

*Protecting Idaho's dairy industry through environmental,  
legal and legislative leadership since 1924*

February 2016

### **From the Boardroom**

*By Tony VanderHulst, IDA President*

IDA has a history of being a proactive leader within the dairy industry. Over the past couple editions of the Idaho Focus, we have introduced our newest hire, Dr. Stephanie Kulesza. Bringing her on staff to assist our industry in nutrient management and water quality issues represents that continued proactive vision. Steph has hit the ground running and is already having a positive impact for the dairy industry!

Coming in March, she has put together a series of nutrient & water management meetings that will be held throughout the state. These meetings are intended for anyone that is involved with the storage, handling and application of nutrients in dairy and farming operations. We are trying to reach our dairymen, their 3<sup>rd</sup> party receivers, crop consultants, farmers that grow for dairymen and anyone else that may have an interest in the topics that will be presented.

The meeting lineup includes:

- Manure and Soil Testing – Stephanie Kulesza, IDA Consulting Services (Bring your soil/manure test results!)
- Nitrogen and Phosphorus Cycles on Idaho Dairy Farms – April Leytem, Kimberly ARS
- Irrigation Management to prevent nutrient loss – Dave Bjorneberg, Kimberly ARS
- Manure Recommendations for Idaho Crops – Amber Moore, U of I Extension
- NRCS Cost Share Opportunities for Dairies – Local NRCS Representatives

There is no cost and lunch will be provided. The meeting dates, times and locations can be found on page 3.

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### **2016 Idaho Legislative Updates**

*By IDA Staff*

The 2016 legislative session is in full swing, and IDA is currently working on three pieces of legislation. The revisions to the Dairy Environmental Control Act (DECA) and the Idaho Dairy Products Commission (IDPC) Board makeup and election process we introduced at the UDI Annual Meeting and January IDA District meetings are moving through the process smoothly. The IDPC Board and election changes are encompassed in Senate Bill 1259. It has passed the Senate unanimously and is now working through the House.

The DECA revisions are encompassed in Senate Bill 1260, which was introduced to the Senate Ag Affairs Committee last week. This legislation clearly authorizes the Idaho Department of Environmental Quality (IDEQ) to manage the National Pollution Discharge Elimination System (NPDES) within Idaho, so that primacy can be granted to the agency from EPA. Currently this program is administered by EPA Region 10.

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## Federal Dairy Issues Update

*By Charlie Garrison*

The Second Session of the 114<sup>th</sup> Congress is well underway, although it's been a series of fits and starts with recesses for federal holidays and a week of unplanned time back home in the states and districts courtesy of an historic snowstorm in Washington, D.C. It was already going to be a short legislative year with party nominating conventions scheduled for July and congressional leadership wanting to allow plenty of time for campaigning ahead of the November elections.

House Speaker Paul J. Ryan (R-WI) has vowed a return to "regular order" on appropriations bills to fund the federal government for FY 2017. That means subcommittee, full committee and floor votes on each of the 13 different bills.

Spending guidelines for the appropriations bills were spelled out in a two-year budget agreement reached last fall. The guidelines were used to write the bill that funded the federal government for the remainder of FY 2016 through this September 30<sup>th</sup> and were to be the blueprint for the FY 2017 appropriations bills.

The budget agreement was intended to remove the possibility of a federal government shutdown prior to the presidential election this fall. Some House Republicans, however, are demanding that Ryan break that deal and insist on additional spending cuts. Doing that would likely result in few, if any, Democrats supporting appropriations bills. That would leave Republican leaders in the position of needing to pass bills with only GOP votes that the President will then sign. Not an enviable position for the new Speaker.

What does this mean for agriculture? Farm programs are often some of the first in line to be cut. The President's budget proposal, released in early February, already seeks to significantly revamp the federal crop insurance program. Historically, even conservation compliance assistance programs have taken a hit. Congressman Mike Simpson is an appropriations subcommittee chairman and IDA looks forward to his continued leadership in making federal government programs work better, smarter and more efficiently.

