

# NEWSNOTES

The Official Newsletter of New York State Dairy Foods, Inc. and the Northeast Dairy Association, Inc.

## Northeast Dairy Convention to Start Sept. 17, Register Now to Attend!



The annual meetings of New York State Dairy Foods, Inc., the Northeast Dairy Association, Incl. and the PA Association of Milk Dealers will be held at the Northeast Dairy Convention on September 17-20 at the Willow Valley Resort & Conference Center, in Lancaster, PA. You are invited to attend and participate in the biggest dairy industry event in the Northeast, U.S.

The convention will feature many events including exciting and informative speaker sessions on both Monday Sept. 18 and Tuesday Sept. 19. A shotgun Best ball Golf outing will be held on the afternoon of Tuesday Sept. 19 to be followed by an awards banquet and cocktail party later that evening.

All members, their guests/spouses and those involved in the dairy industry are welcome to attend. Registration and the entire program of activities can be found on our association's home page at [www.nysdfi.org](http://www.nysdfi.org) or call our office.



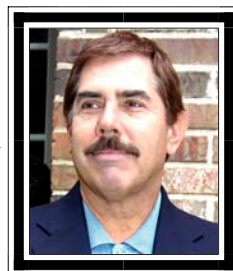
This year's speaker sessions are highlighted by some of our industry's most respected leaders. Kicking off the sessions will be the PA Secretary of Agriculture, Dennis Wolff.



### Convention Speakers Include:

Donna Berry, Editor and Consultant for Dairy & Food Communications, Inc. Topic: The Ever-Evolving Dairy Case, Meeting Consumer's Needs Today and Tomorrow

Bruce White, Pres. Logistic Solutions, Topic: Distribution Costs, How to Contain and Improve Them



Professor Ken Bailey, Penn State Univ., Price and Production Forecast and Travel in Europe, Exploring the Dairy Industry Europe

Kurt Graetzer, Executive Director, Milk PEP, Topic: How Milk PEP Works for you!



Greg Mertes, Dairy Buyer for WalMart, Topic: Where Do We Go From Here?

Richard Smith, CEO and President for Dairy Farmers of America, Inc., Topic: A National Perspective for Dairy Farmers

### Panel Discussion: Paper vs. Plastic, Which is Right for Your Company and Customers?



American Dairy Association

#### Panelists Include:

Rick Naczi, Exec. VP



Bobby Rogers, Dir. of Marketing and Business Development, Blue Ridge Paper Co.



**Bruce W. Krupke**  
**Executive Vice President**  
**Report - A Tale of Three**  
**Meetings**

Dear Members,

The past two months has been filled with meetings, some planned some totally unexpected. I'd like to tell you about some of these meetings.

First lets start with our annual convention. We've planned a great party and you are invited! On September 17th, the dairy industry throughout the entire Northeast US is invited to participate in a great event, the Northeast Dairy Convention. It is sponsored by our association, our suppliers from the newly merged and formed Northeast Dairy Association and our friends from the PA Association of Milk Dealers. The convention will also serve as your annual meeting. If you are a member of any of these organizations, you should attend the annual meeting portion of the convention. Think of it as a stockholder meeting where you can find out what has been going on for the dues you are paying. You'll also be given an opportunity to provide input to the boards of directors of the groups.

As you can tell from page one of this news letter, we have a very good speaker business session lineup, plus a lot of fun activities for you, your employees, spouses and a guest to attend. Registering is simple, go to our association's website at [www.nysdfi.org](http://www.nysdfi.org), click meetings and the forms you'll need are there to fill out.

The next meeting I'd like to tell you about is one that was held in New Jersey last week. The NJ Agriculture Department held a public hearing to hear testimony regarding the plight of their dairy producers and how they the Ag. Dept. might help them. There are about 120 dairy farmers left in New Jersey, this is compared to over 6,700 in New York State. The NJ Ag. Dept. has a lot of authority to decide how they might financially assist their dairy farmers. They could assess an over order price on milk processors or they could even recommend a tax on milk for consumers.

