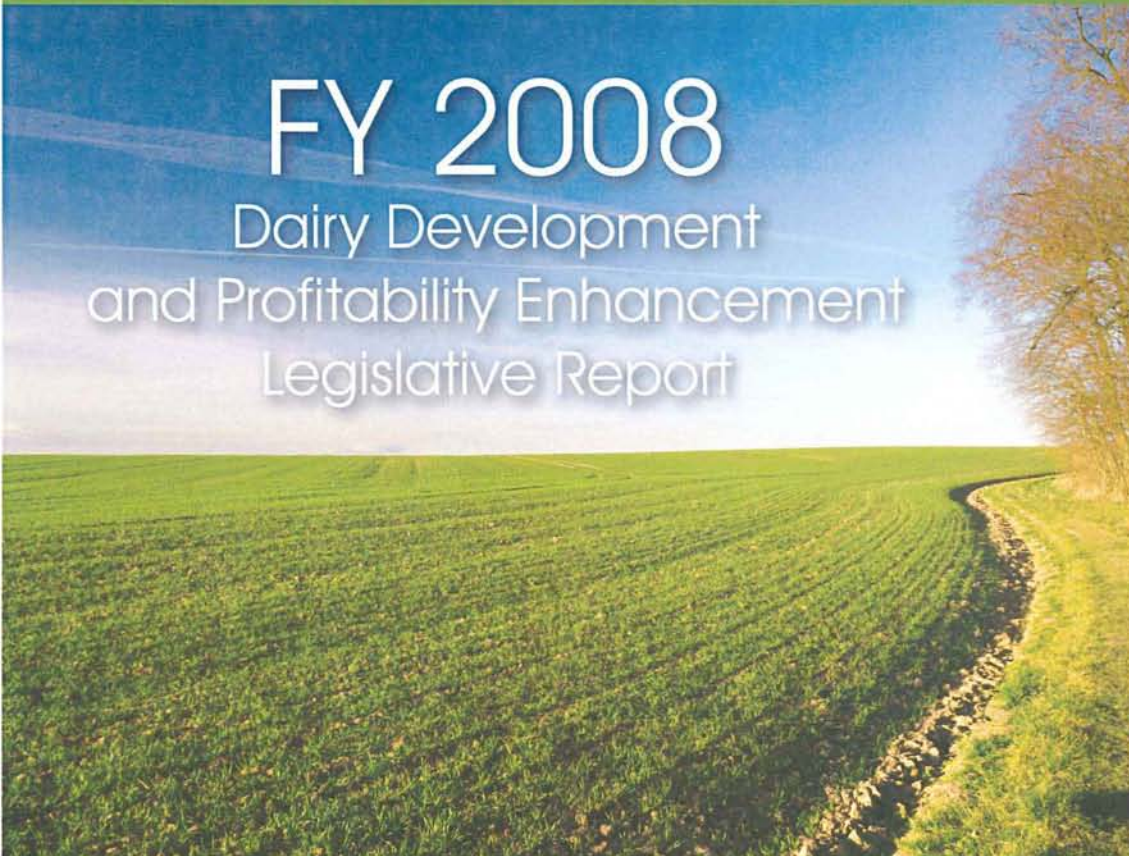


09 - 0904



# FY 2008

## Dairy Development and Profitability Enhancement Legislative Report





# FY 2008

Dairy Development  
and Profitability Enhancement  
Legislative Report



In accordance with the Americans With Disabilities Act,  
an alternative form of communication is available upon request.

TTY: 1-800-651-627-3529

The Minnesota Department of Agriculture is an Equal Opportunity Employer



# Table of Contents

<b>Executive Summary.....</b>	<b>1</b>
<b>Legislation.....</b>	<b>2</b>
<b>Minnesota Dairy Initiative.....</b>	<b>2</b>
<b>The Program Partners .....</b>	<b>2</b>
<b>West Central Dairy Profit Teams .....</b>	<b>3</b>
<b>Northwest Dairy Profit Teams .....</b>	<b>3</b>
<b>Dairy Profitability Enhancement Program .....</b>	<b>4</b>
<b>Central Dairy Profit Teams .....</b>	<b>5</b>
<b>Sustainable Farming Association .....</b>	<b>6</b>
<b>Southeast Dairy Profit Teams.....</b>	<b>7</b>
<b>Southwest Dairy Profit Teams .....</b>	<b>8</b>
<b>Dairy Business Planning Grants.....</b>	<b>8</b>
<b>Benchmarks .....</b>	<b>8</b>
<b>Quality Count\$.....</b>	<b>9</b>
<b>Special Projects .....</b>	<b>9</b>
<b>Appendix</b>	
<b>Dairy Diagnostic Teams and Regions .....</b>	<b>A</b>
<b>Dairy Business Planning Grants Map .....</b>	<b>B</b>
<b>Legislation Language .....</b>	<b>C</b>







## Executive Summary

**The Dairy Development and Profitability Enhancement Program has two primary components:**

### **1. Dairy Diagnostic teams**

- Based on 2007 farm records analysis, these teams produced a \$53,456,139.06 return for the state's investment, resulting in a \$75 return for every grant dollar spent.
- Significant returns like this occurred through cost savings (reduction of feed, interest or labor expense, etc.), increased herd size and increased profitability (increased milk production, improved milk quality, improved health and other management factors).
- In addition, the program has received in-kind contributions from the dairy industry totaling \$ 1,088,779.50.