### The "Waters of the U.S." (WOTUS) Rule

Multiple courts have stayed the implementation of the WOTUS Rule from the EPA and Army Corps of

Engineers. The EPA says the rule is a clarification of regulatory authority under the Clean Water Act. Land use industries, including agriculture, fear that the rule is an expansion of federal regulation far beyond what the Congress intended.

IDA lobbied along with scores of other agriculture groups to have language included in the year-end spending bill that would prevent the EPA and Army Corps of Engineers from using appropriated funds to implement the WOTUS Rule. However, the fact that the courts had placed the rule on hold took some of the pressure off of Congress to provide a fix in a bill that had to pass and be signed into law. Idaho dairy producers very much appreciate all four members of our congressional delegation, Senators Mike Crapo and Jim Risch and Representatives Mike Simpson and Raul Labrador for their strong support for rolling back WOTUS. The work continues on this issue.

### Trans Pacific Partnership (TPP) Trade Agreement

Presidential election year politics have congressional consideration of the TPP on hold for the time being. The agreement, which opens some new markets in Pacific-rim nations for U.S. dairy products, also grants new access to our market to New Zealand. Dairy groups, including IDA, continue to analyze the details of the pact but it is increasingly apparent that a ratification vote may not be held for months, and perhaps not even this year.

### GMO Labeling

The U.S. Senate is expected to take up a bill that would set regulations for labeling food products containing genetically modified organisms (GMO). A bill is necessary at the federal level because food marketers simply cannot be expected to comply with a long list of individual state requirements in a cost-effective way that doesn't ultimately confuse consumers.

The first state GMO-labeling law in the country goes into effect in Vermont on July 1. The House of Representatives passed a bill last summer that prevents states from requiring labeling for GMOs but allows food marketers to voluntarily label products that qualify as "GMO-free." That language does not appear to have the votes to pass in the Senate, however. IDA will work with Senators Crapo and Risch on finding common-sense legislation that best serves all segments of the food industry from farmers, milk processors and marketers and, ultimately, consumers.

## Lagoon Additives: Questions to Ask Before You Buy

By Dr. Stephanie Kulesza, IDA Consulting Services, Inc.

With lagoons at their max and things warming up, it may seem like a good time to consider adding products that promise anything from reducing solids to eliminating phosphorus from your lagoon water. Over the past few months, IDA was approached by several salesmen touting major benefits from their lagoon additives. I thought I'd take the time to explain my thought process when considering these products. So, here are some questions I typically ask salesmen.

#1. Is your product backed by university or industry research? Products are many times sold through word of mouth advertising, but I like to see the numbers from research experiments. I'm not saying that research is an absolute "must have", but it helps me understand how well a product works and what to expect.

#2. How much will this reduce phosphorus in my lagoon water? Did you see the same trend among all farms? If it didn't work the same on all farms, what was the major difference between farms that saw a better or worse outcome? These are all good questions to ask, even if companies only have testimonies from their customers. I ask these questions to understand the ideal conditions for using the product. For example, a product that works amazingly well only in anaerobic digesters probably won't hit a homerun in Idaho because very few dairymen have digesters.

#3. Where will the phosphorus/salts go? Phosphorus, potassium, calcium, magnesium, etc. are elements and cannot simply disappear. Therefore, the only way to impact their levels in water or

manure is to physically remove them from the lagoon or manure pile. Products that promise to remove phosphorus from lagoon water may in fact cause the phosphorus to settle into the solids at the bottom of the pond, and you'll want to know that before you consider using them, as it would increase the concentration of phosphorus in the solids at time of cleanout. Also, if you agitate your lagoon before emptying, much of the solids (and phosphorus) will be applied to your field either way. One option is to ask for a sample or demonstration on your farm. Some of these companies will offer a free demo to show off their products. If you have multiple lagoons with similar characteristics, it may be worthwhile to do a side-by-side comparison.

#4. How much will your product cost me annually? Many of these products require reapplication over time, and application rates can be based on the number of cows you have. Get a clear idea of what the product will cost you before giving it a try.

