

August 2008

Milk Feed Ratio Declines - Production Steady - Exports Skyrocket

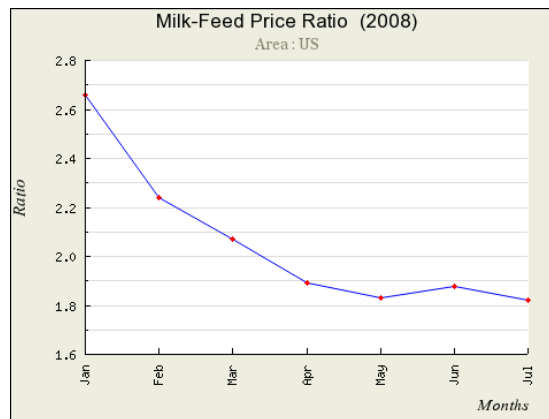
The August Milk Feed Ratio of 1.82 is a grim reminder of elevated grain and other input costs. However, the recently released USDA-AMS report indicating bumper yields for corn, wheat and soybeans might soften the blow come winter. Coupled with strong dairy exports, the overall income margin outlook for producers going into 2009 is improving moderately according to Dr. Ken Bailey at PSU. Likewise, Dr. David Kohl of Virginia Tech is cautioning producers to make wise use of credit and focus carefully on growth while planning for the current economic environment.

The fifth round of CWT was just announced and will remove 25, 474 cows and 358 bred heifers during 4th quarter of 2008. We could see cow numbers starting to decline by year's end and that will slow the increase in milk production. For the year, milk production may be up around 2 percent.

High prices for beverage milk and cheese appear to have slowed sales. May retail prices for all dairy products were 11% higher than a year ago compared to 5.1% for all food. Information from USDA indicates that beverage milk sales from January through May were down 0.8% from a year ago, adjusted for calendar year composition.

Exports

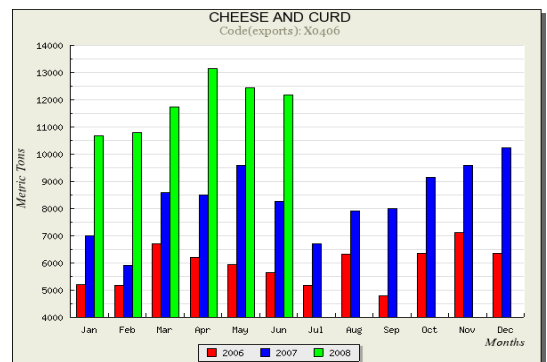
While the domestic consumption and export of some dairy products has slowed, export demand for cheese and curd is accelerating at an alarming rate. Data compiled by Dr. Brian Gould at the UW-Madison indicates year to date cheese and curd exports for 2008 that nearly double the same time period for 2007. The continued strong export demand has created a steady pricing environment for US producers.



Graph Courtesy of Brian Gould UW-Madison

Milk Production

Milk production continues to run above last years levels due to additional milk cows and more milk per cow. June milk production for the 23 reporting states was 3.4% above a year ago and the second consecutive monthly increase of more than 3%. While cow numbers continue to increase month-to-month, moderate per cow production increases coupled with a booming export market have held dairy prices steady.



Graph Courtesy of Brian Gould UW-Madison

Inside:

Improved Grain Yield Predictions Soften Market – Slightly 2

Welcome New Members 2

Small Business Administration Economic Injury Disaster Assistance Loans Available 3

Mark Your Calendar: Upcoming NEAFA Events 3

Register Now – Vermont Feed Dealers & Vermont Dairy Industry Annual Conferences 4

California to Vote on Farm Animal Welfare Proposition that Could Undermine Animal Ag Production 4

Improved Grain Yield Predictions Soften Market-Slightly

Recent USDA forecast of the 2008 corn crop at 12.28 billion bushels significantly outpaces trade analysts' estimate of 11.986 billion bushels. Based on conditions as of Aug. 1, yields are expected to average 155.0 bushels per acre (bpa), up 3.9 bpa from 2007. Forecasted corn yields are higher than 2007 in the northern and eastern Corn Belt, Ohio and Tennessee valleys, and northern half of the Atlantic Coast, where frequent precipitation in 2008 contrasted with extremely dry weather in 2007. Expected yields across the southern half of the Great Plains and the Carolinas are below 2007 due to drought-like conditions throughout much of the growing season.

