

# FY 2010 Dairy Development and Profitability Enhancement Legislative Report

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# 2010 Legislative Report

## ***Executive Summary***

The Dairy Development and Profitability Enhancement Program has two primary components:

### 1. Dairy Diagnostic Teams

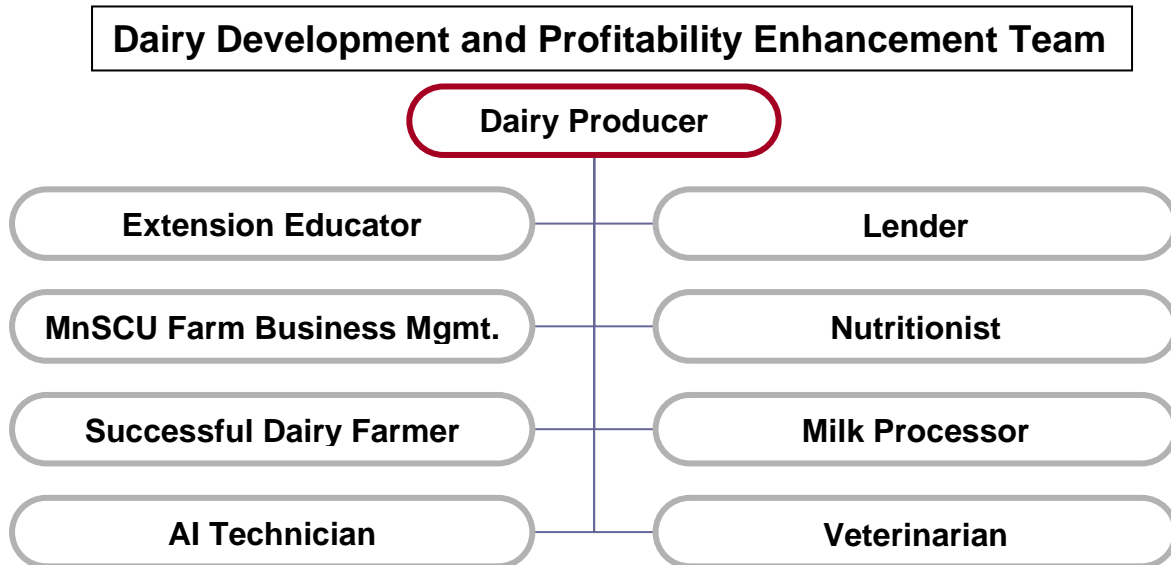
- Based on 2009 farm records analysis, these teams produced a **\$16,659,431.60** return on the state's investment, resulting in a \$30.5 return for every grant dollar spent.
- Significant returns like this occurred through cost savings (reduction of feed, interest or labor expense, etc.), increased herd size and increased profitability (increased milk production, improved milk quality, improved health and other management factors).
- In addition, the program has received in-kind contributions from the dairy industry totaling \$ 950,157.
- The farmers in the program also added 839 new cows to their herds, creating 16 new jobs as well as retaining over 1,034 jobs in Minnesota.

### 2. Dairy Business Planning Grants

- The Dairy Business Planning Grants Program assists producers in positioning themselves for the future. This grant covers 50% of the cost of developing a business plan, up to a maximum of \$3,000.
- A number of producers are exploring expanding their herds, while others are investigating transferring the operation to the next generation, managing debt or investing in feedlot improvements for environmental protection.

## ***Legislative History***

The Dairy Diagnostic Team Grant Program began as a pilot program in 1996. The program was then funded by a biennial appropriation of \$1 million. The program expanded in 1997 to five regional groups and one statewide organization. The 2003 Legislature appropriated \$2 million for the 2004/05 biennium to increase dairy diagnostic efforts and to provide grants to individual farmers for dairy business planning and modernization. For fiscal year 2010, a total of \$546,000 was granted to the program partners.



The above chart shows an example of a Dairy Diagnostic Team. Each team is comprised of people with varying backgrounds and expertise. They work with the farm family to evaluate the current farm operation and future objectives. The team makes recommendations and lists priorities to help the family meet those objectives. The team can also help the farmer redirect resources to meet the objectives. Some recommendations may take longer than others to implement. No two farms are exactly the same, just as no two teams' recommendations are exactly the same. The issues may be similar, but the means for resolving the issues may be very different.

The following is a short progress report on the activities of the grant recipients:

