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Annual Forum to Focus on Industry's Future

February 6-7, 2012
Albany Marriott - Albany, NY

As part of its 87th annual meeting, the Northeast Ag & Feed Alliance will hold a forum on dairy industry growth on February 6 and 7, 2012 at the Albany Marriott Hotel in Albany, New York. Alliance members, agricultural leaders, government leaders, farmers, and the agribusiness community are invited to hear from outstanding speakers as they focus on the future of the dairy industry in the Northeast.

Event highlights include panel discussions with economic development experts and state agriculture department representatives from New York, Pennsylvania and Vermont, the Chobani Yogurt story, and industry outlook from Craig Alexander of Upstate-Niagara Cooperative. According to President Art Whitman, "The Annual Forum will host a discussion about our industry's future here in the Northeast. The Northeast Ag and Feed Alliance is proud to provide this opportunity for our industry to engage on this topic and we invite all stakeholders to participate".

Key speakers include Jo Bradley, CEO of Vermont Economic Development Authority, Patrick Hooker of Empire State Development Corporation, Craig Alexander of Upstate-Niagara Cooperative, Melissa Stagnaro of Chobani - Agro Farma, Inc., Jay Matteson of the Jefferson County Agricultural Development Corporation, Michael Pechart, Executive Deputy Secretary, Pennsylvania Department of Agriculture, Diane Bothfeld, Deputy Secretary, Vermont Department of Agriculture, Matt Morgan, Deputy Commissioner of Agriculture in New York, Kay Johnson Smith of the Animal Agriculture Alliance, Richard Sellers of AFIA, Randy Gordon of NGFA and others. Timothy Stone, Celebrity Magician, will close out our conference with his skills of illusion. Agenda details can be found on our website at: www.northeastalliance.com

Discover



This Winter

Registration information is available through our website
www.northeastalliance.com

[Vermont Agriculture Committees
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Feed Commodities International executive Scott Hodgson represented the Northeast Ag and Feed Alliance and the Vermont Feed Dealers and Manufacturers before the Vermont House Agriculture Committee on January 12th. Hodgson briefed the members on the current status of the feed industry and outlined concerns of Vermont small business owners regarding topics such as the cost of health insurance and access to credit. Hodgson is a board member for both the Northeast Ag and Feed Alliance and the Vermont Feed Dealers and Manufacturers.

The committee was especially interested in Hodgson's suggestion for increasing grain production in Vermont's Champlain Valley as an economic driver for agriculture. Additionally, they requested a feed industry based review of the proposed "Working Lands Investment Act," an effort to focus economic development for agriculture and forestry. Hodgson was also able to make an impromptu visit to the Senate Agriculture Committee and to spend a few minutes of "hallway time" with Roger Allbee, Vermont's former secretary of agriculture and Chris Recchia the current deputy secretary for the Vermont Agency of Natural Resources.



(L-R: Scott Hodgson, Louise Calderwood and Roger Allbee)

World Export Markets Keep Dairy Prices Strong

November dairy product exports were equivalent to 14.1% of U.S. milk solids production, the 20th straight month in which exports have been between 12% and 15% of output. In the first 11 months of the year, exports were equivalent to 13.3% of U.S. milk solids production, compared with 12.7% in the first 11 months of 2010. Meanwhile, imports as a percent of milk solids production were just 2.9% in the January-November period, the lowest figure since 1996. For FY 2012, U.S. dairy exports are expected to decline to \$4 billion as global dairy prices are expected to soften and trend below FY 2011 levels. Volumes are also expected to track below FY2011 with exports of NDM forecast to decline by 8 percent. Nevertheless, the outlook is bright as U.S. dairy exports are expected to post a net trade surplus of \$1.2 billion.

U.S. exports of dairy products achieved a milestone in FY 2011 as the total value of shipments hit a record \$4.5 billion. This generated an unprecedented net dairy trade surplus of \$1.8 billion. The leading export product was skimmed milk powder (SMP) which accounted for nearly a third of total exports on a value basis followed by cheese and lactose. Mexico remains the largest trade partner accounting for a quarter of total exports on a value basis and 38 percent of the volume of SMP exported.

Other countries are also benefitting from global demand for dairy products. Fonterra, a New Zealand based dairy cooperative broke its monthly export record in December 2011, shipping 246,000 metric tons of dairy products loaded valued at \$1.04 billion (\$U.S.). Growth in global demand, combined with record milk production early in the current dairy season, helped surpass the previous record, set in March 2011. Demand in Southeast

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Asia, China, the Middle East and North Africa drove export growth for the New Zealand based company.

From an economic standpoint, the outlook for 2012 is positive with global GDP slated to grow from a 2.7 percent rate in 2011 to a 2.9 percent rate in 2012. In the critical Asian and Oceania markets, GDP growth is expected to expand at a 5 percent rate - up from the 4.2 percent estimated for 2011. However, GDP growth in China is forecast to slow from 9.1 percent to 8.5 percent which could dampen growth in domestic demand and slow the rapid pace of increases in dairy product imports from the heady pace experienced in recent years.

