

MINUTES
SENATE AGRICULTURAL AFFAIRS COMMITTEE

DATE: Thursday, February 20, 2014

TIME: 8:00 A.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Bair, Vice Chairman Guthrie, Senators Brackett, Tippetts, Rice, Nonini, Patrick, Buckner-Webb and Ward-Engelking

ABSENT/ EXCUSED: None

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 8:03 a.m.

MINUTES: The Minutes from February 4, 2014 were presented to the Committee for approval.

MOTION: **Senator Nonini** made a motion to approve the Minutes from February 4, 2014. **Senator Brackett** seconded the motion. The motion carried by **voice vote**.

INTRODUCTION: **Chairman Bair** introduced **Rick Waitley**, Executive Director of the Leadership Idaho Agriculture, who presented the Leadership Idaho Agriculture Class 34 (Class) who stood and introduced themselves.

H 430 **Chairman Bair** thanked the Class and introduced **Representative Matt Erpelding**, who presented **H 430** relating to Noxious and Invasive Weed Awareness Week. **Representative Erpelding** said this bill is an outgrowth of the work that is being done by the Idaho Noxious Weed Awareness Campaign (Campaign) and the Idaho Weed Control Association, and expands on the annual proclamation from the Governor that began in the early 2000s. This will place, in statute, a weed awareness week, the week before Memorial Day, and will become a permanent weed awareness week. The Campaign was created in 2001 by the efforts of the Weed Coordinating Committee. Its mission is to create public awareness and education to help the people of Idaho to understand the economic and environmental impacts of invasive weeds and support the implementation of all aspects of integrated weed management. Its main goal is to encourage Idahoans to develop and participate in invasive weed eradication management programs and assist in preventing the spread of invasive weeds. He said noxious weeds are not limited to just rangeland and agricultural land, but have spread to urban areas as well. Often times it is vehicles that spread invasive weeds, so this should help the public become more aware of what is making this problem worse. He stood for questions.

Senator Brackett asked what the difference is between a noxious weed and an invasive weed. **Representative Erpelding** said they are different, as defined in statute. **Rick Waitley**, representing the Idaho Weed Control Association, answered that they chose to rewrite the legislation to include "invasive weed". He said it was due in part to the State of Washington legalizing marijuana and was added to make that distinction. He said also, it is too hard to predict what types of weeds might show up in the future. **Senator Brackett** asked if there is a corresponding list for invasive animals. **Representative Erpelding** said yes, but that this legislation is not about those issues.

Senator Nonini asked if marijuana will be listed as an invasive or noxious weed. **Representative Erpleding** said, as he understands it, marijuana is not native to Idaho. He said that marijuana is a controlled substance in Idaho and a different subject than what is being discussed in terms of non-native, noxious and invasive weeds.

MOTION: **Senator Brackett** made a motion to send **H 430** to the floor with a **do pass** recommendation. **Senator Buckner-Webb** seconded the motion. The motion carried by **voice vote**. Senator Buckner-Webb will carry the bill on the floor.

PRESENTATION: **Chairman Bair** introduced Karianne Fallow, CEO of Idaho Dairy Products Commission (IDPC) and the United Dairymen of Idaho (UDI). **Ms. Fallow** introduced Commission Chairman, Tom Dorsey. She talked about the "Breakfast Matters" campaign and provided breakfast treats for the Committee.

Chairman Bair introduced **Tom Dorsey**, who outlined the following highlights:

- In 2013 there were 549,410 milk cows, a decrease from 2012.
- There are 536 dairy operations.
- 13.4 billion pounds of milk production. Idaho is number 1 per capita in milk production.
- Idaho is number 4 in the nation for production, down from number 3, due to the decrease in production (1 percent).
- There are 20 processors that produce a diversity of products, such as Milk Protein Concentrate (MPC) and Milk Protein Isolate (MPI), relatively new items created from new innovative processes, which are very desirable for foreign export markets.

Ms. Fallow outlined the dairy consumption trends in the U.S.:
Milk Trends:

- Sales maintained a downward trend in consumption over the last several years.
- Organic milk experienced the highest growth, up 4.1 percent.
- Lactose free milk is up 3.8 percent. The IDPC has worked with Lactaid to ensure there are still enough proteins in their products.
- Flavored milk is up 2.3 percent.
- Whole fat milk growth is flat.

Cheese Trends:

- Total sustained growth in 2013 was up 1.1 percent.
- Natural cheese, up 2.1 percent.
- Shreds up 38 million pounds from 2012.

