

In This Issue

[Alliance Testifies at Thruway Toll Hearings](#)

[Drought Continues](#)

[World Food Prices Jump](#)

[International Dairy Market Growth](#)

[New Massachusetts Commissioner](#)

[VT Feed Dealers Conference](#)

[Calendar of Events](#)

Alliance Members Testify at Thruway Toll Hearings



Board member Barry Baetz presenting his statement at Buffalo Thruway hearing

Several members of the Northeast Ag & Feed Alliance testified last week against the New York State Thruway's proposed commercial toll increase. Recognizing the potential impact of the proposed toll increases on their businesses, farmers and consumers in New York, Bill Colten of Mercer Milling, Barry Baetz of Shur-Gain, Dave Rockwell of Cargill, Chip Hyde of CNY Feeds and Jim Cotton and Kevin Crane of Harbor Point Minerals presented statements August 16th and 17th at hearings in Buffalo and Syracuse. In addition, many other Ag and Feed Alliance members responded to the Action Request and submitted statements directly to the Thruway Authority.

"The feed industry is highly competitive, operates on very thin profit margins, and simply cannot afford to absorb a 45% toll increase on the New York State Thruway, which I estimate will be \$56,000 for my business annually," said Rob Sheffer, Vice President of the Northeast Ag and Feed Alliance and Managing Director for Cargill Animal Nutrition in the Northeast Region. "Rather than driving up the cost of doing business in New York, the Thruway Authority should work hard to reduce their business costs and reflect the belt tightening attitude that the private sector consistently operates under."

On average, a New York dairy farm will receive five commercial truck stops per week to either transport goods away from the farm or deliver inputs to the farm. Many of these trucks will use the Thruway system. While the impact of the toll increase on a single delivery might not be significant, the additive effect over the course of a year will have a profound impact on farm profitability.

In addition to the financial implications of the proposed toll increase, there are safety ramifications as well. If enacted, the toll increase will force trucks off of the safe and efficient Thruway system as a cost saving measure. Most New York secondary roads lack the safety features and infrastructure to accommodate increased use by commercial trucking. Many states such as Maine have taken steps to decrease the use of secondary roads by commercial traffic. The actions by the New York Thruway Authority are in opposition to the safety efforts supported in other states.

The Alliance members, through their testimony, encouraged the Thruway Authority to shed costs that are not associated with the Thruway before pushing a new round of toll hikes onto New York business owners and consumers. Tolls collected from commercial Thruway users cover the costs for the Cross-Westchester Expressway and the 500 employees of the revenue losing canal system.



Board of Directors:

Art Whitman
President

802-442-2851
art@whitmansfeed.com

Rob Sheffer
Vice President

518-429-2860
rob_sheffer@cargill.com

Richard Casler
Secretary

518-478-7850
rcasler@feedcorp.com

John Clark

Treasurer

315-868-5646

johnclark@hughes.net

John Mitchell

Immediate Past President

315-725-2843

jmitchell50@gmail.com

- Directors -

Mark Anderson

315-247-7176

manderson@diamondv.com

Barry Baetz

585-457-9471

barry.baetz@nutreco.ca

William Colten

315-701-4482

sp11ty8@aol.com

Kevin Crane

315-797-1300

kcrane@harborptm.com

Andy Dugan

603-437-3400

andy.dugan@blueseal.com

Jeff Durkin

716-652-4177

jeff.durkin@verizon.net

Dr. Rick Grant

518-846-7121

grant@whminer.com

Stuart Hall

860-649-4523

shall@cccfeeds.com

Scott Hodgson

802-458-3916 ext. 228

shodgson@feedcommodities.com

Chip Hyde

315-689-6384

cnyfeed@verizon.net

Peter Karnezos

802-999-4634

pkarnezos@comcast.net

Jenny Mills

315-697-7669

millsjk@lilly.com

Drought Continues:

Grain Futures Surge and Milk Supply Tightens

The two worst levels of drought now grip nearly one-fourth of the lower 48 states, with about 37 percent of the region suffering extreme or exceptional drought in the week ending August 17, according to the monitor, based in Lincoln, Nebraska. While there has been some improvement in the drought in the Midwest, that was not the case in the Great Plains, said Mark Svoboda of the National Drought Mitigation Center in Lincoln. Nearly 53% of the country is reporting drought conditions that are moderate or worse.