#5. Can you call Dr. Kulesza with the IDA and talk with her about your product? I'm available to hear sales pitches if you're interested in using a product. Don't hesitate to reach out and get more info! I can be reached at 208-358-4005 or at [steph@idahodairymens.org](mailto:steph@idahodairymens.org)

I hope this gives you a couple things to think about. Also, let me know if you're using a product in your lagoon! I'd like to get an idea of how these products work for you and your experiences with using lagoon additives.

*(From the Boardroom - Continued from page 1)*

### March 1<sup>st</sup> – Idaho Falls

Hampton Inn Idaho Falls at the Mall  
2500 Channing Way  
Idaho Falls, ID 83404

### March 15<sup>th</sup> – Magic Valley

Fine Arts Auditorium at Elevation 486  
195 River Vista Place  
Twin Falls, ID 83301

### March 22<sup>nd</sup> – Treasure Valley

Hampton Inn and Suites at the Idaho Center  
5750 E Franklin Road  
Nampa, ID 83687

### March 23<sup>rd</sup> - Preston

Robinson Building  
186 West 2<sup>nd</sup> North  
Preston, ID 83263

All meeting will begin at 10:00am and will end around 4:00pm. Please RSVP by calling Steph at 208-358-4005 or emailing her at [steph@idahodairymens.org](mailto:steph@idahodairymens.org) so we can plan accordingly for lunch. We look forward to seeing you in March and please bring your farmer(s) with you!

*(What Will the Future Be - Continued from page 1)*

With IDEQ making changes to the statute, we took the opportunity to make additional revisions, like referring to manure as a byproduct of dairy operations instead of incorrectly calling it waste. Clarifications were also made to outline acceptable standards for nutrient management and storage facilities. One thing that does not change with the statute is that the Idaho State Department of Agriculture (ISDA) remains the dairy industry regulator as long as your dairy facility does not have a discharge to Waters of the US.

There are a couple minor, IDA supported wording changes that will occur with the legislation, and then it will work its way through the Senate before moving to the House. All indications are that this legislation will pass both the Senate and the House this session. The Idaho Conservation League, which typically is in opposition to any effort by Idaho's dairy industry, testified in favor of the legislation at the Senate Ag Affairs Committee hearing last week. Assuming we are successful with the legislative changes, negotiated rulemaking would be the next step in the process. It will occur this summer to work out the details of the regulations authorized within the statute. ISDA will administer that process.

A new piece of legislation was introduced in the House Ag Affairs Committee last week. House Bill 524, known as Companion Animal Care, was introduced to strengthen Idaho's animal welfare laws. Food Producers of Idaho, through its Animal Issues Committee, worked with House Ag Affairs Committee Chairman Andrus in revising legislation that was unsuccessful in previous years. Food Producers of Idaho is an organization that encompasses most of production agriculture in the state and works to help inform legislators of areas of importance for its members. The Idaho Cattlemen's Association was also instrumental, through their involvement with Food Producers' Animal Issues Committee, in the revisions worked out with Chairman Andrus.

House Bill 524 makes a few changes to the existing statute. First, the definition of companion animals is made more clear so that production animals are not mistaken for a companion animal. Agricultural production animals are exempt so long as normal management practices are being followed by the producer. It is important to keep in mind that this legislation is designed to address concern with abuse and torture that are occurring with companion animals.

The revisions also define torture and provide for an increase in penalties so that a felony conviction can be sought if the accused has a history of causing bodily injury to another person, or committed the torture in the presence of a minor. A felony can also be sought on the second conviction of a torturous act. Finally, the law requires a psychiatric evaluation for those convicted of torture and encourages it for those convicted of cruelty. This is an important inclusion, allowing law enforcement to get to the root of the illness of those individuals committing cruel or torturous acts. We would like to thank Speaker Bedke, House Majority Leader Moyle, House Ag Affairs Committee Chairman Andrus and Senate Ag Affairs Committee Chairman Rice for their efforts and leadership in drafting this legislation.

