

# Dairy Update

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TASK FORCE TO REVITALIZE THE VERMONT DAIRY INDUSTRY

AUGUST 29, 2022

DIANE BOTHFELD, DIRECTOR OF ADMINISTRATIVE SERVICES AND DAIRY POLICY

VERMONT AGENCY OF AGRICULTURE, FOOD AND MARKETS



# Dairy Update – August 29, 2022

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## ➤ **Topics**

- Vermont Dairy Farms
- Vermont Milk Production
- Cost of Production
- Milk Prices
- Dairy Margin Coverage Program History
- Dairy Margin Coverage Reimbursement Program -Dairy Risk Management Assistance Program

# Dairy Update – August 29, 2022

## Vermont Cow Dairy Farm Numbers – Agency of Agriculture Dairy Section

cows													% change	% change	
County	Jan.	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	prior month	since Jan.	Average #
Addison	86	87	87	86	86	82	79	78					-1.27%	-9.30%	84
Bennington	9	9	9	9	9	8	7	8					14.29%	-11.11%	9
Caledonia	50	50	50	49	49	49	49	49					0.00%	-2.00%	49
Chittenden	25	26	26	27	27	27	27	27					0.00%	8.00%	27
Essex	10	10	10	10	10	10	10	10					0.00%	0.00%	10
Franklin	105	104	104	107	107	107	105	104					-0.95%	-0.95%	105
Grand Isle	9	9	9	9	9	9	8	8					0.00%	-11.11%	9
Lamoille	24	24	24	24	24	24	24	24					0.00%	0.00%	24
Orange	53	53	53	52	51	52	51	50					-1.96%	-5.66%	52
Orleans	91	91	91	92	92	87	87	87					0.00%	-4.40%	90
Rutland	39	39	39	40	40	40	38	37					-2.63%	-5.13%	39
Washington	20	20	20	19	19	19	18	18					0.00%	-10.00%	19
Windham	19	19	19	19	19	19	19	19					0.00%	0.00%	19
Windsor	23	23	23	23	23	23	22	22					0.00%	-4.35%	23
<b>TOTAL</b>	<b>563</b>	<b>564</b>	<b>564</b>	<b>566</b>	<b>565</b>	<b>556</b>	<b>544</b>	<b>541</b>					<b>-0.55%</b>	<b>-3.91%</b>	<b>558</b>

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Vermont Cow Dairy Farm Numbers – Agency of Agriculture Dairy Section

cows						
County	2017	2018	2019	2020	2021	2022 to date
Addison	115	108	103	97	88	84
Bennington	13	12	12	10	10	9
Caledonia	62	58	53	50	51	49
Chittenden	53	42	39	40	28	27
Essex	16	14	13	12	10	10
Franklin	141	130	119	114	109	105
Grand Isle	15	13	12	10	9	9
Lamoille	28	26	26	24	24	24
Orange	73	66	61	56	56	52
Orleans	127	119	111	103	93	90
Rutland	60	53	48	43	38	39
Washington	38	35	30	28	22	19
Windham	22	22	23	22	19	19
Windsor	31	28	28	29	26	23
TOTAL	796	725	677	636	583	558

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Vermont Cow Dairy Farm Numbers –  
Organic from NOFA and On-Farm  
Processing from Agency of Agriculture  
Dairy Section

A part of the total of farm numbers in  
Vermont.

## Organic Dairies

2017	2018	2019	2020	2021	2022
199	190	187	169	162	155

## On-Farm Processors - includes Cow, Goat and Sheep

2017	2018	2019	2020	2021	2022
68	63	66	67	70	70

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2017	2018	2019	2020	2021	2022 thru June
2.728	2.680	2.695	2.602	2.564	1.282

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MILK PRODUCTION – USDA  
DATA MONTHLY FROM  
SURVEY USDA NASS

BILLION POUNDS

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➤ Milk Volume from Organic

➤ Organic

➤ milk production from NOFA-VT Cost of Production data

	2017	2018	2019	2020	2021
Farm Numbers – NOFA	199	190	187	169	162
Average milk per farm – NOFA LBS	1,294,173	1,368,500	1,163,051	1,191,156	1,338,330
Estimated total milk volume LBS	257,540,427	260,015,000	217,490,537	201,305,364	216,809,460

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	2017	2018	2019	2020	2021
Farm Numbers	68	63	66	67	70
under 500	36	34	35	36	37
Estimated Volume per year	6,570,000	6,205,000	6,387,500	6,570,000	6,752,500
500 to 10,000	26	23	24	25	27
Estimated Volume per year	49,822,500	44,073,750	45,990,000	47,906,250	51,738,750
10,000 to 50,000	6	6	6	6	6
Estimated milk volume	65,700,000	65,700,000	65,700,000	65,700,000	65,700,000
<b>Total Estimated Milk Volume</b>	<b>122,092,500</b>	<b>115,978,750</b>	<b>118,077,500</b>	<b>120,176,250</b>	<b>124,191,250</b>

- On Farm Processors
- License with the Agency based on volume processed per day.
- Majority are small – less than 500 pounds of milk per day
- Estimate of volume processed.