The reason I mention this hearing is I feel it is the beginning of a bigger effort by other Agriculture Departments in New York and Pennsylvania to find a way to work together with New Jersey to return more money to dairy farmers. The bottom line is that someone, most likely processors and distributors are going to have to pay more money to dairy farmers. There isn't enough room here to discuss all the pros and cons of the effort. But stay tuned, I'll expect a lot of action soon in this arena and I'll report back to you next month.

The final meeting I'd like to tell you about is one that I personally attended recently in Boston. It was the American Society of Association Executives annual convention. This was a meeting of meeting planners. I know this sounds a bit funny but as an association director I need to always find ways to make our association operate efficiently and effectively for you.

I had an opportunity to attend workshops and listen to motivational speakers. Each year I say, I don't have time to attend. But in the end I always end up saying it was well worth the time involved. ASAE has an accredited program that I am going to be working on this fall, it is called the CAE, or Certified Association Executive program. The program requires me to attend classes, study, read a lot and pass a four hour comprehensive test. I'll be taking the test on December 1. This is the big Kahuna for association executives and will mean a lot to me, I hope I pass! I'll let you know how I do after the test.

Overall the entire trip and convention was great, I met old friends, made some new contacts and actually learned a few things. These are the very reasons I hope to see you make the time to attend your annual convention on September 17th.

# *Sales & Marketing*

## *That Makes a Difference .....*

### **Milk Mustache Auction Promo Gets Underway!**

The folks behind the Milk Mustache campaign break a campaign today that makes full-body contact with teens.

The new campaign, Body by Milk, centers on a continuity program that lets teens use UPCs and expiration dates from milk containers to bid on goods ranging from T-shirts and hats to musical instruments, cell phones and one-of-a-kind experiences from a half-dozen popular brands: Adidas, Fender, Roland, CCS, Epic and Baby Phat.

The [International Dairy Foods Association](http://www.idfa.org) signed the slate of partners to provide auction items, collaborate on local events and give IDFA access to celebrities for new ads in its long-running Milk Mustache campaign.

IDFA and its agency, Chicago-based Draft FCB, looked at the top 10 product categories where teens spend their own money—with different lists for boys and girls. Focus groups helped them home in on popular brands. The resulting slate of auction items runs the gamut from music downloads and clothes to Fender guitars and Samsung electronics, with new items each week.

Most items are activity-based "to get kids out and moving," said Julie Buric, IDFA's senior director of promotional marketing. "We're looking for brands that want to send out the same healthful message. And we can offer them entry into schools, which a lot of companies want. The important thing is to be sure they enrich students' lives."

There's a separate slate of items for school groups (such as PTOs and student councils) to bid on collectively—band equipment, computers, a David Beckham Academy soccer camp. Beckham also appears in Milk Mustache ads: When Draft recruited adidas for the campaign, Adidas brought along Beckham. Brand partners also will work with IDFA's milk-processor members on local events this fall to foster sampling.

Body by Milk posters in 45,000 middle and high schools tout the auction, which runs today through December. More online components are slated for spring semester, with new prizes and content (and new cafeteria P-O-P) bowing in January.

Teens earn five points for each UPC or expiration date from a single-serve container; they can also earn bonus points for taking health-related quizzes and doing other activities on [BodybyMilk.com](http://BodybyMilk.com). One section of the site lets teens chat with each other about healthy lifestyles.

IDFA's Milk Mustache mobile will tour through fall, supporting the Body by Milk launch. Body by Milk posters in 60,000 grade schools extend the Milk Mustache campaign without offering the auction to kids under 13. [Draft FCB](http://DraftFCB.com) handles the program for Washington, DC-based IDFA as part of the Milk Processor Education Program (MilkPEP) that IDFA executes.