Relentless heat and drought across much of the country have slashed prospects for the U.S. corn crop to a five-year low. The supply of corn next year is expected to fall to its lowest level in nearly 20 years. On August 10th corn futures set an all-time high of \$8.49/bushel as the U.S. government slashed the size of the crop in the world's top grains exporter, but the market pared back to \$8.38/bushel as global demand was also scaled back after a drought drove prices to record peaks.

Soybean futures at the Chicago Board of Trade rose to \$17.32/bushel, after the U.S. Department of Agriculture aggressively cut the U.S. crop yield by more than had been expected.

In the northeast sufficient moisture has boosted crop yields. Crop production prospects in 2012 for New York are mostly higher compared with a year earlier, according to King Whetstone, Director of USDA's National Agricultural Statistics Service, New York Field Office. Forecasts for soybeans, oats, and dry beans are expected to be higher. Production of winter wheat and corn for grain are expected to be lower than 2011. While 15 counties along Pennsylvania's western border are under a drought watch, the majority of the state has received sufficient moisture to maintain crop production, although yields are expected to be off due to record setting heat.

On August 2 the House extended disaster assistance to livestock producers reeling from rising feed prices caused by the drought that has scorched much of the nation. The 223-197 vote to revive expired disaster relief programs for cattle and sheep producers was one of the House's last actions before lawmakers left for their five-week August recess. Grazing provisions of the disaster relief act also include grazing dairy cows and heifers in counties that are declared disaster areas.

The Senate was not acting on the bill as it wrapped up its pre-recess work, choosing instead to maintain its focus on the comprehensive five year Farm Bill. If the Senate does take up standalone disaster assistance after the break, it would likely be a broader package than the House-passed bill.

Due to the drought and heat, U.S. milk production growth will slow further in the second half of 2012, according to a special report from Rabobank economists. The report, "Baking heat may give rise to early price recovery," predicts the drought will help lead to an earlier-than-predicted rally in global milk prices.

U.S. milk production growth was already losing momentum before the drought hit, Rabobank said, due to falling milk prices and high feed costs. Especially hard hit were dairy producers who had not hedged commodity prices. In addition, milk production quotas imposed in California to reduce excess production last spring had curtailed the surge in milk supply.

Due to higher prices and shorter supplies, Rabobank forecasts U.S. dairy exports to level off in the second half of 2012.

Compiled from Reuters, August 10; Dairy Profit Weekly, August 6; NASS- NY, August 10.

World Food Prices Jump in Response to US Drought

Contact Us:

27 Elk Street
Albany, NY 12207

Phone: 888-445-4595
Fax: 518-783-1258

www.northeastalliance.org

Rick Zimmerman
Executive Director
rzimmerman@zga-llc.com

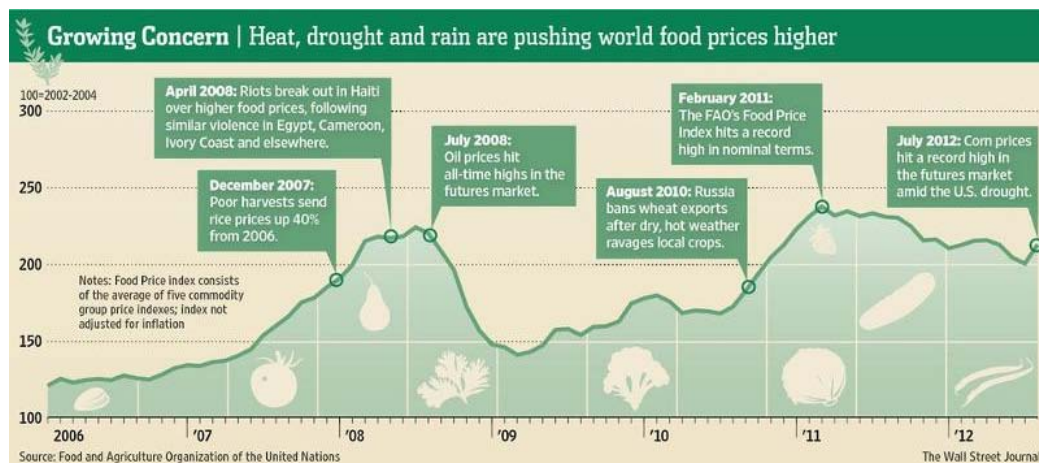
Louise Calderwood
Governmental Relations Director
lcaldewod@aol.com

