

Shepherd's Bulletin

Minnesota Lamb & Wool Producers Association



Roe Family to coordinate Baa Booth

Summer 2007

A special thanks to the Kirk and Jill Roe family of Blue Earth, MN for agreeing to coordinate the Baa Booth at the state fair. For the past several years, we have had difficulty finding volunteers to work at the Baa Booth, partially because we did not have a leader to take charge of it.

At our winter meeting, the board decided to discontinue funding the Baa booth, on the basis that it was not meeting the needs of our organization. After the meeting, we were contacted by a number of members who felt the Baa booth was extremely important, and asked that



Jill, Lizzie, Lexi, JT & Kirk Roe
Baa Booth Coordinators

we reconsider our decision. In the last newsletter, we asked for someone to step forward and provide leadership to the Baa booth. The Roe family did just that. They presented a

plan, including a detailed budget, which our board unanimously approved.

On behalf of the board of directors, I'd like to

(cont. on p. 2)

President's Message - Jeremy Geske

Due to some pretty dry weather in this part of the state, I had to bring my ewes home from pasture early this summer. Soon it will be time to de-worm and start flushing the ewes for the breeding season.

Most of us probably have a routine down to get our ewes ready for breeding, but ram management is just

as important. Not only do the rams need to be de-wormed, have their hooves trimmed, and fed into good condition; we need to do our best to keep them cool during the extremely hot days in July and August. Heat stress can cause temporary sterility in rams that can really make it difficult for those of us

who try to get early winter lambs.

I've had good luck using marking harnesses to monitor if my rams are getting the job done. They also help me predict due dates for better lambing time management.

(cont. on p. 2)

MLWP Officers & Directors

- *President—Jeremy Geske 952-758-7938 geskesheep@aol.com*
- *1st VP—Dan Persons 320-986-2336*
- *2nd VP—Don Adelman 952-466-2451*
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- *SW Dir. - Doug Mathias 507-376-9665*
- *WC Dir. - Mike Haubrich 320-826-2526*
- *Metro Dir. & Membership Chair - Paity Anderson 952-447-4184*
- *Satellite Reps are listed on the web site:*

www.mlwp.org

President's Message - cont.

One lesson I learned the hard way is that you can't seem to have too much ram power at the start of the breeding season. With my small flock, one or two rams would normally be plenty; however, I've had years where a ram lamb wasn't quite mature enough and my old ram injured one of his back legs making it impossible for him to mount ewes effectively. Three weeks into the breeding season I found myself without a stud ram. Fortunately a friend of mine had a

good quality ram he wasn't using that I was able to lease until my older ram recovered from his injury. Now I try to make sure I at least have access to one or two extra rams, just in case.

Good luck to everyone as you get your flocks ready for the breeding season. Perhaps I'll see some of you at the state fair. Hopefully I'll see quite a few of you at the MLWP annual meeting in Rochester this winter.



Baa Booth —Cont.

thank Kirk, Jill, and JT, as well as all of you who will be helping out manning the booth for a shift or two

**Refer to the Baa Booth
volunteer form on p. 3.**

during the state fair. I think you'll find their enthusiasm is contagious. We're looking forward to seeing the Baa booth improve. What better way to promote the sheep industry to over

a million potential consumers than having a strong presence at the Minnesota State fair.

If you can help with the Baa Booth, please complete the form on p.3 and return it to Kirk & Jill Roe at:

320 E. 11th Street
Blue Earth, MN 56013-2147
(507) 526 - 5845 Home
(507) 525 - 0970 Cell
kwroe@bevcomm.net



Welcome new members (joined after the directory was printed)

Connie/Laura Mobry-Bathke
Tuckahoe Hills Farm
55057 190th Ave.
West Concord, MN 55985
Dodge Co 5-SE
507-527-2060
laura@tuckahoehills.com
connie@tuckahoehills.com
handspinning flock

Kenneth Hubbard
19810 150-th St NW,

Elk River, MN 55330
763-274-0950

Hank Brummer
991 Burton St.
Red Wing, MN 55066
Goodhue County
651-385-8208
ekstrand@redwing.net
sheep shearer

Steve and Janine Spessard
J & S Polypay's
32706 Roberts Ave.

