



Dairy Development and Profitability Enhancement Program

Fiscal Year 2022 Legislative Report
Work Plan Fiscal Year 2024

07/01/2023

Minnesota Department of Agriculture
Dairy Development and Profitability Enhancement Program
625 Robert Street North
Saint Paul, MN 55155
Phone: 651-201-6643
Kami.Schoenfeld@state.mn.us
www.mda.state.mn.us

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Executive Summary

In fiscal year (FY) 2022, the Minnesota Department of Agriculture (MDA) implemented the Dairy Development and Profitability Enhancement Program, consisting of two components: the Dairy Profitability Enhancement Teams (Dairy Profit Teams) and the Dairy Business Planning Grants. Together, these programs invested over \$550,000 to support Minnesota’s dairy industry through continuing education and business plan development.

1. Through a grant agreement with the Minnesota Dairy Initiative, Dairy Profit Teams worked with 221 farms across the state to bring them a flexible, custom-fit, and holistic team diagnostic approach to find ways to improve their farm’s profitability, productivity, sustainability, and viability.
2. Dairy Business Planning Grants helped 12 Minnesota producers hire professional advisers to aid them in developing business plans and strategies. Professional planning helped producers explore expanding their herds, building new facilities, transferring their operation to a new generation, and changing ownership structures.

In early 2023, the MDA contracted with Dr. Joleen Hadrich and Rebecca Weir from the University of Minnesota (UMN) to assess the impacts of the Dairy Profit Teams. They concluded that participating farms generally had improved outcomes one to two years after first participating in a team and performed better than their peers in the short-term.

FY22 Accomplishments

Background

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

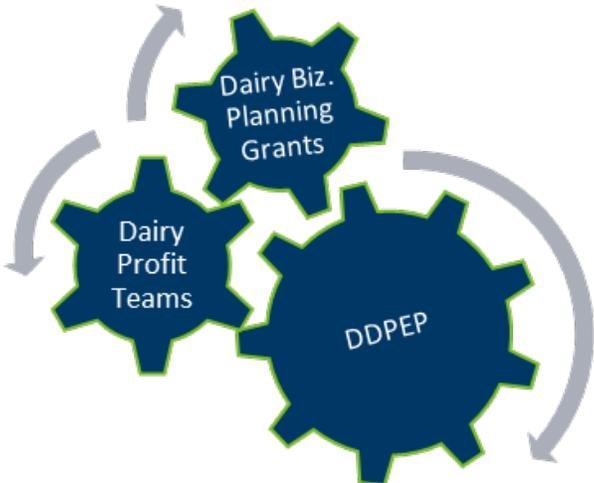
In the initial year, the Minnesota Legislature provided \$1 million for the biennium to establish a pilot program and create one Dairy Profit Team. The program expanded in 1997 to support five regionally based teams and one statewide team. The statewide team specialized in management practices such as organic production and grazing as well as focusing on alternative dairy species (sheep and goats).



The legislature appropriated \$2 million for the FY04-05 biennium to expand advisory team activity and 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 the current state statute.

The 2021 Minnesota Legislature appropriated \$634,000 per year for the FY22-23 biennium to continue the Dairy Development and Profitability Enhancement Program, including the Dairy Profit Enhancement Teams and Dairy Business Planning Grants. During this same legislative session, the program was established in statute (MINN. STAT. 32D.30); prior to then, the program was reauthorized each biennium through session law. Statute provides authority to the commissioner to allocate funding between these two programs to improve the quality of milk produced in the state. The MDA prepared this report to meet its statutory obligation.

Figure 1. The Dairy Development and Profitability Enhancement Program (DDPEP) powers the Dairy Profit Teams and Dairy Business Planning Grants.



Dairy Business Planning Grants

In FY22, the Dairy Business Planning Grants Program awarded \$44,433 to 12 producers considering significant changes to their operations. The average grant was \$5,000 and recipients were required to match at least 50% of the grant. Brown and Murray County were both home to two grant recipients, while the others were in Mahnomon, Nicollet, Ottertail, Pine, Rock, Swift and Wabasha counties. See [Appendix B: FY22 Dairy Business Planning Grant Recipients](#) for a map showing the locations of participating dairy farms.

