

IDAHO DAIRY FOCUS

June/July 2017



IDAHO IDA
dairymen's association

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

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Idaho Delegation Members are Unanimous in Support for Accurate Milk Labeling Bill

By Bob Naerebout, Executive Director at IDA

The Idaho Dairymen's Association thanks Senators Jim Risch and Mike Crapo and Representatives Mike Simpson and Raul Labrador for cosponsoring the "Dairy PRIDE" Act to provide transparency about foods marketed to the public.

The Dairy PRIDE Act would require the U.S. Food and Drug Administration (FDA) to enforce federal standards of identity that say products labeled "milk," "cheese" and "yogurt" must come from a dairy animal. **The standard of identity for the term "milk" has been on the books for decades. The Dairy PRIDE Act would not create new regulations – it would simply require the FDA to enforce current law.**

Transparency in food production and labeling is an issue for consumers. To that end, IDA has lent its support for these House and Senate bills that would require the U.S. Food and Drug Administration (FDA) to enforce standards of identity for milk, cheese, and yogurt. In spite of those FDA standards, marketers of plant-based beverages have been allowed to use the word "milk" on their labels. This is potentially confusing to consumers who might reasonably believe something labeled "milk" would deliver the calcium, protein, Vitamin D and other nutrients that come with real dairy milk.

That isn't fair to Idaho's dairy farmers or our dairy product manufacturing partners and IDA has had solid support from the congressional delegation on this issue as well.

Congressman Mike Simpson, Co – Chairman of the House Dairy Farmer Caucus, became a cosponsor of the House bill before it was introduced. The House bill now has 17 cosponsors.

Senator Risch was the first Republican senate cosponsor of The Dairy PRIDE Act. He was joined soon thereafter by Senator Mike Crapo. To-date the two Idahoans are the only Republican Senators who have co-sponsored the bill.

In today's partisan world it is refreshing to have the state's Congressional members reaching across the aisle to work with others based on the merits of an individual bill. In my opinion, that effort demonstrates what statesmanship looks like.

A special word of thanks for IDA's DC lobbyist Charlie Garrison for his close working relationship with our delegation members and their staff. Developing a strong working relationship with those office takes time, effort, and earning their respect and confidence. Thanks Charlie!



Federal Dairy Issues Update

By Charlie Garrison

It may seem to have happened in the blink of an eye but the first half of 2017 is in the books. Who would have predicted we'd be where we are on federal policies affecting dairy producers and the entire dairy industry at this point in time? For the first time in more than a decade, the Republicans have control of the U.S. Senate, the House of Representatives, and the White House, yet congressional leaders are struggling to overcome differences within the party to pass legislation that would reform healthcare insurance coverage.

The House has passed its healthcare reform bill and has moved on to tax reform. That issue has also resulted in divisions within the party as House leadership intends to pass a plan that includes a border adjustability provision that would tack on 20% of the value of goods imported to the U.S. for sale here. The argument is that action would merely help level the playing field with our trading partners, most of which do something similar with our goods sold in their countries. The border adjustment is also a major component of replacing revenue that would be lost if corporate tax rates, capital gains rates, and personal income tax rates are reduced as part of a big reform bill. Many major retailers, however, are in strong opposition to the border adjustment and even some Republican Senators call that provision "dead on arrival" in the Senate.

Meanwhile, the clock keeps ticking. Congressional leaders had intended to have healthcare reform and tax reform done before the long summer district work period that begins in about a month. Farmers facing a deepening labor crisis are watching and waiting to see if there is room on the calendar for the Congress to take up visa reform that would allow the current workforce to remain in their jobs, provide access to year-round workers and set up a system to provide access to legal new workers when they are

needed in the future. That's a tall order but there simply is no higher priority for IDA right now and we will continue working on behalf of Idaho dairy producers to try to make that happen.

