NORTHEAST AG & FEED NEWS

November/December 2010

Margins Could Make Early 2011 Tough on Dairy

Alltech's annual Global Dairy 500 conference brought together dairy farmers from 31 countries, November 1-4, In Lexington, Kentucky. While much of the discussion centered on dairy production and business management, Bill Cordingley, with Rabobank USA, offered a global dairy outlook, with the microscope focused on the United States. He termed the current global economic recovery "unimpressive."

While some downside risks remain, he does not see a "double dip" U.S. recession, but rather a lengthy "tepid" recovery. Cordingley said global milk powder prices are elevated compared to "pre-boom" periods, but higher retail prices are starting to put a drag on consumption. U.S. domestic consumption will not be able to soak up the current pace of U.S. milk production growth, and the supply tide is rising worldwide, he said. Demand in China and Russia are helping consume the growing export supply, with China moving from the No. 10 importer to No. 1 within just a few years.

Cordingley also stated the U.S. dairy industry was not capturing the full value of its export volumes due to its current product mix, and thus is forced to sell products at a discount, citing the Cooperatives Working Together Export Assistance program.

Cordingley doesn't believe global market supply growth momentum can continue, due to rising feed and production input costs, high producer debt loads that reduce expansion investment capabilities. Growing domestic consumption will limit export product availability. However, importing regions, such as Asia, are showing the most economic growth, and therefore should help boost export demand. High retail prices may slow demand and add emphasis on using dairy substitutes, he warned.

Cordingley expects milk powder prices to remain steady at October 2010 levels. Notable downside risks would be a further recession in the U.S., or a softening of import demand in China and Russia. Low-cost production regions will not be able to sustain supply growth, meaning importing countries will have to go to higher-cost regions to find adequate dairy supplies, aiding U.S. export potential. Due to improved global competitiveness, the U.S. role in the export market should grow, Cordingley said, with exports taking a bigger share of U.S. production – and having a bigger impact on U.S. domestic milk prices.

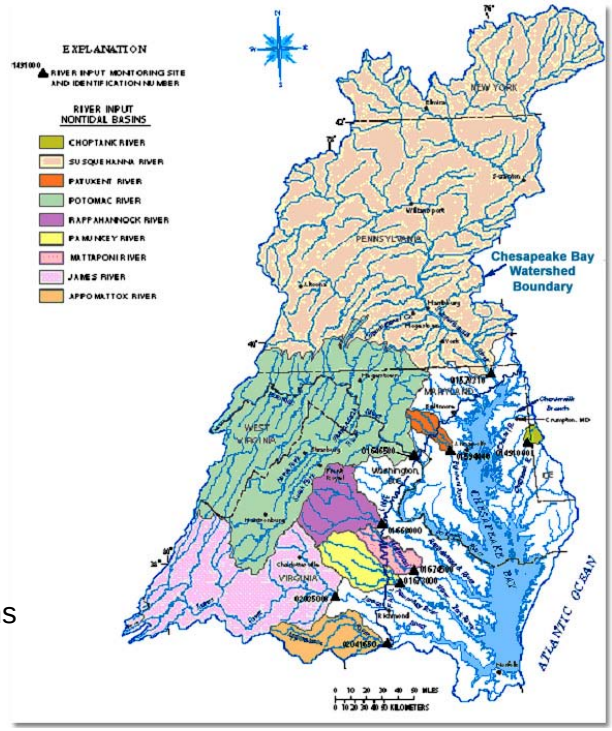
U.S. producers, like their counterparts worldwide, will face tight margins in the first half of 2011, due to higher grain prices and input costs. The U.S. must take a more holistic approach to export markets, Cordingley said, increasing market value through greater product and market development. Among export competitors, New Zealand growth is limited due to high land prices, and Brazil is limited by currency and business climates. He warned supply management initiatives will not just affect the 1%-2% often cited as surplus U.S. production, but also the volume and value of milk currently exported, because supply controls would negatively impact U.S. competitiveness. The result: the U.S. would have to reduce production 8%-10%.

Adapted from Nov 8, 2010 Dairy Profit Weekly

EPA Moves in Chesapeake Bay Watershed Questioned

The 4. 3 million acres of farmland near Chesapeake Bay have been the focus of plenty of attention as farmers there work to minimize the environmental impact of their operation on the area. The U.S. Environmental Protection Agency is now proposing a new Total Maximum Daily Load for the bay that has ag groups concerned.

