

**Midwest Dairy Corporate Board Meeting  
July 6-7, 2016**



**July 6**

**CEO Report and Discussion – Lucas Lentsch, CEO**

Lucas provided a recap of the “Strength to Strength” CEO transition plan, including an overview of his orientation activities in April, introductions in May and the final transition where he led and Mike mentored in June, including the opportunity to travel to each of the eight Division Board meetings. He then provided the Board with his CEO goals:

- Represent Midwest Dairy to DMI and S/Rs;
- Provide direction and leadership for strategic plan;
- Represent Midwest Dairy to dairy farmers, dairy industry, state and federal agencies, universities and the public;
- Work with the Midwest Dairy Boards; and
- Manage leadership staff.

These goals lead into Midwest Dairy 2020 Vision, which will be achieved through an effective partnership between the checkoff and the state trade associations:

- Increase sales and trust of dairy products and dairy farmers. (Checkoff Vision)
- Be a new global leader in dairy production and processing. (Path Forward Vision)
- Enhance the growth and prosperity of Midwest dairy farmers. (Path Forward Mission)

**Key Influential Farmers and Farmer Engagement – Bob Lefebvre, SVP, Industry Relations**

Objective: Effectively implement a measureable plan to increase dairy farmers’ awareness and understanding of dairy checkoff programs, and moves them further on the continuum of support and advocacy for the programs.

The new farmer relations system allows for two-way communication, is producer centric with tailored messages, disciplined follow up and is outcome based. The development of the plan is based on Midwest Dairy producer survey results. Consultative sales training was provided to the IR Team.

Two main targets, means of communication and goals include:

Key Influential Farmers – on-farm calls and event, meetings, expos

- 1,032 identified KIFs in Midwest Dairy territory. In 2015, the IR Team completed 300 calls. The goal for 2016 is 500 calls.

All Farmers – Communicate with them through the Annual Report, Midwest Dairy News and monthly updates, Dairy Promotion Update and ag media.

Farmer Relations and Activation key strategies for DMI and Midwest Dairy:

- Activate more farmers in checkoff programs to increase advocacy and support
- Activate more farmers to tell their story – building trust and consumer confidence

Through a system of listening/responding, aligning, informing, activating and tracking.

- **Listen and Respond** – a two-way communication system with and from farmers to ask questions receive feedback and share relevant checkoff information as well as identify and

respond to farmer and stakeholder knowledge gaps and needs. Examples: Co-op, SR, industry meetings and shows.

- **Align** – rally farmers and the dairy community around checkoff initiatives and relevant stories. Examples: connect farmers with consumers through social media, video and farm tours.
- **Inform** – develop, gather, package and share checkoff initiatives and results. Examples: regular e-mail, hub and webinar updates from DMI and Midwest Dairy, plus trade media and meeting outreach.
- **Activate** – farmers to become more involved and sharing their stories. Examples: training, Fuel Up to Play 60, farm tours, amplification of dairy stories through social media.
- **Track** – document relationships and results. Examples: KIF and farmer activation, farm tour reach and results.
- **Leadership Development** – looking at 2017 pilot program.

### **Innovation Center Update – Barb O’Brien, President, Innovation Center for U.S. Dairy**

Barb provided a report on aligning the dairy community to build consumer trust by leveraging the collective power of the dairy community through the Innovation Center (IC).

The Innovation Center is a forum that dairy farmers created and is today comprised of 30 CEOs and Chairmen, 450 companies and 1,000 individuals. Ex. Leprino Farms, DFA, AMPI, Swiss Valley. The idea is to foster collaboration among the entire dairy community. It gives farmers a seat at the table by bringing the whole dairy supply chain together, putting consumers at the center.

The IC Board recognized changes in consumer dynamics, the marketplace and in dairy community leadership so they embarked on a strategic planning process to set priorities for its work for the next 3-5 years. This will enable the dairy community to better respond to challenges and opportunities in the changing global marketplace.