The most common uses of the planning grants were to evaluate options for expansion, modernization, or farm transition to the next generation.

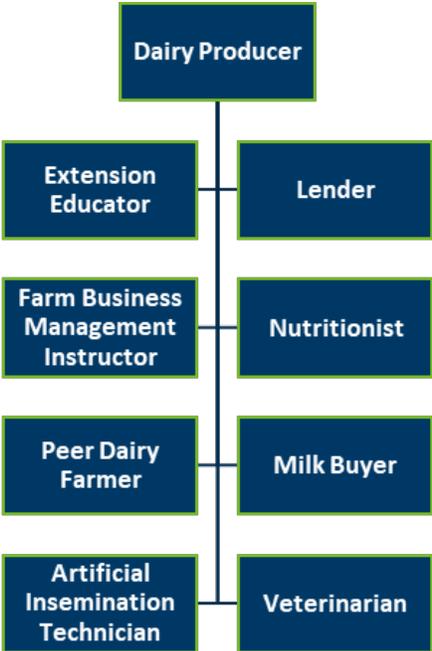
Dairy Profit Teams

The MDA issues a competitive request for proposals (RFP) each year to award a grant contract agreement to an organization to implement the Dairy Profit Teams. Minnesota Dairy Initiative (MDI) has been awarded this contract each year since the program was established. In FY22, the program awarded a total of \$500,000 to support advisory teams fielded by the seven MDI regions across the state.

Some of the partners that contribute to the success of this program are the Sustainable Farming Association (SFA), Minnesota Milk Producers Association, UMN, UMN Extension, Minnesota State Colleges and Universities' Farm Business Management (FBM) program, and other industry groups.

Figure 2 shows an example of a Dairy Profit Team. Each team includes 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 identifies priorities and suggests changes that could help the farmer/family meet their goals, but teams do not make decisions for farms. No two teams' recommendations are exactly the same — just as no two farms are the same. Farmers pay \$200 per farm for this service and are then eligible for up to \$500 of funds for continuing education or to address issues on their farm. Farmers often work with their dairy profit team for multiple years. The average team organized by MDI costs between \$2,000-\$2,500 per farm to facilitate and provide services.

Figure 2. Members on a typical Dairy Profit Team.



FY22 activities and accomplishments

In FY22, 221 dairy farms participated in the program, milking a total of 58,112 cows ([Appendix C](#)). This represents 11% of the dairy farms in the state and 12.7% of the dairy cows.

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 managing a family business, soil health, calf management, organic transition, and farm transition. MDI hosted several couples retreats for dairy farm couples which included topics on communication with your partner and family, relationship building, handling stress, managing personalities, problem solving, and action planning.

Dairy Profit 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. [Appendix D](#) includes testimonials from some participating farms.

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, 115 dairy farms in 2021, and 175 dairy farms in 2022.

Farms touched through educational programs

MDI sponsored numerous events across Minnesota in FY22. Events included farm tours, workshops, retreats, and pasture walks. Throughout the state, MDI reached an estimated 1,796 farms and farmers.

- The Planning Your Dairy Farm Future (PYDFF) classes were a collaboration with the UMN and Betty Berning Consulting. In PYDFF, dairy farmers focused on business planning and long-term strategic thinking for their dairy farms. Classes were a combination of lecture, group discussion, and activities to build their business plan by the time the class ended.
- MDI hosted three educational workshops in partnership with the SFA. These workshops covered the topics of "Putting your assets (cows) to work for you" and "Alternative forages and cover crops." The workshops were held in Redwood Falls, Goodhue, and Alexandria to try and serve as many farmers as possible.
- MDI hosted numerous "producer night out" events that featured many different speakers who spoke on a wide range of topics, from heifer raising, to farmer mental health, to labor management.