Sue Kinner
Membership &
Meeting Registration
sue@nysta.org

World food prices jumped 6% in July, after three months of declines, according to the United Nations' monthly Food Price Index released August 2. The rise has fanned fresh fears of a repeat of the 2007-2008 food crisis which hurt the world's poorest.

Untimely rains in Brazil, drought in the US and production difficulties in Russia drove the rally, said the Food and Agriculture Organization (FAO). The Rome-based organization took the surprise step of publishing the index this month - which it usually does not - due to the exceptional market conditions affected by unusual weather patterns.

Worldwide, cereal prices surged 17%, while sugar leapt 12% to new highs in July from the previous month after rains hampered sugarcane harvesting in Brazil, the world's largest producer. Delayed monsoons in India and poor rains in Australia also contributed to higher prices. The price of rice and dairy was unchanged, although meat fell 1.7% due to a slump in pork prices.



The surge in prices have renewed fears of a food crisis that plagued countries in 2007-2008, sparking violent street protests in countries like Haiti and Egypt.

On August 10th the World Agricultural Outlook Board (WAOB) released its monthly World Agricultural Supply and Demand Estimates (WASDE) [report](#) which contained the latest official government production estimates for the U.S. corn and soybean crops.

The report indicated that the 2012/13 corn yield would be the lowest since 1995/96 and the survey-based soybean yield forecast of 36.1 bushels per acre is 4.4 bushels below July's projection and 5.4 bushels below the 2011 yield.

Compiled from BBC News, August 10 and WASDE

Tetra-Pak/DeLaval Predict Growth in International Dairy Market

Tetra-Pak, a sister company to DeLaval recently released the results of study it commissioned on the future of milk consumption globally. The research, conducted by the Boston Consulting Group forecasts an increase in consumption by low-income consumers in developing markets from about 70 billion liters in 2011 to almost 80 billion liters in 2014, according to the Dairy Index, which tracks worldwide facts, figures and trends in the global dairy industry. Many of these consumers are expected to switch in coming years from drinking loose milk to packaged milk.

"Low-income consumers represent one of the biggest growth opportunities for the dairy industry. The key to tomorrow's success is reaching these consumers today," said Tetra Pak President and CEO Dennis Jönsson. "They make up almost 40% of the world's population and live in economies driving our industry's growth and they are growing more affluent."

These low-income consumers live on \$2-\$8 a day and are virtually untapped by today's dairy processors. Called "Deeper in the Pyramid" (DiP) consumers by Tetra Pak, they make up about 50% of developing countries' population and consume 38% of LDP in developing countries. Half of these DiP consumers live in India and China. The Tetra Pak research focused on six countries which account for more than 76% of LDP consumption by DiP consumers in developing countries: India, China, Indonesia, Brazil, Pakistan and Kenya.

Tapping into this market is not without its challenges, according to the report. Tetra Pak has identified three key challenges for dairy processors seeking to reach consumers in this growth market. They need to make products which are affordable, available and attractive to consumers on limited incomes. That means dairy processors must produce healthy, safe and nutritious packaged dairy products without adding unsustainable costs. They must also make them available in small traditional stores in remote rural areas or congested cities where DiP consumers shop.

Tetra Pak has identified a number of ways to make products more affordable. Among them is changing the way both milk products and packages are developed - with the price of the product driving development. By using alternatives to whole milk - such as whey or lactic acid - it is also possible to produce nutritious and healthy dairy products at lower cost. Another way is to reduce package sizes or opt for more basic packaging.

