

**NEBRASKA DAIRY INDUSTRY DEVELOPMENT
BOARD**

Annual Report

July 1, 2014 - June 30, 2015

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

Annual Report July 1, 2014 – June 30, 2015

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NEBRASKA MILK PURCHASERS
June 2015

<u>Company</u>	<u>Grade A</u>	<u>Manufacturing</u>	<u>Total</u>
Associated Milk Producers PO Box 430 Freeman, SD 57029	41	7	48
Countryside Dairy 56670 880 Road Hartington, NE 68739	1	0	1
Dairy Farmers of America PO Box 901546 Kansas City, MO 64190-1546	110	0	110
Dean Foods PO Box 1210 LeMars, IA 51031-1210	14	0	14
Farmstead First 17015 NW 70 th St Raymond, NE 68428	1	0	1
Land O'Lakes Inc. PO Box 168 Volga, SD 57071	1	0	1
Wells Dairy Inc. #1 Blue Bunny Drive LeMars, IA 50131	2	0	2
Jisa Farm Inc. 2653 Q Road Brainard, NE 68626	1	0	1
Prairieland 13000 Pella Rd Firth, NE 68358	1	0	1
West Point Dairy LLC/Grassland N8790 Fairgrounds Ave Greenwood, WI 54437	2	0	2
Clear Creek Organic Farms 82228 499 th Ave Spalding, NE 68665	1	0	1

<u>Company</u>	<u>Grade A</u>	<u>Manufacturing</u>	<u>Total</u>
Orchard Hill Creamery (Chisholm Family Farm) 1875 D Rd Unadilla, NE 68454	1	0	1
Wakefield Farms, LLP – Agropur 86051 588 th Ave Emerson, NE 68733	1	0	1
McCarty Farms Beaver City, LLC 42426 Road 713 Beaver City, NE 68926	1	0	1
TOTALS:	178	7	185

GOAT

Dutch Girl Creamery
2201 W. Denton Rd
Lincoln, NE 68523

1

Greenglade
1540 Stagecoach Rd
Martell, NE 68404

1

Victory Hill Farm LLC
200444 CRF
Scotsbluff, NE 69361

1

SHEEP

Halligan Enterprises
P.O. Box 96
Bushnell, NE 69128

1

Grade A	178
Manufacturing	<u>7</u>
	185



NDID Board - Directory

6/8/2015

Jim Eschliman

Eschliman Family Dairy
82793 494th Ave.
Ericson, NE 68637
Home: (308) 653-2127
Mobile: (308) 750-0974
Work:
Fax: (308) 653-2127
Email: jeschliman@hotmail.com
Represents: DFA
Board Position Type: Member
Officer Position: Chair
Ships Milk To: DFA - Corporate
Term End Date: 11/1/2017

Dave Murman

Murman Dairy Inc
31260 Rd. A
Glenvil, NE 68941
Home: (402) 771-2301
Mobile: (402) 469-1241
Work: (402) 771-2301
Fax:
Email: dkmurman@windstream.net
Represents: DFA
Board Position Type: Member
Officer Position: None
Ships Milk To: DFA - Corporate
Term End Date: 11/1/2017

Doug Temme

Temme Agri-Business Inc
57468 859th Rd.
Wayne, NE 68787
Home:
Mobile: (402) 375-0542
Work: (402) 375-4191
Fax:
Email: temmdo@huntel.net
Represents: AMPI
Board Position Type: Member
Officer Position: None
Ships Milk To: AMPI - Corporate Office
Term End Date: 11/1/2016

Mike Henn

Henn House Dairy Inc.
54615 1/2 Mile Rd.
Norfolk, NE 68701
Home: (402) 675-1241
Mobile:
Work: (402) 675-2449
Fax:
Email: hhdairy@frontiernet.net
Represents: Land O'Lakes
Board Position Type: Member
Officer Position: None
Ships Milk To: Land O' Lakes, Inc. -
Corporate
Term End Date: 11/1/2015

Kent Pulfer

M.P.M.
811 Brooke Dr.
Wayne, NE 68787-1248
Home: (402) 375-2285
Mobile: (402) 369-0918
Work:
Fax:
Email: mpm@inebraska.com
Represents: Wells
Board Position Type: Member
Officer Position: None
Ships Milk To: Wells Dairy, Inc. -
Corporate
Term End Date: 11/1/2016

Bill Thiele

Thiele Dairy
PO Box 41 611 Colorado
Clearwater, NE 68726
Home: (402) 485-2355
Mobile: (402) 649-2608
Work:
Fax:
Email: tldairy@nntc.net
Represents: first purchaser seat
Board Position Type: Director - Appointed
Officer Position: None
Ships Milk To: Deans Foods - Corporate
Term End Date: 11/1/2016

Lowell Mueller

Vi-View Farms
27268 Cty.Rd. 14
Hooper, NE 68031
Home: (402) 654-3575
Mobile: (402) 720-0264
Work: (402) 654-3418
Fax: (402) 654-3575
Email: loismueller_51@hotmail.com
Represents: DFA
Board Position Type: Member
Officer Position: Vice Chair
Ships Milk To: DFA - Corporate
Term End Date: 11/1/2017

Bobbie Kriz Wickham

Nebraska Department of Agriculture
P.O. Box 94947
Lincoln, NE 68509-
Home:
Mobile:
Work: (402) 471-2341
Fax:
Email: bobbie.wickham@nebraska.gov
Represents: Nebraska Dept. of Agriculture
Board Position Type: Ex Officio -
Government
Officer Position: None
Ships Milk To: Not Applicable
Term End Date: 11/1/2014

**NEBRASKA DAIRY INDUSTRY DEVELOPMENT
BOARD**

**Financial
Reports**

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD
FISCAL REPORT
JULY 1, 2014 - JUNE 30, 2015

DESCRIPTION	FY 2014-2015 BUDGET	JUNE 2015	FY 2014-15 YR-TO-DATE	% OF BUDGET
BEGINNING CASH BALANCE	\$ 103,738	\$ 93,010.84	\$ 103,737.51	
REVENUE:				
Dairy Checkoff	\$ 1,160,000	\$ 114,429.56	\$ 1,224,296.33	
Penalty	200	0.00	84.37	
Other Revenue	25	0.00	25.00	
Investment Interest	1,590	141.87	1,781.76	
Total Revenue	\$ 1,161,815	\$ 114,571.43	\$ 1,226,187.46	106%
TOTAL AVAILABLE CASH	\$ 1,265,553	\$ 207,582.27	\$ 1,329,924.97	
EXPENDITURES:				
Fee Collection Contract	\$ 6,391	\$ 427.68	\$ 5,235.66	
Midwest Dairy Association	1,151,068	104,293.23	1,180,272.67	
Southwest Dairy Association	0	2,712.90	25,479.53	
Board Expense	1,000	0.47	498.87	
DAS Assessments	1,400	0.00	1,393.00	
Annual Audit	5,000	0.00	4,526.25	
Total Expenditures	\$ 1,164,859	\$ 107,434.28	\$ 1,217,405.98	105%
Adj. to fund bal.	0	9,627.30	-2,743.70	
ENDING CASH BALANCE	\$ 100,694	\$ 109,775.29	\$ 109,775.29 *	

* The ending cash balance is 100% invested in the short-term investment pool.

Percent of Fiscal Year Elapsed: 100%

FY 13-14 Revenue to Date: \$1,165,981.42 FY 13-14 Expenditures to Date: \$1,149,773.93

DESCRIPTION	CONTRACT AMOUNT	JUNE 2015	FY 2014-15 YR-TO-DATE
Department of Agriculture Contract			
Fee Collection	\$ 1,750	\$ 77.79	\$ 1,612.72
Budget & Accounting	3,357	238.34	2,990.05
Auditing	1,284	111.55	632.42
Total	\$ 6,391	\$ 427.68	\$ 5,235.19

**Midwest Dairy Association
Nebraska Division
July 1, 2014 - June 30, 2015**

REVENUE:

NDIDB Checkoff Revenue	\$ 1,180,273
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EXPENSES:

Innovation:

DMI Projects (incl. UDIA Membership)	302,263
Business Development	40,545
Product & Economic Research - Midwest Dairy Foods Research Center	34,922

Health & Wellness:

Fuel Up To Play 60	319,650
Nutrition Affairs	157,993

Consumer Confidence	72,808
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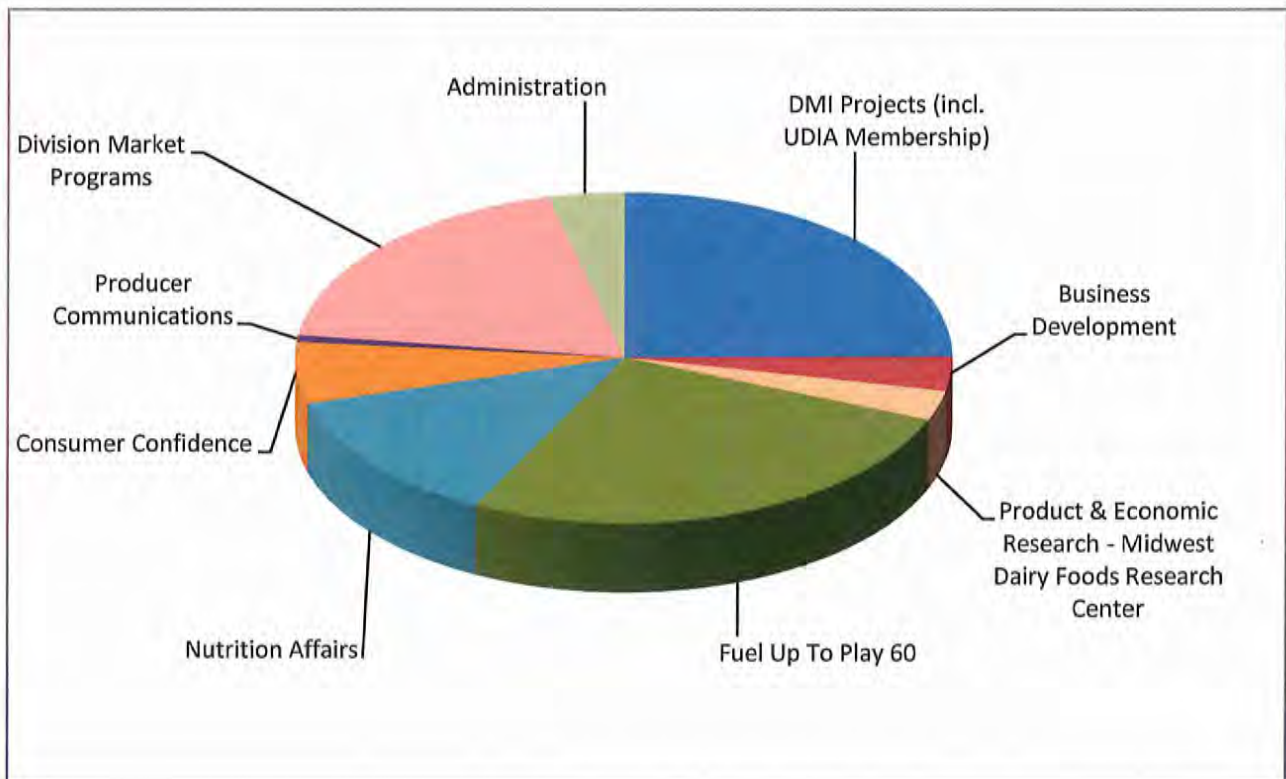
Producer Communications	8,101
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Division Market Programs	231,257
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Administration	46,084
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Total Expenses	<u>\$ 1,213,623</u>
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Excess of Expenses over Revenue	<u>\$ (33,350)</u>
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**Southwest Dairy Farmers
July 1, 2014 – June 30, 2015**

NDIDB Checkoff Funds received

\$25,480

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

Dairy Promotion Organizations

Nebraska dairy farmers pay checkoff of fifteen cents per hundred-weight of milk they produce. The checkoff is collected by the first purchaser of each producer's milk. Five cents is sent to the National Dairy Board which provides funds for the national Unified Marketing Plan (UMP) developed by Dairy Management, Inc. The other ten cents is paid to the Nebraska Dairy Industry Development Board (NDIDB). The NDIDB funds USDA qualified program organizations for dairy promotion activities. The NDIDB is itself a USDA qualified program organization.

During the period July 1, 2014 through June 30, 2015, NDIDB funded the following two qualified program organizations:

1. Midwest Dairy Association (Midwest Dairy). Under contract, Midwest Dairy implemented programs intended to contribute to the betterment of Nebraska's dairy farmers and the state's dairy industry, including 1) the local components of the UMP, 2) the national UMP funding commitment, and 3) other promotion programs in Nebraska consistent with the interests of Nebraska dairy producers. Programs funded during the period are further described in the Nebraska Dairy Promotion Highlights section.
2. Southwest Dairy Farmers (Southwest Dairy). Under contract, Southwest Dairy began implementing Mobile Dairy Classroom programs in Nebraska. Programs funded during the period are further described in the Highlights section.

Nebraska Dairy Promotion Highlights

July 1, 2014 - June 30, 2015

State Public Health Award Earned by Midwest Dairy Efforts



Dairy farmers joined Dr. Dale Michels to accept the Public Health Award on behalf of Midwest Dairy.

The Nebraska Board of Public Health awarded a certificate of appreciation to Midwest Dairy Council in June for “excellence in promoting healthy eating and physical activity in schools in a fun and positive way with the Fuel Up to Play 60 program.” The board has identified preventive health as a priority and established the award to recognize organizations that are making a difference. Their unanimous vote to honor Fuel Up to Play 60 stemmed from a nomination by Dr. Dale Michels, M.D., a physician who serves on the board. He presented the honor during an event at Butler County Dairy with dairy farmers, staff, a Fuel Up to Play 60 Student Ambassador and media on hand.

Fuel Up to Play 60, the state’s premier in-school child health and wellness program developed by dairy farmers and the National Football League, is unique in its approach to empowering youth through student leadership, while addressing the need for healthy, more active students and communities.

Research Projects Funded at University of Nebraska - Lincoln

Two projects being conducted by the University of Nebraska – Lincoln’s Dr. Andreia Bianchini Huebner have been funded by the Midwest Dairy Foods Research Center (MDFRC). One deals with a rapid detection method for yeast and mold in dairy products, and the other addresses reduction of spores. The results of both projects are applicable to improving consumer satisfaction with dairy products.



Mary Temme of Nebraska is one of four dairy farmers serving on the MDFRC Operational Advisory Committee, reviewing research proposals to choose those most relevant to the Midwest dairy industry.

Dairy Council Centennial Recognized by Governor, School Nutrition Group



Nebraska Governor Pete Ricketts toasted dairy with milk enjoyed by dairy farmers and state officials.

Dairy farmers joined Nebraska Governor Pete Ricketts at the Capitol in May as he signed a proclamation declaring June Dairy Month in Nebraska and recognizing the 100th Anniversary of National Dairy Council. The milestone was also celebrated at the Nebraska School Nutrition Association and Nebraska Academy of Nutrition and Dietetics Conferences, which featured Midwest Dairy information on school breakfast and efforts surrounding summer feeding programs.

Midwest Dairy Council is an affiliate of National Dairy Council, which has been a leader in child health since 1914.

Midwest Dairy Events Connect Farmers and Consumers



Midwest Dairy was a key contributor to efforts by the Alliance for the Future of Agriculture in Nebraska (A-FAN) t . Among their initiatives were inserts in the Omaha World Herald and the Lincoln Journal Star, featuring farm families and the way they farm. A fall feature included dairy farmer Mary Temme from Wayne, who shared her story and a favorite recipe.

Midwest Dairy also connected with more than 25,000 Henry Doorly Zoo visitors for "Moo at the Zoo," a tradition where more than 60 dairy farm family members were on hand to answer questions from those attending. Cows of each dairy breed were on display during the event.

The Nebraska State Fair was an additional backdrop for Midwest Dairy's consumer confidence work to share dairy's story.

Farm Tours Educate Health Influencers

Midwest Dairy hosted future dietetic professionals from the University of Nebraska - Lincoln and the University of Nebraska Medical Center, teaming up with the Nebraska Beef Council for the second time in as many years. At Butler County Dairy in Rising City, the students learned about milk quality, protein, cow health and nutrition, as well as gaining a better understanding of the path milk travels from farm to table.

A second tour, with the Nebraska Academy of Nutrition and Dietetics, also included the Beef Council and visited Wolfden Dairy near Kearney. Later in the year, 14 important educators toured Prairieland Dairy near Firth during a session designed to foster trust and confidence in dairy farming.



Dietetic interns listen to an explanation of the milking parlor at Butler County Dairy.

National Partnerships Continue to Impact Nebraska Markets



National partners of the dairy checkoff increased their use of dairy, impacting Nebraska and its nearly 250 McDonald's, Domino's, Pizza Hut and Taco Bell outlets. Midwest Dairy made contributions to the partnerships that helped result in new dairy-friendly items and customer approaches at each of the chains.

In addition, each of the partnerships provides another avenue to tell dairy's story, by enlisting the companies' support of social media efforts, and providing broader understanding of dairy within company approaches to sustainability and product mix.

School Breakfast Tops Outreach Efforts with Schools, Leads to Omaha Honor

Omaha Public Schools recognized Midwest Dairy for its work during a meeting of 40 of its principals and school board members, held in partnership with ConAgra Foods Foundation. The district's superintendent cited 'phenomenal support' from Midwest Dairy through grants and hands-on assistance.



Midwest Dairy took part in an Omaha Public Schools event.