IDFA and Draft will track the program's success by measuring fall sales against last spring's, using a panel of 20 school districts to track sales as well as use of posters and signage. A survey of foodservice directors will track how P-O-P is used in cafeterias. Pop-up surveys on [BodybyMilk.com](http://BodybyMilk.com) will help IDFA and Draft monitor teens' interest in the auction and participating brands, and keep their finger on the pulse of emerging trends.

Body by Milk reinforces IDFA's ongoing message to teens: Milk helps you look your best, and teens who drink milk tend to be leaner. That dovetails with schools' wellness initiatives, Buric said. Continued on Page 4, right column...

## Crowley Foods of Albany Chosen as Having Best Milk

New York Ag Connection - 08/31/2006

Crowley Foods of Albany gets the honors this year as producer of the highest quality milk in New York. Crowley was chosen by Cornell University's Department of Food Science in an annual milk quality competition. The winner is announced every year at the State Fair. Last year's winner was Stewarts Processing of Saratoga Springs.

The contest is part of the New York State Milk Quality Improvement Program, based at Cornell and sponsored by the New York Milk Promotion Order, the Associated Press. Judging criteria include butterfat content, bacterial counts, flavor, and stability. Crowley Foods of Albany received a score this year of 94.4 out of 100, while Crowley Foods of Binghamton came in second with a score of 90.6.

Upstate Farms of Buffalo tied with Cornell Dairy for third place.

## Boice Brothers, Dairy Farmers Merge, Will Produce Cooperative

Gerry von Dohlen, a principal in Family Farms Inc., said plans are to turn Boice Bros. Dairy at 42-50 O'Neil St. into a milk-pasteurizing cooperative that will purchase the raw product from regional farmers.

In a telephone conference call with the Freeman at City Hall Thursday, von Dohlen said he expects the new business to be up and running by the end of this year, producing a brand called Hudson Valley Family Farms.

Mayor James Sottile said the proposed venture, if it comes to fruition, would be a significant boost to the city's economy, adding about 73 jobs. The city plans to use \$200,000 in federal government aid to assist the operation, contingent on \$250,000 in state aid for Family Farms Inc.

Sottile said he was hopeful Gov. George Pataki's administration will come through with the funding to help make the project happen. If that deal goes through, it will send a signal that the state, city and private investors are willing to help Midtown.

"This means new jobs for this community and it means we are ... taking steps and working to invest in Midtown's rehabilitation and revitalization," Sottile said.

Von Dohlen, who runs public refrigeration houses in New Jersey, said the plan started to emerge about two years ago. With some state grants, von Dohlen said his company did a study that showed a cooperative would be profitable. "New York has been losing 350 family farms a year and the reason for this that the dairy farmers are not getting a sufficient percentage of the selling prices of milk to make it profitable for them to remain in business," von Dohlen said.

Von Dohlen said his company decided to form the cooperative, which he said will produce healthy milk. Boice Bros., founded in 1914 in Lake Katrine, moved its pasteurization and bottling operation to O'Neil Street in 1975.

"We found the Boice plant," von Dohlen said. "It is a good plant. It is a clean plant, a modern plant and it is well-operated."

He said the \$4.5 million investment will be used to expand the operation. "The output of the Boice plant will go up by almost 10 times," he said.

Von Dohlen said investors had considered building a new plant in New Jersey but found that New York has "60 times more mill (space) than New Jersey does." He lauded Sottile and Steve Finkle, the city's economic development director, and others for aggressively trying to put the deal together.

## SURVEY: HEALTH-INSURANCE COSTS FOR NEW YORK'S EMPLOYERS, EMPLOYEES CONTINUE TO INCREASE-- ALTHOUGH THE PACE IS MODERATING

ALBANY—For the sixth straight year, The Business Council's annual survey of employers' compensation practices shows double-digit increases in employers' average health-insurance costs. But there are signs that pressure on these employer costs is moderating slightly.

