

Q3 / 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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# FEDERAL DAIRY ISSUES UPDATE

CHARLIE GARRISON / IDAHO DAIRYMEN'S ASSOCIATION

## A BIG AGENDA FOR CONGRESS IN WASHINGTON, D.C. THIS FALL

Both the U.S. Senate and House of Representatives will return to Washington, D.C. following the summer recess to a full plate of big-ticket legislation. There are infrastructure packages, funding for the federal government's new fiscal year that starts October 1st, and the need to pass an increase in the nation's debt limit. Adding to the difficulty of passing major policy initiatives is the fact that much of the country is struggling with an alarming increase in COVID-19 cases as the delta variant has emerged and is apparently more contagious than the coronavirus that caused the lockdowns last year. The expectation well into the early weeks of summer was that in-person meetings would start back up in the congressional office buildings in September. That is clearly no longer the case.

## BUDGET RECONCILIATION

The White House and most Senate Democrats support a \$3.5 trillion package of what has become known as "human infrastructure" spending on programs including earlier access to Medicare, universal pre-kindergarten education, and financial assistance for childcare. This bill will draw votes only from Democrats in the House and the Senate. That is why the Senate, split equally between the two parties, will use a procedure known as "budget reconciliation" that allows legislation dealing primarily with either federal spending or revenue to pass with a simple majority instead of the 60 votes required to break a filibuster.

The U.S. House of Representatives returned to Washington, D.C. in mid-August to pass the framework for the \$3.5 trillion bill. To do that, House Speaker Nancy Pelosi (D-CA) had to

commit to a vote on the bipartisan bill the Senate passed by September 27th. Speaker Pelosi has given her committees total available budget numbers for programs in their jurisdiction and a deadline of September 15th to produce language for the larger bill.

The \$3.5 trillion bill is expected to include a number of provisions that would affect

The Biden administration continues to place its highest priority on battling climate change.

Idaho dairy producers. For example, Senate Democratic leaders want to include legal status for the estimated 11–12 million people currently in the country without proper documentation. First on that list will be participants and those eligible for the Deferred Action for Childhood Arrivals (DACA) program. Next would likely be those in the category of "essential workers" we all became familiar with during the pandemic. Farmworkers, as part of the food production chain, would be included in that group.

The Senate Parliamentarian, which is an appointed staff position, determines what provisions can and cannot be included in a budget reconciliation bill. We won't know if farmworkers will be offered legal status in this budget reconciliation bill until the Senate Parliamentarian reviews the language that is written and then rules on whether that provision is germane to federal spending or revenue. That ruling is expected later this month.

## FEDERAL TAX POLICY

Another aspect of the budget reconciliation bill is how the Congress intends to pay for the increased spending. Several changes to the federal tax code are expected to be included and some of those will have a big impact on farm families. IDA joined a letter to the leaders of House and Senate committees with jurisdiction over tax policy opposing changes to the estate tax exemption, like-kind exchanges, the Section 199A business income deduction, and any reform of the stepped-up basis that would water down the effectiveness of that provision in providing for generational transfer of farm assets in family succession plans.

## BIPARTISAN INFRASTRUCTURE BILL

The U.S. Senate passed a \$1 trillion bill to improve roads, bridges, ports, airports, and provide broadband access that is both affordable and available in rural areas of the country. That bill passed the Senate on August 10th by a vote of 69–30 with the support of both Idaho Senators Mike Crapo and Jim Risch.

As stated on page 3, the House vote on the bipartisan infrastructure bill is linked to the \$3.5 trillion bill becoming law. Senate Democrats, however, are not united in support of a bill that large so it remains to be seen whether late September deadlines set for both bills will hold.

## IMMIGRATION REFORM

Senator Mike Crapo continues his efforts as the lead Senate Republican negotiating a counterpart to the house-passed Farm Workforce Modernization Act (FWMA). That bill would accomplish the IDA priorities for immigration reform by offering a path to legal status for current farmworkers and access to a program for legal new workers when they are needed in the future.

Senator Crapo is working on improvements to the House bill to broaden its bipartisan support. That work now waits on the decision regarding the inclusion of legalization for current farmworkers as part of the budget reconciliation bill process discussed on page 3.

## INTERNATIONAL TRADE

Exports continue to grow in importance to U.S. dairy producers as sales to foreign markets expand as the world cautiously reopens from the pandemic-related lockdowns of 2020. Senator Crapo is the top Republican on the Senate Finance Committee, which oversees international trade issues. He was instrumental in asking the U.S. Trade Representative's (USTR) office to request a review panel to evaluate U.S. concerns about Canada's failure to implement certain provisions of the U.S.-Mexico-Canada Agreement (USMCA).

That request has been granted and the panel will review U.S. complaints that Canada's methods for providing access to their dairy market for U.S. suppliers falls short of what was agreed to in the USMCA.

## CLIMATE CHANGE

The Biden administration continues to place its highest priority on battling climate change. Agriculture will increasingly be expected to play a role in those efforts by finding ways to reduce greenhouse gas emissions from farming operations and to adjust practices to remove carbon from the atmosphere. Incentives for farmers to help in the fight against climate change are expected to be part of the budget reconciliation bill the Congress is working on this month. Longer-term, the "*Growing Climate Solutions Act*" has been introduced in both the House and the Senate. The emphasis in that bill is for the USDA to be the lead agency on the role U.S. agriculture will be expected to play in fighting climate change. That bill, which aims to keep programs for farmers effective and affordable, has the support of all four members of the Idaho congressional delegation, Senators Mike Crapo and Jim Risch and Representatives Mike Simpson and Russ Fulcher.

## VACCINE MANDATE

The executive order issued by President Biden last week includes a mandate for all businesses

with 100 or more employees to require their staff to be vaccinated for the coronavirus. It requires the same of any size entity with a government contract. That applies to dairy industry companies and cooperatives supplying products to federal purchasing programs. The order requires the U.S. Department of Labor to write the regulations, which will take some time. Vaccine mandates are also likely to be challenged in the courts. **The governor's office issued the following statement this past week:** "The State of Idaho is exploring legal action to stop President Biden's unprecedented government overreach into the private sector with his new COVID-19 plan. I am working closely with my legal counsel and Attorney General Lawrence Wasden on legal options to protect the rights of business owners and their employees. I have been consistent that government should stay out of decisions involving employers and their employees as much as possible. I've advocated for and championed fewer government regulations and mandates on business."

IDA will monitor the implementation of the executive order and keep you informed of significant developments.

On an issue unrelated to vaccine requirements, the executive order directs the Small Business Administration (SBA) to develop a streamlined process for the forgiveness of Paycheck Protection Program (PPP) loans of \$150,000 or less. □



# GOVERNOR BRAD LITTLE REINFORCES STRENGTH OF IDAHO AT IMPA BANQUET

TAYLOR WALKER / IDAHO DAIRYMEN'S ASSOCIATION

On the evening of August 11, Idaho Governor Brad Little attended a banquet hosted by the Idaho Dairymen's Association during the Idaho Milk Processors Association annual conference in Sun Valley. As distinguished visitors, executive associate members, and their guests dined, Governor Little spoke about the strength of Idaho's economy, largely crediting the Idaho ethos of doing the right thing. Additionally, he shared key steps taken by his administration that play vital roles in preserving and expanding the dairy industry, including:

- » *Investing in transportation and sustainable water*
- » *Investing in rural broadband enhancements*
- » *Developing programs to introduce students to CTE and keep them in Idaho*
- » *Continuing to examine existing regulations for opportunities to reduce regulatory friction*
- » *Ensuring dairymen have a seat at the table, especially on matters of labor supply*

With Idaho's proven track record of budget surplus and ease of commerce, Governor Little emphasized that with hard work and good, limited government, the state and dairy industry will continue to thrive. □



# FARM ES IS NOT BS

TANYA HIBLER & MEGAN SATTERWHITE / IDA CONSULTING SERVICES

FARM Environmental Stewardship (ES) is a module developed by the FARM program to provide dairymen with tools to measure and improve dairy's environmental footprint. It seems expectations just keep growing, from the environment and worker safety to animal health and beyond. We are all thinking: how did we get here? Having a small population here in Idaho might make it easy to make milk, but it also means exporting most of the end product. Having a large export market means Idaho products are going to consumers in other countries who want it their way. Competitive countries are already committed to goals on climate and have consumers expecting products to do the same.

