

Options for Danone Horizon Farmers

The Vermont Danone Horizon Task Force has been working toward solutions for the impacted farms since September 2021. There have been many activities and the work is still ongoing. There is a separate document that provides additional information on this work as well as the notes from the task force meetings. Below is a brief overview of the work of the Task Force and next steps. This document also includes the options that the task force has been able to assemble currently. If other options become apparent, they will be shared with the farmers.

Task Force Activities and Other Related Activities

- Collection of data on impacted farms – volume of milk and location of farms. Determine the impact and what could be possible for new hauling routes.
- Farmer Resource List – document with immediate resources published in early September 2021
- Survey of all dairy processors in Vermont and surrounding states to determine if additional organic milk was needed or if a new product line for organic dairy products could be added. 44 dairy processors responded, and the data is provided in the longer report.
- Formation by request of USDA Secretary Vilsack of a regional working group to put together solutions for the situation in the Northeast for dairy. A list of possible solutions was submitted to USDA in December 2021 and USDA has yet to reply. Full list of requests in the longer report.
- Origin of Livestock Rule moved forward at the Federal level – at the office of Management and Budget – a step forward in the process of Federal Rulemaking.
- Vermont Farm Bureau met with counterparts in Maine and New York to discuss the issue.
- Northeast Farmer/Pledge Partnership program. Gary Hirshberg is working with a group in the Northeast to launch a campaign to drive consumer support and purchase of organic dairy products. Launched on January 10, 2022. Goal to drive demand for organic dairy to increase the need for organic milk from farmers.

There are several individuals and organizations continuing to work on the impact to farmers in Vermont as well as the Northeast from the Danone Horizon announcement. The work has not ended and there will be further updates to come.

Options for the Danone Horizon Impacted Farmers

This report has a series of options for the dairy farmers impacted by the loss of contracts from Danone Horizon. These options have been divided into the following categories:

- Bulk Buyers of Milk
- Farm Diversification
- Technical Assistance

The options are formatted to state the needed information, some basic opportunities and challenges, contact information and any additional information. In some cases, contact information is limited due to concerns by processors in Vermont working to keep business changes confidential. In those cases, information will be provided to dairy farmers upon request.

There are many projects going on in Vermont and the region to expand milk processing at existing facilities as well as the building of new processing capacity. The demand by these processors may not support a farms' full volume of milk and may require "balancing" of the milk volume. The existing dairy cooperatives and buyers may have programs to assist farmers to market their milk through the bulk system but also market a specific volume to a processor in Vermont – balancing the milk volume. This may allow farmers to explore providing a volume of milk to a processor as an option as well as taking part in the larger bulk market.

There are many program activities occurring in diversification including work on goat's milk production. Market and consumer research continues to show growing demand for goat's milk cheese across the Northeast. Vermont Creamery is developing their in-state supply with a new project focused on farm financials for those seeking to transition to goats. UVM Extension is also now providing additional support to small dairy ruminant producers, which are free for anyone to access.

For all these options, farmers should work with VHCB Farm Viability program to review all information and check financial impact to the farm.

Bulk Buyers of Milk

Danone Horizon Task Force Option for Dairy Farmers **Option – Join Stonyfield Organic’s Direct Supply Program**

Information:

Farms that meet Stonyfield’s Quality, Location, and Sustainability Standards and Goals may have an opportunity to join their direct supply program, supplying Stonyfield’s Londonderry, NH facility.

Interested farms can contact Jason Johnson, Farmer Relationship Manager for Stonyfield at jason.johnson@us.lactalis.com if they have not already done so. Phone - 802-356-0908. Stonyfield will also do outreach to specific Horizon farms that may be a good match for their current market.

Opportunities –

- Organic Milk Market to be used in Stonyfield’s Organic Yogurt production with long term contracts paid at organic market milk prices.
- Quality program as part of standard contracts.
- Hauling managed by Stonyfield

Challenges –

- A limited number of farms will be able to be absorbed by Stonyfield’s direct supply program.
- Transportation logistics will have to be addressed before actual milk procurement can commence.
- Quality Standards

Farm and Forest Viability can assist with business planning, financial planning and managing transitions. Contact – Calley Hastings, calley@vhcb.org, 802-828-3370

Bulk Buyers of Milk

Danone Horizon Task Force Option for Dairy Farmers Option – Organic Valley(CROPP)

Information:

Organic Valley, CROPP Cooperative, is completing visits with all Horizon Vermont dairy farms that accepted visits. As with any membership opportunity, milk quality, milk routing, processing capacity and other membership requirements all influence if the co-op can bring on a farm. Information will also be shared about the cooperative so the farmer(s) can decide if membership with CROPP Cooperative is something they want. On January 19, 2022 it was widely reported that Organic Valley was bringing on five New York farms that faced termination in late 2021. New members will initially be in a “reserve pool” and offered regional organic pay prices with a slight utilization reduction. The cooperative expects to have a comprehensive internal review of our supply/demand balance done by the end of 1st quarter and is hopeful they can offer additional membership opportunities within 2022, well ahead of Danone Horizon contract termination dates.

