

- **List of organic dairy farms that have closed in 2021/22?**

11 lost in 2021, 18 lost in 2022, 4 lost in 2023 as of 2/1/23

AAFM should have the list of specific farms if that's the request. (NOFA-VT can provide geographic locations of at-risk farms as requested.)

- **How many of the farms that closed in this time period were dropped by Horizon and not picked up by OV or Stonyfield?**

There are currently only two farms that were dropped by Horizon that have not been picked up by OV or Stonyfield. (One has an offer from OV but as of late last year was still making a decision about the future of their farm, and one farm was not offered a contract by either OV or Stonyfield - both are still in business). The remaining Horizon contracts end officially at the end of February 2023.

Horizon Farms in VT (26 total, official # was 27 but one farm business has two barns and was counted as two farms)

- 19 farms stayed in business
  - 17 have secured a contract
    - 2 farms that either did not yet accept or were not offered contract still in business currently (fate TBD)
    - 1 farm that secured a contract with and started shipping milk to OV just sold cows in January 2023
  - 5 farms went out of business in the late summer and fall of 2021
    - 3 of these farms were heading that way anyhow (one planned retirement, two with major financial challenges)
    - 2 went out before planned because of getting dropped by Horizon
- **How does NOFA know that 25 farms will close in 2023, and when will it be too late (e.g. is July too late)?**

We know this from on-farm discussions with farmers stating they can't or may not be able to afford to stay 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 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.

We also know from keeping a running list through on-farm discussions and phone conversations, plus our work through the Farm Viability program and Organic Dairy Cost of Production (COP) project. The majority of the farms that have not yet gone out of business but say that they likely will soon are stating that they are holding on until spring to see if any relief comes.

Many farmers are thinking they will sell in the spring after they use up stored feed and before they start to incur more expenses from harvesting forages. **For this reason, getting relief to farmers as soon as possible in the spring is paramount.** Additionally, in the spring months some farms will see a further seasonal reduction in their pay price of \$3 and then \$/2cwt

- **Get more detail on \$5 and \$9 loss calculations, including source of data.** \$5 per cwt is an estimate that would cover the differential in cash (operating) expenses but would not cover full cost of production. (In other words, it would not make farmers whole for 2022 but would allow them to pay off debts, get on stable footing and stay in business until systems change happens). The *projected* difference in cash farm expenses between 2021 and 2022 is an increase of \$6/cwt (meaning that ideally these relief payments would be increased to \$6-7/cwt, if possible).

The projected gap between 2022 average pay price and average cost of production is (\$9.00/cwt). By comparison, the average gap between those two data points in 2021 was (\$2.75/cwt).

Source: NOFA-VT Organic Dairy Cost of Production Project

#### **The milk per cow average is from?**

NOFA-VT's Organic Dairy Cost of Production Project.

- **How long are contracts locked in?** That is dependent on the milk buyer but the most typical contract length is one year. When farms are part of a coop (Organic Valley, Upstate Niagara), they do get an additional amount of security in knowing they have a milk buyer, the x-factor is just whether the pay price offered in the contract is not only stable but sustainable.
- **Was Rep Pearl's farm the one that we lost this week?** No. (Update, as of 2/1/22 we have dropped from 139 to 136 organic dairies.)
- **Clarify impact and timing of new federal SOE rule, specifically around tightening up of supply?** The SOE will require stronger enforcement of organic regulations, including increased traceability and transparency in organic supply chains. In turn (and in concert with the new Organic Transition Initiative from USDA) this will support increased production of domestic organic grain to create a more stable supply chain.
- **Is there another rule coming?** There is one more federal rule coming, the Organic Livestock and Poultry Standards (OLPS) rule that is focused on more clearly defining "outdoor access" and improving animal welfare primarily in poultry operations. However, a critical rule for organic dairy called the [Origin of Livestock](#) rule was finalized in March 2022, and has significant implications for our state's organic dairies. This rule will close a loophole that has

allowed (up to this point) some large producers to continuously transition conventionally raised animals into their operations, flooding the organic milk supply with cheaper "organic" milk. These farms are now raising replacements organically, which will slow the influx of new milk cows to the market, thus slowing milk supply.

Additionally, the NOP has stepped up efforts to strengthen enforcement of the pasture rule, which requires organic producers to have their livestock on pasture at least 120 days/year and to get at least 30% of their dry matter intake (DMI) from pasture. Horizon stated 4 years ago that 10 farms in Texas produced more milk than over 400 total organic farms in the Northeast.

Last year, the Texas Department of Agriculture's accreditation was rescinded by USDA due to pasture rule violations. That action is facing appeal in the courts currently, and will also have significant positive market implications if the accreditation is indeed revoked.

- **How and when is the \$100M in federal funding going to be distributed? Based on cwt?**

The details of this program are not available from USDA yet. We know that this funding "will help eligible organic dairy producers with up to 75 percent of their future projected marketing costs in 2023, based on national estimates of marketing costs" and will come through FSA in Vermont. Payments will be made on a per hundredweight basis.

However, they will only look forward to 2023 production and therefore will not address the losses producers have experienced in 2022 or be timely or substantial enough to meaningfully support producers who are on the brink of closure at this time.

Based on testimony from Vermont's Congressional delegation on February 1, we expect these payments to be on the order of \$2/cwt but have no confirmation or further information about when they will reach producers.

- **Have organic dairy farms been eligible for all Covid relief funds that other businesses were?**

Yes, organic dairy farms have been eligible and the vast majority applied for and received all the state and federal COVID relief funds possible. The vast majority of those funds were distributed in 2020.

- **What are conventional margins currently and historically?**

See attachments.

- **What are specifics of the Dairy Margin Coverage program, and when has it been triggered?**

The basis for these calculations are on conventional corn, soybean and alfalfa cost, compared to conventional milk prices, on a monthly basis. The USDA tracks monthly data on these commodities (conventional), but there is no national data for organic. The USDA has been directed to come up with a data set this year to monitor organic commodities. See attachments.

- **What documentation is available on each farm's loss (suggestion is not to get info from farms but from processors)?**

In order to get this funding out to producers as quickly as possible, we recommend that it is based on 2022 milk production. The three milk buyers in Vermont (Organic Valley, Stonyfield, Upstate Niagara) will be able to provide 2022 milk production information for each of their farms to whatever entity is distributing these relief funds. The amount per cwt of relief funding is grounded in COP data and is needed due to factors (i.e. inflation, drought) that affected all farmers. The universality of their plights negates the need to drastically slow down fund distribution by comparing 2022 financials to previous years' financials.

- **Where will \$9.2M funding come from? Is there existing undersubscribed program funding?**

We have not found any undersubscribed programs this could come from to this point.

- **How will the state distribute the funds?**

If it is allowable to transfer state funds to FSA, having FSA distribute the funds would be the most effective, efficient method of distribution. If that cannot happen, having the Agency distribute the funds using the exact same model as FSA used to distribute CFAP funds would likely be the best option. NOFA-VT has been in conversation with AAFM to develop a workable model for payment distribution and to set up systems for necessary production data collection.