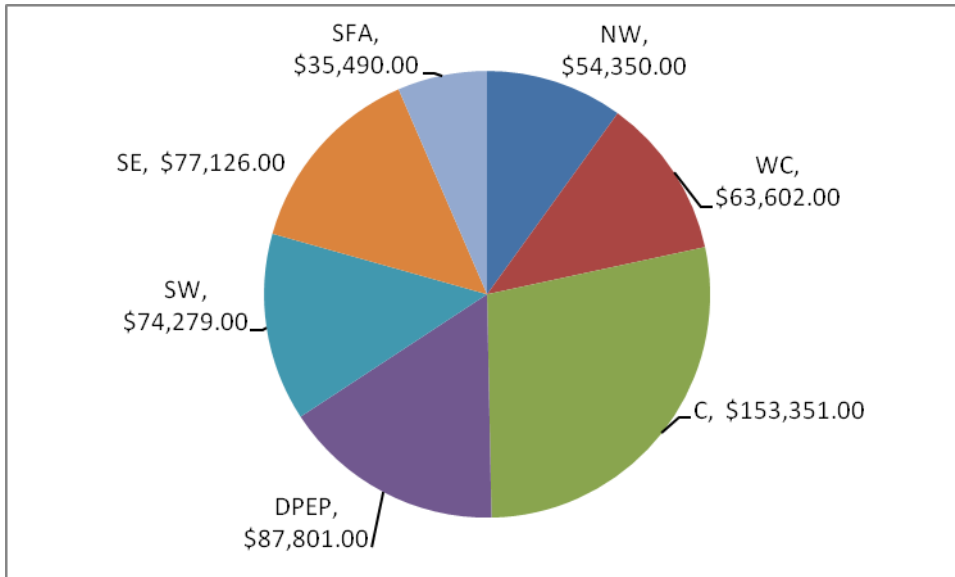
### **Minnesota Dairy Initiative (MDI)**

The MDI is a producer-led initiative to coordinate a comprehensive approach to the delivery of on-farm services to Minnesota's dairy farmers through the Dairy Development and Profitability Enhancement Program (DDPE).

The MDI is a federation of six regional partners, Sustainable Farming Association (SFA), and several affiliated organizations, including the Minnesota Department of Agriculture (MDA), Minnesota Milk Producers Association (MMPA), the University of Minnesota,

Minnesota State Colleges and Universities (MnSCU) through Farm Business Management and other industry groups.

## Distribution of Fiscal Year 2010 Dairy Team Grant



### The Program Partners

Statewide, 366 dairy farms representing 51,713 cows (8% of farms and 11% of the cows respectfully) participated in the program (see attachment B) in FY 2010. Of this total, 345 farmers were enrolled in the six regional groups with the remaining 21 dairy producers working with the Sustainable Farming Association. In addition, there were 5,217 farms that participated in educational programs conducted and lead by the Minnesota Dairy Initiative programs, including organic transition workshops, milker trainings, barn tours, etc. The program is limited to a three-year involvement with the team, but farmers can reapply if they need the team to assist them in their next phase of management.

## **West Central Dairy Profit Teams**

- West Central teams worked with 33 participant herds in 2010 (2385 cows).
- Estimated in-kind contributions for this region are \$6,350.
- In addition there were 203 other farms not enrolled within the program that received educational information from the program through workshops and seminars.
- The economic impact of the program was \$723,693 as a result of improvements in productivity and profitability on these farms.
- West Central is also working with 19 farms dealing with stray voltage, 14 have been able to find and correct their problem to date.
- West Central has sponsored 3 milk marketing seminars within the region.

### West Central Team Testimonials/Observations:

*“Every farm should be tested for stray voltage. After our stray voltage problems were found and fixed, the cows milked out better and they are less jumpy”* Ken Larson, Ottertail County Organic Farmer

*“Dairy Diagnostics is a very positive program for the farmer. Farms we’ve worked with have improved milk production, herd health, water consumption, and SCC.”* Terry Van Dyke, Veterinarian and Feed Consultant

*“I want all my dairy clients to join MDI in order to round out the production side of the business.”* Mark Berg, Farm Business Management Instructor

*“You can’t know everything. It’s good to have someone like Dairy Diagnostics to fall back on if you have a question.”* Daryl Spillum, Clay County Dairy Farmer

*“We checked for stray voltage, found some and fixed it. Our SCC went from 700,000 to 100,000.”* Travis Dickey, Douglas County Dairy Farmer

## **Northwest Dairy Profit Teams**

- There were 23 farms enrolled in this region in 2010, 1,914 cows.
- Estimated in-kind contributions for this region are \$47,372.00.
- The dairy initiatives program does provide good sound return on the money spent on the program. Utilizing the 23 dairy farms impacted by the Northwest Minnesota Dairy Profitability and Enhancement Program would have an economic impact of \$2.4 million dollar increase in profit for this year alone.

- This region has sponsored several educational events including NW Dairy Industry Meetings, Pasture Walks, Compost Barn Construction and operation and Robotic Milking facilities which resulted in an additional 75 farms impacted through this program.
- There remain about fifty dairy operations in the designated TB zone. The producers have learned the system of annual testing, movement certificates, etc.
- Everyone in agriculture is well aware of the financial setback that dairy farms have endured the past year. Even though their milk check grows smaller, each dairy farm remains a significant business for their community. Based on the 2008 MNSCU FBM Database numbers, the average dairy farm spent over \$800,000.00 to operate their business and meet their family living needs. With seventy five dairy farms in the NW area, that means that 98 million dollars were spent by dairy farms alone.