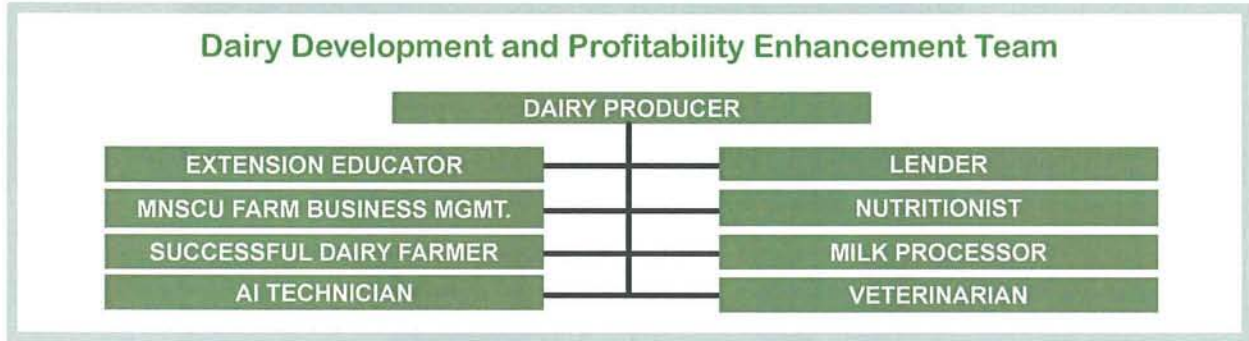
### **2. Dairy Business Planning Grants**

- The Dairy Business Planning Grants Program assists producers in positioning themselves for the future. This grant covers 50% of the cost of developing a business plan, up to a maximum of \$5,000.
- A number of producers are exploring expanding their herds, while others are investigating transferring the operation to the next generation, managing debt or investing in feedlot improvements for environmental protection.



# Legislative History

The Dairy Diagnostic Team Grant Program began as pilot program in 1996. The program was then funded by a biennial appropriation of \$1 million. The program expanded in 1997 to five regional groups and one statewide organization. The 2003 Legislature appropriated \$2 million for the 2004/05 biennium to increase dairy diagnostic efforts and to provide grants to individual farmers for dairy business planning and modernization. For fiscal year 2008, a total of \$705,000 was granted to the program partners.



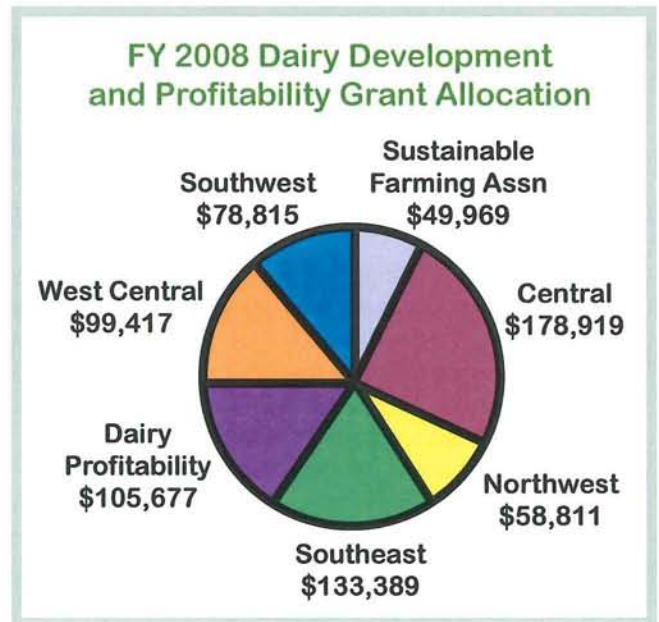
The above chart shows an example of a Dairy Diagnostic Team. Each team is comprised of people with varying backgrounds and expertise. They work with the farm family to evaluate the current farm operation and future objectives. The team makes recommendations and lists priorities to help the family meet those objectives. The team can also help the farmer redirect resources to meet the objectives. Some recommendations may take longer than others to implement. No two farms are exactly the same, just as no two team’s recommendations are exactly the same. The issues may be similar, but the means for resolving the issues may be very different.

# Minnesota Dairy Initiative (MDI)

The following is a short progress report on the activities of the grant recipients:

The MDI is a producer-led initiative to coordinate a comprehensive approach to the delivery of on-farm services to Minnesota’s dairy farmers through the Dairy Development and Profitability Enhancement Program (DDPE).

The MDI is a federation of six regional partners, Sustainable Farming Association (SFA), and several affiliated organizations, including the Minnesota Department of Agriculture (MDA), Minnesota Milk Producers Association (MMPA), the University of Minnesota, Minnesota State Colleges and Universities (MNSCU) through Farm Business Management and other industry groups.



# The Program Partners

Statewide, 423 dairy farms representing 55,226 cows (9% of the farms and 12% of the cows respectfully) participated in the program (see attachment B) in FY 2008. Of this total, 388 farmers were enrolled in the six regional groups with the remaining 35 dairy producers working with the Sustainable Farming Association.

In addition, there were 3303 farms that participated in educational programs conducted and lead by the Minnesota Dairy Initiative programs, including Organic transition workshops, milker trainings, barn tours, etc. The program is limited to a three-year involvement with the team, but farmers can reapply if they need the team to assist them in their next phase of management.





# West Central Dairy Profit Teams

- West Central teams worked with 44 participant herds in 2008 (3797 cows).
- Estimated in-kind contributions for this region are \$ 21,920.
- In addition there were 59 other farms not enrolled within the program that received educational information from the program through workshops and seminars.
- The economic impact of the program was \$ 1,265,595 as a result of improvements in productivity and profitability on these farms.
  - *West Central region has also had some building projects as a result of the dairy profit teams.*
  - *Four new parlors, a new 200 cow dairy barn, purchasing of new farms and a center pivot.*
  - *Additional new major investments were made in parlors, barns, water treatment and equipment amounting to \$ 1,730,000*



## Testimonials

This program helped and supported me when others left me and gave me the determination and the where with all to make it work."  
- Douglas County

"I'm milking cows today because of the dairy diagnostic program and it's water testing program." - 100 cow dairy - Ottertail County

"The teams are bringing fresh new ideas."  
- Otter Tail County Producer

"The CPA and banker gave good advice"  
- Otter Tail County Producer

"We have solved the problems from the first team meeting. We're moving to the next thing."  
- Otter Tail County Producer

"We liked the baleage recommendation brought at the team meeting." - Becker County Producer

"Thanks for hooking me up with a grazing specialist." - Hubbard County Producer

# Northwest Dairy Profit Teams

- There were 28 farms enrolled in this region in 2008, 3503 cows.
- Estimated in-kind contributions for this region are 51,498.00.
- Estimated economic impact of their program is \$ 2,800,000. In addition over a 3-5 year period those farms participating in FBM and dairy initiatives averages an increase of \$50,000 in net farm income and improvement to net worth of 50,000.
  - *This region has sponsored several educational events including NW Dairy Industry Meetings, Women in Jeans Program, Annie's Project, Pasture Walks, Milker Training, Compost Barn Construction and operation and Organic Transition Planning which resulted in an additional 75 farms impacted through this program.*
  - *Because of the TB outbreak many of our producers were more apprehensive of the financial impact that it might have on them. It was more difficult to get large animal veterinarians scheduled for diagnostic visits because of the time constraints with the testing for TB in NW Minnesota.*
- In addition the accessibility to competing processors, decrease value of quality feed, because of excess moisture and distance to processors continue to be a challenge for this region.



