



# Dairy Development and Profitability Enhancement Program

**Work Plan Fiscal Year 2022  
Fiscal Year 2020 Legislative Report**

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# Workplan for Fiscal Year 2022

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## Dairy Profit Teams

The Dairy Profit Teams provide one-on-one guidance to dairy producers across the state, including comprehensive financial analysis, risk management education, and production enhancement advice.

**In Fiscal Year 2022 (FY22): Support and direct the regional Dairy Profit Teams to work with at least 200 farms statewide. Continue to use the majority of the budget for team delivery activities.**

## Dairy Business Planning Grants

These grants provide matching dollars for producers to develop a business plan. Grants are capped at \$5,000 per producer. Recipients continue to use these grants to evaluate modernization projects and test for stray voltage.

**In FY22: Work with at least 15 farms statewide farms statewide, capped at \$5,000 per application. All grant recipients required to provide a dollar-for-dollar match.**

## Administration

The administration for this program is provided by the Minnesota Department of Agriculture (MDA) and includes program oversight, office rental, benefits package, copier expenses, and supplies.

## Budget

Budget Item	FY21 Amount	FY22 Amount
Dairy Profit Teams	\$500,000	\$500,000
Dairy Business Planning Grants	\$89,000	\$89,000
Administration	\$45,000	\$45,000
Total Funding (2021-2022 Agricultural Appropriations Act)	\$634,000	\$634,000

# Legislative Report Fiscal Year 2020

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## Executive Summary

1. Dairy Profit Teams worked with 257 farms across the state. The Dairy Profit Teams worked one-on-one with farmers to address a variety of issues that affected the long-term viability of their farms. Based on Farm Business Management records the farms with dairy profit teams enrolled in calendar year 2019 had lower direct and overhead costs, lower feed costs than other farms and sold more milk per worker resulting in a higher net return for the milk sold. Cows also tended to be healthier and remain in the herd longer which helps to the overall long-term profitability of the farm. The program also generated \$770,125 dollars of in-kind contributions through the industry's work with the participating dairy farms. There were 724 team members involved on teams, including veterinarians, nutritionists, Farm Business Management instructors, lenders, and others.
2. Dairy Business Planning Grants helped 11 Minnesota producers hire professional advisers to aid them in developing business plans and strategies in FY20. Some producers explored expanding their herds, while others looked to transfer their operation to a new generation.

Most dairy farms experienced severe financial challenges in 2020, due in large part to low milk prices and COVID-19. Milk prices started to improve in late 2019 but crashed in early 2020 after COVID-19 affected the world market. Despite prices increasing in early 2021 experts believe that price volatility will continue into 2021, making this program as relevant and helpful to the dairy community as it has ever been. The continuation of this critical program is essential.

## Introduction

Since 1996, the Dairy Development and Profitability Enhancement Program (DDPEP) has helped Minnesota dairy farms lower costs, improve quality as well as profits.

The MDA prepared this report to meet its statutory obligation in Minnesota Session Laws, 2019 Chapter 1 Subdivision 3.

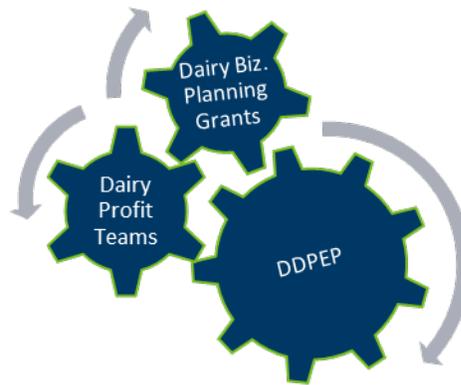
The Minnesota Legislature appropriated \$634,000 per year for the 2020/21 biennium to continue the *Dairy Development and Profitability Enhancement and dairy business planning grant programs established under Laws 1997, chapter 216, section 7, subdivision 2, and Laws 2001, First Special Session chapter 2, section 9, subdivision 2.*

The Legislature specified that "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."

