



Idaho Dairy

THE IDAHO DAIRY FOCUS IS BROUGHT TO YOU BY
IDAHO DAIRYMEN'S ASSOCIATION

focus

April 2011

The Idaho Dairymen's Association (IDA) was established to continue to develop and sustain an economically viable Idaho Dairy Industry that works together to achieve success in the domestic and global marketplace in meeting the needs of the Idaho dairy farm families.

View from the Boardroom

by Mike Roth, IDA President

At a special meeting of the membership of the Idaho Dairyman's Association (IDA) held on March 18th, the members in attendance voted in favor of endorsing National Milk Producers Federations Foundation For The Future (FFTF). While none of us can, with 100% accuracy, see into the future and predict whether FFTF will be successful for dairy producers; I can tell you without a doubt, that based off the past two years of dairy producer's equity erosion, coupled with the current financial challenges we are facing, the current programs are a failure to say the least.

With all the uncertainty and volatility dairymen face, the United Dairymen of Idaho Board of Directors voted unanimously to recommend to the IDA membership to adopt FFTF as IDA policy. The membership affirmed the Board's position on March 18th when 82% of the farms represented voted in favor of FFTF, agreeing that something needs to be done to shape dairy policy for the future.

I have stated in this column before that Idaho is ground zero for low milk prices. Now, with the increase in corn cost due to ethanol and the increased cost of transportation, coupled with the decrease in availability of livestock feeds due to row croppers switching over to alternative crops that bring higher returns, we are losing our competitive feed

prices. To sit idly by and wait for some other program or be satisfied with status quo is financial suicide.

The Dairy Price Support Program and the Milk Income Loss Support Contract (MILC) need to be eliminated. They are a reflection of government programs that blunt free market signals. Ethanol subsidies is a similar government program that is directly responsible for increasing our input cost. It is time to establish a NEW program that will help us in managing the out of control volatility we are all facing. With the limited amount of dollars that will be available for the 2012 Farm Bill the dairy industry needs to be united and to get it right in the 2012 Farm Bill. The dairy industry has such an opportunity by uniting behind National Milk Producers Federation's Foundations for the Future.

The only way dairymen can receive more money for our milk is to create a shortage by cutting back when there is a surplus and control the supply by implementing Marketing Agencies in Common, so that we have greater influence on what processors pay for our product. In an independent minded state like Idaho accomplishing either would be a large hurdle but are worth striving for. Dairy producers across the coun-

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Idaho Legislation that impacted the Dairy Industry and Agriculture

Every legislative session bills are debated that impact our individual lives, our industry and the state agencies that are assigned to provide regulatory oversight of our industry. This year the legislative focus was on the budget, education and Medicaid but several bills were approved that have a direct link to agriculture and more directly on the dairy industry.

The Right to Farm House Bill 210 was not designed or crafted by the

dairy industry although those wanting to cast doubt on the legislation continued to call it a CAFO bill that would inhibit local control. See the article by Roger Batt on page 4 for a complete picture of what protection the Bill offers. The Bill is now law.

The Idaho Dairymen's Association (IDA) crafted four pieces of legislation that address concerns expressed by the United Dairymen of Idaho

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Educational Moments



IDA's involvement with the legislators not only includes lobbying for legislation but also educating legislators, committee staff members and committee pages.

Educational opportunities can come in some very simple gestures, as the picture above, captured by one of the legislative staff members, shows Senator Tim Corder, Chairman of the Senate Agricultural Committee, teaching a new Senate Page the proper tying of his tie.

In another educational moment Senator Corder requested IDA to assemble a tour for his Committee members of a local dairy. According to Senator Corder "if his Committee were making decisions on the dairy industry they needed to understand today's dairy operations and the implications of any proposed legislation."

On February 10th 25 individuals that include members of both the Senate and House Agricultural Committees, legislative staff, Committee Pages and Idaho State Department of Agriculture staff boarded a bus at 7:15 AM and toured Sunridge Dairy owned by UDI Board Members Adrian Kroes and Mike Siegersma.

Senator Corder in the picture above is giving a thank you to Mike Siegersma and providing a treat to "Jack", Mike's trusted assistant in the bus tour.

(View from the Boardroom Continued from page 1)

try have an opportunity to stand together behind National Milk Producers Federation's proposal. Whether you're in Idaho or any other state, the last man standing approach that the current programs provide, and watching your neighbor go out of business is not a healthy alternative. That is why we need a new direction and we need it SOON.

