NORTHEAST AG & FEED NEWS

November/December 2009

CELEBRATE OUR PAST,
DISCOVER OUR FUTURE

NORTHEAST AG & FEED ALLIANCE

2010 ANNUAL MEETING

ALBANY
An Amazing Discovery

FEBRUARY 7-9, 2010

Vic Henley

Mark Pearson

Commissioner Hooker

The Northeast Ag and Feed Alliance's 2010 Annual Meeting is scheduled for February 7-9, 2010. Please make your reservations today for this great event. An excellent program is planned and you won't want to miss the great networking opportunities.

This year's program includes a panel of distinguished farmers from across the US. In addition we are offering seminars on risk management and food safety legislation. Don't miss our keynote speakers, Mark Pearson, host of Market to Market on PBS, and New York State Ag & Markets Commissioner Patrick Hooker. Nationally known comedian Vic Henley will be dishing out the laughs following dinner.

To register for the conference and at the hotel, please go to NEAFA's website at: www.northeastalliance.com

Dairy Farmer Panel

Featuring …

John Noble – *1,800 cow dairy*
Noblehurst Farms – Linwood, NY

Erick Farmer – *2,000 cow dairy*
Yuma, CO

Frank Boyce – *10,000 cow dairy*
Shamrock Farms – Stanfield, AZ

- Agenda Highlights -

Sunday – February 7, 2010
Feed Alliance Super Bowl Party

Monday – February 8, 2010
Meetings with Legislative Leaders
Feed Alliance Seminar Series
Welcome/Legislative Reception

Tuesday – February 9, 2010
Dairy Farmer Panel Discussion
Mark Pearson's Keynote Address:
"What's Ahead for Agriculture?"
Award Luncheon with Keynote Speaker
Commissioner Patrick Hooker
President's Reception
Annual Banquet with Vic Henley

Continued Effort to Release CRP Acres for Agricultural Production

More than 100 organizations and companies have urged Secretary of Agriculture Tom Vilsack to modify rules governing the U.S. Department of Agriculture's (USDA) Conservation Reserve Program (CRP) to provide increased flexibility for producers to remove non-highly environmentally sensitive land prior to contract expiration when crop supply disruptions and growing market demand warrant.

In a statement to Vilsack submitted by the Alliance for Agricultural Growth and Competitiveness (AAGC), 105 national and state agricultural trade associations and private-sector firms said there is a pressing need to change rigid CRP rules that currently make it economically prohibitive for enrolled U.S. producers to respond to market conditions. This year's weather-delayed corn and soybean harvest, which is expected to reduce projected yields and crop quality, is yet another example of why some organizations feel more CRP flexibility is needed.

CRP is a federal program designed to reward farmers who take fragile land out of production and plant grasses or trees or restore wetlands on the land in exchange for rental and federal cost-share payments. When first developed in the 1980's CRP was designed to serve the dual role of reducing US grain production and protecting environmentally sensitive land.

Currently, CRP enrollees who terminate their contract prior to the end of its 10- to 15-year term must reimburse the federal government for the rental and cost-share payments they have received, plus interest, and a penalty of 25 percent of the total rental payments received.

While there is a focused effort on behalf of agricultural producers to release CRP acres, environmental groups have voiced strong concern. Last year a group of 15 environmental groups wrote to then USDA Secretary, Ed Schafer, stating "A penalty-free early release of the magnitude you are considering – millions of acres – would deliver a devastating blow to the nation's soil, water, and wildlife habitat, and significantly increase global warming," The groups countered that because most CRP lands are marginal for cropping, even if all CRP acres were brought back into commodity production, the impact on aggregate commodity supplies and prices would be modest.

The AAGC called on USDA to create a new, more flexible long-term framework for the CRP under which the most environmentally sensitive lands would continue to be ineligible for early contract termination. But the groups said USDA should lift restrictions on producing crops on other, less-environmentally sensitive CRP lands to give producers the option to respond to periods of low supplies, as well as growing and shifting demand "in an intensely competitive global environment." The groups urged USDA to continuously monitor supply/demand relationships and stocks-to-use ratios for major grains and oilseeds.

The AAGC also noted that during the past eight years, total U.S. grain and oilseed plantings have declined by 6 million acres, while other countries expanded production of those crops by approximately 153 million acres – more than 50 percent of total U.S. crop acreage. This foreign production is not subject to the same environmental regulations and conservation practices employed in the United States.