Worthington, MN 56187
Nobles 4-SW
507-372-5956
jpolypays@frontiernet.net

Duane/Kim Douvier
Douvier Family Sheep Farm
44207 95th Ave.
Rice, MN 56357
Stearns 1-NW
320-393-4991
douvier@clearwire.net
Dorset, WF commercial

The Baa Booth Needs You

The Kirk and Jill Roe family from Blue Earth, MN has taken on the responsibilities of organizing the BAA Booth at the Minnesota State Fair. The Roe family is relatively new to MLWPA but not new to the sheep industry.



The BAA Booth needs you to volunteer for working this MLWPA educational booth.

All activities and information will be at the booth to make your time easy and fun.

The Baa Booth runs the first 8 days of the fair (Aug. 23 - 30).

Your Name _____

Your Mailing Address _____

City, State, Zip _____

Please your current email address _____

Phone Number _____ cell phone _____

If we need to call you regarding volunteer times, would you prefer day or evening? _____

Industry Affiliation: (farmer, veterinarian, student, 4-H member, FFA member etc.) _____

Do you have sheep you want to display or an educational display or demonstration you want to bring? If so, please let us know. Do you have by-products you can bring to the booth? Maybe you can bring wool samples or feed samples. Please let us know below!!!

Please mark (X) the day(s) and time(s) you can volunteer.

Thurs. 8/23: 9 a.m. to noon _____	noon to 3 p.m. _____	3 - 6 p.m. _____	6 - 8 p.m. _____
Fri. 8/24: 9 a.m. to noon _____	noon to 3 p.m. _____	3 - 6 p.m. _____	6 - 8 p.m. _____
Sat. 8/25: 9 a.m. to noon _____	noon to 3 p.m. _____	3 - 6 p.m. _____	6 - 8 p.m. _____
Sun. 8/26: 8 - 10 a.m. _____	10 a.m. to noon _____	noon to 3 p.m. _____	(closes at 3 p.m.)
Mon. 8/27: 9 a.m. to noon _____	noon to 3 p.m. _____	3 - 6 p.m. _____	6 - 8 p.m. _____
Tues. 8/28: 9 a.m. to noon _____	noon to 3 p.m. _____	3 - 6 p.m. _____	6 - 8 p.m. _____
Wed. 8/29: 9 a.m. to noon _____	noon to 3 p.m. _____	3 - 6 p.m. _____	6 - 8 p.m. _____
Thurs. 8/30: 9 a.m. to noon _____	noon to 2 p.m. _____	(closes at 2 p.m.)	

Please complete this page, tear it out and mail to Kirk and Jill Roe, Baa Booth Coordinators at the address listed on p. 2.

If you have any questions about the information and activities we have planned for the Baa Booth please give us a call or send us an e-mail. Thanks in advance to all to help with the Baa Booth!

Lamb Check-off news - *American Lamb Board*

Lamb Groups Promote Health Benefits of Lamb

The American Lamb Board is working with Australian and New Zealand lamb industries to promote the nutritional value of lamb in the U.S. market. To kick off the program, the tri-lamb group is sponsoring a "Lamb Lover's Roundup" recipe contest with the Food and Culinary Professionals practice group of the American Dietetic Association. Winners will be announced during a networking dinner at the American Dietetic Association's annual Food and Nutrition Conference and Exhibition, Sept.30 in Philadelphia.

New York Media Learn about American Lamb

In April, the American Lamb Board



conducted and American Lamb cooking seminar at the TV Food Network studio in New York. Attendees included TV Food Network producers and food directors as well as

media representatives from consumer publications including O Magazine and Family Circle. The seminar was led by Chef Tim Love who gave a fabrication demonstration and shared samples of four lamb dishes. ALB Board Member Laurie Hubbard provided industry background and answered questions about production practices. American Lamb Board representatives and Chef Tim Love also met with food editors from Everyday Food, First, Food & Wine, Martha Stewart Living, New York Times, Woman's Day and Woman's World.



