



THE OUTLOOK FOR THE DAIRY INDUSTRY – IDAHO’S PERSPECTIVE

Bob Naerebout

On July 5, 1944, leaders in the Idaho dairy industry formed the Idaho Dairymen’s Association (IDA). The purpose of IDA, as spelled out in the Mission Statement, is to develop and sustain an economically viable Idaho dairy industry. Initially, IDA was funded by a voluntary assessment that was paid by both participating producers and processors.

In 1969, the Idaho dairy industry took the next step by legislatively creating the Idaho Dairy Products Commission (IDPC), which can be found in Title 25, Chapter 31 in the Idaho Code. The law covers approximately ten (10) pages, but the most critical words can be found in 25-3101, which states “...it is the purpose of this act to promote the public health and welfare of the citizens of our state by providing means of protection, promotion, study, research, analysis and development of markets concerning the production and marketing of Idaho dairy products.”

With the formation of IDPC, the need for legislative and industry relations continued to be filled by IDA. Through a Memorandum of Understanding (MOU) between IDPC and IDA, roles and responsibilities were established, as well as the funding mechanism in which all producers participate (see Memorandum of Understanding on pages 12 & 13).

In 1980, the dairy producers of Idaho formed the United Dairymen of Idaho (UDI), an umbrella organization under which IDPC and IDA could function as a single entity. The Board of UDI consists of nine (9) members elected as IDPC Representatives and nine (9) members elected as IDA Representatives. The IDPC Board members approve funding on promotion and marketing projects, and the IDA Board members approve funding for industry and government relations projects.

In 1984, the establishment of the National Dairy Production Stabilization Act assessed producers \$0.15/cwt on all milk produced for dairy product promotion. The Act has a provision that allowed up to \$0.10/cwt be utilized by ‘qualified’ state or regional programs. While the programs governed by IDPC were considered qualified, those conducted by IDA, such as lobbying, were not, and therefore, could not be funded under the national program. The IDA funding continued under the Idaho law.

In 1987, at the UDI annual meeting, the membership voted to have the IDA assessment be established at \$0.005 per hundredweight through the MOU.

In 1988, the Idaho Code established a “Tax Levy” not to exceed 1% of the gross dollars generated from the sale of all milk and cream produced in the state of Idaho. According to the levy, the tax shall be paid by the first purchaser from the producer of the milk. It is through this authorization the assessment for IDA is collected. From 1988 to October of 2004, that assessment remained at \$0.005/cwt.

B Naerebout, Executive Director Idaho Dairymen’s Association, President Western Dairy Business Solutions, 139 River Vista Place, Twin Falls, Idaho; E-Mail bob@wdbs.us : [In](#): Proceedings, 2006 Western Alfalfa & Forage Conference, Sponsored by the Cooperative Extension Services of AZ, CA, CO, ID, MT, NV, NM, OR, UT, WA, WY. Published by: UC Cooperative Extension, Agronomy Research and Extension Center, Plant Sciences Department, University of California, Davis 95616. (See <http://alfalfa.ucdavis.edu> for this and other alfalfa proceedings.)

Living up to the vision of IDA to "...take such action that it deems necessary or advisable in order to stabilize and protect a healthy dairy industry in Idaho," the UDI membership, voted at the 2003 annual meeting to form the Independent Dairy Environmental Action League (IDEAL). The sole purpose of IDEAL was to establish an Idaho dairy industry legal defense fund.

At the 2004 UDI annual meeting, the UDI membership voted to increase the IDA assessment to \$0.01/cwt, with the additional \$0.005/cwt being dedicated to IDEAL. In addition, the membership added environmental research to the purpose of IDEAL. Under current production trends, the total dollars raised for IDEAL in 2005 will exceed \$500,000.

REPRESENTATION

The United Dairymen Of Idaho (UDI) is the Board Governing the functions of the Idaho Dairymen's Association (IDA). The UDI Board is made up of eighteen (18) elected dairy producer's. Nine (9) of the UDI Board members are elected as Board members for the Idaho Dairy Products Commission (IDPC) and nine (9) are elected as Board Members for IDA.

The UDI Board has dedicated committees to provide oversight to the functions of IDA. Those committees are:

Industry Relations Committee, which is made up of six (6) Board members

Resolution Committee, which is made up of nine (9) elected dairy producers.

IDEAL Committee, which is made up of three (3) UDI Board Members, three (3) appointed dairy producers and one non-voting advisor.

Although there is an assumption that the Idaho dairy industry consists of only large producers, 49% of the dairy producers in Idaho milk 200 cows or less. This fact is reflected in the makeup of the UDI Board as can be seen below. The Board members milk a range of 42 to 8500 head.

22% milk less than 100 cows

22% milk 200—300 cows

39% milk 350—900 cows

17% milk more than 1000 cows

Current Elected Board Members of UDI:

Mike Quesnell President, IDA Co-Chair, UDI	Tom Dorsey	Gale Moser
	Brian Esplin	Mike Roth
Jack Davis Vice President, IDA	Jeff Hyde	Jim Stewart
	Lynn Keetch	Bill Stouder
Janis Ritchie Secretary, IDA	Sherman Toone	Frank Teunissen
Art Lee Co-Chair, UDI	Susan Lee	John VanderWoude
Teresa Darrington	Hank Hafliger	

IDA MISSION STATEMENT

“To continue to develop and sustain an economically viable Idaho dairy industry that works together to achieve success in the domestic and global marketplace in meeting the needs of the Idaho dairy farm families.”

