

June 2008

Vermont Feed Dealers Golf & Annual Fall Conference



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Dairy Prices Remain Strong - Income Softening

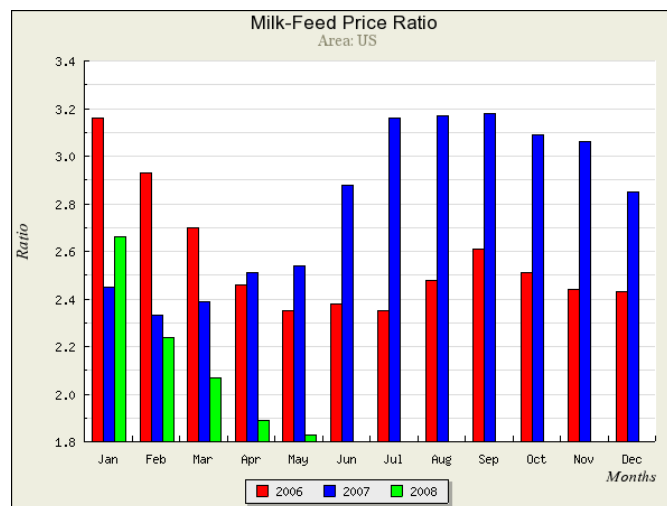
Despite higher feed, fertilizer and fuel costs, milk production continues to rise, and the rate of increase this year will be 2.3 percent higher than in 2007. Current-year production is projected to be above 2007, at 189.8 billion pounds. Milk production is forecast to rise by only 0.3 percent, to 190.4 billion pounds in 2009. The effect of this year's soaring feed costs on cow numbers likely will not be apparent until 2009.

Milk cow population will rise in 2008 to 9.265 million head, before declining incrementally to average 9.23 million head in 2009. A slowing of growth in California due to production restrictions by cooperatives there, limited possibilities of exporting cows to nearby States, and continuing exits in Eastern and mid-Western States are the sources of the decline.

Milk yields per cow have been increasing at a slower rate for several years. They will climb by 0.8 percent in 2008 after adjusting for the extra day in February and are forecast to rise less than 1 percent in 2009, to 20,630 pounds.

The milk-feed price ratio could become more favorable toward the end of 2009, mostly because of higher milk prices rather than expected declines in feed costs. The current ratio is at an all time low of 1.89. Coupled with diesel over \$5.00 per gallon and previously unfathomable fertilizer expenses dairy profit margins are slim.

U.S. demand for dairy products continues to be relatively strong, and exports continue to show substantial growth on a fats basis. However, skim/solid exports are expected to be lower. Although European Union (EU) production is expected to continue to rise, most of the added milk will be consumed within the EU, especially in Eastern European countries where incomes continue to advance. Diminished dairy product availability from Oceania and other regions, and the lower valued dollar, combine to make the United States an increasing source of global dairy products, especially cheese. Continued increases in exports will likely keep cheese and butter prices firm in 2008.



*Compiled from Livestock, Dairy, & Poultry Outlook/LDP-M-167/May 16, 2008
Economic Research Service, USDA and the Wisconsin Center for Dairy Research and Department of Agricultural and Applied Economics*

Cornell to Host Advanced Dairy Nutrition and Management for Agri-Service Professionals

On August 11 – 14, 2008, Cornell University will host an in-depth conference on dairy nutrition to provide continuing education for agri-service professionals. Over twenty topics will be addressed including:

- Assessing the economic value of feedstuffs
- Emerging concepts in metabolic regulation in transition cows
- Physical characterization of NDF and implications for nutritional programs
- Environmental impacts (carbon footprint) of dairy production
- Integrating forage and dairy production systems -- optimizing whole-farm management

An additional optional section for training and discussion on the Cornell Net Carbohydrate and Protein System version 6.1 / CPM Dairy version 3.0 will occur on Thursday afternoon, August 14th.

The \$500 registration fee includes all course materials, breaks, lunches, and dinner on Monday and Wednesday evenings, plus two evening functions. The course will begin with registration at noon on Monday, August 11th and will end at noon on Thursday, August 14th. Hotel registrations are made separately. See the Alliance web site: www.northeastalliance.com for full details and registration material.

Commodity Futures Trading Commission Announces Market Initiatives

On June 3rd the Commodity Futures Trading Commission (CFTC) announced several measures to promote risk management in exchange traded markets. The CME Group and NGFA both lauded the steps taken by the CFTC in the wake of a volatile commodity futures market.

The futures price and the cash price paid for a commodity usually come close to each other at the end of a futures contract. Historically, this gap has amounted to a few cents per bushel or pound, but lately for some products that gap has been measured in dollars per bushel. The extreme price volatility, expanding and volatile cash/futures basis relationships, and the difficulty of hedgers to meet margin calls increased uncertainty in the futures market.