In building this plan, the IC completed a comprehensive sector analysis, customer interviews with farmers, co-ops, manufacturers, academics, etc. and looked at consumer research. The consumer landscape has changed dramatically and is constantly evolving. Consumers are skeptical of big business, government and what’s in their food. As a result, transparency is at the core of trust and required from the entire food chain. Connecting with consumers on topics that are important to them (food safety, environmental impact, animal well-being) will help build trust.

The dairy community and voice needs to be strong. We need to work together to increase transparency and engagement with consumers from farm to table. Innovation Center work is evolving from an intra-industry framework for best practice-sharing to a highly visible consumer-centric platform.

The **vision** puts consumers at the heart of the plan – People trust dairy as essential to their lives.

The **mission** statement “working together to ensure an economically viable and socially responsible U.S. dairy community from farm to table” reflects the need to ensure that the industry is both economically viable for all parties in the value chain and socially responsible. And the strategic imperatives of ensuring dairy relevance and dairy responsibility describe the high-level priorities to achieve the vision and mission.

Next steps to achieve this include:

- Articulate and gain agreement on dairy's values – who we are and what we stand for.
- Align and set goals on best and next practices – defend the defensible, change when necessary and publicize progress.
- Reach across the community to drive alignment – we need everyone to engage.
- Proudly tell our story -- everywhere and every day

IC Committees include Animal Care, Food Safety, Environmental Stewardship, Nutrition, Wellness & Food Security, People & Community, Global Insights & Innovation and Communications. To date, more than 40 topics have been identified and prioritized and assigned to IC Committees.

At the same time, key customer outreach is happening to introduce key dairy customers in retail, foodservice and consumer packaged goods to the IC strategic plan and solicit feedback to develop stronger relationships. Customers targeted include Walmart, Kroger, Starbucks, Unilever and General Mills.

And, IC is also delving deeper into Consumer Communications to better understand and relate with consumers. Finding it is not a one size fits all approach. DMI has made a large investment in social and digital infrastructure (Newsroom, Dairy Hub and Amplification Center) – so the system is in place and ready to go. Now it will take the power and scale of the dairy community coming together in a coordinated way to boldly tell our story and demonstrate our values with consumers.

### **Sustainability Award Celebration – Kathleen Cuddy, SVP, Integrated Communications**

Midwest Dairy is pleased to have U.S. Sustainability Award winner for Outstanding Dairy Farm within our region for the fourth year in a row. **Jer-Lindy Farms and Redhead Creamery**, a partnership between two generations of the Jennissen family in Brooten, Minnesota, were honored at the Sustainability Council Meeting in May. They won for their commitment to innovative sustainable practices, including reducing the farm's energy use and improvements to water quality. Midwest Dairy and other Dairy Champions have been able to celebrate and amplify this sustainability success story through the media, social media and an invitation to speak at National Dairy Council event, Honor the Harvest.

### **July 7**

#### **Elections/Appointments**

##### **UDIA Board**

Pam Bolin (IA)	Lowell Mueller (NE)
Allen Merrill (SD)	Chris Sukalski (MN)
Jerry Messer (ND)	Suzanne Vold (MN)

#### **Sales Update – Kevin Stiles, SVP, Business Development**

Full fat product sales are thriving

**Butter** -- experiencing a 40-year high in per capita consumption (5.6 lbs. up from 4 lbs. in 1997)

- ✓ Butter capitalizes on clean label trend
- ✓ Blended butters are doing well
- ✓ Margarine per capita consumption down to 3.6 lbs. in 2015 from 8.6 lbs. in 1997

**Whole Fat Milk** – strong volume growth. Strongest whole fat purchases in homes with children and with Millennials.

**Milk Category** – 2016 retail volume sales are down, however there are pockets of growth with various segments. Growth segments include lactose free, organic, mega 3, refuel, glass bottle, grass fed and non-homogenized.

**Whole Fat Cheese** – accounts for majority of the cheese volume with 90.8% of share.

**Cheese Category** -- All regions continue to experience growth in 2016. Growth segments include Cheddar, mozzarella, Gouda, fontina, and Hispanic varieties.