#### Northwest Team Testimonials/Observations:

**Polk County Producer Marlin Olson:**

*"This program has helped me to improve production and to work with the EQUIP program."*

**Clearwater County Producer Steve Marsh:**

*"The Dairy Initiative program sponsored a "Robotic Workshop" which gave me information that I needed to finally decide to work toward the installation of a robotic system."*

**Marshall County Producer Debra Ornquist:**

*The team always finds ways that we can improve efficiency and ultimately produce more milk per cow per day."*

**Beltrami County Producer Paul Weidenborner:**

*The team helped us to finally start to transition the dairy operation to the next generation."*

**Mahnomen County Producer Karen Refshaw:**

*Every visit that the team makes helps us to refine our dairy business, we wish more dairies would open up to the ideas that come from the dairy diagnostic visits.*

**Marshall County Producer Dale Rupprecht:**

*The team helped us to explore ways that we could reduce the costs of our feed so that we could become more profitable.*

## **Dairy Profitability Enhancement Program (DPEP)**

- Fifty four farms, (with a total of 15,153 cattle and goats) were enrolled with DPEP in 2010.

- One hundred seventy industry professionals donate their valuable time to the dairy producers enrolled in the Dairy Profitability Enhancement Program (DPEP). The majority of these professionals serve on multiple teams. They participate in an average of 3.4 meetings per farm per year. This is equivalent to \$226,695 of in-kind contributions to the dairy industry in the DPEP region.
- DPEP also had 220 farms touched through educational programs, workshops, etc.
- DPEP estimates the economic impact of their program is approximately \$1,921,272.
- The financial crisis that the dairy industry is enduring has created an increased need for Dairy Profit Team advisement. Cuts in funding for the Dairy Development and Profitability Program may limit the program's potential to meet the needs of Minnesota's dairy farmers.

#### Dairy Enhancement Program Testimonials and Observations:

*"I really think the program has enabled me to say in the dairy business."*

*Frank Grimm, Sibley County*

*"The program helps us communicate between generations on our farm. It has also been a great helping hand through our expansions, by exploring all avenues and ideas before going ahead."*

*Kraig and Rachelle Krienke, McLeod County*

*"DPEP has provided invaluable sources of information in regards to animal health and expansion projects."*

*David and Angie Tauer, Brown County*

## Central Dairy Profit Teams

One hundred thirty farms in this region worked with this program in 2010. (12,329 cows and dairy goats). There have been 486 new animals added due to expansion within this region. Seventeen of this year's participants were first time enrollees.

- Estimated in-kind contributions are \$468,000.
- Estimated economic impact of their program is \$9,467,872.00 as well as additional \$10,655,998.00 new investment.
- Teams focused on increasing cow numbers, beginning farmers, improved record keeping skills, increasing milk production, improved milk quality, farm transfers, low cost facilities improvements, improved herd health, robotics and cow comfort.
- Central teams also promoted other educational events including seminars and Summer Farm tours. An additional 655 farms were impacted by the program.

## Central Team Testimonials/Observations:

*"The Central MN Dairy Profit Teams have been a wonderful resource to dairy farms that we work with. The team approach has been very beneficial to the dairy farm family in determining where things can be changed and improved to show how their farm business can be more successful."*

*Dawn Jansen, Loan Officer  
Center National Bank, Litchfield MN*

*"Having a profit team in place on our farm has help make cut's to our dairy's somatic cell count by more than half in less than two years. In tight economic times, milk quality is more important than ever. Milk quality premiums are like free money for doing a better job. We just take a little extra time and get the job done right the first time."*

*Isaak Hinnenkamp  
Melrose MN Dairy Producer*

*"To sell or not to sell these where the things that were going through my mind as my team met after the fire to our parlor, with the help of my FBM, Nutritionist, Extension agent, and FSA loan officer we made a very tight cash flow work so we could build our low cost parlor in 17 days to get our cows back home. I have had a passion to be a dairy farmer ever since I can remember; I can't imagine doing anything different".*

*Duane Holker  
Kimball MN Dairy Producer*

## **Sustainable Farming Association (SFA)**

- SFA worked with approximately 21 producers as they explored converting their operations to grazing and/or organic production. The SFA also sponsors educational workshops, seminars and field tours across the state to be a resource to producers about organic management. More than 3690 participants attended these events.
- Estimated Economic Impact \$360,000.
- Estimated In-kind contribution \$10,800.
- SFA will provided statewide networking for dairy grazing, organic production and marketing information.
- SFA assists the dairy farm family toward meeting its goals by identifying and utilizing mentors and specialists with experience in grass-based and/or organic dairy methods, networks with other dairy farmers and develops additional value added options.
- SFA also collaborates and acts as a resource with several regional teams for



several farms needing grazing, organic conversion, or other specialized assistance via electronic means.

- SFA has conducted four workshops or farm tours through the past year to introduce dairy farmers to grazing and organic production, educate new graziers and transitional organic producers, and provide experienced dairy farmers with strategies for enhancing efficiency and profitability.

### **Dairy Goat Update**

The goat dairy producers have had their worst year yet. Woolwich Dairy of Wisconsin stopped picking up goat milk in Minnesota as of July 2010. In winter 2010, SFA initiated a meeting of the goat dairy producers and invited the University of Minnesota Extension and the Minnesota Department of Agriculture to help facilitate ideas on how to utilize the excess goat milk as a result of the elimination of the pickup routes.