## Background

The DDPEP funds two primary components to serve dairy farmers in Minnesota: 1) dairy profit teams and 2) dairy business planning grants.

*Figure 1. The DDPEP powers Dairy Profit Teams and Dairy Business Planning Grants.*



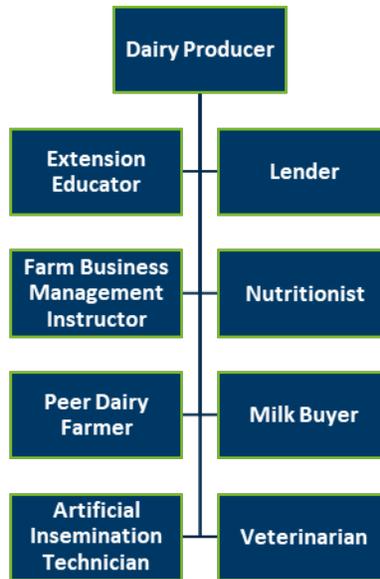
The MDA administers this program by competitively awarding grant funds to the Minnesota Dairy Initiative (MDI). The MDI coordinates the dairy profit teams so they can assist dairy farmers. Some of the partners that contribute to the success of this program are the Sustainable Farming Association, Minnesota Milk Producers Association, University of Minnesota, University of Minnesota Extension, Minnesota State Colleges and Universities Farm Business Management (FBM), and other industry groups.

In 1996, the Minnesota Legislature provided \$1 million for a pilot program with just one dairy profit team. The program expanded in 1997 to support five regionally based teams and one statewide team with a sixth region added in 1998. The statewide team specializes in management practices such as organic production and grazing as well as focusing on alternative dairy species (sheep and goats). The legislature then appropriated \$2 million for the 2004/05 biennium to expand advisory team activity and to begin a grant program to encourage individual farmers to invest in dairy business planning. During budgetary reductions in 2009, annual funding was reduced to \$634,000 and it remains at that level. [Appendix A](#) references all the laws pertaining to the program.

## Dairy Profit Teams

Figure 2 shows an example of a Dairy Profit Team. Each team is made up of people with different backgrounds and expertise tailored to an individual farm's needs. The team works with the farmer and partners and/or family members to evaluate the performance of the current farm operation and discuss goals for the future. The team makes recommendations, not decisions. It identifies priorities and suggests changes that could help the farmer/family meet their goals. No two teams' recommendations are exactly the same – just as no two farms are the same. Farmers pay \$200/farm for this service and are then eligible for up to \$500 of funds to address issues on their farms. Farmers often work with their dairy profit team for multiple years. The average team costs between \$2,000-\$2,500 per farm to facilitate and provide services.