Idaho is not the Midwest or Northeast where Class III pricing is the minimum and then you start negotiating for premiums. Over 50% of Idaho milk is priced utilizing cheese yield formulas, historically \$0.65/cwt below the Class III price. As it is with all businesses to remain healthy, dairy producers need pricing that reflects the cost of our production plus a profit. It is what processors require to remain in business and it is no different for producers. We as dairymen must be united to get FFTF passed through congress and assure that our congressional representatives support this legislation.

While 82% of the IDA membership present at the March 18th meeting voted to endorse FFTF 18% did not favor the endorsement. I respect their opinion and in the end they may turn out to be right. On the other hand, some very knowledgeable people have put a lot of time and effort into analyzing and crunching the numbers. If the opponents of this program have nothing better to offer, that is politically feasible, then I believe we are on the right path with FFTF. I am sure that this legislation will get debated until hell freezes over, and if the core of FFTF does not stay intact the Board and membership of IDA can always reconsider its support, but status quo does not work for me.

IT IS TIME FOR CHANGE!!

As always please share any feed back negative or positive.

Thanks, Mike Roth

Improving Milk Production with Technologies Improve Debt Repayment.

The last remnants of the economic hurricane that devastated the dairy industry appears to be subsiding. But for those of us who have weathered the storm, the task of recovery starts with debt repayment.

The first step is to look at your strategy on cost of production. Where can you streamline, optimize or improve your operation for the greatest return on investment? One simple and effective solution is to increase the efficiency of your milk production by utilizing any and all approved and safe production technologies at your disposal.

Not only are there benefits in your milk check, the fewer cows needed to produce the same amount of milk helps us also become better stewards of our natural resources: land, water, and energy. Furthermore, fewer cows equals lower feed and handling costs and that means more profit that can be applied to your repayment capacity.

As a dairy producer, balancing revenue and expenses will always be on the top of our mind. And while cost cutting can be an effective short-term strategy in economic emergencies, long-term sustainability includ-

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I-9 AUDITS – INFORMATION SHEET

Employer Obligations Related to Verifying Employment Eligibility (Form I-9)

1. **Verification.** Employers must verify the identity and employment eligibility of all employees. Employers must use the Employment Eligibility Verification Form (Form I-9) as the means of documenting the verification of an employee's identity and employment eligibility. For new employees, employers should use the Form I-9 revised on 8/7/2009. Form I-9s for current employees are acceptable provided they were the appropriate version at the time they were completed.

2. **Re-Verification.** If an employee is rehired within three years of their previous employment with an employer, the employer may use the prior Form I-9 if, upon inspection, it determines the Form I-9 relates to the employee and the employee is still eligible to work. In such a scenario, the employer should indicate the date of rehire on the Form I-9.

3. **Retention of Form I-9s.** Employers must maintain all original Form I-9's for current employees. For former employees, the employer must maintain the original Form I-9's for the longer of: (i) three years from the date of hire; or (ii) one year after separation of employment. All Form I-9s and any attached copies of verification documents should be kept together in a secure, separate file designated for Form I-9s and available only to authorized individuals. Form I-9s should not be kept with employee's personnel files.

4. **Inspection of Form I-9s.** Upon request, employers must provide their original Form I-9's to U.S. Immigration and Customs Enforcement (ICE) for inspection. However, employers are entitled to three-days notice to produce their Form I-9's and should request the three-day notice period from ICE if not given as a matter of course. If employers feel they need additional time beyond three days, they should immediately request it from ICE to increase the possibility ICE will grant the request. ICE does not need a subpoena or search warrant to obtain and audit an employer's Form I-9s.

Employer Information and Rights in a Form I-9 Audit Conducted by ICE

1. **Initiation of Form I-9 Audit.** ICE initiates Form I-9 Audits with service of a Notice of Inspection compelling production of an employer's Form I-9's.

2. **Location of Form I-9 Audit.** ICE may choose to conduct I-9 Audits at its offices, but generally chooses to conduct audits at the employer's location. If an employer's Form I-9s are kept at a location other than its premises, it must inform ICE of the location and make arrangements for inspection.

3. **Requested Documentation.** Without a subpoena, ICE may request only Form I-9's and a list of current and past employees (including social security numbers). With a subpoena, ICE may request additional records, including personnel files.

4. **Copying of Records.** An employer is entitled to retain copies of all documents it provides to ICE and an employer should do so. The three-day notice requirement provides employers time to copy documents requested by ICE. If the three-day notice period is not provided by ICE, it should be requested to enable employers to make copies.

