

MINUTES
HOUSE AGRICULTURAL AFFAIRS COMMITTEE

DATE: Monday, March 18, 2013
TIME: 1:30 pm or Upon Adjournment
PLACE: Room EW42
MEMBERS: Chairman Andrus, Vice Chairman Boyle, Representatives Bolz, McMillan, Batt, Bell, Agidius, Dayley, Miller, Romrell, Stevenson, VanOrden, Pence, Erpelding (McLean)
**ABSENT/
EXCUSED:** None
GUESTS: Deana Sessions, Cheri Chase, Idaho Dairy Commission; Bob Naerebout, Idaho Dairyman's Association; Suzanne Budge, SBS Associates

Chairman Andrus called the meeting to order at 1:31 p.m.

Deana Sessions, Administrator, Idaho Dairy Products Commission (IDPC), presented an update. She related that their net assets at the end of 2012 were nearly \$8,600,000. Some of these monies are in long term investment or in certificates of deposit. She gave production totals for 2012 at 13,527,800,000 pounds. The projected budget for 2013 is \$14,886,000. Marketing communications are a large portion of this, then membership agreements, channel marketing, McDonald's cheese research, operating expenses, plus research and other programs complete their budget. She stated that \$5,000,000 was invested in nutrition products and ingredient marketing. Food safety is also a critical component for research. IDPC participated in channel marketing with coupons, of which 77% of those printed were redeemed for purchasing milk, culminating a very successful program.

Ms. Sessions noted that last year, IDPC contributed to many noteworthy programs, including the school food service program with expanded breakfast options for students. They also funded a distinguished student scholarship program. Another beneficiary was the Idaho High School Activities Association, wherein IDPC provided tournament sweatshirts for athletes. Among other financial highlights, IDPC invested in a milk processing plant to package students' drinks in round, resealable plastic bottles. She said that overall contributions to Idaho schools last year were nearly \$2,000,000. In addition to the above-listed programs, IDPC invested in Fuel Up to Play 60. They also funded medical outreach to health professionals.

Ms. Sessions outlined their national partnership with McDonald's, the largest fast food chain. IDPC employs four scientists and a nutritionist at McDonald's headquarters in Chicago to help create more nutritionally balanced foods on their menu, including more real dairy products. As a result, McDonald's purchased one million pounds more milk in 2011 than they did in 2008. She explained that Idaho is a cheese manufacturing state and McDonald's wants to convert more of their processed cheese to natural cheese. Research is underway, with the assistance of IDPC, to have half of McDonald's products be made with natural cheese by 2017. This benefits fast food consumers and Idaho farmers alike.

Cheri Chase, Communications Director, IDPC, introduced Fuel Up to Play 60. She described this flagship program for nutrition and exercise, designed to engage and empower youth to take action for their own health. They encourage students to get active and play for 60 minutes daily, and to fuel up with nutrient-rich foods. She indicated that over 3,000 schools participate nationwide, including 577 schools in Idaho. They have seen increased interest in this program with more students pledging to this concept and more schools applying for funding. General Mills and Food Institutes of America also contributed to Fuel Up to Play 60, in sponsorship with the National Football League and the Idaho Dairy Council.

Bob Naerebout, Executive Director, Idaho Dairymen's Association (IDA), presented an update. He explained that they are also affiliated with Independent Dairy Environmental Action League (IDEAL). The IDA's funding comes from an assessment collected from the dairy industry. Their purpose is to continue to develop and sustain an economically viable Idaho dairy industry. They have set aside funds to construct a new environmental livestock research facility in the Magic Valley in the future.

Mr. Naerebout stated there are 542 licensed dairy farms currently in Idaho. They range from small operations with less than 200 cows to large operations with over 2,000 cows. Dairies are located in the Treasure Valley, Magic Valley, and Eastern Idaho. He commented that milk production has increased in the last few years due to value added through technological advances. Also, milk and cheese products in Idaho have multiplied rapidly in comparison to the rest of the country.

Mr. Naerebout submitted that in 2012, the Idaho dairy industry lost revenue in the first nine months of the year, but the fourth quarter was positive. He projects for 2013 that they may struggle to break even. Challenges include the cost of production, feed costs at historic highs, the federal government's ethanol policy, and competition for acres. He asserted that financial institutions are tightening lending requirements for dairies, resulting in higher interest rates and highly leveraged dairies. This is due in part to the feed lien law, which is now under consideration by the Idaho Supreme Court.

Mr. Naerebout related positives for the Idaho dairy industry as well. A new Chobani plant is the latest addition to Twin Falls. Export markets are bright for 2013, with access to west coast and Asian markets, and shipping lanes. Jobs created by the dairy industry in Idaho include 8,300 dairy farm workers and 2,371 in manufacturing plants. With additional bankers, accountants and others needed, another 22,000 are cited as secondary and induced employment. He recognized that the majority of farm laborers are foreign and he has been closely following national immigration issues to ensure the ability of foreign laborers to come harvest milk.

Mr. Naerebout noted that agriculture must increase production to feed the world's growing population in coming years. One dilemma is that many suitable agricultural lands are already in use or under protection. Also, water scarcity will eventually become an issue. He described the environmental impact of the dairy industry, as gradually using less land, less water and manure, with reduced greenhouse gas emissions. Dairies are getting larger and more efficient, due to innovation in breeding, nutrition, and cow health; he emphasized the continuing need for these types of research. He acknowledged the dairy industry's dedication to 'sustainability', by providing nutritious dairy products with a collaborative effort to protect the environment and assure responsible management of resources.

Mr. Naerebout remarked that the dairy industry will be coming out with an animal care guide document before the middle of this year. It will incorporate education, farm evaluations, and third party verification. This effort will be voluntary and available to all producers. They are developing tools to do background checks on employees, formulate an employment contract, and define what practices are or are not acceptable on a dairy. One of the main provisions will be that if someone witnesses abuse, they must report it to management. Certification classes will be available through the College of Southern Idaho or University of Idaho extension center.

Mr. Naerebout outlined the primary dairy industry expenditures as: research, legal services, immigration, and education programs. Research sponsored by IDEAL is aimed at reducing ammonia emissions from dairy manure, monitoring atmospheric emissions, and evaluation of dairy wastewater. Other studies include addressing immigration issues, identifying and quantifying pathogens in dairy lagoons, monitoring nitrate levels in the aquifer, and examining long term impacts of manure applications.

Mr. Naerebout mentioned the Department of Environmental Quality (DEQ) and their relationship with the dairy industry. He related that the DEQ does not regulate dairies, but their research does impact them. IDA recently issued a Memorandum of Understanding, as a working agreement with DEQ, to express mutual concerns and collaborate together.

In regards to questioning on videos depicting animal abuse in the dairy industry, **Mr. Naerebout** disclosed that the agricultural industry may need to address these issues with future legislation. Concerning rbST and synthetic technology, he asserted that milk production and environmental benefits will continue to increase, unless there is resistance to these efforts; however, then it would be difficult to maintain this type of growth. Pertaining to the availability and timeliness of visas for foreign workers, he answered that there are presently two competing bills in Congress, but they will not be introduced until April.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:29 p.m.

Representative Andrus
Chair

Kim Jensen-Porter
Secretary