

IDAHO DAIRY FOCUS

October 2018

ALL ABOUT THE **TRADE
DEAL WITH CANADA &
MEXICO** ON PAGE 5

IDA NAMED **2018
ADVOCATE OF THE YEAR**

IDAHO **IDA**
dairymen's association

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

IDA NAMED 2018 ADVOCATE OF THE YEAR

The Idaho Dairymen's Association was recognized by the Idaho Hispanic Chamber of Commerce (IHCC) as the 2018 Advocate of the Year. The Gala event, which was held September 7th at the Boise Centre, honored IDA and the dairy industry for its commitment to immigration reform and efforts to support the Hispanic workforce. Accepting the award was Rick Naerebout, who stood with many dairymen and board members who have been instrumental in shaping the decisions which have led to this recognition. "Without the support of our board members and the dairy community at large, we wouldn't be as effective as we are today," said Rick Naerebout. "This effort started with Bob Naerebout almost a decade ago, there is no other person more dedicated to this effort than him."

The mission of the IHCC is to support the advancement and promotion of economic growth within the Idaho business community through advocacy, empowerment, education, and networking.

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BALANCING ROAD SAFETY WITH REALITIES OF AG PRODUCTION

U.S. Senator Mike Crapo



Holding town meetings in all of Idaho's communities enables me to hear clearly some of the most pressing issues on the minds of Idahoans. Oftentimes those concerns are echoed by their neighbors and in other communities. At town meetings held earlier this year in Idaho's unincorporated communities, Idahoans shared concerns about the impacts of the Electronic Logging Device (ELD) mandate on safely hauling Idaho agricultural goods, including livestock and perishable commodities such as milk and fresh produce. I then called U.S. Department of Transportation (DOT) Secretary Elaine Chao to discuss these concerns and possible remedies. The DOT agreed to work with Congress to address the problems with the regulation and implement policies to ensure road safety while also enabling farmers and ranchers to continue to safely transport livestock and produce. Since that discussion, I have been taking additional steps to help maintain that balance.



In 2015, the DOT's Federal Motor Carrier Safety Administration (FMCSA) published a final rule to implement a 2012 federal highway law provision requiring the agency to issue a rule mandating the use of Electronic Logging Devices, rather than relying on paper logbooks, to ensure commercial carriers meet limitations on the hours drivers are allowed to operate their trucks. The problem is the requirements pose considerable complications for many in the agricultural community, particularly those involved in transporting livestock (including cows, live fish and honeybees). Hauling livestock is different than hauling other commodities. Extensive preparation and care go into ensuring the safety of the animals, particularly during summer months. Livestock haulers who reach driving-time limits while hauling livestock will face difficult decisions: compliance with animal welfare laws and guidelines or compliance with federal Hours of Service regulations.

Concerns with this no-win situation contributed to the Administration and Congress delaying the implementation of the rule for agricultural haulers multiple times. Currently, the enforcement of the ELD rule is delayed until September 30, 2018, through a law Congress passed and the President signed. Other steps are being taken to address the problems with this rule:

In May, I joined a bipartisan group of 30 senators, including fellow Idaho Senator Jim Risch, in sending a letter to FMCSA Administrator Raymond Martinez encouraging the agency to look into improving the regulation to ensure drivers across differing operations can safely and efficiently comply with the requirements.

In June, I co-sponsored S. 2938, the Transporting Livestock Across America Safely Act. This bipartisan legislation would provide carriers with greater flexibility in administering operating hours when hauling livestock and insects. I also co-sponsored this and similar legislation as amendments to the Senate's 2018 Farm Bill, but they were not adopted.

In June, I co-sponsored S. 3051, the Modernizing Agriculture Transportation Act. This bipartisan legislation would suspend the ELD mandate until the Transportation Secretary proposes regulatory changes based on the recommendations of a working group (made up of federal government officials, highway safety experts, transportation industries and agricultural shippers) that would be established to review the regulations, with a particular focus on identifying obstacles to the safe and humane transport of livestock, insects and agricultural commodities. The bill includes deadlines for the recommendations.

While more work remains, these efforts are beginning to yield results. On May 31, 2018, FMCSA released additional guidance outlining exemptions and clarifications addressing agricultural concerns. We must keep up with advanced technology while ensuring federal regulation increases safety on our roads and bridges without unduly impacting those who safely and reliably move goods and services throughout our country. I will continue to work to ensure this policy properly balances public safety with the safe and humane transport of livestock and agricultural goods.

FEDERAL DAIRY ISSUES UPDATE

Charlie Garrison, DC Lobbyist

U.S. COMPLETES NEW TRADE DEAL WITH MEXICO & CANADA

There is some good news out of Washington, D.C. here at the beginning of October and that is that U.S., Mexico, and Canada have an agreement in principle on a new international trade pact. Negotiations went down to the wire and full agreement text is not available yet for review but there are hopeful signs that the U.S. will continue in the role of primary dairy trading partner with Mexico and that Canada will reform recent milk pricing policy that was weakening world market prices for dairy proteins.