**Whole Fat Yogurt** – accounts for 10% of yogurt. Strong double-digit growth as consumers shift to whole fat product. Low-fat accounts for 48.4% of volume.

**Yogurt Category** -- U.S. retail volume sales are nearly flat in 2016, while the Plains and Great Lakes experience slight declines. Growth segments include drinkable, whole fat, multi-serve, non-dairy

### **Administration Report – Louise Gallagher, SVP, Administration, and Brenda Goldman, VP, Human Resources**

Louise provided an update on status of checkoff budget through May and a checkoff estimate for 2017. She also asked for approval based on checkoff projections for staff to build 2017 budget.

Brenda presented Board survey results to determine how well boards are operating and the bring boards a higher level of effectiveness in the areas of accountability, Board membership, level of information, meeting structure, relationships and Board size.

Resulting action steps:

- Board meeting communications will be sent electronically in the future.
- Personnel/Audit Committee will review nomination process
- Leadership training and opportunities will be identified and communicated to board members

### **Staff Update**

**Alyson Fendrick**, new Health and Well Program Manager in Iowa, and **Lina Yang**, new Office Manager based in St. Paul, were introduced.

### **Staff Recognition**

South Dakota AND Recognized Young Dietitian of the Year: **Whitney Jerman**

Arkansas AND Outstanding Dietitian of the Year: **Ashley Anderson**

Nebraska AND Golden Apple Award to Midwest Dairy: **Beth Bruck-Upton and Caryn Kusleika**

School Nutrition Specialist Certification: **Melissa Young**

2016 Top Women in Grocery (Progressive Grocer): **Cindy Sorensen**

### **Protein Quality: Dairy is Leading the Way (Whey) – Jeff Zachwieja, PhD**

- Protein is a critical component of any diet and both quantity and quality of dietary protein are important.
- Current acceptable measures of protein quality (PDCAAS) have limitations.
- Research efforts are underway to establish improved and acceptable methodologies for protein quality assessment.
- Midwest Dairy investment in research has helped to establish, through robust methodology, that dairy proteins have higher quality values than plant-based proteins.
- New research illustrates that increasing plant-based foods and reducing animal-based products could have unintended consequences on protein intake of older Americans.

Why is the work on protein quality relevant?

- Nutrition facts panel reporting
- To make protein claims
  - ✓ Label content claim
  - ✓ Good source claim
  - ✓ Excellent source claim
- Provides guidance for selecting protein types that deliver essential amino acid profiles that promote growth, development and maintenance of muscle
  - ✓ Infant formulas
  - ✓ Meal replacement/medical nutrition
  - ✓ Sports supplements
  - ✓ Food Aid

### **Fluid Milk Research – Tim Stubbs, VP, Product Research and Food Safety, National Dairy Council**

NDC Product Research supports the Dairy Center program with funding for research and staffing to invigorate dairy food research and education at top universities across the U.S. The Dairy Center program was created to fill an increasing gap in dairy research, training, technology transfer and education.

Midwest Dairy Foods Research Center is a virtual center comprised of researchers from the University of Minnesota, South Dakota State University and Iowa State University in coordination with the National Dairy Foods Research Program and supported by Midwest dairy farmers for more than 27 years. An additional affiliate university program at University of Nebraska-Lincoln, Kansas State University and University of Missouri was also implemented a few years ago.

Fluid milk consumption has been declining for 40+ years. Fluid milk research is designed to stem recent volume declines and ensure delivery of great tasting milk in different formats to improve milk quality, innovate products and drive new applications. The research centers and application labs play a key role in this type of work, especially when scaling it up with industry.

There are three projects underway in the **Innovation** area:

The first one is centered around producing higher protein containing milk products through filtration technology (similar to a Fairlife type product). How can we manipulate membrane filters and processing conditions to have the desired protein level, mouthfeel, and flavor? This work will help the broader industry understand how they can incorporate this technology into their product development efforts. Expected to be finished by the end of 2016.