The Ag Labor Crisis

We started the year with farm workers frankly afraid to show up at their jobs each day for fear that authorities would arrive to detain and deport those who are improperly documented. That fear has subsided at least somewhat after IDA brought the membership together and then coordinated a meeting with the state's Hispanic Commission to try to let people know that the enforcement priority of the new administration is to remove specific individuals with prior felony convictions or those deemed a threat to public safety or national security.

Dairy producers continue to struggle to find enough workers to keep their operations running smoothly. Positions going unfilled and wages pushing higher seem to be the new normal in our industry. As IDA members adjust to that new reality it only reinforces that the need for ag worker visa reform is now more urgent than ever.

IDA has worked for it for a long time and from many different angles but it looks like there could be some movement this summer on legislation that would reform the ag worker visa system. The U.S. House of Representatives appears ready to start moving some interior enforcement measures in the coming weeks. One of those bills would require employers to use the E-Verify system to confirm the work eligibility of their employees. Since agriculture has, for years, proposed phasing in the use of E-Verify along with the implementation of an effective visa program for agriculture, this might just be the right time to move both.

International Trade

IDA has worked very closely with the Idaho congressional delegation to help deliver the message to the new administration that the export markets the U.S. has developed under the North American Free Trade Agreement (NAFTA) are critical to the success of the dairy industry in the state. Mexico is our largest export customer – buying, by value, nearly 25% of the dairy products that the U.S. shipped to other countries last year. The upcoming talks to “modernize” NAFTA must first do no harm to that relationship.

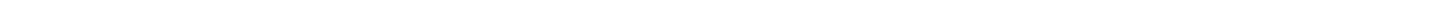
Canada is a market that holds potential for the U.S. dairy industry and IDA has joined with other organizations around the country to encourage our trade negotiators to keep trying to gain additional access for U.S. dairy north of the border. IDA has also been part of efforts to challenge new pricing policy in Canada that has been put into place to provide an economic advantage to domestically-produced milk protein concentrate, further restricting U.S. access to the Canadian dairy ingredients market.

WOTUS Rule Withdrawn

The EPA has announced it will officially withdraw the “Waters of the U.S.” rule and start over. WOTUS has been on hold for two years due to a court case. Now, however, agriculture and other land use industries have the certainty that EPA and the U.S. Army Corps of Engineers will not go beyond regulating potential pollutants in the country’s navigable waters as a replacement rule is drafted for the required notice and public comment period.

The rule that was withdrawn would have extended federal regulation to bodies of water that are connected to larger navigable waterways. IDA and several other farm groups considered this a regulatory overreach. All four members of the state’s congressional delegation, Senators Mike Crapo and Jim Risch and Representatives Mike Simpson and Raul Labrador, helped deliver that message to the EPA on several occasions.

This week’s announcement from EPA did point out that the agencies are required to produce a new rule defining their regulatory authority under the Clean Water Act due to a ruling by the U.S. Supreme Court more than 10 years ago. IDA will work with other farm groups and the congressional delegation to provide input for that new rule.





Do You Really Know Your Breakeven?

By Zach Bowers & Ryan Yonkman

Do you know your numbers? Knowing your numbers can be one of the most neglected aspects of a farm. As a risk manager, one of the first and most important questions that we ask is “what is your risk” and the most common answer to this question is “My breakeven is around 16 dollars”. This may be a great estimate, but when it comes to your business do you really want to be estimating what your make or break number is? Knowing your true number is something that can separate a good farm from a great farm.

Growing up in Indiana working on the hog farms, and eventually going to Calvin College for finance and accounting, has given me a true understanding of both sides of running a farm. Especially the understanding of how hard it is to keep up with the numbers while on the farm, but also just how important it is to know these numbers.