The announcement of the agreement is especially welcome in the dairy industry because retaliatory tariffs from trading partner countries in response to U.S. duties on products like steel, aluminum, and automobiles were affecting demand for our dairy products. Not all the retaliatory tariffs will disappear if this deal is ratified, the Trump Administration still needs to work things out with China, but a new trilateral North American deal is a big step in the right direction.

The Administration had announced a \$12 billion aid package for U.S. farmers hurt by the retaliatory tariffs. When details were released, about half that amount was allocated to assistance available now with the other half to be distributed later in the year if the tariff war persists.



THE OUTLINES OF THE **NAFTA PACT**
REMAIN INTACT, WHICH WILL ALLOW
THE U.S. AGRICULTURAL SECTOR
TO **CONTINUE DEVELOPING NEW**
INTERNATIONAL MARKETS
FOR OUR FARMERS.

— TOM VILSACK, PRESIDENT AND CEO OF USDEC

Estimates of the impact of the retaliatory tariffs on U.S. dairy producers were in excess of \$1.4 billion if they remained in place through the end of the year. The U.S. Department of Agriculture announced an aid package last month that is supposed to deliver about \$127 million in direct payments and about \$135 million in dairy market development assistance – a disappointing sum in light of the

damage inflicted on the industry since the trade wars started in late May.

The return to normal dairy trade with Mexico would be welcomed news

indeed. Our neighbor to the south is our number one customer – buying approximately 25% of U.S. dairy exports by value each year. That is a lot of dairy, since we now export the equivalent of the production total of one day each week. Mexico's retaliatory tariffs on U.S. dairy had the effect of making products from Europe and New Zealand more competitive with ours.

The new U.S., Mexico, Canada Agreement, "USMCA," is also a step in the right direction in the broader picture of international trade. U.S. negotiators have completed a new pact with South Korea and have held

at least preliminary discussions for new agreements with the European Union and Japan. Our battles with China over tariffs and other issues including protection of technology and intellectual property rights may be with us for a few months according to Administration officials.

The next step is to get the USMCA ratified by the U.S. Congress and legislatures in Mexico and Canada. Mexico inaugurates a new President on December 1st, the Canadians have national elections next year and a new U.S. Congress convenes just after New Year's Day. It has been said that the agreement may have been the easy part and that ratification will be the heavy lift. IDA is already at work making the point with the state's congressional delegation about the importance of this agreement to the economic health of the state's dairy industry.

NEW FARM BILL ON HOLD

While the USMCA negotiations were heading to a conclusion, the U.S. House of Representatives recessed until after the midterm elections without coming to an agreement with the U.S. Senate on a new Farm Bill. The existing Farm Bill, passed in 2014, expired on September 30th. The impacts of that are expected to be minimal for at least a few weeks since many programs, including the Margin Protection

Program for Dairy (MPP-Dairy), are run on a calendar year basis.

The U.S. Senate is staying in session for at least part of the month of October. Republican leaders hope to complete the process for confirming a new U.S. Supreme Court Justice this month since a new term has begun for the Court.

The House will return in mid-November following the election. At that time Agriculture Committee leaders there and in the Senate will reassess the situation to see if it will be possible to resolve the differences in farm bills passed by the two bodies and put a bill on the President's desk before the end of the year. The House passed tougher eligibility requirements for the Supplemental Nutrition Assistance Program (SNAP) that the Senate, at least so far, is unwilling to go along with.

IMMIGRATION REFORM

Negotiations with the House Judiciary Committee on a new visa program that would work for Idaho's dairy producers have not yet produced a bill that adequately protects the current workforce and their immediate family members. While improvements have been made over the course of the year, namely 36-month work authorization

periods, the current bill includes an initial touchback requirement that is vague and offers too many opportunities for the system to break down. It also doesn't go even as far as the current H-2A program does in allowing workers to bring spouses and dependent children along with them for their work period in the U.S.

A critical part of the equation on immigration reform remains that mandatory use of the E-Verify system by all employers, including farmers, will be part of any bill on farmworker visa reform. That makes it clear that a bill providing a visa program that current workers won't sign up for would be worse for farmers than not passing a bill at all.

IDA has worked extensively with Congressman Mike Simpson to negotiate improvements to the House bill. Your organization has worked closely with other farm groups in the state so the Congressman knows what Idaho farmers need in an effective immigration bill. IDA thanks Congressman Simpson for his effective efforts to improve the bill to date and looks forward to continuing that work should the House return to considering immigration reform legislation either following the midterm elections or next year.