Wool and wool products for sale:

- Natural colored & white wool
- Wool rovings, carded, felted & dyed wool
- Fiber for blending: Angora rabbit & llama
- Raw fleeces

Butcher lambs & steers available

Rick & Karen Stormo
17640 510th ST
Clearbrook, MN 56634
218-776-2223
sheepfarm@gvtel.com

AVALON FARM

We raise sheep and cattle:

- Border Leicester
- Coopworth
- Icelandic
- Lincoln
- Mini-sheep
- Red Angus
- Angora Rabbits

Advertising With MLWPA pays

Thanks for the directory ad. It works! I sold a package of ewe lambs and ram lambs in North Eastern ND through this ad. My Suffolks are sold out and only a few FinnXDorsets remain.

Thanks again!

Jeff Young

5-Mile Ranch, Herman, MN

Members like Jeff have found that advertising with MLWP is a good investment. For more information on advertising on the MLWP website or in the 2008 membership directory, contact Jeremy Geske at 952-758-7938 or jgeske@fbmn.org.

MLWP State Fair Commercial Booth Update

The last 2 years the MLWP has been able to acquire the sales from both Mary Lue's in St. Peter and also this year the sales from J & B Associates. In monetary terms this means that the % that MLWP collects is not the 20%; but 50%. With the extra income though, comes the loss of workers that was filled by both of these businesses. We really cannot go out for more vendors because of the amt of merchandise we have for sale and our booth space is limited. We therefore are asking members of the MLWP to donate some of their time to work in the booth. You will not have to run the cash register, we just need people who like to talk sheep and to educate the

public on our products. We especially need people who can help us out from around 11:00 -2:00 and then from 4:30 – 6:30. This is so that those of us that have been working the whole day can take a break. I know that you will have a great time and that you will also appreciate the hard work of your vendors who have made your booth so successful. Please call Pat Anderson @ 952-447-4189 or e-mail @ patmeadow@intergra.com so that she can set you up on the schedule. You will

also receive a free admission ticket for your help. Hope to see many of you at the Fair.



KIMM SUFFOLKS



For more information contact:

Kimm Suffolks
Bob Kimm & Family
 1636 W Avenue
 Dysart, Iowa 52224
 319-476-3875 - Home
 319-476-3874 - Fax
 bbkimm@netins.net

ANNUAL PRODUCTION SALE HELD THE FIRST SATURDAY IN MAY EACH YEAR.

VSFCP - Fall 2003 & 22 years of NSIP

Kimm Suffolks is about focusing on balanced genetics.

www.breedingsheepage.com/kimm

2007 MLWP Annual Conference Set for Rochester

The 2007 MLWP annual Conference and trade show will be held Dec. 7-8 at the **Ramada Hotel & Conference Center** in Rochester. The theme is *Planning for the Future*.

The MLWP Board of Directors is still in the process of lining up topics and speakers. There will be presentations on *Livestock Risk Protection for Lambs* (LRP-Lamb), the new *NRC Nutrient Requirements for Sheep*, *Stress Management During Lambing*, *Ag in the Classroom*, *Scrapie*, and much more. A detailed agenda will be available in a future issue of the newsletter.

We have had several excellent suggestions so far. If you have ideas for additional speakers and/or topics you'd like to see, contact Jeremy Geske at jgeske@fbmn.org or 952-758-7938; or talk to your regional director.

Again this year, the *Make It With Wool* (MIWW) competition will be held on Saturday in conjunction with the annual conference. For more details on the MIWW contest, visit www.mlwp.org, or contact Glenette Sperry at gtsperry@peoplepc.com or 651-257-0827.

Other conference highlights include: The Friday night Banquet (with entertainment) and fundraiser auction, Saturday's Silver Bell Luncheon, and the trade show.

"The annual conference is a great time for sheep producers to come together, have a little fun, and maybe even learn a thing or two," said MLWP President Jeremy Geske. "There are sessions for beginning and experienced producers. Its also the perfect time for members to provide input on how the organization can better serve the sheep industry in Minnesota."

MN Farm & Food Coalition hires Sammon

The Minnesota Farm and Food Coalition (MFFC) announced that Tara Sammon has been hired as their animal agriculture specialist. Her first day on the job will be June 1. She will assume the duties for Jennifer Russell who is departing for an opportunity in her home state of Wisconsin.