Some 77 percent of employers that responded to the survey reported increases in their health-insurance premiums, with an average increase of 12.3 percent, said Amy Kaminski, manager of marketing programs for Compdata Surveys of Kansas City, which conducts the survey on compensation practices for the Council. Last year's survey showed that 84 percent of employers paid an increase in health-insurance premiums, with an average increase of 12.7 percent,

Compdata Surveys, the survey company with the nation's largest database on pay and benefits information, has published the survey results in *Compensation Data 2006 - New York*, a 632-page book with detailed information on New York State employers' pay and benefits practices. Some 250 employers participated in the survey, which reflects information on some 465,000 workers in New York State, Kaminski said.

This increase in health insurance costs reflects a trend of many years. In 2001, 2002, 2003, and 2004, the same annual survey showed at least 70 percent of respondents reporting increases in their health-insurance premiums, with the average increase in each of those years at least 13 percent.

"With six straight years of double-digit increases, employers and employees continue to feel the burden of increasing health insurance costs," said Kaminski. "Employers who have refrained from cost-sharing or decreasing benefits over the past couple of years are the exception, not the rule. But companies understand the financial burden this places on its employees and are turning to alternative methods such as encouraging healthy lifestyles to control costs."

The survey shows that:

- 37.2 percent of New York employers increased employees' portion of health insurance premiums. Last year, that figure was 43 percent.
- 23.4 percent of New York employers increased deductible levels. Last year, the percentage was nearly 33 percent.
- 8.7 percent reduced benefits. Last year, the percentage was 8.1 percent.

## Immigration Agents arrest 34 at Tomato Farm

New York Ag Connection - 08/31/2006

Immigration agents arrested 34 suspected illegal workers at a tomato greenhouse Wednesday in the latest in a series of workplace raids.

The workers each face criminal charges of using a fraudulent green card and false use of a Social Security number. They were arrested around 8 a.m. at the Fortistar Hydroponic Tomato Greenhouse in this city north of Buffalo.

A call to Fortistar's corporate office was not immediately returned.

- According to the Associated Press, U.S. Immigration and Customs Enforcement agents have stepped up worksite enforcement efforts. Earlier this month, 41 alleged illegal aliens were arrested after being hired to clean at the Erie County Fair.

## Water is just water, Even when it's in a fancy bottle

Bottled water is the No. 2 beverage of choice for Americans, but is it better than ordinary tap water? Quenching thirst can be a lot more complicated these days than a trip to the water fountain or just turning on the kitchen tap.

Hundreds of bottled waters are sold in the United States. Some are touted to enhance athletic performance, others come flavored with fruit essence, or are vitamin-fortified. There's even water with enough added caffeine to rival a strong cup of coffee. And for those who like to sip from exotic locations, there's bottled water from Fiji and Iceland.

Americans are so eager to lap up bottled water that it's second only to soft drinks as the leading beverage consumed in the United States, according to the Beverage Marketing Corporation. In 2005, we spent \$10.1 billion to drink nearly 8 billion gallons of bottled water -- that's 26 gallons per person -- and paid more per gallon than for gasoline. So why ante up a buck or more for a bottle of water that costs less than a penny per glass from the tap?

People drink bottled water "for quality, safety and good taste," says Stephen Kay, vice president at the International Bottled Water Association, a trade group representing bottlers, distributors and suppliers. "They're reaching for bottled water for hydration and refreshment."

Just don't count on any special health benefits. "There is no health advantage being gained by these drinks, although the flavor can increase your intake," says Scott Montain, a physiologist at the U.S. Army Research Institute of Environmental Medicine in Natick, Mass.

Nor has bottled water been proved to be safer than tap water, although federal law requires it to be at least as safe. The Food and Drug Administration regulates bottled water as a food product, dictating ingredients, good manufacturing practices, labels and even official definitions for spring, artesian, mineral and other types of water. Various state regulations also apply to bottled water.