Half of the Omaha Public Schools are offering Grab-and-Go breakfast, increasing dairy sales while helping students to achieve success. ConAgra Foods Foundation is investing \$4 million in five programs to decrease hunger for 3,000 kids.

Midwest Dairy also drew attention to the importance of breakfast during a Fuel Greatness Event celebrating National School Breakfast Week. Nebraska's commissioner of education took part in the celebration that included dairy farmer David Crook of Humboldt and National Football League player Roy Helu, Jr., a Husker alumnus.

Path Forward Summit Brings Together Dairy Stakeholders



Midwest Dairy joined the Grow Nebraska Dairy Team to convene a dairy summit under the theme of "Stronger Together," building on the findings of the Path Forward study commissioned by Midwest Dairy in 2014. Dairy farmers and industry leaders discussed the ability of the Midwest to meet future dairy demand, and weighed in on a Nebraska goal of adding 30,000 cows to dairies across the state over the next five years. Midwest Dairy's role is to identify future product mix based on consumer trends and to address consumer confidence.

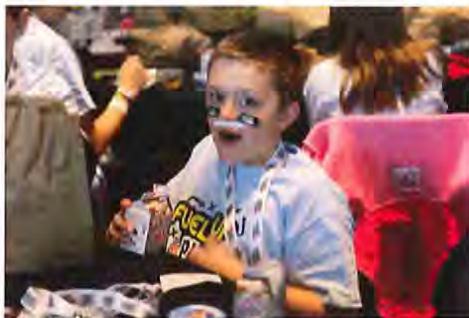
Efforts with Retailers Expand

Retailers doing business across the Midwest and in Nebraska have taken advantage of Midwest Dairy's expertise in marketing dairy to customers. Among the opportunities was a SUPERVALU invitation to present during a national food expo, where vendors, suppliers and associations gathered to learn about new products and resources. Midwest Dairy presented its data on Dairy Department Reinvention, which has already been used by 40 stores and resulted in double-digit dairy sales growth.



IGA, which also has stores in Nebraska, worked with Midwest to make an Online Dairy Academy available through the Retail Learning Institute, providing dairy information to groups such as the National Grocers Association and SpartanNash. IGA, with multiple stores in Nebraska, also uses the Academy. Meanwhile, Midwest Dairy continued its work with Hy-Vee, including offering media training to its dietitians and providing resources to use on its website, including perspectives on dairy sustainability.

Fuel Up to Play 60 Brings Healthy Habits to Kids



Students at the Reward Summit enjoyed milk, c

Sixty-eight Nebraska schools achieved Touchdown Status in Fuel Up to Play 60 during the 2014-15 school year. Touchdown Status means the student team and adults activated six steps of the program, creating a healthier environment by choosing healthy eating, including dairy, and physical activity initiatives. Fifty of these schools were selected to attend the Fuel Up to Play 60 Student Reward Summit at Memorial Stadium in Lincoln in April.

The Reward Summit included a Grab-and-Go breakfast with milk and yogurt, and a message from the governor followed by football

activities with the Huskers.

After getting their 60 minutes of physical activity, students rotated through sessions to learn more about dairy farming and to play a nutrition game. The day was complete after hearing from former Husker and current Cincinnati Bengals running back Rex Burkhead, and current Husker quarterback Johnny Stanton. They encouraged the children to eat nutritious foods including dairy, be physically active and listen to their parents.

School Board Association Includes Dairy in Conference

Nebraska's first Student Wellness Education and Training Conference found Midwest Dairy teaming up with the Nebraska Association of School Boards to bring health and wellness topics to stakeholders. The half-day event included school board members, administrators, school nurses, educators, members of the medical community, and organizations supporting health and wellness.



Fuel Up to Play 60 students led a physical activity.

An NFL running back and former Husker helped add star power to the conference, which also included panelists who have promoted wellness at schools. Fuel Up to Play 60 was front and center, helping to connect dairy with the effort to grow healthier Nebraska kids.



Lowell Mueller

Nebraska Dairyman Elected to National Checkoff Board

Lowell Mueller of Hooper was elected by Midwest Dairy's Corporate board to serve on the board of United Dairy Industry Association, which represent states and regions of the national dairy checkoff. He was chosen by his peers to fill the unexpired term of Doug Nuttelman of Strongsbury.

Mueller also serves as the chairman of the Nebraska Division of Midwest Dairy, joining Deb Eschliman, Ericson, and Dean Engelman, Jansen, to complete the Nebraska officer team.



Milk. A part of everything that's good.

James C. Hill
General Manager

TO: Nebraska Dairy Industry Development Board
FROM: Southwest Dairy Museum, Inc.
SUBJECT: Report of Activities for the 12 Month Period Ending June 30, 2015
DATE: July 25, 2015

The activities of the Southwest Dairy Museum, Inc. dba Southwest Dairy Farmers for the State of Nebraska for the 12 month period ending June 30, 2015 were somewhat limited. The dairy check-off dollars to fund these operations were received on February 2, 2015 at the direction of a single Nebraska dairy producer exercising his right under Nebraska statutes. Since many of our programs require time to develop with schools, fairs, and other events, our organization laid the ground work to schedule our award winning programs in future months.

In February, personnel from our organization personally visited with the Lincoln ISD administrative officials and spent a week visiting 21 individual schools in Lincoln, 2 in Beatrice, and 1 in Norris to introduce our Mobile Dairy Classroom program and received a favorable response. However, with the late start due to the timing of the funding, school calendars were tight to schedule our program before the end of school in May. However, these contacts have been made and will be cultivated in the future.

In addition, during the period, our promotional and educational items were distributed at some events and schools in southwestern Nebraska. Funding from the Nebraska dairy producer helped pay for our digital promotions with our Celebrity Chef, Kitchen Kimberley. Using our website and the social media outlets of Facebook and Pinterest, we promote a variety of "dairylicious" recipes.

Should you have any questions please feel free to contact me at any time.



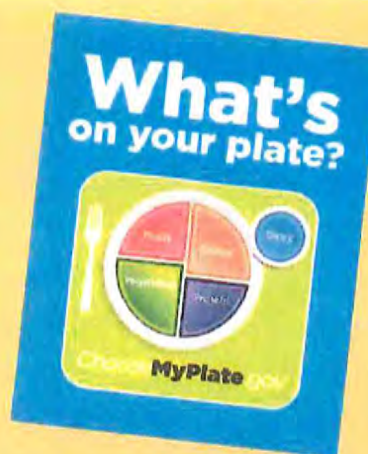
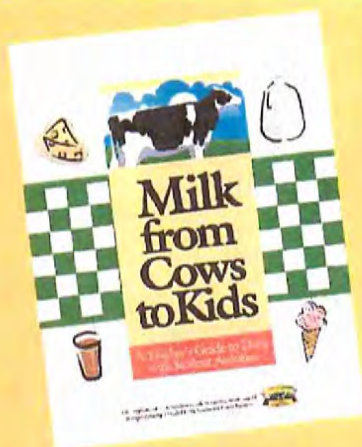
Southwest Dairy Farmers Promotional Activities

Mobile Dairy Classroom



The Mobile Dairy Classroom is a traveling, fully operational milking parlour, featuring a live cow. This education initiative reaches over 800,000 children and other consumers each year.

Teacher's Guide



Additional educational aids provide guidelines to teachers and students to reinforce healthy eating habits, including the current USDA-approved My Plate.

Digital Promotion



With the help of our Celebrity Chef, Kitchen Kimberley, we are promoting a variety of dairylicious recipes on our website using the popular social media outlets of Facebook and Pinterest.

**NEBRASKA DAIRY INDUSTRY DEVELOPMENT
BOARD**

**Dairy Industry
Development
Act**

DAIRY INDUSTRY DEVELOPMENT ACT

- Administration:** This Act is administered by the Nebraska Dairy Industry Development Act Board. The Department of Agriculture is involved with some of these sections.
- Adoption:** This act was last revised during the 2013 session of the Nebraska Legislature.
- Rules:** No administrative rules have been promulgated under this act.

Index

<u>Section</u>	<u>Subject</u>
2-3948.....	Act, how cited.
2-3949.....	Terms, defined.
2-3950.....	Legislative findings.
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2-3951.01.....	Board members; appointment; terms; officers; expenses.
2-3951.02.....	Board members; nomination and appointment.
2-3951.03.....	Board members; vacancies.
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2-3948. Act, how cited. Sections 2-3948 to 2-3963 shall be known and may be cited as the Dairy Industry Development Act.