Sammon joins MFFC after working as the Minnesota Farm Bureau Federation southeast area program director since 2003. She recently received her Masters degree in business administration from the University of Phoenix. Her Bachelors degree is in applied economics with a marketing emphasis and a minor in animal science from the University of Minnesota – Twin Cities (U of M). Sammon also serves as a coach for the U of M dairy judging team. She was raised on a hog, crop and dairy farm near Faribault.

"I look forward to beginning my new position as the animal agriculture specialist," said Sammon. "The position will offer many new challenges and the opportunity to work with producers, as well as, build knowledge statewide of the importance of animal agriculture to Minnesota."

Sammon will provide assistance to livestock and poultry producers in Minnesota in addressing issues of concern, such as land use planning/permitting, environmental regulations and building relationships with neighbors, the local community and permitting agencies.

The MFFC, made up of Minnesota agricultural organizations, is dedicated to strengthening rural communities and the agricultural industry by proactively supporting Minnesota farmers as they make responsible changes to their

farms.

For more information on the Minnesota Farm and Food Coalition visit mnfarmandfood.org or to contact Sammon call 507-330-3927.



Tara Sammon

ASI Weekly updates - from June 1, June 15, & June 29

New Vaccine to Control FMD

A new vaccine developed by scientists with the U.S. Department of Agriculture's Agricultural Research Service (ARS), the Department of Homeland Security (DHS) and a U.S. biopharmaceutical company holds promise for protection against foot-and-mouth (FMD) disease, which strikes cattle and swine, as well as sheep, goats and deer.

The new vaccine works quickly, demonstrating effectiveness within seven days. Tests thus far have shown that vaccinated cattle retain immunity for at least 21 days, but scientists expect that future studies will show that the new vaccine at least matches the six months of immunity provided by current vaccines. The new vaccine has been tested on cattle and swine and is equally effective in both species.

FMD is devastating to livestock and has critical economic consequences with potentially severe losses in the production and marketing of meat and milk. Although the US has not had an FMD outbreak since 1929, the disease is still considered a serious threat to the nation's economy and food supply.

Significantly, as this is the first FMD vaccine produced in the US, the federal government can plan adequate supplies for the veterinary strategic stockpile. The vaccine is the first molecular-based FMD vaccine for cattle. Additional testing is examining the vaccine's commercial viability and effectiveness against the various serotypes of the FMD virus.

The new vaccine has many benefits.

It is administered in a non-replicating adenovirus. It does not require expensive, high-containment production facilities, and it can be produced safely in the US because it can be made without using infectious FMD materials.

The vaccine also makes it possible for scientists to determine whether an animal found to have FMD antibodies acquired them through vaccination or from infection--important because of the trade restrictions associated with using current vaccines.

Reprinted from ARS News Service

Wisconsin No. 1 in Sheep Milk Production

Though California has stolen the lead in cow milk production, Wisconsin outranks California and all other states in sheep milk. Other areas in North America where sheep milk is produced include Vermont, New Hampshire, Quebec and Ontario.

"We know how many producers there are in other states, and when we say Wisconsin leads, I don't think anybody argues that fact," said Dave Thomas, a University of Wisconsin-Madison professor of animal science who oversees the university's dairy sheep program at the Spooner Agricultural Research Station.

Much of the credit for development of the business in Wisconsin goes to the Spooner research station, which started milking sheep in 1995, then conducted research and helped start a marketing cooperative. Now the state has more than 2,000 sheep in licensed milking herds and produces roughly a

million pounds of sheep milk per year.

The Spooner station also helped start and is a member of the Wisconsin Sheep Dairy Cooperative, which markets the 1 million pounds of sheep milk per year, a figure that has been rising by 10 to 15 percent annually.

Reprinted in part from The Capital Times, Wisconsin

Groups Sue USDA Over Sheep Grazing

The conservation groups of Western Watershed Project and the Center for Biological Diversity have filed a lawsuit in federal court this week over sheep grazing.

