



NEWS & NOTES

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Dear Dairy Foods Member,

This newsletter is being mailed to you as a service of our association. We have the ability to email this newsletter to you which would save time and money. If you would provide us with an email address we'll email this out to you in the future. We'll keep your email address confidential and not share it with anyone. Please email us at info@nedairyfoods.org and tell us to email you the newsletter. If we don't hear from you then we'll continue to send this via U.S. mail service, thank you!

Northeast States Proposed Legislation –

Our association has been extremely active over the last year monitoring and being involved with dairy legislation throughout the northeast states. We have attended numerous meetings, hearings, conferences, and legislative visits addressing such topics as state over-price premiums, price thresholds, free hauling, school nutrition, raw milk sales, bonding, labeling, couponing, and many others. Some of this legislation is beneficial, while others are threatening and would have severe negative consequences for our industry.

The bottom line: Proponents of these new laws do not understand the many ramifications and unfair playing fields that will be created if these laws were passed. Many state legislators, some with good intentions, do not understand even the basic rules and regulations which provide for orderly marketing within our dairy industry. Many of these state legislators lack an understanding of Federal Milk Marketing Orders and the Constitutional rules governing interstate commerce. One of our principal challenges will continue to be sharing information and educating key state agricultural legislators on these topics. We often witness lobbying groups communicating to state and federal legislators about issues such as the need to include the cost of production in raw milk pricing. These proposed laws are serious; we encourage you to help by getting involved and contact your legislators. Our association stands ready to supply you with the knowledge and information regarding the important issues and to help you contact your legislators about the proposed legislation.

Dairy Production, Price Situation Outlook - The question remains in most everyone's mind is what's the price of milk going to do? When are prices going up again? The daily news is filled with reports of dairy farms across the country suffering with low milk prices and high feed expenses. Decreased international demand has taken a toll on U.S. exports. Global consumer demand, including the U.S., has been down due to weakened economies. Many experts had believed prices would have turned back upward by now, but lower demand and increases in milk production have acted to prevent this so far. Now, many believe that it will take at least one or two negative USDA raw milk production reports to stimulate enough concern that will act to drive prices up. The last few USDA reports have inched the growth of U.S. milk production toward zero. So we may be near this turning point. Others believe that it might be later in the year, even into 2010, before we see prices high enough to break even at the farm level. Our best guess is we'll see prices inch higher but not fast enough for dairy producers.

CWT Cow Removals - The Cooperatives Working Together (CWT) a voluntary herd reduction program has been removing cows at a brisk pace in order to bring milk supplies into better balance with demand. Earlier this year, the CWT program completed its seventh herd retirement round since its beginning in 2003 by removing 101,040 cows representing 1.96 million pounds of milk. CWT received 538 bids from 41 states and was the largest CWT removal ever. The majority of removals accepted were in the west. Recently, CWT announced its second herd retirement for 2009 and it's eighth since the start of the program. Bidding must be postmarked by July 24th. CWT has shortened the bidding window and is taking other steps to expedite the process. National Milk Producers Federation CEO Jerry Kozak said this second round is a "double-barreled attack" to reduce supplies. CWT funds its program by a 10 cent per hundredweight deduction from participating dairy farms. There has been some criticism of the program from producers participating in the program against those not who are getting a free ride.

NY Senator Gillibrand and VT Representative Welch Promote Enhanced MILC Plan-

Last month, New York Senator Kirsten Gillibrand introduced her plan for an enhanced version of the current Milk Income Loss Contract (MILC) plan. This plan subsidizes dairy producers out of tax payer money. Over the past 4 months more than \$100 million has been given to dairy farmers in the northeast. Current payout rules are that dairy farmers receive 45 percent of the difference between the target price of \$16.94 per hundredweight and the actual farm price received for class I milk. There is also an adjuster; newly added last year that takes into consideration feed costs. Her plan proposes to raise the MILC payment rate from 45 percent of the difference to 90 percent and index future payments to inflation. Her bill would be retroactive to March 09, which she claims is the low point of the crisis. However, Gillibrand's plan is not without criticism, from both the farm and processing communities. Gillibrand's plan does nothing to raise the annual production cap of 2.98 million pounds per year. Many of the larger size farms feel this 2.98 million pound cap on payments is totally unfair. Some feel Gillibrand's proposal for MILC would actually stimulate milk production even more and prolong market price recovery. Vermont Representative Peter Welch has introduced a similar companion bill in the House.

