



Dairy Development and Profitability Enhancement Program

Work Plan Fiscal Year 2023
Fiscal Year 2021 Legislative Report

07/01/2022

Minnesota Department of Agriculture
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Workplan for Fiscal Year 2023

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 2023 (FY23): 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, test for stray voltage and pursue other aspects while developing their business plans.

In FY23: 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, copier expenses, and supplies.

Budget

| Budget Item | FY22 Amount | FY23 Amount |
|--|------------------|------------------|
| Dairy Profit Teams | \$500,000 | \$500,000 |
| Dairy Business Planning Grants | \$89,000 | \$89,000 |
| Administration | \$45,000 | \$45,000 |
| Total Funding (2022-2023 Agricultural Appropriations Act) | \$634,000 | \$634,000 |

Legislative Report Fiscal Year 2021

Executive summary

1. Dairy Profit Teams worked with 238 farms across the state. The Minnesota Dairy Initiative program is available to Minnesota's dairy farmers, bringing them a flexible, custom-fit, and holistic team diagnostic approach to find ways to improve their farm's profitability, productivity, sustainability, and viability. Recent research conducted at the University of Minnesota by Joleen Hadrich and Amber Roberts show that 64% of resilient farms participated in the program based on Farm Business Management records. The program also generated \$652,417. dollars of in-kind contributions through the industry's work with the participating dairy farms. There were 639 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 FY21. Some producers explored expanding their herds, while others looked to transfer their operation to a new generation.

Most dairy farms experienced severe difficulty as milk prices remained volatile in 2021, due in large part to COVID-19 and the difficulty meet in person caused by farmers unwilling to risk exposure to the virus. Despite these factors farmers were eager to learn and discuss farm succession planning, sustainability, animal health, production, and risk management. 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, and increase profits.

The MDA prepared this report to meet its statutory obligation in Minnesota Laws 2021 1st Special session chapter 3 article 1 section 6. 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.

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.



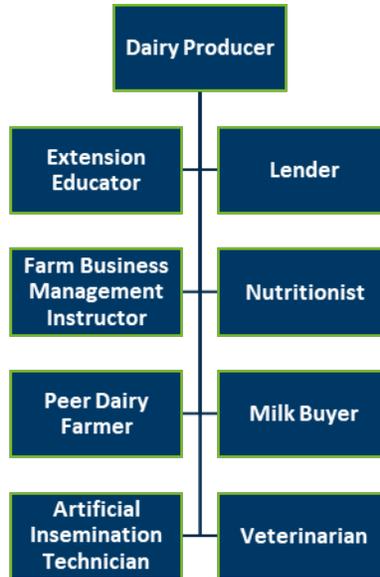
The MDA administers this program by granting funds to the Minnesota Dairy Initiative (MDI). MDI coordinates the dairy profit teams so they can assist dairy farmers. Some of the partners that contribute to the success of this program are the Sustainable Farming Association, Minnesota Milk Producers Association, 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. 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 B](#) 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.

