

October 2009

Low Milk Prices – Conspiracy or Demand?

In the September issue of the NE Ag and Feed News we reported on a September 19th hearing held by U.S. Senator Patrick Leahy, along with his US Senate Judiciary Committee in St. Albans, VT entitled “Crisis on the Farm: The State of Competition in the Northeast Dairy Industry.” Ms. Christine Varney, the Assistant Attorney General of the Antitrust Division of the U.S. Justice Department, was in attendance.

On September 12 a group of dairy farmers sued four milk-marketing firms, accusing them of monopolizing the milk market, fixing prices and creating an economic crisis for the Northeast dairy industry, according to the Associated Press. The suit claims that the firms have monopolized the region’s dairy industry and have forced dairies to join DFA or its affiliate in order to survive. The Washington-based law firm Cohen Milstein that is representing the dairy farmers, said it expects many farmers to join them in a class action suit against Dairy Farmers of America and Dean Foods Co. Also named as defendants were Dairy Marketing Services and HP Hood. Dean and Hood bottle about 90 percent of the fluid milk sold in the Northeast.



While farmers and politicians cause of low milk prices, going answer as it doesn’t address to

understandably want to tackle the after the processors probably isn’t the the underlying issue of oversupply.

Dean Foods, the nation’s largest according to a federally mandated pricing formula. This month, it must pay \$12.35 per hundredweight for fluid milk, because that was the Class I price announced by the government on September 18. The Class I price is determined by the advanced Class III price mover (involving milk used to make cheese) or the Class IV price mover (involving milk used to make butter and nonfat dry milk), whichever one happens to be higher for a particular month.

The same pricing system that is giving us low prices today gave us record-high milk prices two years ago. The drop in milk prices is frustrating, no doubt about it. But the problem can’t simply be blamed on big corporate entities. The high milk prices back in late 2007/early 2008 created a situation where milk production began increasing 2 to 3 percent each month (over the same month a year earlier). The national dairy herd got up to 9.335 million by July 2008. Without a corresponding increase in consumer demand, adding that much supply was bound to create problems.

And, the problem is global in nature. We have already seen a precipitous drop in exports this year, since the countries that buy our milk powder, dry whey and lactose have less money to spend, due to a global economic recession. This has hit dairy farmers everywhere. Farmers in Belgium dumped milk recently in protest of low milk prices. Milk prices have collapsed in Australia and New Zealand.

Dean Foods does not influence the price of milk in Belgium or New Zealand. The conspiracy theorists are just going to have to own up to the fact that a few U.S. milk processors cannot possibly be pulling the strings everywhere.

Look at what happened two years ago. Dean Foods had to lay off 600 to 700 workers when it found itself squeezed between record-high milk prices at the farm level and what many of the large retail outlets — and consumers — were willing to pay for that milk.

Investigating milk processors for anti-trust issues allow politicians to feel they “did something about it.” Unfortunately, rather than doing something constructive, they are simply avoiding the root cause of oversupply.

Adopted from an editorial by Thomas J. Quaife, published in Dairy Herd Management October 01, 2009 and The Progressive Farmer Oct 12, 2009

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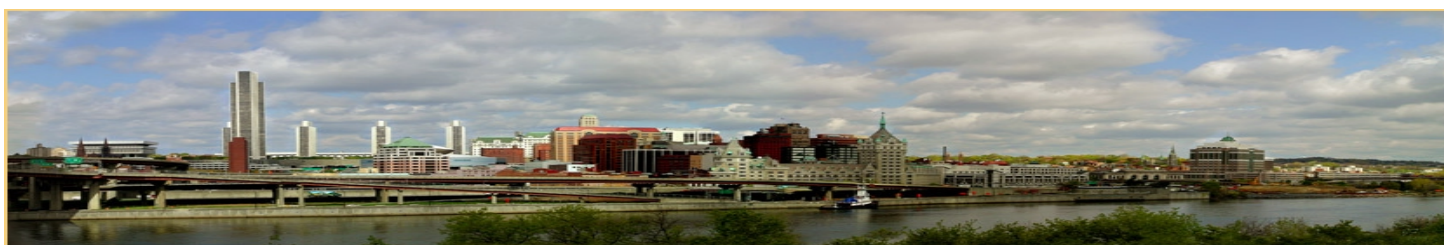
Alliance Board Adopts Legislative Priorities

At the September 23, 2009 meeting of the Northeast Ag and Feed Alliance Board of Directors in Burlington, Vermont, a list of proposed legislative priorities was reviewed and adopted for potential action during the upcoming northeast state legislative sessions.