The National Association of Conservation Districts is asking EPA to ensure the accuracy of its TMDL model. In comments submitted to EPA, NACD President Steve Robinson expressed concern that the Draft TMDL model fails to accurately represent the progress of farmers and landowners on the ground.



"As conservationists, we fully support the common goal of a cleaner, healthier Chesapeake Bay .watershed and are working with landowners on the ground level to prevent pollutants from reaching waterways," Robinson says. "Landowners have already implemented many environmental best management practices that have resulted in significant reductions in nutrient and sediment loadings in the...watershed over the past 25 years."

NACD points to a USDA draft report showing that farmers and ranchers are making good progress in the Bay. Of the actively-cropped 4.3 million acres, farmers are actively implementing erosion control and nutrient management practices on more than 4.1 million acres. The group notes that this action has reduced sediment pollution on rivers and streams 64%, cut nitrogen pollution 36% and reduced phosphorus pollution 43%.

The group notes EPA's TMDL model may include incomplete and incorrect information about ag practices and their water quality performance. To address the issue, NACD is working with state governments to develop an accurate data collection system to capture the large number of farmers and landowners implementing conservation practices in the region.

The National Cattlemen's Beef Association also commented on the EPA TMDL model claiming the agency has "once again flexed its regulatory muscle by disregarding its authority under the Clean Water Act, ignoring current agricultural practices to protect water quality, not allowing for sufficient time for public input and basing TMDL allocations on factually flawed data," says Tamara Thies, NCBA chief environmental counsel. Thies says protecting the nation's water is critical to sustaining agriculture but NCBA is "extremely concerned" if the draft TMDL is implemented as proposed. She says it would have substantial, far-reaching effects on ag producers not only in the Chesapeake Bay watershed but through the country as the EPA "has publicly stated it intends to use the Chesapeake Bay TMDL as a model for the entire country."

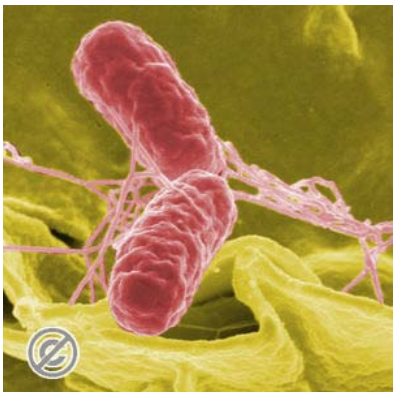
EPA has acknowledged that the draft TMDL is the most complex ever attempted, but is allowing only 45 days for comment. NCBA says 45 days does not give the public time to fully review and understand all intended and unintended consequences of the draft TMDL and that it is "insufficient under the Administrative Procedure Act to provide for meaningful public comment." The comments also raise concern that EPA is attempting to exceed its Clean Water Act authority in the Draft TMDL. According to the comments, "EPA asserts that it has the authority to issue a TMDL over the objections of a watershed jurisdiction, even though it has not gone through the formal process set forth in the CWA of disapproving a state TMDL."

Published in the Nov 10, 2010 Farm Futures

Comment Period for Draft Compliance Policy Guide for *Salmonella* in Animal Feed Extended to December 31

Requests from the FDA for comments on the Draft Compliance Policy Guide for *Salmonella* in Animal Feed has brought support from many within the feed and livestock sectors who appreciate the application of sound scientific methodology on the oversight of *Salmonella* surveillance. However, there has been opposition from food safety advocates pushing for zero tolerance of all *Salmonella* serotypes in animal feed. The FDA has extended the comment period to December 31, 2010 to assure thorough input from all sectors of the food chain.

Generally, the American Feed Industry Association's comments will compliment FDA's changes to the agency's *Salmonella* policy, which before now has required taking action on any *Salmonella* contamination found in feed. The Draft Compliance Guide lays out eight serotypes in specific feeds that are pathogenic to animals. This approach will also allow more free flow of imported products, as these serotypes are very, very rare in feed.



Despite wide spread acceptance from food producers there is criticism of the proposed FDA guideline in some sectors. In an October 25, 2010 letter to the FDA the Consumer Federation of America (CFA) expressed concern for the draft policy guide stating their perception of the risk of human contraction of salmonellosis via direct handling of the contaminated feed or handling of an animal or pet that has consumed the contaminated feed. The CFA points to the emerging science of *Salmonella* serotypes and their concern that the links between *Salmonella* and human health are not yet fully understood.