- Compiled from AFIA news and Environmental Defense Fund website

The Feed Industry Loses a Friend and Leader: Thomas R. O'Connell

Thomas O'Connell, co-founder of Feed Ingredient Trading Corp., passed away suddenly on November 10, 2009 at Albany Memorial Hospital. Born in Auburn, New York, Tom spent his entire professional career in other locations, but retained a number of industry contacts throughout the Finger Lakes NY region.

Tom was a 1959 graduate of Cornell University with a degree in Agricultural Economics and played center on the "Big Red" football team. He was a Vietnam veteran in the US Army where he achieved the rank of major.

Tom's feed industry career began with the Continental Grain Co. as a wheat buyer in the Kansas-Oklahoma-Missouri region. He migrated back to the Northeast, taking a position at the H.K. Webster Co. (predecessor to Blue Seal Feeds) as a buyer of grain and feed ingredients. His career then took him into the realm of feed ingredient merchandising, spending nearly forty years in that role. Tom was co-founder and partner of Feed Ingredient Trading Corp. in Delmar, NY with Rich Casler. He recently retired from the business after 22 years of service.

Tom's leadership in our industry is evidenced by his service as a board member of the New England Grain and Feed Council (NEGFC) a predecessor to the Northeast Ag and Feed Alliance. Tom also served the industry as president of the NEGFC in 1998 and 1999.

Tom is survived by his wife Marcia of Loudonville, NY, son Tom, daughter-in-lay Kathleen, and two grandchildren, Ryan and Erin of Weston, CT.

2009 Membership Directory – Change

Please note the following change to the 2009 Membership Directory:

Jeff Ward
Feed Ingredient Trading Corp.
316 Delaware Avenue, Suite 12
Delmar, NY 12054
Phone: (518) 478-7850 ▪ Fax: (518) 478-0488

Government Relations Round-Up: Immigration, Trucking, Canola

Over the past month the Alliance has continued its efforts to resolve three issues of concern for members, namely immigration reform, NY State trucking restrictions, and an import embargo on Canadian canola.

Immigration: On Wednesday November 18 Federal Immigration Customs Enforcement (ICE) officials visited several VT dairy farms to conduct I-9 audits and serve subpoenas requiring the businesses to provide employment records. Further communications from ICE indicate a total of 1000 businesses nationwide are targeted for audits, including 87 businesses in NY. The actions by ICE have created extreme hardship for the farms involved and have produced significant anxiety for farms throughout the northeast.

Particularly disturbing was the implication by ICE Assistant Secretary John Morton that dairy farmers are hiring foreign workers to gain an unfair business advantage. In a press release Morton stated "ICE is focused on finding and penalizing employers who believe they can unfairly get ahead by cultivating illegal work places." The letter also claimed "We are increasing criminal and civil enforcement of immigration-related employment laws and imposing smart, tough employer sanctions to even the playing field for employers who play by the rules."

In a major departure from his previous position, VT Senator Bernie sanders (I) voiced support for reform of current immigration policy that creates difficulties for farms seeking foreign workers. At a press conference on November 21 Sanders stated “There are areas, especially in the agriculture area, where farmers cannot find local labor," Sanders said. "I did not always believe that but when you talk to dairy farmers and they say 'Look, we have scoured our community, we want young people to do the work, but we can't find them.' I believe that's true, and if that's true, we need immigrant labor programs."

The Alliance has sent letters to congressional delegates from members’ states urging adoption of immigration reform.

Trucking: On November 19 Alliance Executive Director Rick Zimmerman testified at the New York State Senate Committee on Agriculture’s Public Hearing on Issues Facing the Agricultural Industry. Zimmerman’s comments addressed the proposed travel restrictions for certain truck–trailer and tractor-trailer vehicles on designated state roads in the Finger Lakes Region. The New York Department of Transportation has proposed regulations that would restrict certain sized truck trailer combinations from use of these roads and impose significant cost increases upon businesses as a direct result of these restrictions.

Zimmerman used his time with the committee to explain the regulatory burden of maintaining the proper proof of permitted restricted highway use and the increased time for demonstrating compliance will add an unacceptable economic burden onto the feed products delivered to livestock farmers. Furthermore, the proposed rule would increase travel costs, including highway tolls, created by the additional miles on roads around the restricted region. This scenario would be experienced by trucks transporting feed and feed ingredients from a manufacturing plant on one side of the restricted region to customers, terminals or feed mills on the other side of the Finger Lakes Region.