Estimated economic impact of MDI

When comparing MDI herds and herds not enrolled in MDI, data reflects that a team approach helps producers make long-term management changes that prove to be profitable for the farming operation over time.

From 2018-21, MDI herds included 58,112 dairy cows. On average, a dairy farm with 250 cows that participated in a Dairy Profit Team saved \$24,588 on their annual feed cost. MDI's analysis also found that the program has saved participating farms a total of **\$13,777,192** on feed costs over the four years.



They associate these cost savings with efficiencies gained because of guidance offered by team members to make decisions about feed. For example, MDI herds milked 167,143 pounds more per full time employee than non-MDI herds. This a cost savings in labor and management overhead expenses. They further conclude that the program has helped farms manage operating expenses and improve overall longevity of their cows. Table 1 shows selected financial numbers from 2018-21 [FINBIN](#) data.

Table 1. Selected 2018-21 FINBIN data from the Center for Farm Financial Management at the University of Minnesota.

Analysis	Non-MDI Herd	MDI Herd	Savings
Total direct/overhead expenses per cow	\$4,009.11	\$3,633.28	\$375.83
Direct and overhead cost per CWT	\$16.36	\$16.34	\$0.02
Feed cost per CWT	\$8.93	\$8.77	\$0.16
Culling percentage	29.4%	26.9%	2.5%
Lbs. of milk sold per Full Time Employee	1,784,707	1,951,850	167,143
Cost of production per CWT with revenue adjustments	\$17.03	\$16.99	\$0.04
Feed cost per cow	\$2,187.32	\$1,950.24	\$237.08

Dairy Profit Teams evaluation

The MDA contracted with Dr. Joleen Hadrich and Rebecca Weir from the UMN College of Food, Agricultural and Natural Resource Sciences’ Department of Applied Economics to evaluate the financial performance of farms participating in Dairy Profit Teams. Results were published in the staff paper, [Financial performance of dairy farms participating in Minnesota Dairy Initiative \(MDI\) over time](#). Hadrich and Weir used a 24-year panel dataset of Minnesota dairy farms, and they split the farms into three groups: farms that always participate in a Dairy Profit Team (participants), farms that never participate in a Dairy Profit Team (non-participants), and farms that started participating at some point during the dataset (entrants). Based on these three groups, they performed two studies:

- **An across-farm comparison of participants and non-participants:** Results indicate that Dairy Profit Team participants had a larger herd size and favorable interest and depreciation expenses per head in their first year relative to non-participants. However, over time these results become not statistically significant, potentially indicating that farms experience the most value from participating for the first several years.
- **A within-farm analysis that compared entrants before and after entering the Dairy Profit Team program:** Many farms had favorable outcomes one to two years after entering the program. Favorable outcomes were related to operating profit margin, rate of return on assets, net farm income per head, debt-to-asset ratio, operating expense ratio, and interest expense per head.

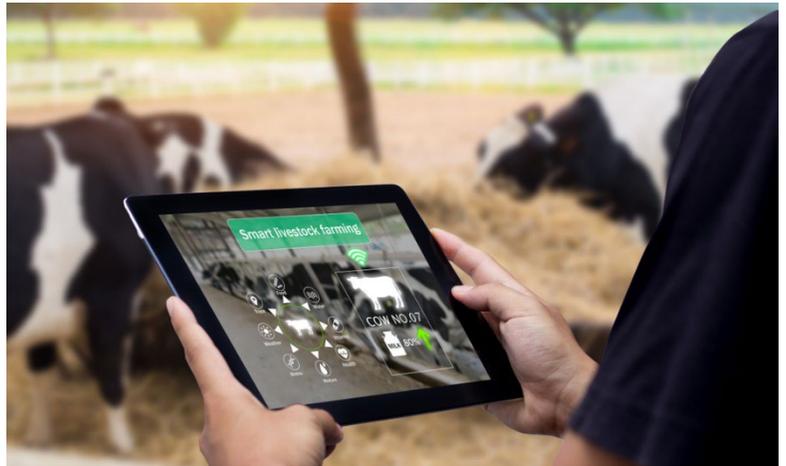
Workplan for FY24

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. FY24 goals include supporting and directing regional Dairy Profit Teams to work with approximately 10% of farms statewide and continuing to use most of the budget for Team delivery activities. We anticipate releasing an RFP in early July and expect that the selected grantee will begin administering the program in September.