Most exposure of FARM ES to dairymen in Idaho has come from the co-ops and processors. The true intent of the FARM ES model is to offer a baseline to dairymen and serve as a tool for each farmer to track future improvements. FARM ES is not just for the co-ops and processors, so each dairyman should get to use it in the same manner. However, co-ops/processors are also in the

equation when it comes to meeting the goals of the Net Zero Initiative. The initiative commits the dairy supply chain to “net zero” on all greenhouse gas emissions (*methane, nitrous oxide, and carbon dioxide*) by 2050. Co-ops/processors are working on baseline evaluations and accounting for their own footprints. FARM ES is a tool they can use when working out the baseline on their end as well. As consumer's demands grow and the industry works towards climate neutrality, it is important to have an ability to measure the progress made. Some co-ops/processors have given themselves a lot of time to reach greenhouse gas (GHG) goals and others wanted to be there yesterday, and with this we have seen the roll out of FARM ES on the dairy.

The producers provide and maintain their data, which gets entered into the FARM ES program by a 2nd party evaluator, and is presented as an aggregate data set if used for any purpose by the FARM program. The data is still yours and **the outputs from the model need to be shared with you afterwards.** However, if additional help is needed to understand, please reach out to us.

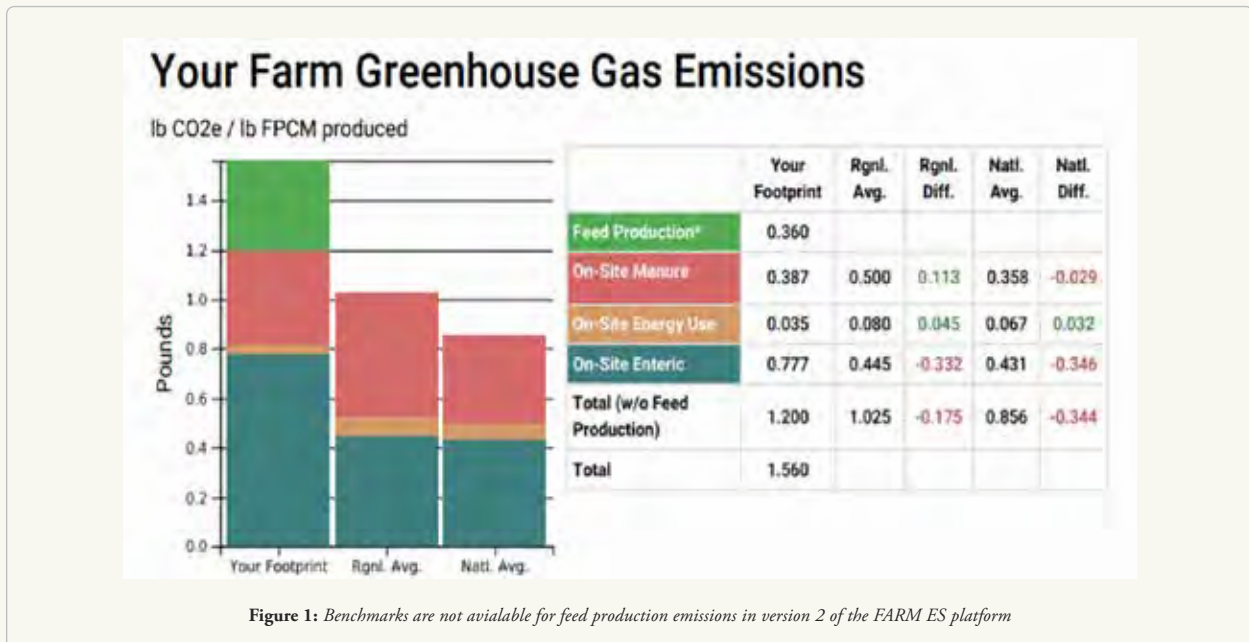


Figure 1: Benchmarks are not available for feed production emissions in version 2 of the FARM ES platform

FARM ES asks a lot of questions regarding each dairy's environmental footprint. Some questions, like the energy use portion, require a bit of digging for an answer. Accurate answers are essential to the model and help to give consistent results year after year. The baseline year carries an enormous weight moving forward and could be seen as a bar to beat. Incomplete data could lead to future misunderstandings on reporting and delays in overall accomplishment towards the goal.

So, what is the end result? An estimate of how much GHG it takes to produce a pound of milk. The final output is a tidy graph of the farm and four categories (*feed production, enteric, manure management, and energy usage*) that comprise the emissions. What good is the information if you can't see where you fall in the industry, so right next to the farm's graph is a similar one for a regional comparison.

FARM ES provides farmers with a tool that is less invasive than other alternatives but also meets the standards of customers. While researching other models, we found they require a larger amount of information to establish baselines and may not be as user friendly. FARM ES was made with your privacy in mind, and the creators at the FARM

Program have tried to keep it as straight forward as possible.

The Net Zero Initiative is in its infancy. The same could be said about FARM ES. As research is conducted and certain practices are adopted to decrease our impacts FARM ES will have the ability to document progress throughout the supply chain. The ability to do this satisfies the customers and sustains export markets with our milk. The interface is relatively new, and we fully expect updates to the program as time progresses making it easy to use, yet still accurate in its accounting. The intention is to offer a baseline and serve as a tool for each farmer, not just the co-ops/processors. It can be used to help guide business decisions and point out areas to invest in on the farm.

All of it is overwhelming, but the good news is that some customers are willing to put money where their mouth is. As the expectations grow, there are organizations that want to help. On farm funding is starting to be discussed for farm projects and pilot projects. As an organization, we hope to see the funding expand across several partners to help the industry reach climate neutrality. □

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BOARD MEMBER SPOTLIGHT

# KIM KORN

When sprawling subdivisions began to encroach on their dairy in Nampa, Idaho, the Korn family knew it was time to find a new place to call home. In 2004, Korn Dairy wrangled their herd and moved to Terreton, an off-the-beaten-path agricultural community in Eastern Idaho.

In Terreton, the dairy expanded to 100 head of cattle comprised of Holsteins and Brown Swiss. Small but mighty, Korn Dairy focused on top-notch animal care and was selected as the 2019 DFA Mountain Area Member of Distinction.

“It was an honor to win, especially as a small dairy,” said Kim Korn, who shared that her family’s dairy has also won a milk quality award 14 of the past 15 years.

DFA award winners are known to excel in farm operations as well as inspire others through their actions, leadership, and industry involvement. Serving on the National Dairy board, the Idaho Dairy Products Commission, and the Independent Dairy Environmental Action League (IDEAL) board, Kim Korn is highly invested in the future of dairy in Idaho.

