

IDAHO DAIRY FOCUS

-January 2017-

IDAHO IDA
dairymen's association

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



Table of Contents

- 03** From the Boardroom
- 04** A Refugee's Story: Before the War
- 05** Federal Dairy Issues Update
- 06** "One of Us", Working on the Other Side by Rice Dairy
- 07** Manure Sampling to Increase Manure Application Efficiency
- 08** December Milk Production & Cold Storage Review
- 09** Building Representative Idaho Dairy Models

From the Boardroom

By Tony VanderHulst, IDA President

It has been a tough winter here in Idaho, probably the toughest since the early 90s. Us dairymen are muscling through it, just like we do with every other challenge that comes our way. In the midst of the struggle, a young dairyman hit his breaking point and called me. He knew I was President of the Idaho Dairymen's Association and wanted to know if the Association could help bring more awareness to the labor struggles Idaho dairymen face. He, like so many other employers here in the state, just cannot find enough labor to keep positions filled.

His answer: we need dairymen and industry supporters to sign petitions we can deliver to our Idaho congressional offices highlighting the shortage and the desire within rural Idaho communities for real immigration reform. The lack of labor is hampering investment in Idaho's businesses, slowing growth within our state, which is resulting in missed opportunities for existing and new companies, and ultimately the state as a whole. Idaho cannot continue to be prosperous without immigration reform. We are an ag state and we are dependent on foreign-born labor.

We fully expect that the new Administration will need to fulfill its campaign promise of increased border security. Our hope is that once those measures are taken, a serious effort can begin in reforming our nation's immigration policies. The success of agricultural states like Idaho will depend on it.

As we have stated before, immigration reform will always be a heavy lift. It is time for all "agribusiness" to become invested in securing sound, sensible, logical and socially responsible immigration reform.

The Idaho Dairymen's Association is actively working to highlight the need and support for immigration reform with our congressional delegation. We encourage you, either individually or through your organization to make a similar effort. You can find our petition by going to our website:

<http://www.idahodairymens.org/labor-shortage-petition/>.

We have a goal of collecting at least 10,000 signatures and are challenging other ag organizations in western states to do the same.

I will be headed to Washington DC in March with the young dairyman to personally deliver the signed petitions and continue to push for immigration reform. We have been working on this effort for close to a decade now and it is exciting to see the younger generation of dairymen get involved.

Mark your calendars for the upcoming IDA District Meetings that will be held throughout the state during February. We will have a legislative and legal update from IDA staff and a program update from UDI staff. We are also including our nutrient management workshops with this set of District Meetings. We will have presentations from Drs. April Leytem, Amber Moore and Stephanie Kulesza focusing on legacy phosphorus, phosphorus indexing and nitrogen mineralization in Idaho soils fertilized with manure. All three are very important topics with an ever-increasing focus on soil health and water quality.

Below are the dates and locations for the meetings. Please RSVP with Stephanie Kulesza at **(208) 358-4005** or **steph@idahodairymens.org**.

Preston: February 8th

Robinson Building
186 West 2nd North
Preston, ID 83263
10am to 3pm

Idaho Falls: February 9th

Hilton Garden Inn Idaho Falls
700 Lindsay Boulevard
Idaho Falls, ID 83402
10am to 3pm

Magic Valley: February 15th

Fine Arts Auditorium at Elevation 486
195 River Vista Place
Twin Falls, ID 83301
10am to 3pm

Treasure Valley: February 16th

Hampton Inn and Suites at the Idaho Center
5750 E Franklin Road
Nampa, ID 83687
10am to 3pm

A Refugee's Story: Before the War

When Rick approached me about telling my story as a former refugee, I felt it would be extremely easy to write it. After all, I lived it. But twenty years later, it doesn't seem like something you want to remember. I became an American citizen and my story slowly became a distant past. However, I find it extremely important to tell you this story not because it was more important than any other refugee story, but because my story is very much like any other refugee coming to America today.

I was born in Bosnia and Herzegovina in the early eighties. At this point, Bosnia was still part of former Yugoslavia which consisted of seven countries: Montenegro, Croatia, Macedonia, Slovenia, Serbia and Kosovo. The war was part of the breakup of Yugoslavia. Following the Slovenian and Croatian secessions from the Socialist Federal Republic of Yugoslavia in 1991, the multi-ethnic Socialist Republic of Bosnia and Herzegovina – which was inhabited by mainly Muslim (44 percent), as well as Orthodox Serbs (32.5 percent) and Catholic Croats (17 percent) – passed a referendum for independence on February 29, 1992.

