



# Northeast Agribusiness & Feed Alliance

## NEAFA NEWS September 2018

*An e-publication of the Northeast Agribusiness & Feed Alliance*



### The President's Pen *by Andrew Dugan*

The last few years have been hard for the dairy industry, as prices for their product have stagnated with no real relief in sight. In my opinion, the dairy industry will fundamentally change in the next two years due to the progressively increasing challenge of four years of low profitability, with no end predicted in the next year. I took the time to reach out to banks as well as milk processors to ask what their thoughts were on a farm's viability if no positive price changes occur in the next two year. Pricing challenges are of course, only part of the issue. The last few years have also seen a decrease in fluid milk sales, with alternative products such as yogurt, cheese, butter, etc. failing to increase at a fast enough pace to make up for the loss. If you're in the feed business and this is going on with your customers, what are you going to do to build your business for the future? Consider the following

fundamental changes to the industry and think about what they mean for your business.

With these moderate milk sales, look at the effects of low profitability first. According to Farm Credit East's 2017 Northeast Dairy Farm Summary, the net average earnings for the 320 dairy farms that participated in the study was only \$291 per cow. Compare that to \$1,169 in 2014, and you can begin to see the discrepancy that farmers face today. One does have to keep in mind that this survey is only of approximately 3% of farms in the Northeast. These were the only ones that either chose to participate or had detailed enough financial records to qualify for the study. Having that level of accuracy pays dividends to those farms as well – they're more likely to qualify for loans and have a better chance at being among the most profitable farms in the industry. People without that line of financial planning are left with little equity, as equipment, barns, etc. depreciate in value. This low profitability also means that cash strapped farms will end up with more debt to unsecured vendors, and be unable to maximize on business opportunities once better times arrive. You can't capitalize on profit when your shoulders are slung with debt.

There are many reasons why the last four years have been hard to make a lot of profit in the dairy industry, but the main two come down to declining exports and fluid sales. Five years ago, 17% of milk was being exported. Today, it's around 7%. Russia for example has turned to

European sources as relationships with the US have become strained, and after years of drought New Zealand has taken back its market share.

Fluid sales have similarly decreased in the last five years from 47% to 38%. While yogurt sales have increased, others have stagnated (cheese, butter, ice cream, etc.), and yogurt has not increased fast enough to make up the difference. All of this has been compounded by the fact milk production in the Northeast has grown at about 3% per year, and herds have started growing at 1% per year. Rising production without demand has simply led to a wholesale drop in value for many in the market. As processors shift production from several plants to one to make up for the decrease in demand, some farms are going to be left behind due to the change in geography.

With such a bleak outlook, Northeast dairy farms really need to assess their ability to survive. If it looks bleak they must implement changes to become profitable or consider selling out prior to losing their equity. This could be the groundswell needed for a significant transition to farm cooperation as they seek to combine resources to weather the ongoing slump in the market.

It's about asking where am I in this sea of milk, what is my future, and how can I change to meet shifting demands? While we may hope for the best, taking a serious step towards cautious financial planning and looking at a worst case scenario will only lead to our businesses becoming stronger and more diversified once better times do arrive.

### **NEAFA Submits Comments on Hours of Service Rule**

Earlier this year, the congressionally mandated electronic logging device (ELD) rule went into effect. The ELD required most Federal Motor Carrier Safety Administration (FMCSA)-regulated motor carriers to convert their records from paper to an electronic format. While compliance with the ELD rule has reached nearly 99 percent across the trucking industry, it has also brought focus to hours of service (HOS) regulations, especially with regard to certain rules having a significant impact on agriculture and other sectors of trucking. In speaking with our members, it is evident that compliance with some of the HOS regulations is having unintended consequences that may be impacting the safety habits of truck drivers.

"Members of the Alliance recognize that safety is paramount in development and enforcement of HOS regulations", stated Blake Lutz, NEAFA Transportation Committee Chair. "We feel the changes being considered by the FMCSA will provide flexibility to drivers and allow them to make the safest choices possible in the organization of their routes, accommodations for adverse weather conditions, and management of their personal needs for rest." NEAFA calls for the following changes to be considered to the ELD.



Currently, the 100 air-mile "short-haul" exemption's 12-hour limitation is forcing driving decisions that could be unsafe. Expanding the exemption to 14 hours on-duty will accommodate the majority of the trucking distances incurred by the livestock feed industry. This extension, in addition to several other provisions, will strike a reasonable balance between the need for rest and the cost of shipping feed commodities. There is also the current 14-hour on-duty limitation that needs attention. Expanding that limitation by two hours during adverse driving conditions will increase the overall safety by allowing drivers to slow their speed to accommodate the conditions. This extension is especially important in the northern tier of the U.S., where slower speeds during winter driving conditions can significantly increase travel times.