“As dairymen, we don’t want to harm the environment and we don’t want lawsuits coming to our state,” she said. “We want to keep Idaho ahead



*The Korn family*

A common misconception by the public, for example, is that all large dairies are factory farms or corporations. What they don’t realize, is that it’s often still a family farm, and in order to thrive, the dairy industry needs farms of all sizes.

“There are so many things a large dairy can do better than a small dairy, and vice versa, but no matter the size of the farm, we’re all in the thick of it. Just because you’re not milking your own cows doesn’t mean you’re not a dairyman.”

During her time with various local and national dairy boards and committees, Kim has had the opportunity to work alongside dairymen whose passion and expertise fuel her desire to continue learning and educating. As a member of the IDEAL board, Kim focuses on studying the environmental aspects of the business, while on the National Dairy Board she looks closely at what can be done to keep consumers purchasing dairy products with confidence.

“As dairymen, we need to stay on top of environmental concerns and be good stewards of the land and our animals. From an industry perspective, we need to take a look at what makes consumers tick.”

By examining production, consumption, and everything in between, Kim’s dedication to the many facets of dairy help take the industry to new heights. □

**We need to stay on top of environmental concerns and be good stewards of the land and our animals.**

of the curve.” Kim underscores that a large part of Idaho’s status within the dairy industry falls on the education and support of its citizens.

“Most of the population is far removed from agriculture, so it’s important that we are able to explain what we do and why we do it in a simple, straightforward way,” said Kim.

# REVIEWING EMPLOYEE PERFORMANCE

ELLISSA CLARK / IDA CONSULTING SERVICES

If you're a dairyman without a degree in human resources, trust me, you're not alone. Most dairy owners and managers didn't actively study human resources or even think it would be one of the most time-consuming aspects of their business. Nevertheless, in today's world, finding, managing, and retaining employees is very costly for businesses. I'd like to suggest a simple approach to holding onto your existing dairy workforce.

One of the least utilized methods for retaining employees and improving performance is offering regular feedback. Many people operate under the assumption that employees fear performance reviews, but research actually reveals that "82% of employees really appreciate receiving feedback, regardless if it's positive or negative."<sup>1</sup>

Ideally, managers should give real-time feedback accompanied by planned performance reviews (*e.g. semi-annual reviews*). Formally measuring and reviewing employee performance can often seem overwhelming for dairymen and their managers because they don't know where to start. Fortunately, the FARM program has developed an easy performance evaluation tool for dairymen to use (*see next page*). I hope using this tool will give you a foot in the right direction as you begin tackling the HR side of your business.

The performance evaluation tool can be found on FARM's HR/worker safety page.<sup>2</sup> Please reach out to me if you have questions. □

Ellissa Clark □ [ellissa@idahodairymens.org](mailto:ellissa@idahodairymens.org) □ 801.821.1983

<sup>1</sup><https://officevibe.com/guides/state-employee-engagement>

<sup>2</sup><https://nationaldairyfarm.com/producer-resources/worker-safety-human-resources/>

**PERFORMANCE EVALUATION**

<b>Employee</b>	<b>Date of Evaluation</b>
<b>Job Title</b>	<b>Supervisor</b>
<b>Evaluation Period</b>	
From ___ / ___ / ___ to ___ / ___ / ___	

**SCALE:** (EE) Exceeds Expectations, (ME) Meets Expectations, (NI) Needs Improvement

Responsibility Area or Task	Performance Measure	Employee Rating	Supervisor Rating	Additional Comments
<i>Ex: Maintains safety on-farm</i>	<i>Performs work activities in a safe manner, has knowledge of applicable safety rules, encourages safety among others</i>	ME	ME	<i>Employee follows all expected safety measures, is attentive during trainings and takes the topic seriously</i>

Goals/Notes:

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Employee Signature \_\_\_\_\_ Date \_\_\_\_\_

Supervisor Signature \_\_\_\_\_ Date \_\_\_\_\_

# PROTECTING YOUR OPERATION FROM ENVIRONMENTAL LAWSUITS



Almost all dairy operations I come across are good stewards of the land. Dairy farmers intrinsically care for their cows and their land in a manner that ensures the health and safety of your family, employees, and neighbors. Unfortunately, across the country environmental damage claims made on farm operations are on the rise. The increase in environmental litigation has opened dairies particularly to heightened risk. For dairy farmers to stay viable and provide a defense mechanism against potential lawsuits brought on by environmental groups/anti-dairy activists, it's important to be proactive when understanding and determining your pollution coverage.

Most farm insurance policies come with a pollution coverage endorsement that often ranges from \$100,000–200,000 in liability coverage, but for many dairy operations the endorsement coverage may not be enough to protect against a potential lawsuit. These endorsements tend to exclude claims of pollution caused by manure. Claims of environmental contamination to groundwater and waterways from manure waste are, however, the most prevalent, so your endorsement may provide little to no protection if a suit is brought against you. And if it does cover you, the coverage amount may only cover a fraction of attorney costs and no mitigation costs. Adding stand-alone pollution liability coverage may help protect these holes in your farm policy.

### POLLUTION COVERAGE CONSIDERATIONS

Stand-alone pollution policies can offer you increased coverage for mitigation costs, attorney fees, and possible fines. **When considering coverage limits, there are several factors that will help you and your insurance agent determine a policy you can be comfortable with:**

1. **Size** of your herd
2. **Location:** the proximity of your operation to neighbors and urban areas

3. **Geography:** your proximity to irrigation and waterways
4. **Political environment:** level of anti-dairy sentiment and activity in your county and/or nearby urban areas
5. **Density** of dairies in your area

Depending on these factors and the possibility of various scenarios, you may be at an increased risk of litigation. For example, do you have a fruit tree farm down the road from you that irrigates with water that could potentially become contaminated from your operation? Are you located near several other dairies that environmental groups could target in a single lawsuit?

### BEST PRACTICES FOR POLLUTION CONTROL

The Idaho State Department of Agriculture is the regulatory agency that oversees the dairy industry and has developed the Environmental Nutrient Management Plan software to ensure responsible nutrient management and guide on-farm best management practices.