Banja Luka, the second largest city in the country after our capital Sarajevo, was my family's home for the past 300 years. The house I was born and raised in was built by my great-great-grandfather who was a successful grocery owner.

Was I different than any other child in a small peaceful country? Not at all. I was an only child adored by two wonderful parents. My mother worked for a small electrical company, and my father worked for the local hospital (he later went on and opened a small successful video store-today's idea of Hastings or Blockbuster but on much smaller scale). I was a first grandchild to doting maternal grandparents who also had two grandsons (my aunt's sons-from my mother's side).

My grandparents were retired, and they spent every possible moment with their grandchildren. We traveled, ate good food, took vacations, and looked forward to a great life together. I attended kindergarten and elementary school less than a mile away from the home I grew up in.

I think that it is important to understand that our family was a traditional Muslim family who respected and followed teachings of Islam. Both of my grandparents prayed five times a day, fasted an entire Ramadan, and did the best to follow our faith and its directions. I was taught that Islam was a peaceful, loving, accepting religion and I had never heard of any radical agenda. The religion I grew up with was the complete opposite of today's ideological teachings you hear so much about in the media. It is interesting that I never heard of most of these ideas until I moved to the United States. I still laugh when I encounter people and tell them my religion and they will say: but you look so normal, and you are so nice. Normal is really overrated these days.

Over the next few editions of the Idaho Dairy Focus, you will get to know me and my story and how I became a US citizen. Coming to America wasn't by choice, but a necessity for safety and protection driven by an unimaginable civil war. Something my family and I had no control over. I am proud to be an American. I am also proud of my Muslim heritage and will always be a Bosnian. Like so many first-generation immigrants, we still speak our native tongue around family and friends. Continuing to speak Bosnian is not a slight against America but a small way we can continue to carry forward our Bosnian heritage. Here in America, we all come from somewhere, and I think all early generations who immigrate to America continue to carry forward pieces of life from their home country. It doesn't make us less American, but it is part of what makes America so great.

Federal Dairy Issues Update

By Charlie Garrison

One thing that farmers all across the country are looking for from the new administration in Washington, D.C. is more clarity on regulations under the nation's environmental laws. That's why IDA is continuing its support for federal legislation that would make it clear that Congress never intended for the solid and hazardous waste law passed more than 40 years ago to apply to the storage and application of nutrients derived from livestock waste and other fertilizers and crop residue on farms.

That law, known as the Resources Conservation and Recovery Act, or "RCRA," was passed by Congress to provide recourse when solid waste or hazardous materials were intentionally dumped or discarded and posed a risk to water quality or human health. RCRA specifically exempts farming operations. The U.S. EPA has had as its regulatory policy for decades that RCRA does not apply to agricultural byproducts returned to the soil as nutrients or soil conditioners. But a court in Washington State ruled differently nearly two years ago and farmers in other parts of the country have received threats of lawsuits so it is time for Congress to step in to clarify its intent when it passed that law all those years ago.

The legislation IDA is supporting is known as the Farm Regulatory Certainty Act (FRCA). It was introduced in the U.S. House of Representatives last year by Congressman Dan Newhouse (D-WA). That bill was truly bipartisan with a nearly equal number of Republicans and Democrats among its nearly two dozen cosponsors. The legislation has also drawn the support of nearly 30 agriculture groups representing a broad cross-section of the industry and every state and region in the country. We are expecting even more support for the legislation here in the new Congress.

The FRCA would clarify that nutrients on farms cannot be defined as solid and hazardous waste under the existing RCRA law. The proposed new law would go on to state that farming operations that are currently

subject to a state or federal agency administrative proceeding intended to address a clean water issue are not subject to third-party lawsuits under the existing RCRA law. The farmers first successfully sued under RCRA were targeted because of the information that was made public after they entered into a consent agreement to try to proactively address concerns about nitrate levels in groundwater on and near their operations.

Dairy farmers and others involved in livestock agriculture will be asked to develop and use more innovative nutrient management practices in the future. Soil tests to determine existing nutrient levels and uptake rates for the crop being grown are now critical data factors in developing management plans for storage and application of manure and commercial fertilizers. Increasingly, farmers will be looking at more aggressively developing off-farm markets for the quantities of nutrients they produce in excess of crop production needs. Since it will be impossible to monitor the storage, handling and application of products that have left their control, farmers will need to know that nutrients derived from waste from their livestock cannot somehow still be a liability for them once those products have been marketed to others.