2-3949. Terms, defined. For purposes of the Dairy Industry Development Act:

- (1) Board shall mean the Nebraska Dairy Industry Development Board;
- (2) Commercial use shall mean sale for retail consumption or sale for resale, for manufacture for resale, or for processing for resale;
- (3) First purchaser of milk shall mean a person who buys milk from a producer and resells to another person the milk or products manufactured or processed from the milk;
- (4) Milk shall mean any class of cow's milk produced in the State of Nebraska;
- (5) Milk production unit shall mean any producer licensed by the Department of Agriculture;
- (6) Producer shall mean any person engaged in the production of milk for commercial use;
- (7) Producer-processor shall mean a producer who processes and markets the producer's own milk; and
- (8) Qualified program shall mean any state or regional dairy product promotion, research, or nutrition education program which is certified pursuant to 7 C.F.R. 1150.153, as amended. Such program shall: (a) Conduct activities as defined in 7 C.F.R. 1150.114, 1150.115, and 1150.116 intended to increase consumption of milk and dairy products generally; (b) except for programs operated under the laws of the United States or any state, have been active and ongoing before November 29, 1983; (c) be financed primarily by producers, either individually or through cooperative associations; (d) not use any private brand or trade name in advertising and promotion of dairy products unless the National Dairy Promotion and Research Board established pursuant to 7 C.F.R. 1150.131 and the United States Secretary of Agriculture concur that such requirement should not apply; (e) certify to the United States Secretary of Agriculture that any request from a producer for a refund under the program will be honored by forwarding that portion of such refund equal to the amount of credit that otherwise would be applicable to the program pursuant to 7 C.F.R. 1150.152(c) to either the National Dairy Promotion and Research Board or a qualified program designated by the producer; and (f) not use program funds for the purpose of influencing governmental policy or action.

2-3950. Legislative findings. The Legislature declares it to be in the public interest that producers in Nebraska be permitted and encouraged to maintain and expand domestic sales of milk and dairy products, develop new products and new markets, improve methods and practices relating to marketing or processing of milk and dairy products, and inform and educate consumers of sound nutritional principles including the role of milk in a balanced diet. It is the purpose of the Dairy Industry Development Act to provide the authorization and to prescribe the necessary procedures by which the dairy industry in Nebraska may finance programs to achieve the purposes expressed in this section. The Nebraska Dairy Industry Development Board shall be the agency of the State of Nebraska for such purpose.

2-3951. Nebraska Dairy Industry Development Board; created; members; qualifications. The Nebraska Dairy Industry Development Board is hereby created. Members of the board shall (1) be residents of Nebraska, (2) be at least twenty-one years of age, (3) have been actually engaged in the production of milk in this state for at least five years, and (4) derive a substantial portion of their income from the production of milk in Nebraska. Board members shall be nominated and appointed as provided in sections 2-3951.01 to 2-3951.04.

2-3951.01. Board members; appointment; terms; officers; expenses.

(1) Members of the board shall, as nearly as possible, be representative of all first purchasers of milk and individual producer-processors in the state and, to the extent practicable, result in equitable representation of the various interests of milk producers both in terms of the manner in which milk is marketed and geographic distribution of milk production units in the state.

(2) The terms of the members of the board shall be three years, except that the first term of the initial and additional members of the board shall be staggered so that one-third of the members are appointed each year. The number of years for the first term of new and additional members shall be determined by the Governor. Once duly appointed and qualified, no member's term shall be shortened or terminated by any subsequent certification by the Department of Agriculture of milk production units from which a first purchaser of milk purchases milk.

(3) The Director of Agriculture or his or her designee shall be an ex officio member of the board but shall have no vote in board matters.

(4) Members of the board shall elect from among the members a chairperson, a vice-chairperson, and such other officers as they deem necessary and appropriate.

(5) Members of the board shall be reimbursed for their actual and necessary expenses as provided in sections 81-1174 to 81-1177.

2-3951.02. Board members; nomination and appointment. (1) Members of the board shall be nominated and appointed as follows:

(a) Each first purchaser of milk which purchases milk from at least twenty-one milk producers may submit to the Governor the names of up to two nominees for each forty milk production units, or major portion thereof, from which the first purchaser purchases milk. The Governor shall appoint one member for each forty production units, or major portion thereof, from nominees submitted pursuant to this subdivision, except that if milk production units certified by the Department of Agriculture have decreased so that each board member appointed pursuant to this subdivision represents less than a major portion of forty production units, the Governor shall maintain representation of one member for each forty production units, or major portion thereof, by not filling a vacancy caused by a member's term expiring; and

(b) All other first purchasers of milk and individual producer-processors who are not included among milk production units claimed by a first purchaser of milk entitled to submit nominees under subdivision (1)(a) of this section shall be combined as a group for the purpose of submitting nominees, and each first purchaser and individual producer-processor of the group may nominate up to two nominees. The Governor shall appoint two members from nominees submitted pursuant to this subdivision.

(2) Whenever the number of members of the board as determined by subsection (1) of this section results in less than seven members, the Governor shall appoint a member or members from the state at large to maintain membership of the board at seven members. Whenever such appointment is required, the board shall call for and submit a list of two or more nominees for each additional member needed to the Governor, and the Governor shall appoint a member or members from the nominees submitted pursuant to this subsection.

(3) Nominations in the case of term expiration or new or at-large membership and for all other vacancies shall be provided according to the process prescribed in section 2-3951.04. The Governor may choose the members of the board from the nominees submitted or may reject all nominees. If the Governor rejects all nominees, names of nominees shall again be provided to the Governor until the appointment is filled.

2-3951.03. Board members; vacancies. (1) A vacancy on the board exists in the event of the death, incapacity, removal, or resignation of any member; when a member ceases to be a resident of Nebraska; when a member ceases to be a producer in Nebraska; or when the member's term expires. Members whose terms have expired shall continue to serve until their successors are appointed and qualified, except that if such a vacancy will not be filled, as determined by the Governor under section 2-3951.02, the member shall not serve after the expiration of his or her term.

(2) For purposes of filling vacancies on the board, the Governor shall appoint one member from up to two nominees submitted by the vacating member's nominator under section 2-3951.02. In the event of a vacancy, the board shall certify to the vacating member's nominator that such a vacancy exists and shall request nominations to fill the vacancy for the remainder of the unexpired term or for a new term, as the case may be.

2-3951.04. Board members; nominations; notification; procedure. (1) When nominations for board members are required, written notification shall be given to each producer represented or to be represented by such member, including an at-large member. The first purchaser or purchasers of milk shall notify each producer from whom the first purchaser buys milk that each producer may submit written nominations. If the group represented is a combination of first purchasers of milk and individual producer-processors or if the member is an at-large member, the individual producer-processors shall receive notification from the Department of Agriculture.

(2) Nominations shall be in writing and shall contain an acknowledgment and consent by the producer being nominated. The nomination shall be returned by the producer to the first purchaser of milk or to the department from whom the producer received notification within fifteen days after the receipt of the notification. For nominations to replace a member whose term is to expire or for a new member, the producers shall receive notification between August 1 and August 15 preceding the expiration of the term of the member or the beginning of the term of a new member. For all other vacancies, the producers shall receive notification within thirty days after the member vacates his or her position on the board or within thirty days after the board calls for an at-large member or members as provided in section 2-3951.02.

(3) The first purchasers of milk, the department, or the board shall submit nominations to the Governor by September 30, in the case of term expiration or new or at-large member, or forty-five days after the member vacates his or her position for all other vacancies. The Governor shall make the appointments within thirty days after receipt of the nominations.

(4) All nominees shall meet the qualifications provided in section 2-3951.

2-3955. Board; meetings; minutes. (1) The board shall meet at least once every six months at a time and place fixed by the board. Special meetings may be called by the chairperson and shall be called by the chairperson upon request of at least twenty-five percent of the members of the board. Written notice of the time and place of all meetings shall be mailed in advance to each member of the board. A majority of members of the board shall constitute a quorum for the transaction of business. The affirmative vote of a majority of all members of the board shall be necessary for the adoption of rules and regulations.

(2) The board shall at each regular meeting review all expenditures made since its last regular meeting.

(3) The board shall keep minutes of its meetings and other books and records which shall clearly reflect all of the acts and transactions of the board. Such records shall be open to examination during normal business hours.

2-3956. Board; administration; limitation on expenses. The board may contract for the necessary office space, furniture, stationery, printing, and personnel services useful or necessary for the administration of the Dairy Industry Development Act. The total administrative costs and expenses of the board shall not exceed five percent of the annual assessments collected in accordance with section 2-3958.

2-3957. Board; powers and duties. The board shall:

(1) Arrange or contract for administrative and audit services which are necessary for the proper operation of the Dairy Industry Development Act;

(2) Procure and evaluate data and information necessary for the appropriate distribution of funds collected;

(3) Direct the distribution of funds collected;

- (4) Prepare and approve a yearly budget;
- (5) Adopt and promulgate rules and regulations to carry out the act;
- (6) Establish a means by which all producers are informed annually on board members, policy, expenditures, and programs for the preceding year;
- (7) Authorize the expenditure of funds to conduct activities provided for by the act;
- (8) Bond such persons as necessary to ensure adequate protection of funds;
- (9) Make refunds to other qualified programs in other states and disburse as directed by producers pursuant to subdivision (8)(e) of section 2-3949;
- (10) Require that all books and records which clearly reflect all the transactions of its funded qualified programs be made available for audit by the board;
- (11) Initiate appropriate enforcement of the act and the rules, regulations, and orders promulgated under the act;
- (12) Accept remittances or credits and apply for and accept advances, grants, contributions, and any other forms of assistance from the federal government, the state, or any public or private source for administering the act and execute contracts or agreements in connection therewith;
- (13) When necessary, appoint committees and advisory committees, the membership of which reflects the different funding regions of the United States and of the State of Nebraska in which milk is produced and delegate to such committees the authority reasonably necessary to administer the act under the direction of the board and within the policies determined by the board; and
- (14) Exercise all incidental powers useful or necessary to carry out the act.