VISION

The Idaho Dairymen’s Association, Inc. was established on July 5, 1944, with the goal of promoting all viable aspects of the dairy interests in the state of Idaho.

Continuing under the mandate, the Idaho Dairymen’s Association, Inc. will take such action that it deems necessary or advisable in order to **stabilize and protect a strong, healthy dairy industry in Idaho while protecting and promoting the health and welfare of the public.**

The Idaho Dairymen’s Association, Inc. will promote the interest of the Idaho dairy industry to individual citizens, state and national legislators, governmental agencies, conservation organizations, community groups and agricultural organizations to maximize the understanding and appreciation of the Idaho dairy industry.

The Idaho Dairymen’s Association, Inc. will build and maintain positive relations with the state, regional and national dairy industry leaders, with dairy processors and with the membership of the association.

IDAHO DAIRY OPERATIONS BY SIZE

	<u>Number of Dairies</u>	<u>% OF DAIRIES</u>
Less than 200 cows	313	45.6%
201 – 500 cows	125	18.2%
501 – 1000 cows	105	15.3%
1001 – 2000 cows	73	10.6%
More than 2000 cows	70	10.2%
TOTAL OPERATIONS:	686	

There are Presently 477,475 Milk Cows In Idaho

IDAHO MILK PRODUCTION

2000	7.2 billion lbs.
2004	25.96% Increase to 9.1 billion lbs.
2005	11.8% Increase to 10.13 billion lbs.
2006	8% Increase projected to 10.9 billion lbs.

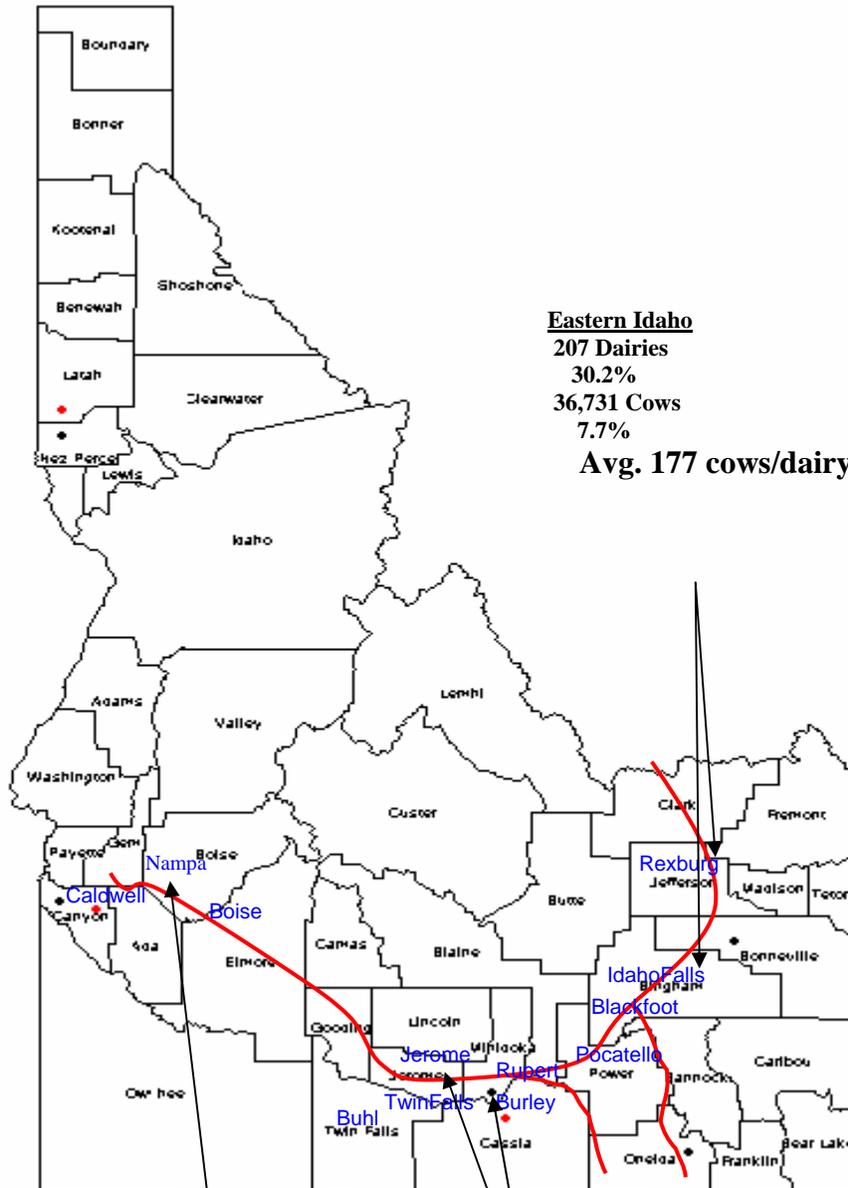
As you can see on the above chart, the growth of the Idaho dairy industry has been on a rapid increase. Some facts of interest:

In 1970, Idaho had 8,500 dairies with 144,000 cows, which averages just 17 cows per dairy. Total milk production was 1,490,000,000.

In 2001, Idaho had 1000 dairies with 366,000 cows, which averages 366 cows per dairy. Total milk production of 7,757,000,000.

In 2006, Idaho has 686 dairies with 477,475 cows, which averages 696 cows per dairy. Total milk production for 2005 was 10,129,247,312.

In July of 2002, Idaho surpassed Minnesota to become the fifth largest milk producing state, and in August of 2005, Idaho passed Pennsylvania to become the fourth largest milk producing state.