As of July 2010, an initial batch of cheese had been made and distributed to each producer involved in the marketing co-op. Only a few actually attempted selling their product and most simply ceased milking any longer. Out of this, there are some potential new cheesemakers who will continue, but this will take time to tell.

### **Sheep Update**

SFA has been helping one sheep dairy producer get setup for production in 2009. Due to other conflicts and a lack of a clear business plan, this producer has had troubles getting her farm setup properly.

### **Organic Update**

There has been very little activity in transitioning from conventional production to organic over the last fiscal year.

### **Grazing Update**

All organic farms are required to graze, and other non-certified grazing dairies have found consistent: low to moderate production, very low sickness and disease costs, widely varying SCC, happy cows and satisfied producers. More conventional dairies are experimenting with grass as a supplement to their standard feeding program.

SFA Testimonials/Observations:

*"We really appreciate your [SFA/MDI] help, you have connected us with some really great people and they have opened doors to more connections. So though it is a challenge to keep moving forward, our resolve is strong, we will farm someday. It just might take a little while to get there." -Andrew Wirtz*

## **Southwest Dairy Profit Teams**

- Forty nine farms were enrolled in the program in 2010 with a total of 9,232 dairy cow and dairy goat operations.
- Estimated in-kind contributions are \$102,900.
- Estimated economic impact of their program is \$6,278,005.60.

- This region partnered and hosted a number of workshops the total of educational contacts is estimated at 374 for the past year.
- The Southwest MN Dairy Profit Group advisory board feels it is important to try to help any dairy in any way we can or at least try. Our goal is to “*Leave No Farm Left Behind*”. We try to be a resource for farms we do not work with on a regular basis; to find answers to questions, get resources, or connect them up with someone who can answer their questions or help them with a certain situation. We find this is a good recruiting tool. Some of these farms later come to be a farm that forms a team.
- Our team was contacted to be a part of a farm safety grant project to train Hispanic employees on dairy farms for SW Minnesota, NE Iowa and SE South Dakota working together with ISU extension and SDSU extension. Umberto Francesa was hired to conduct on-farm safety training on the farms we set up. We helped with the safety trainings and will follow up on installation of proper safety equipment and signs as well as address other areas of concern.
- This past year saw its challenges. Depending on any particular dairies efficiency at cost of production, profitability came back somewhat. For many it will take some time to fill any and all holes that formed in budgets over the past 24 months. Dairying in today’s world requires a very focused effort on management, marketing, all the details of production, and input control. This was always the case but it is a point that has been driven home hard in the past two years. The best and worst of times are still a haunting part of our immediate past. The southwest area of Minnesota is still a very good place to dairy. There will continue to be a strong potential for future development here. As we transition in the dairy industry from single family smaller farms and move to expanding herd sizes this region will provide opportunity for those who hold the future of the industry in high regard. Dairy products are a wholesome and necessary component to the diets of people and this will not change. The Dairy Industry has weathered an economic storm. People continue to consume dairy products. And as said last year at this time: as the economy turns, so will the dairy industry.

#### Southwest Team Testimonials/Observations:

*“The Dairy Profit team has helped us out a lot. They have come up with efficient and cost effective ideas for our farm and are very supportive of what we do. The program helped us get started, as coming out of college we did not exactly know where to head first in order to manage our own dairy. We had a lot of support and ideas to get us going and get the farm transferred over to us. Through the program we were able to apply for a grant and know that our coordinator will update us in the future if we are eligible for more. We have really enjoyed the team meetings as we feel it helps to keep us staying on track with the farm and helps to organize every aspect of our operation. The team members lay out our strengths, weaknesses, and concerns on paper and offer financial advice along with other suggestions. The whole dairy profit team has been a networking source for us. When we are having trouble with something on the farm or have questions we have many people we know we can go to, to seek advice, and if they don’t know the answer they get it from someone else and get back to us. So in conclusion, we think the dairy profit program is great and we know it will be an asset to our business.*”

Stephanie Plaetz & Kyle Goeller, Redwood County Producers

*“For our farm, this program has been very beneficial especially getting the farm transfer done between my father and myself. Without this program we probably wouldn't be where we are today with the farm transfer and advances and modernization of our operation. The contacts and advice we received were extremely helpful in aiding us to make the right decision for our farm operation/management style. This program is worth the states funding for both the dairy industry and the advancement of Minnesota being a dairy friendly state.”*

Jay Moldan, Brown County Producer

*“As a dairy producer, the MN Dairy Initiative program has been a huge asset to our business. From helping us with our expansion to being just a phone call away to help with a question or a concern, our team and the meetings we've had has helped us address problem areas and offered ideas to correct them. Dairy farming is a tough entity to maintain and we are very appreciative for all the guidance we receive.”*

Craig Dittbenner, Brown County Producer

*I am sending you this short letter to encourage you to continue working with our local dairy producers. Your dairy initiative program has assisted new and established producers in many ways over the past years. I have witnessed producers attempting to improve their management skills because of assistance from your program. Attention to production methods, bookkeeping practices and better dairy management procedures have all helped local dairies in our immediate area improve and succeed due to your assistance. In today's violent economic dairy climate your program is needed more than ever by all dairies. Thanks again for all you do.*

Mike Dierks, Farm Business Management Instructor

## **Southeast Dairy Profit Teams**

- 56 farms (with a total of 10,700 cows) enrolled in the dairy profitability program in 2010.
- Estimated in-kind contributions are \$88,040.
- Estimated economic impact of the program is \$ 1,158,794.