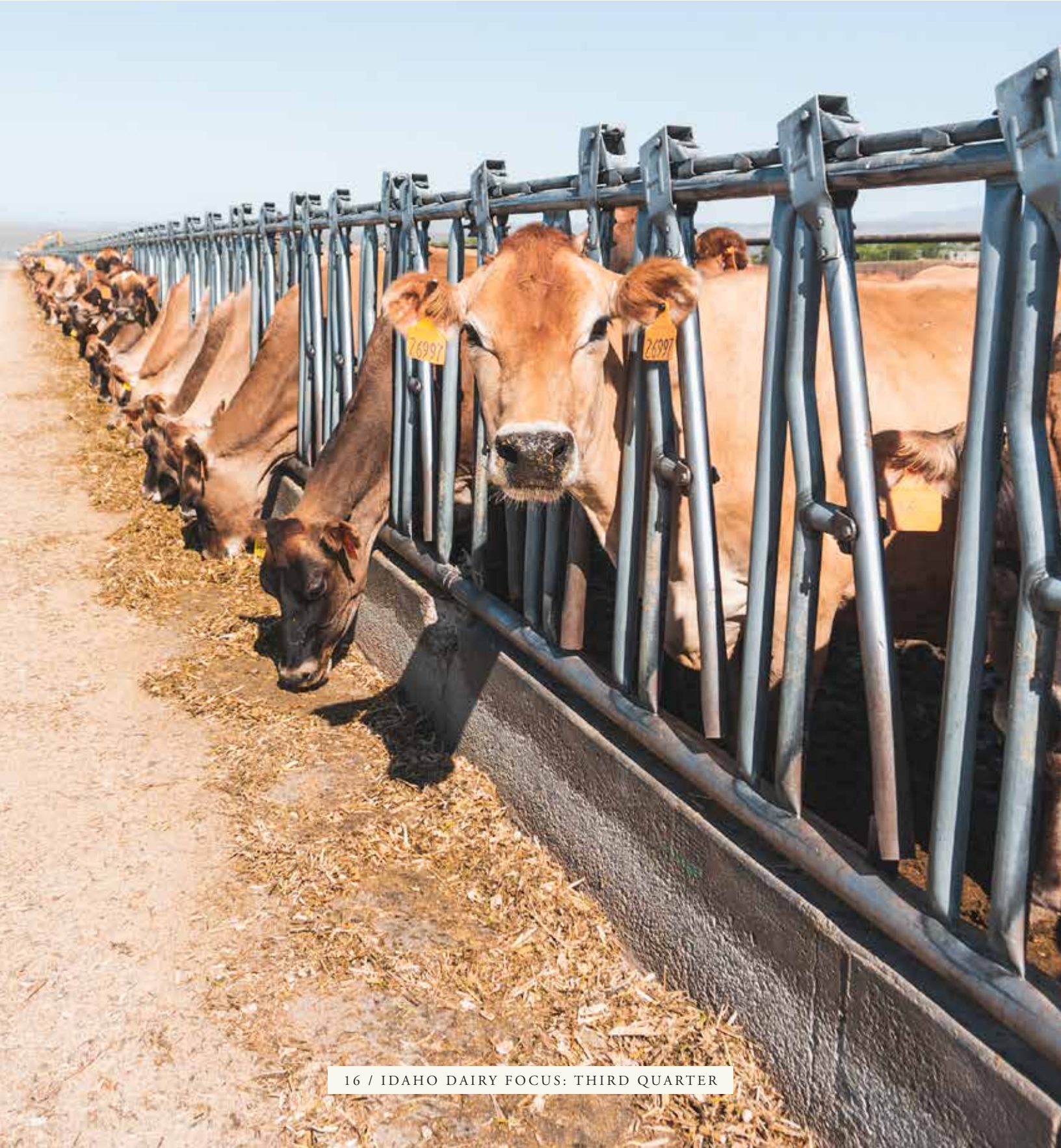
Several dairies are also getting creative with their manure management. A key fertilizer in organic and sustainable soil management, some dairies are hauling their manure to neighboring organic farms or packaging and selling for the hobby farmer or gardener.

### PROACTIVE MANAGEMENT

Being proactive across your operations by following industry best practices and regulations, employing creative solutions, and ensuring that your operation is covered to protect you from your greatest risks will help you set your dairy up for success for years to come. Questions? Feel free to contact me using the information listed below. □

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# FARM PROGRAM UPDATE



## JUDGING STARTS FOR FARM EXCELLENCE AWARDS

The National Dairy Farmers Assuring Responsible Management Program (FARM) program launched a new awards program in 2021 to recognize farms and FARM evaluators who demonstrate excellence in their engagement with the FARM Program. Award categories include: Animal Care and Antibiotic Stewardship, Environmental Stewardship, Workforce Development, and FARM Evaluators.

The review committee comprised of Farmer Advisory Council members and other subject matter experts will select winners in September and notify them on September 30. Winners in each category will receive a hotel room and travel for two individuals to attend the Dairy Joint Annual Meeting in Las Vegas, Nov. 15–17. Visit the FARM Excellence Awards page for more details. (<https://nationaldairyfarm.com/farm-excellence-awards/>)



## FARM CONTINUES VIRTUAL ENGAGEMENT, PLANS FOR IN-PERSON EVENTS

FARM and the National Milk Producers Federation partnered to host the 2021 Virtual Stakeholder Summit July 14–15. In addition to a FARM Program report-out and a round table for the state and regional organizations, attendees had the opportunity to engage and ask questions during a DC policy update, an economic overview, and a presentation on the industry's sustainability initiatives.

FARM also hosted the annual Evaluator Conference for a second year in a virtual format July 20–21. Evaluators, participant managers, and personnel joined the FARM team for two days of town hall updates, external speakers, and a fully virtual cheese tasting.

While virtual events like Quick Convos will continue, FARM is excited to attend World Dairy Expo in Maddison, WI and the American Association of Bovine Practitioners Annual Conference Oct. 7–9 at the Salt Palace Convention Center Salt Lake City, UT. (FARM will have booths at both trade shows: World Dairy Expo: EH 4508, AABP: 625) □



# GOVERNMENT PURCHASES & THEIR IMPACT ON DAIRY FARMERS



DUSTIN WINSTON / STONEX FINANCIAL INC.



Over the past three years the USDA has issued a number of direct payments to dairy farmers to offset some of the impact of trade wars and the pandemic. In mid-August the USDA announced another \$350 million in funding for a new Pandemic Market Volatility Assistance Program (PMVAP) which is designed to partially compensate producers for negative Producer Price Differentials (PPDs) they experienced during the second half of 2020. We don't have all the details on how that payment will be calculated, but it will likely vary by Federal Order. Cooperatives and milk handlers will be responsible for getting the money to the actual farmers and they are able to reimburse their administrative expenses out of the \$350 million. Assuming only 90% will make it to the farm level, that works out to about \$0.28 cents/cwt if it is spread over all the milk produced in the country. However, the payment to individual farms is capped at an annual equivalent of 5 million pounds of milk production (*about 210 cows*) so it will benefit smaller farms relatively more than larger farms.



The \$0.28 payment pales in comparison to the \$1.00 to \$2.50 payments that we saw early in the pandemic. First, there was the Market Facilitation Payments (MFP) which started in 2019 to help farmers that were being hurt by retaliatory tariffs being placed on some U.S. dairy products from countries such as China and Mexico. Then in mid-2020, the Coronavirus Food Assistance Program (CFAP) was announced which made direct payments to farmer to offset some of the negative impact from reduced demand and market disruptions caused by the pandemic. Finally in late 2020, CFAP 2.0 was announced with payments covering the second half of the year. There was a cap on payments at \$250,000 per farm (*unless there were multiple owners putting in their own labor*). Large farms (*500 cows or higher*) likely hit the payment cap, but smaller farms could have seen about \$2.50/cwt. in direct payments from the government during 2020. On a volume weighted basis (*taking into account the large farms hitting caps*), direct payments boosted milk revenue by approximately \$1.83/cwt, which is a 10% boost on top of the market value of the milk.

## DAIRY DONATION PROGRAM

The details of the Dairy Donation Program, which we've been waiting for since December, have finally been released. The FAQ and legal language has been released and it appears that the program is more generous than expected. As a reminder, this

In mid-August, The USDA announced another \$350 million in funding for a new Pandemic Market Volatility Assistance Program (PMVAP)

program allows processors to create a partnership with a nonprofit who distributes food to people in need and an application is submitted to the USDA. If the USDA approves, then the processor

can donate products to the nonprofit and request reimbursement from the USDA. The reimbursable expenses are:

- » *The cost of the milk (valued at Class price) that went into the dairy product.*
- » *The cost to convert the raw milk into the finished dairy product, which is assumed to be the same as the make allowance in the FMMO pricing formulas.*
- » *They will use the Class IV make allowance for Class I and II products, which is \$2.16 per cwt. or about 18.7 cents/gallon of fluid milk*
- » *Transportation costs, but they are only covering the cost of diesel. They will calculate the shortest distance by road between processor and the nonprofit, assumes 6.1 gallons/mile and uses a national average diesel fuel price*

The total reimbursement rate will be capped at the Class I price for Dade County Florida, which is typically the highest FMMO milk price in the country. The program will be more appealing in some parts of the country where processors can recoup processing and transportation costs while staying below the price cap.