Source: U.S. Dairy Export Council, National Milk Producers Federation, Foreign Ag Service Report, December 2011 and Fonterra.org

China's Dairy Industry Growing Rapidly

Due to rapidly growing domestic demand, there has been massive expansion of the Chinese dairy industry over the past decade. Before 1980 there was an estimated 500,000 cows in the entire country and dairy products were used almost exclusively by babies and the elderly. The country now has 7.3 million milking cows, making it number three after India and the US in milking cow numbers. Some researchers project the Chinese herd outpacing the US herd in the near future.

The rapid growth of China's dairy herd is being fueled by a combination of public demand and international investment. In 2011 the average cost of production was 29 cents per liter and the average pay price was 40 cents per liter spurring significant investment into large scale farms. In a country where the average herd size stands at 6.7 cows, Chinese dairy farms fall into two categories: small farms with 1 to 40 cows; and large farms with more than 200 cows. The small farms usually deliver their milk to a local collection point, take their cows to village milking centers or belong to a 'dairy garden' for which investors have provided the basic dairy infrastructure. The larger farms are either operated by the state (mainly in the southeast) or by private investors with close ties to the major dairy companies.



Juan Jaime Guerrero Cohen, Nestlé Agriculture Service Manager (right) works with a dairy farmer in China's Heilongjiang province

Nestlé, a Swiss based company has a 25 year track record of providing assistance to the Chinese dairy industry. Nestlé built a factory in Shuangcheng in Heilongjiang province in 1987 and is currently helping China accelerate the development of its milk industry with the construction of a new dairy farming institute in 2011. The institute, with its series of training farms, aims to be the country's leading dairy training center, offering teaching courses from national and international experts. Dairy farm owners and workers from Shuangcheng and other Chinese regions will be able to improve their farm management skills and learn how to use the latest agricultural technology. They will gain practical experience in expanding

their farm businesses, improving productivity and sourcing high quality milk sustainably. Local partners will be encouraged to help create an investment fund for the project.

In partnership with local authorities, Nestlé has distributed 1,000 free milking machines to farmers to ensure no farmers in the region have to continue milking by hand. In its efforts to develop the rural area over the years, the company has also provided credit guarantees to those farmers with the potential to grow their businesses.

Fonterra a business based in Auckland, New Zealand with major investments in dairy production and processing worldwide has constructed three dairy farms in China over the last two years. The newest free stall dairy farm, valued at \$40 million, will be developed on 40.75 hectares in Yutian County of Tangshan City. This facility will be about 130 km of Fonterra's existing farm in Hangu and within 9km of the first Fonterra developed farm in Yutian County. Drawing on a similar design to the first Fonterra Yutian Farm, the new farm will house around 3,200 milking cows, which are expected to produce around 28 million litres of milk per year. The farm will be managed and audited according to Fonterra's Standards of Excellence for milk production and will train and employ around 100 local staff. Farm construction started in November 2011 and is expected to be completed by late 2012.

China Modern Dairy is a Chinese based, publically traded company that as of 30 June 2011, had approximately 110,000 dairy cows in 17 large-scale dairy farms across China. Modern Dairy was among the first companies in China to adopt a large-scale industrialized free-stall dairy farming business model and all of the standardized dairy farms are designed and constructed with a capacity of raising up to 10,000 dairy cows per farm. The company has experienced strong growth and profits over the past five years and shows signs of continued expansion.



State of the art in China

A key issue for the global dairy trade is whether China will continue to import dairy products, or whether domestic

production will increase sufficiently to make the country self-sufficient. There has been major discussion in China on whether importation is a sustainable solution or if even more investment is needed to accelerate domestic growth of dairy production. Some believe the country can meet its demand with domestic supply, but with a huge population, a shortage of resources and high costs of production, imports are inevitable. Water and land are increasingly scarce resources in China.

*Sources: Foreign Ag Services Report December 2011,
<http://www.nestle.com/Media/NewsAndFeatures/Pages/Shuangcheng-milk.aspx>,
Irish Farmer's Journal, Jan 22, 2011, Fonterra.com, July 19, 2011,
Food and Agriculture Organization:
A survey of cattle production in China*

Tactics of a Pro-Vegan Activist Group

The Physicians Committee for Responsible Medicine (PCRM) erected billboards around Albany, N.Y., blaming cheese for obesity. PCRM president Neal Barnard also wrote a letter to the Albany city school board, asking it to reduce dairy products served in schools to help students reduce the risk of childhood obesity. The pro-vegan activist organization wants to

remove cheese from a New York school district's student lunches, but dairy nutrition leaders are fighting back.

PCRM chose Albany County for its advertising campaign because of the combination of New York state dairy production and the prevalence of childhood obesity found in the region. More than 59 percent of New York State's residents are either overweight or obese and the New York State Department of Health has said that the state faces a childhood obesity crisis, as one in four New Yorkers under the age of 18 is obese.