IDA will work diligently to try to see that the FRCA becomes law in the new Congress. The Idaho congressional delegation has led on this issue up to this point and we expect they will continue in that role. Congressman Raul Labrador has worked closely with Congressman Newhouse to get the bill language to this point. Both he and Congressman Mike Simpson were original cosponsors of the bill last year. A companion Senate bill is expected in the coming weeks. IDA looks forward to working with Senators Mike Crapo and Jim Risch on this legislation. Their work on the FRCA will only further cement the reputations of the four members of the Idaho congressional delegation who are recognized by their colleagues for their leadership on common-sense regulations for agriculture, including those aimed at protecting air and water quality.



“One of Us”, Working on the Other Side

By Ryan Yonkman

For those of you who do not know me, my name is Ryan Yonkman. I wanted to introduce myself and share my experiences growing up on my family dairy, moving to Chicago to work for a risk management company, and being a part of a startup dairy management software company.

Growing up on Yonkman dairy instilled some invaluable things in me such as work ethic, humility, and the value of family. I take these values with me no matter where I go. They are the key values that have drawn me to not only be a part of our now 700 cow dairy in northern Michigan (yes, the same hometown as Rick and Bob Naerebout), but to help others as well.

In 2011, I graduated with my bachelor's in Business Management from Hope College and decided to make the bold leap to work for Rice Dairy, a boutique dairy brokerage firm in downtown Chicago. This decision was difficult but after a great internship my junior year, it was clear to me that if I was to ever come back to Yonkman Dairy, I would need to bring back some expertise that would help take our business to another level. That expertise was going to come from the financial side with a strong focus on diagnosing and managing our variable price risk (milk and feed).

Before starting at Rice Dairy, our farm had never hedged a drop of milk. The idea of doing so was one that, at the time, my dad felt was more of a gamble than anything. This, like many, came from a lack of understanding on how the milk check works and how to actually use the markets to hedge it. The cherry on top always seems to be a story someone had shared about losing gobs of money “hedging”. As I mentioned, this was all prior to me joining Rice Dairy. It was at Rice Dairy that I was pushed to figure out how the milk check works and in turn figure out how to hedge it. From here, I was then pushed to take things a step further and map out the entire risk of our business. This led to me diving into our cost of production and, like many of you, had me buried deep in excel sheets. It was here that I was now able to see, understand, and diagnose our risk. Conveniently, working for Rice Dairy gave me the ultimate seat to learn how to manage and mitigate this new found and now understood milk check price risk.

In 2010 we put our first hedges into place and like most dairymen, we were scared of any structures but puts (where we set a floor and paid a fixed amount for that). This is a fantastic way to get your feet wet and, for some,

will be the way you protect your business year in and year out. This, however, was a process for us that I could not stay married to. As markets continued to prove to be unpredictable, it became very apparent that based on our risk appetite, there was a time and place for various strategies and that it would only be to our advantage to know how to use them. The important part here is not that all dairymen need to move beyond “just buying puts.” It is that as a business owner, you need to learn how your milk check works and make sure you know the different ways you can go about hedging it, from simple forward contracting at the co-op or creamery, to options structures with a broker.

The excel sheets I was using for our dairy became something I was using to help earn and keep business in my early years at Rice. It was there that we realized a real need for technology to come in and simplify some of the everyday headaches created by what seemed to be an infinite amount of moving parts on the dairy. Vault Technologies (www.vaultdairy.com) was born within Rice Dairy, but later grew into a separate company designed to help put dairymen and their key suppliers into a position to make more informed and profitable decisions. It is with Vault that I am able to, with clarity, look at the next 12-24 months. Vault's live connections into the CME, milk plants, and clearing houses puts me in a spot where I am able to diagnose and view our current margins in real time, no matter where I am. It is with Vault that I am able to communicate back to my family how much we are hedged, the risk we have removed, and where our profit/loss margins are running going forward.

Vault isn't just a hedging tool. It was also the centerpiece of our projections for the bank when we were looking to get approved for our 2 million dollar parlor project (a 40 cow rotary with robotic post dip arm), which I can proudly say we completed in October. Earlier, I strongly suggested you know your milk check and how to hedge it. I now strongly suggest you take advantage of Vault's 30-day free trial as I can easily say on behalf of Yonkman Dairy that the software has brought clarity to our business and has provided me with a roadmap on how to and what we should be hedging. Vault might not replace good people, but it most certainly will empower them. If you are interested in the free trial or learning more about Vault, please visit our website or you can call me at (312) 492-4250.