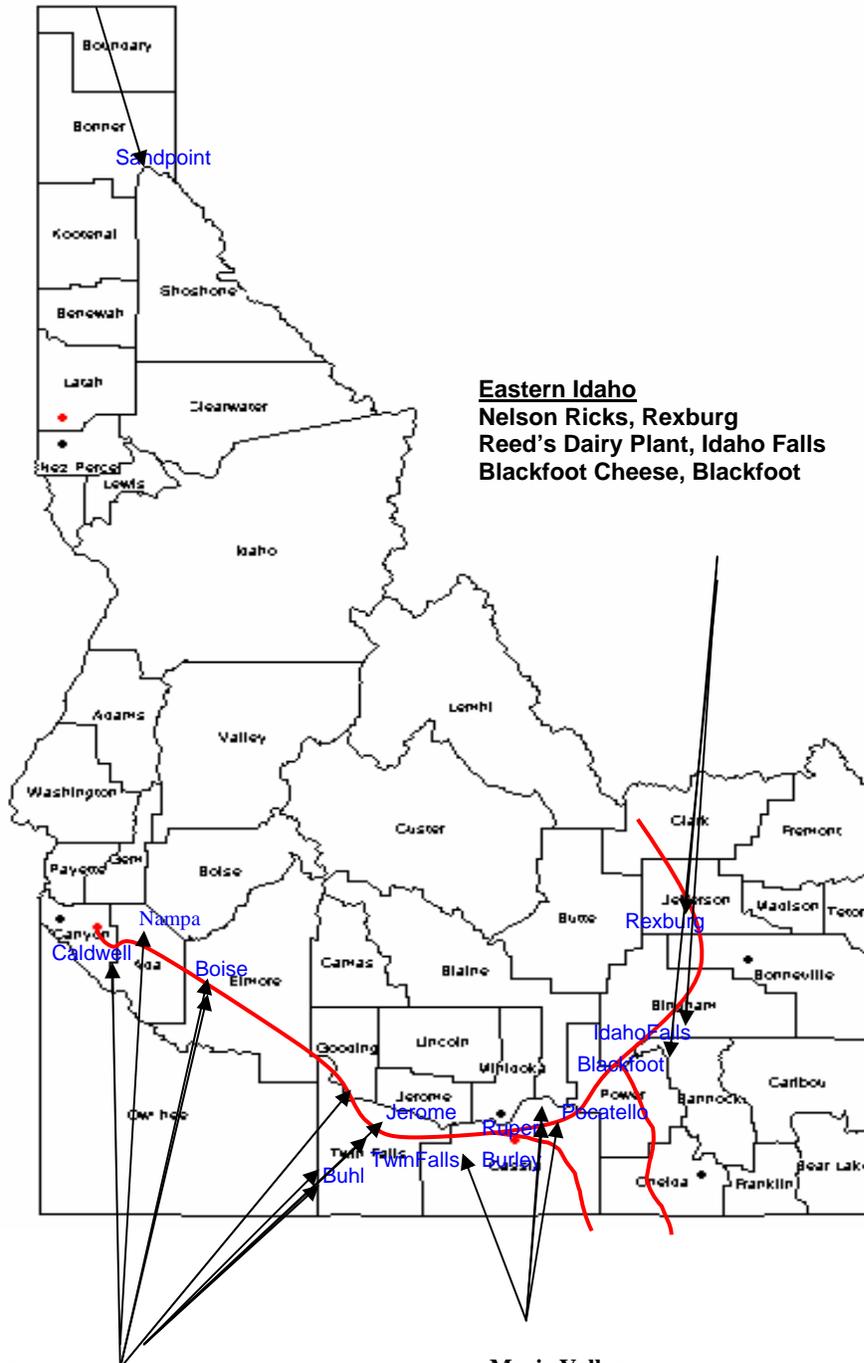
Eastern Idaho
 207 Dairies
 30.2%
 36,731 Cows
 7.7%
Avg. 177 cows/dairy

Treasure Valley
 141 Dairies
 20.6%
 96,653 cows
 20.2%
Avg. 685 cows/dairy

Magic Valley
 338 Dairies
 49.3%
 344,091 Cows
 72.1%
Avg. 1018 cows/dairy

Idaho Dairy Plants Receiving Raw Milk

Litehouse Cheese



Eastern Idaho
 Nelson Ricks, Rexburg
 Reed's Dairy Plant, Idaho Falls
 Blackfoot Cheese, Blackfoot

Treasure Valley
 Sorrento Lactalis, Nampa
 WestFarm Foods, Caldwell
 WestFarm Foods, Boise
 MeadowGold, Boise

Magic Valley
 Glanbia Foods, Gooding
 WestFarm Foods, Jerome
 Jerome Cheese, Jerome
 FalconHurst Dairy Plant, Buhl
 Smiths' Dairy Plant, Buhl

Evolution of Idaho Agriculture

Changes In Crop Acres 1995 - 2005

Decreasing Crops

	<u>1995</u>	<u>2005</u>	<u>Change</u>	<u>% Change</u>
Dry Beans	123,000	78,000	- 45,000	-37%
Sugar Beets	201,000	152,000	- 49,000	-24%
Barley	720,000	600,000	-120,000	-17%
Wheat	1,410,000	1,200,000	- 210,000	-15%
Potatoes	410,000	353,000	- 57,000	-14%