**One thing that makes the program appealing is that processors are reimbursed at the milk price that was in effect when the dairy products were produced.**

If a processor was sitting on cheese produced with \$20.00 milk a few months ago, and the price is now \$16.00, they could donate the cheese and get reimbursed at the \$20.00 level. Another appealing aspect is that the program is retroactive to January 2020. If processors were donating dairy products last year, have all the necessary documentation, and move quickly they might be able to access some of the 50 million dollars the USDA has set aside for retroactive reimbursements. There are many dairy companies that consistently donate dairy products to nonprofits and will benefit from this program. Additionally, if you combine the reimbursement from the USDA with positive publicity from donating dairy products and the psychological benefits of doing good in the world, other processors may start donating dairy products. Calculating the net impact of the program will be complicated but the USDA will be publishing statistics on the types and volumes of products moving through the program along with any residual money remaining to be spent.

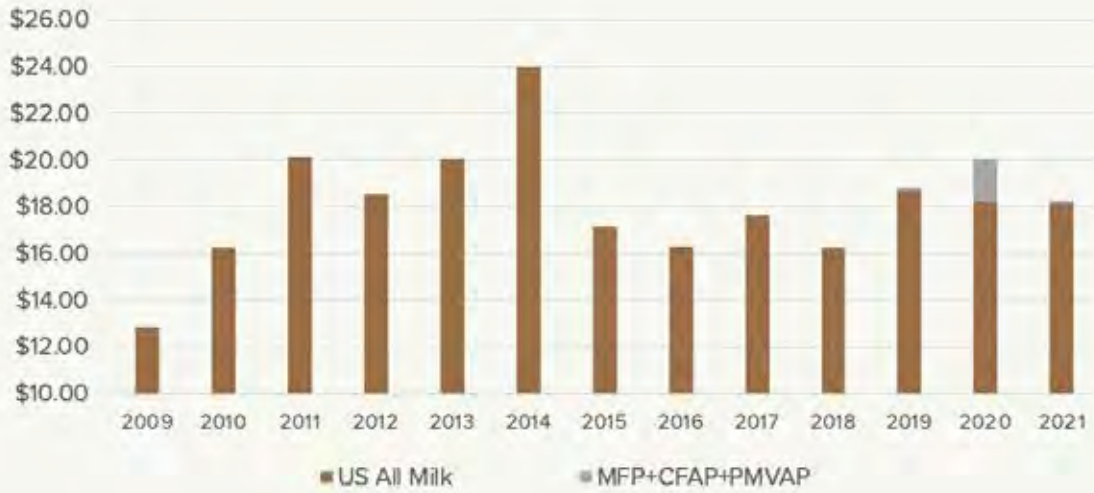
Please feel free to reach out to discuss risk management tools and our unique Market Intelligence: ProfitView, which is tailor-made specifically for dairy producers.

**For a free trial, search: StoneX Free MI Trial.** □



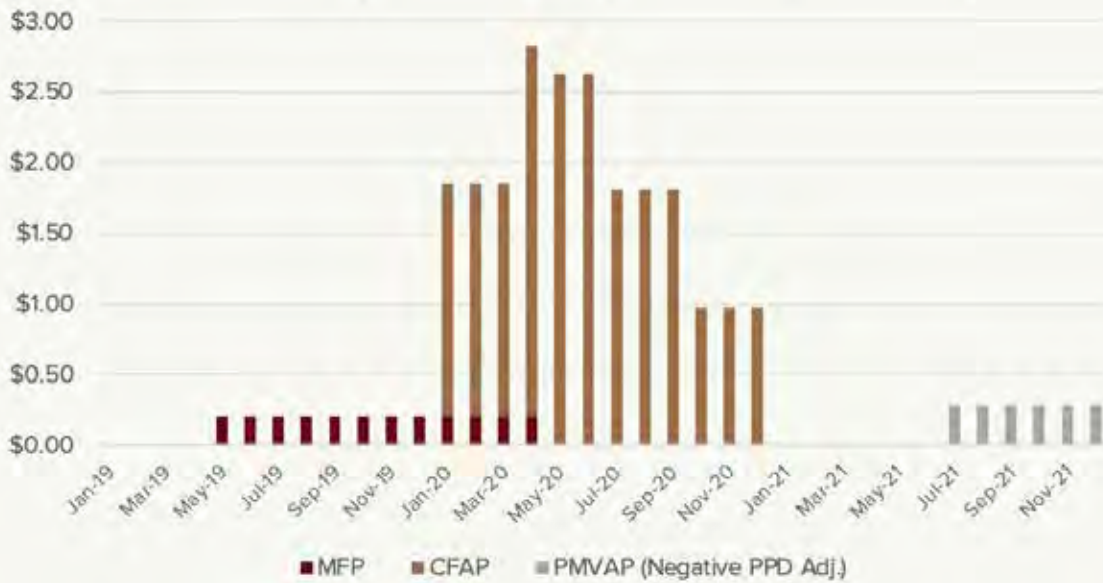
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## US ALL MILK PRICE (USD/CWT.)



Source: USDA, StoneX Calculations, Estimates, and Forecasts

## US GOVT PAYMENTS TO DAIRY FARMERS (USD/CWT.)



Source: USDA, StoneX Calculations, Estimates, and Forecasts

# IDAHO CAFE SELECTS ROTARY PARLOR



*Photo: Jessica Machado*

The University of Idaho-led project to create the largest research dairy in the U.S. made a significant advance recently with the selection of a rotary milking parlor. “The choice of a rotary parlor for the Idaho Center for Agriculture, Food and the Environment dairy reflects the most common system used by modern dairies,” *U of I Agricultural Experiment Station Director Mark McGuire* said.

“It’s pretty clear that a rotary parlor is economically beneficial for a dairy the size of ours compared to other options,” said McGuire. He also serves as College of Agricultural and Life Sciences associate dean and is an animal scientist focused on dairy.

The DeLaval rotary chosen will accommodate 60 cows and offers the most economical and rapid milking system widely used by the industry. Robotic systems will clean udders before cows enter the

The dairy will begin milking the first cows shortly after construction on the dairy concludes.

rotary and treat udders as the cows leave the parlor. TDS or Total Dairy Solutions, which maintains a base in Jerome, will manage the installation of the rotary in concert with design and engineering firms Keller and Associates and AgProfessionals. McAlvain Companies of Boise will oversee the construction of the dairy, which is scheduled for completion in 2023. The milking parlor’s selection represented the most influential decision the U of I researchers and contract engineering and design professionals will use to organize the rest of the project. At just shy of \$2 million, the parlor and milk handling system is the keystone to the overarching design for handling pens, resting areas, feed facilities, and other essential components of the \$20 million project.

Beyond overall operation of what will become a 2,000-cow dairy, the rotary parlor also offers the ability to milk various sized lots of cows involved in research

studies. The need for complex handling systems and other logistics sets the CAFE dairy apart from commercial dairy design and construction. The new dairy’s role as a research and education hub influenced the TDS-DeLaval participation in the project. They will donate a discount of \$545,000 off the purchase price of the rotary and a \$10,000 scholarship for a U of I student.

The new research dairy will provide more animals to conduct comprehensive research on animal care, dairy nutrition, and milk quality than any other research nationally. The dairy will include facilities for educating students from high school through graduate school. It will provide a base for educational programs for dairy and cattle producers through University of Idaho Extension. The U of I partnered with the Idaho Dairymen’s Association in 2019 to purchase a 540-acre parcel near Rupert for the research dairy and an associated soil health demonstration farm. The crops grown will supply the dairy with grains and hay to feed the cows following regenerative farming practices. Dairies often grow other crops including potatoes and sugar beets as part of rotational agriculture to reduce plant disease impacts.