Lastly, there are a number of important pieces of water legislation that surround the implementation of the Eastern Snake Plain Aquifer (ESPA) Settlement Agreement between the Surface Water Coalition (SWC) and the Idaho Ground Water Appropriators (IGWA). This historic settlement agreement was reached in the late spring months of 2015 to try and reverse the depletive effects occurring in the aquifer.

The SWC members have the senior rights between the two parties and have agreed to not pursue any curtailment orders so long as the terms of the agreement are being adhered to, and that goals in aquifer management are met. IGWA, representing the ground water users above the aquifer, have agreed to decrease pumping by 240,000 acre feet, which is about 13% of total pumping activity. The state of Idaho agreed to recharge an average of 250,000 acre feet of water annually. Decreased pumping and increased recharge should help stabilize and eventually reverse the downward trending aquifer volumes.

The various pieces of water legislation help show legislative support for the settlement, fund the needed recharge projects for the state to be successful in that effort, and set aside funding for studying the ESPA and other aquifers throughout the state so we can better manage our statewide water resources. IDA is supportive of all these pieces of legislation. We understand that cutting back pumping by 13% will undoubtedly increase feed prices; however, somewhat predictable increases in feed costs are far better than the unknowns presented with the year-to-year risk of curtailment.



## Cheese Export Market Snapshot

By Nick Buyse

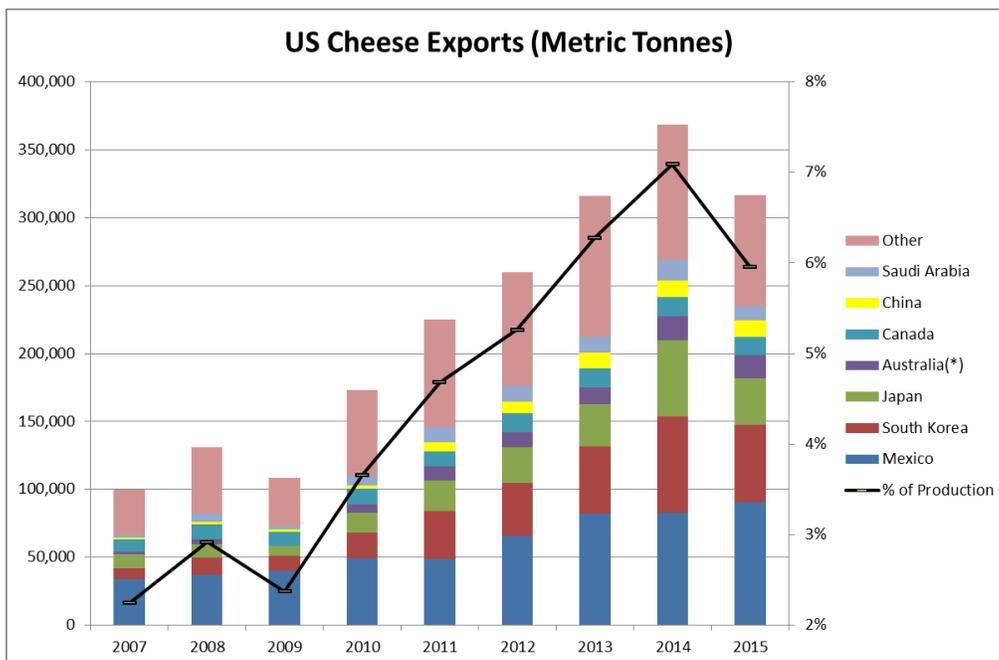
US dairy exports have been the talk of the markets for the past year. Yes, cheese exports were down 14% in 2015. Although last year's decline in exports was balanced out by strong domestic demand as consumers spent more with their windfall energy savings. We expect this trend to continue as domestic retail and foodservice demand remain relatively firm with increased promotional activity.

With the Russian trade embargo still in place, the EU needs to find a new home for 20-25,000mt of cheese each month. That's roughly the size of the US's average monthly cheese export volumes. The chart below shows the US's annual exports by destination. We are losing market share from the EU and to a lesser degree to NZ in the Japan and South Korea markets. These markets are growing strongly as Japan's 2015 total imports were up 9% to 252,000mt while South Korea's 2015 total imports were up 12% to 108,000mt. Other markets such as the Middle East and North Africa countries have been also buying more cheese from the EU due to price competitiveness.