Dairy Business Planning Grants

These grants provide matching dollars for producers to develop a business plan. Grants are capped at \$5,000 per producer and require a dollar-for-dollar match from the farm. Recipients continue to use these grants to evaluate modernization projects, test for stray voltage, and pursue other aspects while developing their business plans. In May 2023, we overhauled the application and shared the changes with farmers, producer groups, and other industry partners. In FY24, our goal is to engage at least 15 farms across the state.



Administration

In FY24, the MDA is reserving \$45,000 for administrative expenses, including staff salary, office space, and miscellaneous costs.

Budget

Table 2. Proposed FY24 budget for the Dairy Development and Profitability Enhancement Program.

Budget Item	FY24 Amount
Dairy Profit Teams	\$500,000
Dairy Business Planning Grants	\$89,000
Administration	\$45,000
Total Funding	\$634,000

Appendix A: 2022 Minnesota Statute

MINN. STAT. 32D.30. Dairy Development and Profitability Enhancement

(www.revisor.mn.gov/statutes/cite/32D.30)

Subdivision 1. **Program.** The commissioner must implement a dairy development and profitability enhancement program consisting of dairy profitability enhancement teams and dairy business planning grants.

Subd. 2. **Dairy profitability enhancement teams.** (a) Dairy profitability enhancement teams must provide one-on-one information and technical assistance to dairy farms of all sizes to enhance their financial success and long-term sustainability. Teams must assist dairy producers in all dairy-producing regions of the state and may consist of farm business management instructors, dairy extension specialists, and other dairy industry partners. Teams may engage in activities including comprehensive financial analysis, risk management education, enhanced milk marketing tools and technologies, and facilitating or improving production systems including rotational grazing and other sustainable agriculture methods.

(b) The commissioner must make grants to regional or statewide organizations qualified to manage the various components of the teams. Each regional or statewide organization must designate a coordinator responsible for overseeing the program and submitting periodic reports to the commissioner regarding aggregate changes in producer financial stability, productivity, product quality, animal health, environmental protection, and other performance measures attributable to the program. The organizations must submit this information in a format that maintains the confidentiality of individual dairy producers.

Subd. 3. **Dairy business planning grants.** The commissioner may award dairy business planning grants of up to \$5,000 per producer to develop comprehensive business plans. Producers must not use dairy business planning grants for capital improvements.