Ryan Yonkman

Manure Sampling to Increase Manure Application Efficiency

By Stephanie Kulesza, PhD

Hello Dairymen!

While there is still snow on the ground, it's a good idea to start thinking about spring manure application rates and how to make your manure work better for your crops. In this article, we will discuss the benefits of manure testing instead of using book values for calculating those application rates. Many nutrient management software tools use standard book values for application rate calculators. However, it can be extremely valuable to test manure yourself.

Manure Test Results vs Book Values

The amount of phosphorus, nitrogen, potassium, carbon, and other micronutrients in different manure types (bedding pack, fresh manure, compost, dry stacked manure, lagoon water, separated solids, etc.) can vary dramatically depending on cow diet, bedding type, age of manure, and manure handling. For example, phosphorus is mainly found in the solid fraction of manure, and the degree of solid separation you're achieving with your manure handling systems will impact the phosphorus content of your lagoon water, which could require greater or fewer acres for application. However, if you're using book values to determine the application rate, you could be over or under estimating the amount of nutrients applied to fields. Testing manure gives a more accurate representation of the situation on your dairy and can offer some explanations as to crop yield responses or increasing/decreasing nutrient levels in soil.

How and When to Take a Manure Sample

The most important part of taking a manure sample is making sure you get a representative sample. If you grab one handful of manure and test it, the results only represent that one handful of manure. However, if you grab handfuls from several areas within a compost or dry stack pile and mix them, the results will better represent the entirety of the pile. Compost is mixed several times throughout the curing process, so there will be less variability throughout the pile. Dry stacked manure typically is not mixed in this way, leading to areas that are distinctly different. An example of this would be areas with a high amount of straw because you scraped out the bedding pack or areas with a lot of fresh manure and discarded feed because you scraped the feed lane. A couple of good sources for the proper way to collect a manure sample are "Sampling Dairy Manure and Compost for Nutrient Analysis" by Moore et al. (2015) and "Manure and Wastewater Sampling" by Sheffield and Norell (2007). These publications can be found on the University of Idaho Extension website at

www.cals.uidaho.edu/edcomm/pdf/PNW/PNW673.pdf and www.cals.uidaho.edu/edComm/pdf/CIS/CIS1139.pdf.

In short, you'll want to start off by gathering the necessary tools for collecting a sample: a non-galvanized shovel, plastic or latex gloves, a clean plastic bucket, resealable plastic bags, and a permanent marker. Label the resealable bags with the date and an identifier of your liking. Then, collect manure subsamples in 8 locations (6 for compost) at a depth of 12 inches into the pile and combine them in the plastic bucket. Mix the sample thoroughly and bag a subsample of the mixture in the labeled plastic bag. Once collected, a manure sample can be refrigerated for up to two weeks, but ideally, the sample would be sent in immediately to a certified manure testing lab. Make sure you keep the samples cool and do not send manure samples in glass containers.

Decomposition of manure releases gasses that can increase the pressure within the container and can cause it to break, creating quite a mess and a hazardous situation if dealing with shards of glass. Labs with certification through the Manure Analysis Proficiency Program (MAP) can be found on the Minnesota department of agriculture's website at <http://www2.mda.state.mn.us/webapp/lis/manurelabs.jsp>.

