com; social media amplification; communications training; and issues/crisis management.

Farmer Communications (2%) – Covers cost of the Dairy Promotion Update newsletter and other publications; and producer annual meetings.

Administration (6%) – Covers board expenses; audit; legal fees; and staff expenses of accounting, administrative and computer network staff.



Midwest Dairy is Funded by Farmers

2018 REVENUE BY DIVISION

Minnesota	\$9.9	(43%)
Iowa	\$5.1	(23%)
South Dakota	\$2.6	(12%)
Nebraska	\$1.3	(6%)
Mo-Kan	\$0.9	(4%)
Illinois	\$0.9	(4%)
Ozarks	\$0.8	(3%)
North Dakota	\$0.4	(2%)
Interest & Other Income	\$0.7	(3%)

2018 DIVISION BOARD MEMBERS

Illinois Division:

Doug Block, *Pearl City*
Mike Chwaszczinski, *Ashley*

William Deutsch, Sycamore

Ardath DeWall, *Shannon*
Kristi Dinderman, *Orangeville*
Frank Doll, *Pocahontas*
Kevin Geiger, *Port Byron*

Amy Hildebrandt,
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David Jarden, Staunton

Kurt Johnson, *Greenville*
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Doug Carroll, *Ryan*
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Robert Horst, Bristow

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Lee Maassen, Maurice

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Matt Schelling, *Orange City*
Jonna Schutte, *Monona*

Larry Shover, Delhi

Jessica Tekippe-Schmitt Fort Atkinson
Ex Officio and Ex Officio Corporate Board

Leo Timms Ph.D.,
Iowa State University
Ex Officio

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Debi Clasemann, Long Prairie

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Dan Grunhovd, Gary

Ken Herbranson, Clitherall

Margaret Johnson, *Fountain*

Karen Kasper, Owatonna

Keith Knutson, *Pine Island*

Charles Krause, Buffalo

Sarah Kuechle, *Eden Valley*

Barb Liebenstein, Dundas

Corrine Lieser, *Belgrade*

Doug Popp, *Royalton*

Jane Remiger, *Wood Lake*

Peter Ripka, Ogilvie

Dave Schwartz, Slayton

Kathleen Skiba, North Branch

Kristine Spadgenske, Menahga

Christine Sukalski, Leroy

deb Vander Kooi, Worthington

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Fort Scott, Kan.

Chris Heins, Higginsville, Mo.

Byron Lehman, Newton, Kan.

Orville Miller, Hutchinson, Kan.
Ex Officio Corporate Board

Tom Oelrichs, *Mora, Mo.*

Steve Ohlde, *Linn, Kan.*

Names in bold serve on Corporate Board

Alex Peterson, *Trenton, Mo.*
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David Rottinghaus,
Seneca, Kan.

Bill Siebenborn, *Trenton, Mo.*

Curtis Steenbock,
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Steve Strickler, *Iola, Kan.*

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Kim Clark, *UNL*
Ex Officio

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Jim Eschliman, *Ericson*
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Ex Officio

Dwaine Junck, *Carroll*

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Joyce Racicky, *Mason City*

Marshall Reece, *AMPI*
Ex Officio

Mary Temme, Wayne

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Ex Officio

Scott Boll, *Cass Clay Creamery*
Ex Officio

Terry Entzminger, *Jamestown*

Doug Hanson, *Dean Foods*
Ex Officio

Janal Hoff, *Richardton*

Kenton Holle, Mandan

Heidi John, *New Salem*

Sue Kleingartner, *Gackle*

Lilah Krebs, *Gladstone*

Nathan Kroh, *ND Dept. of Ag*
Ex Officio

Dale Kuhn, *Towner*

Jerry Messer, Richardton
Ex Officio Corporate Board

Rita Mosset, Linton

Ozarks Division:

Ryan Anglin, Bentonville, Ark.
Ex Officio Corporate Board

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Marilyn Calvin, *Mt Vernon, Mo.*

Charles Coblentz,
Chouteau, Ok.

Earl Dotson, *Marionville, Mo.*

Mark Fellwock, *Monett, Mo.*

Brittany Groves, *Billings, Mo.*

Lloyd Gunter, Conway, Mo.

Randy Mooney, *Rogersville, Mo.*

Gene Morrison, *West Plains, Mo.*

Nathan Roth,
Mountain Grove, Mo.

John Samek, *Bolivar, Mo.*

South Dakota Division:

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Mike Frey, *Claremont*

Gary Jarding, *Alexandria*

Wayne Jarman, *Wilmot*

Ron Krogstad, *Baltic*

Jody Kuper, *Valley Queen*
Ex Officio

Kim Maher, *Agropur*
Ex Officio

Allen Merrill, Parker

Vikram Mistry, Ph.D., *SDSU*
Ex Officio

James Neugebauer, Dimock

Doug Ode, *Brandon*

Interim Secy.
Dustin Oedekoven,
S.D. Dept. of Ag
Ex Officio

Marv Post, *Volga*

Annelies Seffrood, Summit

Daniel Thyen, *Waverly*

YOUR CHECKOFF AT WORK IN 2018

Midwest Dairy is working hard to

BRING DAIRY *to Life*

by **building consumer trust**
and **driving dairy demand.**

THOUGHT LEADER OUTREACH

150,000 THOUGHT LEADERS

benefited from insights & research, and were encouraged to share with their audiences.



BUILD DRIVE

PARTNERING WITH SCHOOLS



408,174

incremental **pounds of milk**
sold in schools.



156 SCHOOLS

-serving more dairy menu items through grants in 2017-2018 school year.
Examples include:



Breakfast in
the Classroom



Milk-based
Coffee Beverages



Yogurt
Smoothies

DEVELOPING DAIRY LEADERS



Young dairy leaders shared their story at **240 events** reaching **50,000+ attendees**.

GIVING CONSUMERS AN EXCELLENT DAIRY EXPERIENCE

5,513,904 Total consumers in Midwest reached through Undeniably Dairy-related events, including state fairs.



Trust in the dairy industry **INCREASED BY 40%** nationally after consumers listened to partner dairy-related podcasts.

TRUST DEMAND

FUNDING DAIRY INDUSTRY RESEARCH

Total Midwest Dairy Food Research Center funding helping partners solve industry challenges and drive innovation.



THE U.S. DAIRY INDUSTRY EXPORTED NEARLY

16% OF THE MILK PRODUCED

DURING 2018. THAT IS THE LARGEST PERCENTAGE IN HISTORY.



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.

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

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Midwest Dairy Introduces New Logo

In 2018, Midwest Dairy introduced a new logo that more accurately reflects our new vision: Bringing Dairy to Life. The new logo conveys a feeling of goodness and has a timeless, friendly quality that reminds us that dairy is, and always will be, wholesome and enjoyable.

The handwritten script communicates humanness and authenticity, and the carefree swoosh or “smile” expresses joy and happiness. The color blue is friendly and trusting and yellow is warm and energetic and also associated with cheese. The word Dairy is the primary focus with Midwest as an overarching idea. By simplifying the design and use of color, the new Midwest Dairy logo will maintain consistency across all communications vehicles and also help convey the undeniable goodness of the dairy foods our dairy farmers are so proud to produce.



BRINGING DAIRY *To Life*



2015 Rice Street
St. Paul, MN 55113

Change Service Requested