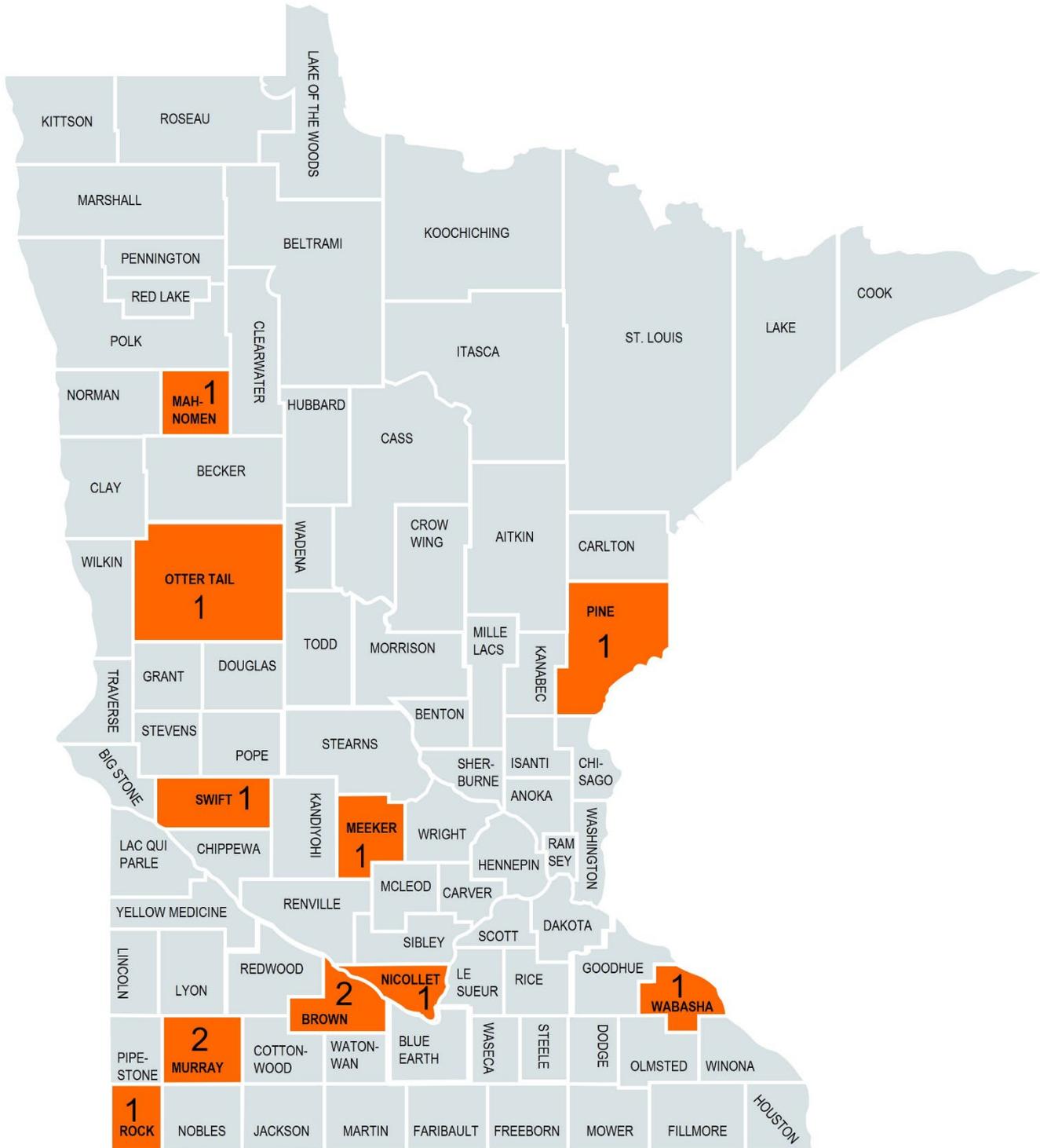
Subd. 4. **Funding allocation.** Except as specified in law, the commissioner may allocate dairy development and profitability enhancement program dollars among the permissible uses specified in this section, including efforts to improve the quality of milk produced in the state, in the proportions that the commissioner deems most beneficial to the state's dairy farmers.

Subd. 5. **Reporting.** No later than July 1 each year, the commissioner must submit a detailed accomplishment report and work plan detailing future plans for, and the actual and anticipated accomplishments from, expenditures under this section to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over agriculture policy and finance. If the commissioner significantly modifies a submitted work plan during the fiscal year, the commissioner must notify the chairs and ranking minority members.

Appendix B: FY22 Dairy Business Planning Grant Recipients

In FY22, the MDA awarded 12 Dairy Business Planning Grants totaling \$44,433 to producers across the state. There were two recipients in Brown and Murray counties, and one each in Mahanomen, Meeker, Nicollet, Otter Tail, Pine, Rock, Swift, and Wabasha counties.