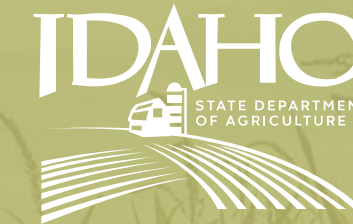


NUTRIENT MANAGEMENT FOR THE MODERN-DAY DAIRY FARM

Scott R. Leibsle, Idaho State Department of Agriculture

land applied by modern Idaho dairies contained more nutrients than what the OnePlan was giving credit for. For these reasons, ISDA ventured to build a new, web-based NMP software program that would characterize all nutrient aspects of dairy production, as accurately as possible, by emphasizing nutrient sampling rather

not be an accurate representation of the nutrient load on a given dairy. If so, producers will have the option to establish an alternate and more accurate excretion rate to develop their management plan. Because E/NMPs are planning documents, the goal is to be neither conservative nor liberal, but rather be as



Nutrient management on a modern-day Idaho dairy has evolved significantly in recent years. The expansion of many dairy facilities combined with the increase in milk production per capita through, in part, the refining of feed rations has impacted nutrient planning as well as the overall management philosophy of the dairy industry as a whole. The growth of the industry has positioned Idaho as the **number three dairy state in the U.S. by volume**, producing more milk per cow, on average, than any other state in the nation. The increase in size and production does, however, come at a cost. Modern feed rations designed for high milk production include more phosphorus than what has been used in years past. It's also worth mentioning that nearly 60 percent of the phosphorus in a typical feed ration passes through the cow and is deposited into the manure. As a result, the growth of Idaho dairies has increased the demand for additional acreage for nutrient application. The moral of the story is that crops only use a certain amount of nutrients each year, which means there is only so much land application of byproduct that can be done to farm ground before phosphorus will begin to accumulate in the soil.

This is where the Environmental/Nutrient Management Plan (E/NMP) comes into play. The original program used by planners to write and submit E/NMPs, the Idaho OnePlan, was developed in the early 1990s. At that time, a typical feed ration contained less P₂O₅, on average, than feed rations used today. The OnePlan was programmed to calculate the daily P₂O₅ excretion at a rate of 0.15 ppm per adult lactating cow per day, which was an accurate estimate of the manure composition 25 years ago.

However, feed rations have continued to evolve since the 90s and now, on average, contain a much higher percentage of P₂O₅, which results in more phosphorus passing through the cow, into the manure, and being applied to fields. The programming of the OnePlan did not take evolving feed rations into consideration and, as recently as 2017, was continuing to generate E/NMPs that may have underestimated the amount of P₂O₅ produced on an average dairy. As a result, based upon the outdated book values, the byproduct being

than relying on book value estimates. This project is now complete and the Idaho NMP software program is currently available for all planners and producers to use. Many improvements and upgrades have been installed into the new program, but one major difference in particular is worth mentioning. The new program now calculates daily P₂O₅ excretion at a rate of 0.27 ppm per lactating cow per day. This value is calculated based on typical feed rations used by current dairies and is nearly double the previous number used by the OnePlan. The net effect of this change may cause some dairies that have previously never been faced with a land shortage to reduce their application rates and be forced to consider other nutrient management practices to make up for the lack of available acreage. Dairies that farm more acreage than the minimum necessary to receive their nutrients may be entirely unaffected by this change, but this will not be the case for many other operations. ISDA fully understands the impact this may have on Idaho dairies and encourages producers to work with their nutrient management planners to develop solutions. In some cases, depending upon the operation, the new phosphorus excretion rate may still

accurate as possible with the tools that are available. The most accurate nutrient application rate calculations are achieved by testing the nutrients before they are applied. ISDA encourages all producers to work with their nutrient planner to either refine their E/NMP or incorporate regular nutrient testing into their operation. In either case, it is absolutely essential that all dairy producers have a full and complete understanding of their E/NMP document, especially when it comes time to empty lagoons and land apply nutrients, to prevent over-application and allow for better crop management.

As long as Idaho continues to operate on a phosphorus-based management system, the preservation of farmland and associated nutrient application practices will be a topic of ongoing debate, but in the end, each individual producer should always look to consider the most accurate data available when making decisions on how to effectively utilize and responsibly apply nutrients to his/her own land. ISDA encourages producers to contact the Boise office or their dairy inspector for assistance and any questions they may have regarding nutrient management.

FOOD SAFETY MODERNIZATION ACT

David P. Claiborne & Katie L. Vandenberg, Sawtooth Law Offices, PLLC



Although the United States has one of the safest food supplies in the world, the US Centers for Disease Control and Prevention estimates that nearly 48 million people get sick every year from foodborne illnesses. In an effort to make our food safer, Congress passed the Food Safety Modernization Act ("FSMA") in 2011. **FSMA is the biggest change to federal food safety laws in 70 years.** However, with some compliance dates already in the past and some quickly approaching, many farmers and food processors are in limbo, wondering who it applies to and how to comply.

WHAT DOES THE FSMA DO?