Not every farm is the same: from size, location, and technology, to the way it's managed. In today's world there are so many different factors playing into your true breakeven as well as how you get paid... i.e. the risk that you have in milk check basis. Measuring these things with accuracy can be very difficult and time intensive, but we at Vault have figured out ways to simplify and automate this process. In prior articles, we have talked about our Vault software that was built for elite dairymen ready to measure and forecast revenues and expenses with intense precision, from detailed feed rations and milk check calculations to hands-free integrations with the CME and clearing firms (automatically pulls in your hedge positions). Today we are excited to present Vault Lite, a simpler, lighter

version of Vault with a little less automation and functionality, and priced 95% less than our current Vault system. Vault Lite comes in at \$50/month or \$500/year.

Early users say Vault Lite now beats any simple excel sheet you may have in terms of value and time invested in building or updating personal sheets, and if you don't have those already, consider Vault Lite to be your “easy button” when it comes to mapping out, forecasting, and tracking your profit/loss margins. Lite will give you the foresight you need by using CME markets combined with your info laid out across the next 24 months. Bottom line: Vault Lite makes it easy to enter and access information that will help put you in a more informed position to make better decisions.

With better numbers and better confidence in these numbers, hard decisions can be made much easier. Whether you have enough cash flow for an expansion or you need to start looking at locking up some milk or feed, this is what can truly separate a good dairy from a great one.

At Vault we realize that not every dairy farm is the same so why should we only offer one application for all, thus the creation of Vault Lite and coming soon Vault Pro and Vault Enterprise. Giving you three different options to choose from to help you quickly and easily understand your numbers no matter who you are or where you are. If you are interested in a free trial or want to learn more about Vault Lite and how it can help you, please visit our website (Vaultdairy.com) or give us a call at (312) 492-4206.

Newtrient Team Provides Exciting Opportunities for US Dairy Industry

By Stephanie Kulesza, PhD

Recently, Steve Rowe, CEO of Newtrient, invited me to attend one of their team meetings to discuss the current state of Idaho's dairy industry and opportunities for collaboration. While attending the meeting, I was able to see the scope of what Newtrient is trying to accomplish, and I was extremely impressed with the team they have put together. So, I wanted to take the opportunity to share some insights from that meeting in this month's newsletter.

Newtrient was founded by 14 organizations, including several cooperatives, Dairy Management Inc., and National Milk Producers Federation, to seek out new technologies that address challenges facing the industry and, in several instances, provide secondary markets for new products. Below is a quote from Newtrient's website.

"Newtrient is excited to be a driver of positive change in the emerging industry of dairy manure use and management. By serving as a catalyst advancing new technologies, practices, products, and markets, we help generate profits for farmers, while at the same time preserving and enhancing the environment.

Dairy farmers understand how much time, effort, and money go into the production of manure; they also care deeply about the communities where they live and operate. Newtrient improves sustainability by advancing technologies that transform manure into products like soil conditioners, fertilizer and energy, and by connecting stakeholders in this new and growing business arena. With a deep understanding of manure-related technologies and the markets available for

manure-based products, Newtrient is proud to develop a more organized marketplace so the value of manure can be fully realized."

– *Newtrient.com*

Building a team for success:

During the team meeting, it was clear that the room was filled with the right people to move the industry forward. The Newtrient team is comprised of experts from academia, private consulting firms, marketing teams, DMI's Innovation Center, etc., who focus on everything from nutrient recovery to energy markets to product development. There were multiple discussions about new, innovative technologies that could provide returns in several marketplaces and dialogue on how to move those technologies into the dairy industry. Newtrient is focused on providing a return on the investment from dairymen throughout the US and have the team to do so.

Providing information on the latest manure treatment technologies:

Earlier this year, Newtrient released a technology catalog, which lists 184 technologies from many different companies. Each technology was evaluated on a 9-point scoring system, which takes into account the commercial viability, economics and industry value, and transparency and interaction with the company while collecting information. Based on the scores in all nine criteria, the technology can receive one of three designations: Newtrient Recognized Designation, Emerging Technology Designation, or Not Vendor Verified. The list is continuously *(cont. on page 8)*

(cont. from page 7)

updated and expanded to provide the most current information on new technologies reaching the industry. To learn more about the Technology Catalog, visit newtrient.com/catalog/technology-catalog, where you will find many technologies that could meet your manure management needs.

