



Idaho Dairy

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

focus

November 2009

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.

IDA Elections

The 2009 IDA elections are complete, with redistricting of the IDA board seats District I and III held elections for the Resolution Committee positions. In all three districts the incumbent was reelected to serve a three year term. Representing District I is Glen VanderWoude, District II Edwin Southfield and District III is Jenifer Jenson

District II had eight individuals contending for three positions. The incumbent Mike Roth was reelected to serve a three year term. Arie Roeloffs was elected to the board for a three year term and Willie Bokma was elected to serve a two year term, both Arie and Willie are new to the IDA board positions and will be seated at the November 4, 2009 UDI board meeting.

2009 Resolutions

Hopefully you are making plans to join your fellow Idaho dairy producers and allied industry at the 2009 United Dairymen of Idaho (UDI) annual meeting being held November 5th and 6th in Boise. If your in attendance at the IDA business meeting you will be voting on the following resolutions, which if approved will become IDA policy.

According to the IDA bylaws Resolutions finalized and approved by the Committee will:

- ◆ Be published and submitted to the membership at least 15 days prior to the annual meeting.
- ◆ Be presented and explained to the membership at the annual meeting with the Federation Board of Directors' recommendation of "do pass", "do not pass" or a "neutral position."

All of the proposed 2009 resolutions are endorsed by the UDI board with a "do pass."

MARKETING

Current General Statement:

Idaho Dairymen's Association, Inc. believes in and encourages its members to participate in milk marketing efforts that serve the best interests of all Idaho dairymen.

Any position taken by Idaho Dairymen's Association, Inc. or its officers shall not jeopardize or interfere with the ability of any individual dairyman to better himself through separate action unless such action is determined to be detrimental to the Idaho dairy industry, including the following policies: (continued on page 2)

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Add to the current language:

Even though our policies listed below reflect that we believe it is in the best interest of all agricultural commodities for the government to withdraw price support mechanisms that create price floors, caps supplies or creates artificial demand for agricultural commodities; the Idaho Dairymen's Association believes that it is in the best interest and essential for the profitability of dairy producers to provide leadership that develops and maintains unity within the national dairy industry. Recognizing, eliminating government programs from agriculture is a long term process the IDA will work with state, regional and national organizations to facilitate unity within the dairy industry while working within the existing and proposed government programs put forward to insure the long-term financial health and stability of the Idaho dairy industry.

B. Idaho Dairy Products Commission (IDPC)

We support the Idaho Dairy Products Commission. (78)

Add to the current language:

We support the Idaho Dairy Products Commission; Idaho Dairy Products Commission (IDPC), an Idaho State government agency, which is the promotion and nutrition education organization that works to drive demand for increase sales and consumption of U.S. dairy products on behalf of the Idaho dairy farmers. IDPC accomplishes its objectives by:

- ◆ Partnering with dairy and food industry leaders and innovators on nutrition, research and marketing.
- ◆ Driving programs to reach children to reverse the long-term downward trend of fluid milk consumption with this age group including innovative solutions, such as the adoption of single-serve plastic milk bottles in the nation's schools and national restaurant chains.
- ◆ Protecting and promoting dairy's place in the school arena through programs that encourage fitness and good nutrition, including lifelong dairy consumption, among children in Idaho schools.
- ◆ Protecting the image of dairy products and dairy farmers through a comprehensive image and crisis plan to ensure that consumers have confidence in the dairy products they buy for their families.

F. Supply Management***Re-written as follows:***

Idaho Dairymen's Association, Inc. supports industry controlled and voluntary industry funded supply-demand management programs. The IDA will oppose all government mandated supply –demand programs that have not received support from a super majority vote by individual producers. We will promote and serve as the vehicle for input, discussion, consideration, direction and formulation of ideas.

G. National Milk Policy***Re-written as follows:***

We will evaluate, on a case-by-case basis any existing or proposed national policy that differentiates between producers (i.e. Milk Income Loss Contract (MILC) program, Federal Orders etc.)