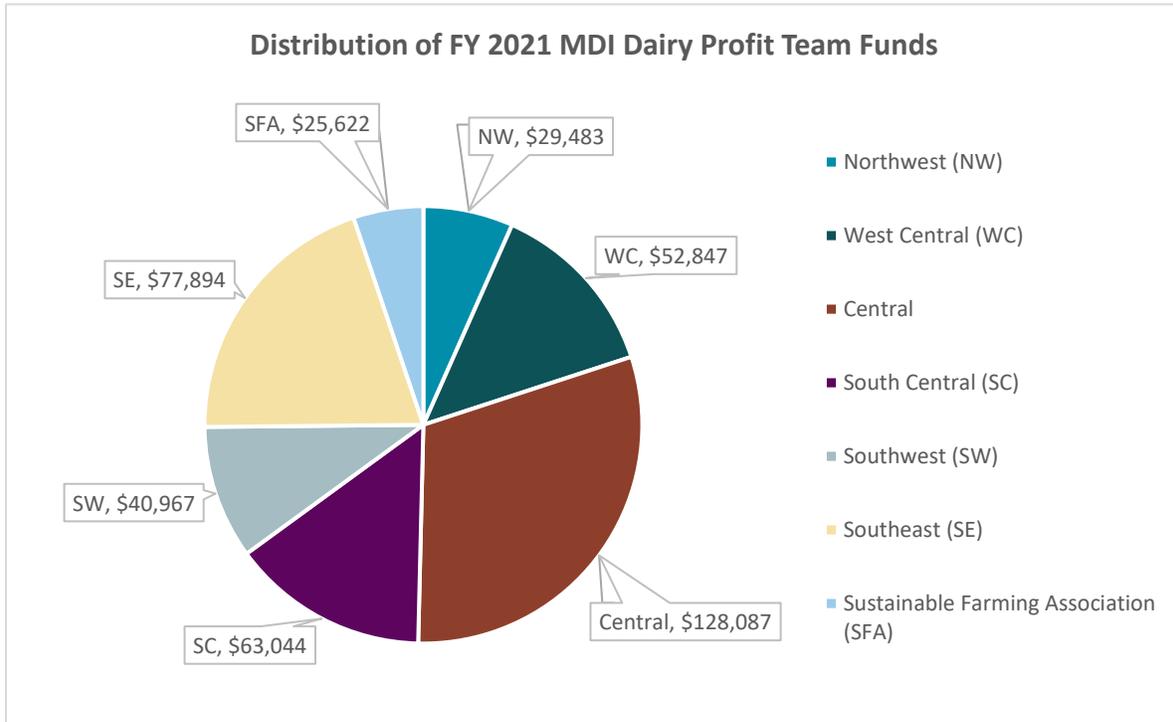


In FY21, 238 dairy farms milking a total of 50,458 cows participated in the program ([Map 1, Appendix A](#)). This represents 10% of the dairy farms and 11% of the dairy cows in the state.

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

In FY 2021 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. Funds awarded by region.



Fiscal Year 2021 activities and accomplishments

In FY21, 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. MDI continues to hear from dairy farmers and team members on their thoughts of the program’s performance to ensure MDI continues to be efficient, relevant, and impactful to Minnesota’s dairy farmers and dairy industry. Overall, the program is striving to bring dairy farmers the unique approach of education, networking opportunities, resources, and accountability through an on-farm team approach while continuing efforts to improve and grow the organization.

Low profit margins in the industry continue to plague dairy farmers across the state. They are feeling emotionally and financially strained after five years of low prices while operating costs continue to go up. Farmers are being forced to look hard at their operations and make some hard decisions about their future. Minnesota lost approximately 130 dairy farms in 2020 and 115 dairy farms in 2021.

MDI functions by focusing on five key principles:

- **Dairy Farmers First** – Keep the farmers’ goals and objectives at the forefront.
- **Farm Centered Team Approach** – Guide farmers with practical resources and education delivered primarily on-farm. Our niche is to offer farmers a “boots on the ground” program no other organization or company can offer. This also includes looking at all aspects of the farming operation to bring holistic planning and problem solving.

- **Lifelong Learning and Long-Term Impacts** – Coordinators and farmers should never stop striving for the best and stay relevant in the industry.
- **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

“I would hate to be without it [MDI]. The team is a part of how we operate today and our plans to manage the farm for longevity.”

Chris Schueler, Kandiyohi County

“Our Program Coordinator is the one that puts everything in motion for us by helping us set up our meetings and providing accountability. MDI is so great with the communication piece. It is such a relief knowing that we don’t have to be the ones constantly reaching out and figuring what we need to do next.”

Aaron and Jessica Radermacher, Pope County

“To be successful, you have to surround yourself with successful people and we’ve picked those who can help us meet our goals. Our team keeps us motivated and accountable. We see the benefits of meeting with everyone around the table at once so we could all stay in the loop...As individuals, we might each have our own tunnel vision of how things should get done or what steps we should take, but when we’re together, we feed off of each other to make the best decisions for our farm.”

Kyle and Stephanie Goeller, Otter Tail County

“It is a true joy to have been involved in Minnesota's dairy industry for 40+ years. I have served and continue to serve on several dairy farm teams for the Minnesota Dairy Initiatives which has been both rewarding and very enjoyable. What really impresses me is the work of the outstanding team coordinators and how the dairy farms work with and value their teams. The team approach at farms has helped develop and build outstanding rural dairy farm leaders. This leadership has helped the dairy farms improve, grow and transition, which has a huge impact for Minnesota. I recommend every dairy farm in the State of Minnesota to consider the Minnesota Dairy Initiative program – it will make each dairy farm better.”

Brant Groen, Kandiyohi County

“MDI teams are the value-added piece of every dairy farm enrolled that gives them the leg up compared to their peers. It allows all stakeholders of the dairy farm to sit at the table at the same time to come up with common goals designed specifically for each and every farm based off their individual needs. As a team member, I feel like I can better help the farm knowing how each of the other team members fits into the operation and their goals for that farm. With the team approach, everyone has a role in helping the farm succeed.”