But a four-year study by the Natural Resources Defense Council (NRDC), an environmental advocacy group, found major regulatory gaps. By NRDC's calculation, 60 to 70 percent of the bottled water sold in the United States is exempt from FDA bottled water standards, including carbonated water, seltzer, Club soda, tonic water as well as flavored and fortified waters. "Even when bottled waters are covered by FDA's specific bottled water standards, those rules are weaker in many ways than EPA (Environmental Protection Agency) rules that apply to big city tap water," the NRDC found.

Big-city tap water can't contain fecal coliform bacteria and is tested 100 times or more a month for these pathogens. But bottled water plants face no such prohibition from the FDA and are required to test just once weekly. And while public water systems report their test results, "none of the bottled water test results have to be made public," notes NRDC's Erik Olson.

The FDA examined the feasibility of asking bottled water companies to provide test results to the public and concluded "that it wasn't feasible," says Kay of the Bottled Water Association. But because bottled water is an FDA-regulated product, Kay says that if a product was "out of compliance it would not be available in the marketplace." Consumers who want to see test results "can contact the company directly," Kay says.

Independent tests show that some bottled waters don't always contain what they claim. [ConsumerLab.com](http://ConsumerLab.com) analyzed four popular brands of vitamin water and found that only one -- Propel Fitness Water -- provided the amount of vitamins listed on its label.

From a body weight perspective, however, bottled water -- or any water, for that matter -- has a caloric edge when poured against soft drinks, sports drinks, juice and sweetened tea or coffee beverages.

Twenty percent of daily calories consumed by those age 2 and older now come from beverages. But about half the excess calories consumed daily are from beverages, most of them with added sugar, University of North Carolina researchers have found. Consumption of sugared beverages has climbed threefold from an average of 50

calories per day in 1977 to nearly 150 calories per day in 2001 --or enough to pile on about 15 pounds per year. So water -- bottled or from the tap -- ranks as the drink of choice in a new beverage guidance system developed at the university.

Here's what else you need to know about water:

**How much water daily?** Women need about nine cups of liquid daily, including drinking water, while men need about 13 cups. Coffee, tea, other beverages and water-filled foods, including fruit, vegetables, milk and soups and stews can all count toward this total.

**Chilling improves taste.** Whether you guzzle tap or bottled water, drink it cold for improved flavor. Just skip storing plastic water bottles next to anything with a strong odor because the bottles can absorb the smell. Article by Sally Squires, a writer for the Washington Post. E-mail:

### Continued from Page 2, Marketing....

"Milk is in a unique position to be a partner with schools to achieve schools' nutrition goals and drive their sales," added Colin Kennedy, VP-account director at Draft.

The campaign also builds on solid consumer awareness of the long-running Milk Mustache print campaign, with teen-targeted ads starring athletes Beckham, Freddy Adu and Sasha Cohen as well as entertainers Raven Simone and Carrie Underwood, among others. The campaign has 70% to 80% awareness among teens, and consistently scores in the top three for CO Marketing Evaluation's Q scores among teens.

Body by Milk's auction format resembles Coca-Cola's current [MyCokeRewards.com](http://MyCokeRewards.com) and earlier auctions by Pepsi-Cola Co. (Pepsi Stuff) and Dr Pepper/Seven Up Cos. (Liquid Loot).

"We have noticed these programs on soda brands for a long time, and kids respond to that," Buric said. "We learned some from that, but our message is unique because we're speaking to them on a health level."

Kennedy added, "We have access that soft drink companies don't have: teens in schools. It's interesting to see how well informed teens are on obesity and wellness; they have strong opinions on what's healthy food. They're looking for new reasons to concentrate on the healthiest products."