## Testimonials

**Clearwater County Producer:**  
"This program helped us to see the steps that we will need to take to stay in the dairy business."

**Mahnomen County Producer:**  
"We have changed our herd from conventional to organic milk production with the help of the initiative team and my farm management instructor."

**Beltrami County Producer:**  
"The Dairy diagnostic team that visited our place last year gave us a list of things that we could do to change our operation to be more profitable. We found the suggestions very useful."

**Beltrami County Producer:**  
"We have made successful changes with the help of the dairy Diagnostic team."

**Polk County Producer:**  
"This program has helped me to improve production and to work with the EQUIP program..."

**Mahnomen County Producer:**  
"This is a very good program. After each visit we have things we would like to accomplish. We have implemented many of these ideas and continue to come up with new questions"

**Polk County Producer:**  
"This program has helped me work with the equip program to get all of my pastures reseeded and water to them."

**Clearwater County Producer:**  
"The Dairy Initiative program has helped us improve our bottom line profitability and to reach our personal and business goals."





# Dairy Profitability Enhancement Program (DPEP)

- Seventy six farms, (with a total of 11,796 cattle and goats) were enrolled with DPEP in 2008.
- Two hundred twenty industry professionals donate their valuable time to the dairy producers enrolled in the Dairy Profitability Enhancement Program (DPEP). In-kind contributions totaled \$338,258.
- DPEP estimates the economic impact of their program is approximately \$1,811,241.



## Testimonials

Since I started on DPEP, my herd's RHA has improved almost 4,000 pounds. The Team gives me good ideas on how to improve. They gave me advice on how to make cows more comfortable in the barn, so I put in mattresses and tunnel ventilation and noticed an improvement almost overnight. I should have done this when they first came out with DPEP. - **Scott County producer**

DPEP has expanded our resource base and puts our team members on the same wavelength. This program has aided in making this farm successful. We'd love to see it stay affordable. - **Brown County producer**

The Dairy Profitability Enhancement Program has helped me increase milk production and attain greater cow comfort. DPEP has helped me be more aware of the things going on in my dairy herd. - **Scott County producer**

DPEP gives farmers the confidence to make changes to their dairy herds, while using people that they work with daily. Farmers come to better understand what happens to other parts of their operation when they make changes. It's a learning program that the entire Minnesota dairy industry benefits from. - **DPEP member**

A Sibley County farm family was struggling with herd health and reproductive performance issues. After installing new milking equipment, improving facilities and implementing a comprehensive timed breeding program the net increase was \$756 per cow.

A Rice County dairy farm employees and management team needed some training to improve consistency in the day to day activities. The results were an increase in milk production and reproductive performance to the tune of \$375 per cow.

A Sibley County farm family had been working with their team to improve their profitability as well as a generational transfer. After making some facility changes milk production increased and turnover rate decreased resulting in an extra \$236 per cow.

A Wright County farm family had been working to increase milk production and reproductive performance. With the help of their team and a comprehensive analysis of their operation, day to day communications have improved that has resulted in an estimated annual economic impact of \$97,100.

A Stearns County farm family has made great strides in the past twelve months with the help of their team. Meeting quarterly the farm family has made improvements in cow comfort, treatment protocols, communication as well as having SOP's in place that allowed for more family time. The changes in production and growth from within have had an estimated \$141,900 annual economic impact.

A Sibley County farm family worked with their team to improve cow comfort and installed a flat barn parlor and converted a machine shed into a compost barn. The herd now spends much of their time on pasture which has resulted in an additional 16 lbs/cow/day or about \$70,000 improvement in profitability.







## Central Dairy Profit Teams

- One hundred thirty five farms in this region worked with this program in 2008. (14,150 cows and 300 dairy goats). There have been 3,052 new animals added due to expansion within this region, a 21% increase over last year. Thirty four of this year's participants were first time enrollees.
- Estimated in-kind contributions are \$486,000.
- Estimated economic impact of their program is 44,649,623.50.
- Central MN region had 53 farms apply for the Livestock Investment Grant, totally \$8,944,052.49 of new investment this past year.
- Teams focused on increasing cow numbers, beginning farmers, improved record keeping skills, increasing milk production, improved milk quality, farm transfers, low cost facilities improvements and improved herd health.
- This region also provided mini-grants to producers focusing on Milk Quality, Farm transfer, Expansion and new start-ups.
- Central teams also promoted other educational events including seminars on Low cost parlor renovations and tours, Women in Jeans seminar, Valentines Retreat, Digester Field Day, Summer Farm tours, Stearns County Breakfast on the Farm. This resulted in an additional 743 farms impacted by the program.



### Testimonials

We passed/transferred our family farm to our son, and our personal property such as cows, machinery, feed, tools etc. Without this special project and the help of our team members we would still be at the starting gates of this whole process. - **Morrison County producer**

Our farm was having problems with milk quality in the newly fresh 2yr. old group. Through some culturing and facilities upgrading we have improved our milk quality significantly as well as decreased our cull rate. We estimate we have saved \$10,000 because of these little changes we made. - **Stearns County producer**

The Central MN dairy profit team guided us through the decision making process to update our expansion and manure handling facilities. We are still working out some of the bugs, but the overall experience has been so worth while. - **Stearns County producer**

This program is the key to developing a team approach concept and action plan. SCC

reduction and Expansion are the best efforts to date. - **Morrison County producer**

The team approach had helped with our farm transfer greatly! Six team members met in various groups and locations on 8 different occasions. a very improved situation is the result! - **Morrison County producer**

This program is one of the easiest to work with, you deal with the current problems, and you don't have to work through a whole book to finally get to the problem. - **Agri-business from Meeker County**