2-3958. Mandatory assessment; board; duties. (1) There shall be paid to the board a mandatory assessment of ten cents per hundredweight on all milk produced in the State of Nebraska for commercial use.

(2) The board may audit financial and other records of first purchasers of milk, producers, and their agents pertaining to the assessment provided for in this section and otherwise ensure compliance with the Dairy Industry Development Act.

(3) For purposes of the act, when milk is sold to an out-of-state purchaser, the sale shall be deemed to have occurred in Nebraska if the milk was otherwise produced within Nebraska immediately prior to such sale and such sale is the first purchase of the milk for commercial use.

(4) For purposes of the act, when milk is produced out-of-state but sold to a first purchaser of milk in Nebraska, the assessment provided for in this section may be assessed and retained in Nebraska only if the producer consents.

2-3959. Assessment; payment; procedures. The assessment prescribed in section 2-3958 shall be paid by producers at the time of first sale or delivery of milk for commercial use and shall be collected by the first purchaser of milk

except as provided in this section. The first purchaser of milk shall remit the assessment to the board when the first purchaser of milk issues the milk payroll to producers. When milk is sold by producers to nonresident first purchasers of milk, the nonresident first purchaser of milk shall remit the assessments to the board. Producer-processors shall remit the assessments to the board. All assessments shall be remitted to the board not later than the last day of the month following the month in which the milk was commercially used, and a report shall be filed by the person responsible for remitting the assessment at the time that the assessment is remitted. The board shall make proper refunds to producers pursuant to subdivision (8)(e) of section 2-3949 at least quarterly. The board shall promulgate rules and regulations concerning the payment, remittance, refunding, and reporting of assessments. All money collected by the board shall be remitted to the State Treasurer for credit to the Nebraska Dairy Industry Development Fund.

2-3960. Nebraska Dairy Industry Development Fund; created; use; investment. The Nebraska Dairy Industry Development Fund is hereby created. Money in the fund shall be used for the administration of the Dairy Industry Development Act, including advertising and promotion, market research, nutrition and product research and development, and nutrition and educational programs. Any money in the fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

2-3961. Use of funds; limitations. The board shall not set up programs or agencies of its own but shall fund active, ongoing, qualified programs as stated in section 114 of the Dairy Production Stabilization Act of 1983, Public Law 98-180, as amended, and the regulations promulgated pursuant thereto. Funds may be used by qualified programs to jointly sponsor projects with any private or public organization to meet the objectives of the Dairy Industry Development Act.

2-3962. Board; report; contents. The board shall prepare a report on or before October 1 of each year setting forth the income received from the assessments collected in accordance with section 2-3958 for the preceding fiscal year, and the report shall include:

- (1) The expenditure of funds by the board during the year for the administration of the Dairy Industry Development Act;
- (2) A brief description of all contracts requiring the expenditure of funds by the board;
- (3) The action taken by the board on all such contracts;
- (4) An explanation of all programs relating to the discovery, promotion, and development of markets and industries for the utilization of dairy products and the direct expense associated with each program;
- (5) The name and address of each member of the board; and

(6) A brief description of the rules, regulations, and orders adopted and promulgated by the board.

The board shall submit the report electronically to the Clerk of the Legislature and shall make the report available to the public upon request.

2-3963. Violations; penalties; unpaid assessment; late payment fee. (1) Any person violating any of the provisions of the Dairy Industry Development Act shall be guilty of Class III misdemeanor.

(2) Any unpaid assessment shall be increased one and one-half percent each month beginning with the day following the date such assessment was due. Any remaining amount due, including any unpaid charges previously made pursuant to this section, shall be increased at the same rate on the corresponding day of each succeeding month until paid.

(3) For purposes of this section, any assessment that was determined at a date later than prescribed by section 2-3959 because of the failure to submit a report to the board when due shall be considered to have been payable on the date it would have been due if the report had been timely filed. The timeliness of a payment to the board shall be based on the applicable postmarked date or the date actually received by the board, whichever is earlier. Any assessments and late payment fees may be recovered by action commenced by the board.

(4) The remedies provided in this section shall be in addition to and not exclusive of other remedies that may be available by law or in equity.

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**NEBRASKA DAIRY INDUSTRY DEVELOPMENT
BOARD**

Contracts

NEBRASKA DEPARTMENT OF AGRICULTURE
FEE COLLECTION PROGRAM

ENFORCEMENT PROCEDURES

FOR COLLECTION OF FEES AS PROVIDED FOR
IN THE DAIRY INDUSTRY DEVELOPMENT ACT (SECTION 2-3948)

Requirement:

There shall be paid, to the Nebraska Dairy Industry Development Board, a mandatory assessment of ten cents (10¢) per hundredweight (cwt) on all milk produced in the state of Nebraska for commercial use. The assessment shall be paid by producers at the time of first sale or delivery of milk for commercial use and shall be collected by the first purchaser of milk. Producer/processors shall remit the assessments to the Board. The first purchaser shall maintain the necessary record of fees collected for each purchase of milk produced in the state of Nebraska. All assessments shall be remitted to the Board no later than the last day of month following the month in which the milk was commercially used, and a report shall be filed by the person responsible for remitting the assessment at the time the assessment is remitted.

Any request from a producer for a refund under the Program will be honored by forwarding that portion of such refund equal to the amount of credit, that otherwise would be applicable to the Program, to either the National Dairy Promotion and Research Board or a qualified program designated by the producer.

Definitions:

1. First purchaser of milk shall mean a person who buys milk from a producer and resells to another person the milk or products manufactured or processed from the milk.
2. Board shall mean the Nebraska Dairy Industry Development Board.
3. Commercial use shall mean sale for retail consumption or sale for resale, for manufacturing for resale, or for processing for resale.
4. Milk shall mean any class of cow's milk produced in the state of Nebraska.
5. Milk production units shall mean any producer licensed by the Department of Agriculture.
6. Producer shall mean any person engaged in the production of milk for commercial use.
7. Producer/processor shall mean a producer who processes and markets the producer's own milk.

8. Qualified program shall mean any state or regional dairy product promotion, research, or nutrition education program which is certified pursuant to 7 C.F.R. 1150.153.

Confidentiality:

The independent collection agency shall maintain all fee collection records in strict confidence in accordance with State statutes. Only agency total data will be released to the Board or the public upon request. The independent collection agency will release data related to the first purchaser only after written permission is received by the independent collection agency from the Board.

Procedure for Determining First Purchaser:

When a party or board member gives a name of an individual or firm to the Nebraska Dairy Industry Development Board which they believe is a first purchaser of milk and not assessing the checkoff, the Fee Collection Program will take the following action:

1. A letter is written to the individual or firm in question advising that the mailing list is being updated and asking whether or not they are a first purchaser.
2. If they respond they are a first purchaser of milk, they will be set up on the mailing list to receive fee forms. A packet of fee forms, envelopes, and the statute will be sent to them to finish out the fiscal year. (They receive a year's supply of forms and envelopes the beginning of every calendar year.)
3. If they respond they are not a first purchaser of milk, the Fee Collection Program will inform the Dairy Industry Development Board of the response.
4. Board action will determine enforcement action and enforcement steps desired to garner compliance. This may include a request for a special audit or request the State Attorney General Office to initiate legal proceedings in accordance with the law.

Procedure for Collecting the Assessment from First Purchasers:

1. Fee forms will be mailed for the calendar year (one form each month having the name and address, month and year of production, and due date filled in) at the beginning of the year to those first purchasers on the mailing list.
2. Non-respondents will be mailed delinquent second notice letters with penalty due the first week following the month they were due.

- If the form is received late (according to the postmark), the firm will receive a letter for payment on the penalty.
 - If, after the due date, we haven't received the fee form, a letter notifying the firm of being delinquent and having the penalty due will be sent.
 - Penalty assessed shall be 1½% each month, beginning with the day following the date such assessment was due. Any remaining amount due, including any unpaid charges previously made pursuant to the act, shall be increased at the same rate on the corresponding day of each succeeding month until paid.
3. If no response, a third notice notification will be sent (for the appropriate situation in #2) the first week following the month in which the second notice was sent with the penalty added into the letter for each month delinquent. The letter will be jointly signed by the Chairman of the Board and Fee Collection Program.
 4. If, after two weeks, there is no response after the third notice, a call will be made to the firm and a delinquent list will be sent to the Board. Legal enforcement of the Nebraska Dairy Industry Development Board statutory requirements will be the Board's responsibility.
 5. Board action will determine enforcement action and enforcement steps desired to garner compliance. This may include a request for a special audit, or utilizing the State Attorney General's Office to initiate legal proceedings in accordance with the law.

