

MINUTES
SENATE AGRICULTURAL AFFAIRS COMMITTEE

DATE: Thursday, March 21, 2013
TIME: 8:00 A.M.
PLACE: Room WW53
MEMBERS PRESENT: Chairman Bair, Vice Chairman Guthrie, Senators Brackett, Rice, Nonini, Patrick, Durst and Buckner-Webb
ABSENT/ EXCUSED: Senator Tippetts

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Bair** called the meeting to order at 8:04 a.m.

PRESENTATION: **Chairman Bair** invited Kyle Hoodenpyle, Page, Senate Agricultural Affairs Committee, to the podium for recognition of his service during his term with the Senate. Kyle lives and works on the family ranch, is a rider by heart and has been competing in various competitions, winning state championships, and holds the record for half-eights. He is a good dancer, and has a goal of finishing the book he is currently writing. Kyle plans on attending the University of Idaho to get his degree in Agriculture Engineering. He said he appreciated the opportunity to serve as the committee page and thanked everyone. **Chairman Bair** said his gift was on the way and would be presented shortly.

PRESENTATION: **Chairman Bair** introduced Deana Sessions, Administrator, Idaho Dairy Products Commission (IDPC), who presented the annual report to the committee. **Chairman Bair** spoke of her upcoming retirement and commended her for her dedication in working for the commission for thirty-four years, the last twelve years as the administrator.

Ms. Sessions thanked the committee and kind words from Chairman Bair. She spoke of her passion, not only for the IDPC, but for the people she works for. She stated that there is no other segment of agriculture where the farmers work as hard as in the dairy industry. She was very pleased to report that the commission had a clean audit this year and credits the staff for their attention to detail.

Ms. Sessions said the highlights include:

- Milk production in 2012 was 13.5 billion pounds of milk; up 2.4 percent from 2011
- Net assets of \$8.6 million; \$3.6 million of which is in a five-year, long-term investment and \$250,000 in a CD
- The projected budget for 2013 is anticipated to be \$13.9 million, with an operations total of \$1.2 million, and program expenses of \$13 million. Carryover funds of \$6 million including the long term investment (\$3.6 million).
- \$5.2 million in research - most of this is handled through the national organization because they manage the research for the whole U.S.
- \$1.5 million for Channels (marketing flow dealing with coupons, school foodservice, quick serve restaurants, and retail)
- \$350,000 in the Distinguished Student Award - four students receive \$20,000 scholarship that is given to the school in their honor. The commission posts a billboard honoring the students

- Idaho High School Activities Association (IHSAA) partners in youth development; it hands out chocolate milk at state tournaments, with a total of 59,500, eight ounce containers of milk to the boys basketball team
- \$113,474 in funding for the Fuel Up To Play 60 program.
- \$98,410 for the Medical Outreach Program
- \$30,154 for Image industry Relations - crisis preparedness and management
- A partnership with McDonald's (through the national affiliation) started in 2008. In 2008, McDonald's purchased a total of 2.6 billion pounds of milk and at the end of 2011, this increased by over 1 billion incremental pounds for a total of 3.6 billion pounds. McDonald's wants to utilize natural cheese in their meals, and this would add over a billion incremental pounds of milk annually. Their goal is to reach 50 percent natural cheese by 2017. In 2012 only 8 percent was natural.

Chairman Bair introduced **Sherry Chase**, Communications Director, IDPC, who presented on the Fuel Up To Play 60 flagship program for Idaho Dairy Council. This program was developed by the National Dairy Council and the National Football League in collaboration with the United States Department of Agriculture.

The supporting report and documents related to Ms. Session's and Ms. Chase's presentations have been archived and can be accessed in the office of the Committee Secretary. (See attachment 29).

PRESENTATION: **Chairman Bair** introduced **Bob Naerebout**, Executive Director, Idaho Dairyman's Association (IDA), who gave a short presentation on the IDA.

IDA was formed in 1944 and was established to develop and sustain an economically viable Idaho dairy industry. In 2003 IDEAL, LLC was established as a legal defense fund. It is now the legal defense and environmental research fund. The Idaho Dairy Water and Land Trust, 501(c)4, was established in 2006 over concerns generated from water calls from fish hatcheries and others. IDEAL Foundation 501(c)3, was formed to invest in the environmental livestock research facility in Magic Valley. The industry obligated themselves to \$5 million. Currently they have about \$1.5 million in investments in that fund, with \$500,000 pledged.

Milk production in Idaho for 2012 was 13.53 billion pounds, up 2.3 percent from 2011. Idaho assessment is 16 cents a hundredweight (cwt.). In the first nine months of 2012, Idaho's average dairy lost around \$0.35/cwt. The fourth quarter was cash flow positive, but feed costs increased at least \$0.50/cwt. Milk prices have since decreased while feed costs have not. The 2013 first-half projected costs are around \$18.25/cwt. Chicago Merchentile Exchange (CME) Class III futures are currently averaging \$17.60/cwt for the same months.

There are 572,576 milk cows in Idaho, and a total of 542 licensed dairy operations. Treasure Valley has 106 dairies or 19.6 percent; eastern Idaho has 136 dairies or 25.09 percent; and Magic Valley has 300 dairies or 55.4 percent. In a Boise State study, their statistics for jobs created from dairy include 8,300 from dairy farms, 2,371 from manufacturing, and 22,406 for secondary and induced for a total of 33,077 jobs. The dairy farm jobs are filled by foreign workers. This is where the immigration debate focuses. It is critical for the dairy industry and Idaho, that these issues be fixed, because the rest of those jobs are dependent on these 8,300 dairy farm jobs. Immigration Customs and Enforcement (ICE) audits show that 75 to 80 percent of the employees on the dairies cannot pass an ICE audit.

The National Dairy FARM (Farmers Assuring Responsible Management TM) program is one that the IDA recommends for dairy farm producers to participate in, due in part to the outcry created from an illegally filmed video of dairy "animal cruelty" that went viral on the internet. This program is voluntary and available to all producers. It focuses on education, animal care, on-farm evaluations, and third party verifications. The IDA has developed additional tools to ensure proper animal care is conducted. They continue to fund research in environmental programs as well, with about \$486,000 approved for research for 2013.

IDA's 2013 priorities on the state level include profitability and securing additional value added processors, continuing development of certification classes, and the feed lien law. On the national level, immigration is a top priority, funding the defense on an environmental lawsuit in Yakima, Washington involving five dairies. The premise is: manure is a hazardous waste; how should it be treated. This will set the precedent for all dairy farms throughout the country. **Mr. Naerebout** stood for questions.

The supporting report and documents related to Mr. Naerebout's presentation have been archived and can be accessed in the office of the Committee Secretary. (See attachment 30).

Chairman Bair thanked the dairy folks for the yogurt and the cheese board.

Chairman Bair addressed the letter from Patrick Kole, Idaho Potato Commission, and a letter received by the Governor's office concerning the Turkish Embassy issue and protecting the Idaho trademark. The institute chose not to grant the Turkish company the right to use Idaho as their trademark.

Chairman Bair thanked the committee and secretary for a great job done.

ADJOURNED: **Chairman Bair** adjourned the meeting at 9:08 a.m.

Senator Bair
Chairman

Denise McNeil
Secretary