

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD



Annual Report

BOARD OF DIRECTORS

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LINCOLN, NEBRASKA

MIKE RODER, ADMINISTRATOR
OMAHA, NEBRASKA

July 1, 2004 - June 30, 2005

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD



Annual Report July 1, 2004 – June 30, 2005

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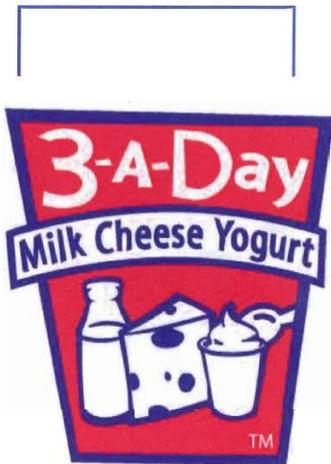
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Nebraska

Dairy Industry

Development

Board

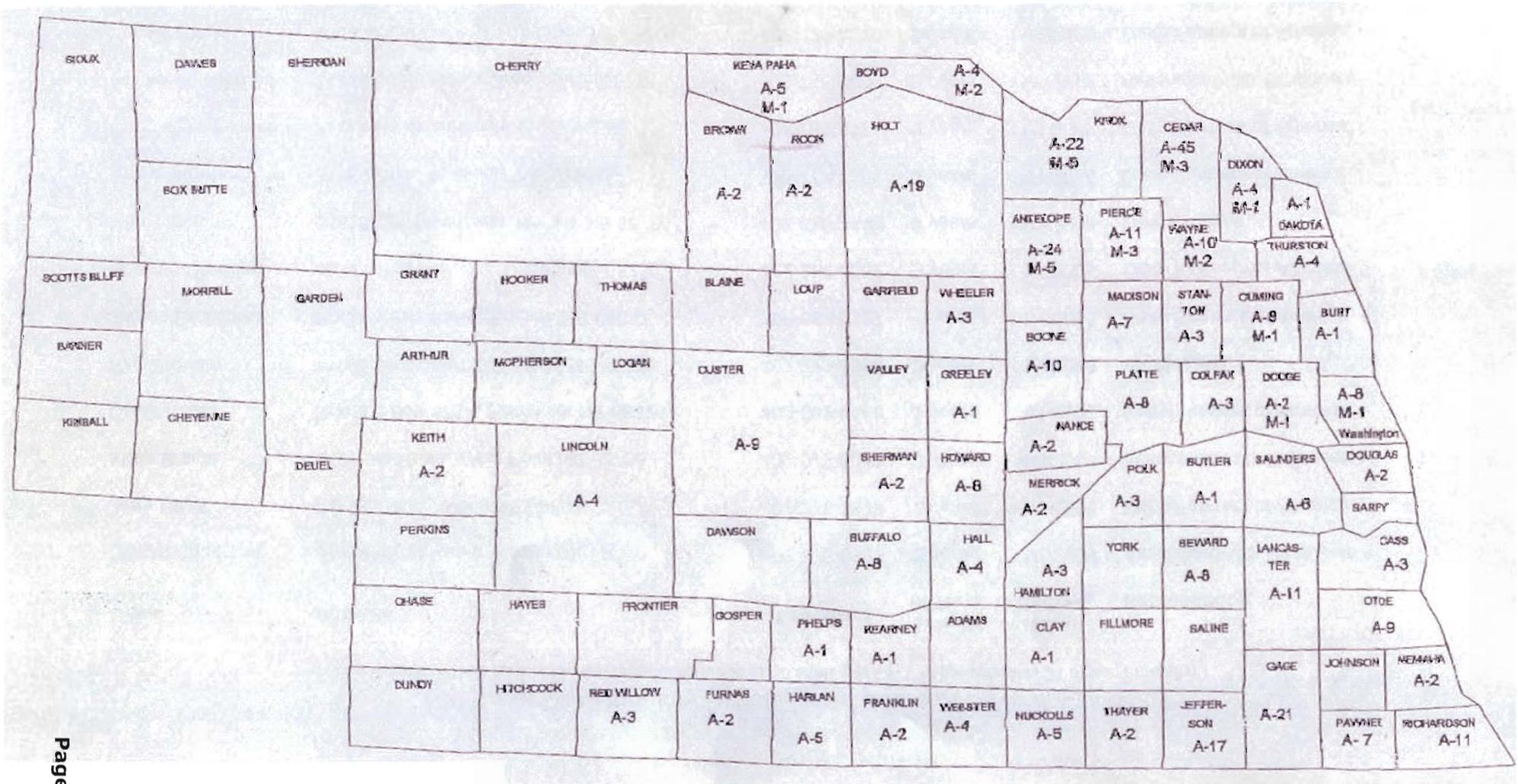
Nebraska Dairy Industry Development Board of Directors 11-01-04

This Board controls Nebraska dairy promotion funds (\$.10 cents per CWT - approximately \$1 million annually)

Name	Address	Telephone	Length of Term	Term Expires	Representing
Dwight Anderson	57410 861st Road, Wayne NE 68787	402-375-2737	3 years	11/1/2006	Associated Milk Producers
Jerry Bond	PO Box 707, Avoca NE 68307	402-275-3393	3 years	11/1/2007	Dairy Farmers of America
Millie Bracht	549 19th Road, West Point NE 68788	402-372-3743	3 years	11/1/2007	Associated Milk Producers
David Crook	Route 3 Box 173A, Humboldt NE 68376	402-862-2180	3 years	11/1/2007	Dairy Farmers of America
Rex DeFrain	71995 Highway 15, Fairbury NE 68352	402-729-5880	3 years	11/1/2006	Wells Dairy
James Eschliman	Route 1 Box 51AA, Ericson NE 68637	308-653-2127	1 year	11/1/2005	Dairy Farmers of America
Norman Guenther	89711 Highway 121, Crofton NE 68730	402-388-4362	3 years	11/1/2005	Dairy Farmers of America
Mike Henn	54615 Half Mile Road, Norfolk NE 68701	402-675-2449	3 years	11/1/2006	Land O'Lakes
David Murman	31260 Road A, Glenvil NE 68941	402-771-2301	3 years	11/1/2005	Dairy Farmers of America
Douglas Nuttelman	PO Box 413, Stromsburg NE 68666	402-764-5171	3 years	11/1/2007	Dairy Farmers of America
Arnold Oltjenbruns	54229 865th Road, Osmond NE 68756	402-748-3667	3 years	11/1/2007	Associated Milk Producers
Verdell Stork	8368 County Road 7, Arlington NE 68002	402-478-4230	3 years	11/1/2005	Dairy Farmers of America
Tod Tuls	12723 V Road, Shelby NE 68662	402-527-5994	3 years	11/1/2007	Grande Milk Marketing
Denis Blank	P O Box 94947, Lincoln NE 68509-4947	402-471-2341	ex-officio	N/A	Nebraska Dept. of Agriculture