Pam Uhlenkamp, Sibley County

“Dairy farming requires expertise in many areas to be successful. We are thankful for a great Dairy Initiatives team to provide that knowledge to make collective decisions and offer advice.”

Daninger, Inc., Washington 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

“The biggest benefit I have received from having an MDI team is getting all my key people gathered around me helping me form a solid direction through issues as they arise, helping me prioritize and keeping me focused on accomplishing MY GOALS. Having everyone around my table saves me time as we brainstorm and plan together. These kinds of meetings have saved me hundreds of thousands of dollars by getting me on the right track at the right time which has made me a more efficient and productive dairyman.”

Mike Griebel, Brown County

“I have been working with Heidi Sellner from the MDI SW Region for a couple of years now with two different dairy farms. This program is a big asset to our area dairy farm families. Heidi is a strong advocate for dairy farms and know how to communicate with farm families looking to improve and learn about their dairy operation. This program's direction comes from the goals the farm family wants to review and then is driven by Heidi to surround members helping everyone stay focused and on tract for the next meeting. Thank you, Heidi and MDI SW Region, in assisting Minnesota's dairy farms stay connected and vital in our area.”

Todd Stencel, Blue Earth County

“We've been with MDI since we started farming and have really enjoyed the program. We have made many new contacts who have helped our operation become more efficient, producing more quality milk and raising healthier cows. The MDI program is always working to bring more diverse experts and programs to farmers locally.”

Adam and Abby Popowski, Lincoln County

“MDI is helping me with farm transition so that I can start farming.”

Jack Schoweiler, Douglas County

“MDI is helping me improve our soils with cover crops.”

Chester Schmucker, Becker County

Dairy Business Planning Grants

In FY 2021, the Dairy Business Planning Grants Program awarded \$50,836 to 11 producers considering making significant changes to their operations. The average grant was <\$5,000 with recipients contributing a required match of \$50,836. Three recipients of these grants are located in Stearns County, and the others are located in Brown, Dodge, Kandiyohi, Lincoln, Murray, Olmsted, Wabasha, and Wadena counties (see [Map 2](#) in Appendix A).

Some applicants were considering expansion, modernization, while others were transferring the farm 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 (www.finbin.umn.edu). 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 1). Table 1 is all dairy farms that are in farm business management, which includes 76 farms that are involved with the dairy profit teams.

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/cwt (milk is priced per 100 pounds, a hundredweight [cwt]). That year, they saw a net return of \$1,000/cow. In 2021, milk prices averaged \$18.58/cwt, with an annual net return of \$218.92/cow, less than \$.60 per day.

Most experts predict that dairy farms will continue to experience financial challenges in 2022 with the higher input costs but there is some optimism that things will get better.

Table 1. 2021 Dairy Enterprise Data

| Benchmark Item | Minnesota Average |
|------------------------------------|-------------------|
| Hired labor | \$486/cow |
| Total interest expense | \$86/cow |
| Total direct expenses | \$14.47/cwt |
| Total direct and overhead expenses | \$17.19/cwt |
| Milk produced (pounds) | 25,049 lbs./cow |
| Cull rate | 29% |
| Turnover rate | 36% |
| Feed cost | \$9.65/cwt |
| Milk price and government support | \$18.58/cwt |
| Cost of production | \$18.37/cwt |
| Total debt to asset ratio | <50% |
| Debt per cow | <\$3,000 |
| Labor hours per cow | <41 |
| Average somatic cell count | <300,000 |

Source: www.finbin.umn.edu

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 2).