Figure 2. Members on a typical Dairy Profit Team

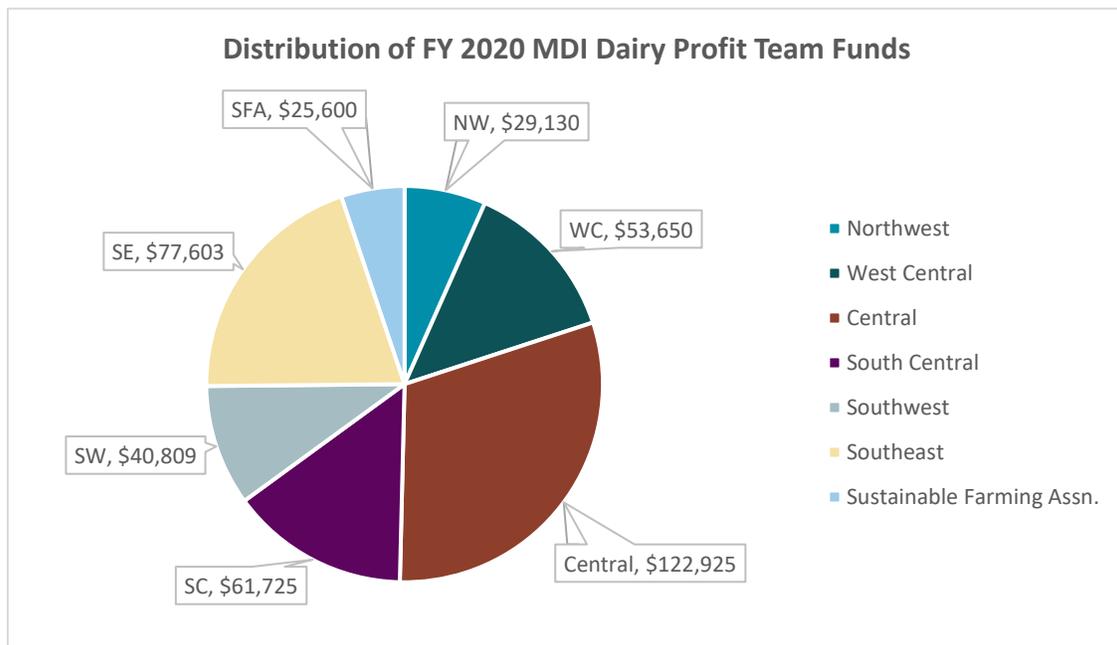


In FY20, 257 dairy farms milking a total of 59,633 cows participated in the program ([Appendix B](#)). These figures represent 11% of the dairy farms and 13% of the dairy cows in the state.

In addition to the farms that were directly served by Dairy Profit Teams, MDI reached other farmers by hosting barn tours and workshops on organic transition, stray voltage, and farm transition.

In FY 2020 the program awarded a total of \$500,000 to support advisory teams fielded by the seven MDI programs across the state (Figure 3).

Figure 3. Distribution of FY 2020 MDI Dairy Profit Team Funds



## Fiscal Year 2020 Activities and Accomplishments

In FY20, the MDI Dairy Profitability Teams worked directly with farmers and farm families to utilize a flexible, custom-fit team diagnostic approach to help farm families evaluate their whole farm. The goal of the teams is to find ways to improve profitability, productivity, sustainability, and viability through establishing priorities, conducting team meetings, and achieving business goals. Despite low prices, farmers are eager to learn from their teams about expansion options, farm succession, value-added diversity, new farm startups, increasing milk production, and risk management.

Low profit margins in the industry continue to plague dairy farmers across the state. They are feeling emotionally and financially strained after four years of low prices while operating costs continue to go up. Farmers are being forced to look hard at their operations and make some difficult decisions about their future. Minnesota lost approximately 315 dairy farms in 2019 and 130 dairy farms in 2020.

MDI functions by focusing on five key principles:

- **Dairy Farmers First** – Keep the farmers’ goals and objectives at the forefront.
- **Boots on the Ground** – Guide farmers with practical resources and education delivered primarily on-farm. Our niche is to offer farmers a program no other organization or company can offer.
- **Lifelong Learning** – Coordinators and farmers should never stop striving for the best. Stay relevant in the industry.
- **Collaboration** – Collaborate with other organizations, companies, and MDI regions to deliver unbiased information to save time, energy, and money.
- **Positive Experiences** – Market with a platform of positive experiences. Our best marketing comes from farmers and industry professionals having a positive experience in our teams.

## Testimonials

*“As a young farmer, it is super hard to understand the financial numbers involving cash flowing a dairy operation in today's world. Working with MDI, I have been much more able to understand the numbers. With my team, we put together a plan of action. That plan of action may include long-term goals, short-term goals, and lastly a cashflow plan or budget that'll help me keep moving forward towards a more profitable farm and towards more efficiency on my operation. To any young farmer out there, I highly recommend working with MDI. I was once told that, in order to be successful. You need to have the right team around you. I feel I have the best team out there.”*

Ryan Talberg, Stearns County

*“MDI was a valuable resource for me during my organic transition because it enabled me to assemble a team of experts in organic dairy, rotational grazing, dairy nutrition, organic crop production, and NRCS. Their insights helped me make sound management decisions, which kept me focused on the essentials (and also financially afloat!) during challenging times. Through MDI, I have continued to work with a grazing specialist to advise me in wise pasture management as I begin my organic dairy career.”*