5. **Improper or Missing Form I-9s.** Employers often discover missing or improperly completed Form I-9s while preparing for an I-9 Audit. If a Form I-9 has not been completed for an employee, one should be completed immediately provided the employee remains employed. However, the Form I-9 should be signed and dated on the date actually completed - not the date the employee was hired. The date of hire should, however, be noted on the Form I-9. Later completion of a Form I-9 may not present a defense to the failure to initially complete a Form I-9, but it puts the employer in a better light by showing it immediately corrected its mistake once discovered. If the employee with a missing Form I-9 is no longer employed, there is nothing the employer can do to remedy the mistake.

6. **Form I-9 Audit Results.** ICE will notify an employer of I-9 audit results, in writing, once the audit is completed. Potential notices an employer may receive include:

Notice of Inspection Results (also known as an "In Compliance Letter").

Notice of Suspect Documents.

Notice of Discrepancies.

Notice of Technical or Procedural Failures.

Warning notice.

Notice of Intent to Fine.

7. **Violations.** Generally, ICE will provide ten business days for an employer to fix technical or procedural violations with Form I-9's. An employer may receive a fine for substantive and uncorrected technical violations. It is a violation for employers to knowingly hire or continue to employ unauthorized workers and such employees will be required to cease such activity, may be subject to fines, and may be criminally prosecuted.

8. **Penalties.** Penalties for violations found in an I-9 Audit include criminal penalties (fines and imprisonment) and civil penalties (fines and injunctions). An additional possible penalty is debarment from future federal contracts and other government benefits.

For Further Information, Contact:

Attorneys Bob White (208-388-1285) or Justin Steiner (208-388-1289) at the law firm Givens Pursley LLP (208-388-1200).

House Bill 210 – Idaho's Right to Farm Act

By Roger Batt

Idaho's Right to Farm Act was originally passed in 1981 by the Legislature. The Legislative intent of Idaho's Right to Farm Act declares that the Right to Farm is a "natural right," and that Agricultural Operations need protection from nuisance actions to ensure that Agriculture can continue in the Gem State. Over the Session I have had the honor of spearheading numerous Amendments to Idaho's Right to Farm Act through House Bill 210 for some of my Agricultural Clients. This Legislation has had the full support of our Agricultural Industry Groups and their members and has already passed the House and Senate with overwhelming majorities. Idaho's current Right to Farm Act has a 30-year history. Over this history we have seen rapidly changing conditions around our Farms, Ranches and Dairies. More urban growth has resulted in numerous complaints to Agricultural Producers by neighbors who don't like the dust, noise, fumes, lights and odor that Agriculture generates to produce our food and fiber. Although these complaints have not always ended up in a Courtroom, they have sometimes ended in the Operation relocating or shutting down. Many times these complaints end up very confrontational and demands that the Producer shut down that particular Agricultural practice.

Based on the aforementioned our Producers are concerned about the future of their Agricultural Operations and the future of Agriculture. As a result House Bill 210 was drafted. This Legislation strengthens Idaho's Right to Farm Act by clearly addressing nuisance claims as they pertain to Agricultural Facilities, Agricultural Operations and expansions of either. So, what's wrong with the current Right to farm Act? First of all, the current Right to Farm Act does not protect the actual "activity" of farming. It identifies an Agricultural Operation as a "facility" where something is produced, but does not describe the Agricultural Practices those of us in the Agricultural Industry know constitutes Agriculture. That was a huge red flag to many of us when the other 49 Right to Farm Statutes were reviewed and compared to Idaho's Right to Farm Act. As a result, in H210 we more comprehensively define an Agricultural Operation from its currently broad and liberal definition.

Secondly, the current Right to Farm Act does not address expansions of an Ag Operation or Facility. Expansion is necessary for business to increase revenues and production. In H210, we have added expansions to protect them from nuisance actions. It is important to note that an expansion of an Operation or Facility cannot just occur. All Local Ordinances and Planning and Zoning Rules still have to be followed before an expansion is allowed and the permitting granted (e.g. increasing the size of a Dairy or an Ag Building).

Thirdly, the current Right to Farm Act states if an Ag Operation is annexed into a municipality, then the Operation is not a nuisance. In H210 we have also added Agricultural Facilities to be included in this Section.