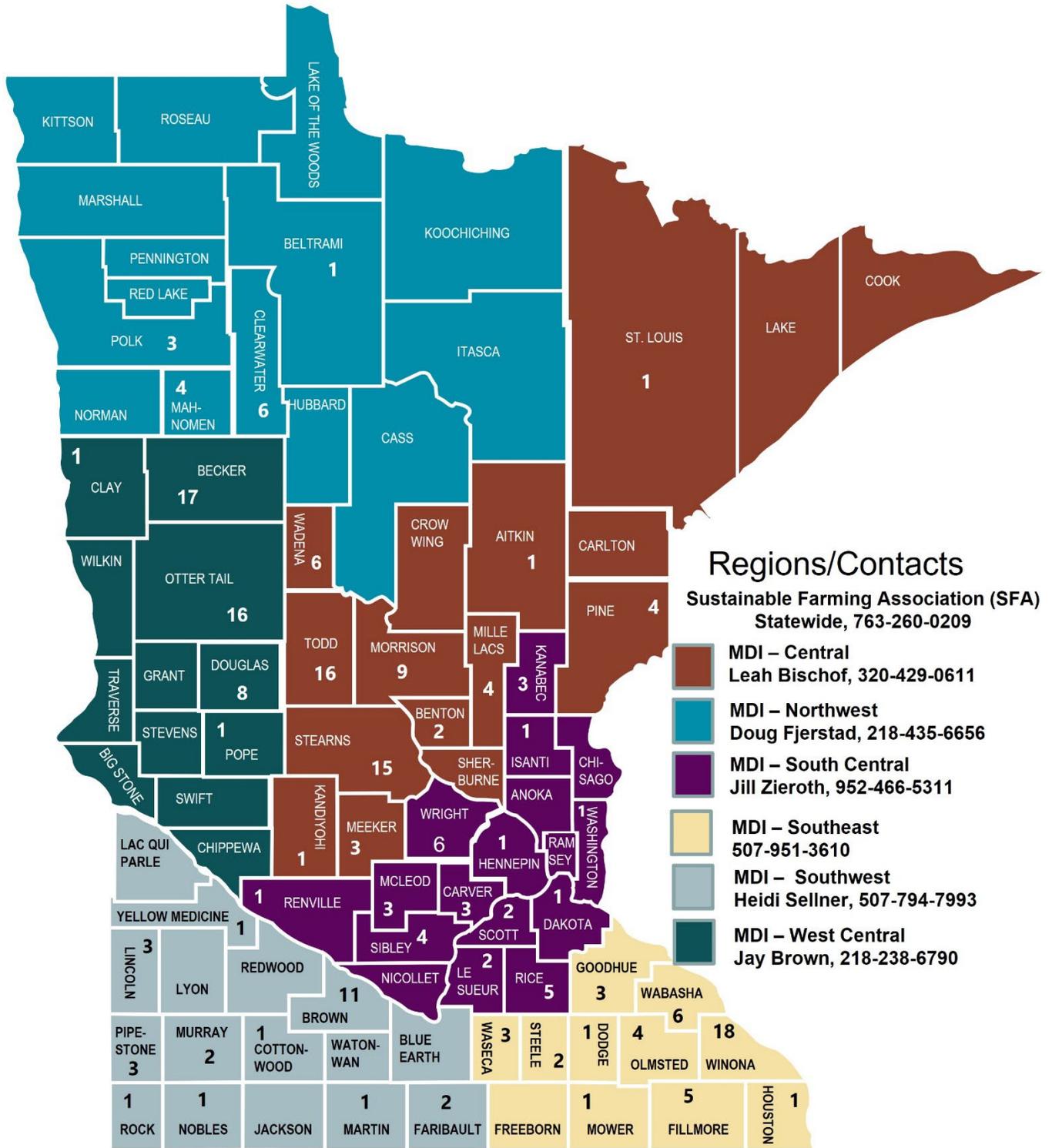
Table 2. Average Somatic Cell Count (SCC) of Minnesota Herds Enrolled in DHIA Milk Quality Testing

| Calendar Year | Average SCC (x1,000) |
|---------------|----------------------|
| 2002 | 420 |
| 2003 | 397 |
| 2004 | 362 |
| 2005 | 366 |
| 2006 | 357 |
| 2007 | 347 |
| 2008 | 321 |
| 2009 | 297 |
| 2010 | 294 |
| 2011 | 266 |
| 2012 | 240 |
| 2013 | 234 |
| 2014 | 245 |
| 2015 | 251 |
| 2016 | 250 |
| 2017 | 239 |
| 2018 | 216 |
| 2019 | 220 |
| 2020 | 206 |
| 2021 | 206 |

Source: MN DHIA

Appendix A. Program Maps

Map 1. Dairy Development Profitability and Enhancement Teams and Regions



In Fiscal Year 2021, there were 238 teams served by seven Minnesota Dairy Initiative (MDI) teams and the Sustainable Farming Association (SFA).