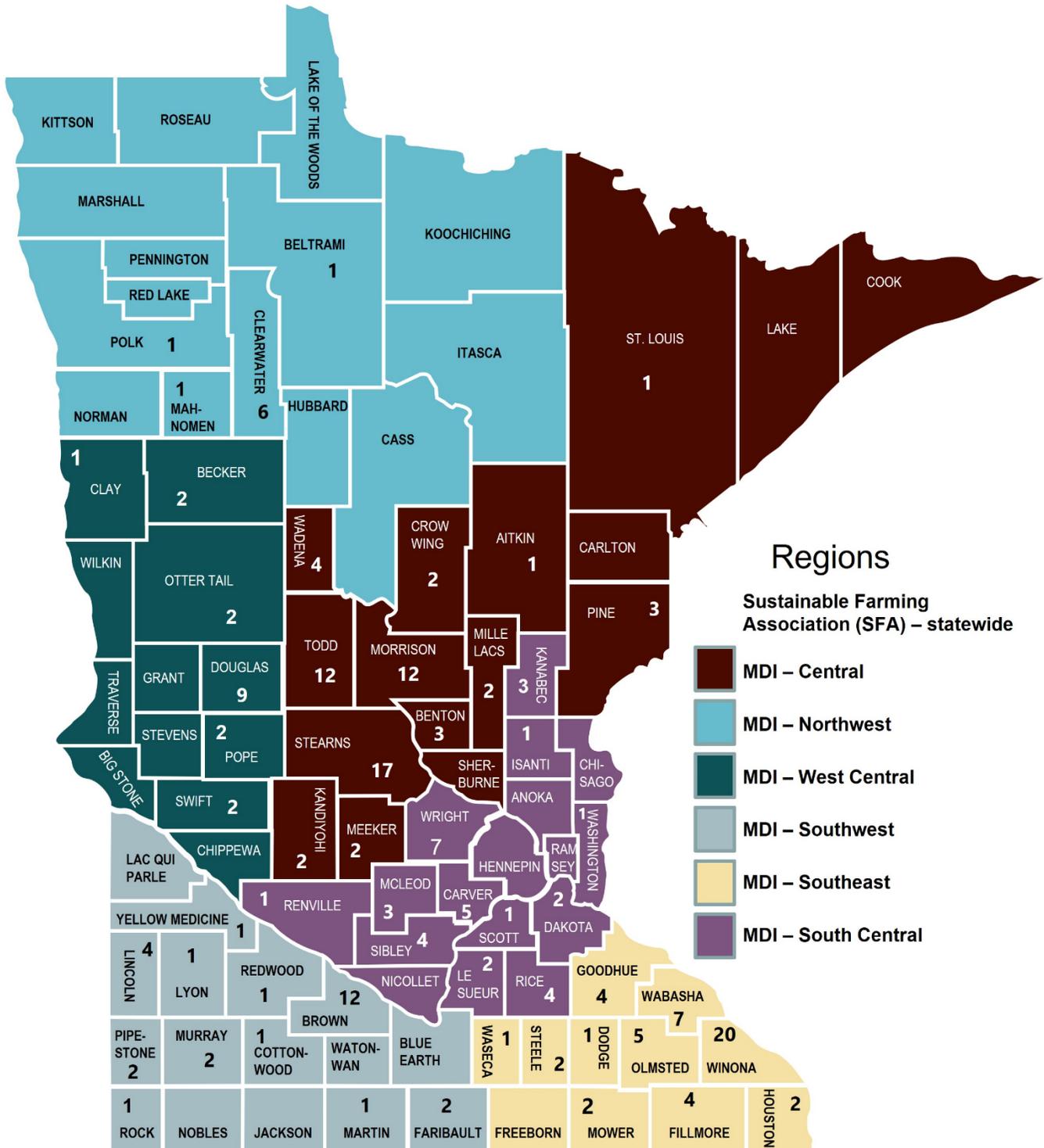
Map 1. Locations of FY22 Dairy Business Planning Grant recipients.



Appendix C: Dairy Profit Teams and Regions

In FY22, there were 221 teams served by six Minnesota Dairy Initiative (MDI) regions and the Sustainable Farming Association (SFA). Table 4 lists the counties in each region and how many herds were enrolled in the program.

Map 2. MDI regions with Dairy Profit Teams. SFA teams are found across the state.



Regional contacts as of 07/01/2023

Table 3. Regional partners for Dairy Profit Teams.