Fourthly, the current Right to Farm Act states that an Agricultural Operation cannot be deemed a nuisance if (1) at the time it began it was not a nuisance, (2) it has been in operation for more than one year and (3) there have been changing conditions around the Operation (e.g. encroachment). H210 offers the same protections for Agricultural Facilities and expansions of Agricultural Operations or Facilities. Expansions of Ag Facilities and Operations are treated separately and distinctly from the original Operation. This allows for the Planning and Zoning process to take place through a Conditional Use Permit and public input on the expansion of the Facility or Operation.

Lastly, H210 adds an absolute condition to protect Agricultural Facilities, Operations and expansions. This absolute states that if the Ag Operation or Facility is operating in compliance with local, state or federal laws and in accordance with Generally Recognized Agricultural Practices, then that Operation or Facility is not deemed to be considered a public or private nuisance.

Agriculture creates 130,000 jobs across Idaho (20% of the total workforce) and generates \$6.8 billion to Idaho's economy. There are numerous family-owned Agricultural Operations and corporations that provide food to our tables. Idaho's Right to Farm Act under H210 ensures greater protective measures are put into place to allow our Agricultural Industry to continue to do what it does best...to feed the world.

(Idaho Legislation Continued from page 1)

(UDI) Board of Directors. All four of pieces of legislation are now law. Two pieces, House Bill 269 and House Bill 328, include emergency clauses so they take effect immediately when signed by the Governor. Those UDI concerns addressed were; House Bill 152 which provides oversight of dairy labs component tests that dictate the value of producer milk. House Bill 269 which provides protection of the dairy Nutrient Management Plans and information derived from the plans. House Bill 270 which requires the Idaho State Department of Agriculture (ISDA) to utilize peer reviewed science in the development of rules. House Bill 328 which addresses the abuse of organizations requesting volumes of records from ISDA and not be required to pay for the information. For more details of the legislation please go to the article titled New Idaho Laws Encouraging for the Idaho Dairy Industry, found on page 5.

Of all the proposed legislation House Bill 328 was the most challenging to get into law. The legislation addressed both concerns with government entities overcharging for public records and as stated above, and UDI Board concerns with organizations asking for volumes of public records and not covering the costs of time, expertise, or copies in providing the information. The final legislation was a combined effort of Idaho Dairymen's Association, Idaho Press Club, Newspaper Association of Idaho, The Association of Counties, the Association of Cities and the Attorney General's office. The alliance of organizations that came together to address their concerns and support the legislation was referenced by one veteran legislator as "the most unholy alliance" ever formed to craft a piece of legislation.

The legislation started out as House Bill 281 until concerns were expressed and it was redrafted as House Bill 302. Both the Association of Counties and the Association of Cities expressed concerns with language in House Bill 302 so it was again redrafted and became the final product House Bill 328. In the end there were many letters of support, on page 9 you will find the letter of support from Idaho Press Club, Newspaper Association of Idaho and the Idaho Dairyman's Association. Everyone who benefits from this legislation owes a debt of gratitude to IDA attorney Dan Steenson of the Ringert Law Firm who not

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Simpson Lauds Bill to Limit EPA Authority

Idaho Congressman Mike Simpson Chairman of the appropriation subcommittee over EPA cosponsors, supports bill to prevent EPA from expanding greenhouse gas regulations.

Washington, D.C. – Idaho Congressman Mike Simpson today praised House passage of legislation to limit the EPA's regulatory authority. H.R. 910, the Energy Tax Prevention Act of 2011, clarifies that EPA does not have authority to regulate greenhouse gases under the Clean Air Act. Simpson, who chairs the House Interior and the Environment Appropriation Subcommittee that oversees EPA's budget, is a cosponsor of the bill.

"To me, it is pretty clear the Obama Administration's climate change regulations circumvent the legislative process and take the decision about how to address our nation's energy future out of the hands of the American people," said Simpson. "The Administration is basically trying to use the EPA's authority under the Clean Air Act to force Congress to pass cap and trade legislation that is widely opposed by the American people, all without regard for the impact that it would have on our still-fragile economy."

H.R. 910 responds to the EPA's decision that greenhouse gases endanger public health and welfare and subsequent regulations put out by the agency to regulate greenhouse gas emissions from stationary sources. The bill includes a number of exemptions to ensure that existing vehicle emission standards and other programs continue to operate, but it prevents the EPA from imposing regulations that would constitute a significant energy tax on American families and businesses.