The National Grain and Feed Alliance argues that risk was further compounded by the role of speculative and commodity-index-related trading in agriculture futures markets. Large amounts of capital from passively managed index and pension funds that take “long-only” positions unrelated to supply/demand fundamentals have possibly contributed market disruption.

Steps taken by the CFTC will include:

- A new monthly report on trader activity in agricultural and other markets will be released starting in July to provide greater market transparency
- Agricultural swaps will be subject to position accountability, transaction reporting, and margining and risk management standards that are comparable to the standards currently employed in other futures markets.
- Withdraw of the previously issued rulemaking proposals that would have increased the federal speculative position limits on agricultural futures contracts, as well as created a risk-management exemption on the size of speculative positions that index and pension fund traders can hold or control in agricultural futures or options contracts.

-Compiled from NGFA, CME Group and AFBF material

Northeast Land Grant Universities Looking to the Future

The University of New Hampshire, the University of Vermont and Cornell University are engaged in initiatives to continue providing appropriate research and support to northeast dairy producers.

In 2006 UNH constructed a new organic dairy facility and has recently received a \$380,000 SARE grant to explore converting the farm to a sustainable closed agroecosystem. The University will be exploring viable strategies for becoming energy independent. The three-year grant aims to explore whether closing energy and nutrient cycles could help small family dairy farms in the Northeast survive economic vulnerabilities.

The study comes as rising energy, feed and capital investment costs shrink the already narrow profit margin of dairy agriculture in the Northeast, threatening the regional sustainability of the industry. In a closed system, the only thing leaving the farm is the milk, says John Aber, professor of natural resources at UNH and the principal investigator on the grant.

The first step for Aber, his faculty co-investigators, and UNH students who are working on the project is to assess energy and nitrogen budgets and balances. In the second and third years of the grant, the researchers will look at alternative ways to close the energy and nutrient cycles. Aber and his collaborators hope the research will identify alternative farm management practices that could lead to more stable economic outcomes for small family farms.

The College of Agriculture at UVM has engaged in a year-long evaluation of the farm operations, facilities, services and utilization

with the intent to better align the University's efforts to serve the research and instructional missions of the College and UVM. Among the items suggested are:

- A multistage digester to produce energy from animal, plant and food waste. This facility will also produce clean compost which can be a source of additional revenue and offset current costs.
- A new animal barn complex to house "500 mature cow equivalents" which is essential to expand competitively-awarded extramural research that addresses the key issues to maintain agricultural profitability in Vermont, to provide new student experiential learning opportunities, and to allow implementation of the multistage digester.
- On-farm classroom facilities at both the UVM Horticulture Farm and Miller Dairy Complex to serve the suite of additional course offerings.
- A pilot plant for dairy product development and testing .
- "Proving ground" assessments of economically-effective solar and wind technologies in collaboration with private sector partners.

The College is still collecting input from Vermont's agricultural stakeholders and has not yet presented the plan for review by UVM's central administration. The Alliance has spent considerable time meeting with faculty and administrators from UVM, providing

input on needs of the northeast dairy industry for research and education.

Officials at Cornell University held a ground breaking ceremony on May 22 for the new \$80.5 million New York State Animal Health Diagnostic Center (AHDC). The 125,000-square-foot facility, scheduled for completion in 2010, will be built with a \$56 million grant from the state of New York, along with \$24 million from Cornell and other sources.

Cornell's present AHDC is the only full-service multidisciplinary animal disease diagnostic facility in New York state, each year receiving 150,000 samples and conducting close to a million tests.

"The new Animal Health Diagnostic Center will continue to inspire 21st century discovery, strengthen our ability to successfully respond to emergencies and protect the animals and citizens of New York state," said Michael Kotlikoff, dean of the veterinary college.

The center, a partnership between the New York State Department of Agriculture and Markets and the veterinary college, is designed to improve the health of food- and fiber-producing animals, companion animals, exotic animals and wildlife.

Complete with biosafety level 2 and 3 laboratories, the center will advance public health through the diagnosis and control of emerging infectious diseases and zoonotic diseases -- diseases that jump between animals and humans, such as avian flu and West Nile virus.

The new center's design incorporates green technology and will operate on half the energy used in standard buildings of the same size.

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Brown's Feed - with a score of 59 (-13)



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More photos are available on the NEAFA web site.

Vermont Feed Dealers Golf Date and Annual Fall Conference

The Vermont Feed Dealers Golf Date and Annual Fall Conference are set for Wednesday, September 24 and Thursday, September 25 in Burlington, VT. The Vermont Dairy Industry Association will be joining the Feed Dealer's Wednesday night for the annual reception, an event that always turns out a good number of Vermont legislators and others associated with dairy agriculture. Speakers for Thursday's conference include Rick Hermonot from First Pioneer Farm Credit, Ev Thomas of the Minor Institute, and Bill Mahanna of Pioneer Hybrids International. Details and registration material will be available this summer.