K. Forward Contracting***Rewritten as follows:***

We support programs, such as the Dairy Forward Contracting that allow producers mechanisms to establish price and reduce risk.

Additional Recommendations:**Opposition to Block Voting on Government Referendums.**

Whereas; with the consolidation of the dairy industry block voting by cooperatives on government referendums concentrates too much power in the hands of a few organizations and,

Whereas; those referendums can include assessments placed on all producers or have other direct financial consequences,

Therefore be it resolved that the IDA will work towards the elimination of and stand in opposition to the practice of block voting by cooperatives on government referendums.

Lowering the Somatic Cell Count to 500,000.

Whereas; The European markets require that products exported to their member countries be produced from raw milk with a Somatic Cell Count (SCC) of 500,000 or less and,

Whereas; the sale of Idaho finished milk products is becoming dependent on export markets, and,

Whereas; The National Mastitis Council has determined that there is a direct link from SCC to animal health and finished product quality;

Therefore be it resolved, that the IDA will work with the Idaho State Department of Agriculture Dairy Division to put into place the proper rules to allow the lowering of the Idaho State levels for SCC to 500,000 and,

Also be it resolved that the IDA will lobby those organizations and regulatory agencies that participate at the next National Conference of Interstate Milk Shippers to amend the Pasteurized Milk Ordinance to set the national standard at 500,000 SCC.

All Milk Products – Imports

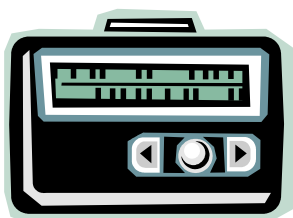
Whereas; a loophole in the U.S. dairy sector pertaining to imported dairy products allows certain dairy proteins into the U.S., such as MPC's and Casein and,

Whereas; those products can be utilized in production of dairy products and displace American made products and,

Whereas; the importation of those products under tariff are disruptive to U.S. farm level prices.

Therefore be it resolved; we support appropriate tariffs on all dairy components that are imported into the US that can be utilized in dairy foods.

Also be it resolved that we support S. 1542 introduced by Senator Schumer called the Milk Import Tariff Equity.