FSMA gives the Food and Drug Administration ("FDA") the ability to regulate our food supply chain, from farm to fork, to try to prevent foodborne outbreaks before they occur. FSMA requires facilities to implement risk-based preventative controls, establish hazard analysis, and follow good manufacturing practices to make our food supply safer. These requirements have been turned into specific rules tailored

to meet the food safety concerns presented by specific products or practices. The different areas targeted by these rules include produce, human food, animal food, transportation, and imported food.

WHO DOES IT APPLY TO?

This is where it starts to get tricky. If your facility is engaged in the manufacturing/processing, packing or holding of food for consumption in the United States, such as a dairy processing facility that pasteurizes milk or creates cheese, then you must register with the FDA as a "facility," unless you qualify for one of the exemptions. Exemptions include farms, retail food establishments, restaurants, and facilities that are regulated exclusively by the Federal Meat Inspection Act, Poultry Products Inspection Act, and Egg Products Inspection Act. However, even though FSMA

generally excludes "farms," some may still be subject to more narrow provisions of it if they conduct activities beyond those included in FSMA's definition of a farm, or if they engage in activities specifically targeted by FSMA. For example, the FSMA Produce Safety Rule applies to farms that raise produce for raw human consumption, and feed mills that are not fully vertically integrated with a farm may be subject to the Animal Food Rule. The bottom line is that even though most farms are exempt, they may be subject to certain aspects of FSMA if specific conditions are met. So what does that mean for dairy farmers?

There has been some confusion over how dairies are impacted by FSMA because of the rulemaking process that occurred after FSMA was passed. For example, dairy farms were originally intended to be subject to certain provisions in FSMA, such

Milk has been identified as an agricultural product that is at high risk for accidental and intentional contamination because of its complex process of reaching the consumer.

as the intentional adulteration rule. Milk has been identified as an agricultural product that is at high risk for accidental and intentional contamination because of its complex process of reaching the consumer. The Pasteurized Milk Ordinance (“PMO”) sets standards to prevent accidental contamination but does not address standards to prevent intentional contamination. Therefore, the original

FSMA rule proposed that dairy farmers be specifically included under the provision. However, because it is not feasible to lock a milk tank or parlor on a dairy farm to restrict access, nor were any more practical mitigation strategies suggested to the FDA, the final rule exempted dairy farms from this provision. However, dairy processing facilities, such as those that process cheese and milk to be consumed, are still subject to this specific rule. Although dairy farmers that do not engage in processing activities are not regulated under FSMA, they should still attempt to prevent all forms of possible contamination as operations allow.

It is possible that dairy farmers may be subject to the Animal Food Rule if they produce raw ingredients and process them into cow feed, depending on how the operation is managed. Feed mills that are fully vertically integrated with farming operations (meaning the farm, the animals, and the feed mill are all together under one management) are

not subject to the Animal Food Rule. However, if the entire operation is not under the same management, then it is possible that the operation processing the cow feed may be subject to the rule, which would require the facility to have a food safety plan in place that includes an analysis of hazards to determine which ones need control and risk-based preventive controls to minimize or prevent those hazards. The FDA has specifically acknowledged its concerns about not having vertically integrated feed mills subject to the rule, and intends to publish a proposed rule in the future that would require feed mill operations that are integrated with a farm to implement good manufacturing practices.

Therefore, at this time, dairy farms are generally not covered by FSMA requirements, unless a dairy farmer also engages in processing or storing dairy products for consumption, or is engaged in some other activity, such as growing produce for raw consumption or operating a feed mill, that is under the purview of FSMA.

If you do engage in processing milk, growing other crops for raw human consumption, or processing cow feed, we encourage you to look further into FSMA to determine whether the unique characteristics of your operation may place you under the purview of the act. You can find more information on the FDA’s official website at <https://www.fda.gov/Food/GuidanceRegulation/FSMA/default.htm>.

SOIL TESTING LABS

Megan Satterwhite, Environmental Programs Director

Recently, we’ve had a lot of discussion of soil testing labs in the office, and I just wanted to remind you to use a certified soil testing lab for your annual soil analysis to maintain compliance with your NMP. Your soil testing lab should be certified through the NAPT-PAP or ALP program. These certification programs assure the accuracy and precision of the analytical results, as well as analytical methodologies used to generate results. Labs undergo recertification each year. It is a good idea to check with your lab to make sure they maintain their certification. Also, be sure to retain five years of soil testing records on the facility for your annual ISDA environmental inspections. Below is the 2018 list of certified soil testing labs in the Pacific Northwest. Please feel free to contact me to discuss soil sampling or any other questions you may have regarding nutrient management.