Soil sampling began in 2019 to establish a baseline understanding of soil properties before application of dairy nutrients. A sophisticated, high-tech monitoring system is planned to make tracking nutrients and other soil qualities one of the most sophisticated anywhere. Planned work will also modify the conventional center-pivot irrigation system to test new methods of supplying water and allow researchers to modify its use for experimental plots. The design and engineering work on the project began in 2020. McGuire said he expects the dairy will begin milking the first cows shortly after construction on the dairy concludes and the herd will grow to the target 2,000 animals over several years. □



**University of Idaho**  
College of Agricultural  
and Life Sciences

# REDISTRICTING IN IDAHO

KEITH BYBEE & ELIZABETH BOWEN / LEGISLATIVE SERVICES OFFICE & STAFF TO COMMISSION

Foundational to the American political system is proportional representation, the principle that elected representatives of the people should serve approximately the same number of people, so that each American has an equal voice to fellow citizens in the halls of government. This principle is satisfied by periodic redistricting, the process of redrawing congressional and legislative district boundaries to ensure that districts have essentially equal populations.

Population numbers are derived from the decennial census. With the 2020 census release on August 12, the Idaho Citizens' Commission for Reapportionment is set to begin redrawing political boundaries, otherwise known as redistricting in the coming weeks. Redistricting can be a fraught process that involves balancing numerous other criteria besides population alone—criteria that can often be in conflict with each other. This article will address the census and apportionment of the seats of the U.S. House of Representatives, the Commission and its composition, and the legal criteria for redistricting.

## I. THE CENSUS & APPORTIONMENT

The U.S. census counts each resident of the country, where they live on April 1, every ten years ending in zero. It is mandated by Article 1, Section 2 of the U.S. Constitution to determine the number of United States representatives each state is allocated based on the number of people—not merely the number of citizens—residing in a state. Additionally, it provides the data necessary for redistricting, as well as the basis for providing some federal funding to state, local, and tribal governments. The decennial census has been taken every 10 years since 1790 and 2020 marks the twenty-fourth census in the history of the United States.

The number of seats each state is awarded, known as apportionment, is determined by a complex mathematical formula that assigns priority values to a state based on how many people reside in the state. After each state is awarded one seat, the remaining 385 seats, known as at-large seats, are apportioned

among the states based on those priority values derived from census results. To give the reader an idea of how priority values work, after the 2020 census, California was awarded the first, third, and seventh at-large seats in Congress, whereas Idaho, due to its comparatively small population, did not receive its second seat until number 258. Even though Idaho's two congressional districts will have the second most people in the country, after Delaware's lone district, Idaho would not have received a third congressional seat until number 443. As the number of congressional seats is capped at 435, Idaho did not qualify for a third House seat this reapportionment cycle, though it likely will follow the 2030 census.

Because each state is guaranteed at least one member of Congress, regardless of population, and because of intricacies in the apportionment process, the population of congressional districts differs by state. However, within a state, congressional districts must be as nearly equal in population as practicable, based on precedent established by the United States Supreme Court in the 1960s. This redistricting cycle, numerical equality between Idaho's two congressional districts would result in 919,553 residents per district

## II. THE IDAHO CITIZENS' COMMISSION FOR REAPPORTIONMENT

In most states, the legislature does the actual work of redistricting. However, 17 states have turned the process over to redistricting commissions to create the maps. Idaho was one of the first states in the country to have a redistricting commission, created by a state constitutional amendment in 1994. Idaho's commission is comprised of six members, who are appointed by the Speaker of the Idaho House of Representatives, the House Minority leader, the President Pro Tempore of the Idaho Senate, the Senate Minority Leader, the chair of the Idaho Republican Party (*largest political party in the state as determined by the most recent vote for governor*), and the chair of the Idaho Democratic Party (*second-largest political party in the state as determined by the most recent vote for governor*). This year will be the third time Idaho

has used a commission to draw congressional and legislative district boundaries, although in 2011, it took two separate commissions to do the work. The Idaho Constitution provides the Commission with 90 days to complete its work from its first meeting. If the Commission is unable to complete its work in that 90-day period, another Commission must be appointed, as happened in 2011.

### III. CRITERIA FOR REDISTRICTING

Unlike congressional districts, state legislative districts do not need to be as nearly equal in population as practicable. Rather, legislative districts must be “substantially equal,” but some population deviation from the ideal district size—52,546 residents this cycle—is permissible to take other criteria into account. Most important among those criteria is the prohibition, in the Idaho Constitution, against dividing counties except to the extent necessary to achieve substantially equal populations in each district. According to the Idaho Supreme Court in the 2012 case *Twin Falls County v. Idaho Commission on Redistricting*, a redistricting plan that divides more counties than necessary to satisfy population requirements is unconstitutional.

Additional redistricting criteria may be found in Section 72-1506, Idaho Code. These criteria include the use of census data as exclusive permissible data (*redistricting plans cannot be based on alternative population data*), the preservation of traditional neighborhoods and local communities of interest, and a prohibition on oddly-shaped districts (*an anti-gerrymandering measure*). County-specific criteria include requirements that county divisions be kept to a minimum, that districts containing more than one county be contiguous and connected by an interstate or highway, that counties shall not be divided to protect a political party or an incumbent, and that precinct boundary lines must be retained. (*The Commission, by vote, may partly waive the interstate/highway and the precinct boundary line requirements if necessary to complete its work.*)

Recognizing that redistricting is a process that generates significant public interest, the Idaho Code requires the Commission to hold public meetings throughout the state to maximize public participation. The Commission will also be reviewing

public comments and proposed redistricting plans, which may be submitted through the Commission’s website, [www.redistricting.idaho.gov](http://www.redistricting.idaho.gov), beginning in September. Given the strong protections that counties enjoy in both the Idaho Constitution and the Idaho Code, the counties are encouraged to take an active role in the redistricting process by submitting their recommendations to the Commission. □



# CREAM SEPARATOR DONATION

BOB NAEREBOUT & DEBBIE KAUFFMAN / IDAHO DAIRYMEN'S ASSOCIATION

Although the Idaho legislative bodies do not have an active dairyman in their ranks, we do have legislators who previously were dairy producers or who were raised on a dairy farm and many legislators have family members who were engaged with the dairy industry. One such legislator is Representative Clark Kauffman who is in his 5th term of representing District 25 which includes portions of both Jerome and Twin Falls Counties. Clark is Chairman of the Idaho House Agriculture Affairs Committee, and in addition to that chairmanship, he also serves on the Resource and Conservation Committee, as well as the Revenue and Taxation Committee. When he is not fulfilling his legislative obligations, he raises crops and is best known for "Kauffman Barley". Clark and his wife Debbie provided the IDA office with a cream separator, an old wooden milk crate, and a glass milk bottle. Debbie contributed the information on the history of the donated items.

In the 1950s, Clark Kauffman's uncle, Clarence Kauffman built and operated a Grade A dairy south-east of Filer. He milked the cows, processed, bottled, and delivered the milk to his customers. Flash forward to the 1990s when the Kauffman's ended up with the milk crate. Debbie Kauffman was working for the City of Filer and a member of the maintenance staff came into the office with an old wooden crate for milk bottles which said "Kauffman's Dairy." As Debbie recalls, "it seems an old building in town was being cleaned out and when they saw

Kauffman on the crate, they brought it to me. I took it home and Clark said it was from his Uncle Clarence's Grade A Dairy. Clark remembers his uncle's dairy as a very modern facility at the time."