The groups claim the U.S. Department of Agriculture's (USDA) sheep experiment station near Dubois, Idaho, violated federal rules when it authorized sheep grazing on and around Yellowstone National Park.

The groups contend the grazing puts wild bighorn sheep at risk of catching deadly diseases from the domesticated sheep. And that the grazing threatens other animals, including lynx, wolves and grizzly bears.

Editor's note: Who are these geniuses that think we must protect lynx, wolves and grizzly bears from those vicious sheep?



Legislative Update

Immigration Bill Defeated

The bipartisan, comprehensive plan to overhaul the country's immigration laws was defeated in the Senate on June 28 when 53 senators voted against moving the debate to a final vote. Supporters needed 60 votes to cut off debate and forge ahead, but only 46 senators, including Senator Klobuchar, voted in favor.

This marked the second time in June that the plan was pulled from the Senate floor, and it appears unlikely the legislation will surface again during the 110th Congress.

The bill contained an overhaul of the 50-year-old H-2A agricultural worker program and a tough earned legalization program for experienced farm workers. It was strongly favored by American agriculture and seen by most in and beyond agriculture as the best way to accomplish the intertwined goals of border security, a credible employment eligibility verification program and access to a legal and stable workforce.

President Bush Loses TPA

The July 1 deadline for Congress to renew President Bush's trade promotion authority (TPA) passed over the weekend without fanfare. Congress' refusal to renew President Bush's trade promotion authority could derail future U.S. efforts to increase trade. According to U.S. Trade Representative Susan Schwab, "More than 100 bilateral trade negotiations are currently under way among our trading partners. It is important that [the U.S.] not sit on the sidelines as other countries lock in new preferential trading arrangements with our competitors."

Without presidential TPA, any trade deals put together by the administration are subject to changes

by Congress. On Thursday, the President signed the Panama TPA and on Saturday, he signed the U.S.-Korea Free Trade Agreement just before TPA expired. Despite his approval, the Korean agreement is not popular with Congress, particularly in the House, where leaders, including Speaker Nancy Pelosi, have said they will not support it as written.

Since 1975, only two presidents have lost TPA. Bill Clinton and Bush.

Horse Slaughter

The American Horse Slaughter Prevention Act, H.R. 503/S. 311, continues to attract cosponsors. There are 173 cosponsors in the House, including Congressmen Kline and Ramstad and Congresswoman McCollum and 29 in the Senate.

Your action is needed! Many members of Congress have commented that they are not hearing enough from those opposing this legislation. Livestock producers are encouraged to contact their representative and senators today! Contact your representative and senators through MFBF's FBACT site at www.fbmn.org. Click on Legislative & Regulatory, then on FBACT. You do not have to be a Farm Bureau member to use this website. If you need assistance, contact Jeremy at jgeske@fbmn.org.

CRP Re-Enrollment

Agriculture Deputy Under Secretary for Farm and Foreign Agricultural Services Floyd Gaibler recently announced that more than 14,000 farmers and landowners may be eligible to re-enroll their land in the Conservation Reserve Program (CRP) continuous sign-up if their contracts expire on Sept. 30, 2007.



Of the 300,000 acres eligible to leave the program, about 71,800 acres are in major corn producing states, including Minnesota.

Farmers and ranchers with general sign-up CRP contracts that expire Sept. 30, 2007, and that did not take advantage of the last year's re-enrollment or extension offer also may be eligible for the continuous sign-up. Farm Service Agency officials at USDA Service Centers began notifying general sign-up CRP contract holders last month of this possibility.

In addition, producers with land eligible for the continuous sign-up may, in some cases, be eligible for the special incentives of CRP's Farmable Wetlands Program.

For more information about CRP, visit your local USDA Service Center or click here.

One-third of Cattle, Hog Operations Use Co-Products

More than one-third of U.S. cattle and hog operations feed ethanol co-products to livestock, according to a new survey of 9,000 Midwest farmers conducted by the National Agricultural Statistics Service.

According to the National Agriculture Statistics Service (NASS), in 2006 ethanol co-products were fed to livestock at 38 percent of dairy farms, 36 percent of cattle on feed farms, 13 percent of beef cattle farms and 12 percent of hog farms.

Legislative Update - cont.