Canola: The importation of canola meal from Canada has been sharply curtailed since late summer based on concerns about possible salmonella contamination. The Alliance has worked diligently with the American Feed Industry Association to enlighten FDA officials about the hardship being created for dairy farmers by the embargo. Feed dealers and manufacturers are particularly sensitive to the need for safety measures in the manufacturing of animal feed, but the current restrictions have not been associated with pathologically active strains of salmonella. Alliance leaders and staff hope to meet with FDA officials in DC in December to achieve a resolution to the on-going restriction on imports. The canola embargo has the potential to increase grain expenses for Northeast dairy farmers by $701,000 per day.

We Need Your News!

The Alliance newsletter strives to serve as a source of information for our member companies. We need news of events from members to provide thorough coverage.

Please contact Louise Calderwood (**rcalderwod@aol.com** - *that’s right, only one “o”*) with reports and information regarding your business. We will be sure to include your information in the next newsletter.

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

NEAFA Calendar of Events

AFIA International Feed Expo
January 27-29, 2010
Atlanta. Georgia

2010 NEAFA Annual Meeting
February 7-9, 2010
Albany, New York

AFIA Purchasing & Ingredient Suppliers Conference 2010
March 10-12, 2010
San Antonio, Texas

NEAFA Nutrition Conferences
April 13, 2010 – Syracuse, NY
April 15, 2010 – New Hampshire

NEAFA Annual *"Golf for Good Works"* Tournament
June 24, 2010
Turning Stone Casino Resort
Verona, New York

Several Dairy Price Stabilization Efforts Discussed

Confronted with the on-going roller coaster swings in prices paid to dairy farmers several groups nationwide are forming coalitions to develop dairy pricing reform to achieve price stabilization. In this month's newsletter we will look at the Dairy Price Stabilization Plan developed by a coalition of producers nationwide. Next month we will examine the plan proposed by a coalition including Dairy Farmers of America and the separate National Milk Producers Federation plan.

The Dairy Price Stabilization Plan (DPSP) proposes a Dairy Producer Board comprised of 12 producers, 3 processor representatives, and 1 economist advisor, chaired by U.S. Secretary of Agriculture will develop on a quarterly basis, an "allowable milk marketings," or AMM, for that quarter.

In the first year under the DPSP, each facility's AMM will be based on their highest annual production from the previous three years (2006, 2007 or 2008). After that initial year, a facility's AMM will be calculated by taking the facility's production in the same quarter the previous year (i.e., the facility's AMM for the 3rd quarter of 2009 will be based on the facility's production in the 3rd quarter of 2008) and adjusting it to reflect an allowable year-over year growth, as determined by the Producer Board and the U.S. Secretary of Agriculture.

The quarterly production that is used to calculate a facility's AMM cannot be reduced. For example, if a facility produces 1,000,000 pounds of milk in the 1st quarter of 2008, and 900,000 pounds of milk in the 1st quarter of 2009, that facility's AMM for the 1st quarter of 2010 will be based on the 1,000,000 pounds of milk produced in 2008.

Prior to each quarter, the U.S. Secretary of Agriculture will announce two numbers:

• The allowable year-over-year growth in production, as a percentage, allowed by each facility without any payment being required (this will normally be in the 1-3 percent range). This percentage will be added to a facility's production from the same quarter in the previous year to calculate the AMM.

• The market access fee, or MAF, on a per-hundredweight basis, that must be paid by any dairy that exceeds their AMM. Dairies that exceed their AMM will pay the lower of:

- The "standard" MAF, which is assessed on all that facility's milk for the quarter. (This fee is estimated by Cornell University's Program on Dairy Markets and Policy to normally range from $0.50 - $1 per hundredweight)
- The "alternative" MAF, which is assessed only on the milk produced in excess of your AMM. This fee will be five times higher than the "standard" MAF.

This alternative MAF is a recent addition to the DPSP. The program, as originally unveiled, only had the "standard" MAF, which some saw as favoring large-scale growth. Therefore, the "alternative" MAF was added to the program, which provides a better option for facilities that want to grow more incrementally. However, the incentive remains the same, since only facilities that stay below their AMM are eligible for a MAF Dividend.

Both the allowable year-over-year growth and the MAF will be adjustable by the U.S. Secretary of Agriculture – under advisement by the Producer Board – on a quarterly basis.

The DPSP is proposed by a coalition including The California Dairy Campaign, The California Milk Producers Council, Georgia Milk Producers Inc, Vermont based Dairy Farmers Working Together, Pennsylvania/Maryland based Lanco Pennland, the Washington State Dairy Federation, and the Oregon Dairy Farmers Association. The US Holstein Association has also been active in development of the plan.

More information of the DPSP including periodic updates of the proposals is available at the Coalition to Support the Dairy Price Stabilization Program website:
http://stabledairies.com/