Debbie is a native of Minnesota and the milk bottle came from Laesch Dairy back east and was among Debbie's mom's possessions when she passed away. When Debbie googled Laesch Dairy, she found that it closed in 1998 after 91 years of operation in Bloomington, Illinois.

They also had a cream separator which we bought when their children were small. The reason for buying the cream separator? Debbie stated: "we thought it would be fun to show the kids how a cream separator worked and make some butter. We stored it in an upstairs storage area that we didn't go through very often, and low and behold, soon it was over 35 years since we had thought about it. Clark came home one day after visiting the Idaho Dairymen Association office in Twin Falls, and he said, 'let's give the Idaho Dairymen's Association the cream separator for their office'. Together, we decided that it would be much better having these items where people could see and enjoy them than to keep them in storage indefinitely".

**We appreciate the donation from Clark and Debbie.** If you are ever close to our Twin Falls office, stop and take a look at the items donated by Clark and Debbie along with an assortment of butter churns, milk bottles, and an additional cream separator. □



# AGPRO FORMS PARTNERSHIP

JAKE YUREK / JORDAN ENERGY

*Jordan Energy and AGPROfessionals have formed a partnership. Jordan Energy is a solar developer and financier with experience supporting national solar programs and partnerships in more than 20 states. Jordan Energy has partnered with Dairy Farmers of America to bring solar opportunities to the dairy industry. AGPROfessionals is continually looking for opportunities for our dairy partners to advance in technologies and the newest innovations. AGPROfessionals is excited to work with Jordan Energy to bring solar innovations to the dairy industry.*

## CONSIDER SOLAR ENERGY TO STRENGTHEN YOUR FARM BUSINESS

More than any other profession, farmers lives revolve around the weather. The most important stabilizing element of nature to assure steady results is the sun. A new stabilizing component of the sun's impact on farms is emerging with the growth of solar energy. As solar panel manufacturing has ramped up around the world, prices have declined dramatically. The long-term price implications suggest that solar will be the cheapest form of energy in all markets—it is only a matter of time. In fact, it already is the cheapest electric power in many locations.

This points to opportunity that solar presents for farmers like you. Most basically, generating solar energy requires the sun, solar equipment, and the space to locate that equipment. Farmers own, control or work more space (*land*) than any other profession.

Whether your under-utilized space is rooftops, marginal farmland or other unused land area, considering solar energy for those spaces can generate significant benefits for your farm.

AGPROfessionals is here to help you better understand how solar works and what the process looks like.

## HOW CAN SOLAR WORK FOR MY BUSINESS?

The first benefit of owning solar is reducing your energy costs. Solar systems produce for over 30 years with modest maintenance, so it is a long-term investment! The upfront cost of purchasing a solar system is offset by the 26% federal investment tax credit, depreciation tax benefit, and grants for renewable energy. Over time, energy savings on your utility bill will pay off the remaining balance of the system. Payback typically ranges from 5–10



years depending on your system size and location. The energy produced by the solar system will be extremely low-cost for the remainder of its life. This can result in a levelized cost of energy that is over 50% lower than what you are paying now. Solar panels have warranties that last up to 30 years, so you can be confident that this truly is a long-term investment in energy cost reduction.

While reducing energy costs is an initial objective, some farmers have generated lease revenue or sold power to others using under-utilized land on their farm. For example, a utility provider may be looking to increase the amount of renewable energy in their portfolio by installing their own solar array. If you have land near a substation in utility territory, it could be an ideal location for solar—and you would benefit accordingly by leasing that land. The ability to generate lease revenue or sell power to others is highly dependent on your location and your current utility provider. There are many potential scenarios where you can benefit, so exploring solar provide you with a better understanding of your options. Revenue diversification from solar, like the examples above, is an opportunity to strengthen farm economics.

#### WHAT DOES THE PROCESS OF EXPLORING SOLAR LOOK LIKE?

The process is straightforward, taking a matter of weeks from start to finish. Your last 12-months of energy bills and an initial conversation about how

solar might fit into your farm operations are enough to generate a preliminary analysis and quote.

Continued interest at this stage will allow your solar design to be refined based on details from a site visit and further input from your team. When you are ready to move forward with the finalized design, we will present you with a contact and discuss financing options. After contract signing,

Solar systems produce for over 30 years with modest maintenance.

the formal installation process starts with permitting, utility interconnection, and construction before your solar system starts generating electricity.

Curious for more details? Check out this case study (<https://www.jordanenergy.org/profile-hunt-farm>) from Newtrient about a Massachusetts-based dairy farmer whose farm nets \$150,000 a year from solar.

If you would like to start a one-on-one dialogue going about solar opportunities, reach out to the contact information below. □

**Jake Yurek** □ **312.358.5085**  
**AGPROfessionals** □ **970.535.9318**



# PLANT, CULTIVATE, HARVEST

## 3 Keys to a Successful Family Farm Transition, Pt. 1

TYLER CARRINGER / EIDE BAILLY

Planning to transition the family farm starts years before you're ready to retire. As with farming itself, you want to ensure you have everything in place to support a good season and reap a bountiful harvest. In transition planning, this means lining up your financial statements, making determinations about the viability of the farm under the new ownership, and ensuring the viability of your own retirement plan. You should also consider who you're transitioning the farm to and how and make timely adjustments, sales, and gifts to support your goals.

If you start early and work with professionals who understand the agricultural industry, you'll be better able to attain your goals for the transition and your retirement. These professionals can guide you on the timing, measures, and methods that will optimize your outcomes. They'll make it seamless, helping you avoid risks and reap all the benefits. Here, we'll lay out the three essential components of transitioning the family farm, including pertinent details and options to consider along the way.

### PLANT: ENSURE YOU HAVE THE RIGHT FINANCIAL RESOURCES

Your financials are the seeds with which you begin planning your transition process. With an accurate view of where you stand today, you can make determinations about how you'll use key ratios in your financials to enhance profitability ahead of the transition and ensure viability. That way, you'll enter lender meetings with confidence, ready to discuss next steps. An Agribusiness Finance Specialist (AFS) can help you get organized and understand the best approach to financial restructuring for optimal profitability. Other key aspects of this component of the transition include: determining the size and scope of the family farm, determining how many heirs we can successfully transition to, ensuring cash viability for both generations, understanding the landlord mix, and gauging the readiness of the next generation. At Eide Bailly, we help clients put together detailed,

accurate financials. In our financial analysis packets, we include industry standards as a reference point to help clients educate themselves on ratios, how they're calculated and how their operations stack up. **Our packet includes but is not limited to:**

- » *Credit Presentation*
- » *Balance Sheet Trend*
- » *Earned Equity*
- » *Income Statement*
- » *Customized Ratios*
- » *Sensitivity Analysis*
- » *Core Equity Reserve*
- » *Break Even Spreadsheet*
- » *Indirect Expenses*
- » *Capital Debt Repayment Capacity*
- » *Crop Insurance*
- » *Marketing Tracking Form*

### IMPORTANCE OF PROACTIVE TRANSITION PLANNING

When planning for the future of your family farm, each stage of the transition process is important: **plant:** ensure you have the right financial resources; **cultivate:** optimize your family farm estate plan; **harvest:** outline your farm transition plan. Having the necessary plans in place and having essential conversations with your family and farm colleagues well in advance of your transition, along with having the right advisors on your team to help guide the transition, will assure peace of mind in the long run. *Parts 2 and 3 coming in the next quarterly newsletters.* □



Tyler Carringer □ 208.293.1007

# NEW EXECUTIVE ASSOCIATE MEMBER

## ESI CONSTRUCTION

The ESI logo is displayed in a stylized, outlined font. The letters 'E', 'S', and 'I' are interconnected, with the 'S' being the largest and most prominent. The logo is set against a dark background within a rectangular frame.