Megan Satterwhite
208.420.6795



LABORATORY	ADDRESS	CITY	STATE	PHONE	WEBSITE
Ag Source Laboratories	323 6th Street	Umatilla	Oregon	541.922.4894	agsource.com
Best Test Analytical Services LLC	3394 Bell Road NE	Moses Lake	Washington	509.766.7701	besttestlabs.com
Cascade Analytical	3019 GS Center Road	Wenatchee	Washington	509.662.1888	cascadeanalytical.com
CSU Soil, Water, and Plant Testing Laboratory	200 W Lake Street	Fort Collins	Colorado	970.491.5061	soiltestinglab.colostate.edu
GHC Labs	4131 N 2200 E	Filer	Idaho	208.326.7237	ghclabs-id.business.site
Kuo Testing Labs, Inc.	337 South 1st Avenue	Othello	Washington	509.488.0112	kuotestinglabs.com
Soil Test Farm Consultants	2925 Driggs Drive	Moses Lake	Washington	509.765.1622	soiltestlab.com
Northwest Agricultural Consultants	2545 W Falls Avenue	Kennewick	Washington	509.783.7450	nwag.com
Stukenholtz Laboratory, Inc.	2924 Addison Avenue E	Twin Falls	Idaho	208.734.3050	stukenholtz.com
Tremblay Consulting, Inc.	394 S 335 E	Jerome	Idaho	208.324.1148	NA
USU Analytical Lab	1541 N 800 E	Logan	Utah	435.797.2217	usual.usu.edu
University of Idaho	2222 West 6th Street	Moscow	Idaho	208.885.7900	uidaho.edu/asl
Western Laboratories, Inc.	211 Hwy 95	Parma	Idaho	208.722.6564	westernlaboratories.com

FAMILY HEALTH SERVICES

Ryan DeWit, Dairy Worker Training & Safety Director

We recently were introduced to **Family Health Services (FHS)** to learn more about their valuable clinics to the Magic Valley. In return, we were able to inform their management about the demographics of our industry, workforce, and unique challenges. The introductions were great as we could learn more about their services, locations, and mission. The main takeaway from our meeting was how they provide services with little to no personal information required for their patients. They provide services to patients, regardless of insurance coverage. FHS only focuses on the wellbeing of their patients. Please find an overview of the services they provide on the following page.

Family Health Services has nine clinics providing medical, dental, and behavioral services. They also operate two pharmacies in Burley and Twin Falls. We thought the above information is worth passing on to your employees and their families. Please reach out with any questions in regards to employee safety/health.

Ryan DeWit
806.265.5390



family
health
SERVICES

Family Health Services provides a variety of medical services including providing immunizations, delivering babies, treating diabetes and helping with various medical problems. All services are provided at a reduced cost based on a patient's household income and family size. We also provide dental services including cleanings, exams, fillings, and root canals at a reduced fee. We have very low costs for medications at many pharmacy locations. We also provide reduced-cost counseling services.

All of our clinics have bilingual staff. All of our clinics can help you find what you need, even if it is help with buying medications, getting a special test, or seeing a specialist. There are Family Health Services clinics in Twin Falls, Jerome, Buhl, Kimberly, Burley, Rupert, and Fairfield. Please tell your family and friends to come visit us so we can help you get and stay healthy!

Call 208.734.0451 to schedule an appointment today or go to www.fhsid.org to find out more!

SERVICES

- Safe place for all
- Spanish-speaking staff
- Immigration documentation not requested
- We help everyone - regardless of ability to pay

DETAILING DAIRY REVENUE PROTECTION

Andy Faulman, a Risk Management Advisor with Rice Dairy LLC*



WHAT IS DAIRY RP?

Modeled after crop insurance, Dairy RP will be a revenue-based program protecting dairy producers from unexpected declines in milk sales. Put another way, it will protect against unexpected declines in the milk price.

The keyword in this program is revenue. This program will not be accounting for the input side of the equation. This is strictly a revenue-based product. Breaking the program down from start to finish, there are a couple of decisions the producer will need to consider.

The first thing to consider: How are they going to value their revenue? There are two different ways to do that: a class base or a component base. Going the class base route, producers can allocate a percentage of their revenue toward Class III and Class IV at their discretion. For higher component herds, a producer can use declared butterfat, protein and other solids to value their revenue. At the maturity of the policy, the values reported into the National Dairy Products Sales Report will be used to determine the settlement price of the policy, which in turn determines whether an indemnity is to be paid to the producer.

Moving further down the decision tree, a couple more things come into play. Coverage will be offered on a quarterly basis for up to five quarters at a time. The price that will be quoted on the policy will be a quarterly average price rather than prices for individual months. From a production standpoint, producers will be allowed to cover as much of their production as they would like per quarter. There will be no cap on coverage.



This article was first distributed in Cheese Market News®

Starting Oct. 9, dairy producers will have another tool in their risk management toolbox courtesy of Farm Bureau. The Dairy Revenue Protection Program (Dairy RP for short) is a government-subsidized crop insurance program tailored to the dairy producer. On the surface, this program has the nuts and bolts to make some waves in the dairy risk management space.