**For Weekly Industry Updates:**

Tune in to AM 1270 & 1240— Monday Mornings at 6:30

With Rick Haines & Bob Naerebout, Executive Director of IDA

Technology use is essential to improve productivity and reduce resource use

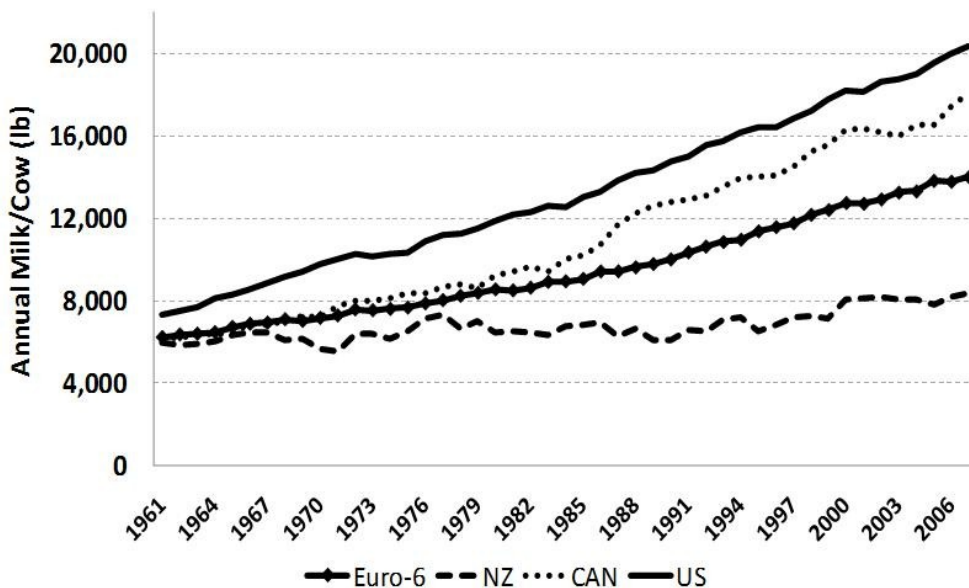
Jude Capper, PhD

In 1611, European dairy cattle were imported into Jamestown, Virginia and the fledgling US dairy industry was formed. Since those first cattle arrived, the industry has made huge productivity gains: the earliest recorded US milk production data relates to a Jersey cow (Flora 13) that produced 511 lb of milk over 350 days in 1854. By contrast, USDA data shows average milk production per cow was 20,396 lb/cow in 2008. Advances in technology allow the dairy industry to produce more milk using fewer cows, and thus fewer resources, than in the past. Compared to dairying in the 1940's, we use 21% of the animals, 23% of the feed, 35% of the water and only 10% of the land to produce a gallon of milk. Nonetheless, a lengthy time interval may occur between discovery of a new technology and widespread adoption. For example, A.I. use improves productivity by increasing the rate of genetic improvement. However, a 40-year gap occurred between its first use in dairy cattle (1936) and it being used (to some extent) in 90% of herds (1977). To date, the only technology that approached 100% adoption within a relatively short time was the bulk milk tank.

The graph below shows trends in milk production per cow from 1960 to 2007 for the US, Canada, an aggregate of the top-6 milk producing countries in Europe (Netherlands, UK, Germany, France, Italy, Poland) and New Zealand. Although milk yields were somewhat similar back in 1960, the lines have diverged widely over time - the US has shown the fastest rate of improvement, Canada and Europe are intermediate and New Zealand production has remained fairly static. Improvements in productivity for the US, Canada and Europe were made possible by advances in genetics, nutrition, management and animal health. However, differences in the rate of improvement may be partially explained by the attitude towards, and the adoption of technology within the various regions – the US generally being pro-technology whereas Europe in particular takes a more hostile position. Lower productivity increases the environmental impact of dairy production as a greater number of animals are required to produce the same amount of milk. For every one animal within the 2007 US dairy population, Canada required 1.1 animals, Europe required 1.4 animals and New Zealand required 2.4 animals to maintain the same level of production. This rise in animal numbers increases the amount of feed needed to maintain the population, thus increasing cropland, water, fertilizer and fossil fuel use.

This issue is not confined to regions that have highly-developed dairy industries. In 2008, the Chinese government recommended that the dairy product intake of each citizen should increase from 3.5 oz/day to 10.6 oz/day. At current levels of milk production, this requires an additional 65 million dairy animals in China and a huge increase in resource (feed, cropland, water, etc) use. If productivity is improved to current US levels, the additional number of animals required would be reduced by two-thirds to 23 million.

Trends in Dairy Cattle Milk Productivity for 4 Major Milk-Producing Regions



Source: FAO(2009) <http://faostat.fao.org/>

* Euro-6 represents 2/3 of the cow's milk produced in the EU in 2007

It is paradoxical that in every other industry, technology use is embraced as the path to future improvement, but in animal agriculture, use of technologies that enhance productivity are being actively campaigned against by activists. Prohibiting technology use reduces productivity and increases both resource use and environmental impact. As the population increases and resources continue to dwindle, the role of technology in improving productivity and helping to supply consumers with safe, affordable, nutritious dairy products should be celebrated, not vilified.

About the Author.

JUDE L. CAPPER, Ph.D. is an Assistant Professor of Dairy Science in the Department of Animal Sciences at Washington State University (WSU). Born in the UK, she undertook her undergraduate and graduate degrees at Harper Adams University College (UK) where her post-graduate research focused on the relationship between ruminant nutrition and neonatal behavior. Following a two-year lectureship in Animal Biology at the University of Worcester (UK), she worked with Prof. Dale Bauman as a Post-Doctoral Research Associate in the Department of Animal Science at Cornell University. During her post-doc, Jude worked to develop a deterministic model of the environmental impact of dairy production, based on the NRC (2001) nutrient requirements for dairy cows and the environmental mitigating effect of improving productive efficiency. Jude is continuing her modeling work at WSU, investigating the environmental impact of dairy products produced from differing on-farm management practices; use of feed additives to improve efficiency and the impact of different dairy breeds. She is also developing similar models to evaluate the environmental impact of beef production, comparing historical and modern production practices and the effects of growth-promoting technologies used within the industry.