### EXPANDING YOUR DAIRY?

**Engineered Structures, Inc. (ESI) is a construction manager, general contractor, and design-builder of agricultural, commercial, industrial, and manufacturing facilities.** Privately owned and headquartered in Meridian, Idaho, ESI has earned a reputation for excellence in construction. Whether it's estimating the cost of your upgrades or working double shifts to get your expansion completed ahead of schedule, our goal remains the same. We want to become your first-choice builder, not just for this project but also for your next.

### EVERYONE SUCCEEDS TOGETHER

**We believe in guarding the bottom line for our customers by providing personalized service.** This level of service, combined with our expert office and field management professionals, leaves our customers highly satisfied with quality projects that are constructed safely on time, every time, and within budget.

### OUR PHILOSOPHY

**ESI is DEPENDABLE. ESI is DEDICATED. ESI is DYNAMIC.** We have a long-standing tradition of solid, ethical business practices worth repeating and a legacy worth talking about! If it's outstanding service, efficient project management, a proven track record, and competitive price, you have found it. At ESI, our values drive our daily activity. Our customers range from national and regional corporations to individual business owners. In all, ESI has built almost a half-century worth of quality projects and highly satisfied customers.

**ESICONSTRUCTION.COM** | 208.362.3040 | 3330 E LOUISE DRIVE, SUITE 300, MERIDIAN, ID 83642

# UNDERSTANDING CONSTRUCTION IN AN UNCERTAIN MARKET



DAVID KEIL / ESI CONSTRUCTION, INC.



## UNCERTAINTY

The past two years have brought uncertainty in many facets of our lives. Each of us have faced uncertainty relating to war, disease, record heat, politics, and many other pressures. We assess the news each day and make decisions about how current events will impact our livelihoods and our families.

I specifically remember my father—a Montana wheat farmer—being uncertain about the weather and commodity pricing on a daily basis. I have become particularly impressed in my adult years with how my father’s uncertainty, and his lack of control over such things, had not driven him to lose self-control. I learned from my father—and I must often remind myself—to focus on the things I can control.

Many industries face uncertainty. There is uncertainty in the value of cryptocurrency. There is uncertainty in airline passenger travel.



Your favorite local restaurant might be facing uncertainty in labor availability.

Agriculture is no different. In addition to weather and other factors, there is uncertainty in the cost of energy and the price of milk. Of course, anyone who has recently built a new or expanded facility knows that there is uncertainty in construction costs.

The COVID-19 pandemic has led to uncertainty in construction costs. Lead times for some materials have extended from what used to be several weeks to upwards of a year. Pricing of lumber at one point was as much as four times its value from the previous year. Labor shortages have caused upward pressure on wages and salaries. Each of these things has led to increasing construction costs.

Not only did I learn from my father to focus on the things I can control, I also learned the value of gathering information and developing a better understanding of those things I cannot control.

## MANAGING UNCERTAINTY

Some project owners have implemented measures to mitigate the uncertainty of construction costs. These measures are intended to reduce risk, which in turn typically reduces cost.

Some project owners have opted to pre-purchase construction materials prior to hiring a builder

The single greatest means to managing uncertainty and obtaining information is through communication.

for installation. For this to work, a design will have been sufficiently completed to be the basis of what material is being ordered and for the correct quantity. Steel joists and decking are examples

of materials that currently have long lead times. Some specialty equipment also face long lead times. Owner-procured materials usually fit nicely with an owner-build delivery where the project owner has the resources and experience necessary to manage multiple trade and supplier contracts at once.

Collaborative Delivery is another potential mitigation measure to reduce risk and its associated cost. For complex projects requiring design professionals, the design engineer or architect and the builder will partner to collaborate on what to include in a project based upon the design intent and pricing, lead time, constructability, and other issues.

There are several types of collaborative delivery methods. Two of the most common include Construction Manager/General Contractor (CM/GC) and Design-Builder (DB). With CM/GC, the project owner hires a design professional (*i.e., engineer or architect*) to prepare drawings and specifications that reflect the project scope. These drawings and specifications are used as the basis for the CM/GC to estimate and prepare a guaranteed maximum price to build the project. The CM/GC is involved alongside the design

professional during the design process. This allows the CM/GC to understand the entire project scope from as early as the initial concept development all the way through construction. (*see Diagram 1*)

DB is much like CM/GC. With DB, the project owner hires a single entity to prepare drawings and specifications that reflect the project scope and prepare a guaranteed maximum price to build the project. With DB, the builder and design professional are a single entity contracted with the project owner. As with CM/GC, this allows the DB to understand the entire project scope from as early as the initial concept development all the way through construction.

The CM/GC and DB collaborative delivery methods can be contrasted with a design-bid-build delivery method. With design-bid-build, the project owner hires a design professional (*i.e., engineer or architect*) to prepare drawings and specifications that reflect the project scope. These drawings and specifications are used as the basis for the project owner to solicit bids from qualified contractors to build. The drawings and specifications may lack sufficient detail to accurately account for all of the details needed to build the project. The proverbial



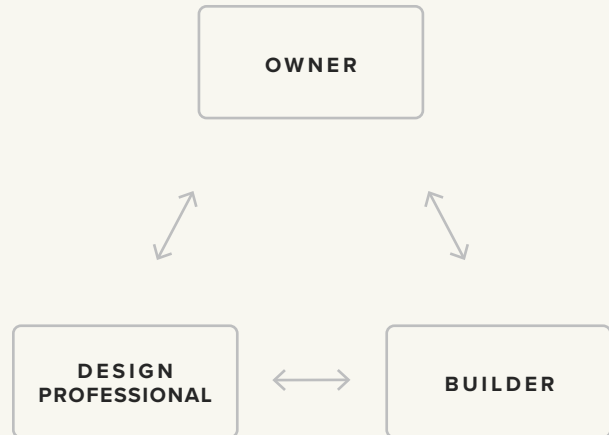
“low bid contractor” and the project owner must then negotiate a contract change to account for the missing information. While this process is used successfully, it can lead to dissatisfaction among everyone involved.

### COMMUNICATION

Perhaps the single greatest means to managing uncertainty and obtaining information is through communication. Communicating with experts is the best way to obtain information about trends in local, regional, national, and global construction material escalation and lead times. If you are planning a new or expanded facility, reach out to an experienced builder, such as Idaho based CM/GC and Design-Builder, ESI. It’s an inexpensive way to obtain information and empower yourself with developing your own mitigation measures. The discomfort and fear that comes from uncertainty doesn’t have to feel so daunting when you partner with a reputable builder who will help you find a way to structure your project delivery that will best manage your risk. As my father taught me, there is power in focusing on what we can control. □

David Keil □ [davidkeil@esiconstruction.com](mailto:davidkeil@esiconstruction.com)

### DIAGRAM #1





195 River Vista Place  
Suite #308  
Twin Falls, Idaho 83301

## UPCOMING EVENTS

**SEPTEMBER 30** IDA/IDEAL FALL BOARD MEETING, TWIN FALLS  
**NOVEMBER 9** IDA/IDEAL/DAIRY WEST NOVEMBER BOARD MEETING, BOISE  
**NOVEMBER 10 & 11** IDA/DAIRY WEST ANNUAL MEETING, BOISE

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