Scott Wittkop, Stearns County

*"MDI has helped us look at programs to help keep our environment a better place. This year we are planting some trees on some of our marginal land. They have helped us stay current with upcoming changes in the dairy industry."*

Debbie Olson, Polk County

*"MDI is doing a great job. It always helps to have an outside perspective. Many times, the MDI team helps us see what decisions are practical and which are critical."*

Sue and Jim Steinmetz, Mahanomen County

*"We credit our MDI team and the support we receive from the program to our success and growth as dairy farmers. The transition to our sons and their future will be made easier with the continued alliance with our MDI team."*

Blake and Chicky Otte, Dakota County

*"The MDI program has been essential to the growth and development of our dairy farm over the years. The team meetings, resources and ideas we get from agriculture professionals help us to ensure that we're making the right choices for our farm!"*

Tammy Howe, McLeod County

*"The power of an MDI team cannot be measured. Uniting all of the key decision makers on a farm helps in every area of their business regardless of the size of their operation."*

Alison Rickeman, McLeod County

*"Minnesota Dairy Initiative has been a great asset to our farm and many others. We have been having quarterly meetings for fifteen plus years. These meetings are a great way for different businesses vendors we work with to come together to communicate and discuss different areas of our farm. Often times, there are good intentions to have meetings, but MDI helps plan these meetings that would often get left by the wayside in the everyday farm life. Different benchmarks and goals are discussed to improve efficiency and profitability. It is a good way to get the veterinarian, nutritionist, agronomist, banker, etc. all together so everyone knows the overall goals and missions of the farm. Many great ideas have come about from these meetings. It is also great to hear areas of the operation that the farm does well."*

*Minnesota Dairy Initiatives has been very beneficial for our farm and I hope this will continue in the future."*

Matt Andring, Winona County

*"We have had our dairy team for 12 years and have found it to be very helpful in our decision making for the future of our dairy. It is very efficient to have all our key people we work with meeting at once to gather information from all the valuable recourses they bring to the team."*

Doug Heintz, Houston County

*"MDI and our FBM instructor are helping us through the difficult situation of having to sell land."*

Jerry Dahring, Becker County

*"My farm became involved in MDI during our farm transition and modernization of facilities and our milking parlor. After accomplishing our expansion, I decided to disband my MDI team.*

*During this time, I experienced a rough time with my farm operation and the dairy industry and realized I needed my team again to help me get back on track and moving forward with my dairy operation. My MDI team brings great value to my dairy operation through sharing ideas and trends happening in the dairy industry today. I am better able to stay on top of my risk management plan with our turbulent times."*

Jay Moldan, Brown County

*"I have been involved with Minnesota Dairy Initiative (MDI) since the pilot program started in the 1990's. Currently, I serve on four dairy teams throughout the area. MDI's stated mission is to: 'help existing, and potential dairy producers succeed through team-based on-farm education, resources and education.'"*

*My experience through the years has seen this mission repeated often as these teams have been instrumental in assisting producers in making decisions that have positively affected their dairy family farms.*

*A current example involves a young producer who has been involved for over a year. He has noted better reproduction and lower somatic cell counts in his dairy herd. His Bulk Tank Average (BTA) has increased over seven pounds in the past year and analysis shows increased profitability through lower feed costs and lower cost of production per hundred weight of milk.*

*This continues to be an important support and educational tool for Minnesota milk producers."*

Wayne Schoper, FBM Instructor, Blue Earth

*"I have been an MDI participant for many years. When we first started expanding, I used the coordinator to make contacts and get ideas on what we wanted to do. After our last big expansion, we formed a team with industry members and people we are doing business with to help us get through whatever we needed help with. One especially challenging situation was trying to get all our employees at the time on the same page. We did an employee handbook and job descriptions which helped with management and got the whole farm operation running smoothly because everyone had a complete understanding of what their role was. I have learned to hire the right people first and then I don't have as many problems. This is a good program and the coordinator we have now has passion for her job which helps her to help us get what we need out of the program."*

Roger Peters, Lincoln County

*"MDI is helping us research and look at robot barns."*

Ken L., Ottertail County

*"MDI is helping me with farm transfer from an existing dairy to me as an employee."*

Jack Schouweiler, Douglas County

# Dairy Business Planning Grants

In FY 2020, the Dairy Business Planning Grants Program awarded \$53,530 to 11 producers considering making significant changes to their operations. The average grant was <\$5,000 with recipients contributing a required match of \$53,530 (map in [Appendix C](#)).