Along with that, there will be a protection factor included that allows producers to increase their level of protection by a factor of up to 50 percent in 5 percent increments. For an additional premium cost, this protection factor will allow for increased coverage without having to add more cows. Essentially, a producer milking 100 cows can use the protection factor to purchase up to an additional 50 percent of production or, put another way, protect themselves as if they were milking up to 150 cows.

HOW ARE THE POLICIES GOING TO BE PRICED?

Both class and component will be priced off daily settlements for dairy futures at the Chicago Mercantile Exchange. For example, if a producer was looking to go 100 percent Class III for coverage, the quarterly average of the Class III futures market the producer is looking to cover will be the starting point for coverage. After that price has been established, a coverage level of 70-95 percent of that price will need to be selected by the producer.

Let's assume a producer is looking to cover the first quarter of 2019, and on the day they go to purchase a policy through Dairy RP, the average Class III futures price in the first quarter settled at \$16.00. Assuming the producer opts for the 95 percent coverage level, they would take that \$16.00 price and multiply it by the percent coverage level. In this case, they would get a revenue protection price of \$15.20. Unlike other government protection programs like the Margin Protection Program and Livestock Gross Margin, the Dairy RP program will be offered seven days a week except for days where futures have a limit up or down move along with USDA dairy report days (Milk Production, Dairy Products, etc.).

How the Dairy RP will affect the market is yet to be seen. Regardless of what kind of impact Dairy RP will have on the physical milk market or futures market, one thing is for sure: this program has the capacity to change the landscape of dairy risk management for years to come.

**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 believed to be reliable; however, no independent verification has been made. Information contained herein is strictly the opinion of its author and not necessarily of Rice Dairy and is intended to be a solicitation. Past performance is not indicative of future results.*



CHOBANI SCHOLARS

Bill Loftus, CALS Science Writer

In June, the Chobani Foundation donated \$160,000 for scholarships to the University of Idaho to help educate the next generation of dairy professionals. This scholarship program provides vital financial support to fuel the next generation of American dairy farmers.

The Chobani Scholars program will benefit students from Idaho's Magic Valley surrounding Twin Falls, where the Chobani company operates the world's largest yogurt plant.

With the first Chobani Scholars scheduled to arrive on campus in fall 2019, Idaho high school students will want to know more about the Chobani Foundation's unique opportunity to study at the University of Idaho and the many opportunities they will experience in the classroom and beyond.

"Chobani has been a great corporate citizen for Idaho from the start. This investment in the people of the Magic Valley – and its own future workforce and supply chain partners – is a perfect example of the culture behind that civic virtue," Idaho Gov. C.L. "Butch" Otter said of the recent gift. "Working together with the University of Idaho to build a better educated and more highly skilled ag sector will yield personal and economic rewards for years to come."

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THIS INVESTMENT IN THE
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BEHIND THAT CIVIC VIRTUE.**

— IDAHO GOV. C.L. "BUTCH" OTTER

Chobani[®]
Foundation

University of Idaho
College of Agricultural
and Life Sciences

The foundation's goal is to support students, including children of migrant workers, who have family ties to the dairy industry and plan to pursue their own dairy careers.

"As an independent food company with deep ties to our dairy communities, it's important to us all that we do everything we can to support the next generation of dairy farmers," said

Michael Gonda, Chobani's senior vice president of corporate affairs. "The Chobani Foundation's mission is to strengthen the

communities we call home, which makes this investment in the future of farmers so important. We can't wait to meet the Chobani Scholars and welcome them into our family."

The donation will fund eight \$20,000 scholarships split between students who begin college in 2019 and 2020. The scholarships are for students whose family members are connected to dairy production and who intend to pursue a career in dairy farming.

"This will help students realize their dreams of finding their place in the rapidly evolving dairy industry, one of Idaho's most important agricultural enterprises," said Michael P. Parrella, dean of the U of I College of Agricultural and Life Sciences.

The Chobani Foundation is funding an identical program at Cornell University.

Each university will manage the selection of specific scholarship recipients.

The opportunity to participate in research and educational experiences beyond the classroom sets the University of Idaho apart from many institutions, particularly for animal science students interested in dairy careers.

Many U of I students pursuing a degree related to dairy science participate in the North American Intercollegiate Dairy Challenge for the opportunity to work on teams with students from other top universities and learn by visiting commercial dairies.

The U of I dairy challenge teams have been led by Animal and Veterinary Science Department head and dairy science professor Amin Ahmadzadeh. An enthusiastic and skilled researcher, he mentored students to top-tier status in the annual competitions.

Ahmadzadeh organized two regional dairy challenge competitions in the Twin Falls area in recent years to give dairy operators there opportunities to gain outside assessments of their operations and to do their share in preparing the next generation of dairy industry leaders.

As a professor, Ahmadzadeh won many teaching awards from the American Dairy Science Association, North American Colleges and Teachers of Agriculture, Dairy Science Association, American Society of Animal Science, National Association of State Universities and Land-Grant Colleges and other organizations.