Opportunities –

- Market for milk
- Organic pay price
- Cooperative benefits
- Hauling managed by Co-op
- Field and professional staff
- Federal and state farm programs still applicable.

Challenges -

- Review of farms in Vermont ongoing
- Milk Quality
- Milk Routing
- Processing capacity
- Membership requirements

Regional Contacts:

John Cleary, john.cleary@organicvalley.coop - 612-803-9087 – New England West Regional Pool Manager

Mike Brown, michael.brown@organicvalley.coop - 608-625-3296 – New England Regional Pool Manager

Bulk Buyers of Milk

Danone Horizon Task Force Option for Dairy Farmers **Option – Return to the Conventional Market**

Information:

Farms that kept relationship with dairy cooperative – DFA, Agri-Mark and NFO.

Prediction of milk prices in 2022 and 2023 from Agri-Mark, Inc. from January 28, 2022

Month	Predicted Price Boston Market at 3.5% butterfat as of February 11, 2022	USDA Dairy Margin Coverage – Milk - feed price margin
Jan. 2022	\$23.52	\$12.18
Feb.	\$24.05	\$11.93
March	\$24.82	\$12.31
April	\$24.96	\$12.53
May	\$24.63	\$12.21
June	\$24.53	\$11.93
July	\$24.20	\$11.52
Aug.	\$23.85	\$11.02
Sept.	\$23.58	\$10.96
Oct.	\$23.30	\$10.64
Nov.	\$22.88	\$10.14
Dec.	\$22.35	\$10.12
Jan. 2023	\$21.86	\$10.13
Feb.	\$21.67	\$9.92
March	\$21.39	\$9.72

Specific Contact Information for Cooperatives for programs for members – quality, volume, dues, supply management and timing.

DFA – Susan Isham - Sisham@dfamilk.com 315-491-9125

Agri-Mark – Tom Pittman - tpittman@agrimark.net Phone 978-552-5500

NFO – Shelby Biasini sbiasini@nfo.org 802-917-2763

Opportunities –

- Market for milk
- Possible opportunity to market milk to a cheese maker must be discussed with individual co-op
- Hauling managed by Co-op
- USDA Dairy Margin Coverage, Dairy Revenue Protection or Livestock Gross Margin program to manage risk

Challenges –

- Conventional price much lower than organic pay price
- Potential of supply management requirements – dependent on individual cooperative

Farm and Forest Viability can assist with business planning, financial planning and managing transitions.
Contact – Calley Hastings, calley@vhcb.org, 802-828-3370

Farm Diversification

Danone Horizon Task Force Option for Dairy Farmers Option – Change to goat’s milk production

Information:

Milking goats may be an option for some farms. There is demand for goat’s milk in Vermont from Vermont Creamery as well as some smaller goat’s milk cheese makers. A research report was published in early 2021 for the Dairy Business Innovation Center - <https://agriculture.vermont.gov/sheep-goat-dairy-market-conditions-report>

Opportunities-

- Goat’s milk is in demand in Vermont.
- Price for Goats milk is set through contract and is less volatile than conventional cow’s milk pricing
- Vermont locations with a concentration of goat dairies –

Addison	Bennington	Caledonia	Chittenden	Franklin	Essex	Grand Isle	Lamoille	Orange	Orleans	Rutland	Washington	Windsor	Windham
4	3	2	2	4	0	1	2	5	3	4	1	4	5

Challenges-

- Availability of milking goats severely limited – especially genetics needed for milk production
- Research being completed but not ready yet on cost of production - difficult to plan and evaluate
- Investment to retrofit of milk equipment required
- Timing for the business to become profitable and provide income

Vermont Creamery farmer onboarding contact –Sheila Beavin, sbeavin@vermontcreamery.com, 802-479-9371

Assistance with goat management UVM Extension Center for Sustainable Agriculture – contact Kelsie Meehan, UVM Extension, Dairy Herd Management Educator, kelsie.meehan@uvm.edu 802-476-2003

Farm and Forest Viability can assist with business planning, financial planning and managing transitions. Contact – Calley Hastings, calley@vhcb.org, 802-828-3370

Farm Diversification

Danone Horizon Task Force Option for Dairy Farmers **Option – Utilize Own Milk for Value Added Production**

Information:

Producing value added dairy products on your farm is a possible option but includes many steps, investment and extensive planning. In 2020, the Vermont Dairy Marketing Assessment report was published. The dairy marketing assessment was specifically directed to evaluate “the viability of increasing the consumption of Vermont dairy products in major metropolitan markets in New England and the Northeast,” with particular focus given to consumer trends in dairy consumption; market viability of production characteristics, value added products, and Vermont source-identification or branding (e.g. “Made in Vermont”); and funding sources and policy incentives that could help support effective strategies.