## Mark Your Calendars!

**Sept. 17-20, Northeast Dairy Convention, Willow Valley Resort, Lancaster PA, Open to all Members, Guests and Those involved in the Dairy Industry. For more information please contact our office at 315-452-6455 or visit [www.nysdfi.org](http://www.nysdfi.org). Thank you!**

**Sept. 18, NYS Dairy Foods, Inc. Annual Membership Meeting, Willow Valley Resort & Conference Center, Lancaster, PA.**

**September 19, Northeast Dairy Association Annual Membership Meeting, Willow Valley Resort & Conference Center, Lancaster, PA**

**Thursday, December 7, NYS Dairy Foods, Board Meeting, NY Athletic Club, Manhattan, 9:00am.**

## **Governor Pataki Signs Association Supported Bill to Exempt Milk Cases From Sales Tax, Big Win!**

On Wednesday, July 26 New York State Governor George Pataki signed into law a bill that will exempt milk cases from sales tax. New York State Dairy Foods, Inc. was instrumental in getting the bill passed. Our association supported and helped create the wording for the bill from the inception of the effort. Essentially the new law will allow those milk processing companies in the State to not have to pay sales tax on all milk cases. The law goes into effect twelve months from now, September 1, 2007. There is always a lag time allowed for bills that affect sales tax in the state.

Bruce W. Krupke, Executive Vice President for NYS Dairy Foods, Inc. was very pleased to hear that the Governor agreed with the concept and intent of the bill. Mr. Krupke said, "by signing this bill into law, the Governor agreed that the milk industry should have the same tax advantage for shipping materials, this will help us to compete with other beverages." He continued, "this law will help save our members thousands of dollars each year that can be better spent elsewhere."

Before Governor Pataki could even make a decision to sign the bill or not, the bill had to make it through both the Republican controlled Senate and Democratic controlled Assembly, both hard tasks. Each year over 5,000 bills are introduced into each house for consideration, only a handful of bills are actually passed and even fewer signed into law by the Governor.

Instrumental in getting the bill passed in the Senate was the Agriculture Committee Chairwoman, Catharine M. Young, from the 57th Senate District, Olean, NY. Co-Sponsoring the bill with Young were Senators Larkin, Little, Marchi, Morahan, Rath, Saland, Spano and Winner.

In the Assembly, Agriculture Committee Chairman Bill Magee and Legislative Director Troy Waffner helped push the bill through. Assemblyman Magee is from the 111th State Assembly District from the Oneida, NY area.

Mr. Krupke said it was important to communicate to the legislators during the lobbying process that the State allows for exemptions for packaging and shipping materials such as pallets, tape and cardboard. He noted that there are currently 30 or more different type of shipping type products that are specifically excluded from sales tax. "This was a big win for us and our members, maybe some of the money saved can be used to help offset higher cost for energy this year" Krupke said.

## **Ag Department Offers \$2.2 Million in Flood Aid for Farmers**

New York Ag Connection - 09/01/2006

The federal Department of Agriculture is making more than \$2.2 million available to farmers in 16 Upstate New York counties who suffered losses as a result of the late June flooding, the department announced Wednesday.

Agriculture Secretary Mike Johanns has allocated

\$2,259,000 for assistance through the Emergency Conservation Program, according to a press release from U.S. Sens. Charles Schumer and Hillary Clinton, both D-N.Y.

The program is administered by state and county Farm Service Agency committees and provides emergency funding and technical assistance for farmers to rehabilitate farmland damaged by natural disasters. is administered by state and county Farm Service Agency committees, reports the Observer-Dispatch.

The 16 counties eligible for the funding include: Broome, Cayuga, Chemung, Chenango, Cortland, Delaware, Herkimer, Madison, Montgomery, Oneida, Oswego, Otsego, Schoharie, Sullivan, Tioga and Ulster.

## **Governor Vetoes Bill to Give Unions Taxpayer Dollars for Their Health-Insurance Plans**

Governor Pataki has vetoed a bill that would have forced New York State taxpayers to subsidize a \$25 million giveaway to unions from a taxpayer-funded health-insurance program that was created to benefit specific small businesses and some uninsured workers.

In an August 2 letter to the Pataki administration, the Council derided the bill as "a special interest power grab at its worst," and urged the Governor to veto it.