Professors and researchers offer undergraduate students a wide variety of laboratory experiences, many of them through paying jobs. Students gain research experience and learn about the latest scientific technologies. The college also participates in the regional Western Dairy Center's BUILD program, which stands for Building University-Industry linkages through Learning and Discovery. Several researchers at U of I currently receive BUILD funding for projects supported by the dairy industry and dairy farmer organizations to provide undergraduate students with practical research experience related to topics like dairy microbiology, functional dairy foods and health, and food safety.

The diversity of dairy-related education and research at the university ranges from dairy management, animal nutrition and fertility to food product development and food safety, to name a few. The college is passionate about feeding the world, developing and educating future leaders, protecting human and environmental health and facilitating stewardship of natural resources. Through the Chobani Scholars program, the college can ensure the future of your industry shares that same passion.

To learn more about the Chobani Scholars program, visit:

www.uidaho.edu/cals/Chobani

This will help students realize their dreams of finding their place in the rapidly evolving dairy industry, one of Idaho's most important agricultural enterprises. — MICHAEL P. PARRELLA



THE IMPORTANCE OF DAIRY FINANCIAL STATEMENTS

Brandie ODell, CPA at Frazer, LLC



There's an old joke about keeping separate sets of books – one for the bank, one for the IRS, and one to really understand what's going on in your business. While typically brought up tongue-in-cheek, different rules of accounting actually allow a business to do this. The focus of this article will be the books for the bank, why they are important, and how they can convey the actual financial position of your dairy.

Most accountant-prepared dairy financial statements use generally accepted accounting principles (GAAP). These principles require financial statements to be presented on the accrual basis, which is an accounting method that tracks income and expenses as they are earned and realized. This differs from the cash basis method that is accepted by the Internal Revenue Services for tax reporting in that cash basis tracks income and expenses as they are received and paid.

Banks usually require financial statements when making lending decisions. Banks want to see a financial statement, generally prepared by an independent accountant, to ensure that the dairy has the ability to repay the loans that have been requested. The bank may use the financial statement to do additional calculations such as EBITDA (earnings before interest, taxes, depreciation, and amortization) or cash flow projections. The bank will

also want to compare the dairy to industry averages and benchmarks.

There are specific guidelines for the preparation of financial statements that may differ by industry. Examples are the use of hundred-weight calculations and herd replacement cost.

HUNDREDWEIGHT, FAT AND ENERGY CORRECTION, AND COMMON SIZING FINANCIAL STATEMENTS FOR COMPARISON

Since milk production is the main driver of any dairy operation's profitability, milk production is used as a complementary method of measuring a company's breakeven and cost of production and making operations of different sizes comparable. Income and expenses are presented per hundredweight of milk produced, which allows a 500 cow dairy to compare relevant financial data with a neighboring 5,000 cow dairy.

Another useful metric as more herds are bred and fed for components is fat or energy correction. There are different formulas that have different uses, but typically fat or energy correcting milk means giving weight to the fat and protein content in the milk. This is useful when comparing a Holstein herd's financial statement to a Jersey herd's financial statement.

HERD REPLACEMENT COST AND CAPITALIZATION OF HEIFER RAISING COSTS

Herd replacement cost is a metric that estimates the cost to keep the dairy full. Included in the herd replacement cost is depreciation of dairy cows and the gain or loss on sale of cows. Dairy cows are either purchased or raised through a heifer raising program. On accrual basis financial statements the value of the animal is treated as a long-term asset. Once the heifers reach maturity and are moved into the milking herd (first lactation), they begin to be depreciated over their useful life. Depreciation is calculated using the straight-line method over an estimated useful life of five or seven years.

The other part of the herd replacement cost is the gain or loss on sale of cows. The gain or loss on sale of cows is calculated as the sales proceeds over the net basis of the cow at the time of sale. The gain or loss would also include the net basis of any animal that died during the period. The net basis is derived by subtracting the total depreciation taken over the life of the asset (accumulated depreciation) from the original purchase price or raised value. Below is an example of the loss on sale of a cow assuming the herd has a 40% turnover rate:

Purchase price	\$2,000
Accumulated depreciation (30 Months)	(715)
Net basis	1,285
Sales proceeds	(800)
(Gain) loss on sale	<u>\$485</u>

Since it can be difficult to calculate the actual cost to raise an animal to maturity, generally an estimate is used. That estimate should consider direct and indirect costs and is the negative number that typically appears under feed costs and, in some cases, under operating expenses. Some direct costs include feed, veterinary services, and breeding services. Indirect costs include land rent, irrigation, utilities, and labor. These costs are tracked and depreciated as the heifers give birth and enter the milking herd.