Regional contacts

| Regional Partner | Contact Information |
|---|-----------------------------|
| Sustainable Farming Association (SFA) | 763-260-0209 |
| Minnesota Dairy Initiative – Central (C) | Leah Bischof, 320-429-0611 |
| Minnesota Dairy Initiative – Northwest (NW) | Doug Fjerstad, 218-435-6656 |
| Minnesota Dairy Initiative – South Central (SC) | Jill Zieroth, 952-466-5311 |
| Minnesota Dairy Initiative – Southeast (SE) | 507-951-3610 |
| Minnesota Dairy Initiative – Southwest (SW) | Heidi Sellner, 507-794-7993 |
| Minnesota Dairy Initiative – West Central (WC) | Jay Brown, 218-238-6790 |

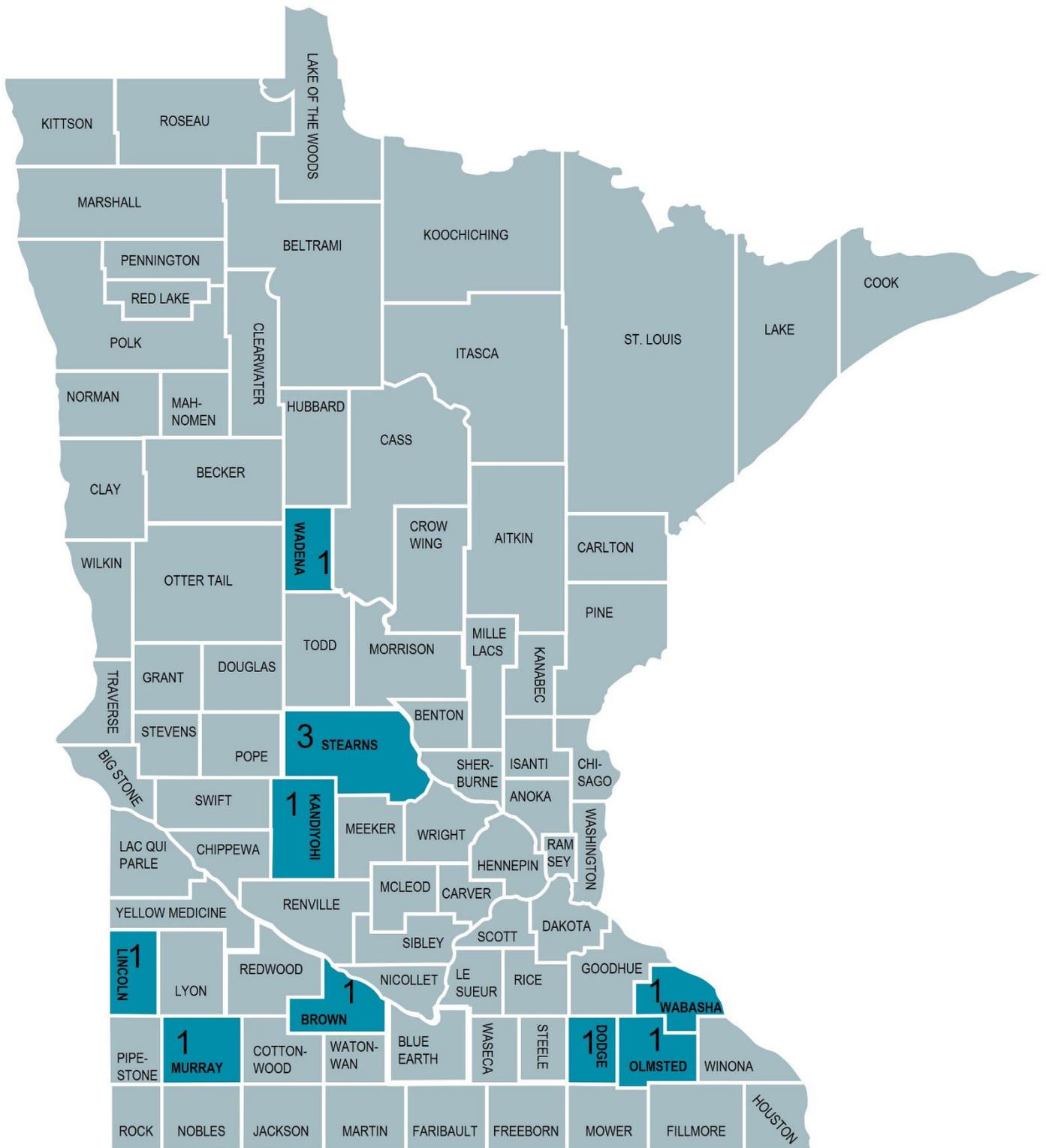
Herds enrolled by region and county

| Region | County | Herds |
|--------|-------------------|-------|
| SFA | multiple | 16 |
| C | Aitkin | 1 |
| C | Benton | 2 |
| C | Carlton | 0 |
| C | Cook | 0 |
| C | Crow Wing | 0 |
| C | Kandiyohi | 1 |
| C | Lake | 0 |
| C | Meeker | 3 |
| C | Mille Lacs | 4 |
| C | Morrison | 9 |
| C | Pine | 4 |
| C | Sherburne | 0 |
| C | St. Louis | 1 |
| C | Stearns | 15 |
| C | Todd | 16 |
| C | Wadena | 6 |
| NW | Beltrami | 1 |
| NW | Cass | 0 |
| NW | Clearwater | 6 |
| NW | Hubbard | 0 |
| NW | Itasca | 0 |
| NW | Kittson | 0 |
| NW | Koochiching | 0 |
| NW | Lake of the Woods | 0 |
| NW | Mahnomen | 4 |
| NW | Marshall | 0 |
| NW | Norman | 0 |
| NW | Pennington | 0 |
| NW | Polk | 3 |

| Region | County | Herds |
|--------|------------|-------|
| NW | Red Lake | 0 |
| NW | Roseau | 0 |
| SC | Anoka | 0 |
| SC | Carver | 3 |
| SC | Chisago | 0 |
| SC | Dakota | 1 |
| SC | Hennepin | 1 |
| SC | Isanti | 1 |
| SC | Kanabec | 3 |
| SC | LeSueur | 2 |
| SC | McLeod | 3 |
| SC | Nicollet | 0 |
| SC | Ramsey | 0 |
| SC | Renville | 1 |
| SC | Rice | 5 |
| SC | Scott | 2 |
| SC | Sibley | 4 |
| SC | Washington | 1 |
| SC | Wright | 6 |
| SE | Dodge | 1 |