Total Reduction In Acres: 481,000

Increasing Crops

	<u>1995</u>	<u>2005</u>	<u>Change</u>	<u>% Change</u>
Corn Silage	62,000	150,000	88,000	142%
Corn Grain	35,000	75,000	40,000	114%
Alfalfa	1,020,000	1,180,000	160,000	16%
Other Hay	270,000	300,000	30,000	11%

Total Increase In Acres: 318,000

Net Loss In Acres: 163,000

Increase In Milk Cows

1995 - 232,000 cows
 2005 - 455,000 cows
 Increase - 223,000 cows (96%)

*Information source: 1995 & 2006 Idaho Agricultural Statistics

Western States' Dairy Growth

Cow Numbers 1990—2005 (Thousands of Head)

National:	<u>1990 Animals</u> 10,127	<u>1990 Animals</u> 9,041	<u>% Change</u> 11% Decrease
<u>State:</u>	<u>1990 Animals</u>	<u>2005 Animals</u>	<u>% Change</u>
Arizona	94	163	73.4 %
California	1,135	1755	54.6 %
Colorado	77	104	35.1 %
Idaho	179	455	154.2 %
New Mexico	81	328	304.9 %
Texas	386	320	- 17.0 %
Washington	237	241	1.7 %
<u>TOTAL:</u>	<u>2189</u>	<u>3366</u>	<u>4% Increase</u>

53.

In 1990 the states listed above had a 21.6% share of the total US dairy herd, today that has increased to 37%.

At the same time the West has increased, the states representing the Midwest have decreased by 29.59%, the Northeast has decreased by 18.94% and the Southeast has decreased by 45.3%.

Even though Texas shows a negative 17% over the fifteen-year period, for the past two years, the state has been experiencing double-digit production growth.

Dairy production in the Western United States has found itself in an era of rapid expansion. While cow numbers elsewhere have declined, numbers and milk production seems to be moving rapidly to the West.

The Eastern U.S. cow numbers have been declining, most likely as a result of specialized, high-producing dairy farms replacing the smaller farms more traditional to the Eastern dairying regions. The U.S. Department of Agriculture states that, nationwide in the last 15 years, dairy cow numbers have dropped by 10.7%, which equals almost 1.1 million head and that numbers are down nearly 42 percent from 40 years ago. Cow numbers in the last 10 years have declined in 38 states.

However, even though nationally, the numbers of dairy farmers and milk cows have steadily declined, Western dairy cow numbers continue to climb at a substantial rate. The numbers have progressively risen in 11 states since 1990, all of which are located in the Western region of the country. As the chart above indicates Idaho alone has increase by 154.19% and New Mexico by 304.94% in milking animals in that time. In contrast, every single non-western state besides Indiana, whose numbers have not changed, has felt a decline in that same time.

The Western United States has proven that it is a force to be reckoned with when it comes to Dairy production and cow numbers. As the Hoard's Dairyman magazine states, "there are two distinctly different dairy industries in the U.S. – the West, and everywhere else."



MOORE STEPHENS WURTH FRAZER AND TORBET, LLP

Certified Public Accountants and Consultants

The following pages contain the Moore Stephens Wurth Frazer and Torbet, LLP's Dairy Farm Operating Trends for the year ending December 31, 2005.

The data is compiled from dairy operations in Southern California, the San Joaquin Valley, Arizona, Idaho and New Mexico with a combined milk production of over 3.3 billion pounds and more than 153,000 head of mature cows in the current year.

This report includes a comparison of the results in the regions listed above for the year ended December 31, 2005 both on a "per hundredweight of milk" basis and on a "per head" basis. Also included are selected financial ratios and other information for the period.

This publication is designed as a reference tool and a management aid for dairy farm managers and advisors. Moore Stephens Wurth Frazer and Torbet, LLP believes the information to be reliable, but is not responsible for errors in the reported source information.

Our publication continues to be recognized as the top industry source for relevant dairy statistics. This report is provided to and widely utilized by dairy farmers, lending institutions, universities, colleges and other agribusiness industries.

We appreciate all of you past and present support and thank you for your continued reliance on Moore Stephens Wurth Frazer and Torbet, LLP. If you have any comments or questions, please contact Sharon A. Davis or Tim Gulling at our City of Industry office at (909) 594-2713 and Bob Matlick or Mike Edwards at our Visalia office at (559) 732-4135.

For more information regarding our firm, our Agribusiness department and our publication, please visit our website at www.mswft.com.

Sincerely,

Moore Stephens Wurth Frazer and Torbet LLP

MOORE STEPHENS WURTH FRAZER AND TORBET, LLP
Certified Public Accountants and Consultants