## Cost of Production – USDA Conventional Dairy

	2017	2018	2019	2020	2021
<b>Gross value of production</b>					
Milk sold	21.60	19.80	22.28	21.19	22.48
Cattle	1.11	1.02	1.00	1.03	1.13
Other income <sup>1</sup>	0.65	0.66	0.69	0.67	0.79
Total, gross value of production	23.36	21.48	23.97	22.89	24.40
<b>Operating costs</b>					
Purchased feed	5.96	6.20	6.61	6.36	9.63
Homegrown harvested feed	5.33	6.10	6.51	6.08	6.80
Grazed feed	0.19	0.28	0.23	0.23	0.21
Total, feed costs	11.48	12.58	13.35	12.67	16.64
Veterinary and medicine	0.50	0.51	0.52	0.52	0.54
Bedding and litter	0.43	0.43	0.44	0.44	0.46
Marketing	0.27	0.27	0.28	0.28	0.29
Custom services	0.74	0.76	0.77	0.77	0.80
Fuel, lube, and electricity	1.05	1.18	1.22	1.03	1.04
Repairs	1.03	1.07	1.10	1.10	1.23
Other, operating costs <sup>2</sup>	0.02	0.02	0.02	0.02	0.02
Interest on operating capital	0.08	0.18	0.18	0.04	0.01
Total, operating costs	15.60	17.00	17.88	16.87	21.03
<b>Allocated overhead</b>					
Hired labor	2.51	2.59	2.81	2.94	3.03
Opportunity cost of unpaid labor	4.66	4.67	4.64	4.56	4.78
Capital recovery of machinery and equipment <sup>3</sup>	5.53	5.72	5.87	5.91	6.61
Opportunity cost of land	0.05	0.08	0.06	0.06	0.05
Taxes and insurance	0.35	0.35	0.36	0.36	0.37
General farm overhead	0.81	0.84	0.86	0.87	0.94
Total, allocated overhead	13.91	14.25	14.60	14.70	15.78
<b>Costs listed</b>					
Total, costs listed	29.51	31.25	32.48	31.57	36.81
<b>Net value</b>					
Value of production less total costs listed	-6.15	-9.77	-8.51	-8.68	-12.41
Value of production less operating costs	7.76	4.48	6.09	6.02	3.37

GROSS VALUE OF PRODUCTION	2017	2018	2019	2020	2021
Milk sold	21.60	19.80	22.28	21.19	22.48
Cattle	1.11	1.02	1.00	1.03	1.13
Other income <sup>1</sup>	0.65	0.66	0.69	0.67	0.79
Total, gross value of production	23.36	21.48	23.97	22.89	24.40
Operating costs total					
Total, operating costs	15.60	17.00	17.88	16.87	21.03
Specific Operating Costs					
Total, feed costs	11.48	12.58	13.35	12.67	16.64
Fuel, lube, and electricity	1.05	1.18	1.22	1.03	1.04
Allocated overhead					
Hired labor	2.51	2.59	2.81	2.94	3.03
Opportunity cost of unpaid labor	4.66	4.67	4.64	4.56	4.78
Capital recovery of machinery and equipment <sup>3</sup>	5.53	5.72	5.87	5.91	6.61