Corn gluten feed was used on 46 percent of beef cow operations and 38 percent of cattle feeding operations. Most operators bought the co-products from feed companies or cooperatives, but some purchases were made directly from ethanol and other processing plants. Managers of livestock operations who did not use ethanol co-products cited availability as the primary impediment.

Bald Eagles No Longer Endangered Species

Interior Secretary Dirk Kempthorne announced Thursday that bald eagles will no longer be classified as an endangered species. The eagle was taken off the Endangered Species list after government biologists documented as many as 10,000 nesting pairs of the birds around the nation. This compares to the 417 pair of birds in 1963. The bald eagle will remain protected by the 1940 law prohibiting the killing of the national symbol and protecting the bird from other man-made harms.

Animal Welfare Legislation

On June 11, the Oregon legislature approved legislation banning sow gestation stalls. The bill passed the House 35-32. The Senate voted 20-9 to approve the measure in May. If the legislation is signed into law by the governor, Oregon will become the third state to ban gestation stalls but the first to do so by legislative action (public referenda banned the practice in Florida in 2002 and in Arizona in 2006). The Humane Society of the United States (HSUS) was the primary supporter of the bill. The original Senate bill also included a ban on veal stalls, but that provision was stricken.

Farm Bill

Chairman Peterson will release documents outlining the complete farm

bill proposal to be taken up by the full House Agriculture Committee this week. The committee is expected to release two documents. The first document will deal only with the baseline funding package that meets the pay-go requirements, and the second will deal only with provisions subject to reserve funding. Complete legislative language for the draft documents will be released on July 6.

Full committee markup will begin on July 17. Timing for the House floor is less certain, although the chairman has discussed a desire for a full House vote the week of July 30, right before the August congressional recess.

In brief for sheep programs:

Peterson's chairman mark released Friday, only has \$1.10 base loan rate for wool (is an increase but slightly less than the \$1.20 requested by the sheep industry). It does have the unshorn pelt this time as that was a senate provision only in 2002 farm bill. Also has the sheep center reauthorized (no mandated \$ though) and the ASI provision of prescriptive grazing on CRP for invasive species.

The U.S. House Committee on Agriculture web site

<http://agriculture.house.gov>

has additional information.

Eastern Regional WS Coalition asks for more funding

MLWPA, the Minnesota State Cattlemen's Association and Minnesota Farm Bureau Federation were among several state sheep producer, cattleman's, and state Farm Bureaus who signed on to a letter asking for continued support of the livestock protection program of USDA Wildlife Services.

With well over 250,000 sheep and nearly 150,000 cattle lost to predators each year, the Wildlife Services livestock protection program is vital to the economic survival of the livestock industry. The value of livestock lost to predators and predator control costs are major expenses of livestock production.

The undersigned sheep, cattle and farm organizations of the Eastern United States strongly support an increase in the livestock protection program of Wildlife Services in the FY 2008 appropriations for agriculture of \$3.6 million.

The \$3.6 million needed for the Wildlife Services Eastern Region would help fund livestock predation protection programs in Pennsylvania, Virginia, West Virginia, Mississippi, Minnesota, Michigan, Florida, Ohio, Tennessee, Kentucky, and Wisconsin. In FY 2006, USDA Wildlife Services provided predator damage management assistance in the 11 states at varying levels. A total of \$878,480 was spent on livestock protection of which 74 percent, or \$650,480, was cooperative funding from state and county governments, livestock groups and livestock producers themselves. This funding was in addition to funding designated to protect livestock from wolf depredation in Michigan, Minnesota and Wisconsin.

Pawlenty Vetoes Tax Bill

Keeping with his pledge of no new taxes, Governor Pawlenty vetoed the tax bill this spring. The tax bill contained a number of things that farm groups supported and a number that farm groups opposed. One down side was the loss of additional Ag sales tax exemptions for fencing, and livestock equipment that would have benefited sheep producers. Better luck next year.

Fuels versus Food: Is it Rhetoric or Reality?

By Terry Francl, Senior Economist, American Farm Bureau Federation®

Hardly a day passes without reading an article or hearing a report that higher corn prices, due to the increased demand for ethanol, are causing higher food prices. Yet these reports are generally vague about the specific connection. In fact there is little evidence that higher corn prices have raised consumer food prices.