May 2006



MOORE STEPHENS WURTH FRAZER AND TORBET, LLP

Certified Public Accountants and Consultants

**Comparison by Area for the Year Ended December 31, 2005
(Based on Average Amounts per Head)**

	<u>Southern California</u>	<u>San Joaquin Valley</u>	<u>Arizona</u>	<u>Idaho</u>	<u>New Mexico</u>
Income:					
Milk Sales	\$ 3,046	\$ 3,106	\$ 3,027	\$ 3,249	\$ 2,704
Calves and Other	86	53	100	109	96
Total Income:	\$ 3,132	\$ 3,159	\$ 3,127	\$ 3,358	\$ 2,800
Cost of operations:					
Feed:					
Grain	\$ 994	\$ 997	\$ 822	\$ 932	\$ 834
Hay and Other	461	430	470	464	405
Total Feed	\$ 1,455	\$ 1,427	\$ 1,292	\$ 1,396	\$ 1,239
Labor (including fringe costs)	\$ 403	\$ 302	\$ 278	\$ 332	\$ 298
Herd Replacement Costs	\$ 233	\$ 214	\$ 325	\$ 268	\$ 214
Other Costs:					
Milk Hauling	\$ 71	\$ 59	\$ 106	\$ 55	\$ 120
State & Association Charges	41	43	72	54	36
Veterinary, Breeding, Testing, Etc.	83	82	45	90	58
Supplies	97	122	121	150	139
Repairs & Maintenance	145	119	99	122	100
Utilities	52	50	60	38	52
Occupancy Costs	117	119	139	88	67
Depreciation – Equipment	31	66	48	74	54
Interest	91	131	156	112	114
Miscellaneous	108	100	132	121	95
Total Other Costs	\$ 836	\$ 891	\$ 978	\$ 904	\$ 835
Total Costs of Operations	\$ 2,297	\$ 2,834	\$ 2,873	\$ 2,900	\$ 2,586
Net Income	\$ 205	\$ 325	\$ 254	\$ 458	\$ 214



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**Comparison by Area for the Year Ended December 31, 2005
(Based on Average Amounts per Hundredweight of Milk)**

	<u>Southern California</u>	<u>San Joaquin Valley</u>	<u>Arizona</u>	<u>Idaho</u>	<u>New Mexico</u>
Income:					
Milk Sales	\$ 14.75	\$ 14.45	\$ 15.25	\$ 14.18	\$ 13.78
Calves and Other	0.42	0.25	0.50	0.48	0.49
<u>Total Income:</u>	\$ 15.17	\$ 14.70	\$ 15.75	\$ 14.66	\$ 14.27
Cost of operations:					
Feed:					
Grain	\$ 4.82	\$ 4.64	\$ 4.14	\$ 4.07	\$ 4.25
Hay and Other	2.23	2.00	2.37	2.02	2.06
Total Feed	\$ 7.05	\$ 6.64	\$ 6.51	\$ 6.09	\$ 6.31
Labor (including fringe costs)	\$ 1.95	\$ 1.41	\$ 1.40	\$ 1.45	\$ 1.52
Herd Replacement Costs	\$ 1.13	\$ 1.00	\$ 1.64	\$ 1.17	\$ 1.09
Other Costs:					
Milk Hauling	\$ 0.34	\$ 0.27	\$ 0.54	\$ 0.24	\$ 0.61
State & Association Charges	0.20	0.20	0.36	0.23	0.18
Veterinary, Breeding, Testing, Etc.	0.40	0.38	0.23	0.39	0.29
Supplies	0.47	0.57	0.61	0.65	0.71
Repairs & Maintenance	0.70	0.56	0.50	0.53	0.51
Utilities	0.25	0.23	0.30	0.17	0.27
Occupancy Costs	0.57	0.55	0.70	0.38	0.35
Depreciation – Equipment	0.15	0.31	0.24	0.32	0.28
Interest	0.44	0.61	0.79	0.49	0.58
Miscellaneous	0.52	0.45	0.66	0.54	0.48
<u>Total Other Costs</u>	\$ 4.04	\$ 4.13	\$ 4.93	\$ 3.94	\$ 4.26
<u>Total Costs of Operations</u>	\$ 14.17	\$ 13.18	\$ 14.48	\$ 12.65	\$ 13.18
<u>Net Income</u>	\$ 1.00	\$ 1.52	\$ 1.27	\$ 2.01	\$ 1.09

The Economic and Fiscal Impacts of the Dairy Farming and Dairy Product Manufacturing Industries in South Central Idaho

Significant Findings

In 2005, dairy farming operations in Idaho produced 10.129 billion pounds of milk and sales of raw milk surpassed \$1.369 billion. With the inclusion of additional revenues to dairy farming operations from the sale of excess dairy cattle and calves Idaho dairy farm sales in 2005 from dairy operations easily surpassed \$1.513 billion.

In 2005, 9,260 persons in Idaho were directly employed by the dairy farming or dairy product manufacturing industries. The majority of these jobs were with seven counties of south central Idaho: Cassia, Elmore, Gooding, Jerome, Lincoln, Minidoka, and Twin Falls counties.

Of those 9,260 jobs noted above, 1,725 of those were in dairy products manufacturing with 1,100 of those jobs, or 63.8 percent, in the cheese processing plants in south central Idaho.

While agricultural employment in many Idaho counties has fallen in recent years these seven south central Idaho counties have all added employment since 1997. For the period 1997-2005, these seven south central Idaho counties 27.0 percent of the total agricultural employment in Idaho but 48.2 percent of the growth in the state's total agricultural employment.

The direct employment in dairy farming and dairy products manufacturing as well as the estimated direct spending on locally supplied goods and services to those industries accounted for \$428.0 million in personal income in the seven counties.

In addition, the secondary and induced employment in the south central Idaho economy as a result of the direct economic activity associated with dairy farming and dairy products manufacturing produced an estimated additional \$655.4 million of personal income to the south central Idaho region.

In total (accounting for the direct, secondary, and induced economic impacts) dairy farming and dairy products manufacturing in 2005 accounted for \$1,083.0 million in additional personal income to the residents of south central Idaho.