This is a very beneficial program; the team concept is a great concept that has helped us reach goals that we thought were unattainable. - **Stearns County producer**

This program is a good way to get information to help make sound business decisions. They also have helped make our dairy more labor efficient. - **Meeker County producer**

My wife and I have been struggling with marginal milk yields for the last five years. We had addressed cow comfort, SCC issues, and ration and nutrition. We seemed to have stalled. In our old tie stall barn, we had a daily tank average of 50 lbs. per day. We just could not get past that. Now with the help of our profit team they have given us ideas that we had not considered. It would seem that a number of small things combined together have been blocking our progress. - **Stearns County producer**

This program has kept many of our farms in business, the team approach brings many options to the table. - **Agri-business from Stearns County**

The program has helped me continue farming; it has provided more options and helped with feedlot upgrades. - **Benton County producer**





## Sustainable Farming Association (SFA)

- SFA worked with approximately 35 producers as they explored converting their operations to grazing and/or organic production. The SFA also sponsors educational workshops, seminars and field tours across the state to be a resource to producers about organic management. More than 1200 participants attended these events.
- Estimated Economic Impact \$638,000.
- Estimated In-kind contribution \$ 16,560.
- SFA facilitates information sharing across the state hosting local events that relate directly with dairy, grazing, organic and other related topics.
- SFA worked collaboratively to assist the dairy farm family toward meeting their goals through the use of mentors, production and animal health specialists and others with expertise in grass-based or organic production methods. SFA also facilitated workshops, field days and/or demonstrations by experienced dairy farmers and grazers in cooperation with other DPEP teams. SFA has also supported dairy farm industries related to on-farm and value-added dairy opportunities such as cheese makers and organic dairy processors.
- SFA also has worked closely with the dairy goat industry in the past year. After an unsteady 2007 due to the loss of a processor. Woolwich Dairy, Inc. of Lancaster, Wisconsin now has a waiting list of producers who would like to sell raw product to them. Cost of shipping milk has been prohibitive for many producers during 2008. There is still interest among small goat farms to grow their herds and ship more milk.
- SFA hired Jodi Ohlsen-Read (a sheep dairy farm owner) part-time to help coordinate cheesemaking resources. There is another sheep dairy in Stillwater, MN that has requested MDI help to expand in the sheep dairy market.
- SFA works with a lot of grazing dairies that sell organic as well as conventional milk. Grazing dairies tend to have low to moderate production, very low sickness and disease costs, widely varying SCC and satisfied producers. Some of these characteristics defy a clear-cut economic impact. There is some great potential for a unique marketing category of 'green' milk if the industry can settle on standards for grazing.
- SFA as well as the other MDI teams have fielded a number of inquiries about getting started in dairy. Those that are trying to start from scratch have some huge financial investments as a high debt ratio is too risky to be encouraged. So share milking has been encouraged to work into an autonomous enterprise over time.
- SFA has partnered with the Minnesota Department of Agriculture and MnSCU Farm Business Management to promote enrollment in FBM by organic producers. Due to increased enrollment of organic producers, FBM now has a growing database of benchmark numbers to use for comparing profitability of these farms to other segments of the industry.
- In late 2007, SFA secured \$7,000 from the West Central Regional Sustainable Development Partnership (WCRSDP) to underwrite the costs associated with surveying the need for a dairy labor pool in Minnesota. (Herdspeople Training Certification (MN Dairy Labor Development Project) The University of Minnesota Center for Small Towns agreed to work with the SFA MDI steering committee in developing and conducting this survey of a random sample of sustainable dairies and Minnesota Milk Producer Association member dairies. The results of this survey are still being tabulated as of late 2008.
- Working Lands Initiative (WLI) is a joint project of the USFWS, MN DNR, NRCS and local partners that encourages farmers to voluntarily adopt environmentally friendly practices by learning about what habitat their land hosts and adjusting their farming habits to accommodate these ecosystems. There is some modest grant funding available to help landowners mitigate invasive plant species and adopt intensive grazing practices. This is a fledgling program that could be of benefit to sustainable grazing farms of all livestock types, especially dairy farms. SFA has partnered in one pilot project located in Pope County this past year and is poised to continue encouraging grazing practices, environmental stewardship and reducing invasive plant species in other targeted regions as they become available. This work has continued through 2008.
- Due to a shortage of organic support infrastructure statewide, there has been a need for more professionals who have skills needed for organic dairy production support. The Department of Agriculture (MDA) has partnered with Wisconsin DACTP and SFA to host day-long workshops in the winter of 2008 called Organic Dairy 101: Workshops for Dairy Support Professionals to assist dairy support professionals to become proficient in the basics of organic systems. This was funded by NCR-SARE and work began in 2007 to plan the locations and content. These workshops drew approximately 150 participants in Minnesota.



### Testimonials

A Southeast Region farm, Theresa Speltz and SFA have collaborated as the farm was planning a milking parlor update and farm transition plan for their grass-based organic dairy. As of year-end 2007, they had decided to renovate an existing barn in lieu of building a new parlor. Adding a

new parlor to their operation didn't give them the cash-flow they needed to take care of the parents during retirement. By incorporating a low-cost parlor design into their existing barn, they saved over \$200k. - **Goodhue County**

SFA continues to work with a Carlton County dairy in a non-team format due to their distance from the dairy belt. SFA and Western MDI are working with this farm's innovative dairy model to expose other dairy producers in central Minnesota with some interesting alternatives to standard dairy





enterprises. Rick Olson has invited the farm to Wadena County as a mentor to farmers there and has taken at least one producer to the farm to expose them to a seasonal, grass-based dairy with on-farm processing. They have recently opened their new on-farm store where they sell farmstead products such as: sausages and cheese made with ingredients from their livestock.

- **Carlton County**

SFA was invited to team meetings with the Sibley County farm family by DPEP. This farm has been working on improving crop and milk quality during tough drought times. They have a goal to include their son and daughter-in-law in their operation and have been trying to figure out how streamline their operation and processes so this can happen.