September 11th 2009 ISDA Split Sample Lab Report

The Idaho State Department of Agricultural runs unannounced checks on the testing of the components of raw milk from the various labs that are utilized on dairy producers raw milk samples. The tolerance level for all labs sampled would be +/- 0.047 on butterfat and +/- 0.044 on protein. Below are the latest results.

	DFA	Darigold	FMM	DHIA	Gossner	Sartori	High Desert Lab	CRI NWL	Jerome Cheese	Glanbia Foods	Sorrento Lacialis
Protein	-0.047	0.00	-0.01	0.00	-0.02	-0.01	-0.01	-0.047	-0.047	-0.057	-0.044
Fat	-0.02	0.04	-0.01	0.04	0.03	0.04	0.03	0.00	0.00	-0.050	0.03

Dairy Industry Meeting

On Friday October 9th over 175 people attended a dairy industry meeting looking at the impacts of the CME has on the pay price received and the spread between the retail price and the farm gate price. The speakers were Phil Plourd of Blimling and Associates, Peter Turk of Rice Dairy and Todd Dittman of Dairy Management Inc. (DMI). In addition Paul Rovey, Chairmen of DMI and an Arizona dairy producer took questions from the audience on current dairy promotion activities. All of the presentations are available out on the website at:

www.idahodairyumen.org

Foreign Born Labor Study Completed

During 2008, the Idaho dairy industry generated an estimated \$2.15 billion in milk sales. That amounts to 34 percent of Idaho's farm cash receipts; which places dairy ahead of all other agricultural commodities produced in Idaho.

Obviously life down on the farm is changing—In turn, entire communities are changing.

Dairies have brought prosperity and growth to struggling rural communities. That unprecedented growth in the dairy industry has created numerous jobs that have drawn foreign-born dairy workers to our rural communities. The current perception is that the influx of those new employees has brought additional burdens to schools, jails and health care services.

In an effort to understand and quantify those concerns in January of 2008 the Idaho Dairymen's Association commissioned a study with the University of Idaho to determine what impacts foreign-born workers are having on southern Idaho communities. That study is now completed and it should ease most of those concerns.

The study involved surveys through phone calls to over 1,300 southern Idaho residents and also in-depth interviews with 63 key community members such as teachers, judges, church leaders, etc. Thorough scientific analysis of the information revealed many important conclusions, some surprising others anticipated, including the following:

- ◆ On average these workers are making about \$2,000 per month after paying taxes, a worker with questionable documentation will limit their community involvement.
- ◆ Education is extremely important to the Hispanic families and recognized it as the vehicle to raise the standard of living for future generations but the lack of mastering the English language is holding their children back in our rural schools.
- ◆ Some rural communities feel the social impacts of this Hispanic influx more than neighboring communities. The cities of Twin Falls and Jerome capture more of these workers' incomes, but the workers may actually live in neighboring counties.
- ◆ Private businesses have been able to "turn on a dime" and profit from this Latino influx, but public schools and the justice system by their very nature can't adapt quickly.
- ◆ Foreign-born workers do not get more free health care services or commit more crime than other community members.
- ◆ A majority of long-time residents do not perceive these workers or dairies as having negative impacted southern Idaho.

This study demonstrated that changes in certain policies and practices are in order, a few of those are:

- ◆ A stable and predictable immigration policy needs to be adopted at the national level.
- ◆ There is a need for programs that promote the economic prosperity of this workforce.
- ◆ The dairy industry along with the University of Idaho Extension should consider developing a community outreach liaison, who is a native Spanish speaker who would be responsible to present opportunities for building bridges between the industry, Latino workers, schools, the health care industry and law enforcement.

The Idaho dairy industry is committed to following the guidelines established in the study and will continue to work with the University of Idaho, state agencies and local communities to accomplish that goal.