NEBRASKA DAIRY PRODUCERS

Grade A	338
Mfg	25
Total	403



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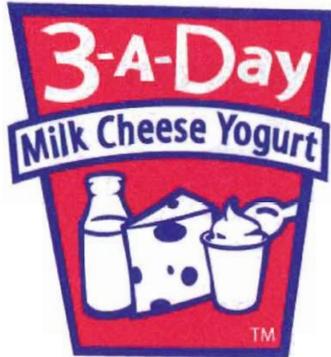
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<u>Nebraska Milk Purchasers</u>		<u>Number of Producers in State</u>				
1	Associated Milk Producers, NE 208 Main Street Plainview, NE 68769	"A"	68	Mfg.	25 =	93
2	Dairy Farmers of America P O Box 901546 Kansas City, MO 64190-1546	"A"	256	Mfg.	0 =	256
3	Grande Milk Marketing 301 E Main Street Lomira, WI 53048	"A"	1	Mfg.	0 =	1
4	Land O'Lakes PO Box 168 Volga, SD 57071	"A"	1	Mfg.	0 =	1
5	Northeast NE Coop P O Box 1528 Norfolk, NE 68701	"A"	5	Mfg.	0 =	5
6	Wells Dairy 1 Blue Bunny Drive, LeMars, IA 50131	"A"	47	Mfg.	0 =	47
2005	"A"	378	Mfg.	25 =	403	
2004	"A"	411	Mfg.	29 =	440	
2002	"A"	455	Mfg.	39 =	494	
2002	"A"	469	Mfg.	72 =	541	
2001	"A"	510	Mfg.	90 =	600	
2000	"A"	573	Mfg.	126 =	699	
1999	"A"	596	Mfg.	126 =	734	
1998	"A"	622	Mfg.	154 =	776	
1997	"A"	693	Mfg.	193 =	886	
1996	"A"	763	Mfg.	232 =	995	
1995	"A"	810	Mfg.	281 =	1091	

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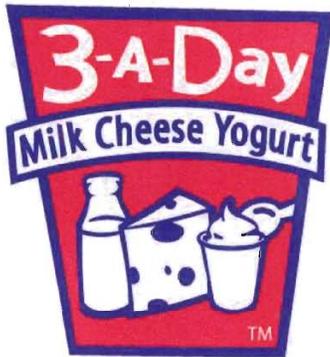
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Nebraska Dairy Industry Development Act Operative Dates

July 15, 1992	The Nebraska Dairy Industry Development Board was created.
March 20, 2004	Nebraska Dairy Industry Development Act of 2004 enacted.
August 1-15	Each first purchaser of milk shall give written notice to each producer from whom they purchase milk that they are entitled to nominate a candidate(s) for appointment to the NDID Board. Letters will be mailed no later than August 15.
August 30	Producer deadline for return of nominating petition, affidavit And executive appointments application to first purchasers of milk.
September 30	Each first purchaser which purchases milk from at least twenty-one production units must verify candidates' qualifications and submit to the Governor, as per Executive Appointments Application, the names of up to two nominees for each forty milk production units, or major fraction thereof, from which the first purchaser purchases milk. Each first purchaser which purchases milk from twenty or less milk production units or each individual producer-processor may nominate up to two nominees. First purchasers who produce milk from twenty or less production units and individual producer-processors shall be combined as a group from which the Governor will appoint two directors from the nominees submitted by this group.
October 30	Governor shall appoint one Director for each forty milk production units, or major portion thereof, from the nominees of each first purchaser who purchases milk from at least twenty-one production units as Director(s) to the NDID Board. The Governor shall also appoint two nominees from the combined group of individual producer-processors and first purchasers who purchase milk from twenty or less milk production units as Director(s) to the NDID Board. The Governor shall determine each Director's term length.

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Financial

Reports

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD



Nebraska Dairy Industry Development Board

July 1, 2004 - June 30, 2005

Beginning Cash Balance: \$ 88,193

Revenue:

Dairy Checkoff \$ 1,031,000
 Penalty \$ 190
 Other Revenue \$ 25
 Interest \$ 1,763

Total Revenue \$ 1,032,979

Total Available Cash \$ 1,121,172

Expenditures:

Administrative Services Contract \$ 10,404
 Fee Collection Contract \$ 6,240
 Dairy Council of Nebraska \$ 386,677
 American Dairy Association of Nebraska \$ 630,894
 Board Expense \$ 2,663
 Annual Audit \$ 3,184

Total Expenditures \$ 1,040,061

Adjustment to fund balance \$ -

Ending Cash Balance \$ 81,111

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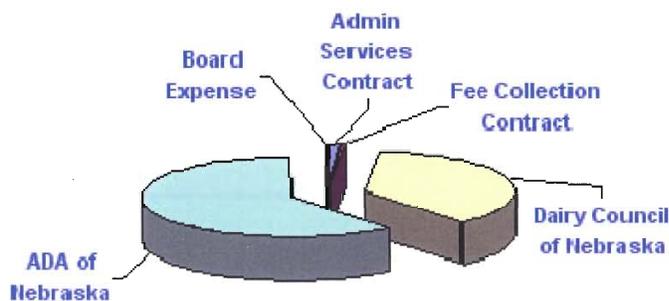
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Nebraska Dairy Industry Board Expenditure Distribution



NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD



Nebraska Department of Agriculture Fee Collection Contract July 1 2004 - June 30, 2005

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Revenue: NDIDB **\$ 6,240**

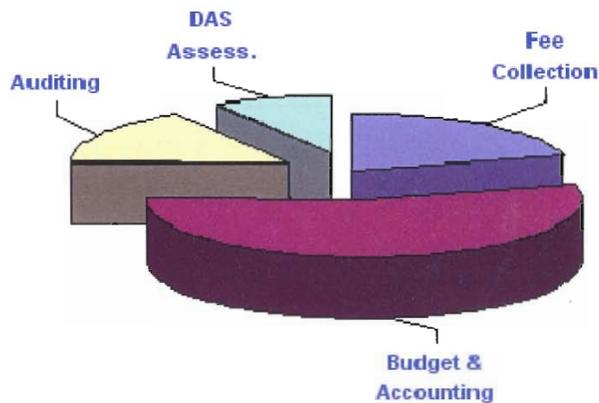
Expenditures:

Fee Collection	\$ 1,301
Budget and Accounting	\$ 3,396
Auditing	\$ 985
DAS Assessments	\$ 557

Total Expenditures **\$ 6,240**

Balance **\$ 0**

Nebraska Department of Agriculture Expenditure Distribution



NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD



NDIDB Administration Contract Dairy Council of Nebraska, Inc July 1, 2004 - June 30, 2005

