

Executive Summary Vermont Commission Report to Vermont Legislature

The dairy industry in Vermont in 2018 has seen farm attrition, a leveling off of dairy product processing growth and a decline in milk volume due to a fourth year of milk prices below the total costs of production. These factors are having an impact on rural communities with less dairy farm income to be spent, many of which are the same areas seeing population declines, declining school enrollment and a lack of people to fill existing jobs.

The Vermont Dairy Industry Situation

The chart below shows the challenges for an average size Vermont Farm.

Average Vermont Dairy Farmer – 3.4 million pounds of milk and 170 milking cows

| Category | Total | Total year prior | % change prior year |
|--|-----------|------------------|---------------------|
| Milk Income – 2018 FMMO milk price | \$524,280 | \$570,520 | -8.1% |
| USDA Total Costs 2017 | \$871,420 | \$1,207,680 | -27.8% |
| USDA Value of milking cows 170 cows- 2018 | \$212,500 | \$289,000 | -26.5% |
| USDA Value of Springing Heifer (40/year) 2018 | \$55,000 | \$64,000 | -14.1% |
| Holstein Heifer Calf (40/year) 2018 | \$2,760 | \$8,160 | -66.2% |
| USDA Beef Price Cow (700 lbs. dressed weight) 2018 | \$452.34 | \$486.92 | -3.5% |
| USDA Interest Expense per Cwt. 2017 | \$2,380 | \$1,700 | 40% |

Lower income, value of cows, heifers and calves, beef prices and increasing interest expenses are all impacting dairy farmers ability to cash flow and access credit due to impacts on the balance sheet. The predictions for milk prices in 2019 show an increase of \$1.00/cwt. over 2018 which is helpful but not sufficient to assist all dairy farmers.

Supply Management Working Group

Secretary Tebbetts received a letter from Senator Robert Starr and Representative Carolyn Partridge on May 12, 2018 requesting the Secretary to:

“immediately convene a series of meetings with cooperative leaders to explore implementation of a comprehensive supply management plan for the Vermont dairy industry.”

The letter further requested that the supply management working group be composed of cooperative leadership and their respective economists from St. Albans Cooperative Creamery, Inc., Agri-Mark, Inc., Dairy Farmers of America and Land O’ Lakes as well as Senator Starr and Representative Richard Lawrence who both are appointed to the Vermont Milk Commission. The working groups additional charge included:

“this leadership group should consider and report back to the Vermont Milk Commission about how continued State financial support of the State’s dairy industry can serve as incentive and support for implementation of such a plan.”

The Supply Management Working Group recommended the following parameters surrounding a growth management program to the Vermont Milk Commission:

- Any dairy price stabilization program would need to be implemented at the national level.
- Dairy farmer representation is critical on a board that works with the Federal Government.
- Program must not have barriers to new farmers starting dairy farming operations.
- A two-tiered stabilization program is preferred.

Recommendations on Milk Volume Growth Management

The Milk Commission recommends a Growth Management Plan that would incorporate many detailed rules and regulations but would need to include the following topic areas:

- A dairy farmer governance board working in conjunction with USDA. The National Dairy Board model could be used for farmer representation with addition of a dairy economist and two dairy processors.

- Determination of a base milk volume for individual producers
- Determination of the volume of milk required to meet domestic and export needs as well as a 30-day emergency stock of dairy products, nationally, regionally and to the individual dairy farmer
- A means to provide strong signals to individual dairy farmers that milk over the required domestic and export volume and emergency stock, is not desired
- A means for new dairy farmers to join family operations and or start new individual dairy farms.
- Detailed rules and regulations for the merging of dairy farming operations, the dissolution of farm partnerships and other changes in business structures

The specific recommendations for a Growth Management Plan include:

- Implementation at a national level and must be mandatory for all dairy producers to take part.
- An administrative fee for all dairy farmers and a flat rate is supported.

Recommendations for the Vermont Legislature to support the Vermont Dairy Industry

The situation for the Vermont Dairy Industry is difficult to solve at the State Level. The Milk Commission has discussed several options and three options are shown below that will assist dairy farmers thorough a show of support for the industry and will increase consumption of real dairy products in our state.

Truth in Labeling - The dairy industry believes that Food and Drug Administration (FDA) has the authority to mandate label changes for nut and plant-based beverages to remove the word milk from their labels. The Milk Commission requests that the Vermont House and Senate Committees of Agriculture write comments to the FDA on the concerns with inaccurate labeling of all dairy products by the deadline of January 28, 2019.

All Fat Levels of Milk In Schools and State Feeding Programs - The Milk Commission recommends a full range of dairy products at all fat levels be offered at Vermont Schools and other facilities, such as state prisons, that serve meals and that the state of Vermont increase funding to allow for these changes.

Grants for Upgrades and Installation of Energy Efficiency Activities - The Milk Commission would also like to recommend that the Energy Efficiency Utilities (Efficiency Vermont) institute a granting program to assist dairy farmers to upgrade or add an additional bulk tank, milk chillers, plate coolers and heating and cooling systems for barns (heat pumps). A granting program for all these upgrades and installations, paying up to 75% of the costs with a 25% dairy farmer share, which could be in-kind, would be of great benefits to farmers, the electric grid and the environment.

The Milk Commission also recommends the following to the Vermont Legislature:

- Protect the Use Tax Abatement (Current Use) Program by not allowing changes that will increase the farmer cost.
- Carbon Tax – Do not impact farmers twice by implementing a carbon tax and placing requirements on farmers to implement practices to reduce greenhouse gas emissions or mitigate climate change.
- Don't over regulate –All farmers should be allowed to work on adopting and adapting to new regulations without continued updates and changes to these regulations. Do not implement regulations that will raise costs to dairy farmers.
- The Legislature should consider providing incentives and assistance for dairy processing facilities to be developed and to upgrade facilities.
- Broadband coverage for the state – There is still a lack of reliable broadband coverage throughout the state. Agriculture has ever growing needs for high speed broadband coverage for using the internet to price and market products and inputs as well the use of precision agriculture.