BENCHMARKING AND THE USEFULNESS OF A DAIRY FINANCIAL STATEMENT

Dairy financial statements are used to estimate the financial health of a dairy, and therefore the risk to the bank of loaning money to that dairy. Management can use the financial statements as a tool to understand the company's breakeven and cost of production, and make informed decisions when buying feed, expanding, or hedging milk or feed. By evaluating income and expenses on per hundredweight of fat or energy corrected hundredweight bases, lenders, management, and owners have the ability to benchmark operations against peer groups, even if the peer groups are of different size and different breeds. There are several published sources for benchmarking. One very useful tool is Frazer, LLP's Dairy Operating Trends, published semi-annually. This publication can be found at www.frazerllp.com/resources/dairy-farm-operating-trends/

If you'd like additional information regarding the operating trends, you may visit our website at www.frazerllp.com or contact me at bodell@frazerllp.com.



FARM PROGRAM LAUNCHES FOURTH SILO: FARM WORKFORCE DEVELOPMENT

Christopher Galen, National Milk Producers Federation, Introduction by Ryan DeWit



I am happy to share a news release from National Milk Producers Federation. Earlier in October they formally announced the launch of the fourth pillar of the Farmers Assuring Responsible Management (FARM) Program – FARM Workforce Development. The Idaho Dairymen's Association, Drs. Douphrate and Hagevoort, and Idaho dairy owners and workers have been actively engaged in the development of these resources, as highlighted in the below press statement, with Dr. Douphrate and Dr. Hagevoort playing key roles in the program development thus far.

ARLINGTON, VA – The National Dairy FARM Program announced today the launch of its fourth program area, FARM Workforce Development. The initiative provides U.S. dairy farm owners and managers with educational tools that offer best management practices around human resources – including hiring, training, and supervision – and worker health and safety.

FARM Workforce Development was created by stakeholders from the entire dairy value chain to provide

educational materials on one of the most pressing concerns for the dairy sector. The human resources part of the program focuses on how to best attract, invest in, and retain a professional, high-quality, engaged workforce.

The safety portion outlines how farms can further cultivate and demonstrate continuous commitment to on-farm safety. For the safety portion of the initiative, FARM is collaborating with the Idaho Dairymen's

Association (IDA) to develop a best-in-class safety resource for dairy farm owners and managers. IDA's Dairy Workforce Training & Safety Program Oversight Board includes representation from dairy farm employees to provide the worker perspective into the development of the safety manual.

According to FARM Program management, these new educational resources will help farmers who want to broaden their understanding and implementation of human resources tools and safety practices for their employees.

“By making these tools available, we will further demonstrate the dairy industry's existing commitment to continuous improvement in human resources and worker safety,” said Emily Yeiser Stepp, senior director of the FARM Program. “This new component of the FARM Program offers educational materials tailored to the needs of U.S. dairy farms of all sizes.”

The National Dairy Farmers Assuring Responsible Management (FARM) Program began developing its newest component last year, gathering expert and stakeholder input through its Workforce Development Task Force. Farmers, cooperative staff, academics, and other subject matter experts – divided into working groups – have reviewed, recommended and provided counsel on the program area's resources.

This reliance on stakeholder input ensures the Workforce Development materials are technically robust and relevant to today's dairy industry.

The educational resources will provide farm owners

Like mentioned in previous newsletters, IDA has a fundamental role in developing key resources for dairymen across the country. At the end of the day, the expertise from Drs. Hagevoort and Douphrate, their counterparts, and Idaho's dairymen will deliver a resource that is applicable and usable at the dairy farm level.

with resources that can assist in increasing worker engagement, reducing employee turnover and enhancing the safety of dairy farming. Some of those resources will include:

- State-by-state and federal legal fact sheets that summarize state laws and regulations on a variety of human resource issues for dairy farms, including wages, benefits, payroll, youth employment and more.
- The FARM Human Resources Reference Manual that contains a self-assessment and templates, including a sample employee handbook.
- The FARM Safety Reference Manual that provides dairy owners and managers with an overview of safety management best practices, legal considerations and more.

“Dairy farm employees are dedicated to high-quality animal care and producing nutritious milk. Farm owners and managers share that dedication and strive to create work environments that attract and retain employees. Until now, they didn't always have access to the proper resources to advance their farm's HR and safety management goals,” said Nicole Ayache, NMPF's Director of Sustainability Initiatives and FARM Workforce Development team leader. “It only made sense to bring those goals into the FARM Program's spirit of continuous improvement to enhance the safe, secure, and thriving work environments on our dairy farms.”

The National Milk Producers Federation (NMPF), based in Arlington, VA, develops and carries out policies that advance the well-being of dairy producers and the cooperatives they own. The members of NMPF's cooperatives produce the majority of the U.S. milk supply, making NMPF the voice of dairy producers on Capitol Hill and with government agencies. For more on NMPF's activities, visit their website at www.nmpf.org.



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UPCOMING EVENTS

October 29 - 31 NMPF/DMI Annual Meeting

November 5 - 6 IDA/UDI/Dairy West Board Meeting

November 7 - 8 IDA/UDI/Dairy West Board Meeting

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