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Revenue:

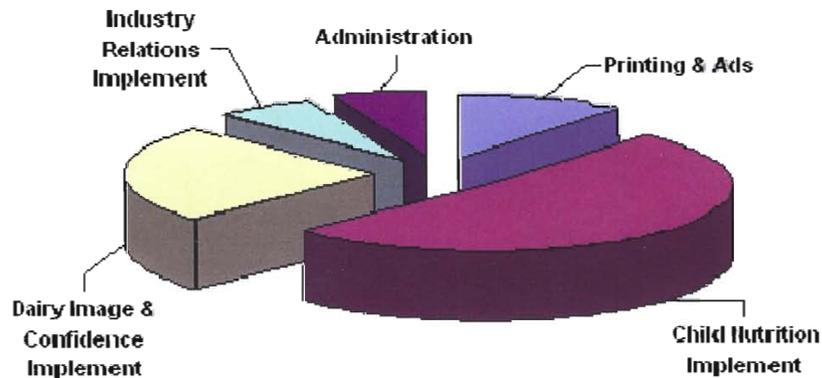
NDIDB \$ 10,404

Expenditures:

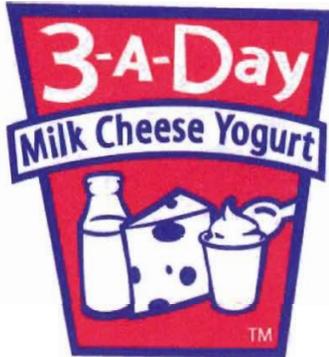
Printing & Ads	\$ 1,151
Child Nutrition Program Implementation	\$ 5,367
Dairy Image & Confidence Program Implementation	\$ 2,569
Industry Relations Implementation	\$ 692
Administration	<u>\$ 626</u>
Total Expenditures	<u>\$ 10,404</u>

Balance \$ -

NDIDB Admin Contract Expenditures



NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD



ADA/DC of Nebraska, Inc
July 1, 2004 - June 30, 2005

REVENUE:

NDIDB -ADA of NE	\$ 630,894
NDIDB -DC of NE	\$ 386,677
Dividend	\$ 301
Interest	\$ 5,078

Total Revenue \$ 1,022,951

EXPENDITURES:

Channels	\$ 328,853
Child Nutrition	\$ 237,157
Dairy Image & Confidence	\$ 106,575
Industry Relations	\$ 109,855
Administration	\$ 43,243
UDIA Payments	\$ 235,500

Total Expenditures \$ 1,061,183

Balance \$ (38,232)

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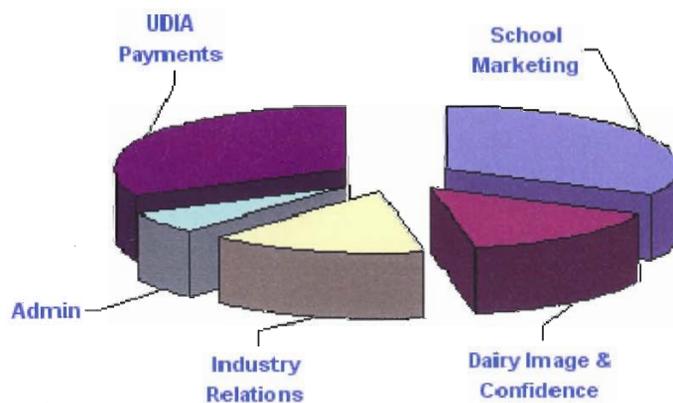
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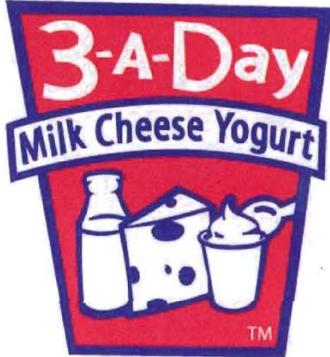
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Dairy Council Expenditure Distribution



NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD



Dairy Industry

& Product

Promotion

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Organization Associations



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Nebraska dairy farmers pay a checkoff of fifteen cents per hundred weight. Five cents is sent to the National Dairy Board who develops and provides funds for the national dairy marketing plan. The other ten cents is paid to the Nebraska Dairy Industry Development Board (NDIDB). The NDIDB funds USDA qualified organizations for dairy promotion activities. Currently the NDIDB funds Nebraska qualified organizations which are American Dairy Association of Nebraska, Inc. and Dairy Council of Nebraska, Inc. The NDIDB is itself a USDA qualified organization.

American Dairy Association of Nebraska is incorporated as a 501(c)6 nonprofit organization and Dairy Council of Nebraska is incorporated as a 501(c)3 nonprofit education organization under rules of the Internal Revenue service.

ADA/DC of Nebraska is a state registered trade name under which American Dairy Association of Nebraska and Dairy Council of Nebraska conduct promotion and nutrition education programs. ADA/DC of Nebraska supports the Unified National Marketing Plan (UMP) developed by Dairy Management, Inc. (DMI). The majority of the activities conducted by ADA/DC of Nebraska reported here are local components of the UMP. In addition ADA/DC of Nebraska sent almost \$180,000 to DMI in fiscal year 2004-2005 for national implementation of the UMP. These funds allow DMI to conduct dairy promotion on a national level and support 3-A-Day of Dairy advertising, public relations and retail programs, dairy ingredients marketing, export development, dairy image, dairy confidence, nutrition education, nutrition research, school based education, school food service programs and dairy industry relations activities.

ADA/DC of Nebraska also maintains a close relationship with dairy product processors in Nebraska. Among these are Meadow Gold, Roberts, and Well's Dairy Companies. Dairy foods processors contribute twenty cents per hundredweight to the national Milk Processor's Education Program (MilkPEP) Milk Mustache program. Our organizations provide staff time to assist in local components of MilkPEP's activities. The Milk Mustache and got milk?[®] campaigns work together. We also invite the processors to appoint someone to serve as honorary members on our Board of Directors. Currently we have two ex-officio board members representing Nebraska processors.

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD



American Dairy Association of Nebraska, Inc.
Promotion Activity



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EVALUATING 3-A-DAY OF DAIRY

Comparative research conducted in 2004 and 2005 by Marshall Marketing of Pittsburg, Pennsylvania provides proof that efforts made possible by dairy checkoff funds are working in Nebraska. The survey of 600 people in Douglas, Sarpy and Pottawattamie (IA) counties, conducted in March of 2004 and again in March of 2005, shows a significant increase in the number of households consuming dairy foods and an unparallel increase in consumer knowledge of the adequate amounts of dairy consumption necessary for a healthy lifestyle.