Yogurt Trends:

- Total growth up 3.3 percent from 2012.
- Greek is up 45.9 percent with 334 million more pints than 2012.
- Innovation accounts for 7 percent of total volume.
- Convenient methods of consumption: cups, tubs, drinks and tubes are up 25.1 percent.
- Fruit on the bottom account for a 16 percent volume share.

She said that Idaho's dairy farm families are feeding the world. There are 1.6 million people in Idaho, and we are producing 14 billion pounds of milk. Most of it is going outside of our borders. One in seven milk tankers from the U.S. are turned into dairy products that are consumed overseas. Dairy export value is approaching \$6.7 billion with volume representing nearly 16 percent of total milk solids produced. Idaho is positioned to be a leader in dairy exports around the world. **Tom Dorsey** added that he would like to encourage folks in Idaho to eat more cheese, because they currently produce 5,500 pounds of cheese per person.

Ms. Fallow talked about the new vision for the IDPC and the UDI and their objectives for the future:

- Increase demand of milk and milk products.
- Advocate programs that enhance and protect the economic security of the dairy industry.
- Cooperate and coordinate with other dairy organizations to promote the sale and consumption of products.
- Integrate advertising, sales promotions, dairy image and nutrition education activities.

They felt that they had an "identity" crisis, and that many producers were confused about which organization plays what role. UDI is dairy's checkoff organization in Idaho, and dairy farmers pay a mandatory assessment to fund them. She said the organization is well positioned for the future with lots of talent, resources and active and engaged board members.

In August 2013, UDI conducted a listening panel among dairy producers around the State to discuss the top challenges facing the dairies and the U.S. dairy industry. The three main issues were: milk prices, which have no direct role; public perception of dairy, which they can work to enhance and promote a more positive perception; and government regulation, which would be the responsibility of the Idaho Dairymen's Association. By 2017, the goals for the UDI are: to become a global marketing, promotion, and business development organization; to become a well known Idaho ag commodity; to be more focused; to create a new logo with consistent branding; and to empower their team members.

Her recommendations for the organization include: scaling back product donations, except for strategic partners; moving away from product specific imagery and focusing on the dairy farmer and the dairy farm family; moving away from paid media and more towards earned media; developing more strategic relationships as opposed to transactional relationships; providing better measuring of the return on investment (ROI) performance; and infrastructure improvements.

Mr. Dorsey said that the dairy checkoff was instituted in Idaho about 30 years ago. Idaho is distinct as one of the only states that collects \$.16 per 100 weight. The breakdown of the assessment is: \$.10 assessment; \$.01 to the Idaho Dairymen's Association; \$.05 to Dairy Marketing Incorporated (DMI) (\$.025 is for DMI Dues and \$.025 is for Unified Marketing Plan).

He said that collecting the checkoff funding requires accountability, and those that pay want to know what is being done with the money they collect. The checkoff program was instituted when production was in decline, so the fact that the per capita consumption of dairy has increased in the U.S. by 270 pounds is one indication of how successful this has been. In 1985 the average production in Idaho was 12,000 pounds of milk per cow, today it is close to 22,000 pounds. With the increase of production, this requires a change in your marketing strategy.

He said the familiar milk moustache campaign was memorable, but never sold any more milk. They now partner with McDonald's, Taco Bell, and Domino's. PepsiCo has added milk to their line of products. These partnerships have made over double the amount they collect from the checkoff dollars. They stood for questions.

Senator Brackett asked where are the reserves on their financial statement shown. **Ms. Fallow** responded that there are minor reserves budgeted for 2014 for about \$200,000. There are significant investments in CDs and another investment that has close to \$4.5 million in it.

PRESENTATION: **Chairman Bair** introduced **Bob Naerebout**, Executive Director of the Idaho Dairymen's Association, who said that the booklet that was passed to the Committee covers everything that he would be presenting. He extended the invitation to all Committee members for their March 13th banquet. The new president of the University of Idaho, Dr. Stabin, will be the key speaker. He stood for questions.

Chairman Bair asked what is MPC. **Mr. Naerebout** said it is made by fractionating the protein, which can be found in protein bars, for example. There are only three MPC plants in the U.S. and one is located in Idaho and is owned by Idaho Milk Products.

ADJOURNED: **Chairman Bair** adjourned the meeting at 9:00 a.m.

Senator Bair
Chair

Denise McNeil
Secretary