

Q1 / 2021

Idaho Dairymen's Association

IDAHO DAIRY FOCUS

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

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NATIONAL & STATE LEGISLATIVE UPDATES

BOB NAEREBOUT & CHARLIE GARRISON / IDAHO DAIRYMEN'S ASSOCIATION

STATE LEGISLATIVE UPDATE

This week started with both pieces of our dairy legislation that earlier had passed the House, passing the Senate. The week ended with both the Senate and the House going into recess until Tuesday, April 6. The recess was the result of almost 10% of the House members coming down with COVID-19 in the last 7 days. All legislation will hold its positions in the respective bodies and will be taken up once the legislature reconvenes.

Bills that Impact the Idaho Dairy Industry

HB 051—A dairy bill that allows a producer to choose between the Phosphorus Threshold or Phosphorus Indexing Nutrient Management Standards. Currently, the Threshold Standard is set to sunset in July of 2023 and this legislation removes that sunset. The Bill passed the Senate on a 31–4 vote with all Republicans voting in favor and 3 Democrats voting in favor. It was signed into law by the Governor on March 17th.

HB 167—Also a dairy bill that requires economic feasibility of available peer-reviewed science to be considered during CAFO-related rulemaking by the Idaho State Department of Agriculture. The bill passed the Senate on a 27–7–1 vote with all Democrats opposed and one Republican, Dan Johnson of Lewiston, opposing. It was sent to the Governor on Friday, March 19th and is awaiting his signature.

HB 218—Personal Property Tax Phase Out: The ten-year phase-out starting in 2022 or FY-2023 will be in 10% increments until all the personal property tax paid by business is eliminated and the state is fully reimbursing local governments. The legislation eliminates a current ongoing shift of tax liability from personal property to real property and gives a predictable and low-cost system to state budget writers. Since its print hearing on February 22, there has been no committee action on the bill.

SB 1108 aa—This legislation changes the formula for growth of property tax budgets and provides relief for property owners from increasing property tax. The bill was Sponsored by Senator Rice (R) and was hotly opposed by local government. It failed the Senate on a 17–18 vote. Many of the Republicans who voted no referenced the concerns they had from their local municipalities.

SB 1132—The Driving Authorization Card: Would offer those who do not qualify or do not want an Idaho driver's license to (after passing a drivers test and skills test) qualify to get a Driving Authorization Card. The legislation statement of purpose clearly outlines the benefits to Idaho citizens: "This bill will improve Idaho's road safety, ensure more drivers on Idaho roads are covered by insurance, enhance driver education and training for all Idahoans, and generate additional state revenue for Idaho Transportation Department (ITD) programs. If enacted, the bill makes a Driving Authorization Card available to all persons residing in Idaho. It is also an alternative to the STAR Card, or REAL ID, and would be available to all persons over the age of 16 who can verify their identity and that they live in Idaho. The authorization would be comparable to Class D driving privileges and would have to be renewed annually for \$25 per year. The Driving Authorization Card would be limited to driving purposes only, it would have a distinguishable appearance, and conspicuous words of limitation to ensure the card is not used for voting, to purchase firearms, or to exercise any other rights or privileges reserved to citizens."

The bill was heard in the Senate Transportation Committee. Chairwoman Den Hartog limited all testimony to three minutes. There were only four individuals, three Sheriffs, and one Captain from the Nampa Police Department, that testified in opposition. Everyone else testified for the legislation.

Hands down the most impactful testimony came from Arianna Hernandez and Fernando Montelongo, two American Falls High School students. They both proudly wore their blue Future Farmers of America coats and brought tears to the eyes of many in the room. Not being able to legally drive has had a huge impact on their immediate family and friends.

At the end of all the testimony there was little debate, but two motions emerged. The first to hold the bill in committee, the second, a substitute motion, to send the bill to the full floor without a recommendation. The second motion was our best option to get the bill out of committee. During consideration of the substitute motion, Senator Winder, a Republican from Boise and more important the Senate Pro Tem addressed the need for the legislation but offered another path forward that will bring the legislation back for consideration in 2022.

An Interim Committee is bipartisan and has members of both the House and Senate, holds meetings across the state, and takes input from citizens on the need for legislation. They then are

required to develop legislation to be presented in the next legislative session. This provides a huge educational opportunity in multiple locations of the state to educate residents in Idaho on the value of the immigrant community and the diversification of the immigrant labor force. Establishing an Interim Committee does take a concurrent resolution approved by both the Senate and the House.

We believe Senator Winder recommended to move forward because of the strong list of supporters we presented. **Supporting organizations were:**

Associated General Contractors
Boise Metro Chamber of Commerce
Con Paulus Chevrolet
Food Northwest
Food Producers of Idaho
Idaho Association of Commerce & Industry
Idaho Bankers Association
Idaho Dairymen's Association
Idaho Grain Producer's Association
Idaho Ground Water Appropriators
Idaho Hay & Forage Association



Idaho Hispanic Chamber of Commerce
Idaho Lodging & Restaurant Association
Idaho Milk Processors Association
Idaho Onion Growers Association
Idaho–Oregon Fruit & Vegetable Association
Idaho Potato Growers Association
Idaho Retailers Association
J.R. Simplot Company
Milk Producers of Idaho
PODER of Idaho
Roman Catholic Diocese of Idaho
South Central Idaho Hispanic Chamber of Commerce
Twin Falls Chamber of Commerce

This was not the first time a Driving Authorization Card bill has been conceived in Idaho, but it is the first time it has gotten any traction in our Republican-controlled legislature. Following is a list of firsts pertaining to Driving Authorization Cards:

- First time the Legislative Oversight Committee ever approved a study that was so useful in making a case for road safety.
- First time the legislation ever came out of a print hearing favorably.
- First time the legislation ever had a full hearing in a Committee.
- First time ever, that I am aware of, a Senate Pro Tem in a public hearing spoke about the significant value of the immigrant workforce to the state of Idaho.
- First time in a state legislative hearing that we ever had such a large showing of business that support the concept and were willing to testify.
- First time we will have either a Legislative Interim Committee or a Legislative Task Force try to develop legislation that will assist undocumented workers in our state.

Senate Concurrent Resolution 107 will need to pass both the House and the Senate to establish the Legislative Interim Committee. It has strong support in the Senate with the following co-sponsors: Senator Chuck Winder, Senator Abby Lee, Senator Mark Harris, Senator Patti Anne Lodge, Senator Jim Patrick, and Senator Carl Crabtree. Three of the six co-sponsors are in Senate leadership. So far it has not garnished any support in the House leadership so our work will be cut out for us to develop the needed support.

We are incredibly pleased with the outcome of the progress we made on this legislation this year and for the potential development of the Legislative Interim Committee. Every step forward we make becomes an opportunity to educate and communicate the value of our labor force, specifically, and more broadly the value of our state’s immigrant residents.