NEAFA also recommends revising the current mandatory 30-minute break for truck drivers after 8-hours of continuous driving. For many drivers, shorter, more frequent breaks are sufficient and can accommodate the scheduling realities of loading and unloading of feed trucks. Also, reinstating the option for splitting up the required 10-hour off-duty rest break for drivers operating trucks that are equipped with a sleeper-berth compartment is extremely important in the livestock

feed industry. Despite the best efforts for efficient scheduling, some drivers experience several hours of wait time to load and unload. The split berth option will allow them to appropriately apply these hours towards rest, rather than rushing and risking unsafe driving situations.

The 150 air mile ELD agricultural exemption applies to trucks delivering feed from mill to farm and therefore provides additional flexibility for the feed industry.

The Northeast Agribusiness and Feed Alliance appreciates the willingness of the FMCSA to consider modification of the HOS regulations. Adoption of mandatory ELD increased awareness about the impact of weather and scheduling on trucking schedules. Implementation of the proposed changes to the HOS rules will allow truckers to make prudent decisions to address safety for themselves and other drivers.

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### **NEAFA Board Meets and Tours CMI and Grober Nutrition**



The late summer meeting of the NEAFA Board of Directors was held September 6th at Cayuga Milk Ingredients. Following a productive meeting, the group toured the CMI plant, then traveled across the street to Grober Nutrition. Both facilities are a reflection of the evolving business opportunities driven by a thriving northeast dairy industry.

The September Board meeting focused on the organization's strategic plan objectives including an evolving membership base. Membership structure and bylaws amendments are currently under consideration. Plans for the March 3-5, 2019 Orlando FL Annual Meeting were unveiled and meeting details are posted in this newsletter.

Cayuga Milk Ingredients Board member, Neil Rejman, met with the Board and provided a briefing of the company's history. The company and milk plant evolved from Cayuga Marketing, a cooperative-like organization of Cayuga County, NY dairy farmers working together for purchasing inputs and marketing their milk. Cayuga Milk Ingredients manufacturers milk components including milk powders, protein powders and fluid milk products. They strive to be the world's best supplier of the highest quality products and they are marketed around the globe. Thank you to CMI Board member Neil Rejman and CEO Kevin Ellis for the opportunity to tour their operation.

Grober Nutrition manufacturers quality milk replacers for the animal agriculture industry. Their new Auburn, NY plant represents their long term commitment to serve the agriculture industry, particularly in the northeast. NEAFA members Jurian Bartelse and John Schmitt were gracious hosts and the Board is appreciative of the opportunity to tour their plant.

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### **Good Works Committee Completes Donations for 2018**

The NEAFA Good Works Committee announced their final list of donations, completing their 2018 appropriation of \$15,000 to worthy causes. The program is funded each year by proceeds from the Golf for Good Works Tournament held late June at the Turning Stone Resort. Now in its 10th year, this program has given out over \$100,000 to worthy causes that promote the advancement of the animal agriculture industry within the northeastern United States. "The Northeast Agribusiness & Feed Alliance has a strong, continued connection to youth, as evidenced by our successful Golf Tournament and funds we have donated," stated John Clark, NEAFA Vice President and Good Works Committee Chair. "Our predominate focus has been towards causes that connect youth to agriculture."

The 2018 list of recipients include the following:

- 4-H Junior Dairy Leaders Program
- 4-H Foundation
- FFA Foundation
- FFA Scholarship Program
- NY Animal Agriculture Coalition Birthing Center at the NYS Fair
- NY Holstein Dairy Quiz Bowl
- New England Green Pastures Program
- 4-H dairy Judging Programs
- Northeast Intercollegiate Dairy Challenge
- Vermont Horse Council
- Growing Through Showing Program
- LEAD NY
- Open Houses on NY and New England Farms
- Food and Farm Experience, NYFB Foundation



An application for a Good Works Program donation is posted on the [NEAFA website](#). The Good Works Committee will be starting their 2019 donations later this fall.

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### **US Pork Producer Association's Release Document to Aid in African Swine Fever Prevention, Mitigation**

NEAFA would like to share this important announcement from the American Feed Industry Association (AFIA). AFIA participated in meetings with several national pork producer associations to finalize a document that will be used by pork producers to discuss with their feed and ingredient suppliers. The [document](#) was released to pork producers last week and is intended to assist in starting a discussion to reduce the potential risk of introducing African Swine Fever or any other pathogenic virus affecting swine into the United States.



AFIA has been encouraged to provide the document to the feed industry to assist in the discussions on feed safety that should occur as prevention/risk mitigation steps may be demanded for feed, pet food and ingredient products entering the United States.

