

CALL FOR BOLD ACTION:

Harness the Power!

*GOVERNOR AND LEGISLATIVE BLUE RIBBON TASK FORCE
TO REVITALIZE THE VERMONT DAIRY INDUSTRY*

Cabinet Members and Legislative Chairs

Submitted to: Honorable Phil Scott, Governor
Vermont Legislature

Roger Allbee and Dan Smith, February 20, 2020

Our Proposal

1. Establish Task Force, Spring, 2020

- *Cabinet Secretaries*
 - Agency of Agriculture
 - Agency of Natural Resources
 - Agency of Commerce and Community Development
- *Legislative Chairs*
House and Senate Committees on Agriculture, Natural Resources, and Commerce and Community Development

Task Force Mandate:

Harness and Integrate State Dairy Powers

1. Milk market price/supply regulation
 - 1a. Water quality/farm practice regulatory oversight
2. Innovative economic development
3. Reduce state fiscal outlay

2. Administrative rulemaking

Implement Legislative and Administrative Action, 2020-22

Vermont Dairy Industry in Crisis

Market Consolidation, concentration and firm expansion; lack of antitrust law and federal market regulation; lack of supply management program

	2000	2010	2015	2018	2019
➤ Conv. dairy farms	1549	778	593	469	421
➤ Conv. milk prod.	2.6 bil lbs		2.45 bil lbs		

Annual producer pay price receipts \$450 mil

Annual milk product. cash flow cost 525 mil

Annual milk prod. cash flow loss \$(75 mil)

Externality cost (???)

Annual State on-farm support (\$25-40 mil)

Annual State/fed water payments (\$25 mil/\$80 mil)

Vermont Dairy Industry Transformed

2000

2.7 bil lbs conventional milk production
+/- \$1.2 Bil In-state Econ Activity

- +/- 2 bil lbs exported to Boston beverage milk market + shipments to W. Springfield powder plant for balancing
- **+/- 650 mil lbs in-state processing and manufacturing**
- +/- 50 mil lbs organic and farmstead operations

2020

2.7 bil milk production
+/- \$2.2 Bil In-state Econ Activity

- **+/- 1.5 bil lbs in-state base processing and manufacturing**
- +/- 900 mil lbs exported to Boston beverage milk market + shipments to W. Springfield powder plant for balancing
- +/- 250 mil lbs organic and farmstead operations

Revitalized Future For the VT Dairy Industry

No Change

2030: +/- 100 operating farms
+/- 1.5 bil lbs raw milk production/year
+/- \$1.5 Bil In-state Econ Activity

\$300 mil Mailbox receipts
350 mil Milk Prod. Cash flow cost

(\$ 50 mil) Annual loss
(???) Externality cost

\$25-40 mil Annual State support
\$80-100 mil water quality payment

Proposed Integrated State Action

2030: +/- 600 operating farms
+/- 2.2 bil lbs raw milk production/year
+/- \$2.8 Bil In-state Econ Activity

\$592 mil Mailbox receipts
570 mil Cash flow cost

\$ 22 mil Annual profit (3.5%)

\$20 mil Annual State support
\$ 5 mil water quality payment

Disaggregated State Policy Action

Remote and Limited Market Regulation

- Outdated federal price regulation
- No State regulation
- No supply management

2 buyers for 421 Farms

*+/- 1.5 bil lbs
of unregulated raw milk
production now processed
and manufactured
in-state*

Diffuse Oversight of Farm Practices/Water Quality

- ✓ Fed Ct Consent decree
- ✓ USDA
- ✓ State Agency of Natural Resources
- ✓ State Agency of Agriculture

*No whole farm nutrient
management*

Uncoordinated Economic Development

✧ Primarily on-farm

- Current use; purchase of development rights; grants; marketing promotion; niche

✧ Limited support for dominant manufacture and process sector

- Ben & Jerry's, Cabot, Booth Bros, Commonwealth Dairy, Thomas, Organics

Vermont companies are the national leaders of this high valued brand segment of the dairy industry

Proposed Integrated State Action: **Harness the Power**

Integrated State Milk Market Regulation and Dairy Farm Practice Oversight

NEW CROSS-AGENCY REGULATORY ENTITY

- *Regulated, profitable producer pricing*
 - tiered to farm size (Maine model)
- **Regulated Supply Management**
 - ✓ Whole farm nutrient management planning
 - ✓ Enhanced water quality clean up
 - ✓ Reduced externality costs
 - All costs internalized in milk price

Economic Development

Promote Leading Vermont Brands

- ❖ Rationalize supply chain for raw product
- ❖ Support new market entry and product offerings
- ❖ Utilize more in-state raw milk supply
- Repurpose existing state funding
- Partner with Fed Dairy Innovation Ctr

Reduced state fiscal outlay, promote public interest in open spaces and improved water quality, and rationalize future sustainability for Vermont dairy industry