

January 2010

CELEBRATE OUR PAST,
DISCOVER OUR FUTURE



2010 ANNUAL MEETING

ALBANY
An Amazing Discovery

FEBRUARY 7-9, 2010



Monday's Program to Feature Legislative Meetings, Risk Management and Food Safety

The Feed Alliance's Annual Meeting begins Monday February 8th with a great opportunity to meet with New York State Legislative leaders and learn more about risk management on the farm and food safety legislation in Washington. Join us Monday as we will take advantage of New York's Capital City by touring the State Capitol and meeting with chairmen and ranking minority members of the Senate and Assembly Agriculture Committees. At 3:00 pm the annual seminar series will begin with a presentation on current risk management tools and strategies available for dairy farmers. Katie Krupa and Charlie Kiones, farm risk management specialists, will tag team to provide you useful information as you serve the dairy farm community.

The Federal Food Safety Act is up for renewal and chances are that the rewrite will impact our feed industry. AFIA Richard Sellers will join Kemin's Kristi Krafka to give you an insight as to what to expect.

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Don't forget the Super Bowl Party Sunday night. Come early and join our exclusive party at the Crowne Plaza!



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

Alliance Active on Canola Import Restrictions

On December 22nd Northeast Ag and Feed Alliance President John Mitchell and Executive Director Rick Zimmerman travelled to Silver Spring MD (just outside the DC beltway) to meet with FDA officials on the canola meal import restriction imposed earlier this year. Rich Casler, Alliance Secretary, joined the meeting via conference call. Richard Sellers, AFIA's regulatory affairs expert coordinated the meeting and actively participated.

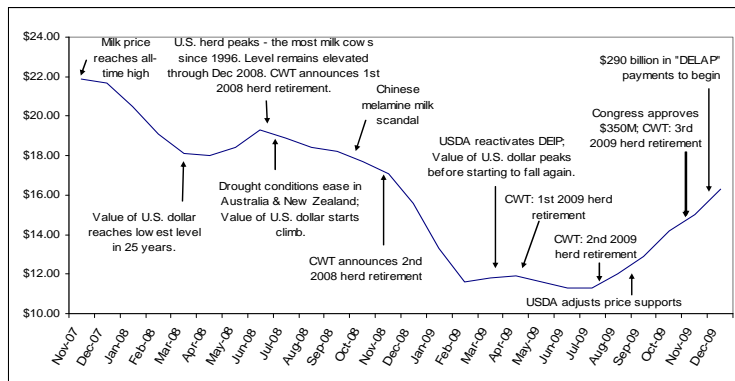
FDA representatives included Mike Taylor, Acting Commissioner for Food; Mike Chappell, Commissioner for Regulatory Affairs; David Elder, Director of Regulatory Affairs; Dan McChesney, FDA Center for Veterinary Medicine (CVM) and Tracey Forfa, CVM chief of staff. All of these individuals have an impact on policy and procedures related to feed quality assurance.

Alliance leaders informed FDA officials that feed costs for northeast dairy farmers have increased by 20 to 25 cents per cow or \$350,000 per day throughout the Northeast since imposition of the import restrictions. John Mitchell explained the severe economic crisis ongoing throughout the dairy industry which was exacerbated by canola import restrictions.

FDA acknowledged that feed restriction procedures were inconsistent between domestic and foreign produced feed products, but they claimed that their inspection protocols for imported feed products were uniformly enforced across all border crossing points. Both Alliance and AFIA representatives cited examples of inconsistent boarder inspection activities. AFIA and Alliance representatives described the significant industry impact resulting from canola meal import restrictions, the slow process of recertification of plants and the uncertainty of FDA actions at border crossings. FDA officials agreed to check into the consistency of procedures across border points.

The Alliance representatives left the meeting with confidence that FDA had an increased awareness of the significant dairy industry impact from their import restriction actions. FDA officials agreed to check on protocol consistency at their regional offices and keep the Alliance informed of findings. Working in partnership with AFIA, the Alliance will maintain an ongoing dialogue with FDA on canola meal importation issues. In addition, the Alliance will keep our Congressional representatives informed of the issue. Members are encouraged to contact Rick Zimmerman with any news pertaining to delay or detention of product at the border. This information will be relayed to FDA.