To read the study, go to (link). www.idahodairymen.org



www.downesoneill.com - www.dairy.nu

Government meddling in dairy industry— it's just noise

By Eric M. Meyer

Chatter in the dairy industry over the past two months has been focused around the temporary increase in the price supports for cheese and nonfat dry milk (NDM). As October comes to a close, Congress authorized an additional \$350 million for dairy farmer emergency aid in direct payments and product purchases and President Obama has signed it into law. While we wait for word from the USDA, we must recognize that it has been an extremely challenging year for dairy producers across the country and assume that the government is acting in the best interest of dairy farmers.

Some market participants believe this government bailout will actually keep milk prices low in coming months, by keeping more marginal dairy producers pumping milk. While the free market should correct supply/demand imbalances, it is my strong opinion that the latest and future federal assistance to the dairy industry will have limited impact on milk prices.

In the NDM market, USDA temporarily raised support prices from \$0.80 to \$0.92 per pound from Aug. 1 through Oct. 31. As of July 31, nearly 277 million pounds of NDM had been purchased by the Commodity Credit Corp. (CCC) since October 2008. Since then, approximately 600,000 pounds of NDM CCC purchases have been CANCELLED, leaving us with fewer purchases than before the support price increase. Why? We're producing less milk in California where most NDM is produced in this country; international prices have taken a sharp turn upward over the past two months, and export interest from a number of countries is growing. National Agricultural Statistics Service prices have gone up from \$0.85 on Aug. 1 to nearly \$1.00 last week and that number is poised to move sharply higher in the coming weeks.

In the cheese market, USDA raised the support price to \$1.31 on block Cheddar and \$1.28 on barrels. Commodity Cheddar manufacturers are not fans of sending product to the CCC. Even when Chicago Mercantile Exchange (CME) spot prices dipped below the old \$1.13 block support, no cheese was sent to the government. And since the sharp temporary increase in supports, not a single pound of cheese has been shipped to the CCC. As of Sept. 30, CME block cheese prices are at \$1.4125 per pound, very close to the Oceania Cheddar midpoint price of \$1.40 that was published by the USDA on Sept. 17. Decreased milk production and stronger demand both domestically and internationally have been the main drivers behind the cheese price increase.

Most industry players are hung up on the \$290 million direct payment to dairymen as bearish to current market prices. I disagree and believe this will cause minimal, if any, impact. Breaking down the numbers will show you why. If USDA broke down payments more fairly and paid out on a per cow basis, \$290 million does not go very far. Based on 9.160 million head (August 2009 U.S. herd), this equates to \$31.66 per cow. If a dairyman receives \$12 per hundredweight for his milk in September (using the 2008 milk per cow average of 1,700 pounds), the one-time payment he will receive amounts to just 15.5 percent of his monthly milk check. That is an insignificant number to farmers who have had hundreds of millions in equity burned up in 2009.

The biggest impact government intervention has had on the dairy markets thus far is disappearance of liquidity on the CME's dairy futures and options markets. Due to the government modifying the "rules of the game," open interest in Class III milk futures and options has dropped precipitously over the past few months. Although participation appears to be rebounding somewhat, the market needs speculators for they provide the market grease. And until the rules are more clearly defined, this necessary segment of our trading community has been quieter than normal. While the government activity in recent months has created quite a stir in the industry, it has mostly been noise. Take a look at what is going on in the real marketplace (less milk, increased demand, weaker dollar, higher international prices) to give you direction in these volatile dairy markets. Higher prices are on the horizon. But don't let higher prices lull you to sleep. There are very effective risk management tools out there to lock in those higher prices. Make sure you take time to protect profits in 2010.



IDAHO DAIRYMEN'S ASSOCIATION

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Upcoming Meetings

- November 4 UDI Board Meeting - Boise
- November 5-6 UDI Annual Meeting – Boise
- November 9-10 Western States Dairy Producers Trade Annual Meeting - Grapevine, TX
- November 10-13 NMPF/DMI/UDIA Annual Meeting - Grapevine, TX
- November 17 IDA Industry Relations Committee and IDEAL Board of Managers Meeting - Boise

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