Last November I published an article looking at the possible impact of ethanol and higher corn prices on food prices. The basis for the article at that time was an economic analysis done in conjunction with the Food and Agriculture Policy Research Institute (FAPRI) that showed little impact from ethanol on food prices in 2006 and 2007 and then a 0.2% rise in the food CPI price index 2008. In 2009, the food CPI would rise 0.5% and then the next three years the food CPI would be 0.7% higher than would otherwise be the case.

It should be emphasized that these numbers are for the food CPI which accounts for just under 14% of the weighting for total CPI. So if the food CPI should increase at a 0.7% rate it would add only 0.1% to the total CPI. This could hardly be characterized as an explosion in inflation. Indeed, food and energy are usually separated from the rest of the economy in reporting what is defined as the "core" rate of inflation. Food and energy are deemed to be volatile and subject to rapid changing supply and demand conditions due to weather (food) and geo-politics (energy) that do not necessarily reflect the underlying "core" inflation rate.

So much for theory, economic models and the long-term outlook, what has happened in recent months and what is happening today? Have higher corn prices caused a rise in the food CPI?

It is important to understand exactly how higher corn prices may affect the food CPI. Some 99% + of the corn raised in this country is field corn that is utilized for feed, export, ethanol and a few consumer related products lumped under the category of industrial. For the current 2006/07 corn crop year the respective numbers are 50%, 19%, 19% and 12%. Even the 12% number overstates the amount utilized in the food sector. As the title indicates some of it goes to industrial products and a small fraction into biodegradable plastics. However, the largest single use in this category is for high fructose corn syrup (HFCS), utilized primarily as a sweetener in the soda industry and in the bakery sector.

The bulk of corn consumed by humans (50%) comes via the meat and dairy sector. As the price of corn rises it increases the cost of feeding an animal or bird until it becomes unprofitable. After suffering a loss for a long enough period of time, producers decide to adjust their production downward. Ironically, in the short term this can actually increase the amount of meat being offered to the consumer as producers liquidate a portion of their herds or flocks, resulting in lower meat prices.

At some point the production of meat, milk, etc., is reduced. The farm price of that commodity will

eventually rise to a higher level that makes production profitable and induces producers to expand production, renewing the cycle.

It should be noted that there is an enormous difference in the lead-lag time associated with the adjustments of the various bird and animal sectors. It is a function of the time it takes for gestation and raising the animals or birds. The adjustment of chickens may be a matter of a few months, while the beef sector can take 2-3 years. Hogs take approximately 12 months.

The rate of increase in red meat supplies has indeed been reduced the past couple of quarters, but this is a process that has been going on for over a year, long before corn prices increased last fall. Red meat supplies increased 4.9% over the year earlier period in the first quarter of 2006, but had dropped down to a 3.4% year-over-year rate by the fourth quarter of 2006. This is a significant increase in production and as a result the average price farmers received for their cattle and hogs declined 2.1% and 5.5%.

During the first quarter of 2007, approximately four months after corn prices began to increase, red meat production rose at a 2% rate and is forecasted to increase at slightly more than a 1% rate the next couple of quarters. There has been no significant increase in red meat supplies. In other words, there is little evidence of any ethanol induced liquidation shy of anecdotal reports of cow/calf sales due to drought in the West and Southeast. While feed costs are higher than a year ago, in general, they are not so high as

to push feeders into a prolonged negative profit situation yet.

The situation with broilers is even more telling. Quarterly production slipped from 4.2% the first quarter of 2006 to -1.2% by the fourth quarter. This further dropped to -4.1% the first quarter of 2007. However, this was largely due to a 9% decline in the price producers received in 2006. Prices were high in 2005, encouraging producers to expand production. By the second quarter of 2006 prices had declined over 10%. This did induce losses and producers began to reduce broiler output but this happened long before corn prices began to increase.

