

Subject: Appropriations Request on Behalf of Organic Dairy Sector

Multiple factors have converged in recent months to create a dire economic situation for our state's organic dairy farms. The combination of inflation, disruptions in the supply of feed grain due to the conflict in Ukraine, and persistent drought caused the price of feed, fuel, labor, and other farm expenses to increase sharply in 2022. At the same time, the pay price organic farmers are receiving has stagnated at around \$8 per hundred pounds of milk ("cwt") below farmers' cost of production.

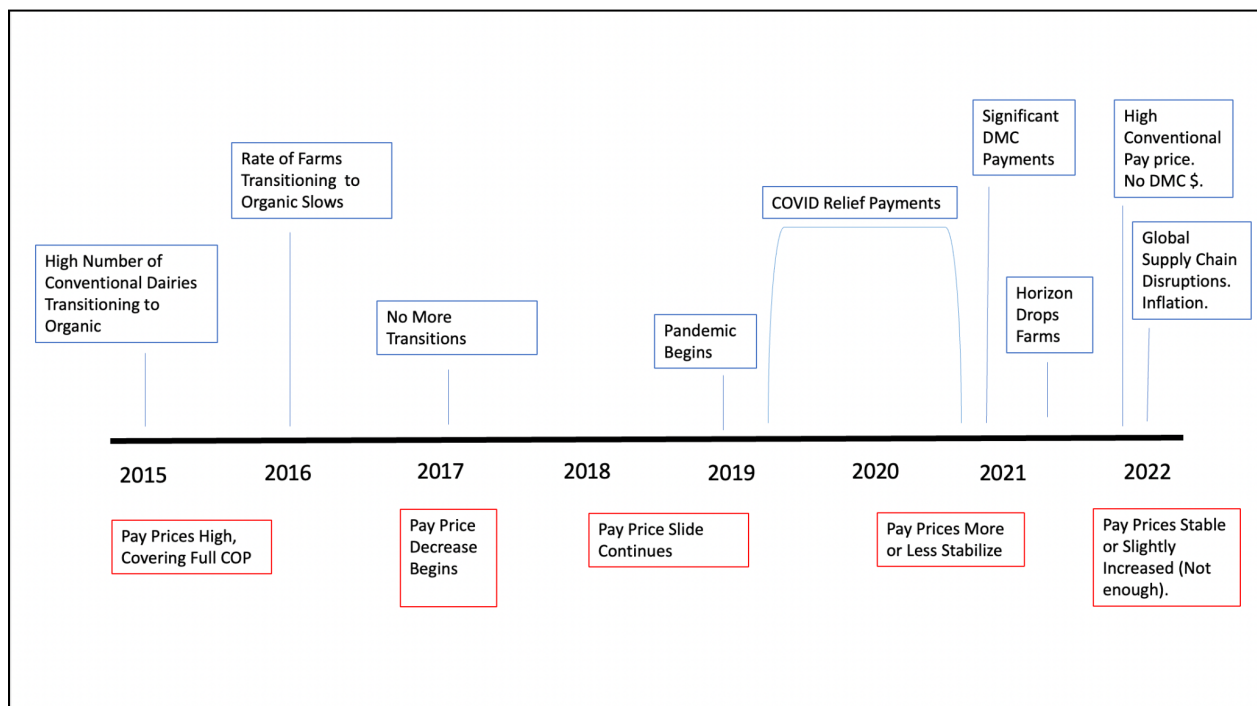


Figure 1: Organic dairy industry overview, 2015-2022 (Source: NOFA-VT farmer services)