To keep it perspective the past few years US cheese exports have shown excellent growth and 2015 was

on par with 2013's performance. The black line on the chart below illustrates the percentage of production exported. We have made tremendous gains in terms of cheese production exported. Back in 2008 we only exported 3% of the US's cheese production, and that has steadily climbed to 6% as of 2015. I believe the current export market softness will be transitory especially once tensions ease in Russia. In the long run the US will continue to be a key supplier in the export markets. I believe the US dairy exporters are well motivated to grow these markets which will continue to benefit dairymen across the US.

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## The Udderly Hard Truths of Succession Planning

by David P. Claiborne and Evan T. Roth, attorneys, Sawtooth Law Offices, PLLC

You have woken up with the sun for as long as you can remember. You have walked to the dairy in the same brand of rubber boots for just as long. Your milk cows know your routine so well that they are patiently waiting to be escorted to the milking parlor as soon as you arrive. This routine has been unchanged for many generations of dairy farmers throughout the world. The common bond between you and the majority of dairy farmers is that you have started and raised your family within walking distance of your milk parlor. As your family has grown, so too has the size of your dairy and your entire farming operation.

Watching your children and business grow simultaneously has been one of the proudest achievements of your life. At this point in your career your children have expressed a desire to continue on within the family business, or they have expressed a desire to move to the city and pursue their lives away from the dairy, or you may have a combination of both from your children.

Dealing with situations like the one described above are very difficult and take years to properly plan for from a legal and tax perspective. The best way to adequately prepare you and your family for a transition in management of the dairy, and an eventual transition of ownership, is to carefully lay out a business succession plan.

Business succession plans can take many forms depending on the size of your family, the type of property (real and/or personal), the total value of the assets involved, and the type of entity that your business is currently operating under. Traditionally, a business succession plan will raise and answer many of the following questions:

### Management

Who, within the family or outside of the family, is willing and able to manage the business that you have nurtured and sustained during your lifetime? Once that person or people are identified, how long will they need supervision before you turn over the reins to the family business? If supervision is required will it be done by you, a managing member or a board of directors?

### Ownership & Estate Planning

How will you transition ownership of the business? How do you transfer ownership of the farm and yet maintain your current lifestyle and protect your future needs? Will you gift and/or sell a minority interest to the individuals you have identified to manage your business? What type of instrument and/or business entity will you utilize in transferring ownership? How do you value the assets of your business in a sale and/or gift? How do you provide a nest

egg for children not on the farm and yet maintain the stability of the farm after your death?

### Taxation

What tax planning strategies will you utilize? How will you maximize your estate and gift tax lifetime exemptions? How will you maximize your annual gift tax exclusion? What valuation documents need to be prepared in order to maximize your tax planning strategies?

The questions posed above are daunting and difficult to deal with. However, the best approach is to take each question individually and to honestly assess how you and your family will deal with each question in your personal business succession plan. Many of the questions posed above have very positive answers if you timely deal with them and take advantage of the current business environment.

In 2016, we enjoy an IRS code which allows for a lifetime gift and estate tax exclusion of \$5,450,000 per person, or \$10,900,000 per married couple. Additionally, the IRS code allows for an annual gift tax exclusion of \$14,000 per person. Given the current political climate no one can predict how long these exclusions will remain at their current levels and/or if they will remain at all following the 2016 presidential election.

There are many professional resources which you can utilize to help develop your personal business succession plan. Traditionally, accountants, insurance agents and attorneys are very helpful in developing the business succession plans discussed above. While there is no one size fits all business succession plan, the ultimate goal of any business succession plan is to provide transparency between all generations of your family and to promote long term stability for your business.

If you have any questions related to this article please contact David P. Claiborne or Evan T. Roth at our Twin Falls office, telephone (208) 969-9585.