# Dairy Update – August 29, 2022

## Specific Operating Costs –

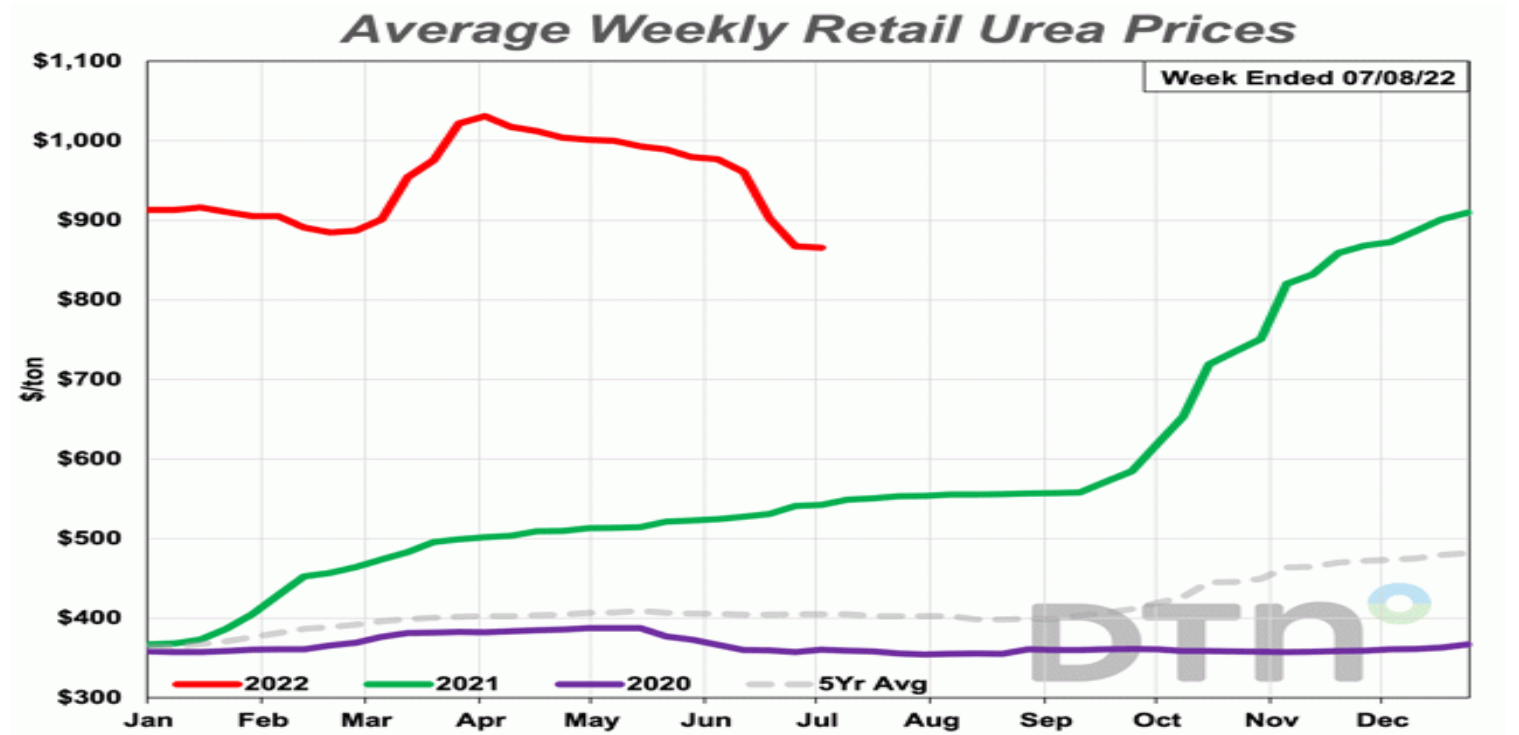
- Labor
- Feed
- Fuel,
- Capital cost recovery on equipment

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Cost concerns for 2022 for conventional dairy farms

Fertilizer – urea prices for industry organization

Diesel fuel – from US Energy Information Administration



New England (PADD 1A) No 2 Diesel Retail Prices (Dollars per Gallon)	2017	2018	2019	2020	2021	2022 thru July
	\$2.69	\$3.24	\$3.13	\$2.73	\$3.22	\$5.18

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➤ Organic Cost of Production NOFA  
Vermont Study

➤ Not calculated in the same manner as  
USDA

	2017	2018	2019	2020
Milk Price	\$36.90	\$33.80	\$34.35	\$33.85
Total Cash Income	\$39.97	\$36.58	\$37.14	\$36.68
Total Cash Expenses	\$30.72	\$26.67	\$26.03	\$26.86

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- Organic Farmers additional concern
- Organic High Cost of Feed especially Soybean Meal

		USDA Dealer FOB Elevator/Warehouse Organic Grain	USDA Grower FOB farm gate Organic Hay
	Morrison Feed Vermont	Spot Transactions	Alfalfa hay -Ave.
	Corn Meal/ton	Soybean meal per ton	premium large bales \$/ton
2017 Nov & Dec		\$827.68	\$273.33
2018	\$439.67	\$849.88	\$295.22
2019	\$395.83	\$857.60	\$214.19
2020	\$363.33	\$844.59	\$217.45
2021	\$335.00	\$1,334.47	\$271.77
2022 thru July	\$408.57	\$1,582.81	\$325.00

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- Horizon Organic Update
- A year ago, notice to 28 Vermont organic dairy farms that contract ending in a year
- Horizon extended this to end of February 2023
- Task force started in 2021 – Results
  - 8 farms ceased operations
  - 11 farms secured a market with Organic Valley
  - 7 farms secured a markets with Stonyfield
  - 1 farm is choosing to return to the conventional market
  - 1 farm is still working to secure a market
    - Needed structural changes on the farm to meet requirements of the market

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- Horizon Organic Update
- Horizon Promised
  - Extend Contract through February 2023.
  - Provide financial support - \$2/cwt for the last 6 months of milk production
  - Financial Planning services for farms for free
- Willingness to co-invest in:
  - Infrastructure
  - Hauling
  - Processing
  - Work with regional stakeholders to explore co-investment.