- **Sibley County**

SFA has worked with this Stearns County farm family for many years and with their attainment of their EQA certification will be retiring their farm from the MDI program after 2007. They will still remain actively involved in leadership roles in the dairy industry and will retain a place on SFA's MDI Steering Committee. It has been through some of their leadership that the Herdsman Project, now the MN Dairy Labor Development Project, got it's first incubation.

- **Stearns County**

SFA helped this Wright County producer on soil fertility and research the implementation of a new dairy parlor. He and his family have been expanding their organic dairy and had rented more acreage to facilitate more cropping and

supporting more cows. Much of the land they had available needed much fertility management due to years of neglect. They also wanted to change their tie-stall arrangement into a pit parlor with better milking equipment. As of September 2008, they started milking in their new swing 12 herringbone parlor. Over the last two years, they transitioned organic, moved their herd to a bedded pack and rebuilt the parlor. The farmer has said, "we're not making much, yet, but I can see the snowball rolling and I'm starting to have fun again in dairy. Our somatic cell count has dropped from 500,000 to under 200,000 and keeps dropping. Even with feeding very little supplement or grain, we're still milking over 50lbs per day and are building the herd from 80 to 120 cows."

- **Wright County**

## Southwest Dairy Profit Teams

- Fifty four farms were enrolled in the program in 2008, 8,310 cows and dairy goat operation.
- Estimated in-kind contributions are \$ 100,723.50.
- Estimated economic impact of their program is \$1,423,184.70.
- This region of the state has had a lot of interest in expansions. In many cases herds are looking at adding an additional 50-100 cows to their operations. The teams in Southwest MN have worked with farms that have added an additional 788 cows as well as other expansion projects that will add an additional cows within the coming year.
- This region partnered and hosted a number of workshops the total of educational contacts is estimated at 1226 for the past year.
- There were 48 dairy farms that applied for the Livestock Investment Grant with a total investment of \$18,054,218.91. SW MN Dairy Profit Group works directly with 24 farms these farms had a total of \$7,745,506.08 of new investment to their farms in the past year.



### Testimonials

"The diagnostic team has helped with the transition of our farm as well as improving our management. The team approach is a plus because it keeps everyone involved with our operation: management, the vet, the nutritionist, the lender, on the same page. And it keeps us as producers on our toes, too." - **Brown County Producer**

"The team approach has helped us get everyone together and on the same page. It has eliminated individual one-sidedness on different issues we were having and got many heads thinking together to come up with solutions. Having a team in place has helped our farm improve our RHA from 17,000 to clearing 19,000 and still climbing. Our farm has never been able to achieve this. Having our team working with us has kept us in the dairy business." - **Brown County Producer**

"Many farms are better off because of the involvement of help received from the Southwest Minnesota Dairy Profit program. Some specific examples include: This program provided support to a farm transitioned their son's into the operations. Through the work of the team they increased production in their present facility and provided ideas and guidance through the transition. This program was instrumental on another farm in assisting the human challenges of brining in a new generation. With the help of team members, this farm in the process of being successfully transitioned. Without this program the farm would most likely have been a last generation farm. I was impressed with how this program addressed the human side of the business and was concerned not only with the farm business, but with the family relationships as well."

**Regional Extension Educator**

- **Dairy, University of Minnesota Extension**

"As a farm business management instructor I have worked on a number of Dairy Profitability teams for my students over the years. I have often seen these teams help dairy farmers become better managers of their dairy businesses. Getting the various professionals together that these dairy farmers work with helps improve everyone's knowledge and understanding of what is happening on the farm."

- **Farm Business Management Instructor**

FSA has had the privilege to be involved with the MDI through participation on Dairy Diagnostics Teams with individual borrowers. The MDI's mission is to energize a healthy and vibrant dairy industry in MN. My experience in working with the MDI has demonstrated the passion the team coordinators have toward pulling together a team of professionals to aid the producer in analyzing their operation in a way to enable them to meet short and long term goals within their operation.

The team consisting of the dairy coordinator and other professionals meets as necessary and focuses on milk quality, herd health, nutrition and rations, reproduction, manure management, farm transfers, remodeling or expansion, and financial progress. Each professional within the team brings their expertise and "piece of the pie" to the table. For FSA, this has been financial guidance and assistance through loan programs along with any other programs that may aid the producer. Being part of the team allows us as the lender or participating lender to gain a clearer perspective on where the operation is today (not just financial), areas which need improvement, potential ways to improve

those areas, and what options there are to get to the goal of improving or taking care of an area to improve the overall operation. As the lender or participating lender, we have the ability to aid in the discussion of changes and improvements suggested, taking into consideration the present financial position of the operation. Unfortunately, in some cases the ideal solution to improve an issue may not be financially feasible at the present for the operator. Thus, the challenge for the group becomes how we can work within the financial limits of the present to enable progress to improve the operation, keeping in mind the overall goals short and long term of the operation.

My experience of being involved on a dairy diagnostic team has been one typically learns more about the operation from the producer and other professionals on the team than one provides information. One of the key points to the MDI program is the recognition of the fact today's dairies are complex in nature and in order to stay competitive and improve profitability requires using all "pieces of the pie", team professionals. For example, a suggested ultimate improvement may seem the best way to go, but if the operation is not in a position at the present to make the jump financially to the ultimate it could very well be the end of the dairy operation. The MDI's mission fits well with the MN FSA's mission in that we are all focused on serving farmers and ranchers and are dedicated to achieving an economically and environmentally sound future for Minnesota Agriculture. Farm Loan Manager Farm Service Agency \*Submitted to Dairy Star 2008





# Southeast Dairy Profit Teams

- 51 farms (with a total of 13,370 cows) enrolled in the dairy profitability program in 2008.
- Estimated in-kind contributions are \$73,820.
- Estimated economic impact of the program is \$ 868,494.86
- Teams in this region are working on working with producers to incorporate Radio Frequency ID tags in their livestock. They have also incorporated technologies grants for producers to purchase computer software, computer upgrades as well as calving cameras and have gained at least one new team because of these grants.
- Dr. Jim Fountaine, DVM, has been analyzing the herd records kept by the farmers he works with. This has helped him estimate the impact of the team’s advice to these producers as well as track the results. Positive changes in herd size, milk production, herd health and reproduction offer immediate feedback to the team and show the producers that progress is being made.