DC LEGISLATIVE UPDATE

The Farm Workforce Modernization Act (FWMA), HR 1603, passed the U.S. House of Representatives by a convincing bipartisan margin on Thursday, March 18th. The vote was 247–174. Idaho Representative Mike Simpson was joined by 29 other Republicans in voting for the bill. All but one of the House Democrats were supportive.

The FWMA had the strong backing of IDA and 34 additional agriculture, business, and food industry groups in the state (*see press release on page 6*). As he did when the same bill passed the House in 2019, Congressman Simpson played a key leadership role in finalizing the provisions of the legislation as well as building support among his fellow Representatives. IDA thanks him for his support to ensure Idaho agriculture—including dairies—have access to a legal and reliable workforce.

The FWMA helps meet the labor needs of Idaho dairies by offering earned legal status for the current workforce and immediate family residing with them. It also expands the current H-2A program to allow employers with year-round jobs to petition for temporary workers as seasonal operators can do now. The bill also helps U.S. agriculture remain competitive by directing agencies to look at ways to provide more certainty for employers on program costs.

IDA now looks forward to working with Senators Mike Crapo and Jim Risch on a similar bill in the U.S. Senate that would allow dairies to keep their trained, experienced workers and hire legal new workers when they are needed in the future. Senator Crapo has agreed to lead Republican efforts and Colorado Senator Michael Bennet will lead for the Democrats on the development of a bipartisan bill to address agriculture’s labor needs. This will not be easy but the state’s agriculture community is united. Idaho congressional delegation members stand ready to help and IDA members remain, as always, up to the challenge.

REP. MIKE SIMPSON VOTES IN FAVOR OF BIPARTISAN BILL SUPPORTING FARM WORKERS

Washington, D.C.—In a move to support the farm workers across the country who play a major role in providing food for our families, Idaho Congressman Mike Simpson co-sponsored and voted in favor of the Farm Workforce Modernization Act (H.R. 1603) on Thursday, March 18. All of Idaho Agriculture applauds Congressman Simpson for showing a commitment to one of the most essential labor forces in the United States and the state of Idaho.

“It’s critical that our legislators work to find common sense solutions for the labor crisis facing agriculture in Idaho,” said CEO of the Idaho Dairymen’s Association Rick Naerebout. “I applaud Congressman Simpson’s recognition of this reality and the work he has put into helping negotiate this conservative approach to guaranteeing a legal workforce.”

The agriculture industry is the backbone of our state’s economy and relies heavily on the hard work of tens-of-thousands of employees who meet the needs of Idahoans. Some of those employees include workers who are living in our country without status, despite efforts to first hire domestic labor.

“The need for a strong labor force, both domestic and foreign, is critical to our workforce and serves a number of industries including technology, construction, retail, manufacturing, and hospitality,” said Alex LaBeau, President of the Idaho Association of Commerce and Industry. “IACI represents over 300 Idaho employers and business organizations and we see this legislation as a way to show strong support for our essential agricultural industry, while creating a solution to the labor shortage in Idaho. IACI’s membership applauds the efforts of Representative Simpson and Senator Crapo for taking the lead on such critical legislation. We collectively look forward to working with all of Idaho’s delegation members in moving immigration reform legislation forward; it is critically needed across all businesses.”

The bipartisan Farm Workforce Modernization Act aims to allow a fair system for undocumented farm workers to apply for legal status if they have worked at least 180 days in agriculture over the past two years. It also incorporates year-round jobs, like dairy workers, into the H-2A program. Finally, the bill would require employers with H-2A workers to use E-Verify for all future hires, ensuring thorough background checks and stricter guidelines for entry.

“This is a good approach to fixing our immigration issues. We appreciate how Congressman Simpson understands the importance of a legal and safe workforce as companies like the J.R. Simplot Company have for decades,” said Ken Dey, the Director of Government and Public Affairs at J.R. Simplot Company.

Senator Mike Crapo (R-Idaho) along with Senator Bennet (D-Colorado) released the following joint statement after the U.S. House of Representatives passed the bipartisan Farm Workforce Modernization Act by a vote of 247–174:

“We applaud our colleagues in the U.S. House of Representatives—on both sides of the aisle—for their work on this crucial legislation to make much-needed reforms to our immigration system for our producers and farmworkers. House passage of the Farm Workforce Modernization Act is an important step toward bringing certainty to our country’s agriculture industry and the hard-working producers and farmworkers who have sustained the nation during the COVID-19 pandemic. We will work together to introduce companion legislation in the U.S. Senate that appropriately addresses the needs of both the industry and the farmworkers that uphold it.”

Bennet and Crapo will introduce companion legislation in the U.S. Senate.

**2021 FARM WORKFORCE MODERNIZATION ACT H.R. 1603
IDAHO SUPPORTING ORGANIZATIONS**

Amalgamated Sugar Company	Idaho Milk Products
Chobani	Idaho Mint Growers Association
Far West Agribusiness Association	Idaho Nursery & Landscape Association
Food Northwest	Idaho Onion Growers Association
Food Producers of Idaho	Idaho Potato Commission
Glanbia Nutritionals	Idaho Potato Growers Association
Idaho Alfalfa & Clover Seed Commission	Idaho State Grange
Idaho Alfalfa & Clover Seed Growers Association	Idaho Sugarbeet Growers
Idaho Association of Commerce and Industry	Idaho-Oregon Fruit & Vegetable Association
Idaho Bankers Association	McCain USA Inc.
Idaho Cattle Association	Milk Producers of Idaho
Idaho Dairymen's Association	Nezperce Prairie Grass Growers Association
Idaho Eastern Oregon Seed Association	Northwest Ag Cooperatives Council
Idaho Grain Producers Association	J.R. Simplot Company
Idaho Grower Shippers Association	South Central Idaho Hispanic Chamber of Commerce
Idaho Hispanic Chamber of Commerce	United Onions, USA
Idaho Hop Growers Association	U.S. Hispanic Chamber of Commerce

OSHA ANNOUNCES NEW NATIONAL EMPHASIS PROGRAM

ELLISSA CLARK / IDAHO DAIRYMEN'S ASSOCIATION

On March 12th, OSHA announced a new National Emphasis Program (NEP) focused on COVID-19. This NEP aims to reduce the risk of workplace exposures to COVID-19 by focusing OSHA enforcement efforts on industries considered “high risk” in terms of worker exposure to the virus.

Agriculture has been identified as one of the secondary target industries for the COVID-19 NEP. The program will be administered through OSHA’s area and regional offices. Unannounced inspections will take place beginning March 12, 2021 and continue for 12 months (unless the program is canceled or extended by a superseding directive).

If your operation has employed 11 or more people at the same time during 2020 or 2021, you may be selected for an unannounced inspection under this NEP.