"Businesses in Idaho have made it clear that they cannot afford to invest in job creation with burdensome, expensive regulations hanging in the balance," said Simpson. "It is imperative that Congress clarifies that the Clean Air Act is *not* the appropriate statute under which to regulate climate change to provide the certainty that job creators need to get our economy going again. This is why I included language in H.R. 910 to prevent EPA from using funding to implement greenhouse gas regulations and why I am a cosponsor of H.R. 910."

H.R. 910 was passed by the House of Representatives this afternoon by a 255-172 vote.

New Idaho Laws Encouraging for the Idaho Dairy Industry

Idaho dairy producers working to recover from a national depression in their industry have become a shining example of the economic recovery under way in rural Idaho. The dairy industry's resiliency has added billions to the state's economy during a tough recession.

Over the last few weeks the Idaho Legislature showed that they recognized that success, and passed four measures to help guarantee a strong future for the industry.

"This is one of the best legislative sessions the Idaho Dairymen's Association (IDA) has ever seen," Jerome dairy producer and IDA President Mike Roth said. "We are deeply appreciative of how hard these public

servants worked to understand our issues and support one of Idaho's most important industries."

All four bills passed out of both the House and Senate Agricultural Committees with unanimous support. The three out of the four bills passed the floors of both bodies with an excess of 90 percent support, and House Bill 270 received a unanimous vote of support from both the House and the Senate. Both Republicans and Democrats supported the measures.

The bills were part of an overall strategy by the Association to make it easier for dairy farmers to succeed in business. Working in close conjunction with key legislative leaders and representatives from supporting organizations, the Dairymen's Association crafted four measures to support the industry:

The pay price received by milk producers is driven in part by labs that test the components of milk. Those labs will be under closer scrutiny with the passage of House Bill 152. The bill will put into place a negotiated rule-making process at the Idaho State Department of Agriculture so that both producers and processors will determine the most effective and fair way to monitor the labs' performances. This corrects a flaw dating back to 2004, when state dairy producers lost their seat at the oversight table with the repeal of the Federal Milk Marketing Order.

Crucial business information will remain private thanks to House Bill 269, which clarifies how information currently on file with the Idaho Department of Agriculture can be deemed "trade secrets." The states required Nutrient Management Plans and information derived by the producer because of the plan will no longer be available to the public.

There will be more certainty in the crafting and implementation of rules governing the industry thanks to House Bill 270. The measure clarifies how the state Department of Agriculture can – and cannot – regulate the industry when federal rules are less stringent than those proposed by state or local agencies. Most importantly it sets a high standard in requiring the use of peer-reviewed science in the development of the rules.

Groups and individuals will no longer be able to harass the state and the industry thanks to House Bill 328. The Bill closes a loophole in existing public records law, which allows anti-dairy activists to force the disclosure of thousands of pages of information without the state being able to seek reimbursement for significant labor costs associated with fulfilling the request.

The Idaho Dairymen's Association is fortunate to have such strong allies in the Idaho Legislature, We are pleased that they took the time to understand our issues, recognized the critical role our members play in boosting the state's economy, and were so willing to support these four important pieces of legislation.



Following withdrawal regulations on the label of drugs

Dr. Mireille Chahine, Associate Professor and Extension Dairy Specialist, Animal and Veterinary Science Department, University of Idaho, mchahine@uidaho.edu.

Drug withdrawal is defined as the amount of time required for the medication to be metabolized or broken down, by the body to safe levels. It is critical to follow label directions and proper withdrawal periods when administering antibiotics to cows. Good animal identification, treatment records and working closely with a veterinarian can help avoid marketing animals that may not clear proper drug withdrawal times. Remember it is illegal to sell a cow to slaughter if she has illegal residues of antibiotics in her system.

Illegal residues are defined as concentration of antibiotics in body tissues. All antibiotics have withdrawal times listed on their labels for both meat and milk, indicating the amount of time that must pass before meat or milk can be sold for human consumption. This is usually equivalent to the number of hours or days after product use that it takes the tissue concentration of the product to reach acceptable government levels.

At the slaughter plant a carcass that tests positive for antibiotics is condemned and discarded. If a milk tank tests positive for an antibiotic

residue, the milk is discarded. The violation is reported to USDA or FDA. For meat residues, there is a residue violator list posted on the web. Producers may lose their ability to sell milk or cows for beef depending upon the number of violations and the antibiotics identified. They may also experience an increase of inspections targeting their farm.