Expected feed and residual corn use is raised 100 million bushels, with the larger crop and anticipated lower prices. Forecasted ethanol use is raised by 150 million bushels, as increased supplies and lower prices are expected to improve plant operating margins and capacity utilization rates. Corn exports are unchanged, as increased competition from wheat feeding limits prospects for U.S. shipments.

Soybean production was set by the USDA-AMS at 2.97 billion bushels, close to the trade estimates of about 3.0 billion. Based on Aug. 1 conditions, yields are expected to average 40.5 bpa, down 0.7 bushels from 2007.

Compared with 2007, yields are forecasted to be lower in Illinois, Iowa, Louisiana, Minnesota, Mississippi, Ohio, Texas, and across the northern and

central Great Plains. In contrast, yield prospects are forecasted to be higher or the same as 2007 across the remainder of the country. The largest increases are expected in Kentucky and Tennessee, up 13 and 12 bushels from 2007, respectively.

Soybean stocks are down 5 million bushels from July, at 135 million bushels, as reduced supplies are only partly offset by a lower crush. Soybean crush is reduced by 15 million bushels due to lower domestic use and exports of soybean meal. The U.S. season-average soybean price for 2008-09 is projected at \$11.50 to \$13, down 50 cents on both ends of the range.

Several industry analysts have predicted that high fertilizer prices in 2009 will play a large roll in planting decisions. In particular, higher prices could cause a shift away from corn toward soybeans, which can get their nitrogen from the atmosphere.

While yields currently look promising, any weather fluctuations prior to harvest could drive prices up again due to a world wide tight grain market. Continued international demands for grain are expected to persist throughout 2009.



Compiled from Grainnet and USDA-AMS

Welcome New Members

NEAFA has two new members to welcome into our association! A warm welcome goes out to:

Sharon Robinson
Adisseo

446 Queenston Road
Cambridge, Ontario, Canada N1R 5W8

Phone: (519) 618-9263

Fax: (519) 618-9026

Email: Sharon.Robinson@adisseo.com

WELCOME

Scott Crosier
Foss North America

14 Potter Park
Fairport, NY 14450

Phone: (800) 547-6275

Fax: (952) 974-9823

Email: scrosier@fossnorthamerica.com

Small Business Administration Economic Injury Disaster Assistance Loans Available

The Small Business Administration (SBA) regularly announces availability of loans based on determination of economic injury (rather than physical injury) due to natural disasters. The Economic Injury Disaster Loan program (EIDL) is available based on a county determination of natural disaster. In 2007 several agricultural service providers, equipment dealers, route truck operators, and feed companies throughout the Northeast benefitted from the EIDL program.

A recent survey of the SBA web site indicated active disaster declarations due to heavy rains and flooding in parts of ME, NY, and VT. Businesses within the affected areas and neighboring counties (even across state lines) are eligible to apply for EIDL assistance. While no declarations are active for CT, PA, MA, NH or RI businesses in these states might be eligible if they are contiguous to an affected county in a neighboring state. Stated loan rates vary from 4.00% to 8.00% with a maximum term of 30 years.

The purpose of the EIDL program is to assist with business recovery due to natural disaster. Common uses of the loan funds are to consolidate open accounts into a manageable repayment package. The funds can not be used to finance business expansions or improvements. To qualify for the funds the business must meet SBA size requirements. Business size limitations apply.

To be eligible for EIDL assistance a business must be located within (or contiguous to) a declared county. The business must be able to demonstrate economic hardship due to the natural disaster. Commonly, agriculturally related businesses can demonstrate increased receivables due to producer hardship caused by the natural disaster.

For more information on the EIDL program visit the SBA.gov website and click on the brown "Disaster Assistance" button on the right hand side of the page. For more information on size qualifications click on the blue "FAQ" button on the left side of the page and follow the links found in item #18.

Mark Your Calendar: Upcoming NEAFA Events

Annual Meeting/Tea Party

February 9-10, 2009

*Boston Marriott
Copley Place
Boston, MA*



Dairy Feed & Nutrition Conference

April 7, 2009

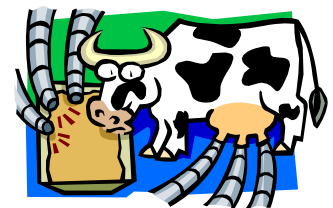
*Location: TBA
Syracuse, NY*



Dairy Feed & Nutrition Conference

April 9, 2009

*Fireside Inn
West Lebanon, NH*



Northeast Ag & Feed Alliance

27 Elk Street
Albany, NY 12207

PHONE:
(888) 445-4595

FAX:
(518) 434-9093

We're on the Web!