Auditing Procedures:

Audit Authority:

Neb. Rev. Stat. §2-3958(2) R.R.S., 1997, states:

The Board may audit financial and other records of first purchasers of milk, producers, and their agents pertaining to the assessment provided for in this section and otherwise ensure compliance with the Dairy Industry Development Act.

Audit Scope:

Neb. Rev. Stat. §2-3958(1) R.R.S., 1997, states:

There shall be paid to the Board a mandatory assessment of ten cents (.10) per hundredweight on all milk produced in the State of Nebraska for commercial use.

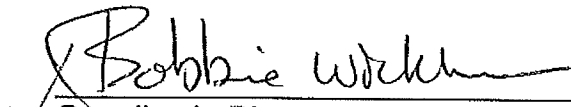
The auditor will verify reports submitted to the Dairy Industry Development Board by examining records that may include, but are not limited to, the general ledger and its accounts, purchases journals or registers, check registers, producer accounts, and/or any other record or records which pertain to the assessment or compliance with the Act. A primary contact person will be noted for use in follow up for making future contact, and will be presented with the results of the audit. The standard audit form presented will serve as a notice of refund due in the case an overpayment, or as an invoice in the case of an underpayment. Payments are to be sent to the customary fee collection agency and not collected by the auditor. The audit results, less any proprietary information, will also be presented to the Board at its next regularly scheduled meeting.

The auditor conducts compliance reviews of first purchasers on a random sample basis. The audit covers a one-year review of the monthly forms that are received. Special audits may also be conducted at the specific request of the Board.


An internal review will be done on a quarterly basis to verify accuracy of the Dairy Industry Development Board fee form data. This review will include a comparison to data received from the National Dairy Promotion and Research Board. Total pounds of milk purchased from pooled and non-pooled sources are compared and a reconciliation is done. In addition, the Nebraska Department of Agriculture will verify Grade A milk purchased by an individual entity to data received by the Department of Agriculture Dairy Regulatory Division under the Nebraska Pasteurized Milk Law. A report of all findings will be discussed at each Nebraska Dairy Industry Development Board meeting. The Milk Market Administrator, not the Department of Agriculture, will be able to verify manufactured milk purchases made. These would be incorporated into first purchaser on-site audits conducted under agreement by the Department of Agriculture and the Board.

The Nebraska Dairy Industry Development Board contracts for fee collection, audit, and fiscal services with the Nebraska Department of Agriculture. The Memorandum of Agreement, entered into annually, details services performed by the Department of Agriculture for the Dairy Industry Development Board and the amount and method of reimbursing costs incurred.

6/3/14
Date


for Greg Ibach, Director
Department of Agriculture

6-4-2014
Date


Chairman
Nebraska Dairy Industry Development Board

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AGREEMENT

between

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

and

NEBRASKA DEPARTMENT OF AGRICULTURE

18-01-176

This Agreement is entered into this 1st day of July, 2014, by and between the Nebraska Department of Agriculture hereinafter referred to as the "Department," and the Nebraska Dairy Industry Development Board, hereinafter referred to as the "Board," and shall continue in effect until June 30, 2015, unless sooner terminated or modified by mutual agreement of the parties hereto, in writing.

- A. The parties wish to mutually acknowledge the following:
1. The Board is responsible for the administration of the Dairy Industry Development Act (§2-3948, et seq.), the provisions of which are hereby declared to be a part of this Agreement.
 2. The Department is responsible for the administration of the Nebraska Agricultural Products Marketing Act (§2-3801 et seq.), and the Management Services Expense Revolving Fund (§§81-201.03 and 81-201.04), the provisions of which are declared to be a part of this Agreement.
 3. The Board desires the Department to assist the Board in performing fee collection, budget, accounting, and auditing services, and the Department is desirous of providing such assistance.
 4. Each party specifically agrees that the funds expended pursuant to this Agreement shall be spent only on the work specified and for no other purposes, and that any amendments to the Agreement shall be in writing and executed by each party to be valid.
- B. The Department agrees to assist the Board by providing the following services on a cost reimbursement basis, but such services shall not exceed six thousand three hundred ninety-one dollars and no cents (\$6,391.00) in value.

1. Fee Collection Services:

- (a) Distribution of monthly fee forms.
- (b) Processing and return of forms.
- (c) Follow-up on delinquent accounts in accordance with enforcement procedures.
- (d) Process refunds as requests are made.
- (e) Update enforcement procedures as needed for Board approval.
- (f) Maintain an updated mailing list of first purchasers.
- (g) Maintain records in accordance with State records retention schedule.

2. Fiscal Services:

- (a) Prepare and electronically submit board-approved budget.
- (b) Perform accounting functions to enable the Board to operate as a State agency.
- (c) Monitor fund investment.
- (d) Deposit revenue into Nebraska Dairy Industry Development Cash Fund.
- (e) Prepare revenue and expenditure documents.
- (f) Review expenditures for compliance with State guidelines.
- (g) Prepare a monthly summary of revenue and expenditure fiscal report.
- (h) Maintain records in accordance with State record retention schedule and LB 429 related to the State contract transparency act.

3. Auditing Services:

- (a) Conduct field auditing of first purchaser accounts as authorized by Board action.
- (b) Internal auditing of revenue and expenditures for compliance.

Audit Authority:

Neb. Rev. Stat. §2-3958(2), states:

The Board may audit financial and other records of first purchasers of milk, producers, and their agents pertaining to the assessment provided for in this section and otherwise ensure compliance with the Dairy Industry Development Act.

Audit Scope:

Neb. Rev. Stat. §2-3958(1), states:

There shall be paid to the Board a mandatory assessment of ten cents (.10) per hundredweight on all milk produced in the State of Nebraska for commercial use.

The auditors will verify reports submitted to the Dairy Industry Development Board by examining records that may include, but are not limited to, the general ledger and its accounts, purchases journals or registers, check registers, producer accounts, and/or any other record or records which pertain to the assessment or compliance with the Act. A primary contact person will be noted for use in follow up for making future contact, and will be presented with the results of the audit. The standard audit form presented will serve as a notice of refund due in the case an overpayment, or as an invoice in the case of an underpayment. Payments are to be sent to the customary fee collection agency and not collected by the auditor. The audit results, less any proprietary information, will also be presented to the Board at its next regularly scheduled meeting.

4. To provide the above services, the Department shall employ the necessary personnel and incur the necessary operating and travel expenditures. Each month a State Budget Status report shall be provided to the Board detailing the total budget, monthly expenditures, and fiscal year-to-date expenditures incurred under this Agreement, along with an Interagency Billing Transaction Document billing for the prior month's services performed.

If services in excess of \$6,391.00 are requested by the Board, through Board action, this Agreement may be amended accordingly.

- C. The Board agrees to the Department performing duties outlined in this Agreement in accordance with the three areas outlined in section B. Furthermore, the Board requests that the Department keep all producer and first purchaser fee collection data and audit information confidential to the extent possible under the State of Nebraska Public Records Laws, Neb. Rev. Stat. §§84-712 to 84-712.09. Due to a limited number of first purchasers and/or processors, it is the Board's desire that records and information generated pursuant to this Agreement not create a proprietary advantage for a first purchaser of milk. The Department shall report total dollars deposited and/or refunded to the Board and the Board's

administrative office, but not disclose to Board members, the administrator, or others individual milk first purchaser data. It is agreed the Department shall not be liable nor responsible for an agency or employee of the State of Nebraska not part of, or employed by, the Nebraska Department of Agriculture or for any other individual not employed by the Department relative to the confidentiality of this paragraph. Any dispute relative to this shall be the responsibility of the Board to seek legal guidance from the State Attorney General.

- D. The Board agrees to compensate the Department for the services provided hereunder, as follows:

Direct charges shall be made to the Board, monthly, for services performed, but the total Department charges shall not exceed \$6,391.00, provided sufficient funds and appropriation is available. A one-month advance payment shall be made by the Board to the Department upon receipt of an Intrastate Transaction Document from the Department. Upon termination of the Department as the independent contractor, any unearned credit from the advance payment will be refunded to the Board.

- E. The Department and the Board agree to:

1. Not discriminate against recipients of services on the basis of race, color, religion, national origin, sex, qualified disability or age; and
2. Not discriminate against any employee or applicant for employment on the basis of race, color, religion, national origin, sex, or otherwise qualified disability status.
3. Have in force during the agreement period and available for inspection, a policy regarding a drug-free workplace. The policy shall contain:
 - (a) A statement notifying employees that the unlawful manufacture, distribution, possession or use of a controlled substance is prohibited in the contractor's workplace;
 - (b) The actions that will be taken against employees for violating the policy;
 - (c) A requirement that each employee receive a copy of the policy.