In a question targeted at analyzing the success of the 3-A-Day of Dairy campaign the survey asked consumers if they felt their children were consuming the recommended amount of dairy products every day. In 2004, just prior to the first full year of the 3-A-Day of Dairy Campaign, 87% of respondents answered "yes". In 2005 that number dropped to 56%. The 30% drop between 2004 and 2005 is a clear indicator that people now understand that their children need more dairy.

ADVERTISING



The checkoff-funded advertising campaign for 2004 & 2005 used television as a tool for reaching moms with its 3-A-Day of Dairy message. Research revealed that this segment of the population serves as gatekeepers in households with the highest dairy consumption. This segment of consumer also provides a solid forum to tout the Healthy Weight with Dairy research.

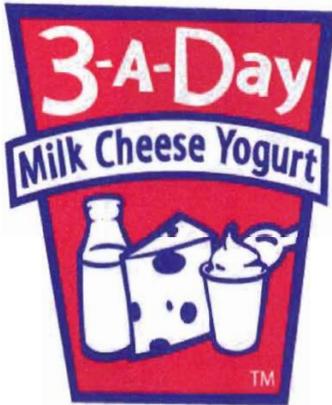
The ADA of Nebraska purchased spot advertising on four stations in Omaha and two stations in the Lincoln/Grand Island/Kearney markets. The advertising focused on shows which had a relevant editorial focus, acted to empower women and moms, and were lighthearted with a fun, easy-going tone. Examples of such shows included; local newscasts, Oprah, Dr. Phil and Judge Judy.

PUBLIC RELATIONS

Ice Cream Safari: More than 125 Nebraska dairy producers and family members served 235 gallons of ice cream and 500 cartons of milk to 1,603 people, raising \$4,107 during the 2005 Ice Cream Safari. The annual event, in its 15th year, was designed to promote dairy food and raise money for Henry Doorly Zoo's Dairy World.

Cattle Crawl: More than 200 Cheese and Beef lovers attended the 2004 Cattle Crawl. This annual progressive dinner is a partnership with the Nebraska Beef Council in conjunction with the River City Roundup Rodeo in Omaha.

Henry Doorly Zoo's Dairy World: A permanent Zoo Committee, charged with overseeing new development, maintenance and updating of the dairy exhibits at Henry Doorly Zoo's Dairy World was established. Phase I of the renovations is scheduled to be complete by the end of 2005.



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JUNE DAIRY MONTH

Nebraska Governor Heineman, Nebraska Department of Agriculture Director Greg Ibach and University of Nebraska President J.B. Milliken competed in a dairy cow milking contest, toured the University of Nebraska Food Processing Center and enjoyed an ice cream social during the 2005 June Dairy Month (JDM) Proclamation. The Governor signed a formal proclamation declaring June as Dairy Month in Nebraska and reminded those in attendance that milk continues to be the "Official Beverage" of Nebraska. Governor Heineman also drew the names of ten members of Nebraska dairy farmer families that received \$500 college scholarships.



RETAIL

3-A-Day of Dairy Trip Giveaway: The ADA of Nebraska partnered with Roberts Dairy, KLKN Television and Hy-Vee to increase the value of checkoff dollars spent in Lincoln during late summer of 2004. KLKN Television ran a Watch & Win contest titled 3-A-Day Trip Giveaway.

The contest lasted four weeks and consisted of live promotional announcements during each 10 PM newscast. Weekly winner's names were drawn from each of the five Lincoln-area Hy-Vee food stores and presented with a coupon toward a gallon of Robert's milk.

3-A-Day Kitchen Make Over: During the month of October of 2004 customers who purchase milk, cheese and yogurt in any Hy-Vee store could register to win a kitchen makeover. The checkoff-funded promotion included in-store POS. The grand prize was a \$10,000 Kitchen Makeover.



QUICK SERVICE RESTAURANTS

With the support of the Nebraska Dairy Checkoff, McDonald's, the nation's largest quick service food chain, became the first company of its kind to introduce milk in single-serve packaging. Since the July 2004 launch of the McDonald's Milk Jugs several quick service restaurant chains have made the same switch in packaging, including; Wendy's, Culver's, and Fazzoli's. Additional companies are expected to move in the same direction during 2005 and 2006.



INDUSTRY RELATIONS/CRISIS PREPAREDNESS

Industry Relations: During 2004-2005 the ADA began efforts to make checkoff and industry information available on-line. The improvements have not only affected the rate and amount of information Nebraska Dairy Producers received, but have resulted in a dramatic increase in the number of dairy positive stories in newspapers and radio stations across the country.

Crisis Preparedness: Protecting Dairy Production and Producer's image continues to be a focus of the ADA of Nebraska. During 2004-2005 the ADA staff attended four crisis training seminars and continued to educate dairy producers on media relations and readiness.

The Dairy Industry's crisis preparedness plan continued to be recognized as one of the best of any agriculture organization. The results of this preparation were obvious during the BSE media coverage. Not a single negative report regarding BSE and dairy production appeared in any Nebraska media outlet.

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Dairy Council of Nebraska, Inc.
Nutrition Education Activity



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Dairy Image & Confidence

September 2004 - Six University of Nebraska Medical Center dietetic interns worked at the ADA/DC of Nebraska teaching elementary students about dairy and assisting with the distribution of **Rats Are Teaching Science (R.A.T.S.)** materials. These future registered dietitians were educated on the importance of dairy products in a healthy diet.



October 2004 - To highlight the importance of dairy foods in minority diets, the Dairy Council of Nebraska exhibited to over 400 local health professionals at the Annual Minority Health Conference in Lincoln.

December, 2004 - Jennifer Meyer underscored the importance of dairy foods for dental health to nearly 100 dental students during a lecture at Creighton Dental School.

February, 2005 - Jennifer Meyer emphasized the research indicating dairy's role in bone health, weight management, and hypertension to the Lincoln Dietetic Association during a presentation titled; "Dairy's Role in Health Promotion".

March/April, 2005 - To encourage physicians to recommend dairy in the diets of their patients, the Dairy Council of Nebraska exhibited at the Nebraska Academy of Family Physicians Conference and sponsored a 3-A-Day of Dairy snack break that included milk, cheese and yogurt.

April, 2005 - The Dairy Council of Nebraska sponsored Dr. Jeanette Newton Keith's lecture titled, "Dairy's Role in Minority Health", at the Nebraska Dietetic Association's Annual Meeting in Lincoln, NE.

Media

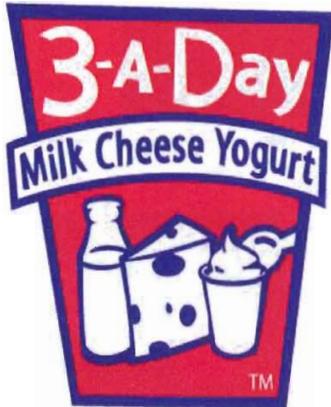


The American Dairy Association and Dairy Council had a very successful media relations campaign. Between the two organizations, dairy appeared more than 70 times on Omaha/Lincoln Television and was featured in more than 30 radio interviews and in 400+ dairy friendly articles in newspapers across the state.