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- Organic Update
- Funding available to assist farms with transition to new market
  - Buyer being patient with changes – farms switched markets with a plan to implement but did not all have to be completed
- Dairy Business Innovation Center Program
  - On-farm milk handling grant - dairy farmers with funds that support the purchase and supplies to improve milk storage, handling and energy efficiencies.
  - Dairy farm innovation grant - community and climate forward farm production and business operation models.
- USDA Organic Certification Cost Share
  - Farmers can receive up to 50% of certification costs for crops, livestock, wild crops, and handling.
- Organic Dairy Funds from Vermont Legislature - \$200,000
  - Will be used in conjunction with programs above to cover costs not covered by USDA grants – especially construction



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Milk Prices	2017	2018	2019	2020	2021	2022 thru July
Statistical Uniform Price Middlebury Location FMMO	\$16.78	\$15.44	\$17.46	\$16.45	\$17.23	\$24.65
All Milk Price USDA DMC Price National	\$17.62	\$16.18	\$18.60	\$18.31	\$18.69	\$26.02
Mailbox Price - New England States FMMO	\$18.66	\$16.98	\$19.03	\$17.67	\$18.74	\$25.68

Note Mailbox price through May 2022

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Conventional Milk Price Predictions for 2023 – Agri-Mark from August 24, 2022

Middlebury Location

January	\$ 21.83
February	\$ 21.39
March	\$ 21.08
April	\$ 20.68
May	\$ 20.49
June	\$ 20.41
July	\$ 20.11
August	\$ 20.04
September	\$ 20.05
October	\$ 20.15
November	\$ 20.12
December	\$ 20.09
<b>Average</b>	<b>\$ 20.54</b>

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- Dairy Margin Coverage Program
- Past enrollment, average payments, total payments and premium payments for Vermont

Vermont	USDA Data on Dairy Margin Coverage Program			
	2019	2020	2021	2022
Enrolled Operations	585	129	483	429
Ave. Payment Per operation	\$17,736.63	\$16,334.79	\$58,570.25	\$0.00
Total Payment	\$10,375,928.00	\$2,107,188.00	\$28,289,432.00	\$0.00
Premium payments				\$1,467,572

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- Dairy Risk Management Assistance Program -Dairy Margin Coverage Reimbursement Program
- ARPA funding
  - Requires a Questionnaire on how funds to be used
  - Approval for use and application form from Agency of Administration
- Working with USDA Farm Services Agency for information
  - Farmers do not have to pay for program until September 1, 2022
  - Waiver for farmers for USDA to share payment information with Agency
  - Farms that have ceased operations are pro rated for USDA premium payment
    - Communicating farm closures with USDA so farmers pay correct amount and are reimbursed for correct amount
  - First batch of paid information to Agency from USDA on August 3, 2022 – 85 farms - 344
  - Application out to farmers for Agency reimbursement – 19 correct applications returned to date
  - Payments to begin week of August 29

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- Dairy Risk Management Assistance Program -Dairy Margin Coverage Reimbursement Program information on 85 paid farmer coverage
- Lowest payment - \$744
- Highest – cap of \$7,500
- Average - \$4,036
- Number at cap – 23 – indicates 5 million pounds of milk covered under tier one in USDA program
- Next batch to be sent to the Agency week of September 5
- Expect to be managing this program through late October 2022

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- Dairy Risk Management Assistance Program -Dairy Margin Coverage Reimbursement Program
- Potential for remaining funds – \$1,132,428
- Utilize funds for 2023 year
- Work with USDA on program announcement
  - Reimbursement funds will be first come, first served
  - Must pay for the program in full
  - Predictions for next year – expect payments

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DMC Margin predictions for end of 2022 and 2023 – Agri-Mark August 24, 2022

Month	Predicted Margin
July	\$ 12.67
August	\$ 11.44
September	\$ 11.70
October	\$ 11.19
November	\$ 10.78
December	\$ 11.08
<b>Average</b>	<b>\$ 11.48</b>
January	\$ 10.12
February	\$ 9.85
March	\$ 9.78
April	\$ 9.35
May	\$ 8.95
June	\$ 8.84
July	\$ 8.54
August	\$ 8.57
September	\$ 8.69
October	\$ 8.79
November	\$ 8.76
December	\$ 9.22
<b>Average</b>	<b>\$ 9.12</b>

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- Dairy Risk Management Assistance Program -Dairy Margin Coverage Reimbursement Program
- Calendar year 2023 program
- Expect sign up period to begin in October through mid December
- Message with USDA that there is a limited amount of reimbursement money available
  - Assistance will be first come, first served but need to have premium amount paid in full to be considered
  - Can communicate with Legislature and USDA on what total premium amount is, how many paid up front and how much premium cannot be covered



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Questions