During 2009, over 99.9% of all milk tanker trucks were negative for antibiotics. On the meat side, the results aren't nearly as good. The total number of animals slaughtered was not reported by FSIS (Food Safety Inspection Service); however over half of the cattle found in violation during one week in 2010 were from dairy cows. In addition, veal calves had over a third of the animals on the positive residue list that week. When treating an animal, read and follow directions on the label or from the farm veterinarian. To be sure that animals intended for slaughter have met their withdrawal time, it is important to have written records. Treatment records should include:

- Animal's individual identification number and tentative diagnosis
- Product used, dosage given, route of administration, and who gave it
- Date, including earliest date animal clears withdrawal period

Remember there are two "withdrawal" times - one for milk and one for meat.

Communication is the key to preventing residues. Communicate to and between employees, owners, and veterinarians. Label all antibiotics properly. Store drugs properly in a clean, temperature controlled, locked location. Separate medications for lactating and non-lactating animals to reduce the chance of accidental residue violations and do not forget to maintain an accurate inventory.

HELP!

UI Students Need Participants for Industry Practices Survey

We are students at the University of Idaho enrolled in Advanced Agribusiness Management class. Our class project is to research blood based pregnancy testing of cattle in cooperation with BioTracking, LLC. We have a survey about current dairy practices that we would like producers to fill out. The survey should only take approximately ten minutes to complete.

The information is vital to our project, and we will be providing BioTracking with a report summarizing our findings. However, the respondent's information will be kept confidential.

Those who choose to complete the survey and provide their contact information at the end of the survey will be entered into a drawing to win 50 FREE blood based pregnancy test, all expenses paid! There will be three randomly drawn winners.

If you would like further information about the company, you can indicate that at the end of the survey. Otherwise, you will not be contacted further after you complete the survey. If you would like a summary of

the results, please indicate that at the end of the survey, as well.

Here is the link to the Survey: <https://www.surveymonkey.com/s/LNG33ZQ>

Please feel free to contact us with any questions, comments, or concerns you may have by emailing jamiethomas@vandals.uidaho.edu. Also, if you have questions about our project, please contact our professor, Dr. Aaron Johnson by emailing him at aaronj@uidaho.edu. We thank you in advance for your consideration and hopefully information. Also, we would appreciate if you would pass this survey invitation on to others. Thank you!

Jamie Thomas
University of Idaho Senior Agribusiness Student
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www.downesoneill.com - www.dairy.nu
Second Half Milk Price Rally Came Early – Very Early
 By Dave Kurzawski

George Bernard Shaw was credited with saying, "If history repeats itself, and the unexpected always happens, how incapable must Man be of learning from experience?" A more fitting line could not have been written about dairy pricing so far in 2011; a shocking price rally has coincided with the precise time of year when history was expected to repeat itself.

While cull cow numbers are up on U.S. dairy farms courtesy of soaring beef prices, we entered 2011 confident in our supplies of raw milk. Not only were producers pumping out healthy production increases of 2.5 to 3.0 percent during the latter half of 2010, they also have more heifers than they know what to do with. Incidentally, some of them will go to beef, too.

Not to be outdone, however, the supply of cheese in inventory has continued to grow by leaps and bounds, continually flirting with the ominous "billion pounds" in storage since mid-2010. With cheese piling up and milk production humming along, cheese production defied the odds and continued to grow during the latter half of 2010 when we expected Class IV plants to steal milk from the Class III milk market. It didn't happen.

On the demand side, dairy product exports climbed throughout the year with total solids exports some 40 percent higher than in 2009. With international prices running substantial premiums to U.S. prices throughout much of 2010, commercial buyers and end-users became somewhat complacent with the notion that poorer domestic demand — due in part to a generally weaker economy — would more than offset the substantial marginal increases in export demand.

That was the case for awhile. But the rubber hit the road here in early January with U.S. buyers trying to build butter and powder — and to a much lesser extent cheese — inventories found themselves pitted against the world bidding for product. Panic set in and dairy product prices rocketed higher.



May Class III Contract July 2010 thru April 2011

The Class III market has been nothing short of volatile since mid-February. Cheese prices, which were perched at just over \$2.00 a few weeks ago, have tumbled into the mid \$1.50 range as of the second week in April. The wall of worry that buyers from far and wide climbed during the first quarter of the year has been knocked down here in the second.

While it is clear we've filled some of the world's need for cheese supply lately courtesy in part to strong Chinese demand for Whole Milk Powder, etc. out of New Zealand, history shows that even our most valiant efforts to be a mainstream, routine supplier of product falls short when prices get too high. We must remember that there is a good deal of nuance to international buyer preferences and generally U.S. suppliers match their needs best when the price is right.