2010 Legislative Priorities for the Northeast Ag & Feed Alliance

The following legislative priorities have been adopted by the Board of Directors of the Northeast Ag and Feed Alliance. Our position on these topics is to provide a reasonable approach to agricultural issues and support the ability of farmers to remain economically viable. Furthermore, we recognize the need to support our land grant universities and departments of agriculture in this environment of economic uncertainty.

- ✚ The Alliance supports the rights of farmers to utilize science-based animal care practices in the management of their herds and flocks.
- ✚ The Alliance supports thoughtful reform measures for Federal dairy policy.
- ✚ The Alliance recognizes that animal feeds and pet foods should not be regulated in the same manner as human foods. Furthermore, the Alliance supports reasonable reporting requirements and specific fees to address food safety concerns.
- ✚ The Alliance supports the rights of farmers to utilize scientifically sound technology in the management of their farms.
- ✚ The Alliance supports utilization of the Toxic Substances Control Act of 1976 (TSCA) as the basis for state and federal chemical permitting systems.
- ✚ The Alliance recognizes the role of state departments and agencies of agriculture in regulation of agricultural activity.
- ✚ The Alliance opposes NYS DOT large truck route restrictions on state roads in central New York.
- ✚ The Alliance supports adequate funding for our Colleges of Agriculture and Cooperative Extension throughout the Northeast.
- ✚ The Alliance recognizes the important responsibilities of our state departments of agriculture and supports adequate funding to these agencies to assure that their work is carried out.
- ✚ The Alliance supports immigration reform measures that recognize the vital role of foreign labor for the maintenance of a robust food production system.
- ✚ The Alliance supports state farm worker laws that reflect the practical and economic realities of farm employment.
- ✚ The Alliance supports integrated pest management programs for production agriculture and affirms that IPM must include chemical crop protectants as a significant pest management tool.
- ✚ The Alliance challenges all northeast state governments to address budget deficits through spending cuts rather than tax increases.



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DISCOVER OUR FUTURE**



2010 ANNUAL MEETING

ALBANY
An Amazing Discovery

FEBRUARY 7-9, 2010

Annual Meeting to Offer Great Speakers at an Unbeatable Location and Price

Outstanding speakers, including a dairy farmer panel of our industry's best producers, will be the hallmark of the 2010 Annual Meeting. **Mark your calendars today for this February 7 – 9, 2010 event.**

The Albany Crowne Plaza Hotel will be the site of the 2010 Annual Meeting. Come enjoy New York's capital city with its many fine dining establishments, close proximity to great skiing, and a modern airport that includes Southwest Airlines. All this at a rate substantially less than we have been able to offer before! Registration materials will be mailed to you soon, or may be obtained from our website at: www.northeastalliance.com.

2010 Annual Meeting – Keynote Speakers



*Keynote Speaker:
Commissioner Patrick Hooker,
NYS Department of Ag & Markets*

This year we will be joined by Commissioner Patrick Hooker as our Keynote Luncheon Speaker. The Commissioner will bring us up-to-date on the latest developments in the agriculture industry, as well as the New York State Department of Agriculture and Markets.

Get ready to laugh and learn as Mark Pearson takes you on an entertaining journey – market outlook for corn, soybeans, wheat, hogs and cattle prices – and global trends impacting these markets. He will also look at changing consumer trends, demographics, land values, and agriculture policy issues



*Keynote Speaker:
Mark Pearson
“What’s Ahead For Agriculture?”*

Don't miss the farmer panel, all outstanding in their field! John Noble of Linwood, New York; Frank Boyce of Stanfield, Arizona; Erick Farmer of Yuma, Colorado - These national leaders will share their views on the dairy industry today and tomorrow.

The 2010 Annual Meeting is the year of opportunities! The opportunity to visit a brand new city, the opportunity to tour the New York State Capitol and visit with legislative leaders, and the opportunity to listen to great speakers and network with other industry professionals.

Don't miss out on the Feed Alliance Super Bowl Party, Keynote Speaker presentations by Commissioner Patrick Hooker, Mark Pearson, an outstanding dairy farmer panel, and the Feed Alliance Seminar Series that will offer guidance for you and your farmer customers on a variety of topics.

Grain Harvest Round-Up: US Dampened by Midwest Rains

USDA's World Agricultural Supply and Demand Estimates (WASDE) released recently forecasts a harvest of 13 billion bushels of corn, the second-largest crop in US history, a record-setting yield and a 100 million bushel increase in exports. During the week ending October 9 corn export demand was also impressive. Corn exports during the first month of the new marketing year hit 28 percent of the year's forecast. In early October grain and soybean bids continued to climb.

Outside market influence was very supportive of exports as the dollar sank to a new low and gold soared to a new high. Crude oil prices were higher along with a higher stock market. These factors contributed support to strong ethanol prices. Reports from the market place indicate it is once again profitable to grind corn for ethanol.