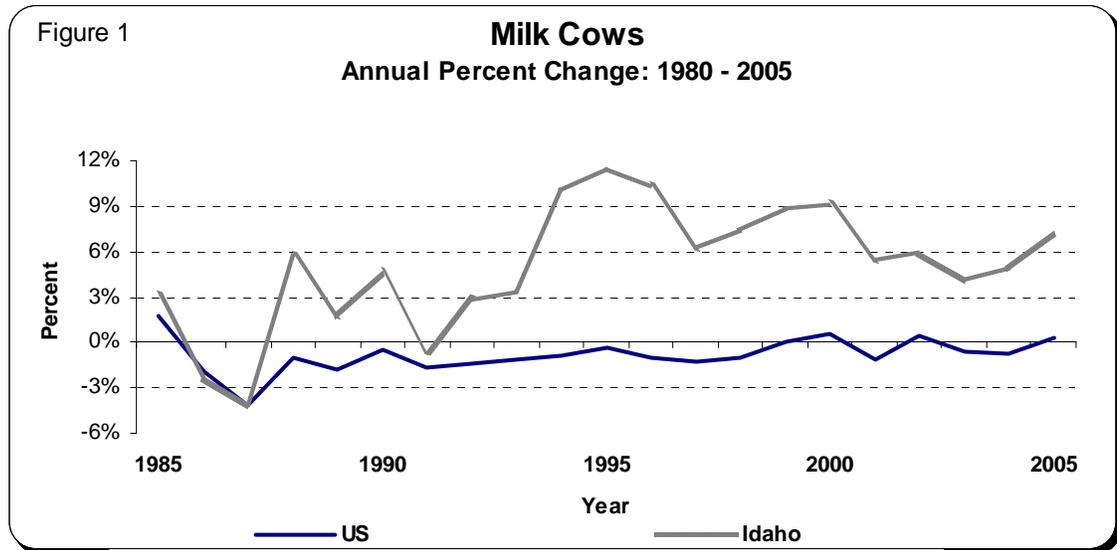
The economic activity generated by dairy farming and dairy product manufacturing industries in south central Idaho, through their direct and secondary economic impacts, generate a significant stream of annual tax revenues to the State of Idaho. In total, this study estimates that \$67.5 million in annual tax revenues that are received by the State of Idaho can be attributed to the dairy industry in south central Idaho and the secondary economic activity that it creates in the region.

In addition, the dairy farming and dairy product manufacturing industries in south central Idaho pay approximately \$7.4 million each year in local property taxes. The dairy industry’s annual property taxes represent a significant portion of the total property tax revenues collected in some of the more rural counties of the region.

Changes in Idaho’s Dairy Industry Between 2001 and 2005:

Between 2001 and 2005 the number of dairies in Idaho decreased by 15.0 percent, 150 dairies. The number of dairies in Idaho decreased from 1,000 to 850. However, during the same period the number of dairy cows in the State increased by nearly 24.3 percent, or 111,000 head.

There were 366,000 dairy cows in Idaho head in 2001 and 455,000 in 2005. Between 2001 and 2005 Idaho surpassed the states of Minnesota and Texas and is now ranked as the 5th largest state nationally in terms of the size of the total dairy herd in the state. Figure 1, below, shows the annual percent change in the number of milk cows in Idaho and the U.S. for the period 1985 – 2005.



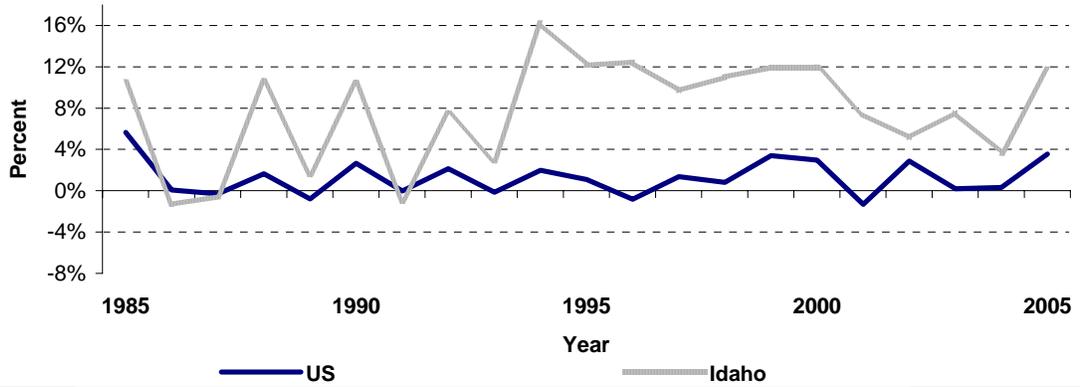
Total milk production in Idaho increased by 2.414 billion pounds between 2001 and 2005.

Milk production in Idaho increased from a 2001 level of 7.857 billion pounds to 10.161 billion pounds in 2005.

Between 2001 and 2005 Idaho passed Minnesota to achieve the ranking as 5th largest among all states in terms of total milk production. Figure 2, below, shows the annual percent change in milk production in Idaho and the U.S. for the period 1985 – 2005.

Figure 2

Milk Production Annual Percent Change: 1985 - 2005



Between 2001 and 2005 total cheese production in Idaho increased by 35.2 percent or 200.7 million pounds.