Historical Events Impacting the 2009 Dairy Downturn



Farm Credit's Knowledge Exchange developed the above timeline to follow events along the path of milk price movement, starting with the peak in November 2007, through the low prices of February to August and at the start of a rebound in the fourth quarter of 2009. Increasing milk production at a time when demand was weakened combined for a particularly fast-drop to this down cycle.

- Going into the cycle, the U.S. dairy herd was at its highest since 1996. To address the issue of too many cows ultimately producing too much milk, the CWT program held five herd retirements over the two years; while cow numbers are still above 2003-4 levels, they are down by nearly 280,000 because of CWT.
- Easing drought conditions in New Zealand increased the supply of milk marketed globally.
- The Chinese melamine scandal hurt international demand for dairy products at the same time that the U.S. economy entered its worst recession in 50 years. Both international and domestic demand were diminished. Further, changes in the value of the U.S. dollar in late fall 2008 made our exports more expensive and harder to move.
- The chart notes various U.S. government efforts, which dairy farmers may or may not support. Regardless, changes in the marketplace overwhelm what Congress does.

What does this say for the future? It is true that at printing, market conditions have somewhat improved. Many dairy economists project a milk price for 2010 that is \$4.00-\$4.50 over 2009's average. U.S. dairy exports are expected to pick up. However, price volatility will continue. While exports may look good, they fall to the mercy of the value of the dollar. Further, corn prices are expected to remain somewhat elevated due to a higher projected total utilization including increased feed as well as steady ethanol use, as well as the late harvest. Extreme market volatility will require producers to consider risk management options to lock in margins.

From the winter 2009/2010 Knowledge Exchange Partner, a publication of Farm Credit East.

EPA Finalizes Rule on Emission Controls for Feed Mills

The NGFA has learned that EPA Administrator Lisa Jackson on Dec. 16 signed a final rule governing emissions of certain compounds from commercial feed and feed ingredient manufacturing facilities. Dec. 16 was the court-ordered deadline for EPA to act. The standard took effect immediately, even though it has not been published yet and it is unknown when its compliance date will be effective.

The NGFA and American Feed Industry Association (AFIA) collaborated to develop a joint statement to EPA recommending significant changes to several provisions of EPA's proposed rule, which as proposed would have applied to the vast majority of feed manufacturers that use chromium or manganese compounds in their operations. EPA issued its proposed rule on July 27 to comply with provisions of the Clean Air Act that require the agency to identify and implement standards for at least 30 hazardous air pollutants that pose the greatest threat to public health in the largest number of urban areas.

The NGFA and AFIA faulted EPA for basing its proposal on erroneous and misguided assumptions and estimates of emissions of chromium and manganese compounds that potentially result from feed-manufacturing activities. Further, the NGFA and AFIA stressed that EPA grossly underestimated the potential capital cost of the proposed rule's management practices and equipment controls, and said such practices and controls would result in few, if any, commensurate benefits in reducing potential chromium or manganese emissions from feed manufacturing operations.

In the extensive 15-page joint statement on EPA's proposed rule, the NGFA and AFIA: 1) strongly disagreed with the methodology EPA used to determine estimated baseline emission levels of chromium compounds and manganese compounds of feed manufacturers; 2) urged EPA to establish appropriate definitions for chromium compounds and manganese compounds and a threshold use level of such compounds; 3) opposed EPA-proposed housekeeping practices that are not performance-orientated or based upon any reasonable correlation of such practices and ambient air quality; 4) strongly recommended that EPA revise its proposed provision that would require the use of drop socks at feed loadout points to allow for other options that provide a equivalent level of control; and 5) strongly opposed EPA's proposed provisions that would require cyclones used in pelleting operations to have an efficiency rating of at least 95 percent in removing particulate matter of less than 10 microns in diameter, and have gauges installed to measure the pressure drop across the unit.

EPA told the NGFA that its comments in response to the proposed rule were "seriously" considered. The NGFA will provide a complete report on the final rule once it is published.

From the NGFA Facts on Feed newsletter.