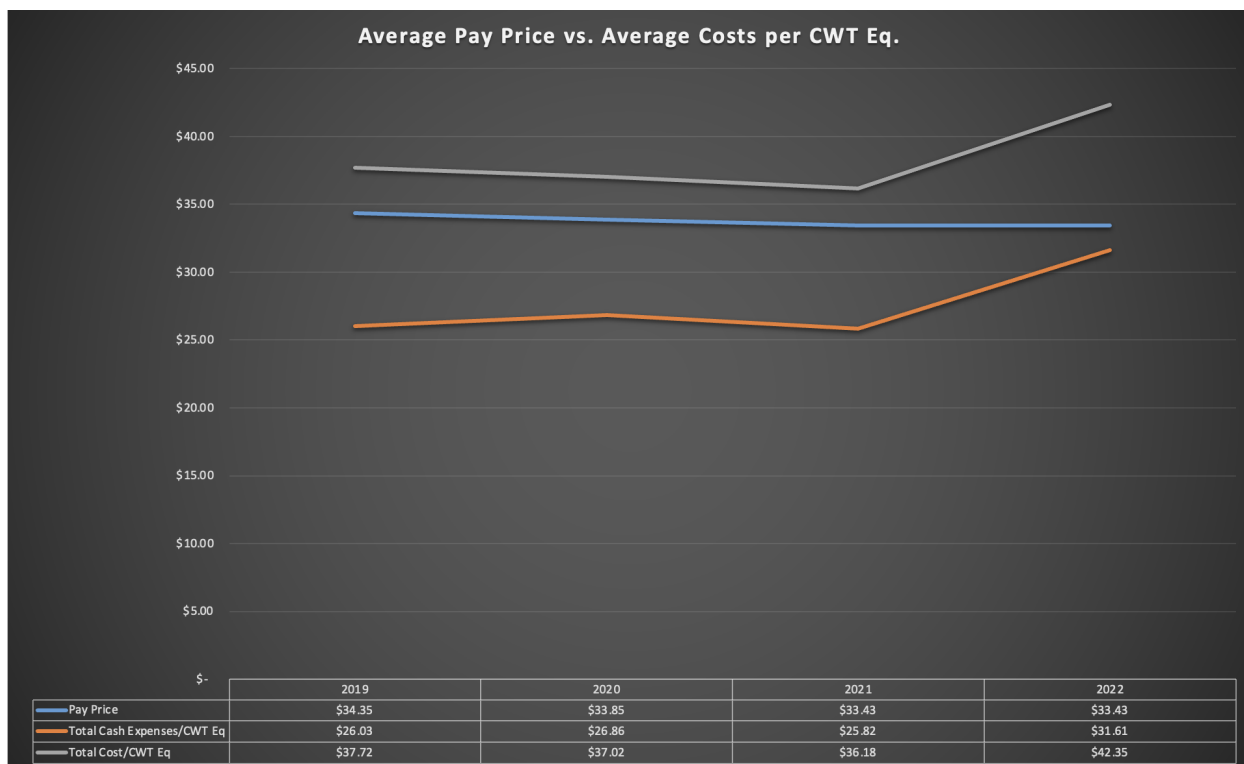


Figure 2, Organic Pay Price vs. Cost of Production (Source: 2021 NOFA-VT COP Project. NOFA-VT Cost of Production (COP) includes operating expenses, family living expenses - including income taxes, principal payments on debt, and capital reserves/infrastructure replacement.)

At the end of 2020, Vermont Organic Farmers certified 169 organic dairies in the state. As of today, 136 remain and we expect to lose 25-30 more in the coming months without swift and substantial intervention.

According to the state's data, the dairy industry generates approximately \$2.2 billion annually in economic benefit to the state¹, or just over \$3.7 million per farm. Since 2021, the loss of 29 organic dairies represents an economic loss to the state of \$109,433,962. Looking forward, the anticipated loss of at least 28 more in the first half of 2023 represents an additional loss of \$105,660,377, for a total of **\$215,094,340 over three years**. In contrast, with the requested support, the state stands to maintain an economic benefit of \$528,301,887 if the 140 remaining organic dairies continue operating.

¹ Task Force to Revitalize the Vermont Dairy Industry: Recommendations (December 17, 2021).

ECONOMIC IMPACT OF ORGANIC DAIRY FARMS					RELIEF SCENARIO
Year	2021	2022	2023		2023
# Organic Dairy Farms Lost	11	18	28		0
\$\$ Impact	-\$41,509,434	-\$67,924,528	-\$105,660,377	-\$215,094,340	\$528,301,887
Organic Dairies at Year End	158	140	112	3 year loss	140

Figure 3, economic impact of organic dairy farms

NOFA-VT is seeking a one-time state appropriation of \$9,200,000 in emergency relief for organic dairies. This figure represents a \$5/cwt retroactive payment on 2022 organic milk production (estimated at 184.2 million lbs, see Figure 4 below) to make up some of the disparity between farmers' cost of production and pay price

		Source:
80	cows (average herd size per farm)	2021 NOFA COP Project
140	organic dairy farms	VOF count of organic farms in Jan 2023
16,448	lbs/cow/year (average milk production)	2021 NOFA COP Project
184217600	lbs organic milk produced	
1842176	cwt organic milk produced	
\$5.00	per cwt for relief	Pay price est. \$8-10 below COP
\$9,210,880	total relief needed	Total cwt produced x \$5
1.74%	request as % of 2023 total economic impact of VT organic dairy	

Figure 4, organic dairy relief calculations

This is a one-time request. The USDA has recently announced the finalization of two critical rules to strengthen the enforcement of organic regulations, including the Origin of Livestock Rule and the Strengthening Organic Enforcement Rule. These rules are long-awaited and widely expected to level the playing field in the organic dairy industry, bringing our producers' cost of production more in line with the national average. Additionally, there will be a strong push for a meaningful organic dairy safety net (similar to the Dairy Margin Coverage program which has been effective in supporting conventional producers) in the 2023 farm bill.

Finally, we believe it is paramount that this relief be included in the Budget Adjustment Act rather than the FY24 Budget. From on-farm discussion with farmers, our work through the Farm Viability program and Organic Dairy Cost of Production (COP) project, we know that at least 25 farms are in a position where they can't or may not be able to keep going. At least six farms have reported being on the cusp of being cut off from grain by their grain companies because they have fallen behind on payments. At least a handful of others have stopped payments on loans or are working on deferring principal payments or refinancing to ease

cash-flow to try for 1 more year. If fuel rises to or above last year, this could be a breaking point. In addition, as we approach the spring months, these farmers' costs will increase further as they use up stored feed and start to incur expenses from harvesting forages. Waiting until the FY24 Budget would greatly risk losing these 25 plus farms, as Organic Valley is still planning their seasonal milk price payment, with a \$2/cwt reduction for May, June and July (farmers' MOST expensive months). This would equate to a \$5/cwt reduction from their current pay price.

A one-time state appropriation will keep these Vermont organic dairies - which are critical to helping the state meet its economic, climate, and food resiliency goals - viable until the combination of a market correction, stronger enforcement of organic regulations, and a federal safety net can be put in place in the next 12-24 months.