Creating connections between technology manufacturers and the dairy industry:

Part of the meetings focused on forming new partnerships between technology manufacturers and dairymen. There were several projects that could provide impressive results for the dairy industry in regards to manure management. These technologies are in use in other industries but could cross into dairy manure management systems, which are a major focus of Newtrient.

There are three core platforms Newtrient is working towards: Newtrient Technology Catalog, Accelerator/Incubator, and Environmental Services Marketplace. Developing these three platforms provides information on what technology is available and whether the technology works as advertised, encourages collaboration and development of new technologies for the dairy industry, and creates a marketplace to provide economic returns on assisting others in achieving their pollution prevention obligations. Also, being a private entity, Newtrient is able to move quickly to find partnerships and ways to implement new technologies in a way that academia cannot. Fast, forward-thinking solutions are needed, and I believe Newtrient will help the dairy industry become more efficient and sustainable in the future. As always, if you have any questions, please feel free to contact me for more info.

Best,
Steph



May Milk Production

By James Carr

May milk production was released a few weeks ago and pegged by us as neutral in comparison to expectations. As stated in the excerpt from FCStone May Milk Production report below, The Pacific Northwest is still dealing with production issues:

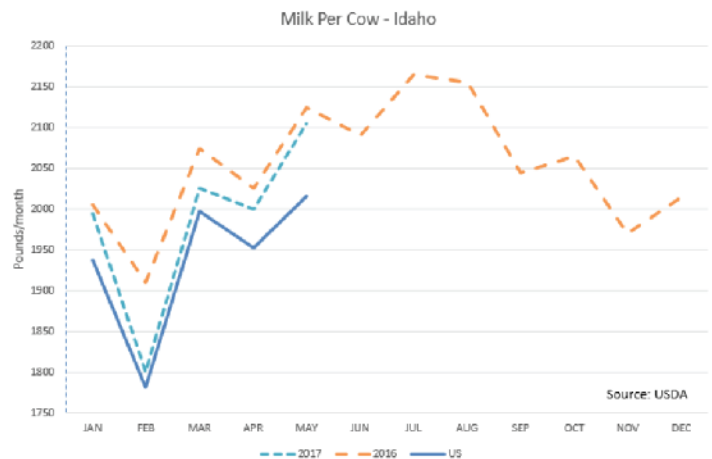
Total US milk production was estimated at 18.940 billion pounds for the US, just below our expectation for 18.969 billion pounds, while up 1.8% year over year. The total U.S. milking herd was estimated at 9.393 million head, in line with our estimated 9.298 million, marking a year over year increase of 71,000 head, or 0.8%, despite the surge in beef prices. Milk per cow was reported at 2,016 lbs., just shy of the projected 2,018 lbs. while 19 lbs. higher than during May of last year.

The 23-state milk production was estimated at 17.752 billion pounds, marginally below our expectation for 17.775 billion, while 1.8% higher than during the same period last year. Yet another upward revision was announced in the milk production, this time adding 36 million pounds, 0.2%, to April's total. The 23-state milking cow herd was estimated at 8.722 million head, 4,000 shy of our projection of 8.726, while 81,000 higher versus May 2016. Milk per cow increased by 16 pounds to 2,035 against the projected 2,037.

The state-by-state picture continues to highlight production issues for the Pacific Northwest, surging production in the Southwest with an unforeseen drop in production out of Wisconsin, down 0.7%. Oregon registered a year over year decline of 3.5%, Washington down 1.4%, followed by Idaho down 0.2%. Texas production increased by 14.7%, New Mexico by 6.9% with Arizona up 4.8%.

The US average MPC (milk per cow) in May was over 2,000 pounds for the 1st time in history and represented just shy of a 1% increase YoY. This is very significant and is an increase of 19 pounds per cow YoY. The increase represents about 178.5 million pounds more milk than the same number of cows using last May's MPC. This increase per cow and the general increase in milk production has been causing major logistical issues for processors lately as they scramble to find holes for milk as they deal with "spring flush."