"The legislation runs far a field of the intent of Healthy New York to assist small businesses in providing health insurance for their workers and their dependents," the Council's letter said. "Using millions of dollars of stop-loss money to subsidize health insurance for union benefit plans would be a giant step towards eviscerating the Healthy New York program." The bill would have diverted \$25 million from the taxpayer-supported Healthy New York program to fund three to five self-insured multi-employer union benefit plans.

"If the Healthy New York program has an excess of stop-loss money, there are more effective ways to utilize the money to help struggling small businesses gain access to more affordable health insurance," the Council's letter concluded. "This legislation is clearly not beneficial to the state's uninsured population, to sole proprietors or the many thousands of small businesses with two to 50 workers who are trying to find a way to provide health insurance to their workers for the first time."

In his veto message, the Governor cited objections to the bill raised by the state Insurance Department and the state Health Department.

"The bill would allocate Healthy NY funds to subsidize health insurance coverage that far exceeds what is available under the traditional Healthy NY benefit package," the Governor's message said. "In fact, the bill would prohibit a benefit fund from participating in the demonstration program unless it provides coverage superior to the Healthy NY streamlined benefit package."

The Governor's veto message also noted that the bill includes no safeguards to ensure that funds would subsidize coverage of persons who already get health insurance benefits through union plans.

And the Governor cited agency fears that the bill would hurt the overall Healthy NY program by allocating "a substantial portion" of its funds to this "demonstration" program.

In the debate over the bill, The Business Council had also highlighted the irony of unions seeking taxpayer funding for their health-insurance plans even as they charged that some large employers were steering their employees towards government-supported health insurance plans.

## Federal Milk Market Order Admin. Reports Milk Production Tapering Off

For the first 7 months of 2006, total milk production in the United States was up 3.4 percent when compared to the same period in 2005. During the first quarter of 2006, milk production grew 5.1 percent. By the second quarter, production slowed somewhat with increases of 3.2, 2.4, and 1.5 percent, respectively for April, May, and June, averaging 2.3 percent for the quarter.

According to USDA reports, the initial increases during the first quarter were the combined result of increased cow numbers and higher milk production per cow. Replacement heifers became more easily available as prices for them declined. As the spring and summer months arrived, both the heat and a weaker ratio have affected milk per cow and slowed overall production to more expected levels. Milk production is projected to average about 2 to 2.4 percent for the remaining months of 2006.

Milk production in the top 23 milk producing states as reported by the National Agricultural Statistics Service (NASS) increased 3.8 percent for the same period of 2006. These states account for over 91 percent of total US milk production. The top ten milk producing states had a combined increase of 4.3 percent for the first 7 months. Changes in production for the first 2 quarters of 2006 and the January–June period are shown in the accompanying table. Most of the states showed large production increases during the first quarter, but then slowed considerably during the second. Both Texas and New Mexico continued to see double-digit growth during the second quarter, and Idaho even had higher growth than during the first quarter. Washington was the only top-ten state to have declines during the period. In the Northeast, New York reported an increase of 2.0 percent; Pennsylvania had 2.9 percent; and Vermont decreased 1.0 percent from the previous year.

The surprising volumes seen earlier this year contributed to the lower milk prices paid to producers (see related article Price Forecast). As milk production tapers off, prices should rebound somewhat, although they are not expected to rise to levels witnessed during the past 2 years.

## IDFA Welcomes USDA Decision to Expedite Much-Needed Cost Adjustments in Milk Pricing Formulas

(Washington, D.C. — September 1, 2006) The International Dairy Foods Association (IDFA) supports the U. S. Department of Agriculture's (USDA) decision to speed the agency's review of proposals to amend the Class III and Class IV milk price formula manufacturing allowances for all Federal Milk Marketing Orders. The Department has announced plans to reconvene a national public hearing in a limited nature to receive new manufacturing cost data compiled by Cornell University. The hearing will be held September 14 in Strongsville, Ohio.