<https://agriculture.vermont.gov/document/vermont-dairy-marketing-assessment>

Opportunities-

- Manage own milk volume and price for finished dairy products
- Manage the quality and process for milk to finished product
- Diversified income from farm if some milk is made into products and remainder is marketed

Challenges-

- Investment into processing equipment and storage
- Expertise in making dairy products
- Marketing finished dairy products
- Labor and time to manage cows and farm as well as processing and marketing dairy products
- The time for the business to become established and provide income

Before considering any value-added dairy operation, a review of the regulations governing dairy operations should be reviewed. <https://agriculture.vermont.gov/food-safety-consumer-protection-0/milk-dairy/laws-regulations/general-dairy-regulations> The dairy section at the Vermont Agency of Agriculture, Food and Markets is willing to discuss the regulations in greater detail – contact AGR-Dairy@Vermontgov.onmicrosoft.com or 802-828-2433.

Farm and Forest Viability can assist with business planning, financial planning and managing transitions. Contact – Calley Hastings, calley@vhcb.org, 802-828-3370

Farm Diversification

Danone Horizon Task Force Option for Dairy Farmers **Option – Diversification to other agricultural activities**

Information:

There are other forms of agricultural activities that may fit your farm buildings, land, abilities and markets in Vermont. Production of livestock such as dairy heifers, beef, pork, lamb and meat goats are all options for farms as well as vegetable and fruit production, maple production and crops such as hay, silage, and or hemp. Some farms choose to bring the public to the farm for agritourism activities. Diversification to other forms of agriculture requires planning and preparation for different production costs, cash flow issues, access to slaughter capacity and market access.

Meat and Poultry Slaughter Regulations – The Agency’s website has information regarding the slaughter and processing of meat and poultry in Vermont. The site has a listing of slaughter facilities, regulations for on-farm slaughter and processing and other resources. If you are considering adding livestock and possibly slaughtering, processing and marketing your own meat, please review the materials on this site and reach out for assistance.

<https://agriculture.vermont.gov/food-safety/vermont-meat-poultry-inspection>

Maple Market Information Study – Maple Syrup Market and Growth Opportunities -

<https://agriculture.vermont.gov/form/maple-syrup-markets-growth-opportunities>

Basics of Distribution in Vermont -

https://agriculture.vermont.gov/sites/agriculture/files/documents/Business_Development/Distribution_Primer.pdf

Working with Food Hubs and Distributors in Vermont-

<https://agriculture.vermont.gov/businessdevelopment/business-planning-technical-assistance/working-food-hubs-distributors>

The Vermont Produce Program works with fruit and vegetable farms to enhance produce safety and promote public health. For more information - <https://agriculture.vermont.gov/produceprogram>

Agritourism is a way for Vermont farms to differentiate themselves through authentic experiences that strengthen the Vermont brand and increase product sales -

<https://agriculture.vermont.gov/businessdevelopment/agritourism>

Opportunities-

- Interest in local food
- Diversification can smooth out cash flow instead of relying on one source of income for the farm
- Utilize land and building for a different agricultural product
- Continue to utilize land and buildings (to farm) but with different agricultural product

Challenges-

- Possible increased workload – will additional employees be needed
- If livestock for meat – slaughter capacity is extremely challenging – check local slaughterhouses for possible availability first
- Marketing and Delivery of products may be required – time and or cost
- The timing for the business to become established and to provide income

Farm and Forest Viability can assist with business planning, financial planning and managing transitions.
Contact – Calley Hastings, calley@vhcb.org, 802-828-3370

Farm Diversification

Danone Horizon Task Force Option for Dairy Farmers **Option – Farmland Conservation**

Information:

Vermont has a robust program of land conservation that can help farms keep their land in farming but also to provide revenue for investment into the farm and possible new farming opportunities. Farms are conserved using a legal tool called a conservation easement. While the easement permanently limits development, landowners continue to own and manage their land, and can pass it onto a family member or sell it. The easement allows farming, forestry, and recreational uses to continue, but prevents widespread development of the land.