Idaho is still struggling from the very difficult winter and had MPC drop 20 pounds YoY but significantly improved from February that showed an MPC 110 pounds less than the same time last year. It's amazing what a little sunshine and dry corrals will do. Idaho also added 4,000 head YoY which helped to offset the reduced production per cow.

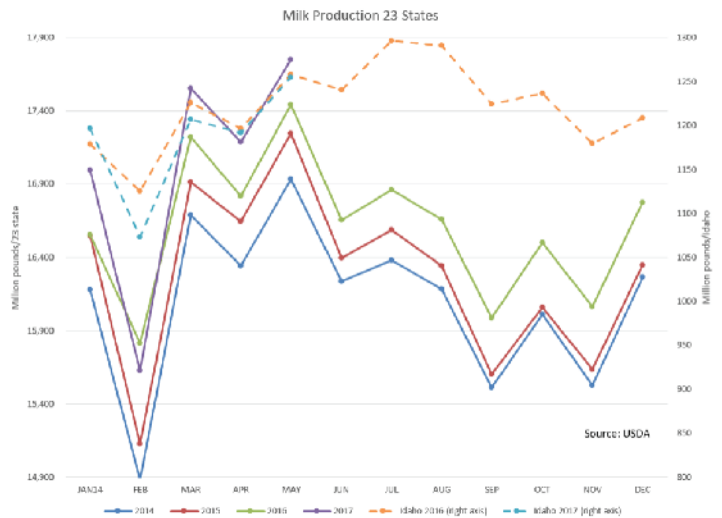
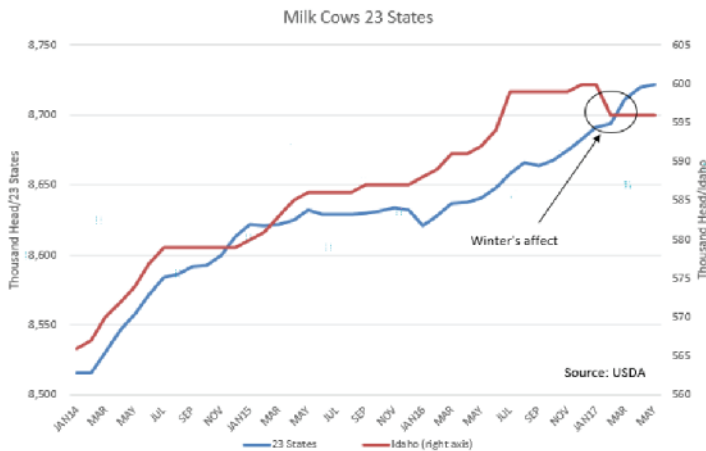


But that is just part of the story. We have also increased the milking herd by 71,000 head since last May (43,000 of the growth comes from Texas) and that has added about 143 million pounds of production monthly (cont. on page 10)

(cont from page 9) (or . approximately 1.7 billion pounds annually) that must be absorbed.

Idaho cow numbers have been generally building and showed a 4,000-head growth YoY but have only been able to maintain flat numbers for the last 4 months still recovering from the winter, and the loss of 4,000 cows in February, which removed just over 8mm pounds/month in production.

4 of the 6 states that had production declines in May were out west (California, Oregon, Washington, and Idaho). California cow numbers dropped 2,000 head and have the lowest inventory level since January 2011, maintaining its YoY continued decline in cow numbers. Interesting to note Texas offset the loss of 78 million pounds from the six states mentioned and still had 58 million pounds to spare.



The 23 major states have shown lower production YoY only once since 2014 back in February but immediately recovered to re-establish the steady increase in production nationally. Idaho is still running below YoY levels but would be expected to return to YoY growth in the next production report in a month.