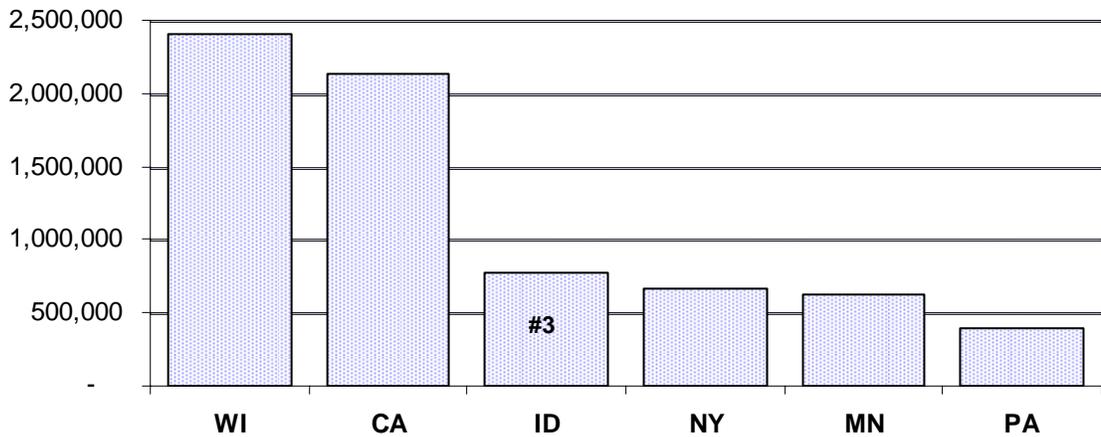
The production of cheese in Idaho increased by 7.3 percent, or about 52.4 million pounds, from a level of 718.2 million pounds in 2004 to 770.6 million pounds in 2005.

Idaho is now the 3rd largest state in the nation in terms of annual cheese production volume. Only California and Wisconsin surpassed Idaho during 2005. Figure 3, below, provides a visual depiction of the 2005 top cheese producing states in the U.S.

The Top Six Cheese Producing States in the U.S. - 2005

(Thousands of Pounds)

Figure 3



The average annual employment on Idaho's Dairy Farms increased by 964 jobs, or 15.4 percent, between 2001 and 2005.

Dairy farm employment in Idaho, which averaged 6,268 in 2001, increased throughout next five years to 7,232 in 2005.

The average annual employment in Idaho's Dairy Product Manufacturing industry increased 19.6 percent over the 2001 to 2005 period.

From a 2001 annual average level of employment of 1,700 Idaho's Dairy Product Manufacturing industry added 325 jobs to an annual average level of 2,025 in 2005.

In contrast, from 2001 - 2005 total manufacturing employment in Idaho declined by 7.6 percent, or 5,200 jobs. Idaho's Dairy Product Manufacturing industry was a bright spot in a troubling time for Idaho's manufacturing industries.

The contribution to total personal income in Idaho from those directly employed by Idaho's dairy farming and dairy product manufacturing increased by \$72.8 million between 2001 and 2005.

The contribution to Idaho's total personal income from dairy farming and dairy product manufacturing in the state increased from \$277.2 million in 2001 to \$350.0 million in 2005.

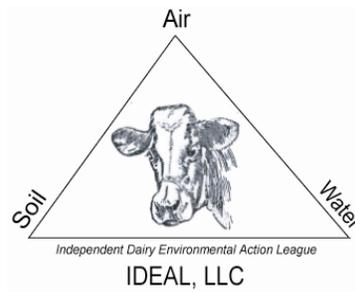
Dairy farming in south central Idaho is big business. The South Central region of Idaho contains 5 counties of the top ten Idaho dairy producing counties.

At the 2002 U.S. Census of Agriculture benchmark the value of dairy output from Gooding, Jerome, Twin Falls, Cassia, and Lincoln counties accounted for 69.2 percent of the statewide total.

Idaho's Dairy farming industry is not just a big fish in a small pond. In terms of the value of dairy farm output, the 2002 U.S. Census of Agriculture ranks Gooding County as the 8th largest out of 3,078 counties in the nation. It doesn't stop there. In addition to Gooding County's ranking of 8th largest, four other counties in the south central Idaho region are among the top 100 nationwide. They are: Jerome County, ranked 17th, Twin Falls County, ranked 25th, and Cassia County ranked 62nd largest in the nation. Table 1, below, provides the ranking of Idaho's top ten dairy industry counties in terms of the value of dairy output from the 2002 U.S. Census of Agriculture

Idaho's dairy industry, and in particular the dairy industry in the counties of south central Idaho have continued their robust growth during the last five years. They have added jobs to the state and the region at a time when other industries have not.

In addition, during the last five years Idaho's dairy farming and dairy products manufacturing have added many jobs in the rural areas of Idaho which, in the past, had been largely passed over when the State's urban areas were making strong economic gains.



Independent Dairy Environmental Action League (IDEAL)

Mission

Provide financial support, either directly or indirectly for legal fees and related cost associated with environmental, production, governmental, or similar issues related to the dairy industry.

Provide support for dairy environmental research.

Structure

- Limited Liability Corporation, under the umbrella of IDA
- Six Committee Members, all dairy producers
- One Advisor—non-voting— (Mike Roe)
- 2/3 majority required to pass on to United Dairymen of Idaho (UDI) Board for approval

Criteria

- “All available means have been utilized to rectify the problem.”
- The issue being addressed has a major impact for the dairy industry.
- The issue being addressed has significant financial implications for the dairy industry.
- Availability of funds.