Southeast Team Testimonials/Observations:

*“ I get ideas for my farm. My SCC has improved since I began working with my team. I have most definitely benefited from the program.”*

*Rick Meisch, Winona County dairy producer*

*“ I would say this program has brought everyone closer to what is going on here. There is still a lot of work to do. I think we are in for some really interesting times in the livestock industry. And it is teams like these that are going to help us to succeed.”*

*Rick Smith, Mower county dairy producer*

*Minnesota Dairy Initiative has given us many ideas in how we can keep more money on the table. We have learned how to be more efficient with what we already possess instead of looking elsewhere.*

*Gary and Karissa Wingert, Olmsted County*

## **Dairy Business Planning Grants**

The Dairy Business Planning Grants Program granted \$65,400 to producers exploring making some changes to their operations in fiscal year 2010. The grants are capped at \$3,000/producer with a requirement of a one-to-one match by the applicant. A number of the producers are considering expansion, while others are improving their environmental stewardship or refinancing their debt or transferring the operation to the next generation. There have been a few that have tested their farms for stray voltage and then determined the best route to eliminate it from their farm. The end result must be a business plan that thoroughly explores making that change.

If only 75 percent of all grant recipients over the past year decided to go forward with their plans, there would be an additional 1,448 cows added to the state. At a modest production (18,000 lbs./cow) and conservative milk price (\$12/cwt) \$ 3,128,220 of gross income will be added to the economy of rural Minnesota. In addition, this will result in an additional 29 jobs if one assumes 50 cows/FTE. Appendix C is a map of the 22 producers who applied for and received dairy business planning grants in fiscal year 2010.

### ***Benchmarks:***

Despite the belief that the size of a herd and milk production is a predetermined factor or benchmark to the profitability of a dairy enterprise, figures from the 2002-2009 Minnesota State Colleges and University (MnSCU) Farm Business Management Records indicate that a well managed small farm carrying a small debt load can provide a satisfactory level of income for a family. Efficient use of available resources, maintenance of a healthy herd, a base level of \$15.48/cwt of milk and the use of DHIA (or similar) records will in combination generate profits to the dairy enterprise. While benchmarks are a way to draw a line in the sand as it relates to achieving a certain level of profitability, these can not be stand alone numbers, but can be used as a guide in total. Interest rates, milk marketing conditions, weather, debt load, supply and demand for energy as well as feed supplements and transitional stage of the herd as well as herd health are all variables that can affect the outcome of any given year. In 2009 the average dairy cow lost \$1/day due to low milk price, most of 2010 was similar but the final figures weren't available at the time of this report was published.

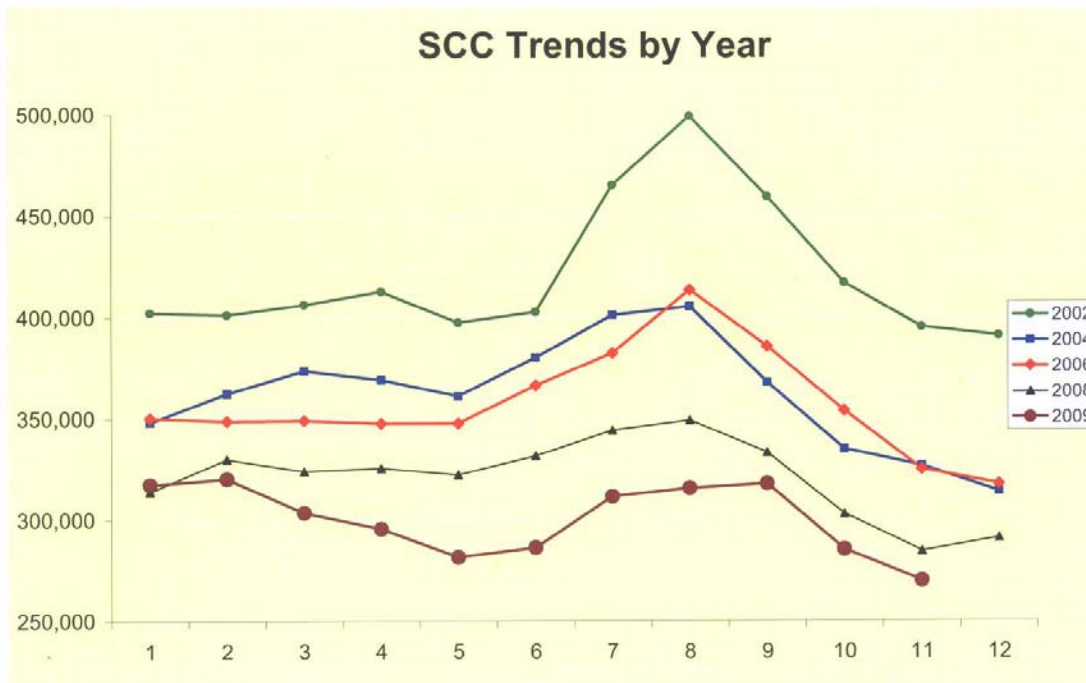
Hired labor	<\$241/cow	Percent of barn capacity	106%
Total interest expense	<\$113/cow	Feed cost/cwt	<\$7.34
Total direct expense	<\$11/cwt	Milk price & gov't support	\$15.90
Milk produced	+21,000/cow	Total debt to asset ratio	<50%
Cull rate	25%	Debt per cow	<\$3000
Turnover rate	33%	Labor hours per cow	<41
SCC	<300,000		