Unfortunately continued rain in the mid-west has put farmers in a sour mood; wetness and high moisture affects everything – harvest schedule, test weights, drying costs and storage. The cold weather forecast is a market complication – what will it mean to final test weights? Frost warnings were in effect for mid October and several areas have received light snow fall. That could cut production in the upper Midwest. The combination of heavy rains and cool temperatures are slowing harvest to a crop that is already late maturing.



On the other side of the world, Black Sea feed grains production will reportedly decrease by roughly 19 million metric tons this year to 156 million tons. At the 2009 U.S. Grains Council International Staff Conference, Alex Kholopov, USGC consultant in Russia, said Russia's production for corn, wheat and barley are all expected to drop from last years record breaking production, but will remain above historic averages. "Russia's corn exports will be a mere 100,000 to 200,000 tons (3.9 to 7.9 million bushels), which is a substantial decrease from last year's record 1.3 million tons (51.2 million bushels)," said Kholopov. "Most of Russia's corn exports last year went to Egypt. The largest Russian barley buyer was Saudi Arabia."

Total Black Sea (Russia, Ukraine and Kazakhstan) feed grains exports are expected to drop this year to 38 million tons from last year's 50 million tons. Russia and the Ukraine will likely have 21 million tons of feed grains to export. Ken Hobbie, USGC president and CEO, said the wheat and barley out of the Black Sea region, we are going to have to continue to work harder at marketing the U.S. advantage," said Hobbie. "We have reliability, quality and technical expertise on our side. I assure you we will work overtime to demonstrate the advantage of using U.S. feed ingredients."

Compiled from the US Grains Council and USDA.

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We're on the Web!

See us at:

www.northeastalliance.com

NEAFA Calendar of Events

ADSA Discover Conference on Food Animal Agriculture

November 2-5, 2009
Nashville, Indiana

2009 Equipment Managers Conference

November 5-7, 2009
Fort Meyers, Florida

NEAFA Board Meeting

December 2, 2009
Albany, New York

2010 NEAFA Annual Meeting

February 7-9, 2010
Albany, New York

NEAFA Nutrition Conferences

April 13, 2010 – Syracuse, NY
April 15, 2010 – New Hampshire

Northeast Ag & Feed Alliance Board Hosts UVM Leaders Welcomes New Animal Science Department Chair

At their September Board meeting the directors of the Northeast Ag and Feed Alliance met with UVM President Dr. Daniel Fogel, Dr. Tom Vogelmann, Dean of the College of Agriculture and Life Sciences, and Dr André-Denis Wright, a new associate professor and chair of the UVM animal science department.

Wright made international news in 2004, when his research on the correlation between livestock gas and "greenhouse gas" was published in the prestigious journals "Nature," "The Economist" and "New Scientist." He was among the first to articulate that reducing methane emissions from millions of ruminating animals could reduce global warming, thereby reducing their "carbon hoof print."

As senior scientist and research group leader at Australia's largest research consortium, the Commonwealth Scientific and Industrial Research Organization (CSIRO) out of Brisbane, Queensland, for nearly a decade, Wright has led colleagues to develop vaccines and other strategies to reduce such emissions.

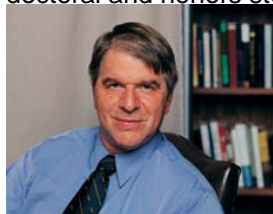
In the past five years, Wright has brought in more than \$5 million in

research funding for such work. In his new lab in Terrill Hall at UVM, he will continue to develop strategies to reduce methane emissions from ruminants, as well as using gut microorganisms as biomarkers for early diagnosis of colonic diseases in humans.



Wright's fieldwork even resulted in a species named after him. Apokeronopsis wrighti /is a ciliate, in other words, large ciliated protozoa, residing off the coast of Hong Kong. As chair, Wright will make his mark on the College by filling two faculty vacancies this coming year and reorganizing the UVM Farms.

André-Denis Wright was educated at Saint Mary's University in Halifax, Nova Scotia, Canada and the University of Guelph, Ontario with degrees in biology and Zoology with a specialization in molecular microbiology and evolution. As an associate professor, he has taught seven different courses at the University of Guelph and Murdoch University and mentored more than a dozen PhD, post-doctoral and honors students over the past seven years.



Dr. Daniel Fogel
President

During their visit with the Board, both President Fogel and Dean Vogelmann shared enthusiasm for continued growth of the animal science department and recognition of the importance of dairy agriculture to the northeast. The Alliance Board encouraged President Fogel and Dean Vogelmann to explore collaborative relationships with the allied dairy industry and other northeast land grant universities.



Dr. Tom Vogelmann
Dean