Gillibrand has also pledged to hold Senate hearings on dairy pricing, both in Washington and in New York State. Gillibrand is a member of the Senate Agriculture Committee, the first New York Senator to be on this committee in almost 40 years. In addition, she was very recently given the chair of the Senate Subcommittee on Domestic and Foreign Marketing Inspection, Plant & Animal Health. On this committee, she plans to hold hearings on food safety modernization, marketing healthy food to children, and dairy pricing.

Connecticut Governor Rell Signs Bill to Preserve State Dairy Farms

In early July, Connecticut Governor M. Jodi Rell signed a bill that creates a two-year \$20 million payment program for state dairy farmers. Money for the aid will be generated by revenues raised from a \$40 fee for recording municipal land documents. Payments will be issued quarterly and are scheduled to begin in October. The program will sunset July 2011. Connecticut has 151 dairy farms that produce 351 million pounds of milk, of which 40% is consumed within the state. According to the University of Connecticut, the state dairy industry generates approximately \$1.1 billion in sales and provides 4,200 jobs. Related industries include feed suppliers, fertilizer and seed suppliers, veterinary services, equipment manufacturers and distributors, processing equipment, packing materials, refrigeration, transportation and energy. Our association does not oppose this type of funding in emergency farm price situation because it allows all the state tax payers to supplement producer's income versus adding a tax on the product for only milk consumers.

Commonwealth of Massachusetts Conducts Coupon Hearing

The Commonwealth of Massachusetts Department of Agricultural Resources held a public hearing on July 1 in Amherst to receive testimony regarding the use of fluid milk coupons in the state. Northeast Dairy Foods Association Director of Industry Relations, Gary Latta, attended and provided oral testimony in support of the state plan. The new regulations would permit the use of fluid milk coupons in promotional and marketing campaigns of milk and cream. It is our association's position that increased sales through the use of coupons are of benefit to the dairy producer, the consumer, the processor, and retailer. Milk will be more readily able to compete with non-dairy beverages. We cautioned the Department of being overly protective of the few producer-handlers, (dairy farmers with small milk plants) that exist in the state at the expense of the rest of the pooled producers and handlers.

New York Dairy Regulator Icon Herb Kling Passes Away

Herb Kling, a stalwart in New York State's dairy industry, passed away on Sunday, July 12th. Herb was our association's Man of the Year Award recipient in 1982. He was 95. Herb spent nearly all his life working within the dairy industry in a variety of positions. Herb touched the lives of many in the northeast over the decades. Our deepest sympathy goes out to the Kling family. Mr. Kling's obituary can be found in the online version of the Albany Times Union website: www.timesunion.com

Schumer and Gillibrand Announce \$1 Mill. For Cornell to Develop New Dairy Policy

In early July, Senators Charles Schumer and Kirsten Gillibrand announced that the Senate Appropriations Committee approved \$1 million for Cornell University to develop new dairy policy to help grow New York agriculture. Cornell will receive the \$1 million in Livestock & Dairy Policy Special Research Grants to develop new proposals for the USDA and Congress. Next, the bill will have to be approved by the full Senate Appropriations Committee and then sent to the Senate floor.

U.S. House Agriculture Subcommittee Holds Hearing July 14

The House Agriculture Subcommittee conducted a hearing on July 14th which focused on dairy pricing and subsidies. USDA officials, Congressmen, IDFA, and other industry experts provided their ideas and testimony regarding conditions in the dairy industry. A wide variety of topics were discussed including higher milk support prices, government-sponsored reduction of dairy herds, broad changes to the federal pricing system, supply management, doubling MILC, more risk management tools and forward contracting.

Pennsylvania Over-Order Premium Won't Include Milk Sold In New Jersey

An order issued on April 1 by the Pennsylvania Milk Marketing Board (PMMB) declined the idea to expand the scope of their state-mandated over order premium to include packaged milk sold in New Jersey. The idea to secure Pennsylvania over order milk premiums in surrounding states was started by Governor Ed Rendell and supported by Agriculture Secretary Dennis Wolff. In a statement, Wolff claimed that Rendell's proposal would have opened doors for more premiums. If adopted, this proposal would require state processors to pay the PMMB over-order price premium on milk produced and processed in Pennsylvania and then sold in New Jersey. PMMB officials decided that such a ruling would only force affected processors to reduce voluntary premiums or seek milk supplies from non-Pennsylvania producers. The board also believed that the rule would have caused a loss of business for Pennsylvania processors to lose New Jersey business. Since adopting the proposed regulation would result in little to no additional income for state dairy farmers, and would likely result in lost sales, the PMMB decided to reject the idea. In early May, Rendell and Wolff sued, requesting the Commonwealth Court to overturn the PMMB's reluctance to levy premiums on state milk sold into New Jersey. They claimed the 2-1 vote showed the board was biased in favor of milk dealers, and argued the panel had ignored evidence and abused its discretion. Perhaps it is just common sense. The law suit is still pending.