The real driver of the U.S. dairy markets, however, appears to have been butterfat and powder. Butter in particular was the commodity which led the complex higher only to sit idly by watching the rest of the dairy prices scramble to more or less "catch up." But now trading volume at the Chicago Mercantile Exchange (CME) spot market is growing and the price is beginning to falter. It looks like more product and more price pressure yet to come in April.

To be clear, the overall fundamentals of butter are not bearish as stocks-to-use ratios remain very tight and imports of butterfat are light at best. The risk to this beacon of higher prices is that butter buyers who are staring down a high \$1.90 – or even \$2.00 - price ahead of the U.S. spring flush ought to calm down after they have filled their Easter orders.

If this development expands anymore, the onus will be on nonfat dry milk prices to stabilize quickly to offset the potentially short-term butter price losses and keep milk flowing to Class IV production.

We're already hearing that extra loads of raw milk are easier to come by than they were just 45 days ago in the Midwest. Expect that to be the case in other dairy regions as well over the short-term. As that happens, expect more milk to make its way into cheese and will at best stabilize the price of cheese in the \$1.50 to \$1.60 range. At worst, we could be looking at lower prices still.

We all know that bull markets rarely go straight up without any period – however short – of down prices. Only time will tell as to the severity of the downward price correction on dairy products we are currently in the midst of, but don't think it is over just yet.

It is reasonable – and should be expected – that dairy farm operational margins to improve dramatically here in 2011. But one thing seems painfully certain: we can expect to be faced with more volatile price swings and price risk going forward. How will you manage it?

Idaho Dairymen's Association Endorses Foundations for the Future

TWIN FALLS, ID – The members of Idaho Dairymen's Association (IDA) voted overwhelmingly Friday to adopt the "Foundation for the Future" (FFTF) a program, created by the National Milk Producers Federation. The vote had 82% of those voting in favor to add FFTF in their policy as their official platform for making future changes in dairy policy in the 2012 Farm Bill.

At a special meeting of the membership here, the members of IDA endorsed the package of policy reforms contained in Foundation for the Future, and pledged to work with farmers in other states to help advance the program in the U.S. Congress. According to Bob Naerebout Executive Director of IDA, this was the first time in the collective memory of the board members that there was a call by the board to have a special meeting of the membership to vote on a proposed policy position, historically policies decisions are made at the fall annual meeting. He noted that after conducting four District meetings on the subject that the interest was high which was clearly demonstrated by the board endorsing FFTF calling for a special meeting of the membership. Even with springtime work beckoning them to stay engaged in their operations twice as many producers participating in this vote as in the average fall membership meetings.

To add to the understanding of FFTF the Association brought in three guest speakers; Jim Slepner Director of Milk Supply for Dairy Foods at Land O'Lakes, inc., Dr. Scott Brown with the Food and Agriculture Policy Research Institute (FAPRI), University of Missouri and Mr. John Revier, Deputy Chief of Staff for Idaho Congressman Mike Simpson.

"Our industry has a once in a generation opportunity to make dramatic improvements in dairy policy, but the only way we'll achieve that is to work together, both in Idaho as well as across the country, to pursue a specific program," said Mike Roth, President of IDA, and a farmer in Jerome County. "I believe and our members believe that the package of reforms contained in Foundation for the Future represents the best approach going forward and has the best opportunity of being adopted in the 2012 Farm Bill if the dairy industry is standing united behind one program."

Roth said that creating a new program, focused on margins and not just milk prices, has great appeal to Idaho's dairy farmers, whose economic prospects in recent years have been challenged by the rise in feed prices, such as corn, alfalfa and soybeans.

"Our current policy position already calls for the elimination of the MILC program and the dairy price support program. The Margin Insurance and the Dairy Stabilization Program were new pieces that our producers needed to develop an understanding and determine if they could support," Roth said.

Roth also said that the Dairy Market Stabilization Program is an acceptable means of help to adjust milk production during periods when margins are severely compressed, saying that "this program allows producers to grow production, but it also recognizes that we need smart growth, not just more milk that is produced and sold at a loss."

After learning of the decision by Idaho dairy producers Jerry Kozak President and CEO of NMPF stated, "The decision by IDA demonstrates that dairy producers in Idaho, to their great credit, are willing and able to play a key role in leading our entire industry toward a better future. We look forward to working with them, and producers in other states, to achieve the goals contained in Foundation for the Future."