### Quality Count\$:

Quality Count\$ was an initiative designed to help increase dairy farmers profitability and milk quality by decreasing their herd somatic cell counts. Quality Count\$ is an initiative that came about thanks to a unique partnership among Minnesota's public and private dairy organizations (University of Minnesota Extension Service, Minnesota Department of Agriculture, Minnesota Dairy Initiative Teams as well as Farm Business Management Instructors and Minnesota's dairy processors) worked together to reduce Somatic Cell Counts to below 300,000.

For calendar 2010, Minnesota's average herd SCC was 279,000, 300,000 for 2009, 310,000 for 2008, 320,000 for 2007, 319,000 for 2006, 367,000 for 2005, 362,000 for 2004, 397,000 for 2003, and 424,000 for 2002.

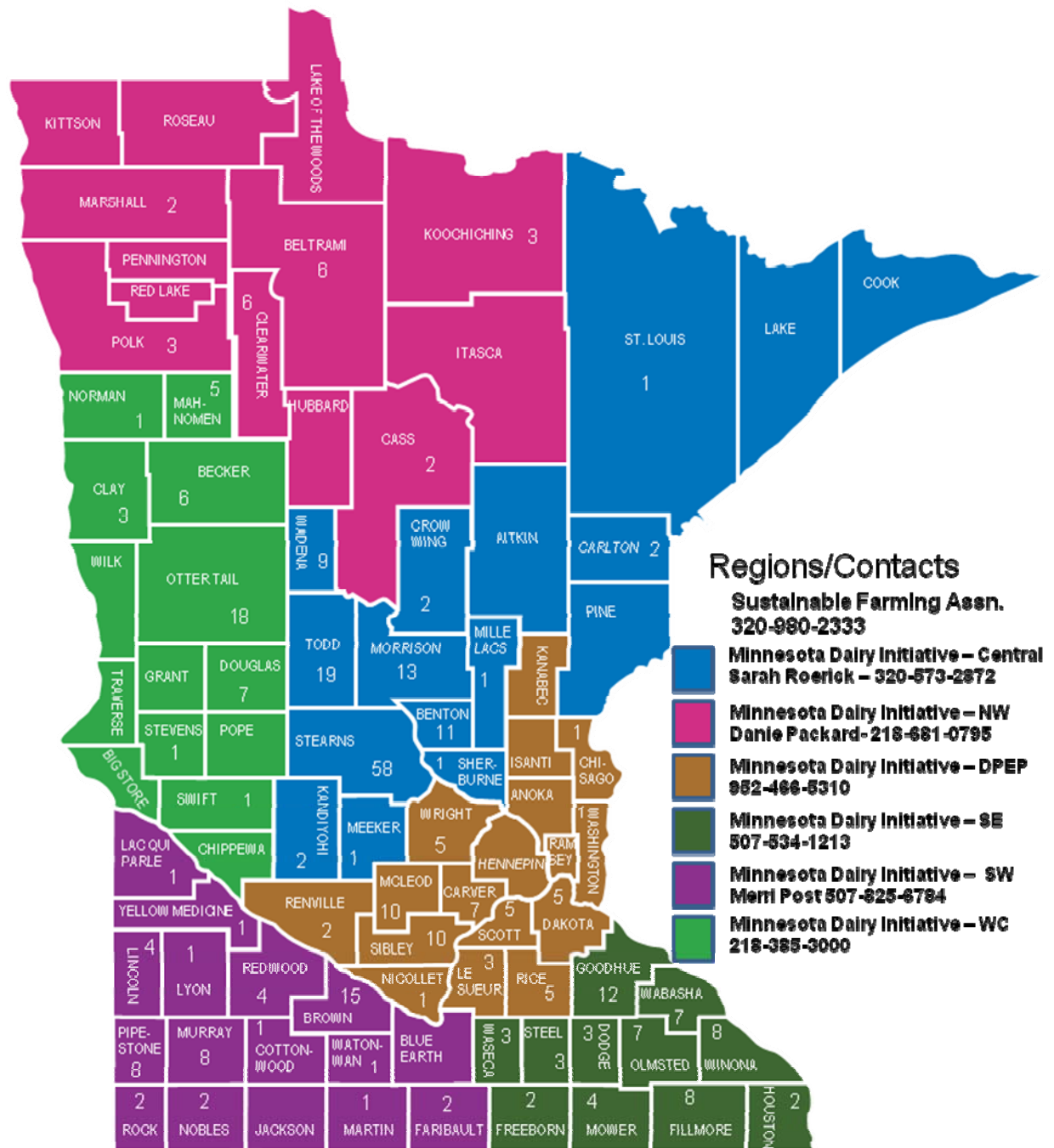
Bruce Dokkebakken, of MN DHIA, has been very helpful in tracking SCC as a measure of milk quality of farms within DHIA.