Whether or not your facility is eligible for an OSHA inspection, these preparation recommendations are applicable, and we suggest implementing them.

Drs. Douphrate and Rodriguez (developers of the Idaho Dairy Worker Safety Training Program) with the UT School of Public Health will be in Idaho the week of May 3rd. They will be available for on-farm consultation concerning the NEP and will offer worker training related to the COVID-19 vaccine that addresses concerns from the immigrant workforce. Please reach out to me if you are interested in their services.

Additional information about the COVID-19 NEP is available at https://www.osha.gov/sites/default/files/enforcement/directives/DIR_2021-01_CPL-03.pdf.



WHAT WILL HAPPEN IF MY FACILITY IS SELECTED FOR INSPECTION?

A combination of on-site and remote methods may be utilized for inspection under this NEP.

1. Facility for inspection is selected
2. Inspector will review the facility's citation and fatality/accident history in OSHA's database
3. Inspector arrives on the facility
4. Employer and inspector discuss and determine whether work practices on the facility may result in worker exposure. The inspector may choose to verify the employer's assertions by interviewing employees on site.
5. Inspector reviews the facility's injury and illness logs (OSHA 300 & 300A) for calendar years 2020 and 2021 to date to identify work-related cases of COVID-19
6. Facility inspection
Any health hazards or safety violations observed during the walkaround will be addressed and cited where appropriate
7. If OSHA standards are violated, a citation is issued
A follow-up inspection may be conducted to determine if the previously identified hazards have been addressed

If an OSHA inspector shows up on your facility for an inspection, please feel free to contact Rick (208) 308-3383 or me (801) 821-1983 with any questions.

WHAT CAN I DO TO PREPARE?

1. Identify hazards related to COVID-19 on your facility and make a plan to address them
2. Ensure the availability of and use of appropriate respiratory protection or face coverings
3. Ensure the availability of personal protective equipment (PPE) that can reduce exposure to COVID-19 (*gloves, masks, face shields, etc.*)
4. Ensure the availability of hand soap and hand sanitizer
5. Display COVID-19 precautionary signs in commonly seen areas
6. Implement cleaning, disinfection, and sanitation protocols
7. Keep OSHA 300 & 300A logs up to date and available
8. Train managers to monitor symptoms among the workforce
9. Discuss the following topics with your workforce:
Signs and symptoms of COVID-19
Proper infection control and social distancing
What to do if symptoms are present
10. Review current CDC recommendations/guidelines for COVID-19 and respond appropriately (<https://www.osha.gov/coronavirus/safework>)
11. Document all COVID-19 mitigation efforts for the ability to provide evidence of prevention in the event of an OSHA on-site inspection



DAIRY & THE ECONOMY

MATT TRANEL / EVER.AG

The year 2020 will forever go down in history as one that brought significant challenges to the dairy industry and world. It was a year that began in an optimistic tone as the milking herd was reduced after a four-and-a-half-year build. A year that idled or shutdown substantial foodservice demand while retail demand exploded. A year that caused extreme stress on milk handlers and dairy farmers as supply chains were disrupted and milk was dumped. Many wondered if their markets would remain. Then the government stepped in with direct payments and the Farmers to Families Food Box Program creating new stress on the supply chain and milk supply. All of this translated into Class III markets that ranged between settlements of \$12.14/cwt and \$24.54/cwt. Class IV performed less dramatically, \$10.67/cwt to \$16.65/cwt. Producer Price Differential (PPD) also came to the forefront as government programs created uncommon market relationships. But that is enough about 2020—as I’m sure we would all like to put it in the rearview mirror.

Milk pricing around the globe is affected by a multitude of factors that present risks and opportunities along the way. One very notable factor that will weigh on 2021 prices is cow numbers. Following the meteoric rise in Class III values caused by the food box program, the milking herd grew by 95,000 head after bottoming in June of 2020. According to USDA, the U.S. herd stands at 9.450 million as of January 2021 data, the largest since the mid-1990s. Along with a growing herd, domestic cheese processing capacity is also expanding.

The most notable growth of late comes by way of the St. Johns, Michigan plant which will raise American-type cheese production by more than 5%.

However, this growth is not being left unchecked. Domestically, many milk supply management programs are being implemented. In New Zealand, dry weather has prevented any substantial year-over-year production growth, and in some months has caused declines. Key European milk regions slowed production during the latter part of 2020. Recent reports released from Europe indicate this trend continues in 2021. January estimates peg the EU-27 down 0.9% overall. Large players such as France, Germany, and the Netherlands production fell 1.4% to 2.7% year-over-year. Ireland and the U.K. were up less than a percent. To blame is the recent increase in feed costs leading to lower profit margins.

Speaking of high feed costs, U.S. dairy producers have seen their margins shrink significantly in the last six months. Chinese purchases continue to draw corn and soybeans out of the U.S. as they elevate their imports to record levels. Strong exports seem poised to continue. Domestically, soybean crush margins remain at levels promoting strong crush pace through the remainder of the marketing year. Competition amongst exporters and crushers has narrowed basis values as they fight over remaining U.S. soybean stocks. The lack of purchased soybeans by crushers is preventing some plants from posting bids for meal, making it difficult for farmers interested in contracting future physical product.



Adding an extra layer of support to grain prices is the unknown around the coming year's crop. The acreage battle in the United States is a huge watchpoint. At present, many estimates point towards 92-94 million acres of corn and 87-90 million acres of soybeans, respectively. Current soybean stocks do not offer much of a buffer for a production hiccup in the 2021 crop year.

In South America, Brazilian harvest rolls on at a much slower pace than normal as heavy rainfall persists. The crop overall remains large with the USDA recently posting an expected production level of 134 million metric tons (mmt), a record crop if realized. CONAB's most recent estimate is 135.1 mmt. Delayed harvest is setting back Brazil's safrinha (second crop) planting. In Argentina, a plethora of issues remain. Drought plagues many areas with just 10% of the soybean crop rated good/excellent. Political issues influence the Argentinian peso as volatility creates uncertainty about what a farm will get paid, a real roadblock for them to sell aggressively. Since Argentina is the world's largest exporter of soymeal, these are major issues. High feed costs have curbed U.S. production growth to begin 2021 as many break-evens are \$2/cwt+ higher than a year ago. January year-over-year production growth was just 1.6% compared to expectations north of 2.5% and past reports above 3%.