The last example is milk, which experienced a rapid run-up in production in 2005 and early 2006. Consequently, in 2006 milk prices dropped 15% from a year earlier. Predictably, dairy farmers slowed the rate of increase in milk production and by 2007 milk prices began to rebound. Ironically, this occurred at a time when the world demand for milk protein for a variety of traditional (cheese) and new products (energy drinks, power bars) was increasing significantly, pushing milk prices to record high levels. U.S. export of milk byproducts has exploded in recent months. Again, this had absolutely nothing to do with ethanol and corn prices.

If the higher price of corn is unlikely to be responsible for higher consumer food prices, what is causing them to increase? That can be ascertained by looking at the different food price categories. It should be noted that core inflation in the US has been running at about 2.5%. Food prices had been running at the core rate through January but began to accelerate in February.

Looking at the meat sector, over the last couple of months the rate of price increase has risen to 4-6% range. This would add some upward bias to the overall food CPI rate although, as previously explained, it has virtually nothing to do with corn prices.

Milk prices were actually declining for the bulk of the past year, but are in a catch-up mode at this point. Again, this is due to the underlying supply and demand condition that has little, to do with corn prices or ethanol.

For non-alcoholic beverages and material there is a similar pattern, with prices having picked up the past three months. The logical explanation might be that higher HFCS prices have risen which is subsequently reflected in higher soda prices. This may be a good theory, but then it turns out that soda producers contract for their HFCS supplies once a year, typically at the start of the calendar year. Only about one-half the run up in corn prices occurred before the first of the year so higher corn prices would have had only a moderate impact on increases in this category.

Cereal and bakery products have also experienced a rate of increase higher than the core inflation rate since January. This is due to higher wheat prices, which reflect an increasingly tight world supply and demand situation for wheat. Outside of a small amount of HFCS used as a sweetener in bakery products, it has nothing to do with corn and ethanol

Fruits and vegetables prices have been significantly higher during the entire period. Fresh vegetables and citrus fruits, have been influenced by weather events such as the Easter freeze. Apples, have been in relatively tight supply for over a year with price

increases several times the core rate of inflation. This category is a significant contributor to the higher food CPI.

Readers should now understand that the fuel versus food issue is one of rhetoric, not reality. It is unlikely that the production of meat has been affected by higher corn prices to date. In fact, there is little evidence that any food category has been affected by higher corn prices in any significant manner. Certainly it is true that some food product manufacturers have claimed higher corn prices are increasing their manufacturing cost, using this as justification for raising their product prices.

An example might be a cereal company that makes some variety of corn flakes. The value of corn going into a box of corn flakes was about 2.2 cents. Even if the cost of the corn doubled, it is hard to understand how this relates to an increase of 10 to 20 times that much in the price of a box of cereal. There are other examples, such as a feeder/packer complaining about how the higher price of corn has raised company costs. Just days prior, this same company reported record high profits in its' quarterly statement.

The reality is that to date higher corn prices have had very little impact on consumer food prices. At some future date higher corn prices will probably be more of a factor in rising food prices, but even then the increases are likely to be moderate. Any increase in food prices will be more than offset by the diversification of our energy supplies, lower farm program payments and the improved environmental effect of utilizing ethanol. It is a win-win situation for consumers, farmers and taxpayers.



Calendar of Events

2007			Jan. 24-26	ASI Annual Mtg. Make it With Wool Contest	Las Vegas, NV Las Vegas, NV
Aug 24	MN State Fair 4-H Sheep Show	St. Paul, MN			
Sept. 14	Newell Ram Sale	Newell, SD		Future Newsletter Schedule:	
Oct. 27	Northstar Bred Ewe Sale	Pipestone, MN	Winter	Conference Highlights / Legislative Issues	
Nov. 17-19	MN Farm Bureau Annual Mtg	Bloomington, MN	Spring	Events & Issues	
Nov. 24	Rochester Bred Ewe & Doe Sale (Tentative)	Rochester, MN	Summer	State Fair Issue	
Dec. 7-8	MLWP Annual Conference Ramada Hotel & Conference Center Rochester, MN		Fall	Conference and Trade Show	
Dec. 8	Make It With Wool contest Ramada Hotel & Conference Center Rochester, MN				

If you have a calendar item or news releases that you would like included, please send information to:

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