| SE | Fillmore | 5 |
| SE | Freeborn | 0 |
| SE | Goodhue | 3 |
| SE | Houston | 1 |
| SE | Mower | 1 |
| SE | Olmsted | 4 |
| SE | Steele | 2 |
| SE | Wabasha | 6 |
| SE | Waseca | 3 |
| SE | Winona | 18 |
| SW | Blue Earth | 0 |

| Region | County | Herds |
|--------------|-----------------|------------|
| SW | Brown | 11 |
| SW | Cottonwood | 1 |
| SW | Faribault | 2 |
| SW | Jackson | 0 |
| SW | Lac qui Parle | 0 |
| SW | Lincoln | 3 |
| SW | Lyon | 0 |
| SW | Martin | 1 |
| SW | Murray | 2 |
| SW | Nobles | 1 |
| SW | Pipestone | 3 |
| SW | Redwood | 0 |
| SW | Rock | 1 |
| SW | Watsonwan | 0 |
| SW | Yellow Medicine | 1 |
| WC | Becker | 17 |
| WC | Big Stone | 0 |
| WC | Chippewa | 0 |
| WC | Clay | 1 |
| WC | Douglas | 8 |
| WC | Grant | 0 |
| WC | Ottertail | 16 |
| WC | Pope | 1 |
| WC | Stevens | 0 |
| WC | Swift | 0 |
| WC | Traverse | 0 |
| WC | Wilkin | 0 |
| Total | All | 238 |

Map 2. Fiscal Year 2021 Dairy Business Planning Grants



In FY21, the MDA distributed \$50,836 in Dairy Business Planning Grants to 11 producers across the state.

Appendix B. Legislative History

Minnesota Laws 1997, Chapter 216, Section 7, Subdivision 2

Minnesota Laws 1999 Minn. Stat. Chapter 231, Section 11, Subdivision 2

Minnesota Laws 2001, 1st Special Session, Chapter 2, Section 9, Subdivision 2

Minnesota Laws 2003, Chapter 128

Minnesota Laws 2005 First Special Session Chapter 1 Article 1 Section 3 Subdivision 5

Minnesota Laws 2007 Chapter 45 Article 1 Section 3 Subdivision 5

Minnesota Laws 2009, Chapter 94, Article 1

Minnesota Laws 2011 Chapter 14, Section 3, Subdivision 5

Minnesota Laws 2013, Chapter 114, Subdivision 5

Minnesota Laws 2015 Chapter 17 Subdivision 3

Minnesota Laws 2017 Chapter 88 Subdivision 3C

Minnesota Session Laws, 2019 Chapter 1 Subdivision 3

Minnesota Laws 2021 1st Special session chapter 3 article 1 section 6