Funding

- 2004 Idaho Dairy Producers Voted To **TAX** Themselves \$0.005/cwt – Raises Approximately \$500,000 Annually
- Donations
- Fundraisers

IDA and IDEAL Expenditures in 2005

Legal—\$400,000
Research—\$310,000

IDA and IDEAL Legal Cases

- Notice of Intent to Sue for failure to file CERCLA-EPCRA emissions reports.
- Notice of Intent to Sue for failure to get a Permit to Construct, a violation of the United States Clean Air Act.
- Water Calls Litigation and Mitigation
- Gooding County CAFO Moratorium

Research Proposals

- Footbaths – Replace Copper Sulfate with Chlorine Dioxide to reduce odor from lagoons and reduce copper in the soil.
- Monitor air quality pre and post installation of a methane digester to quantify their impact on air quality.
- Sustainable Dairy Manure Management System which would include a Gasification Plant, Nitrification Plant, and a Struvite collector.
- Theoretical 70% reduction in NH_3 and an 80% reduction in Phosphorus
- Measurement of Best Management Practices (BMP) that have an impact on air quality, such as;
 - Methods of Manure Incorporation
 - Operations of center pivots
 - Lagoon Covers
 - Corral and Free Stall Management.

Contributors To Research In 2005:

IDEAL

Idaho Dairymen's Association

Idaho State Department of Agriculture

Research Focused on Environmental Stewardship

Collaborative Effort:

Center for Advanced Energy Studies

Environmental Protection Agency

Idaho Conservation League

Idaho Dairymen's Association

Idaho Department of Environmental Quality

Idaho State Department of Agriculture

Idaho National Laboratory

Legislators

University of Idaho

USDA Rural Development

USDA Agriculture Research Service—Kimberly

USDA Natural Resources Conservation Service

IDEAL 2006 Research Expenditures Budget

Research Coordination And Grant Applications	\$15,000
Research Projects	\$250,000
Dairy Research Center Planning and Implementation	<u>\$100,000</u>
Total Research Expenses	\$365,000

A Vision For The Future

The dairy industry in Idaho has grown rapidly in the past decade, and is forecast to continue into the future. Idaho's growth coupled with increased environmental impacts that are being contributed to the industry has created a vision within the industry to develop a state of the art Dairy Research and Teaching Center. The Center would be multi-disciplined; having an emphasis in assisting the industry in defining environmental impacts and developing the necessary technology to mitigate them.

The Board members of Idaho Dairymen's Association believe that today's politics dictate building a broad base of support including multiple partners, if we are going to go forward with what should be considered a very ambitious project. Never before have private, public, and educational entities come together in such a dramatic fashion to finance and support research so needed by the state's major agricultural industry. If successful, those involved will be a partner in a dairy research facility larger than any other university-held dairy research facility.

Idaho Dairymen's Association (IDA) participated in a feasibility study to evaluate the merits of a new dairy research and teaching center in the Northwest. Based off of information generated in that study the membership of IDA approved the following policy:

“Be it resolved; that we support a dairy research facility between private industry and public and educational entities. The facility would be dedicated to both education and research, with adequate animal numbers to reflect the dairy industry today and in the future. The facility should be located where the dairy industry is prominent.”

What would that facility look like?

The facility should have adequate animal numbers to reflect the dairy industry today and in the future:

The Idaho dairy industry needs a research facility that can replicate the needs and demands of the industry, particularly in the field of environmental management and research. The feasibility study stated, “a dairy sized below a CAFO threshold (~ 700 cows) would not likely meet the intermediate or long term needs of the industry in the Northwest US, particularly if the strategic focus and the direction of the research and education program include a strong environmental emphasis.” The study continued on to say “a well planned and designed dairy facility that captures the economics of size, budget for capital replacement needs and implements the appropriate business and operational systems and processes can be a very profitable and sustainable dairy.” If designed in accordance with the study, the facility would be a moderate sized CAFO,

and meet the needs of the industry.

The facility should be located where the industry is prominent:

With the need for the Dairy Research and Teaching Center to be self sufficient, the feasibility study determined that the size of the facility would need to be at least 700 lactating animals. All of us involved in determining the location recognize that the University of Idaho located in Moscow, Idaho would not politically support such a large facility, nor is there a readily available market in the Moscow area for that volume of milk.

We believe the best location for the new facility would be the Magic Valley. This would be accomplished by either leasing or purchasing a current commercial facility, or building a new facility. Presently, 70% of the dairy cattle in Idaho are located in the Magic Valley, and as we continue to expand, we believe that number will grow to 80% in the near future. In addition to the University of Idaho; the Kimberly Agriculture Research Service (ARS) station and the College of Southern Idaho (CSI) have both been identified as potential partners in the project, both located in the Magic Valley.

The facility would be dedicated to both education and research:

The IDA Board values both research and education, and believes the facility needs to address both disciplines. Taking into consideration the working relationship already established between the University of Idaho and CSI, with proper design, and giving consideration to housing of both researchers and students, we believe the educational needs of students can be addressed. In addition, students would have the opportunity to participate in internships on large, well-managed dairies while maintaining direct access to researchers and educators that are housed in the Magic Valley.

The Dairy Research Facility shall be between private industry, public and educational entities:

Although all of the elements in the points listed above are important, the success of the project will be our ability to broaden the base of support, and have multiple entities obtain ownership of the Dairy Research and Teaching Center. We recognize that the availability of Federal or State funding for the brick-and-mortar for such a facility are limited, and hopefully, with a broad coalition, we will be able to capture some of those dollars.

In addition to State Legislators, University of Idaho, College of Southern Idaho, Idaho National Laboratory, Center for Advanced Energy Studies, and Kimberly ARS, we see a possibility in having federal and state agencies involved with the Center. Agencies that are involved in regulating the dairy industry, such as the Environmental Protection Agency (EPA), Idaho Department of Environmental Quality (IDEQ), and Idaho State Department of Agriculture (ISDA) should be involved as partners in the Center and would add credibility to the scientific information and the innovative technology that would be generated from the research being conducted.