National Dairy Policy to be Considered by Dairy Industry Leaders

Nationwide, dairy groups are focusing efforts on developing price stabilization plans to reduce the volatility experienced in dairy pricing over the past twenty years. On January 15, 2010 representatives from dairy cooperatives, trade organizations, and many other groups associated with dairy producers will meet in Chicago in hopes of developing a consensus approach to dairy pricing policy reform.

The December Alliance newsletter provided a brief overview of the Dairy Price Stabilization Plan developed by a coalition of producers nationwide. In this issue we offer a brief synopsis of the National Milk Producers Federation (NMPF) Strategic Planning Task Force proposal and a plan being developed by a coalition including Dairy Farmers of America.

The NMPF is examining possible policy reform recommendations put forth by a number of industry associations and cooperatives. Their proposal incorporates four initiatives that they feel would assist dairy producers and revise the national milk pricing system. The four features of NMPF's plan include: revamping the safety nets of the Dairy Product Price Support and Milk Income Loss Contract programs; creating a new dairy producer income insurance program; addressing the need to improve participation in the producer self-help program, Cooperatives Working Together, while allowing it to better address periodic imbalances in the milk supply; and reforming the Federal Milk Marketing Order program.

"These four tracks are the foundation for a new future direction for milk pricing in the U.S.," said Jerry Kozak, President and CEO of NMPF. "With the concurrence of the Task Force, we will immediately begin hammering out the specific details of each element of this new and comprehensive program. We will move quickly, but responsibly, to fashion a dairy safety net and milk pricing system that work in tandem, leveraging the outcome of one program to the benefit of another, whenever possible.

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For example, we believe a producer income insurance program can be structured to achieve a measure of production control now advocated by a segment of our industry.”

A commonly voiced concern of the NMPF plan is that three of the four components focus on policy and pricing changes that, if adopted, would not be done in the near term.

The board of Dairy Farmers of America (DFA) is also developing a Dairy Growth Management Initiative (DGMI) it feels will maintain and grow a healthy, sustainable U.S. dairy industry. The DGMI shares many features of the Dairy Price Stabilization Program outlined last month. The principles of DGMI include:

- Be market oriented to allow for growth both domestically and internationally: U.S. dairy farmers must have the opportunity to get their share of future worldwide growth.
- Be responsive to quickly changing market conditions: Reduced price volatility results in more consistent consumer demand and producer margins.
- Have 100 percent enrollment-with voluntary participation: To maximize effectiveness, all dairy farms must participate. The program must be producer/industry managed.
- Be global in nature to consider the impact of imports and exports: The U.S. dairy industry needs a program that recognizes changes in supply and demand on an international basis.
- Be national in scope with the ability to implement regionally focused components.

The DGMI recognizes that CWT has been a great tool for the industry and supports legislative changes to implement a mandatory CWT-like program. Still in development, DFA envisions DGMI would be a producer-funded, producer-governed program that would allow for growth in the industry while providing a variety of mechanisms to quickly adapt to changing market forces and stabilize milk prices.

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

NEAFA/Green Mountain Dairy Federation Legislative Reception

February 18, 2010 – 4:00 p.m.
Vermont Statehouse Cedar Creek Rm
Montpelier, Vermont

NGFA's 114th Annual Convention

March 3-5, 2010
Westin Maui Resort & Spa
Maui, Hawaii

AFIA Purchasing & Ingredient Suppliers Conference 2010

March 10-12, 2010
Hilton Palacio Del Rio
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

Industry News



Effective December 1st, 2009, Les Berghorn has joined JEFO USA Inc., and will be responsible for the Sales & Marketing of JEFO products throughout the states of NY, VT, ME, CT, MA, RI, PA, MD and VA. Les is very familiar with the territory having similar responsibilities, most recently with CHR Hansen, and also previously employed with Agway, PM Ag Products and Blue Seal Feeds.

JEFO Nutrition is a worldwide leader and a fast-growing company in the field of non-medicated feed additives. The privately held company has been in business for 27 years and maintains research facilities for broilers, layers and swine.

With offices on five continents, JEFO Nutrition manufactures highly specialized products and also distributes over 175 products related to animal nutrition. Their team, with the assistance of third parties such as universities, sustains and expands its expertise by investing 40% of JEFO Nutrition's profits in R&D.

If you have news to share, please contact Rick Zimmerman at:
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