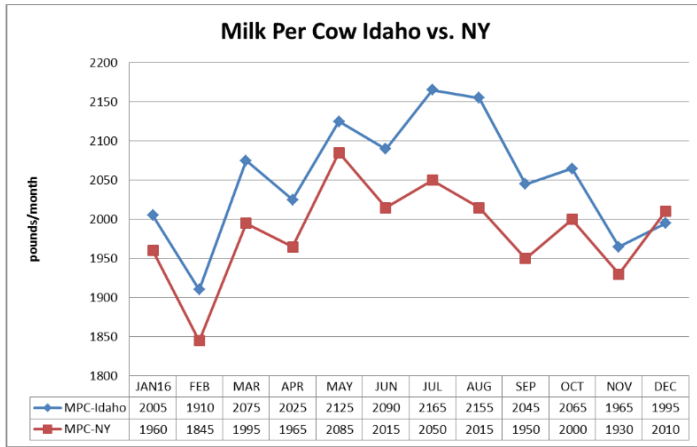
The Compost Analysis Proficiency Program (CAP) is an additional certification held by some manure testing labs which includes more rigorous testing and may be desirable if you're planning on selling compost. CAP certified labs can be found at compostingcouncil.org/labs/. Manure samples should be collected as close as is reasonable prior to manure application, and the manure should be tested for N, P, K, and moisture content at a minimum. Manure should be tested annually for at least 3 years, and you should test each manure source that is applied to fields (lagoon water, lagoon sludge, slurry, compost, bedding pack, etc.) If everything is composted together, you'll only need to test the finished compost and any lagoon sources immediately prior to their application to fields. Once you have a 3-year baseline for nutrient content of your manure sources, you'll be able to reduce the frequency of manure testing. If you make a significant change to your manure handling or rations, you'll want to start another baseline of sampling to account for variations. It's a dirty job, but using manure test results can reduce inorganic fertilizer use and help to better manage your nutrient resources when choosing testing over book values. If you have any questions, please send me an email at steph@idahodairymens.org or call at (208) 358-4005.

Steph

December Milk Production & Cold Storage Review

By James Carr, West Coast Dairy Operations Manager

December milk production was released January 24th and stated US milk production at 17.86 billion pounds or 2.2% higher than December 2015 and 1% higher than November which was revised 35 million pounds higher due mostly from an 8,000 head upward revision to the November milk cow number. Idaho specifically saw production increase 2.75% to 1.2 billion pounds slipping to 4th place continuing to fight New York for the coveted #3 spot as NY milk per cow jumped 80 pounds over November. Idaho was only able to increase 30 pounds in the same time period. Not unexpected as New York increased the average milk per cow per month by 4.47%. Idaho increased 2.03%.



Bragging rights for January will be a battle of weather and so far it looks like we are losing.

2016 milk production in Idaho totaled 14.646 billion pounds, 3.8% higher than 2015. Idaho Milk per cow increased 41 pounds on average and we grew the average cow count per month by 1%. Idaho Alfalfa Hay prices, as reported monthly by the USDA, through 11 months of 2016 averaged \$147/ton down from \$174/ton in 2015.

Nationally, the US produced 2.13 trillion pounds of milk, up 1.9% over 2015. Milk per cow increased 32 pounds on average and increased the average cow count by 0.2%. Alfalfa hay prices, as reported monthly by the USDA, through 11 months of 2016 averaged \$141/ton down from \$166/ton in 2015.

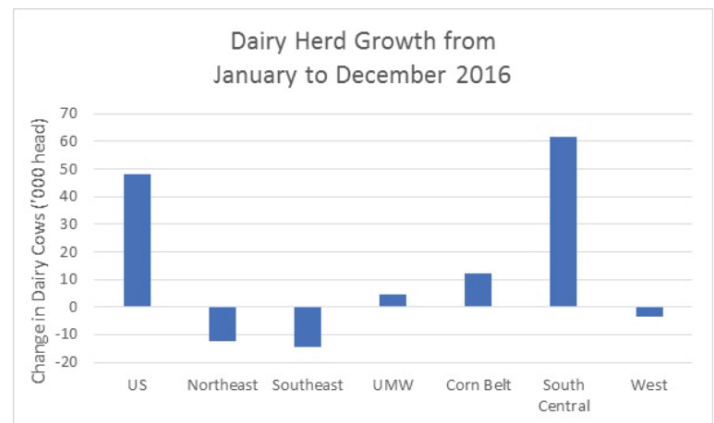
Globally, we continue to see lower month over month production, but those decreases have decreased in general. Utilizing FCStone estimates for December production in New Zealand, Australia, and the EU-28 we see world production running 1/2 percentage point higher than 2015, which is 2.1% higher than 2014.

Class III prices recovered over \$4/cwt from spring lows to average \$14.87 for the year down from \$15.80. Class IV prices recovered just over \$2 from the lows to average \$13.77. The class III/IV spread was in the favor of class III every month except May and June where we saw class IV top class III by 33 and 55 cents respectively. The 2nd half recovery in class III did not see class IV participation and the spread has averaged \$1.90 in class III's favor.

Cold storage was also released on the 24th and showed a 5.3% year over year seasonal build in total cheese stocks. Since 1999 total cheese stocks have increased 16 of 18 years. For perspective, December total cheese stocks are 16% higher than the 2011-2015 average.