- F. Each party to this Agreement assumes liability for the acts, or omissions of such acts, by their respective employees or Board members arising out of, or relating to, contents of this Agreement and agrees to indemnify the

other party for any claims or liability arising out of, or relating to, such acts or omissions. The obligation to indemnify shall survive the expiration or termination of this Agreement. Such indemnification and assumption of liability found in this section is limited to the extent provided for by law.

- G. This Agreement shall be for the period from July 1, 2014, to June 30, 2015, unless sooner terminated by a sixty (60) day advance written notice of either party.
- H. All provisions to this Agreement are subject to the Americans with Disabilities Act.

DEPARTMENT OF AGRICULTURE

6/2/14
Date

Bobbie Wickham
for Greg Ibach, Director

NEBRASKA DAIRY INDUSTRY
DEVELOPMENT BOARD

6-4-2014
Date

James Eschliman
James Eschliman, Chairman

FAPDL.doc

AGREEMENT

Between

THE NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

And

MIDWEST DAIRY ASSOCIATION

This Agreement is made and entered into this 1st day of July, 2014, by and between Midwest Dairy Association, herein called "Midwest," and the Nebraska Dairy Industry Development Board, herein called "Board."

WHEREAS, the Legislature of the State of Nebraska has enacted the Dairy Industry Development Act (Neb. Rev. Stat. §2-3948 et seq.), which, by this reference, is hereby incorporated into this Agreement;

WHEREAS, the purpose of the Act is to maintain and expand domestic sales of milk and dairy products, develop new products and new markets, improve methods and practices relating to marketing or processing of milk and dairy products, and inform and educate consumers of sound nutritional principles including the role of dairy products in a balanced and healthful diet;

WHEREAS, §2-3950 of the Act designates the Board as the agency of the State of Nebraska responsible for carrying out the purposes of the Act;

WHEREAS, §2-3961 of the Act authorizes the Board to jointly sponsor projects with any private or public organization that is a qualified program (any state or regional dairy product promotion, research, or nutrition education program which is certified pursuant to 7 C.F.R. 1150.153 as amended) to meet the objectives of the Act;

WHEREAS, the purposes of the Act will be effectively and meaningfully carried out if the Board cooperates with Midwest in carrying out said purposes; and

WHEREAS, both parties hereto desire to enter into this Agreement in order to carry out the purposes of the Act.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, it is agreed by and between the parties that:

1. The term of the Agreement shall be from July 1, 2014, through June 30, 2015.
2. The relationship of the Board and Midwest under this Agreement shall be that of principal and independent contractor. It is understood by both the Board and Midwest that Midwest is not an employee or agent of the Board

and it is understood that the Board assumes no responsibility beyond those specifically stated in this Agreement.

3. Midwest shall provide the following services:
 - a. Perform Administrative Services for the Board that will include and are not limited to:
 - Coordinate meeting notices, records, and agenda with the Nebraska Department of Agriculture.
 - Provide minutes, information reports, and follow-up reports as requested by the Board.
 - Advance Board-approved expenses to the State for payment.
 - Obtain stationery and letterhead for the Board.
 - Maintain and update the roster of the Board.
 - Correspond with first purchasers to comply with nominations and appointments to the Board and the operative dates.
 - Follow-up with the Governor's office on appointments to the Board.
 - Remind first purchasers if a vacancy exists on the Board.
 - Work with the Nebraska State Attorney General's office as related to contracts.
 - Obtain certified audits and proof of bonding from qualified programs contracted to the Board and forward to the Department of Agriculture to review for compliance.
 - Develop and publish an annual report on or before October 1 of each year, setting forth the income received from the assessments collected in accordance with §2-3958, for the preceding fiscal year and the report shall include:
 - (1) The expenditure of funds by the Board during the year for the administration of the Dairy Industry Development Act;
 - (2) A brief description of all contracts requiring the expenditure of funds by the Board;
 - (3) The action taken by the Board on all such contracts;
 - (4) An explanation of all programs relating to the discovery, promotion, and development of markets and industries for the utilization of dairy products and the direct expense associated with each program;
 - (5) The name and address of each member of the Board; and a brief description of the rules, regulations, and orders adopted and promulgated by the Board.

- (6) Such report shall be available to the public upon request.
- b. Midwest agrees to perform these Administrative Services free of charge, as long as it remains the only qualified program funded by the Board. Should any qualified program other than Midwest receive checkoff funding from the Board, in consideration of good faith performance hereunder by Midwest, the Board agrees to reimburse Midwest monthly for administrative costs incurred based on total revenue posted to the State of Nebraska Information System (NIS) general ledger as of the fifth working day of each calendar month. The amount paid will be one percent (1.0%) of revenue collected. The Board agrees to make payment provided sufficient funds, as budgeted under §2-3960, are generated and legislative appropriation is made. In no case shall payment exceed one percent (1.0%) received during this contract period.
4. Midwest shall provide the Board a summary evaluation report within thirty (30) days after the end of the contract period, including a summarization of revenue received and a general categorization by type of expenditure, expenditures made.
5. In addition to the Administrative Services provided under #3 above, Midwest shall provide the following services:
- Implementation of the Nebraska components of Dairy Management, Inc.'s national Unified Marketing Plan programs, including:
 - National Dairy Council (Nutrition Affairs):
 - Activate Expertise on Market/Business Operations
 - Optimize Dairy to Meet Regulations Be the Authoritative H&W "Go To" for Thought Leaders
 - Be the Trusted Source of Information on Dairy Value
 - Leadership Role in Advancing Public Health Costs
 - Build and Maintain a Trusted and Valued Brand
 - Industry Image & Relations:
 - Producer Relations and Communications
 - Board Relations
 - Co-op Relations
 - Issues Management
 - Crisis Preparedness
 - Dairy Farmer Image
 - Consumer Confidence
 - Social Media Training
 - Strategic Initiatives:
 - U.S. Whey Consortium

- Fuel Up to Play 60 (FUTP60):
 - Program Delivery
 - School Dairy Optimization, Funds for FUTP60 and Rewards
 - Dairy Product Research
 - Coordination of research through National Research Plan/Midwest Dairy Foods Research Center/University of Nebraska
 - Administration necessary to conduct the above programs
6. In consideration of good faith performance hereunder by Midwest, the Board agrees to make monthly contractual payments in an amount equal to the unexpended fund balance as reflected on the NIS on the fifth working day each calendar month after Board, administrative, fee collection, accounting, and auditing expenses are calculated. This dollar amount shall be based upon the State's official NIS accounting system. The Board agrees to make payment provided sufficient funds, as budgeted under §2-3960, are generated and legislative appropriation is made.
 7. Midwest shall provide a final report of activities undertaken, and have included materials produced under this Agreement at the 30-day conclusion of this Agreement.
 8. Midwest shall prepare an annual statement of financial affairs of Midwest, for the Board's fiscal year, and a copy thereof shall be forthwith submitted to the Board.
 9. Midwest shall:
 - a. Not discriminate against recipients of services on the basis of race, color, religion, national origin, sex, disability or age; and
 - b. Not discriminate against any employee or applicant for employment on the basis of race, color, religion, national origin, sex or any other qualified disability. It is further understood that, if Midwest is in violation of this clause, it shall be barred forthwith from receiving further funds unless a satisfactory showing is made that discriminatory practices have terminated and that a recurrence of such act or action is unlikely.
 - c. Have in force during the Agreement period, and available for inspection, a policy regarding a drug-free workplace. The policy shall contain:
 - (1) A statement notifying employees that the unlawful manufacture, distribution, possession, or use of a controlled substance is prohibited in Midwest's workplace;


- (2) The actions that will be taken against employees for violating the policy; and
 - (3) The requirement that each employee receive a copy of the policy.
- 10. Midwest shall indemnify and hold harmless the Board from any and all claims and liabilities, including costs and legal fees that may arise out of or on account of any failure on the part of Midwest to perform such duties for the Board as herein specified. This obligation shall survive the expiration or termination of this Agreement.
- 11. The obligation to indemnify shall survive the expiration or termination of this Agreement. Such indemnification and assumption of liability found in this section is limited to the extent provided for by law.
- 12. The provisions of this Agreement may be amended by mutual agreement to the parties hereto in writing, at any time.
- 13. This Agreement may be terminated by either party hereto at any time by ninety (90) day advance written notice to the other party.
- 14. This Agreement is not assignable without the express written approval of the Board.
- 15. Midwest agrees that the books of account, files, and other records of Midwest which are applicable to this Agreement shall, at all times, be available for inspection, review, and audit by the Board or its contract representatives to determine the proper application and use of all funds paid to or for the account or benefit of the Board.
- 16. Furthermore, Midwest agrees to maintain all books, documents, papers, or any other records involving transactions related to this Agreement for a period of five (5) years. If any litigation or audit is begun or a claim is instituted involving the Agreement, Midwest shall retain the records beyond the five (5) year period until litigation, audit findings, or claim has been fully resolved, and the Board has agreed that such records do not need to be retained.
- 17. Any funds paid to Midwest under this Agreement, and not fully utilized pursuant to the terms of this Agreement during the Agreement period shall be returned to the Board, unless otherwise agreed in writing by the parties. Furthermore, if Midwest fails to perform as outlined herein, Midwest may be required to repay funds received not utilized under this Agreement.