As we turn our attention back to the dairy product trade, U.S. origin product remains a good value buy. U.S. cheese, butter, and nonfat dry milk are the

lowest price among our competitors in New Zealand and European Union. Throwing into the equation a cheap U.S. dollar, solid export orders have been received with reportedly more on the horizon as well. By comparison, the Global Dairy Trade Event (GDT) 279 was an eye-popper! The overall index jumped 15% with whole milk powder and butter as leaders of the session. Whole milk powder is now trading at \$1.99/lb in New Zealand which resembles the highest price printed since the 2013/2014 rally. China has been the largest player as food security is the top priority in their new ag policy. New Zealand butter priced in at \$2.633/lb on the latest GDT when adjusted to 80% fat. With Europe also north of \$2/lb, U.S. butter remains a bargain near \$1.65/lb.

As the world prepares to "turn back on" after a lengthy and ongoing battle with COVID-19, markets will again need to adjust to a changing environment. Rising feed costs present real challenges. Growing U.S. cow numbers, milk production, high components, and cheese capacity add additional headwinds. Meanwhile, Class IV products remain at steep discounts to world values and present real opportunities to expand our export presence. While details surrounding the Dairy Donation Program remain unknown as of this writing, government intervention continues with the recent passing of the \$1.9 trillion stimulus package. Amid such great uncertainty, producers are encouraged to manage price and opportunity flexibly as 2021 could prove to be a wild year just like its predecessor.

**The risk of loss trading commodity futures and options can be substantial. Investors should carefully consider the inherent risks in light of their financial condition. The information contained herein has been obtained from sources deemed to be reliable, however, no independent verification has been made. The information contained herein is strictly the opinion of its author and not necessarily of ever.ag and is intended to be a solicitation. Past performance is not indicative of future results.*



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StoneXTM



MARGINS TIGHTEN AS 2021 SHOWS MIXED SIGNALS IN THE DAIRY MARKET

DUSTIN WINSTON / STONEX FINANCIAL INC.

Dairy farmers across the country are experiencing a tightening margin as feed prices climb and farm-gate milk price is being drawn down. Idaho dairy farmers are no different from their counterparts across the country; feed costs are on the rise as we can no longer expect sub \$4 corn in the market (see *Graph 1*). Soybean meal prices don't help the situation either as prices have risen above the top of the price channel that we have experienced over the last year and a half. In fact, alfalfa prices are the only values that have stayed relatively consistent over the last three months. We are hearing that there are some supply concerns in sourcing hay regionally.

While feed costs are rising, milk prices have seen pressure due to recent surplus in supply and questionable demand. Milk production in January was lighter than expected in the US but volume was still up 1.6% over last year. In Idaho, production tightened up slightly, falling 0.3% from 2020 levels. Herd size is still very large (+0.9% YoY), leading us to expect that production will continue to stay strong and work towards breaking 19,500 million pounds this year. Milk supply continues to weigh on the market, and we still have questions about demand. In 2020, the big factor was government support helping to alleviate demand concerns. As COVID-19 vaccines continue to be rolled out we see opportunity for demand to bounce back without the support of the government. Class IV demand will likely benefit the most from restaurant demand returning, but we still have concerns in the short-term while there are restrictions. Domestic sales were up 4.1% in January on a milk equivalent basis which points to positive opportunity, but this sentiment has yet to translate to the farm-gate prices as they are still experiencing bearishness. For Idaho, farm-gate prices stand about \$17/cwt, and we expect prices to be between \$17-19 throughout 2021 (see *Graph 2*).

Given tightening margins, what do dairy producers have to look forward to in 2021? Class III prices have recently seen a bounce from the low levels at the beginning of February. The market is pricing in a stronger demand picture moving forward. We know that there should be some influence on demand from restaurants and school food service programs being revitalized moving into summer. Government purchases have been supportive for the market particularly in butter where supply levels have been well above year ago levels due to missed sales in 2020. Internationally, exports have supported the market.

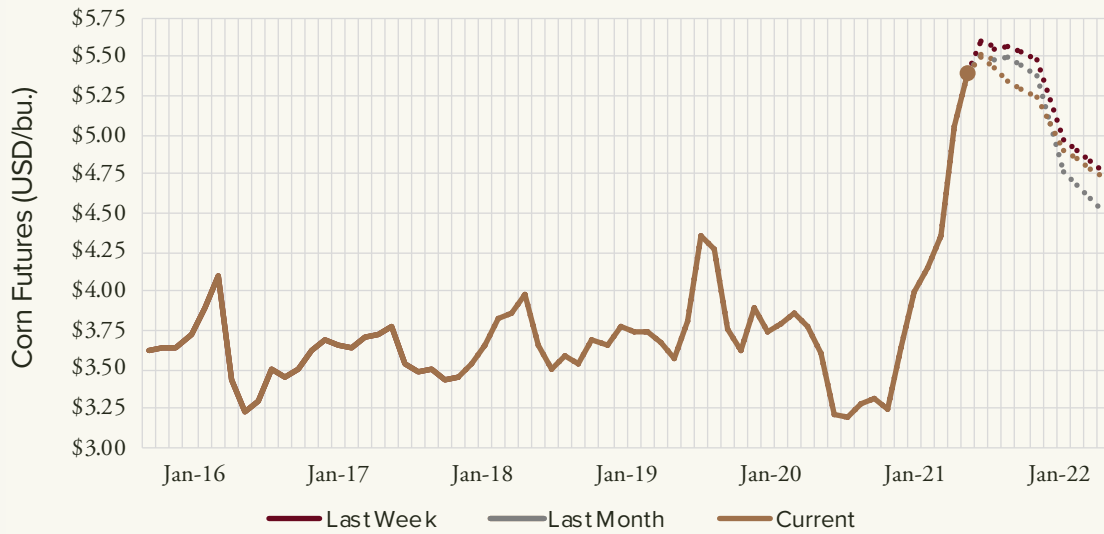
While January shipments were below year ago levels, there is still a lot of opportunity as demand looks to stay steady, especially in the Asia and developing countries market.

Dairy demand should experience renewed strength once we get past Q1 of 2021. While we expect demand to improve, the future still holds uncertainty, and we are inclined to utilize risk management strategies that keep upside potential on the table to capture this expected vigor as we progress through 2021. We believe it is important to utilize and understand all the tools available to a producer. Traditional risk management using futures and options, DMC (Dairy Margin Coverage), and DRP (Dairy Revenue Protection) can all be used in a holistic risk management plan. That, paired with up-to-date knowledge of current market dynamics will allow for strong decision making and continued sustainability.