It is important to understand the document suggests the use of certain mitigation steps that AFIA believes either may not be scientifically proven as effective or for which no federal approval has been sought or given at this time. Specifically, mitigation, destruction or prevention of any virus entering the feed supply cannot be legally affected by using formaldehyde or medium chain fatty acids in feed, as these additives have not been approved for these purposes, though some studies have used them and found them to be effective in reducing or destroying the virus. Prior to using formaldehyde or short chain fatty acids for biosecurity purposes, they would need to be included in a food additive petition to the Food and Drug Administration and be approved for such use. Moreover, more testing at several locations would need to be performed in order to have sufficient data to gain FDA

approval.

AFIA believes pork producers will likely ask for such mitigation procedures to address the risk of ASF being present in feed they are purchasing or ingredients added to that feed. AFIA cautions that the only items in the document that can legally mitigate the risk of viruses are irradiation

(which AFIA believes is either cost prohibitive or not practical) and heat treatment that may present additional areas of concern (i.e., vitamin losses or other nutritional considerations).

Several voices are also asking for testing of imported feed, pet food and ingredients for the presence of the ASF virus. To date, there is no approved or validated test or sampling procedure for ASF in animal food products.

It is important to discuss these issues with your customers in order to better partner with the pork industry in preventing ASF and other diseases. AFIA trusts this document will provide you with the ability to help foster that dialogue.

If you have any questions about the document or ASF, please contact Leah Wilkinson, AFIA's vice president of public policy and education.

## **MEMBER NEWS**

### **Lutz Feed Company, Inc.**

Lutz Feed Co. located in Oneonta NY, has been in the feed business for sixty years, founded by Richard and Marjorie Lutz in Roxbury, NY in 1958. As rail service was discontinued in Roxbury, Lutz transitioned to their current facility in Oneonta in 1976. To this day, Lutz Feed has maintained their familial roots, with sons Steven and Robert Lutz, as well as grandsons Blake and Nick Lutz, working and managing the business. "Working weekends and summers, being around Lutz Feed was a big part of my upbringing," said Blake Lutz, 32. "I loved the variation of the different aspects involved in the feed industry – from the trucks, the machinery, the feed commodities, and working with farmers and their livestock. I knew that this was something I wanted to keep going, so I went to Cornell for an agribusiness degree and graduated in 2008."



Lutz has taken that love of agriculture and shared it with NEAFA, where he has served as a board member for five years. "I realized that NEAFA provided me with a huge opportunity to network as well as learn more about the industry. Working with the board, I want to do my best to give back and improve agribusiness in the Northeast." Lutz serves on a government relations committee and is the chairman of the transportation committee of NEAFA. "I've learned a lot about agriculture in the Northeast as well as agriculture in general while working with NEAFA, and it's helpful to see what challenges and needs different sectors of the industry might be facing versus what I'm involved with day to day. We're always looking into what are the right tools to help our membership and our members customers grow their businesses and how to be sustainable in that objective."

For Lutz Feed, their sixtieth anniversary has been bittersweet, marred by the passing of founder Richard (Dick) Lutz at age 91. "We we're in the middle of building a new transload operation (for transferring items such as soy and canola from rail to trucking operations) that was part of his (Richard's) vision," said Blake Lutz. "His passion was building things and keeping Lutz Feed on the forefront of the industry, to adapt as needed. We're focused on carrying that torch forward and honoring his memory."

Lutz sees the transload operation as a way to keep up with the changing times. "There's

a lot of competition in the marketplace, and this is an opportunity to for us to handle higher volumes on a lower margin. It also gives us the chance to diversify, so that we can focus on expanding into other markets besides dairy, which accounts for about 90% of our operation.”

Diversification is key today, according to Lutz. “The feed business has changed a lot. We find that we're having to increase our travel radius in order to maintain a customer base. Where we used to work in maybe a 60-70 mile radius, we're now going up to 120 miles. We've transitioned from trucks that carry 10 tons to larger trucks carrying 30 tons to meet that change and be efficient. We're always looking for ways to improve and find new avenues of income for the business. Whatever changes that we face though, we're up to the challenge of meeting those new demands and keeping Lutz Feed a sustainable vibrant business.”



## Challenges/Opportunities in Today's Dairy Industry

NEAFA Annual Meeting and Forum

March 3-5, 2019

Rosen Shingle Creek  
Orlando, Florida



Northeast  
Agribusiness  
& Feed Alliance

### **2019 NEAFA Annual Meeting** **Sponsorship Opportunities and Registration** **NOW OPEN!**

Join NEAFA for a wonderful time at our annual meeting March 3-5, 2019 at Rosen Shingle Creek Resort in Orlando Florida. Convention rates at the resort are good from Tuesday February 26th through Friday March 8th, so show up early and stay late to enjoy all that Orlando has to offer. The annual meeting will also feature a golf tournament on March 5th and an optional farm tour of the region on March 6th that finishes in time for a late afternoon flight home.