The CFA concerns do not recognize that the FDA differentiates in its *Salmonella* enforcement policy between animal food, including food and treats intended for pets and zoo animals that may come into direct contact with humans versus animal feed intended for livestock, poultry, horses and other species. Furthermore it does not account for the impact that a commercial heat treatment or other process (such as rendering, pelleting, extrusion or irradiation, etc.) has on reducing or eliminating *Salmonella* recognizes for feed that may and may not come into direct human contact.

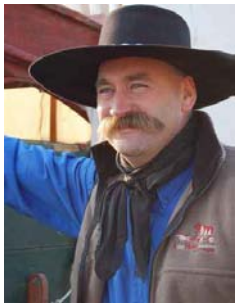
2011 Alliance Annual Meeting

Leon Graves

February 6 – 8, 2011
Serving Northeast Animal Agriculture

Steve Kopperud

The 2011 Annual Meeting will be returning to Albany, New York on *February 6-8, 2011*. This year we will be meeting at the Albany Marriott on Wolf Road. Registration brochures will be arriving in your mailbox any day now! You won't want to miss this one, so *mark your calendar*!



… and back by popular demand
Trent Loos

Sunday Evening - February 6th:
Super Bowl Party in Lobby Lounge

Monday - February 7th:
Capitol Tour and Legislative Meetings
Feed Alliance Seminar Series
Seminar I: Animal Welfare and Care: Programs Available to Farmers in the Northeast
Leon Graves, Dairy Marketing Services & Kathy Finnerty, NYSCAPS
Seminar II: Agricultural Use of Antibiotics: The Science and the Politics holly
Steve Kopperud, Executive Vice President, Policy Directions, Inc.
Welcome Reception



Tuesday - February 8th:
Annual Meeting
Election of Board Members
Feed Industry Update and Outlook - Joel Newman, President, AFIA
Milk Price Forecasts and Risk Management Tools for Northeast Dairy Farmers
Ed Gallagher, Dairylea Cooperative
Collaboration Throughout the Agricultural Industry: How We Can Collectively Move The Ball Forward.
Dean Norton, President, New York Farm Bureau *(invited)*
Panel discussion: *The Team Approach to Dairy Nutrition*: How Today's Dairy Farmers are Building a Team of Experts to Balance Nutritional Requirements and Herd Health.
Dr. John Ferry, DVM moderator
Dr. Bob Ladue, DVM, Pete Gelber, farmer, Paul Knox, farmer *(invited)*
Awards Luncheon - Distinguished Service Award
Luncheon Address Honorable Catherine Young, Senate Agriculture Committee *(invited)*
Networking/Exhibits
Radio Show - Rural Route, with Trent Loos.
President's Reception
Annual Banquet
Keynote Speaker: Trent Loos

Sponsorship opportunities are still available and information is available on our website at: www.northeastalliance.com

Two (More) Modest Questions to Help Generate Critical Thought About Antibiotic Use in Agriculture

For the Record, a publication series sponsored by a grant from ALPHARMA Animal Health attempts to bring balance to the discussion of agricultural use of antibiotics. The October 2010 issue of *For the Record* posed a series of six questions to consider when applying critical thinking to the topic of antibiotic resistance. The first two questions were reviewed in the October Alliance newsletter. In this issue of the Alliance newsletter we have addressed the third and fourth question set of the six questions.

3. Exactly what is antibiotic resistance?
The term has become so universal – mentioned in more than 2 million web sites and more than 100,000 medical journal articles- as to pass nearly unquestioned. Yet, according to a team of the world's leading experts in veterinary pharmacology writing in April's *Journal of Antimicrobial Chemotherapy*, there are still too many errors in terminology when scientists — not to mention media and politicians — throw the term around in regard to bacteria from animal sources. Their review of the published literature revealed a number of recurring errors when it comes to methods used to assess resistance, testing quality control, application of the right criteria to interpret the results, and calculation of the drug concentrations necessary to kill specific levels of bacteria. In addition, they noted little consensus on what scientists really mean by the term "multi-resistant."