(Source MN DHIA, 12/09)

Appendix A

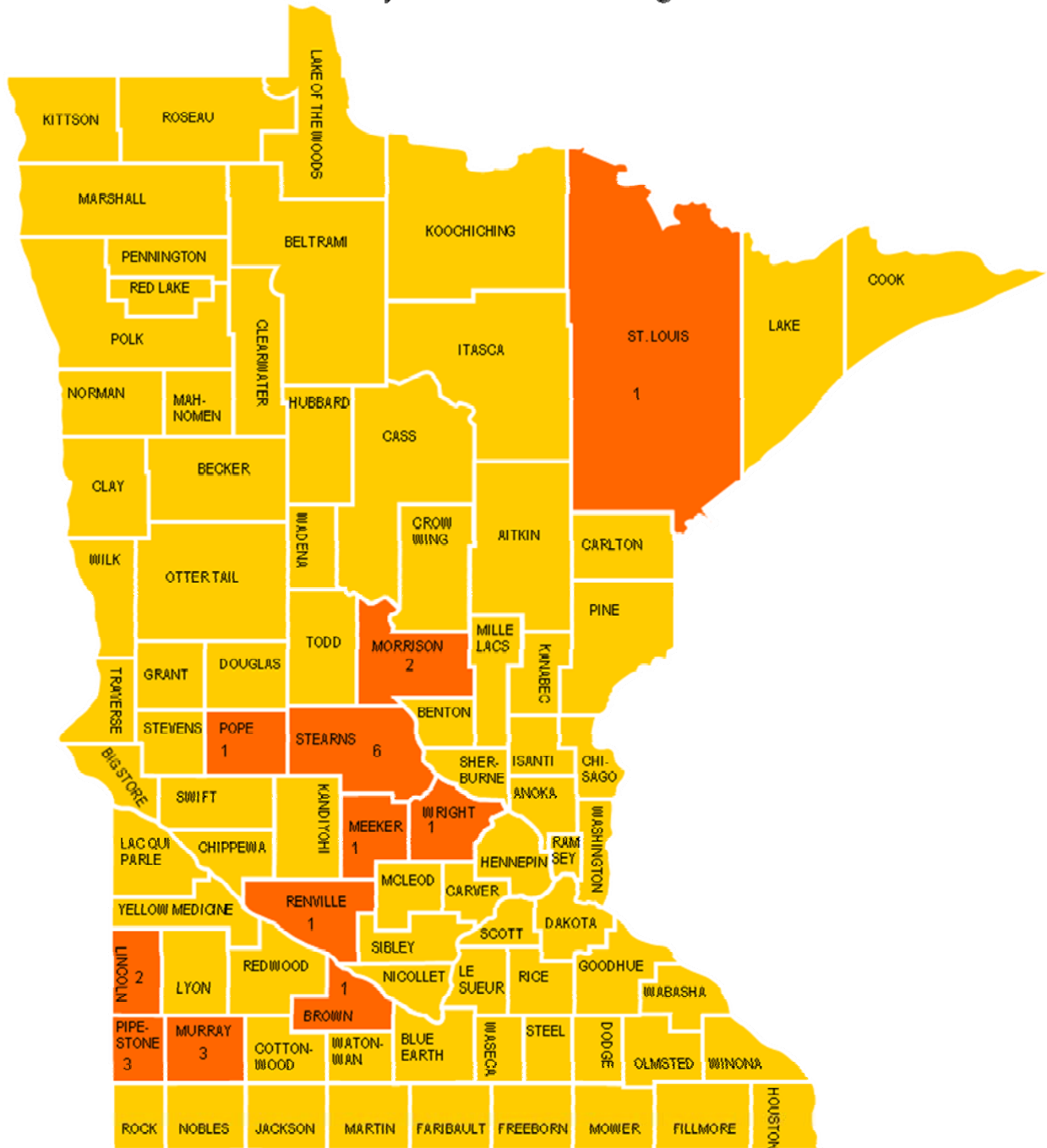
## Dairy Development Profitability and Enhancement Teams and Regions



366 Teams across the state in FY2010

**Appendix B**

**Minnesota Department of Agriculture  
FY2010 Dairy Business Planning Grants**



**22 Dairy Business Planning Grants distributed \$65,400**

## **Appendix C**

\$960,000 the first year and \$40,000 the second year are to expand the one-on-one educational delivery team system to provide appropriate technologies, including rotational grazing and other sustainable agriculture methods, applicable to small and medium sized dairy farms to enhance the financial success and long-term sustainability of dairy farms in the state. Activities of the dairy diagnostic teams must be spread throughout the dairy producing regions of the state. The teams must consist of farm business management instructors, dairy extension specialists, and dairy industry partners to deliver the informational and technological services. Not later than February 1, 1998, the commissioner shall provide an interim report to the standing committees of the Minnesota senate and house of representatives that deal with agricultural policy issues and funding on activities and accomplishments of the dairy diagnostic teams. The commissioner shall provide a follow-up report to the committees on February 1, 1999. This is a one-time appropriation.