"We're thrilled that USDA heard the outcry from Congress to do the right thing and quickly reconvene the hearing," said Chip Kunde, IDFA senior vice president. "By holding it next month and limiting the scope of evidence to the new data from Cornell and publicly available data, we hope that USDA can come to a speedy conclusion to update the make allowances immediately."

Created through a federal order reform process mandated by Congress in the 1996 Farm Bill, the make allowances established on January 1, 2000, fix the margins USDA permits processors to apply to cover the manufacturing costs of turning raw milk into a finished dairy product. These margins currently are based on industry manufacturing cost data from 1997-99 and are grossly below today's true costs. Earlier this summer, IDFA expressed shock when USDA announced in June that it planned to reconvene a national public

hearing, because a prolonged delay to a final decision on make allowances would have a devastating effect on the U.S. cheese makers and the dairy industry overall. An emergency hearing had already been held by USDA in January to address the need to update make allowances. Many in Congress and the industry, including IDFA, viewed the delay as unwarranted and unnecessary, given the amount of data the agency gathered at the January meeting. The delay is still costing dairy product manufacturers \$26 million a month, so we look forward to a swift decision from USDA to bring the industry much-needed relief," said Connie Tipton.

## New York State July Milk Production Up Slightly

New York dairy herds produced 1.04 billion pounds of milk during July according to Stephen Ropel, Director of USDA's National Agricultural Statistics Service, New York office. A slight increase in production per cow resulted in the 0.3 percent increase in total milk production compared to July 2005. The number of milk cows averaged 647,000 head, unchanged from July of the previous year. Milk per cow averaged 1,605 pounds, up 5 pounds from the July 2005 rate. Dairy farmers in the Empire State received an average of \$12.30 per hundredweight of milk sold during July, unchanged from June but \$3.10 below July a year ago.

Milk production in the 23 major States during July totaled 13.9 billion pounds, up 1.5 percent from July 2005. June revised production, at 14.0 billion pounds, was up 1.9 percent from June 2005. The June revision represented an increase of 6 million pounds from last month's preliminary production estimate. Production per cow in the 23 major States averaged 1,686 pounds for July, 3 pounds above July 2005. The number of milk cows on farms in the 23 major States was 8.26 million head, 107,000 head more than July 2005, but 11,000 head less than June 2006.

## New York State Retail Milk Threshold Price Effective September 1, 2006

	<u>Gallon</u>	<u>Half Gallon</u>	<u>Quart</u>
<b>Metro Region:</b> (NYC & Counties Of Nassau, Suffolk, Rockland, Orange, Westchester, Putnam & Dutchess)	<b>\$2.69</b>	<b>\$1.39</b>	<b>\$.73</b>
<b>Upstate Region:</b> (Remaining Counties)	<b>\$2.47</b>	<b>\$1.29</b>	<b>\$.68</b>

A retailer who sells above the threshold price may be in violation of the law unless such selling price is justified as not being unconscionably excessive. Such justification includes net invoice price paid for the milk item plus actual costs incurred in handling and selling that milk item.

Please be advised that the threshold price is only changed if there is at least a \$0.02 per gallon (\$0.23/cwt) change in the underlying price for Class I (fluid) milk at 3.5% butterfat. For June 2006, the minimum federal order Class I price (3.5% butterfat) decreased \$0.22 per hundredweight or \$0.019 per gallon from last month. The threshold price is calculated by multiplying by two the total of two components, the minimum federal order price and the premium paid for Class I milk.

## CME Cheese Production Report

Total cheese production dropped off seasonally in July, but still registered 3.9% higher than a year ago, according to USDA's "Dairy Products" report released Friday Sept. 1. Output was 767.9 million lbs.

Cheddar production was up 5.8% in July, as manufacturers tried to keep up with strong demand. Mozzarella was up 4.8%. Production of all other varieties was up just 0.9%. Butter production was down 3.3% in July and output of NFDM/SMP was down 16.5%.