Child Nutrition

October, 2004 - The Dairy Council of Nebraska sponsored bone health expert, Dr. Robert Heaney at the "Move Into Excellence" Conference in Omaha. The conference was a joint effort between Nebraska Action For Healthy Kids (AFHK) and the Nebraska Association of Physical Activity, Health, Recreation and Dance, (NAPHERD).

August, 2005 - As part of the National Dairy Council's partnership with the National Football League, 350 Nebraska schools received NFL milk promotion kits to promote milk consumption in the school cafeteria featuring Tiki Barber of the New York Giants. These kits included posters, banners and other materials to help school foodservice directors excited their students about drinking milk.



3-A-Day of Dairy Grant

Dr. Kaye Stanek-Krogstrand, Nutrition Professor and Jaime Ruud, Registered Dietitian and research associate with the Nutrition and Health Sciences Department at the University of Nebraska were the recipients of the 2005 3-A-Day of Dairy Grant. The \$5,000 grant, awarded in June of 2005, will be used for a program titled; "Power Snacking with 3-A-Day" and will focus on 3 Nebraska middle schools in both rural and urban areas. The program's goal is to increase consumption of healthy foods which include dairy foods, fruits and vegetables.

A chef and a RD will train peer leaders on healthy eating and how to prepare healthy snacks using dairy foods, fruits and vegetables. The peer leaders will, in turn, educate their classmates.

Milk Vending

The Dairy Council of Nebraska continues to offer \$1000 milk vending grants to Nebraska schools that place milk vending machines. The grants aided in placing 15 machines in 2003 and one machine in 2004. Leading into the 2005-2006 school year greater attention was given to schools' role in children's diets and the Dairy Council of Nebraska increased its promotional efforts. Both of these factors will result in a tremendous improvement over the number of milk vending machines placed in 2004.



Key Influencers

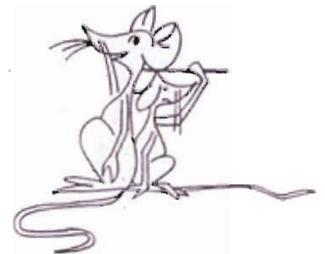
November, 2004 - The Dairy Council of Nebraska exhibited to nearly 2000 Nebraska school administrators at the Nebraska Association of School Administrators Conference in Omaha. The exhibit aimed to inform attendees about the "New Look of School Milk", milk vending machines and dairy's role in a healthy school environment.



June, 2005 - The Dairy Council reached nearly 400 Nebraska school nutrition directors while exhibiting at the Nebraska School Nutrition Association Conference in Lincoln. The exhibit featured a milk vending machine that dispensed free single serve milks and materials on the "New Look of School Milk" and dairy's role in the health school environment.

RATS

Rats Are Teaching Science (R.A.T.S.) is a very popular classroom activity that is sponsored by the Dairy Council of Nebraska. RATS is offered to Nebraska schools in both the spring and fall and provides teachers with a fun "hands on" way to teach students about nutrition and science.



September/October, 2004 - 8,198 students in 90 classrooms at 79 schools.

January, 2005 - 1,608 students in 31 classrooms in 17 schools.

February/March, 2005 - 3,594 students in 53 classrooms at 45 schools.

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USDA Commercial Disappearance/ Sales Estimates

Commercial Disappearance Jan '05 – Mar '05 vs same period year ago

- Total Milk +1.1%
- Butter -1.9%
- Cheese +3.1%
 - American +0.7%
 - Other +4.7%
- Non Fat Dry Milk + 0.7%

Cheese Disappearance
for '04 was up +2.6%

Sales YTD Jan '05 – Mar '05 vs same period year ago

- Total Fluid Milk - 0.8%

Fluid milk sales for
'04 were down -1.2%



Source: USDA ERS (commercial disappearance data, USDA AMS (fluid milk sales) as reported in C. Timpko Dairy Consumption Highlights
Note data is adjusted for calendar composition/leap year)



Total Fluid Milk Sales in Recovery Mode All Channels

Total Fluid Milk Sales

- All Channels

% Volume Change versus Year Ago

	Unadjusted	Adjusted
Total 2004	-0.8%	-1.2%
- Q1	+0.0%	-1.2%
- Q2	-3.3%	-3.2%
- Q3	-0.5%	-0.4%
- Q4	+0.0%	-0.5%
2005 YTD (thru Mar)	-1.7%*	-0.8%*

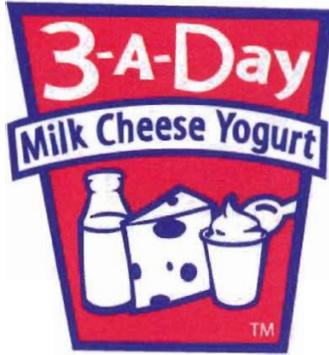
Gradual
improvement



Source: USDA AMS Dairy Market News
Note: Data adjustment reflects calendar composition/leap year



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Fluid Milk Growth/Loss by Retail Channel

13 wks end May 1 '05 vs same period '04

	Volume Change (mm gals)	% Change	Volume Share
Total Food/Drug/Mass	+4.0	+0.4%	100%
Food	-17.0	-2.2%	75.6%
Drug	+8.8	+33.6%	3.5%
Mass	+11.8	+6.0%	20.8%
- Wal Mart	+11.7	+6.3%	19.7%
- Target	+1.0	+13.7%	0.8%
- K Mart	-0.9	-21.2%	0.3%



Source: IRI



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Across all Channels, Fluid Milk Improving in Latest 13 Weeks

Change versus Same Period Previous Year

	Volume Change (mm gals)		% Change	
	Avg 13 wks in last yr	Latest 13 wks	Avg 13 wks in last yr	Latest 13 wks
Total Food/Drug/Mass	-14.2	+4.0	-1.4%	+0.4%
Food	-27.4	-17.0	-3.5%	-2.2%
Drug	+5.8	+8.8	+24.0%	+33.6%
Mass	+7.3	+11.8	+3.7%	+6.0%
- Wal Mart	+7.9	+11.7	+4.3%	+6.3%
- Target	+0.5	+1.0	+6.9%	+13.7%
- K Mart	-1.1	-0.9	-22.3%	-21.2%