NMPF Ask USDA for Increase in Milk Supports

In late June, the National Milk Producers Federation (NMPF) asked Agriculture Secretary Tom Vilsack to increase the price USDA pays for cheese and milk powder in order to boost low milk prices. Specifically, NMPF asked for an increase in the purchase price of cheese blocks from \$1.13 to \$1.19 per pound, raise the purchase price of cheese barrels from \$1.10 to \$1.16 per pound, and raise the purchase price of nonfat dry milk from \$0.80 to \$0.84 per pound. The U.S. dairy support price program serves as a buyer of last resort to assist clearing the market of excess supply and during periods of low market prices. USDA has already taken steps to assist dairy farmers by liquidating 200 million pounds of surplus powder in inventories, reauthorizing the Dairy Export Incentive Program, and expediting payments under the MILC program.

Over 850 Dairy Industry Representatives Attend Clambake Wed. July 8th The Northeast Dairy Association, Inc. hosted the annual dairy industry clambake at Hinderwadel's Grove in N Syracuse, NY. Many clams, sausage sandwiches, lobsters, steaks, ice cream, favorite beverages were consumed in mass. We would like to thank everyone who attended and we hope you had a great time. Pictures of the event can be found on our website at www.nedairyfoods.org. The date for next year's even will be as usual the 2nd Wednesday in July, the 14th.



Attendees enjoying some great food; Butch Washburn center talking to friends; Brian Kelly announces \$3500 in door prize Money

Other Miscellaneous Industry Issues and Activities-

The association has been participating in numerous other dairy issues and continues to monitor them on a daily basis. One of the more interesting hot topics has been the Federal Milk Order Hearings on producer-handlers and exempt plants. Many in the industry are very concerned about the growth and influence of these types of entities in the United States, particularly producer-handler growth. Producer-handlers are exempt from Federal Order pricing and therefore enjoy what most believe is the difference between the blend price and the Class I price. A large producer-handler can potentially disrupt a market with this price advantage. Market share that is taken by such producer-handlers is at the expense of pool producers and pooled plants regulated under the Federal Order. Our association provided testimony that the northeast has the greatest number of these producer-handlers as well as exempt plants, and is opposed to granting any exemptions or exceptions to these entities.

Other issues we are monitoring at the state level are raw milk sales type legislation, coupons allowance for dairy products, special meetings called by the various northeast agriculture commissioners, public hearings, and industry meetings.

Dairy Industry Events Set to Go! - Mark these dates down in your calendars and plan on attending

August 31, Monday - Dairy Day at the New York State Fair in Syracuse. Celebrate Dairy Day at the Fair, learn who the winners are in the dairy products competition, sample products, participate in our cow milking contest, take part in our cheese auction and be in our dairy parade. For info call 315-452-6455 or visit the Fair's website at: www.nysfair.org/fair

September 8-10, - Protecting America Against The Permanent Continental Shutdown from Electromagnetic Pulse. The three day seminar is sponsored by EMPACT America and Steuben Foods. To be held at the Conference Center in Niagara Falls, Niagara Falls, New York. Attend to learn about the threat of electromagnetic pulse, recovery and emergency preparedness, how to update your all-hazards business continuity plan, how to prepare your company, and how to protect your local government infrastructure. For more information contact EMPACT at phone 716-805-3366, email: info@empactamerica.org. web: www.empactamerica.org

September 20-23 – The Northeast Dairy Convention sponsored by our association, the PA Association of Milk Dealers and our vendor/supplier group the Northeast Dairy Association, Inc. will be held at the Hilton Hotel, Saratoga Springs, NY. The convention is open to all members and guests. Join the entire northeast dairy industry in this 2 day filled event. Meet new customers, relax with old friends, play in our golf tournament, listen to industry experts, show your wares and best of all have a little fun while mixing business with pleasure. Registration info is being sent to you now, or call 315-452-6455 or visit www.nedairyfoods.org for all the information.

For More Dairy News and Information - Stay connected and keep up to date. Bookmark our association's websites:

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