18. The funds expended pursuant to this Agreement shall be spent only on Midwest's performance pursuant to this Agreement and for no other purpose.
19. Midwest shall procure a policy or policies of insurance from an insurance company licensed to write such insurance in the state which policy or policies of insurance shall guarantee payment of compensation to injured workers according to the Nebraska Workers Compensation Act if an employee of Midwest is subject to the Nebraska Workers Compensation Act.
20. All provisions of this Agreement are subject to the Americans with Disabilities Act.
21. Midwest is required and hereby agrees to use a federal immigration verification system to determine the work eligibility status of new employees physically performing services within the State of Nebraska. A federal immigration verification system means the electronic verification of the work authorization program authorized by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, 8 U.S.C. 1324a, known as the E-Verify Program, or an equivalent federal program designated by the United States Department of Homeland Security or other federal agency authorized to verify the work eligibility status of a newly hired employee.

IN WITNESS WHEREOF, The parties hereto do execute this Agreement.

MIDWEST DAIRY ASSOCIATION
Federal ID Number, 41-0433125

5/27/14
Date


Mike Kruger, CEO

NEBRASKA DAIRY INDUSTRY
DEVELOPMENT BOARD

6-4-2014
Date


James Eschliman, Chairman

AGREEMENT

Between

THE NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

And

SOUTHWEST DAIRY FARMERS

RECEIVED
Nebr. Dept. Agric.

DEC 2 2014
Finance & Personnel

This Agreement is made and entered into this 13th day of November, 2014, by and between Southwest Dairy Farmers, herein called "Southwest," and the Nebraska Dairy Industry Development Board, herein called "Board."

WHEREAS, the Legislature of the State of Nebraska has enacted the Dairy Industry Development Act, (Neb. Rev. Stat. §2-3948, et seq.), which, by this reference, is hereby incorporated into this Agreement;

WHEREAS, the purpose of the Act is to maintain and expand domestic sales of milk and dairy products, develop new products and new markets, improve methods and practices relating to marketing or processing of milk and dairy products, and inform and educate consumers of sound nutritional principles including the role of dairy products in a balanced and healthful diet;

WHEREAS, pursuant to §2-3949(8)(e), the Board has received a request from a producer that his promotion check-off funds be remitted to Southwest.

WHEREAS, §2-3950 of the Act designates the Board as the agency of the State of Nebraska responsible for carrying out the purposes of the Act;

WHEREAS, §2-3961 of the Act authorizes the Board to jointly sponsor projects with any private or public organization that is a qualified program (any state or regional dairy product promotion, research, or nutrition education program which is certified pursuant to 7 C.F.R. 1150.153 as amended) to meet the objectives of the Act;

WHEREAS, the purposes of the Act will be effectively and meaningfully carried out if the Board cooperates with Southwest in carrying out said purposes; and

WHEREAS, both parties hereto desire to enter into this Agreement in order to carry out the purposes of the Act.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, it is agreed by and between the parties hereto that:

1. The term of the Agreement shall be from November 13, 2014, through June 30, 2015.
2. The relationship of the Board and Southwest under this Agreement shall be that of principal and independent contractor. It is understood by both the Board and Southwest that Southwest is not an employee or agent of the Board, and it is understood that the Board assumes no responsibility beyond those specifically stated in this Agreement.
3. As set forth in Exhibit A, attached and made a part of this Agreement, Southwest shall provide the following services:
 - a. Provide presentations via a Mobile Dairy Classroom in the southern tier of counties in Nebraska.
 - b. Provided funding is available, and it is mutually agreed by both parties provide Mobile Dairy Classroom training in other designated areas of Nebraska.
 - c. Provide other promotional and educational services as mutually agreed by both parties.
4. Southwest shall provide the Board a summary evaluation report within thirty (30) days after the end of the contract period, including a summarization of revenue received and a general categorization by type of expenditure, expenditures made.
5. Southwest shall submit to the Board documentation they are a USDA-qualified program and a copy of their most recent audit report within thirty (30) calendar days upon execution of the Agreement.
6. In consideration of good faith performance hereunder by Southwest, the Board agrees to make monthly contractual payments in an amount equal to producer requests to have their promotion check-off dollars directed to Southwest as reflected on the State's official Nebraska Information System (NIS) accounting system on the fifth working day of each calendar month less a 1% administrative fee. The administrative fee covers, board administration, fee collection, accounting, and auditing expenses. The Board agrees to make payment provided sufficient funds, as budgeted under §2-3960, are generated and legislative appropriation is made.
7. Southwest shall provide a final report to the Board of all activities undertaken, including all materials produced under this Agreement, within thirty (30) days after the conclusion of this Agreement.

8. Southwest shall prepare an annual statement of financial affairs of Southwest, for the Board's fiscal year, and a copy thereof shall be forthwith submitted to the Board.
9. Southwest shall:
 - a. Not discriminate against recipients of services on the basis of race, color, religion, national origin, sex, disability or age; and
 - b. Not discriminate against any employee or applicant for employment on the basis of race, color, religion, national origin, sex or any other qualified disability. It is further understood that, if Southwest is in violation of this clause, it shall be barred forthwith from receiving further funds unless a satisfactory showing is made that discriminatory practices have terminated and that a recurrence of such act or action is unlikely.
 - c. Have in force during the Agreement period, and available for inspection, a policy regarding a drug-free workplace. The policy shall contain:
 - (1) A statement notifying employees that the unlawful manufacture, distribution, possession, or use of a controlled substance is prohibited in Southwest's workplace;
 - (2) The actions that will be taken against employees for violating the policy; and
 - (3) The requirement that each employee receive a copy of the policy.
10. Southwest shall indemnify and hold harmless the Board from any and all claims and liabilities, including costs and legal fees that may arise out of or on account of any failure on the part of Southwest to perform such duties for the Board as herein specified.
11. Southwest's obligation to indemnify the Board shall survive the expiration or termination of this Agreement. Such indemnification and assumption of liability found in this section is limited to the extent provided for by law.
12. The provisions of this Agreement may be amended by mutual agreement to the parties hereto in writing, at any time.
13. This Agreement may be terminated by either party hereto at any time by ninety (90) day advance written notice to the other party.

14. This Agreement is not assignable without the express written approval of the Board.
15. Southwest agrees that the books of account, files, and other records of Southwest which are applicable to this Agreement shall, at all times, be available for inspection, review, and audit by the Board or its contract representatives to determine the proper application and use of all funds paid to or for the account or benefit of the Board.
16. Furthermore, Southwest agrees to maintain all books, documents, papers, or any other records involving transactions related to this Agreement for a period of five (5) years. If any litigation or audit is begun or a claim is instituted involving the Agreement, Southwest shall retain the records beyond the five (5) year period until litigation, audit findings, or claim has been fully resolved, and the Board has agreed that such records do not need to be retained.
17. Any funds paid to Southwest under this Agreement, and not fully utilized pursuant to the terms of this Agreement during the Agreement period shall be returned to the Board, unless otherwise agreed, in writing, by the parties. Furthermore, if Southwest fails to perform as outlined herein, Southwest may be required to repay funds received not utilized under this Agreement.
18. The funds expended pursuant to this Agreement shall be spent only on Southwest's performance pursuant to this Agreement and for no other purpose.
19. Southwest shall procure a policy or policies of insurance from an insurance company licensed to write such insurance in the state which policy or policies of insurance shall guarantee payment of compensation to injured workers according to the Nebraska Workers Compensation Act if an employee of Southwest is subject to the Nebraska Workers Compensation Act.
20. All provisions of this Agreement are subject to the Americans with Disabilities Act.
21. Southwest is required and hereby agrees to use a federal immigration verification system to determine the work eligibility status of new employees physically performing services within the State of Nebraska. A federal immigration verification system means the electronic verification of the work authorization program authorized by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, 8 U.S.C. 1324a, known as the E-Verify Program, or an equivalent federal program designated by the United States Department of Homeland Security or other federal

agency authorized to verify the work eligibility status of a newly hired employee.

IN WITNESS WHEREOF, the parties hereto do execute this Agreement.

SOUTHWEST DAIRY FARMERS
Federal ID Number, 75-1899434

12-30-14

Date

James C. Hill

Jim Hill, CEO and General Manager

NEBRASKA DAIRY INDUSTRY
DEVELOPMENT BOARD

11-28-14

Date

James Eschliman

James Eschliman, Chairman

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