*Table 1. Distribution of planning grant awards by county*

County	Number of farms receiving a planning grant
Becker	1
Goodhue	2
McLeod	1
Pipestone	1
Stearns	5
Swift	1

Some applicants were considering expansion, while others were improving environmental stewardship, refinancing debt, or transferring the operation to the next generation.

## Benchmarking

Despite the belief that the size of a herd and milk production predicts the profitability of a dairy enterprise, farm financial data collected through Farm Business Management indicates that even a well-managed small farm carrying a small debt load can have tight margins ([FINBIN](#)). Using resources efficiently, maintaining a healthy herd, and monitoring milk production and quality using milk testing programs such as the ones offered by the Dairy Herd Improvement Association (DHIA) can all return profits to a dairy enterprise.

While we use benchmarks to compare the performance of different enterprises to an average, many variables can affect performance and profits in any given year – including weather, herd health, interest rates, debt load, milk marketing conditions, the availability and cost of labor, and the cost of feed and supplements (Table 2). Recently, milk price has had a particularly strong effect on dairy profitability. In 2014, Minnesota dairies reported receiving an average milk price of \$24.45/hundredweight (cwt). That year, they saw a net return of \$1,000/cow. In 2020, milk prices averaged \$19.80/cwt, with an annual net return of \$623/cow, less than \$1.70 per day.

Most experts predict that dairy farms will continue to experience financial challenges in 2021 but there is some optimism that things will get better.

Table 2. 2020 Dairy Enterprise Data

Benchmark Item	Minnesota Average
Hired labor	\$283/cow
Total interest expense	\$119/cow
Total direct expenses	\$13.80/cwt
Total direct and overhead expenses	\$17.12/cwt
Milk produced (pounds)	22,284 lbs./cow
Cull rate	27%
Turnover rate	34%
Percent of barn capacity	114%
Feed cost	\$9.14/cwt
Milk price and government support	\$19.80/cwt
Cost of production	\$17.17/cwt
Total debt to asset ratio	<50%
Debt per cow	<\$3,000
Labor hours per cow	<41
Average somatic cell count	<300,000

## Quality Count\$

Quality Count\$ is a statewide campaign to improve milk quality in Minnesota. Quality Count\$ is led by the University of Minnesota with help from the University of Minnesota Extension, the MDA, regional MDI teams, FBM instructors, and Minnesota’s dairy processors.

One key measure of milk quality is somatic cell count (SCC). Partner organizations worked together to help farmers reduce herds’ SCC to less than 300,000 per milliliter. Since the Quality Count\$ program began in 2003, the average SCC on Minnesota dairies has fallen by 50% (Table 3). This information is provided from the Minnesota DHIA which provides herd management information to dairy farms enrolled in the program.

Table 3. Average Somatic Cell Count (SCC) of Minnesota herds enrolled in DHIA milk quality testing

Calendar Year	Average SCC (x1,000)	Calendar Year	Average SCC (x1,000)
2002	420	2012	240
2003	397	2013	234
2004	362	2014	245
2005	366	2015	251
2006	357	2016	250
2007	347	2017	239
2008	321	2018	216
2009	297	2019	220
2010	294	2020	206
2011	266		

## **Appendix A**

Laws of Minnesota 1997, chapter 216, section 7, subdivision 2

Laws of Minnesota 1999, chapter 231, section 11, subdivision 2

Laws of Minnesota 2001, 1st Spec. Sess. chapter 2, section 9, subdivision 2

Laws of Minnesota 2003, chapter 128

Laws of Minnesota 2005, 1st Spec. Sess. chapter 1, article 1, section 3, subdivision 5