May 2017 Milk Production

| | | | % Change Prev Yr | | % Change Prev Mo. | |
|-------------------------|--------|----------|------------------|----------|-------------------|----------|
| | Actual | Expected | Actual | Expected | Actual | Expected |
| U.S. Production mil lbs | 18,940 | 18,969 | 1.76% | 1.91% | -0.07% | 0.28% |
| U.S. Milk Cows | 9,393 | 9,398 | 0.76% | 0.82% | 0.02% | 0.09% |
| U.S. Milk Per Cow lbs | 2,016 | 2,018 | 0.95% | 1.05% | -0.10% | 0.20% |

| | | | % Change Prev Yr | | % Change Prev Mo. | |
|-----------------------|--------|----------|------------------|----------|-------------------|----------|
| | Actual | Expected | Actual | Expected | Actual | Expected |
| 23 State Production | 17,752 | 17,775 | 1.78% | 1.91% | -0.06% | 0.28% |
| 23 State Milk Cows | 8,722 | 8,726 | 0.94% | 0.98% | 0.02% | 0.08% |
| 23 State Milk Per Cow | 2,035 | 2,037 | 0.79% | 0.89% | -0.08% | 0.22% |

Experience at Cal Poly

Caleb DeGroot

My name is Caleb DeGroot, and I am a fifth generation dairyman from my family's farm in Mountain Home, Idaho. At Sunview Dairy, it's important to our family that we are using the most up-to-date, progressive practices of the industry. Although I could have just returned to the farm after graduating high school, I knew I could contribute more to our operation's future by continuing my education at a college passionate about the dairy industry. Although many schools offer great agriculture programs, I chose California Polytechnic State University, San Luis Obispo due to the passion they have for dairy science. Coming in as a freshman dairy science major last fall, with Cal Poly's "learn by doing" motto, I didn't know what to expect (apart from a hands-on learning experience). I ended up getting this, and much more.

The past year at Cal Poly has been one of the best experiences of my life. Academics wise, dairy science students learn just as much curriculum inside the classroom as they do out at the school's very own dairy. Building an education from the bottom up, in just my first year I've earned units (credits) from doing things like milking cows in the parlor, servicing bulls, being on call for the calving program, to fitting and showing my own heifer at the annual showmanship competition. In addition to this, the dairy science program has surrounded me with people that care about

each other on a personal level. In the classroom, professors not only helped me through concepts I did not understand but also made sure they always knew how I was doing as a whole as well. Outside of the classroom, the "Los Lecheros" Dairy Club was one of the biggest ways I felt welcomed into a community of similarly driven peers. With over a hundred members who are all passionate about the dairy industry, they welcomed new members with open arms. With monthly meetings, catered dinners, and visitors coming to offer internships with world class companies all over the country, it's just another way I have found Cal Poly propelling me into the industry. In such a tight-knit program, I feel like I've joined a family.

Returning back to the family farm this summer after just one year of college, I can already see the benefits that secondary education holds. Not only has it given me a better understanding of where common practices come from, but it has also opened up countless new ideas of how our dairy could benefit from the new technology and science that I learned about on a daily basis this year. Whether it be a four-year university like Cal Poly or a two-year program at a community college, post high school education is a vital piece to the future of Idaho's agriculture industry.

Caleb DeGroot
cdegroot@calpoly.edu

CAL POLY
SAN LUIS OBISPO

Upcoming Events

July 26th & 27th UDI Board Meeting – Pocatello, ID

August 7th Mike Simpson Annual Golf Scramble – Twin Falls, ID

August 10th & 11th Idaho Milk Processors Meeting – Sun Valley, ID

Board of Directors - United Dairymen of Idaho

Tony VanderHulst—President, IDA; Co-Chair, UDI

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Don Heida—Treasurer, IDA

Mike Siegersma—Chairman, IDPC; Co-Chair, UDI

Brian Esplin—Vice Chairman, IDPC

Bob Naerebout—Executive Director, IDA

Karianne Fallow—CEO, IDPC

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Kim Korn, Allan Swainston, Greg Andersen, Tom Dorsey