Please feel free to reach out to discuss risk management tools and our unique Market Intelligence: ProfitView, which is tailor-made specifically for dairy producers. For a free trial, visit: [StoneX Free MI Trial](#)

Graph 1

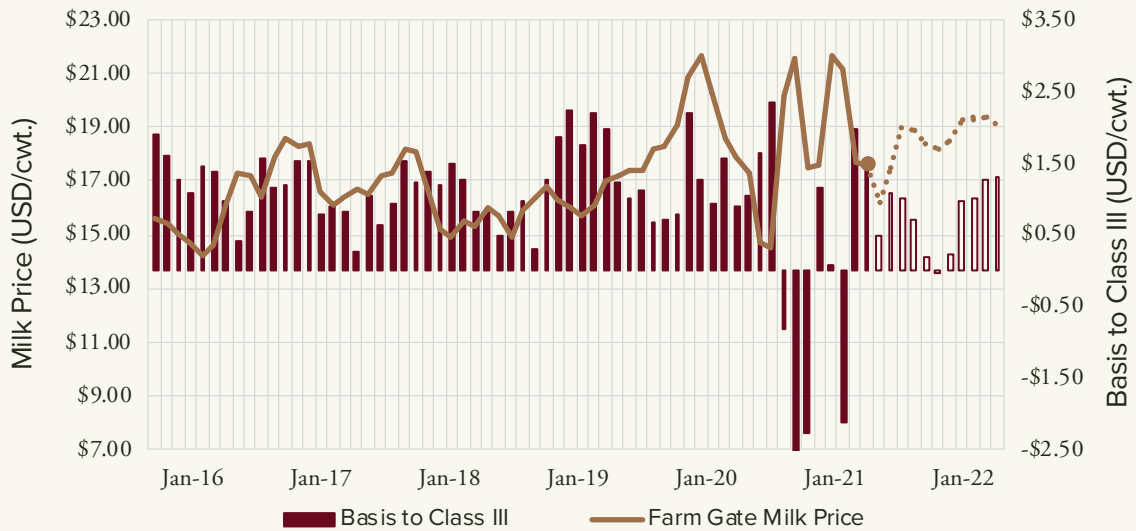
CORN FUTURES PRICE CURVE (USD/bu.)



Source: CME, StoneX Calculations

Graph 2

IDAHO FARM GATE MILK PRICE (USD/cwt.)



Source: USDA, CME, StoneX Calculations, Estimates and Forecasts

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FARM PROGRAM UPDATES

LEIGHONA BERNSTEIN / NATIONAL DAIRY FARM PROGRAM

In February, Sage Saffran joined the FARM team as the Sustainability Initiatives Coordinator. Immediately prior to joining the FARM team she was the Public Policy Intern at the National Association of State Departments of Agriculture (NASDA) where she worked with leaders of agriculture across all 50 states and four U.S. territories on policy solutions. Saffran, a recent graduate of the University of Connecticut with a B.S. in Animal Science and Applied Resource Economics, will support the Environmental Stewardship and Workforce Development program areas.

Some of Sage's first work will be supporting the roll out of the first FARM Workforce Development evaluator trainings. FARM staff and ACER Consulting, FARM's training provider, piloted the training with a group of FARM evaluators and subject matter experts in January. One of those subject matter experts was IDA's Ellissa Clark. Feedback from the pilot was instrumental in refining the content and curriculum. The trainings equip evaluators to conduct WFD evaluations for Version 1.0 of the program. The inaugural training was held on March 10th and 11th. A second training session will be held April 14th and 15th. Trainings are open to FARM Program evaluators and limited to 20 individuals.

The Workforce Development Version 1 Prep Guide is available on the FARM website in addition to a new poster, Calf Handling is Everyone's Responsibility. The prep guide is one of many resources featured in the annual FARM Year in Review alongside program achievements and successes. The overview, released in February, details the resources developed across all program areas and details how aspects of FARM were brought into a fully virtual environment. Events like the annual Evaluator Conference, monthly Evaluator Engagement Hours and the program's Quick Convos series gave FARM staff the ability to connect with all stakeholders and provided relevant and sought-after information as 2020 presented unrivaled challenges in providing on-farm social responsibility assurances.



Sage Saffran, recent hire of FARM





10 COMMON QUESTIONS IN ESTATE PLANNING: PART 1

TYLER CARRINGER / EIDE BAILLY

Idaho dairymen work hard—from physical labor and animal care to managing personnel and financials, the work of a dairyman never ceases. That’s why it’s so important that the wealth generated by that hard work is preserved and protected.

Although the thought of death is unpleasant, it is critical to the well-being of both our families and ourselves that we take the time to create an estate plan. To help ease your concerns and get you on the right path, our two-part series answers 10 of the most common estate planning questions.

~~INSECURITY~~
STABILITY

KEEP YOUR OPERATION ON A SUCCESSFUL PATH

From strengthening your position with your lenders to ensuring everything is in place for the next generation to take over, we have the resources and knowledge to keep you headed in the right direction.

208.293.1007 | eidebailly.com/ag



QUESTION 1: HOW IS MY PROPERTY TRANSFERRED AT DEATH?

Property is transferred at death in several ways:

1. **Valid will**

A legal document created to express how a person desires his or her property to be distributed at death. It also names one or more persons to manage the estate through its final distribution. *(Also see question 2)*

2. **Beneficiary designations**

Examples include life insurance policies, death benefits of a retirement plan, prenuptial agreements, postnuptial agreements, etc. *(Also see question 3)*

3. **Operation of law**

A legal term indicating that a right or liability has been created for a party, irrespective of the intent of that party, because it is dictated by existing legal principles. For example, jointly owned property with right of survivorship. *(Also see question 3)*

4. **State law**

This will typically come into play if no will is presented for probate for a deceased. *(Also see question 2)*

QUESTION 2: WHAT HAPPENS IF I DIE WITHOUT A WILL?

Except for the assets that will be passed by beneficiary designation or operation of law, your state's probate laws will determine the distribution of estate assets if you do not have a will. Please keep in mind that many states have different rules related to the distribution of a deceased's assets when no will is presented for probate.

QUESTION 3: I WAS LISTED IN THE WILL AS A BENEFICIARY OF CERTAIN ASSETS. WHY DIDN'T I INHERIT THE ASSETS?

Estate properties can be passed by will, beneficiary designation, operation of law, and state law. Under most circumstances, passing of property by beneficiary designation and operation of law is not influenced by the will. For example, life insurance proceeds pass outside the will to the named beneficiary, be it mentioned in the will or not, as do the death benefit proceeds from a retirement plan.

If estate planning was not properly carried out, and the property transfer rules are in conflict, some very unfortunate results, such as in the following story, could happen:

John Doe's mother said in her will that her estate would be divided equally among John and his two sisters. However, one of the sisters, Mary, lived very close to her mother, and, for convenience, she titled all the bank accounts jointly with Mary. This allowed Mary to access the information and assist in handling some transactions. Upon the mother's death, 100% of these jointly titled bank accounts, barring any other agreement, will be passed to Mary, instead of being divided equally.

QUESTION 4: WHAT IS ESTATE PLANNING? I AM NOT WEALTHY, WHY DO I NEED TO HAVE AN ESTATE PLAN?