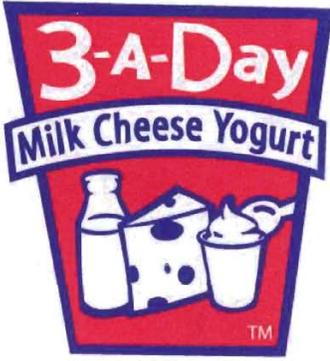


Source: IRI, Data ending May 1, 2005



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USDA Cheese Category Commercial Disappearance up 2.9% in 2004

Total Cheese Commercial Disappearance

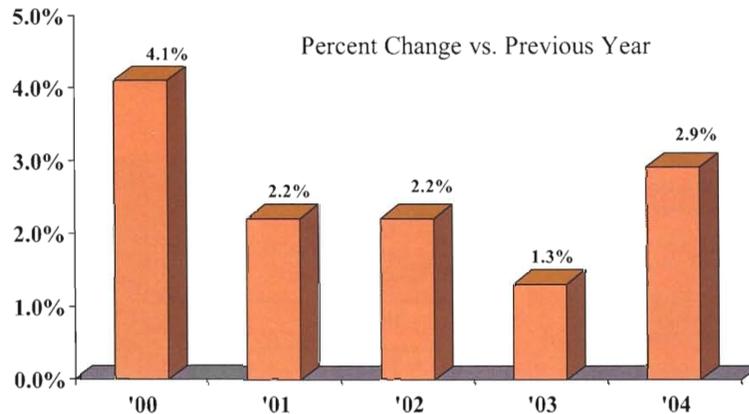
Jan – Dec 2004 Versus Year Ago **+2.9%**



Source: USDA (not calendar adjusted)



Cheese Commercial Disappearance Growth Reached its Highest Level in Four Years



Source: USDA (not calendar adjusted)



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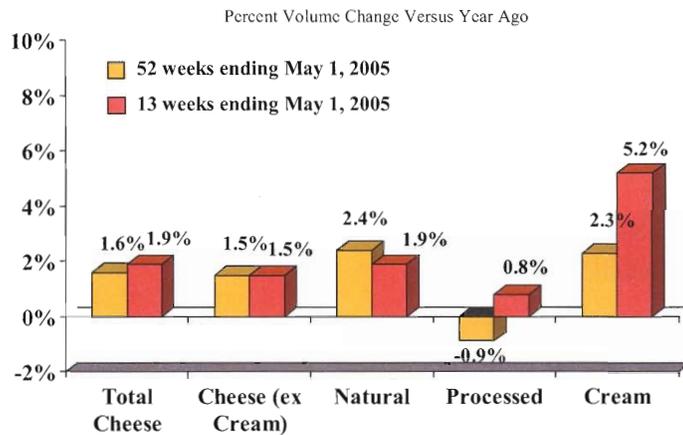
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Retail Cheese Sales Volume Increased 1.9% in the Most Recent Quarter



Source: IRI InfoScan (Food, Drug, Mass including WalMart) through May 1, 2005



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Cheese Growth/Loss by Retail Channel

52 Weeks Ending May 1, 2005 versus Year Ago

	Volume Change (mm lbs)	% Change	Volume Share
Total Food/Drug/Mass	+37.6	+1.5%	100%
Food	+2.0	+0.1%	79.0%
Drug	+0.7	+34.8%	0.1%
Mass	+34.6	+7.0%	20.9%
- Wal Mart	+32.8	+6.8%	20.3%
- Target	+2.4	+22.8%	0.5%
- K Mart	-0.6	-13.2%	0.2%



Source: IRI



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Cheese Sales Growing at an Average rate of 1.5% Over the Past Four Quarters

Change versus Same Period Previous Year

	Volume Change (mm lbs)		% Change	
	Avg 13 wks in last yr	Latest 13 wks	Avg 13 wks in last yr	Latest 13 wks
Total Food/Drug/Mass	+9.3	+9.8	+1.5%	1.6%
Food	+0.5	0.0	+0.1%	0.0%
Drug	+0.2	+0.2	+35.7%	+34.6%
Mass	+8.6	+9.6	+7.1%	+7.6%
- Wal Mart	+8.2	+9.0	+6.9%	+7.3%
- Target	+0.6	+0.8	+22.8%	+30.8%
- K Mart	-0.2	-0.2	-12.9%	-14.4%



Source: IRI, Data ending May 1, 2005



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USDA Reports Strong Yogurt Production Growth in 2004

Total Yogurt Production

Jan – Dec 2004 Versus Year Ago **+8.5%**



Source: USDA



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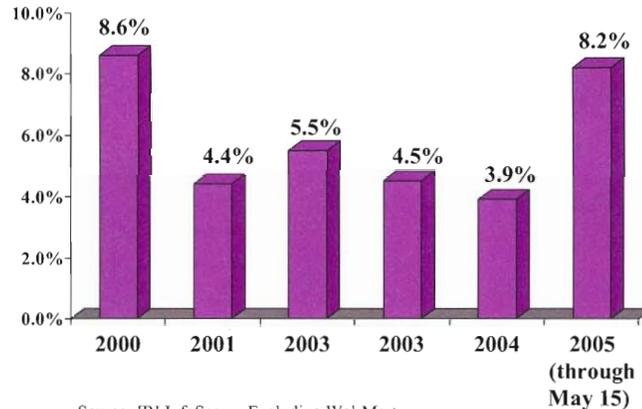
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Total Yogurt Volume Sales Continues to Grow at Retail

Percent Volume Sales Change Versus Prior Year



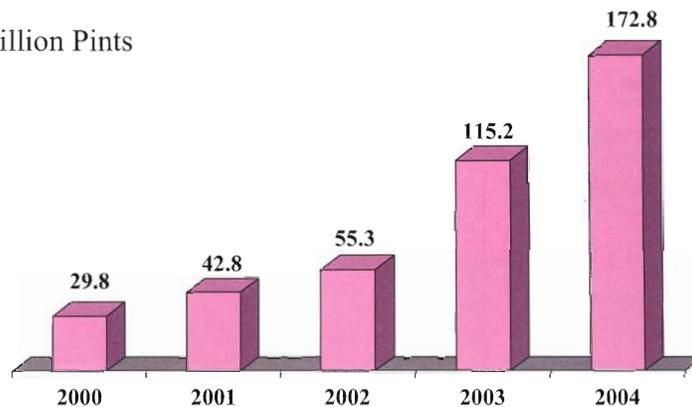
Source: IRI InfoScan – Excluding Wal-Mart
Total Yogurt Includes Refrigerated and Drinkable Yogurts



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Drinkable Yogurts have Experienced Strong Sales Growth