Laws of Minnesota 2007, chapter 45, article 1, section 3, subdivision 5

Laws of Minnesota 2009, chapter 94, article 1

Laws of Minnesota 2011, chapter 14, section 3, subdivision 5

Laws of Minnesota 2013, chapter 114, subdivision 5

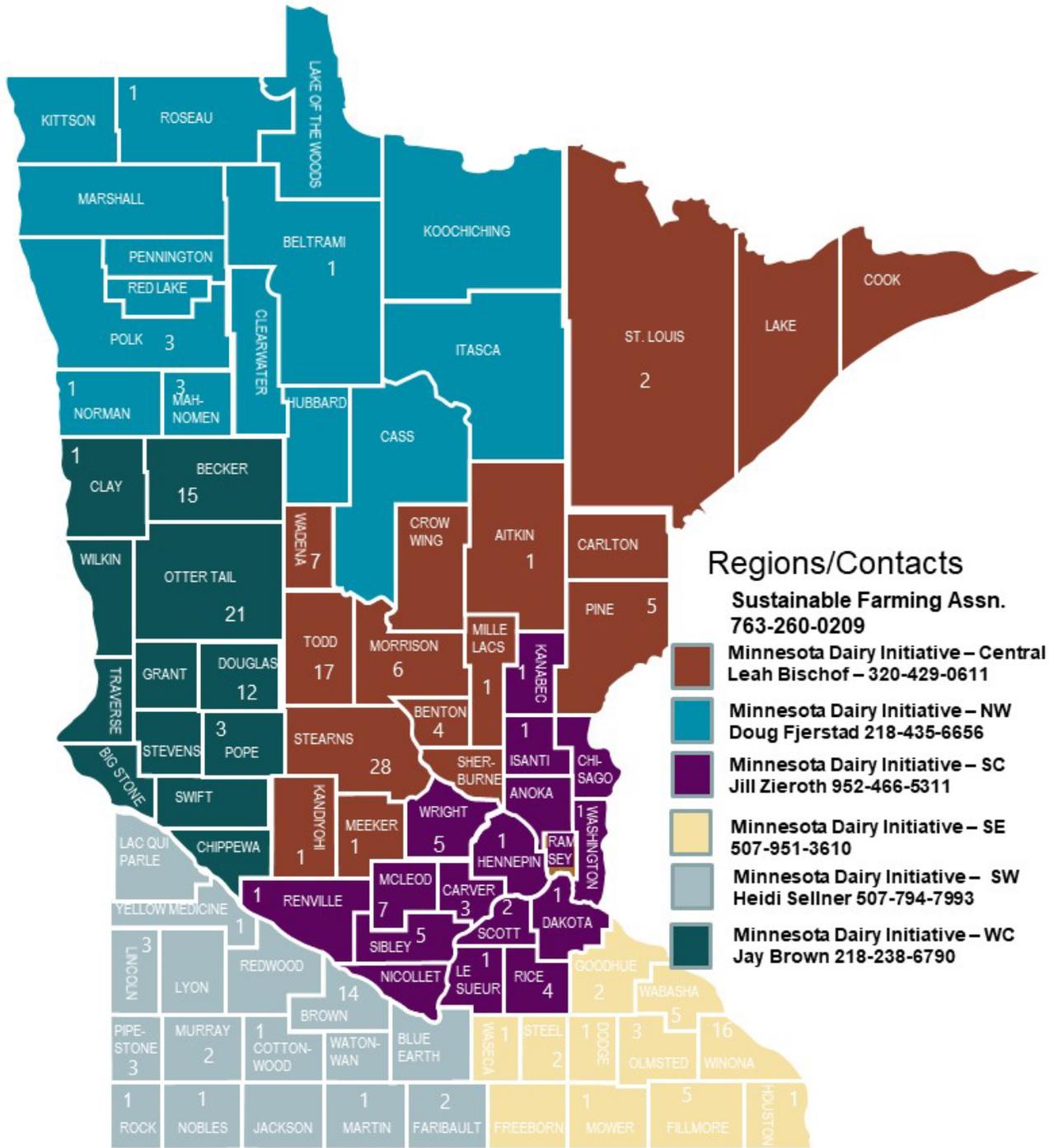
Laws of Minnesota 2015, chapter 17, subdivision 3