The American Dairy Association & Dairy Council (ADADC) responded, questioning both PCRM's qualifications, as well as its nutrition information. ADADC's Beth Meyer said PCRM's views are not in line with the majority of credentialed health professionals and have been denounced by other health organizations. ADADC noted less than 5% of PCRM membership is made up of physicians, and identified Barnard as a psychiatrist, not a dietitian. It also said PCRM is an animal rights group, with campaigns and views closely aligned with those of People for the Ethical Treatment of Animals (PETA).

Cheese contributes 21% of the calcium, 11% of the phosphorus, 9% of protein and 9% of the vitamin A in the U.S. food supply", Meyer said. Calcium was identified as a "nutrient of concern" in the 2010 U.S. Dietary Guidelines, meaning intake is low enough to be a public health concern.

A review of PRCMs website reveals several advertising tactics aimed at popular animal based food items. Billboards linking bacon to cancer were posted in Des Moines, Iowa, a major pork producing region and an anti-cheese campaign was launched in Green Bay, Wisconsin. Bill boards touting the alleged dangers of hot dog consumption are regularly launched outside of major sporting venues such as the Indianapolis Motor Speedway.

In addition to its food activism the PRCM attacks respected universities and hospitals for the use of animals in research trials, many of which are aimed at finding solutions to life threatening human diseases. Good Medicine magazine is published quarterly by the Physicians Committee for Responsible Medicine and includes articles criticizing the use of animals in education and research.

Sources: Dairy Profit Weekly, Jan 23, 2012 and prcm.org

INDUSTRY NEWS

2012 Annual Meeting and Forum

February 5-7, 2012
Albany Marriott Hotel

Animal Agriculture: The Future for the Northeast

Meetings with Legislative Leaders
Excellent Seminars
Great Speakers
Important Networking
Spouse's trip to Norman Rockwell Museum
Distinguished Service Award

Don't Miss This Event

For more information go to:
www.northeastalliance.com
or call Sue Kinner at 888-445-4595

Vermont Legislative Reception

Tuesday February 14, 2011
Cedar Creek Room, Statehouse
4:00 to 6:00 p.m.

Sponsored by
Northeast Ag & Feed Alliance
Green Mountain Dairy Farmers Cooperative Federation
The Northeast Ag and Feed Alliance
Vermont Farm Bureau

Featuring:
Monument Farms Milk, Cabot Cheese,
Franklin Foods & Kingdom Creamery

All members welcome!

Land O'Lakes Announces Old Mill-Troy, Inc. Acquisition by Nutra Blend

On January 19, 2012 Land O'Lakes announced that Nutra Blend is acquiring substantially all of the assets of ingredient supplier The Old Mill-Troy, Inc. (OMT), based in North Troy, VT.

OMT is a respected regional premix blender and distributor of micro-ingredients and specialty ingredients, and offers a broad range of bagged, super sacked and bulk products for the feed industry. Founded in 1988 the original mill was an old lumber mill that was converted into a bulk ingredient receiving and bagging facility. A mixing operation was installed and in 1993 OMT purchased International Stockfood Co. in Waverly, NY followed by the purchase of Keystone Ingredients in PA in 2000 and the Agway feed mill in St. Albans, VT in 2002.

As part of the acquisition, Land O'Lakes Purina Feed's Nutra Blend business, a distributor and manufacturer of quality micro-ingredients for the feed industry, will acquire or lease the blending facility in Vermont, and several warehouses in New York, Ohio, and Pennsylvania. OMT's range of products includes custom premixes, macro and trace minerals, vitamins, buffers, yeast culture, urea, amino acids, milk replacers, mold inhibitors and private label products.

MEMBER NEWS ...

2012 Alliance Membership Renewals

It is that time of year again! Calendar year membership invoices have been mailed and emailed. If you are part of a group membership, all invoices were also sent to the attention of your accounting department. If you have any membership questions, please contact Sue Kinner at sue@nysta.org (or by phone at 518-783-1322).

Remember, if you missed one, past issues of NEAFA News are always available on our website at:

www.northeastalliance.com/newsletter.html

2012 NEAFA Annual Meeting

February 5-7, 2012

Albany Marriott
189 Wolf Road
Albany, New York

[Click here for more information](#)

NGFA Annual Convention

March 18-20, 2012

Charleston Place Hotel
Charleston, South Carolina

[Click here for more information](#)

2012 NEAFA/PRO-DAIRY Herd Health & Nutrition Conference

April 3, 2012

Doubletree Hotel
Syracuse, New York

2012 NEAFA/PRO-DAIRY Herd Health & Nutrition Conference

April 5, 2012

Fireside Inn
West Lebanon, New Hampshire

2012 Golf For Good Works Annual Golf Tournament

June 29, 2012

Turningstone Resort & Casino
Verona, New York

**NGFA/Grain Journal - Safety, Health & Environmental Quality
Grain Grades & Weights Conference**

July 26-27, 2012

Westin Crown Center
Kansas City, Missouri

Vermont Feed Dealers Annual Conference

September 20, 2012

Double Tree Conference Center
South Burlington, Vermont

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