Million Pints

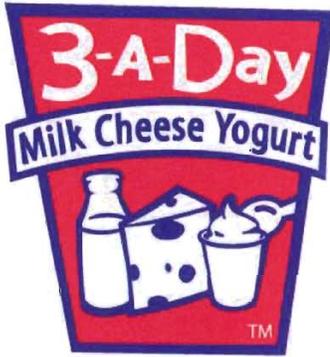


Source: IRI InfoScan – Excluding Wal-Mart



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AVOCA, NEBRASKA

VERDELL STORK,
VICE CHAIRMAN
ARLINGTON, NEBRASKA

DAVID CROOK,
SECRETARY-TREASURER
HUMBOLDT, NEBRASKA

DWIGHT ANDERSON
WAYNE, NEBRASKA

MILLIE BRACHT
WEST POINT, NEBRASKA

REX DEFRAIN
FAIRBURY, NEBRASKA

JAMES ESCHLIMAN
ERICSON, NEBRASKA

NORMAN GUENTHER
CROFTON, NEBRASKA

MIKE HENN
NORFOLK, NEBRASKA

DAVID MURMAN
GLENVIL, NEBRASKA

DOUGLAS NUTTELMAN
STROMSBURG, NEBRASKA

ARNOLD OLTJENBRUNS
OSMOND, NEBRASKA

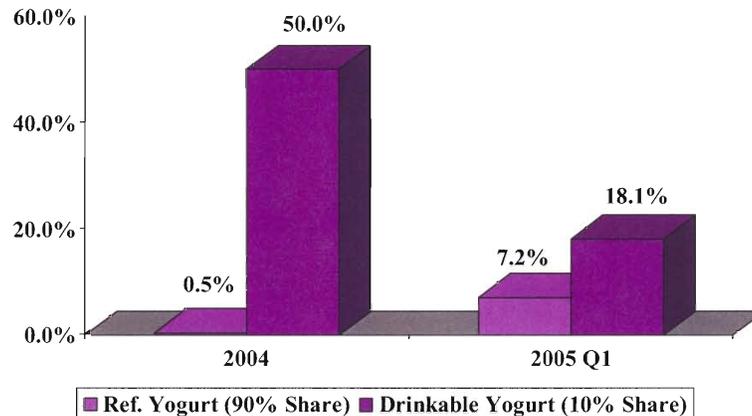
TODD TULS
SHELBY, NEBRASKA

DENIS BLANK, Ex-OFFICIO
DEPARTMENT OF AGRICULTURE
LINCOLN, NEBRASKA

MIKE RODER, ADMINISTRATOR
OMAHA, NEBRASKA

Both Refrigerated Yogurts and Cup Yogurts Growing in 2005

Percent Volume Sales Change Versus Prior Year



Source: IRI InfoScan – Excluding Wal-Mart
Total Yogurt Includes Refrigerated and Drinkable Yogurts

DMG DAIRY MANAGEMENT INC.

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Summary

- Fluid milk sales continue to improve
 - Total sales have been fairly stable since the second half of 2004
 - Continued growth areas:
 - Wal Mart continues to grow faster than grocery
 - ◆ Now represents 20% of total fluid milk volume moving through combined grocery, drug & mass
 - Specialty milks – organic, lactose free/reduced
 - Milk at foodservice – both Quick Serve and Full Serve
- Cheese category continues to grow – in total and at retail
 - Grocery outlet fairly stagnant, as Wal Mart continues to expand its sales in food
- Yogurt experiencing extremely strong growth
 - 2005 sales growing at quicker pace than previous strong years
 - Weight loss message helping to fuel growth



DMG DAIRY MANAGEMENT INC.

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD



Rules &

Regulations

BOARD OF DIRECTORS

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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 2004 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.
2-3951	Nebraska Dairy Industry Development Board; created; members; qualifications.
2-3951.01	Board members; appointment; terms; officers; expenses.
2-3951.02	Board members; nomination and appointment.
2-3951.03	Board members; vacancies.
2-3951.04	Board members; nominations; notification; procedure.
2-3952	Repealed.
2-3952.01	Repealed.
2-3953	Repealed.
2-3954	Repealed.
2-3955	Board; meetings; minutes.
2-3956	Board; administration; limitation on expenses.
2-3957	Board; powers and duties.
2-3958	Mandatory assessment; board; duties.
2-3959	Assessment; payment; procedures.
2-3960	Nebraska Dairy Industry Development Fund; created; use; investment.
2-3961	Use of funds; limitations.
2-3962	Board; report; contents.
2-3963	Violations; penalties; unpaid assessment; late payment fee.
2-3964	Repealed.

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.

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

(1) Members of the board shall, as nearly as possible, be representative of the nominees submitted by all first purchasers of milk and combinations of first purchasers and individual producer-processors in the state as provided in section 2-3951.02 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. By the appointment of additional members or by reducing members by not filling a vacancy caused by a member's term expiring, the Governor shall maintain the membership of the board to approximate one member for each forty milk production units or major portion thereof.

(2) The terms of the members of the board shall be three years, except that the terms of the initial and additional members of the board shall be staggered so that one-third of the members are appointed for terms of one year, one-third for terms of two years, and one-third for terms of three years, as 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 and a designee of the Nebraska Dairy Industry Association or its successor may participate in the activities of the board as ex officio members.

(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. New members of the board shall be nominated and appointed as follows:

(1) 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; and

(2) 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) 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 nominees from nominees submitted pursuant to this subdivision.

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 2-3951.01, 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 first purchasers of milk or group represented by the vacating member. In the event of a vacancy, the board shall certify to the first purchasers of milk or group represented by the vacating member 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. 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, 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.

(3) The first purchasers of milk and the department shall submit nominations to the Governor by September 30, in the case of term expiration or new 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.

(5) 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 as provided in this section until the vacancies are filled.

2-3952. Repealed.

2-3952.01. Repealed.

2-3953. Repealed.

2-3954. Repealed.

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.

Such report shall be 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 a 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.

2-3964. Repealed.

AGREEMENT
between
NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD
and
NEBRASKA DEPARTMENT OF AGRICULTURE

This Agreement is entered into this 1st day of July, 2004, 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, 2005, 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 nine thousand six hundred four dollars and no cents (\$9,550.00) 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.

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.
- (c) Reconcile fee collection data to milk production reported to the USDA, Dairy Division, Market Administrator's Office.

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 \$9,550.00 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 \$9,550.00, 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, 2004, to June 30, 2005, 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

6/23/04
Date

Merlyn Carlson
For Merlyn Carlson, Director

NEBRASKA DAIRY INDUSTRY
DEVELOPMENT BOARD

6-16-04
Date

Jerry Bond
Jerry Bond, Chairman

bafdl

AGREEMENT
between
THE NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD
and
AMERICAN DAIRY ASSOCIATION OF NEBRASKA, INC.