Laws of Minnesota 2017, chapter 88, subdivision 3C

Laws of Minnesota 2019, chapter 1, subdivision 3

# Appendix B

## Dairy Development Profitability and Enhancement Teams and Regions



257 Teams across the state in FY20

## Regional contacts

Regional Partner	Contact Information
Sustainable Farming Association	763-260-0209
MDI – Central	Leah Bischof, 320-429-0611
MDI – Northwest	Doug Fjerstad, 218-435-6656
MDI – South Central	Jill Zieroth, 952-466-5311
MDI – Southeast	507-951-3610
MDI – Southwest	Heidi Sellner, 507-794-7993
MDI – West Central	Jay Brown, 218-238-6790

## Herds enrolled by county and region

County	Region	Herds enrolled
Aitkin	Central	1
Anoka	South Central	0
Becker	West Central	15
Beltrami	Northwest	1
Benton	Central	4
Big Stone	West Central	0
Blue Earth	West Central	0
Brown	Southwest	14
Carlton	Central	0
Carver	South Central	3
Cass	Northwest	0
Chippewa	West Central	0
Chisago	South Central	0
Clay	West Central	1
Clearwater	Northwest	0
Cook	Central	0
Cottonwood	Southwest	1
Crow Wing	Central	0
Dakota	South Central	1
Dodge	Southeast	1
Douglas	West Central	12
Faribault	Southwest	2
Fillmore	Southeast	5
Freeborn	Southeast	0
Goodhue	Southeast	2
Grant	West Central	0
Hennepin	South Central	1
Houston	Southeast	1
Hubbard	Northwest	0
Isanti	South Central	1
Itasca	Northwest	0
Jackson	West Central	0