Estate planning is the process of anticipating and arranging for the management and disposal of your estate during your life, as well as at and after death, while minimizing gift, estate, generation skipping, and income tax. A will is part of the estate plan. Depending on the complexity of the situation, an estate planner might use other tools such as trusts, pass-through entities, and/or life insurance to accomplish your estate planning goals.

For some people, estate planning is not about avoiding the estate tax, as that is relevant only to those exceeding the tax exemption (*See question 5 for estate tax information*). Some of the most important reasons for estate planning are to pass property to the intended beneficiaries, alleviate the burdens of surviving family members, protect the estate assets from unintended recipients, and decide who will raise your children.

QUESTION 5: I HEARD THAT THE ESTATE TAX WILL BE REPEALED. DOES THIS MEAN I NO LONGER NEED TO PREPARE AN ESTATE PLAN?

No. Gift, estate, and generation skipping taxes will only affect about 1% of the population in the U.S. Most estates are below the estate tax filing threshold, which is currently \$11.2 million per individual under the 2017 Tax Cuts and Jobs Act. Under the new tax law, the gift, estate, and generation skipping tax exemptions doubled in 2018 and will continue at the higher level, adjusted for inflation, until January 1, 2026, when the amount will sunset back to the exemption in place prior to the new law. This sunset will bring the exemption back to \$5.6 million, adjusted for inflation. Therefore, those taxpayers who find themselves at this threshold and who survive through 2026 may view this change under the new law as an increased gift tax exemption amount, because there is no certainty that these increases will be available after 2025. Wherever we find the exemption to land after 2025, most taxpayers will not be affected. But, as noted before, keeping the estate tax amount low is not the only reason estate planning is important.

In addition, many states consider estate and gift taxes as a significant source of revenue, and will not likely conform with changes in federal tax laws.

And, no matter what happens, income tax is not going away. Careful estate planning can achieve significant income tax savings, and this is especially true for business owners or taxpayers with significant investments and interests in pass-through entities. Without professional guidance, disposing, exiting or transitioning family business interest can come with costly income tax consequences.

More Questions? We're here to help.

Our next installment of this two-part series will cover questions 6-10. Visit [EideBailly.com](https://www.eidebailly.com).

View this article online at https://www.eidebaillyfinancialservices.com/insights/10-common-questions-in-estate-planning?utm_source=sponsorship&utm_medium=banner_ad&utm_campaign=idaho_dairymen.

FEATURED BOARD MEMBER: TED VANDER SCHAAF

TAYLOR WALKER / IDAHO DAIRYMEN'S ASSOCIATION

If you ask Ted Vander Schaaf to tell you about his most memorable experience as a dairyman, he'll reflect back on a birth, but not the blue-ribbon-bovine birth you may be thinking of.

"My wife and I have six kids, with triplets in the middle," said Ted. "When the triplets were born, we spent more than six months navigating how to function as a family and run our dairy at the same time. When you only have so many hands and so few hours to sleep, it makes for a challenging time."

Today, four of the Vander Schaaf kids are in high school, and although their help is welcomed in a pinch, Ted and his wife have done their best to avoid pigeonholing them into a life on the farm.

"They have a place here if that's what they want to do, but it's not expected of them," Ted said.

Knowing that his children may not choose the life of a dairyman for themselves, Ted continues to build on the success of Vander Schaaf Farms in Kuna, Idaho, with nearly 30 employees who assist with both farm and dairy duties. What originally began as a 250-cow dairy has grown over the past 20 years into a 1,400-cow operation alongside nearly 1,500 acres of farmland.

The introduction of crop management on Vander Schaaf Farms has created a reliable way to improve soil health and capture nutrients for his livestock. Although he didn't have much farming experience from the get-go, Ted and his team now do all the planting, tillage, and harvesting themselves for corn, alfalfa, barley, and a wheat-rye hybrid called triticale, used for silage production.

In the past, Ted's days consisted of milking, breeding, and cleaning pens. Now, to accommodate for the diverse growth of his company, he focuses

on managing people and removing any hurdles that prevent them from getting through a day's work.

"As an employer, it's rewarding to hire someone, train them, and watch them grow into their role with confidence," he said.

With the same vigor he puts behind the development of his employees, Ted has dedicated two terms to the Idaho Dairymen's Association Board of Directors and their mission to protect Idaho's dairy industry through environmental, legal, and legislative efforts. That work as a board member is vital to preserving the integrity and image of the industry.

"There's a lot of competing marketing when it comes to the virtues of milk, but I believe we produce a beneficial product; it's not like we're manufacturing soda pop," he said. "Milk is not only healthy for the masses, but it enables us to make other quality products like cheese, powdered milk, butter and yogurt."

As an employer,
it's rewarding to hire
someone, train them, and
watch them grow into their
role with confidence.

Ted emphasized that Idaho's dairy industry provides a nutritional product used globally, which in turn creates irreplaceable financial and employment benefits throughout the state.

"Dairy is a big deal," he said. "There are challenges, but those challenges are what makes the work we do rewarding."

WHEN TO BUY A SPECIAL PRODUCT: A FLOW CHART

TANYA HIBLER & MEGAN SATTERWHITE / IDA CONSULTING SERVICES

Consumers are constantly bombarded with products that claim to get faster, bigger, and better results than you have ever seen before. Advertisements for fad diets and miracle weight loss plans claiming to help shed those unwanted pounds plaster the TV during breaks of our favorite shows. Do not forget the get rich quick schemes all over the internet. No matter the subject, often times the “solutions” are a cover up of a bigger issue. The agricultural community is not immune to these companies either. There are a growing number of products and technologies on the market that claim to boost crop yields, improve nutrient use efficiency, reduce lagoon solids, and remove Phosphorus. Are they really all that they advertise to be? It’s possible, but there are still some important questions you should ask before jumping aboard.