## Testimonials

A three hundred cow farm in Fillmore County went through an expansion project. The barn was overcrowded. Peak milk is 16# higher now on the cows with an estimated gross return of \$185000.

A dairy producer in Steele county with 100 cows has focused more on breeding program and raised his pregnancy rate 4 points and lowered day first breeding the past year; estimate value is \$12000.

A 30 cow herd in Olmsted Co has worked on improving forage quality and raised production 20# per cow, a value of \$20,000.

A milk quality team in Fillmore County has lowered SCC from 388,000 to 136,000 which is \$1350/ month more return in premiums alone.

# Dairy Business Planning Grants

The Dairy Business Planning Grants Program has granted \$ 203,025.30 to producers exploring making some change to their operations in fiscal year 2008. The grants are capped at \$5,000/producer with a requirement of a one-to-one match by the applicant. A number of the producers are looking at expansion, while others are improving their environmental stewardship or refinancing their debt. There are also a few applicants that are exploring transferring the operation to the next generation or exploring and testing their farms for stray voltage. The end result must be a business plan that thoroughly explores making that change. If only 75 percent of all the grant recipients over the past year decide to go forward with their plans, there would be an additional 3501 cows added to the state. At a modest production (18,000 lbs./cow) and conservative milk price (\$12/cwt) \$ 7,562,160 of gross income will be added to the economy of rural Minnesota. In addition, this will result in an additional 70 jobs if one assumes 50 cows/FTE. Appendix C is a map of the 45 producers who applied for and received dairy business planning grants in fiscal year 2008.

# Benchmarks

Despite the belief that the size of a herd and milk production is a predetermined factor or benchmark to the profitability of a dairy enterprise, figures from the 2002-2007 Minnesota State Colleges and University (MnSCU) Farm Business Management Records indicate that a well managed small farm carrying a small debt load can provide a satisfactory level of income for a family. Efficient use of available resources, maintenance of a healthy herd, a base level of \$14.75/cwt of milk and the use of DHIA (or similar) records will in combination generate profits to the dairy enterprise.

While benchmarks are a way to draw a line in the sand as it relates to achieving a certain level of profitability, these can not be stand alone numbers, but can be used as a guide in total. Interest rates, milk marketing conditions, weather, debt load, supply and demand for energy as well as feed supplements and transitional stage of the herd as well as herd health are all variables that can affect the outcome of any given year.

<b>HIRED LABOR</b>	<b>&lt;\$270/cow</b>
<b>TOTAL INTEREST EXPENSE</b>	<b>&lt;\$111/cow</b>
<b>TOTAL DIRECT EXPENSE</b>	<b>&lt;\$10/cwt</b>
<b>MILK PRODUCED</b>	<b>+21,000/cow</b>
<b>CULL RATE</b>	<b>26%</b>
<b>TURNOVER RATE</b>	<b>31%</b>
<b>SCC</b>	<b>&lt;300,000</b>
<b>PERCENT OF BARN CAPACITY</b>	<b>105%</b>
<b>FEED COST/CWT</b>	<b>&lt;\$6.70</b>
<b>MILK PRICE &amp; GOV'T SUPPORT</b>	<b>\$15.90</b>
<b>TOTAL DEBT TO ASSET RATIO</b>	<b>&lt;50%</b>
<b>DEBT PER COW</b>	<b>&lt;\$3000</b>
<b>LABOR HOURS PER COW</b>	<b>&lt;41</b>



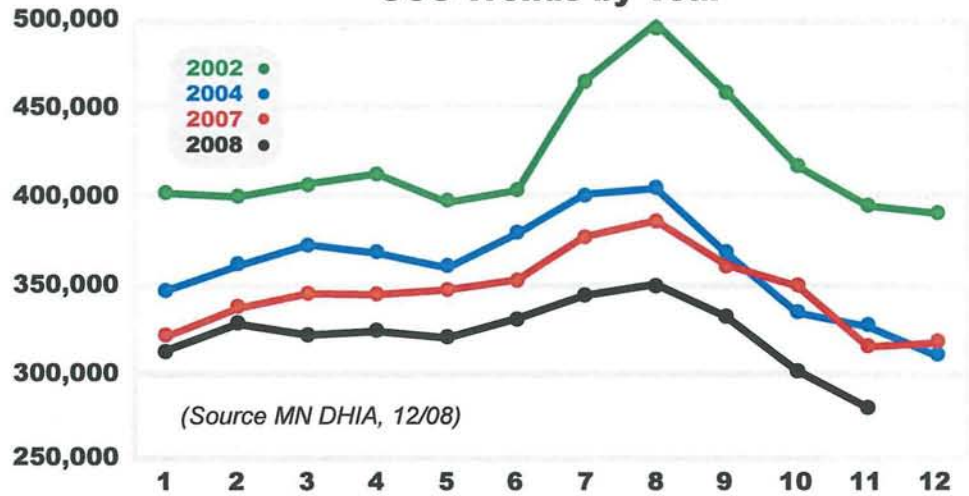
# Quality Count\$

Quality Count\$ was an initiative designed to help increase dairy farmers profitability and milk quality by decreasing their herd somatic cell counts. Quality Count\$ is an initiative that came about thanks to a unique partnership among Minnesota's public and private dairy organizations (University of Minnesota Extension Service, Minnesota Department of Agriculture, Minnesota Dairy Initiative Teams as well as Farm Business Management Instructors and Minnesota's dairy processors) worked together to reduce Somatic Cell Counts to below 300,000.

For calendar 2008, Minnesota's average herd SCC was 328,000 compared to 347,000 for 2007, 363,000 for 2006, 367,000 for 2005, 362,000 for 2004, 397,000 for 2003, and 424,000 for 2002.

Bruce Dokkebakken, of MN DHIA, has been very helpful in tracking SCC as a measure of milk quality of farms within DHIA.

**SCC Trends by Year**



# Special Projects

During the past fiscal year the Minnesota Department of Agriculture in cooperation with the Minnesota Pollution Control Agency worked on a pilot project to encourage recycling of agricultural plastic. Through some joint promotions we were able to eliminate 50 tons of ag. plastic from the waste stream. AGSI recycling from Savage collected and expanded their operations beyond recycling horticultural plastic containers and has plans to expand their service statewide very soon.