Definitions of resistant and susceptible become even more confused, they say, when the numbers are applied without understanding whether the discussion concerns how and whether a drug can be expected to work in the field vs. whether the discussion involves cut-off values for the purpose of epidemiological studies. Epidemiological cut-off values, often reported by the media as evidence of public health threats, are determined differently than clinical breakpoints. They may have little or nothing to do with how well a drug can be predicted to work in specific animal species against specific species of bacteria. "Conducting antibiotic susceptibility testing and subsequent data interpretation is a complex matter," the authors warn.

4. If using antibiotic "growth promoters" helped reduce bacterial resistance, wouldn't you support their use? Antibiotic resistance in the field is such a complex topic that making judgments about it based on resistance testing in the lab is dangerous. When we evaluate resistance using selective media, cautions West Texas A&M associate professor Guy Loneragan, DVM, PhD, that population represents a very small part of the intestinal universe, and says little or nothing about the complex web of interactions in the wild. As a result, that real world often surprises us, he says. **One example**. His studies have shown that when feedlot cattle are fed chlortetracycline, *E. coli* resistance to tetracycline increases in those groups, as you'd expect. However, the same work shows that the percentage of *E. coli* resistant to the antibiotic ceftiofur actually *decreases* in those cattle fed tetracycline. Although his group is still exploring why the effect occurs, Dr. Loneragan suspects it may be because the tetracycline- resistant bacteria are hardier and grow faster than the ceftiofur-resistant, and thus crowd them out of the calf's gut. But the more important point may be that accepting some expected resistance against an older drug, like tetracycline, could provide a tool against resistance emergence, in this case vs. ceftiofur in cattle. "We believe that if we explore some of these unexplained drivers of resistance...we can be even more effective [in managing resistance] than simply banning the drug," Dr. Loneragan says.

It's a shift in how we think about low-level use of antibiotics, says Randall Singer, PhD, DVM, associate professor of epidemiology at the University of Minnesota. Rather than run from "growth promotion" — an outdated term that's a vestige from an antiquated method of approving antibiotics — he believes industry and regulators should embrace traditional low-level uses of older type antibiotics like tetracyclines as protective of animal and human health. When we wait until disease develops and then treat animals with a new-generation antibiotic, it tends to wipe out the bacteria in the gut, good and bad, leaving animals susceptible to re-infection, often by a resistant bug. In contrast, his studies show "growth promotion" uses help stabilize the bacterial populations of the gut, helping prevent infection.

UVM Completes Sale of Dairy Herd

The *Burlington Free Press* reported the University of Vermont has completed the sale of its 255-head dairy herd. The herd was purchased for $244,000 by Nordic Holsteins of Charlotte, owned by Clark Hinsdale III. Nordic Farms already had been boarding the UVM's 120-head research herd. The rest of the research herd, 135 heifers and dry cows, will be moved during the next two weeks from UVM's Miller Research Farm.

The sale does not affect the student-run, 65-cow CREAM (Cooperative for Real Education in Agricultural Management) program, although the herd size may be increased. Revenue from the sale will be used to support research funded through UVM's Dairy Center of Excellence. The initiative aims to establish research partnerships with private farms and upgrade the Miller complex.

2011 Alliance Membership Renewals

It is that time of year again … Membership renewal time! Your membership has been a significant component in our ability to serve the animal agriculture industry throughout the Northeastern United States. **Membership invoices were mailed at the beginning of November.** If you have not received yours, or need another copy, please contact Sue Kinner (sue@nysta.org).

NEAFA Calendar Of Events

Cornell Dairy Executive Program
December 5-9, 2010
The Statler Hotel & Cornell University
Ithaca, New York

Cornell Dairy Executive Program
February 20-24, 2011
The Statler Hotel & Cornell University
Ithaca, New York

Cornell Dairy Executive Program
December 4-8, 2011
The Statler Hotel & Cornell University
Ithaca, New York

AFIA Online Education Program – *Fundamentals of Feed Manufacturing*
January 17-February 18, 2011
Online only at: www.afia.org

Dairy Health & Nutrition Conference
March 1-2, 2011
Holiday Inn–Liverpool/Syracuse
Liverpool, New York

NEAFA Annual Meeting
February 6-8, 2011
Albany Marriott Hotel
Albany, New York

Dairy Health & Nutrition Conference
March 3, 2011
Fireside Inn
West Lebanon, New Hampshire

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