The second is to develop a toolbox for beverage formulators to use higher protein ingredients. Currently, there are challenges in getting beyond 18-20g of protein per serving without impacting flavor and grittiness. It will help formulators understand how to use the right combination of proteins to create beverages with ~30g proteins per serving which could be used as a meal replacement or to ensure the delivery of enough high quality dairy protein for muscle recovery, weight management or healthy aging. It will be completed late next year.

The last is a project focused on delivering a lactose-free product with the same taste as regular milk. Current enzymatic approaches to lactose elimination create a sweeter flavor as the glucose is split into simple sugars. This is a discover type project to ensure the lactose will not be a concern

digestively, yet the finished product will taste like conventional milk. It will be completed in June 2017.

In the **Quality** area, research is being conducted to understand and minimize the impact of microbiology over shelf life and address taste challenges from processing and packaging so consumers are getting the best experience.

One of the areas being investigated is the impact the pasteurization method has on the consumer taste experience and preference. Key findings show that traditional High Temperature Short Time Pasteurization is preferred by adults and children over Ultra-pasteurized (UP) milk, however, UP was still acceptable.

The second area is related to package and storing and how to protect milk from light oxidation as light exposure significantly impacts milk flavor and liking. The study was conducted using retail dairy case with two different sources of lighting i.e. Fluorescent and LED. Key findings:

- LED lighting was less damaging than fluorescent
- Light barrier packaging protected flavor and nutrients
- Oxygen barrier (PET packaging) provided a beneficial role in limiting LED light damage

The good news is more retailers are making the switch to LED lighting in the dairy case.

### **Connecting Food, Nutrition and Agriculture – Jean Ragalie-Carr, President of National Dairy Council**

Goal: For National Dairy Council (NDC) to build trust by sharing farmers' story with 3<sup>rd</sup> party partners so they can help tell the story to inspire consumer confidence. NDC's role is to lead the conversation and to shape the story about food, nutrition and agriculture. This work aligns with Innovation Center Strategic Plan.

70% of people get their information from people they know and trust so all of us have a sphere of influence. We need to tap into others so they can share our story, our knowledge and our influence.

New National Dairy Council mission statement is "Bringing to life the dairy community's shared vision of a healthy, happy, sustainable world – with science as a foundation." The mission anchors NDC and showcases the desire from consumers to know more about their food from farm to table.

Used Honor the Harvest infographic to share the three key ways NDC tells the story of farm to table: Feed People, Feed Animals, Feed the Land. High interest in the topic because of low understanding since only 2% connected to agriculture. The Farm to Table conversation needs to be more than just about carbon footprint. It's also about the social good the dairy farmer does with hunger and how they care for the land, air, water.

NDC is now positioned and embraced as a leader in the conversation and has been working on this topic since 2012 when we partnered with Academy of Nutrition and Dietetics (AND) and Feeding America (FA). The population growth forecasted for 2050 will mean we need 70% more food, but there is no more land or water to make that food. People need to understand that challenge and why technology on the farm is part of the solution. The FA and AND partnership also started a new focus-- not just on feeding people but feeding them well. This means nutrient-rich foods including dairy. Efforts like the Great American Milk Drive and Fuel Up to Play 60 help get dairy into FA food banks.

Introduced Honor the Harvest Summit where more than 200 health and wellness influencers from 45 states participated. Midwest Dairy hosted 18 guests. Shared diversity of guest and partner groups from the American Academy of Pediatrics, AND, School Nutrition Association, retail RDNs and chefs. SR network was key to getting the right guests in the room. All attendees have their own sphere of influence in their individual work but also in their professional organizations. Part of the Summit included a farm tour of Fair Oaks. Secretary Vilsack spoke to the group. Many people tweeted about the experience using the #HonorTheHarvest hashtag. The social media sentiment and partner feedback for the Summit was very positive.

This is a journey not a destination – the work will continue. Key ideas:

- 3<sup>rd</sup> party partners bring greater trust
- Important for farmers to share their family's story
- Fair Oaks is an agri-tourism destination -- need to get more people out to your farms for local farm tours.