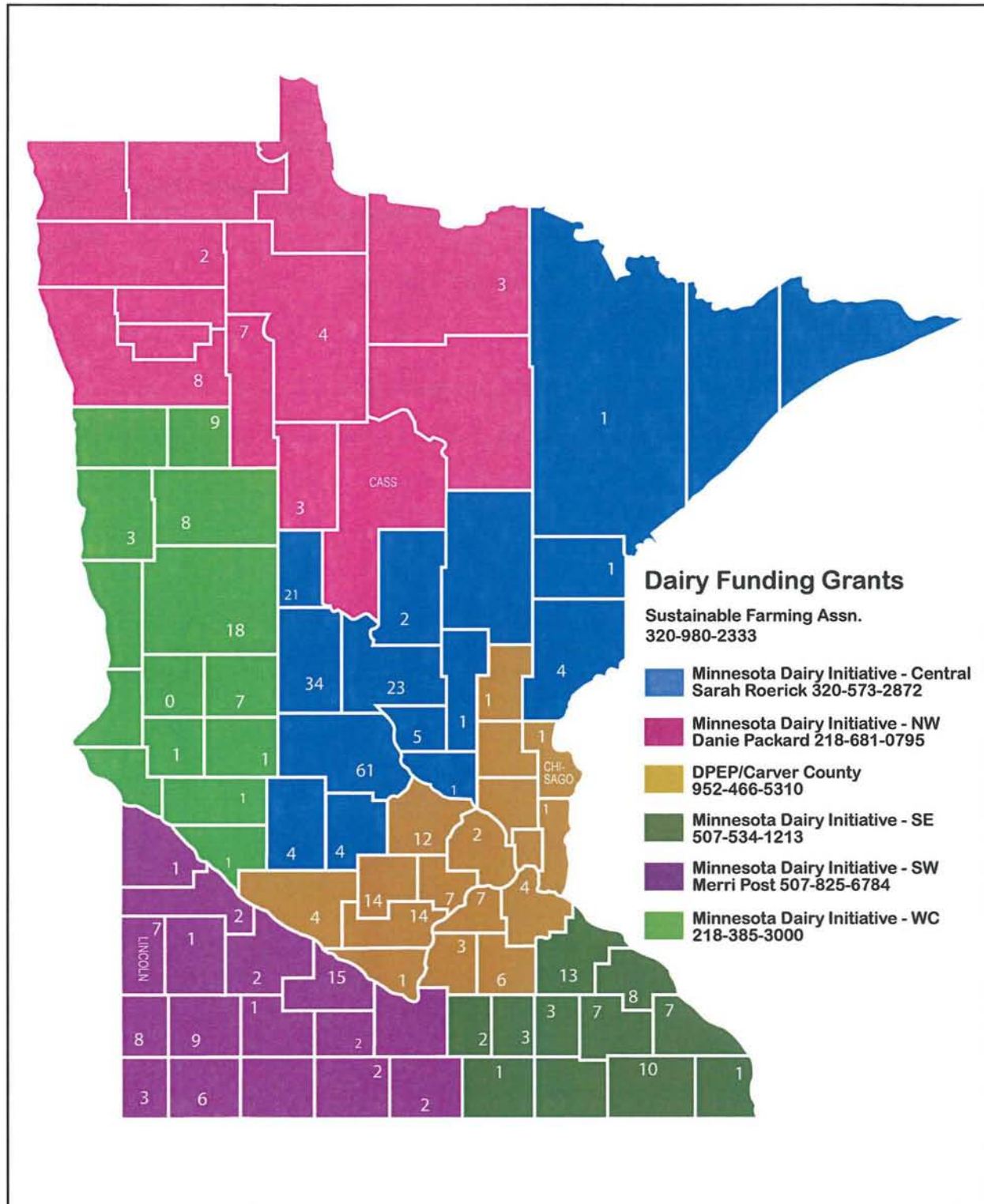






# Appendix A

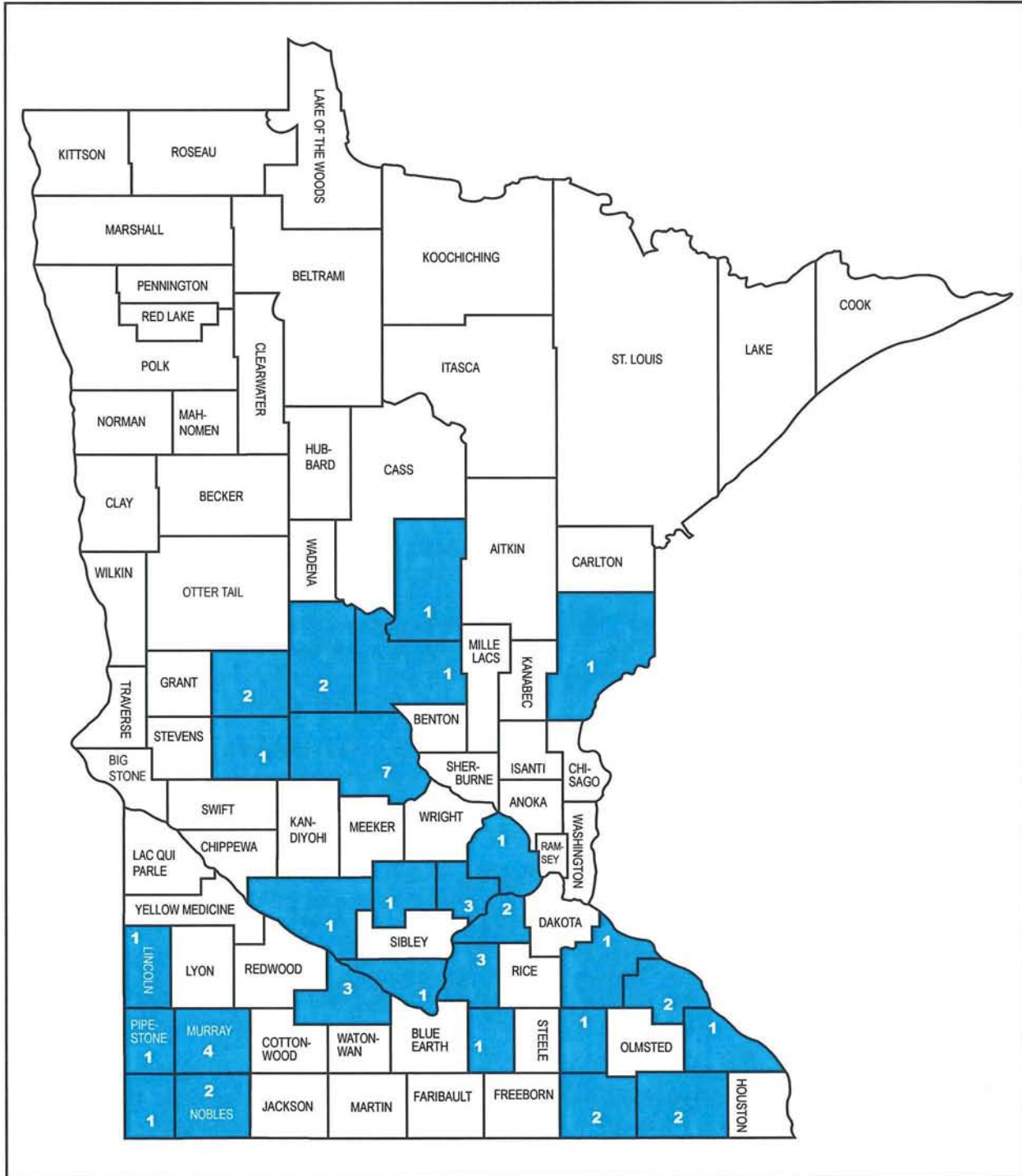
## Dairy Development Profitability and Enhancement Teams and Regions