In exchange for giving up development rights, farmers are paid for the value of those rights. The primary funding source in Vermont for farmland conservation is Vermont Housing and Conservation Board (VHCB), which receives both state and federal funding to conserve farmland. VHCB works closely with land conservation organizations like Vermont Land Trust to help conserve farms. While selling a conservation easement is a competitive process, all types of farms can receive funding. The highest priority for funding is given to farms with high quality agricultural soils, those that are located close to other active or conserved farms, those that are likely to stay in production into the future, and those that are being managed well from both an agricultural and natural resources perspective.

From Vermont Housing and Conservation:

Agriculture plays a major role in shaping Vermont's economy, landscape, and rural character. The Vermont Farmland Conservation Program is focused on retaining the state's quality agricultural land base in strong farming regions of the state. Because of the Board's investment in conservation easements, matched by funding from the Natural Resources Conservation Service, some of Vermont's most productive farmland will remain undeveloped and available for farming in the future.

Since 1987, more 164,000 acres of agricultural land on 765 farms have been conserved with VHCB funds matched with federal funds provided through the Natural Resources Conservation Service. Proceeds from the sale of development rights has contributed to renewed vitality in agriculture, enabling young farmers to purchase farms at an affordable price and helping established farmers to reduce long-term debt, to invest in infrastructure, to make operations more profitable and efficient or to retire. At the same time that some larger dairy farms have consolidated, smaller farms are becoming stronger through diversification, by producing for specialty markets, and by minimizing costs of production. By focusing on conserving contiguous blocks of farmland in traditional farming communities, VHCB's Farmland Conservation Program helps to ensure that farms are not isolated by residential development and communities can continue to support a healthy range of businesses that serve and rely on neighboring farms.

Opportunities-

- Farmland is protected from development and remains available for farming forever
- Funds received can be used to reinvest in the agricultural operation, facilitate a transfer to the next generation, pay off debt, or retire from farming.

Challenges-

- Conservation easements are forever so it is critical for the landowner to fully understand the terms.
- Process can take 18 to 24 months and involves multiple parties
- May not meet the timeline of the Danone Horizon impacted farmers needs

Contact

Stacy Cibula, Agricultural Program Director - s.cibula@vhcb.org or 828-5066

Farm and Forest Viability can assist with business planning, financial planning and managing transitions.

Contact – Calley Hastings, calley@vhcb.org, 802-828-3370

Technical Assistance

Danone Horizon Task Force Option for Dairy Farmers **Option – Succession Planning**

Information:

Succession Planning

Farm Viability can work with farmers on retirement and estate planning, developing new business strategies and plans, identifying successors, management and ownership transfer to new related or unrelated successors, or simply developing an exit strategy.

Opportunities-

- Planned activity versus emergency activity
- Look at all options
- Reduce tax liability or plan for tax implications
- Other employment opportunities exist in Vermont at this time

Challenges-

- Navigating unknown issues
- Market for animals, equipment, and land
- Next career is needed

Farm and Forest Viability can assist with business planning, financial planning and managing transitions. Contact – Calley Hastings, calley@vhcb.org, 802-828-3370

These are the current options, and they may not work for everyone. There are concerns for the “what if”, what if there is not an option or a market for milk at the end of February 2023. That is a concern for the Task Force, and they will continue to work for more options. There are several things that dairy farms can do to make themselves more attractive to a new milk buyer. Below is a list of items to consider for your farm.

1. Organic milk buyers are requiring a bulk tank temperature chart recorder. Some older bulk tanks do not have a temperature chart recorder. These can be retrofitted onto older bulk tanks. Contact your equipment dealer as soon as possible because these units may be back ordered.
2. Bulk tanks need to be of a size that supports every other day pick-up. If the bulk tank on your farm does not support every other day pick up of milk, then changes will need to be made.
3. Hauling is a big issue for all milk buyers and organic milk is no exception. The days of ten-wheel trucks picking up milk will be ending. All driveways and access points need to accommodate tractor trailers to pick up milk. Changes should be made to driveways and access points to accommodate tractor trailers.
4. Animal well-being standards for the dairy industry are also changing. Headlock type stanchions, either wood or metal need to be replaced on farms.
5. Animal well-being standards are also in place for overcrowding. The number of stalls for cattle should not be exceeded by more than 10%.
6. Grazing is required for organic milk production and some organic buyers have more requirements than others. There are resources at UVM Extension to improve grazing practices on farms and the Agency of Agriculture has funding for grazing system improvement.

The Danone Horizon Task Force will be working with instate foundations and the Vermont Legislature to determine if there is funding available to assist farmers with these upgrades.