See us at:

www.northeastalliance.com

NORTHEAST AG & FEED NEWS

Page 4 of 4

Register Now for the Vermont Feed Dealers *and* the Vermont Dairy Industry Annual Conferences!

The VT Feed Dealers and the VT Dairy Industry Association (VDIA) are hosting their annual conferences on September 24 and 25 at the Double Tree Inn on Williston Rd in S. Burlington.

The VT Feed Dealers Dairy Reception featuring farm of the year, Green Mountain Dairy, will be held at the Double Tree Inn from 5:30 to 7:30 pm on Wednesday evening.

On Thursday, September 25, the VT Feed Dealers Conference begins at 9:00 AM with Kylie Quesnel, of Perry Brook Farm, Whiting VT speaking about the importance of the farmer's voice in agricultural policy development.

Tom McFadden, Adam Lock, and Rick Grant will provide updates on research and developments at UVM and Miner Institute.

Dr. Bill Mahanna, Global Nutritional Sciences Manager, from Pioneer Hi-Bred International, will review the critical role of forages in the dairy ration.

Everett D. Thomas, Certified Crop Advisor will present "CAFO Impacts on Crop Management: Theory vs. Practice."

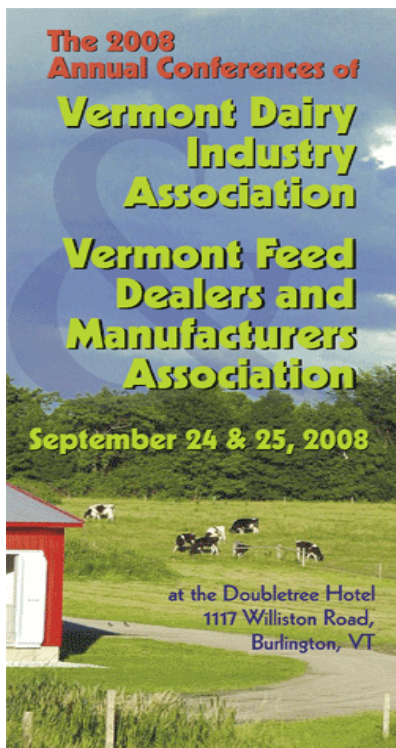
Ev will discuss the balance between optimum nutrient management and optimum crop production.

Rick Hermonot, Vice President and Farm Business Consultant for First Pioneer Farm Credit, ACA in Enfield, CT will present "Unleashing the Power of Your Records." Rick will summarize the five profit centers of a dairy business and the importance of records in tracking profit and opportunity.

David Lane-Deputy Secretary, Vermont Agency of Agriculture will provide a wrap up to the day. Governor Douglas is the invited luncheon speaker.

The \$100 registration fee includes the two day conference, the reception, and annual membership for either the VT Feed Dealers for the VT Dairy Industry Association. Hotel Reservations are available at a **special rate of \$135** until August 30, 2008.

Go to: www.northeastalliance.com for the full agenda and registration material, including the agenda for the VT Dairy Industry Conference on Wednesday, September 24.



California to Vote on Farm Animal Welfare Proposition that Could Undermine Animal Ag Production

California voters will go to the polls on Nov. 4 during a statewide ballot to decide the fate of an animal welfare proposition that could undermine animal agricultural production within the state.

At issue is Proposition 2 – a proposed animal welfare law that would amend the California Health and Safety Code to prohibit what the proposition's sponsors claim to be "cruel" confinement of farm animals. The proposition's language would make it illegal for farmers to tether or confine animals covered by the law in a manner that does not allow them to turn around freely, lie down, stand up and fully extend their limbs. Proposition 2 would apply to swine during pregnancy, calves raised for veal, and egg-laying hens kept on-farm. If adopted, the measure would ban almost all current modern and safe housing systems for egg-laying hens used within the state's egg farms, thereby eliminating almost all modern egg production in California. Numerous agricultural organizations have joined in the coalition, Californians For SAFE Food, to fight this proposition.