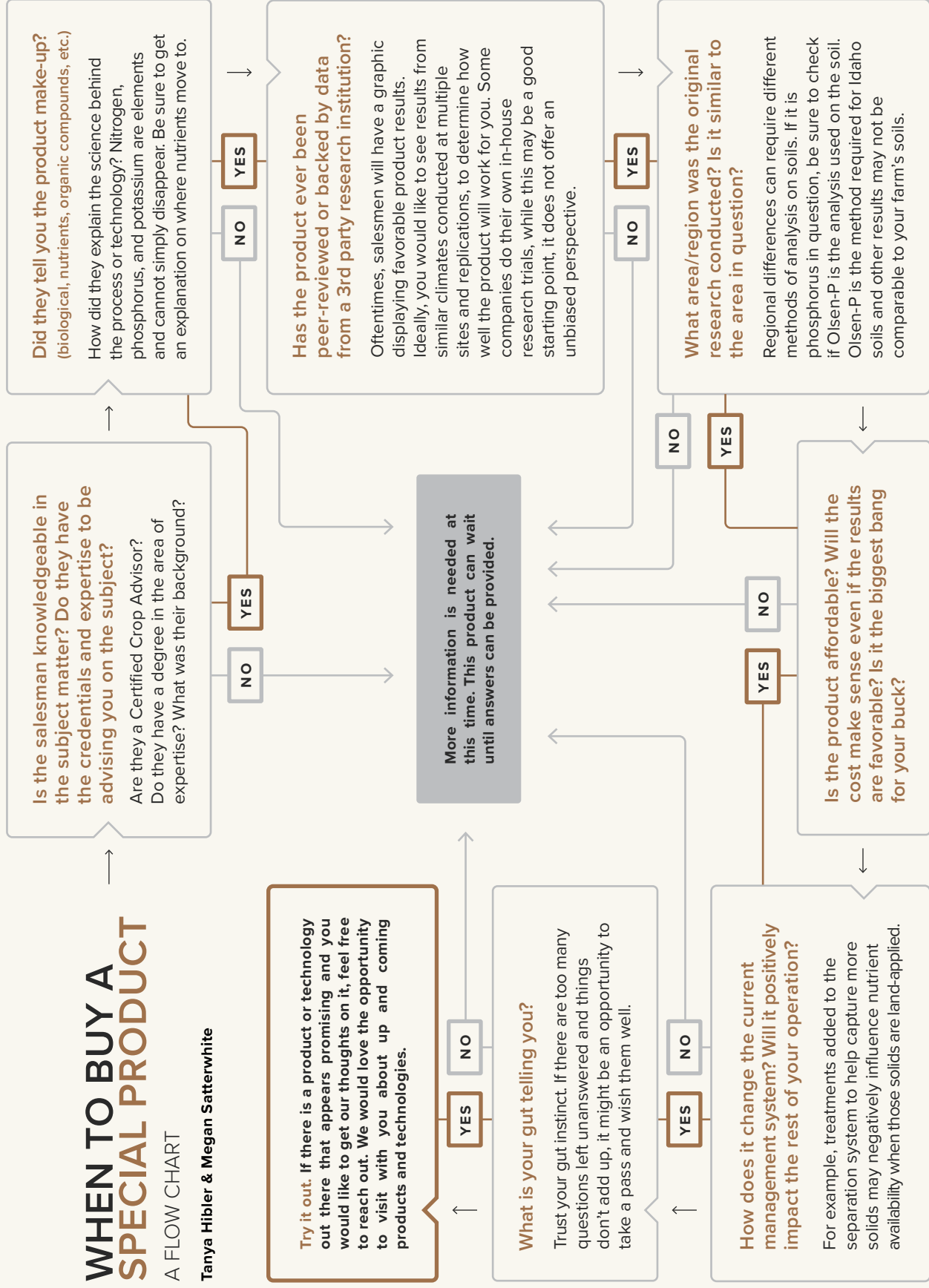
Tanya Hibler □ tanya@idahodairymens.org □ Megan Satterwhite □ megan@idahodairymens.org



WHEN TO BUY A SPECIAL PRODUCT

A FLOW CHART

Tanya Hibler & Megan Satterwhite





PayneWest
INSURANCE

PREPARING YOUR OPERATION FOR PREMIUM HIKES IN A HARD INSURANCE MARKET

TYSON BAKER / PAYNEWEST INSURANCE

Like the economy, the insurance market is cyclical and swings like a pendulum fluctuating between highs and lows. In industry terms, the insurance market fluctuates between hard and soft. Varying factors for each insurance sector can contribute to its hard market causing significant increases in premiums. Due to several factors, we're currently experiencing a hard market in these sectors that directly impact dairy producers:

- Commercial Auto**
- General Liability**
- Umbrella and Excess**
- Commercial Property**

Understanding the hard market can help you proactively work with your insurance agent to navigate market conditions and the impact on business operations and finances.

WHAT CAUSES A HARD MARKET?

Insurance carriers typically operate on narrow margins. Effectively managing their underwriting portfolio, the customers they choose to cover, is necessary for them to be competitive and sustainable. In a hard market when profit margins are especially tight and the risks increasingly difficult to manage, they try to improve profitability by re-evaluating industry risks and individual customer risks by raising premiums and lowering limits. They may also restrict coverage through exclusions, non-renewing customers or leaving an industry sector altogether.

Several factors are triggering the hard market in commercial lines including the surge in frequency and severity of natural catastrophes (e.g., wildfires, floods, hurricanes, etc.) across the world, the increase in property damage losses and the rise in liability losses of all types attributed to "social inflation." **Social inflation** is a term used increasingly in

the insurance industry to describe the rising cost and frequency of insurance claims resulting from increased litigation, more plaintiff-friendly legal decisions, juror desensitization to large verdict dollar amounts, and a general anti-corporate sentiment.

As the size and frequency of verdicts and settlements rise in liability cases, insurance carriers are paying higher claims—reducing their profit margins and directly contributing to premium inflation. The market has been hardening regardless of COVID-19, but the long-term effects of the pandemic are yet to be determined.

PLANNING FOR PREMIUM INFLATION

Depending on your loss ratio, the ratio of losses to premiums earned, and your current carrier, dairy producers are likely to see increases in premiums from 20–40% when it comes time for renewal this year—a premium hike that has not been seen since the late 1980s. This kind of drastic jump in premiums can blindside an operation that is not prepared for the financial impact.

Even if you are several months out from renewal, it's a good idea to start talking with your insurance agent about anticipated premium increases and discussing strategies to potentially trim your premium increase through possible risk management tactics, changes to deductibles, changes in carriers, or other strategies.

An insurance broker can also help make sure your carrier is offering competitive pricing and may offer other carrier options to reduce your premium impact. Starting early and working with a broker who specializes in the industry and advocates for customers when buying coverage (and during a potential claim) can help dairy producers get the best available pricing. An early start also gives you additional time to manage the financial impact.



TAILGATE TALKS: A DAIRYMAN'S PERSPECTIVE

WILLIE BOKMA / IDA BOARD MEMBER

By now, most dairies in Idaho have received the safety training posters and literature in the big, orange box. You probably wonder 'what the heck are these for'? Please don't think they're a waste of time and money and throw them away! The poster kit and sign-in sheets are for what we call Tailgate Talks: short presentations focused on a single topic. The materials come in English and Spanish. IDA staff is there to help. Ellissa's number is (801) 821-1983. The reason we decided to put this material in your hands was so *we* can keep the reins pulled back on this seemingly runaway horse of regulation. If *we* write it and it meets requirements, perhaps we can control the beast!

If you don't think safety training is important enough to do in house, you have to get someone to do the job for you. Which, by the way, Ellissa does. The FARM (Farmers Assuring Responsible Management) program, which most milk processors have to sign on to, on something more stringent requires dairies to adhere to this or something quite close to it for employee safety training. OSHA hasn't targeted Idaho dairies but it will only take another nasty accident with fatalities to entice them!