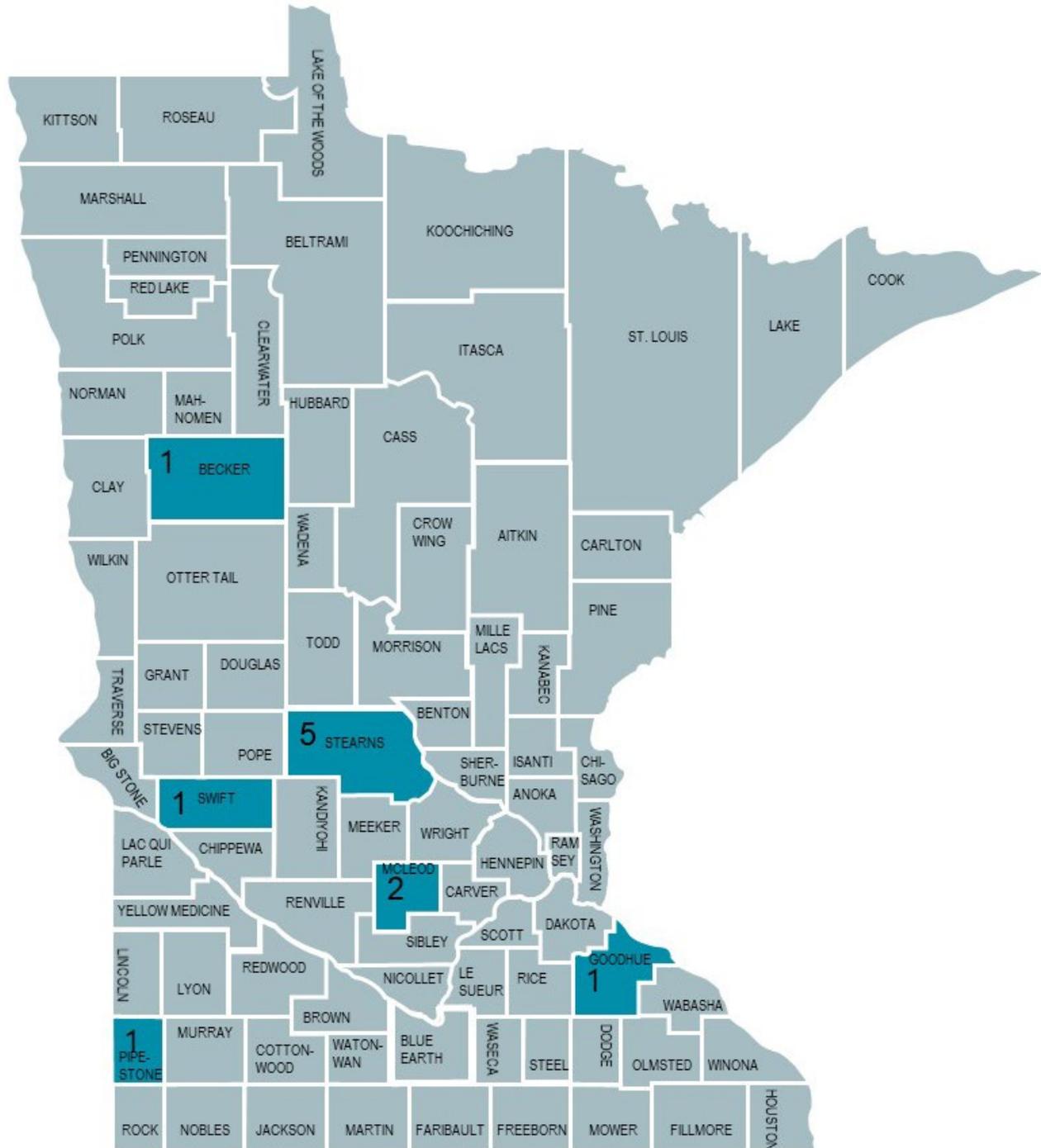
County	Region	Herds enrolled
Kanabec	South Central	1
Kandiyohi	Central	1
Kittson	Northwest	0
Koochiching	Northwest	0
Lac qui Parle	West Central	0
Lake	Central	0
Lake of the Woods	Northwest	0
LeSueur	South Central	1
Lincoln	Southwest	3
Lyon	West Central	0
Mahnomen	Northwest	3
Marshall	Northwest	0
Martin	Southwest	1
McLeod	South Central	7
Meeker	Central	1
Mille Lacs	Central	1
Morrison	Central	6
Mower	Southeast	1
Murray	Southwest	2
Nicollet	South Central	0
Nobles	Southwest	1
Norman	Northwest	1
Olmsted	Southeast	3
Ottertail	West Central	21
Pennington	Northwest	0
Pine	Central	5
Pipestone	Southwest	3
Polk	Northwest	3
Pope	West Central	3
Ramsey	South Central	0
Red Lake	Northwest	0
Redwood	West Central	0

<b>County</b>	<b>Region</b>	<b>Herds enrolled</b>
Renville	South Central	1
Rice	South Central	4
Rock	Southwest	1
Roseau	Northwest	1
Scott	South Central	2
Sherburne	Central	0
Sibley	South Central	5
St. Louis	Central	2
Stearns	Central	28
Steele	Southeast	2
Stevens	West Central	0
Swift	West Central	0

<b>County</b>	<b>Region</b>	<b>Herds enrolled</b>
Todd	Central	17
Traverse	West Central	0
Wabasha	Southeast	5
Wadena	Central	7
Waseca	Southeast	1
Washington	South Central	1
Watonwan	West Central	0
Wilkin	West Central	0
Winona	Southeast	16
Wright	South Central	5
Yellow Medicine	Southwest	1

# Appendix C

## FY20 Dairy Business Planning Grants



**11 Dairy Business Planning Grants distributed \$53,530**