Butter stocks increased 12.8% year over year in December which tends to be a swing month. Since 1999, total butter stocks have increased 8 times and decreased 10. December butter stocks are 38% more than the 2011-2015 average and 13% higher than 2015.

In conclusion, the US knows how to dairy. We have steady production growth driven by efficiencies. We continue to add cows nationally, although regionally we see significant adjustments. The chart below highlights the 2016 dairy cow growth. Most of the increases were seen in the South Central region as they had to recover 20,000 animals lost during 2015 winter storm Goliath.



We have high cheese and butter stocks but prices have recovered and 2017 futures are currently pricing strong profitability as class III and IV futures averages are hovering right around \$17.50 and \$17.00 respectively. Given the availability of milk and current stocks levels, we recommend looking at your individual operation and seriously discussing the opportunities currently available with your risk management broker.

Building Representative Idaho Dairy Models

By Hernan A. Tejada, Ph.D.

Research Faculty from The University of Idaho together with their colleagues from the University of Minnesota, Michigan State University, and University of Wisconsin are conducting a study titled “Framework for Analysis of Federal Dairy Safety Net Programs”, for the Office of the Chief Economist at the USDA. The objective of the study is to construct representative dairy farm models across dairy regions of the U.S., in order to analyze the effects that different (future) dairy safety net policy programs may have on these representative farms. Given that Idaho’s dairy production is third in the country, it is very beneficial for the dairy industry here to participate in the project, and therefore have a direct stake in the analysis and policy making process of future farm bill programs that seek to assist producers. This will only be of benefit for Idaho dairy producers and the Idaho dairy industry as a whole.

For this purpose and in order to conduct the initial stage of the project which is creating the Idaho representative dairy models, we request the input from producers having different herd sizes. The Idaho representative dairy models will be made for five different herd size categories, in line with each size category representing approximately 20% of the total number of dairy producers. That is, five different representative models of dairies will be constructed, as each model is expected to be different than the other(s). The first model includes dairies with a herd size of up to 200 cows. The second model includes dairies with a herd size of more than 200 cows and less than 500 cows. The third model includes dairies with a

herd size above 500 cows and up to 1000 cows. The fourth model includes dairies with a herd size over 1000 cows and up to 2000 cows, and the fifth model considers dairies with 2001 cows or more.

We have heard from many dairy producers in Idaho that the Margin Protection Program (MPP) is an ineffective safety net for Idaho’s dairy farm families. This project will help demonstrate to policy makers where the program is ineffective and allow us to model changes within the program and show how those changes may provide better protection. It is critical for Idaho to have model dairies so the unique factors of our milk shed are contemplated in any future changes to the MPP.

It is also very important to have as many participants as possible from every size category since there are differences in operation, equipment, etc. among them. It is just as important to emphasize that the information obtained will be kept strictly confidential, and no particular identification (except for dairy size) will be requested. If you are interested in participating, please contact me. You can reach me via email at htejeda@uidaho.edu or by phone at (208) 736-3622. The University of Idaho, in particular the College of Agricultural Sciences and the Department of Agricultural Economics and Rural Sociology are deeply thankful for the assistance of producers participating in this project. As mentioned before, it will only be of benefit to Idaho dairy producers.

University of Idaho
Extension

University of Idaho
Agricultural Economics and Rural Sociology



195 River Vista Place
Suite 308
Twin Falls, Idaho 83301

UPCOMING EVENTS

- February 8th** Preston District Meeting
- February 9th** Idaho Falls District Meeting
- February 15th** Magic Valley District Meeting
- February 16th** Treasure Valley District Meeting
- February 20th** Industry Relations and IDEAL Meeting
- February 20th** Larry Brannen Ag Summit Strolling Dinner
- March 7th** IDA Legislative Banquet
- March 7-8th** UDI Board Meeting

Board of Directors - United Dairymen of Idaho

- Tony VanderHulst**—President, IDA; Co-Chair, UDI
- Pete Weirsma**—Vice President, IDA
- Don Heida**—Treasurer, IDA
- Tom Dorsey**—Chairman, IDPC; Co-Chair, UDI
- Bob Naerebout**—Executive Director, IDA
- Karianne Fallow**—CEO, IDPC

John Brubaker, Mike Siegersma, Brian Esplin,
Bernie Teunissen, Ted Vander Schaaf,
Arie Roeloffs, Dave Veenhouwer, Steve Ballard,
Dan Gilbert, Willie Bokma, Tony DeWit, Kim Korn,
Allan Swainston, Greg Andersen