(Technology Continued from page 2)

ing viable debt repayment requires managing your margin. From a financial point of view, the majority of your operating costs remain constant. By taking advantage of enhanced production technologies, your margin for profit is significantly enhanced. And this fact alone can mean the difference between a dairy meeting its debt obligations versus defaulting on its loans.

Incorporating such technology production practices into a healthy well maintained herd operation will reduce your daily operating cost, increase total volume and significantly improve your margin. All of which enable your dairy to be profitable even at lower milk prices. And profit at any level helps ensure your debt repayment capacity remains strong enough to endure any storm.

(Idaho Legislation Continued from page 4)

only crafted the language of all of our legislations, but also patiently negotiated and addressed all concerns of the parties that were engaged in House Bill 328.

We also want to thank all the legislators who supported the legislation and particularly those who helped craft and carry our legislation; House Majority Leader Mike Moyle, House Ag Committee Chairmen Tom Trail, Representative Judy Boyle, Representative Gayle Batt, Representative Jim Patrick, Representative Bert Stevenson, Representative John VanderWoude, Senate Assistant Majority Leader Chuck Winder, Senate Ag Committee Chairmen Tim Corder and Senator Bert Brackett.

Potential Additional Income for Dairy Producers

The Idaho Dairymen's Association (IDA) negotiated a contract with Western Renewable Energy Analysts Inc. (WREA) which is a company specializing in clean energy and carbon accounting.

"For the past several months the IDA Board, our staff and attorneys have been in the process of developing a contract that can be utilized by all dairy producers with WREA that has the potential for generating additional income for dairy producers. Multiple companies have shown interest in working with IDA in identifying avenues in which they could work with producers. WREA offered a program that was flexible enough and allowed performance incentives within the contract that encouraged us to go forward with WREA," stated Mike Roth President of IDA.

WREA looks at the entire carbon footprint of an operation to determine a true carbon accounting that involves all aspects of energy input and output. The data that is collected can determine practices that are "above and beyond" typical accepted practices. This practice combined with good management can be an "additionality" that can then be translated into a carbon credit.

For additional information contact Bob at the IDA office 208-733-6372 ext 102 or Scott Foster at wreaincsf@gmail.com.

House Bill 328 Coalition Support Letter

March 29, 2011

Dear legislator:

We write to request your support of H328, a measure to improve access to public records.

This bill makes several simple but important changes to Idaho law governing the costs associated with obtaining public records. First, the bill will provide clarity and direction to state and local agencies trying to determine costs for large records requests. The current law provides a framework for making that decision but little guidance on how to do so. This bill fixes that problem.

Second, H328 makes it easier for an entity to show how it might qualify to receive records for free. Under current law, the determination is left solely to the agency's discretion, leading to broad differences between agencies in determining which groups pay and which groups do not. The bill reflects our joint belief that a framework is needed to provide clarity to state and local agencies, and to the public.

Third, H328 gives agencies and the public some direction on how labor costs are to be calculated. This direction will prevent agencies from charging high labor costs to punish a requester, but also makes it easier for agencies to recoup the actual costs associated with fulfilling a request.

Finally, H328 streamlines the process for providing records, making the system simpler for the public and for public agencies. In addition to the aforementioned improvements for determining costs on large requests, this bill simplifies smaller requests by providing a small portion of labor and copy fees for free on all requests.

Led by Rep. Gayle Batt and representatives from our respective organizations, this bill was drafted in concert with the office of Attorney General Lawrence Wasden. We would like to thank Deputy Attorney General Brian Kane for his hard work on this bill.

We also express sincere appreciation to Rep. Mike Moyle for his leadership and encouragement as our organizations worked collaboratively to improve Idahoans' access to public records.

Thank you for your consideration of H328, and for your hard work on behalf of the people of Idaho.

Sincerely,



Bob Naerebout
Executive Director
Idaho Dairyman's Association



John M. Foster
Member and Advisor
Idaho Press Club



Roger Plothow
President
Newspaper Association of Idaho



IDAHO DAIRYMEN'S ASSOCIATION

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Upcoming Meetings

- April 19 Western States Dairy Producer Trade Association - Sacramento, California
- April 20-21 Air Quality Symposium - Sacramento, California
- May 15-17 National Dairy Producers Conference - Omaha, Nebraska
- May 19-20 DMI Board Meeting - Rosemount, Illinois
- May 25-26 UDI Board Meeting - Twin Falls, Idaho

The *Idaho Dairy Focus* is Brought to You by the ***Idaho Dairymen's Association***

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