This Agreement is made and entered into this 1st day of July, 2004, by and between the American Dairy Association of Nebraska, Inc., herein called "Association," 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, 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 milk in a balanced diet;

WHEREAS, §2-3951 of the Act designates the Nebraska Dairy Industry Development 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. II50.153 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 the Association 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 July 1, 2004, through June 30, 2005.
2. The Association shall provide services as outlined in Exhibit A, incorporated and made part of this Agreement, the following summary of program activities:
 - National "Got Milk" fluid milk advertising and local implementation.

- Milk Pep "Milk Mustache" fluid milk print and outdoor advertising and local extension of fluid milk promotions at the retail level. Monitor national food service accounts.
 - Fluid milk public relations; children's promotions; and promotions at the Henry Doorly Zoo, children's museums and exhibits.
 - National "3-A-Day of Dairy" advertising campaign and local implementation.
 - "3-A-Day of Dairy" retail extensions, and public relations.
 - Communications and Dairy Industry Relations including activities for 4-H, State Fair, and monitoring the UNL Dairy Processing Endowment Fund.
 - Administration necessary to conduct the above programs.
3. In consideration of good faith performance hereunder by the Association, the Board agrees to make monthly contractual payments in an amount equal to sixty-two percent (62%) of the unexpended fund balance as reflected on the State of Nebraska Accounting System (NAS) 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 NAS accounting system. The Board agrees to make payment provided sufficient funds, as budgeted under §2-3960, are generated and legislative appropriation is made.
 4. The Association shall provide a final report of activities undertaken, and have included materials produced under this Agreement at the 30-day conclusion of this Agreement.
 5. The Association shall prepare an annual statement of financial affairs of the Association, for the Board's fiscal year, and a copy thereof shall be forthwith submitted to the Board.
 6. The Association 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 the Association 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 the Association'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.

- 7. Each party to this Agreement shall indemnify and hold harmless the other party and each party shall be responsible for, and assume liability for, any decisions made by such party pursuant to this Agreement and any actions taken pursuant to such decision. Furthermore, neither party shall be responsible for, and assumes no liability for, actions or decisions made by the other party under the terms of this Agreement. 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.

- 8. The provisions of this Agreement may be amended by mutual agreement to the parties hereto in writing, at any time.

- 9. This Agreement may be terminated by either party hereto at any time by ninety (90) day advance written notice to the other party.

- 10. This Agreement is not assignable without the express written approval of the Board.

- 11. The Association agrees that the books of account, files, and other records of the Association 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.

- 12. Furthermore, the Association 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, the Association 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.

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

DAIRY COUNCIL OF NEBRASKA, INC.
Federal ID Number 47-0520088

6-16-04
Date


Joan Werblow, Chief Executive
Officer

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

6-16-04
Date


Jerry Bond, Chairman

AGREEMENT
between
THE NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD
and
DAIRY COUNCIL OF NEBRASKA, INC.

This Agreement is made and entered into this 1st day of July, 2004, by and between the Dairy Council of Nebraska, Inc., herein called "Council," 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, 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 milk in a balanced diet;

WHEREAS, §2-3951 of the Act designates the Nebraska Dairy Industry Development 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 the Council 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 July 1, 2004 through June 30, 2054.
2. The relationship of the Board and the Council under this Agreement shall be that of principal and independent contractor. It is understood by both the Board and the Council that the Council 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. The Council 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 NDID 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 following 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.
4. In consideration of good faith performance hereunder by the Council, the Board agrees to reimburse the Council monthly for administrative cost incurred based on total revenue posted to the State of Nebraska Accounting System (NAS) 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.
 5. The Council shall provide the Board a summary evaluation report within 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.
 6. In addition to the administrative services provided under #3 above, the Council shall provide services as outlined in Exhibit A, incorporated and made part of this Agreement, the following summary of program activities:
 - School based nutrition education programs;
 - Child nutrition programs such as school food service promotions and school milk quality programs;
 - Children's marketing outside of school such as at Henry Doorly Zoo;
 - Health professional programs, resources and communications;
 - Consumer media program;
 - Nutrition and safety issues management program;
 - Dairy industry relations program; and
 - Administration necessary to conduct the above programs.
 7. In consideration of good faith performance hereunder by the Council, the Board agrees to make monthly contractual payments in an amount equal to thirty-eight percent (38%) of the unexpended fund balance as reflected on the NAS accounting system 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 NAS accounting system. The Board agrees to make payment provided sufficient funds, as budgeted under §2-3960, are generated and legislative appropriation is made.
 8. The Council shall provide a final report of activities undertaken and have included materials produced under this agreement at the 30-day conclusion of this agreement.

9. The Council shall prepare an annual statement of financial affairs of the Council, for the Board's fiscal year, and a copy thereof shall be forthwith submitted to the Board.
10. The Council 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 the Council 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 the Council'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.
11. Each party to this Agreement shall indemnify and hold harmless the other party and each party shall be responsible for, and assume liability for, any decisions made by such party pursuant to this Agreement and any actions taken pursuant to such decisions. Furthermore, neither party shall be responsible for, and assumes no liability for, actions or decisions made by the other party under the terms of this Agreement. The obligation to indemnify shall survive the expiration or termination of this Agreement.
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. The Council agrees that the books of account, files, and other records of the Council 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, the Council 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, the council 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 the Council 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 the Council fails to perform as outlined herein, the Council may be required to repay funds received not utilized under this Agreement. Such indemnification and assumption of liability found in this section is limited to the extent provided for by the law.
18. The funds expended pursuant to this Agreement shall be spent only on the Council's performance pursuant to this Agreement and for no other purpose.
19. The Council 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 the Council is subject to the Nebraska Workers Compensation Act.
20. All provisions of this Agreement are subject to the Americans with Disabilities Act.

13. Any funds paid to the Association 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 the Association fails to perform as outlined herein, the Association may be required to repay funds received not utilized under this Agreement.
14. The funds expended pursuant to this Agreement shall be spent only on the Association's performance pursuant to this Agreement and for no other purpose.
15. The Association 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 the Association is subject to the Nebraska Workers Compensation Act.
16. All provisions of this Agreement are subject to the Americans with Disabilities Act.

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

AMERICAN DAIRY ASSOCIATION OF NEBRASKA, INC.
Federal ID Number 47-0090809

6-16-04
Date

Joan Werblow
Joan Werblow, Chief Executive
Officer

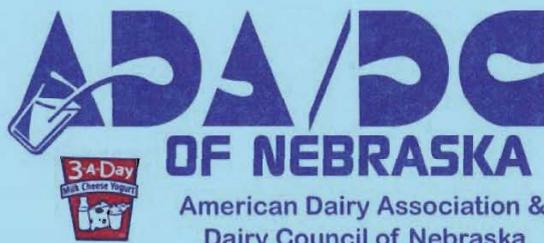
NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

6-16-04
Date

Jerry Bond
Jerry Bond, Chairman

Nebraska Dairy Industry Development Board

For information contact:



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