With 255 acres on the banks of Shingle Creek, a source of the Everglades, Rosen Shingle Creek is a Spanish Revival style luxury hotel that offers access to the best of Orlando while visitors can enjoy stunning views of the region. The resort is also dedicated to keeping itself accessible for all guests, no matter ability or disability.

The Shingle Creek Golf Course's greens and fairways follow the creek and is lined with beautiful cypress trees. Designed in partnership with the Arnold Palmer Design Company, the course offers a challenge for even a seasoned golfer. “Tee up to extra-long par 4s and par 5s surrounded by enchanting flora and wildlife. Face exciting hazards, twists, and bends. Explore the new championship course that challenges your entire game yet rewards the diligent player.” The resort is also dedicated to keeping itself accessible for all guests, no matter ability or disability.

#### **Highlights:**

- Exhibit space for all sponsors
- Great Networking
- 3 Receptions
- Opening Luncheon
- Closing Banquet
- Farmer Panel
- Farm and Feed Mill Tour
- Golf Tournament

Banquet Keynote Speaker - Chad Hymas

**Breakout Sessions & Seminar Speakers Featuring:**

*Zippy Duval, President - American Farm Bureau Federation  
Beth Meyer - American Dairy Association Northeast  
Andrew Novakovic, Ph.D. - Cornell University  
Alison Van Eenennaam, Ph.D. - University of California Davis  
Sheila Webb Pierson - Leadership Coach & Author*

Sponsorship support has been a key component to the Alliance's ability to host a first rate conference. There are many benefits provided for each level of sponsorship. [Please click here](#) for a printable sponsorship pledge form, or if you prefer to pay online, please click the link below for an online sponsorship & attendee registration form. *(Please note: conference registration is NOT included with any level of sponsorship).*

If you prefer to wait to register, registration brochures will also be mailed to members in November.

You won't want to miss being part of our 2019 Annual Meeting and Forum.

### [Online Sponsor & Registration Form](#)

#### Hotel Information



[Click Here](#)

to Visit

Rosen Shingle Creek Orlando  
9939 Universal Blvd - Orlando, FL

To reserve your room, please call  
866-996-9933 and reference  
"Northeast Ag & Feed Alliance"

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### **SAVE THE DATE**



Northeast  
Agribusiness  
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**Wednesday, December 12, 2018**

The Northeast Agribusiness & Feed Alliance, along with PRO-DAIRY and the Vermont Feed Dealers & Manufacturers Association will once again be hosting the 2018 Feed Dealers Conference on Wednesday December 12, 2018. This year's location will be the Vermont Technical College in Randolph Center, Vermont.

*Please watch your email in-box for more information coming soon!*

Calendar

### **Cornell Nutrition Conference**

October 16-18, 2018

Doubletree Hotel

Syracuse, NY

**For more information:** <https://ansci.cals.cornell.edu/news-events/cornell-nutrition-conference/>

### **NGFA's 47th Annual Country**

Elevator Conference and Trade Show

December 2-4, 2018

St. Louis, MO

**For more information:** <https://imis.ngfa.org/CEC/About/Events/CEC/About.aspx?hkey=cb38ca22-a3be-4156-86c1-2c16a12bb261>

### **2018 Feed Dealers Conferences**

December 10, 2018

Chamber of Commerce

Cortland, NY

December 11, 2018

Quality Inn (formerly Holiday Inn)

Oneonta, NY

December 11, 2018

Cornell Cooperative Extension of Saratoga County

Ballston Spa, NY

December 12, 2018

Langevin House

Vermont Technical College

Randolph Center, VT

December 12, 2018

William H. Miner Agricultural Research Institute

Chazy, NY

December 13, 2018

Ramada Inn

Watertown, NY

December 14, 2018

Cornell Cooperative Extension of Genesee County

Batavia, NY

**For more information:** <https://app.box.com/s/mu3awa38fvux93yrptolmm1nhvnefedb>

### **2019 International Production & Processing Expo**

February 12-14, 2019

Atlanta, GA

**For more information:** <https://registration.experientevent.com/showusp191>

### **NEAFA Annual Meeting**

March 4-5, 2019

Rosen Shingle Creek

Orlando, FL

**For more information:** <https://www.northeastalliance.com/upcoming-neafa-events/2019/3/4/neafa-annual-meeting>

### **Herd Health & Nutrition Conference**

April 8-9, 2019

Doubletree Hotel

Syracuse, NY







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