The kits were paid for by Dairy West. The talented Kady Hurlock on our staff did the artwork. We have an equally talented safety training person Ellissa Clark on staff. Remember Ryan DeWit? She took his place. Through their efforts they put these together. Tailgate Talks address OSHA's on-farm safety concerns. The posters are robust enough to withstand most dairy environments, including flies! I plan to put one of them up in the break room after each talk. (I realize that not every dairy has a break room, mine is just an old bunkhouse.) IDA plans to market these kits throughout the U.S. dairy industry.

On Bokma Dairy, as managers, Tyler and I don't like employee training meetings much, but we do them. I used to think that they would turn into gripe

sessions until I found out that most of our employees didn't have more than grade school education. Only a few went through high school. One guy has had none. They rarely (prior to this campaign) received training of any real significance. They actually like these meetings—maybe it's the pizza and chocolate milk!

The safety posters are simple visual aids to reinforce the "why" of concepts related to the subject at hand. The Tailgate Talks are only supposed to be about 5-10 minutes. Short and to the point!

I found myself learning a few new things from them! I never 'officially' knew about a cow's flight zone! Nor had I really contemplated a cow's vision as something worth paying attention to. Also, I admit that in the past I had been known to yell a bit in the barn to get cows to move! Cussing and yelling was a normal part of moving heifers. I've been working cattle all my life. I'm in my 60s! No one's going to teach me anything new! Or so I thought!

Recently, we built a new set of corrals with a loading area included. Since I paid attention to the animal handling training section of safety training I thought I'd try a concept I learned about. This time (not my first corral project) orientation and placement of loading areas and shadows created by them was something I gave thought to. The new facility is *a joy* to have heifers in! This is something I never thought I'd hear myself say about loading heifers into a trailer!

The other posters deal with a variety of safety issues including loader safety, PTO, electrical, and chemical safety along with silage face safety, dealing with bulls, confined spaces, lagoons, needles, noise, and PPE. If you've been around as long as I have, most of these issues have reared their ugly heads at one time or another. I've lost sleep over some if not all of these during my career. Why? It's because I care about my guys! I know you all do, too!



DAIRY'S VISION, UNITY WILL CARRY US FORWARD

KAREN SCANLON / INNOVATION CENTER FOR U.S. DAIRY

It's been a year since the worldwide lockdown resulting from COVID-19 became our way of life.

These last 12 months have brought more uncertainty, frustration and fearfulness than any of us could have envisioned for a lifetime. We've seen plenty of heartbreak, including the staggering number of Americans—more than 37 million—who face hunger, an issue important to dairy farmers in Idaho and across the nation.

Amid the pains, we also saw the good. Dairy farmers in Idaho and Utah worked with their Dairy West checkoff team to coordinate with dairy companies around the region to create the “Curds + Kindness” program that moved more than 1 million pounds of dairy into food banks and schools.

Beyond the immediate needs for food, the pandemic has put a spotlight on food production and distribution, increasing the interest and expectations of many people on what truly makes for a sustainable food system. This sentiment is reinforced by consumers who expect the products they purchase to be good for them and the planet. For the dairy industry, we see the role that we play in providing nutritious food and beverages through responsible production. The interest in the link from your farms to people's homes has never been this heightened.

What lies ahead is no small task, but through our actions over the past two decades, we are well positioned to respond and contribute.

Despite the chaos of 2020, we haven't wavered from our commitments toward the vision of being an environmental solution.

Last year, the Innovation Center for U.S. Dairy, established under the leadership of dairy farmers and dairy companies, announced industry-wide 2050 Environmental Stewardship Goals. These goals address the areas where the dairy industry could have the greatest positive impact.

By 2050, the industry collectively commits to:

- Become carbon neutral or better**
- Optimize water use while maximizing recycling**
- Improve water quality by optimizing utilization of manure and nutrients**

The Net Zero Initiative (NZI) was formed in direct response to the goals and was endorsed by the Innovation Center Board of Directors, which includes dairy farmers, five national dairy organizations and 28 leading companies and cooperatives. NZI is a comprehensive program that builds on dairy farmer commitment to environmental stewardship and includes research, on-farm programs and partner-based strategies in four key areas: feed production, cow comfort, manure and nutrient management, and on-farm energy efficiency.

Led by the Innovation Center, DMI, International Dairy Foods Association, Newtrient, National



Milk Producers Federation, and U.S. Dairy Export Council, NZI seeks to accelerate voluntary action to reduce environmental impacts by making sustainable practices and technologies profitable, accessible, and affordable to U.S. dairy farms of all sizes and geographies.

The industry-wide effort toward the goals is comprehensive and collaborative and builds partnerships with corporate dairy customers, research institutions, NGOs, and other interested stakeholders to drive greater support and to deliver greater benefit to farmers. Pledges of up to \$30 million of non-farmer funding have been generated to support NZI through partnerships with leading companies such as Nestlé and Starbucks. Conversations continue to bring more resources to the table.

These partnerships enable pilot projects across the country, allowing learning that matches the industry's diversity. For example:

- A partnership led by the Lafayette Area Stewardship Alliance in Wisconsin is creating a replicable framework for farmer-led projects, which includes identifying effective measurement tools, demonstrating financial benefits of conservation practices, and telling dairy's environmental stewardship story.
- We soon will announce a partnership project in the Midwest to scale up the adoption of best management practices in

feed/forage production and feed efficiency to drive environmental and economic benefits for farms of all sizes.

- A developing project will examine the role of farmer-to-farmer learning networks in providing the information, inspiration, and support you need to identify and succeed with new practices or technologies on your farms.

Pledges of up to \$30 million of non-farmer funding have been generated to support NZI through partnerships with leading companies such as Nestlé and Starbucks.

These efforts are setting us up for what the U.S. dairy industry always has been—a part of the solution. Yes, continued challenges and unknowns remain, but I believe that our industry's strength, vision, and unity will address whatever comes our way.

To learn more about the U.S. dairy industry's sustainability efforts, visit www.usdairy.com/sustainability.



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Twin Falls, Idaho 83301

UPCOMING EVENTS

MAY 19 & 20 IDA & DAIRY WEST BOARD MEETING

IDA/IDEAL BOARD OF DIRECTORS

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Arie Roeloffs Vice President (Wendell, ID)
Ted Vander Schaaf
Secretary/Treasurer (Kuna, ID)
Allan Swainston (Preston, ID)
Christopher Stevenson (Jerome, ID)
Kim Wolfley (Blackfoot, ID)
Willie Bokma (Twin Falls, ID)
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Don Taber (Shoshone, ID)
Kim Korn (Terreton, ID)
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Rick Naerebout CEO

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