# Appendix B

## Minnesota Department of Agriculture 2007 Business Planning Grants



45 Dairy Business Planning Grants distributed \$203,025.30 across MN for FY 2008.



## Appendix C

\$960,000 the first year and \$40,000 the second year are to expand the one-on-one educational delivery team system to provide appropriate technologies, including rotational grazing and other sustainable agriculture methods, applicable to small and medium sized dairy farms to enhance the financial success and long-term sustainability of dairy farms in the state. Activities of the dairy diagnostic teams must be spread throughout the dairy producing regions of the state. The teams must consist of farm business management instructors, dairy extension specialists, and dairy industry partners to deliver the informational and technological services. Not later than February 1, 1998, the commissioner shall provide an interim report to the standing committees of the Minnesota senate and house of representatives that deal with agricultural policy issues and funding on activities and accomplishments of the dairy diagnostic teams. The commissioner shall provide a follow-up report to the committees on February 1, 1999. This is a one-time appropriation.

\$1,004,000 the first year and \$1,005,000 the second year are for continuation of the dairy development and profitability enhancement grant program under Laws 1997, chapter 216, section 7, subdivision 2, and to expand the program to include additional dairy business planning and modernization activities. Grants from this appropriation for the dairy development and profitability enhancement programs (formerly known as the "dairy diagnostics program") must require periodic reports to the commissioner on the aggregate changes in producer financial stability, productivity, product quality, animal health, environmental protection, and other performance measures attributable to the program. Information reported to the commissioner must be sufficient to establish regional and statewide performance benchmarks for the dairy industry.

(b) In designing and implementing the dairy development and profitability enhancement program the commissioner must consult with the dairy leaders roundtable, appropriate producer and processor groups, the Minnesota state colleges and universities system, the Minnesota extension service, farm credit services, and other agricultural lending institutions.

(c) Of the appropriation in paragraph

(a), at least \$704,000 the first year and \$705,000 the second year are for the activities of dairy development and profitability enhancement teams. The commissioner must make grants, under contract, to regional or statewide organizations qualified to manage the several components of the program. Each regional or statewide organization must designate a coordinator responsible for overseeing the program and making required reports to the commissioner. Dairy development and profitability enhancement teams are encouraged to engage in activities including, but not limited to, comprehensive financial analysis, risk management education, enhanced milk marketing tools and technologies, five-year business plans, and design and engineering costs. Up to 40 percent of the appropriation under this paragraph may be used to provide producers with technical and environmental compliance support services required to implement dairy environmental quality assurance practices. A producer is eligible for support under any program under paragraphs (a) to (e) for no more than three consecutive calendar years. Grants to producers must not be used for capital improvements or for the start up of a new dairy enterprise.

(d) Of this amount, up to \$300,000 each year may be used as grants to producers of up to \$5,000 per producer to develop comprehensive five-year business plans. (e) The regional and statewide organizations that deliver the dairy development and profitability enhancement program must provide required reports to the commissioner in a format that maintains the confidentiality of business information related to any single dairy producer.

2005 First Special Session Ch. 1 Article 1 Sec. 3 Subdivision 5 \$1,004,000 the first year and \$1,005,000 the second year are for continuation of the dairy development and profitability enhancement and dairy business planning grant programs established under Laws 1997, chapter 216, section 7, subdivision 2, and Laws 2001, First Special Session chapter 2, section 9, subdivision 2. The commissioner may allocate the available sums among permissible activities, including efforts to improve the quality of milk produced in the state, in the proportion which the commissioner deems most beneficial to Minnesota's dairy farmers. The commissioner must submit a work plan detailing plans for expenditures under this program to the chairs of the house and senate committees dealing with agricultural policy and budget on or before the start of each fiscal year. If significant changes are made to the plans in the course of the year, the commissioner must notify the chairs.

2007 Ch. 45 Article 1 Sec. 3 Subdivision 5 \$1,005,000 the first year and \$1,005,000 the second year are for continuation of the dairy development and profitability enhancement and dairy business planning grant programs established under Laws 1997, chapter 216, section 7, subdivision 2, and Laws 2001, First Special Session chapter 2, section 9, subdivision 2. The commissioner may allocate the available sums among permissible activities, including efforts to improve the quality of milk produced in the state in the proportions that the commissioner deems most beneficial to Minnesota's dairy farmers. The commissioner must submit a work plan detailing plans for expenditures under this program to the chairs of the house and senate committees dealing with agricultural policy and budget on or before the start of each fiscal year. If significant changes are made to the plans in the course of the year, the commissioner must notify the chairs.