*\$1,004,000 the first year and \$1,005,000 the second year are for continuation of the dairy development and profitability enhancement grant program under Laws 1997, chapter 216, section 7, subdivision 2, and to expand the program to include additional dairy business planning and modernization activities. Grants from this appropriation for the dairy development and profitability enhancement programs (formerly known as the "dairy diagnostics program") must require periodic reports to the commissioner on the aggregate changes in producer financial stability, productivity, product quality, animal health, environmental protection, and other performance measures attributable to the program. Information reported to the commissioner must be sufficient to establish regional and statewide performance benchmarks for the dairy industry.*

*(b) In designing and implementing the dairy development and profitability enhancement program the commissioner must consult with the dairy leaders*



roundtable, appropriate producer and processor groups, the Minnesota state colleges and universities system, the Minnesota extension service, farm credit services, and other agricultural lending institutions.

(c) Of the appropriation in paragraph (a), at least \$704,000 the first year and \$705,000 the second year are for the activities of dairy development and profitability enhancement teams. The commissioner must make grants, under contract, to regional or statewide organizations qualified to manage the several components of the program. Each regional or statewide organization must designate a coordinator responsible for overseeing the program and making required reports to the commissioner. Dairy development and profitability enhancement teams are encouraged to engage in activities including, but not limited to, comprehensive financial analysis, risk management education, enhanced milk marketing tools and technologies, five-year business plans, and design and engineering costs. Up to 40 percent of the appropriation under this paragraph may be used to provide producers with technical and environmental compliance support services required to implement dairy environmental quality assurance practices. A producer is eligible for support under any program under paragraphs (a) to (e) for no more than three consecutive calendar years. Grants to producers must not be used for capital improvements or for the start up of a new dairy enterprise. (d) Of this amount, up to \$300,000 each year may be used as grants to producers of up to \$5,000 per producer to develop comprehensive five-year business plans. (e) The regional and statewide organizations that deliver the dairy development and profitability enhancement program must provide required reports to the commissioner in a format that maintains the confidentiality of business information related to any single dairy producer.

2005 First Special Session Ch. 1 Article 1 Sec. 3 Subdivision 5

\$1,004,000 the first year and \$1,005,000 the second year are for continuation of the dairy development and profitability enhancement and dairy business planning grant programs established under Laws 1997, chapter 216, section 7, subdivision 2, and Laws 2001, First Special Session chapter 2, section 9, subdivision 2. The commissioner may allocate the available sums among permissible activities, including efforts to improve the quality of milk produced in the state, in the proportion which the commissioner deems most beneficial to Minnesota's dairy farmers. The commissioner must submit a work plan detailing plans for expenditures under this program to the chairs of the house and senate committees dealing with agricultural policy and budget on or before the start of each fiscal year. If significant changes are made to the plans in the course of the year, the commissioner must notify the chairs.

2007 Ch. 45 Article 1 Sec. 3 Subdivision 5

\$1,005,000 the first year and \$1,005,000 the second year are for continuation of the dairy development and profitability enhancement and dairy business planning grant programs established under Laws 1997, chapter 216, section 7, subdivision 2, and Laws 2001, First Special Session chapter 2, section 9, subdivision 2. The commissioner may allocate the available sums among permissible activities, including efforts to improve the quality of milk produced in the state in the proportions that the commissioner deems most beneficial to Minnesota's dairy

*farmers. The commissioner must submit a work plan detailing plans for expenditures under this program to the chairs of the house and senate committees dealing with agricultural policy and budget on or before the start of each fiscal year. If significant changes are made to the plans in the course of the year, the commissioner must notify the chairs.*

MN Laws 2009, Chapter 94, Article 1

\$780,000 the first year and \$755,000 the second year are for continuation of the dairy development and profitability enhancement and dairy business planning grant programs established under Laws 1997, chapter 216, section 7, subdivision 2, and Laws 2001, First Special Session chapter 2, section 9, subdivision 2. The commissioner may allocate the available sums among permissible activities, including efforts to improve the quality of milk produced in the state in the proportions that the commissioner deems most beneficial to Minnesota's dairy farmers. The commissioner must submit a work plan detailing plans for expenditures under this program to the chairs of the house of representatives and senate committees dealing with agricultural policy and budget on or before the start of each fiscal year. If significant changes are made to the plans in the course of the year, the commissioner must notify the chairs.