Sawtooth Law Offices is pleased to announce that it has relocated its Twin Falls office; our new office is located at 236 River Vista Place, Suite 301, Twin Falls, Idaho, 83301. The relocation allows Sawtooth Law Offices to better serve its clients by becoming more centrally located within the Magic Valley and within walking distance of other dairy centric business like INTL FC Stone, HUB Insurance and your Idaho Dairymen's Association. To celebrate this move Sawtooth Law Offices will be hosting an open house in early April. Please contact Evan T. Roth at (208) 969-9585 or [evan@sawtoothlaw.com](mailto:evan@sawtoothlaw.com) for additional details.

## University of Idaho and Idaho State Department of Ag Workshops

### U of I Nutrient Management Conference - March 10

*Registration starts at 7:30 a.m. Conference starts at 8:00 a.m. and will conclude around 5:00 p.m.*

This conference aims to present the latest news, research, education, and other activities related to nutrient management in Idaho. Some of the topics that will be presented at this 2016 conference are:

- Updates on Nutrient Management from state and federal agencies, and educational institutions (UI, EPA, ISDA, IDEQ, and NRCS).
- Adjusting nitrogen recommendations for sugar beets - David Tarkalson
- Improving water and nitrogen use in wheat - Olga Walsh
- Long-term dairy manure application study in Kimberly, Idaho, Years 1-3 - Amber Moore
- Nutrient uptake from anaerobically digested dairy manure via cultivation of duckweed - Lide Chen
- Understanding trace minerals in dairy manure - Rick Norell and Amber Moore
- Use of zeolites to retain nitrogen during treatment of dairy manure - Mario de Haro-Martí
- Manure solid separation and other video resources - Lide Chen and Mario de Haro-Martí
- Post-harvest soil testing update - Ralph Fisher
- Soil testing: historical and emerging perspectives for improving crop production - Chris Rogers
- New research for water management in sugarbeet and implications for soil nitrogen - David Tarkalson
- An Introduction to the Root Zone Water Quality Model - Anita Koehn
- Irrigation strategies to stretch limiting water and prevent leaching - Howard Neibling

A poster session will include posters presenting the latest and ongoing research, educational opportunities, and Extension trends related to nutrient management.

The registration fee is \$40.00 (until February 29) which includes a proceedings booklet, lunch, and two breaks. To register, please visit [www.uidaho.edu/nutrientconf](http://www.uidaho.edu/nutrientconf).

### Worker Safety Training in Spanish

#### **WHEN & WHERE**

Tuesday, March 8, 2016  
From 8:30 am to 4:15 pm Idaho Fish and Game  
Magic Valley Regional Headquarters  
324 S 417 E, Jerome, ID

#### **PROGRAM AGENDA**

Registration begins at 8:00 am Program begins at 8:30 am and ends at 4:15 pm

#### **TOPICS INCLUDE**

- Animal Safety and Handling
- Farm Safety: Equipment, emergencies, and more
- Integrated Pest Management : Monitoring
- Update on New Invaders in Idaho
- Pesticide Safety Training

#### **SPONSORS**

University of Idaho Extension; Idaho State Department of Agriculture  
Idaho Pesticide Applicator License credits available  
(Entire program presented in Spanish)

RSVP to ISDA Ag Program Specialist Luis A. Urias by March 3, 2016 by calling 208.332.8663 or Mario de Haro-Martí at 208-934-4417

**University of Idaho**  
Extension





195 River Vista Place  
 Suite 308  
 Twin Falls, Idaho 83301

### Upcoming IDA Events

- March 1st Eastern Idaho Nutrient Management Meeting - Idaho Falls
- March 9-10th UDI Board Meeting - Boise
- March 10th IDA Legislative Dinner - Boise
- March 15th Magic Valley Nutrient Management Meeting - Twin Falls
- March 22nd Treasure Valley Nutrient Management Meeting - Nampa
- March 23rd Eastern Idaho Nutrient Management Meeting - Preston

### Board of Directors - United Dairymen of Idaho

**Tony VanderHulst**—President, IDA; Co-Chair, UDI    **Adrian Kroes**—Vice President, IDA    **Pete Wiersma**—Treasurer, IDA  
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