Around 70% of purchases by low and low-middle income citizens in developing countries are in the so-called traditional trade, small-family run shops rather than modern supermarkets or convenience stores. Companies are coming up with innovative ways to reach these consumers. They are producing locally where demand for packaged liquid dairy is growing. They are teaming-up with distributors who have a track-record of working closely with traditional stores and they are using appropriate transport, like bicycles, to distribute products.

From milk production.com 5/18/2012

INDUSTRY NEWS

Massachusetts Welcomes New Commissioner of Agriculture

Greg Watson was sworn in as the Department's 19th Commissioner by Governor Deval Patrick in the spring of 2012. He also served as Commissioner (1990 to 1993) under then Governors Dukakis and Weld. His major accomplishments as Commissioner during his first tenure included the promulgation of innovative groundwater protection regulations designed to prevent contamination of aquifer recharge areas; outreach program to farmers to adopt integrated pest management techniques; working to make Massachusetts the first state to establish a dairy pricing system; and clarification of acceptable agriculture practices under the Wetlands Protection Act.



Commissioner Watson has served in a variety of capacities related to both sustainable agricultural practices and energy efficiency. Before his appointment as Commissioner in 1990, Greg was the executive director of the New Alchemy Institute, an applied research farm with close links to the cranberry, vegetable, and green industry.

Most recently, Commissioner Watson was engaged as the Senior Advisor for Clean Energy Technology within the Executive Office of Environmental Affairs. He was on loan from the Massachusetts Clean Energy Center - the agency that administers the Commonwealth's Renewable Energy Trust.

Commissioner Watson serves on the boards of the U.S. Offshore Wind Collaborative, the

Buckminster Fuller Institute, and Ocean Arks International. He currently resides in Falmouth Massachusetts.

Vermont's Feed Dealers and Dairy Industry Association Team Up for Annual Conference

The two organizations have engaged an outstanding lineup of speakers for their Annual Meetings to be held at the DoubleTree Conference Center in South Burlington, Vermont on Wednesday, September 19th and Thursday, September 20th.

The event kicks off with the Vermont Dairy Industry Association's annual conference on Wednesday featuring speakers on dairy quality and innovation. The Wednesday night reception, starting at 5:30 PM, will honor the 2012 Dairy Farmer of the Year, the Tupper Award winner and recipients of the Vermont Feed Dealers scholarships. The event will showcase Vermont wines (Lincoln Peak and Boyden Valley) and cheeses (Jasper Hill and Boston Post Dairy).

On Thursday morning the Vermont Feed Dealers and Manufacturers Annual Conference will feature a lineup of speakers outlining opportunities for the Vermont dairy economy.

Check out the following links for agenda details and registration forms.

- [Conference Brochure](#)
- [Registration Form](#)
- [Golf Tournament Information](#)

Remember, if you missed one, past issues of NEAFA News are always available on our website at:

www.northeastalliance.com/newsletter.html

NEAFA News is a publication of the Northeast Ag & Feed Alliance.

Calendar of Events:

42nd Annual Liquid Feed Symposium

September 12-14, 2012

Grand Hyatt

Denver, Colorado

For more information: www.liquidfeed.org

NEAFA Board of Directors Meeting

September 19, 2012

Double Tree Conference Center

South Burlington, Vermont

Vermont Feed Dealers Annual Conference

September 19-20, 2012

Double Tree Conference Center

South Burlington, Vermont

Feed & Pet Food Joint Conference

October 9-11, 2012

Hyatt Regency at The Arch

St. Louis, Missouri

For more information: www.JointConference.org

Equipment Manufacturers Conference

November 8-10, 2012

San Diego, California

For more information: www.afia.org

41st Annual NGFA Country Elevator Conference & Trade Show

December 9-11, 2012

Hilton Omaha/CenturyLink Center

Omaha, Nebraska

For more information: www.ngfa.org

AFIA Import/Export Seminar

December 4-5, 2012

Renaissance Arlington Capital View

Arlington, Virginia

International Feed, Poultry & Meat Expo

January 29-31, 2013

Atlanta, Georgia

For more information: <http://www.ife13.org/>

NEAFA Annual Meeting

February 4-5, 2013

Marriott Hotel - Wolf Road

Albany, New York

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