Regional Partner	Contact Information
Minnesota Dairy Initiative – State Director	Emily Mollenhauer, 650-764-0309
Sustainable Farming Association	SFA Office, 763-260-0209
Minnesota Dairy Initiative – Central	Leah Bischof, 320-429-0611
Minnesota Dairy Initiative – Central	Kristen Salzl, 651-278-1374
Minnesota Dairy Initiative – Northwest	Doug Fjerstad, 218-435-6656
Minnesota Dairy Initiative – South Central	Jill Zieroth, 952-466-5311
Minnesota Dairy Initiative – Southeast	Minnie Ward, 507-259-6534
Minnesota Dairy Initiative – Southwest	Heidi Sellner, 507-794-7993
Minnesota Dairy Initiative – Southwest	Brittany Moore, 507-530-4415
Minnesota Dairy Initiative – West Central	Jay Brown, 218-238-6790

Herds enrolled by region and county

Table 4. Number of herds per county served by the Sustainable Farming Association (SFA) and by six Minnesota Dairy Initiative regional teams.

Region	County	Herds
SFA	Becker	2
SFA	Clearwater	3
SFA	Faribault	1
SFA	Goodhue	1
SFA	Mahnomen	1
SFA	Martin	1
SFA	Meeker	1
SFA	Morrison	2
SFA	Polk	1
SFA	Pope	1
SFA	Stearns	3
Central	Benton	3
Central	Carver	1
Central	Crow Wing	2
Central	Kandiyohi	2
Central	Lincoln	1
Central	Meeker	2
Central	Mille Lacs	2
Central	Morrison	10
Central	Ottertail	2
Central	Pine	2
Central	Pope	1
Central	St. Louis	1
Central	Stearns	14
Central	Todd	11
Central	Wadena	3
Northwest	Beltrami	1
Northwest	Clearwater	3
Northwest	Mahnomen	4
Northwest	Polk	2
South Central	Carver	4
South Central	Dakota	1
South Central	Le Sueur	2

Region	County	Herds
South Central	McLeod	3
South Central	Pine	1
South Central	Renville	1
South Central	Rice	4
South Central	Scott	1
South Central	Sibley	3
South Central	Washington	1
South Central	Wright	5
Southeast	Dakota	1
Southeast	Dodge	1
Southeast	Fillmore	4
Southeast	Goodhue	3
Southeast	Houston	2
Southeast	Mower	2
Southeast	Olmsted	5
Southeast	Steele	2
Southeast	Wabasha	7
Southeast	Winona	19
Southwest	Brown	9
Southwest	Lincoln	3
Southwest	Lyon	1
Southwest	Murray	2
Southwest	Redwood	1
Southwest	Pipestone	2
Southwest	Rock	1
Southwest	Sibley	1
Southwest	Waseca	1
Southwest	Yellow Medicine	1
West Central	Becker	12
West Central	Clay	1
West Central	Douglas	9
West Central	Ottertail	15
West Central	Pope	1

Appendix D: Testimonials

“The Minnesota Dairy Initiative has given us a positive platform for the two generations of our farm to get together and discuss and dream of the future of our business. Working as a team has been a huge advantage to exploring new revenue streams and listening to everyone’s ideas and thoughts. The access to experts has been invaluable to help us formulate a direction that will be positive for all the family members involved.”
Mary Portner, Port-Haven Dairy, Brown County



“MDI has been an exceptional program for dairy producer to be involved in. It brings a team of experts together from various field to offer advice and knowledge that lays down a tailored plan to fit each operation.” Bryce Gorder, Bremer Bank, Marshall, MN, Lyon County

“MDI has helped obtaining grants to help retrofit our barn for a parlor.” Jack Schoweiler, Douglas County

“MDI is helping us become more sustainable and improve profit margins.” Jerry Dahring, Becker County

“Our MDI team provided us with the tools and ideas necessary to become more efficient, reach personal goals and farm goals, and tailored our meetings for our priorities at that moment.” Becky Heinz, Stearns County

“Working with Doug and Kent through SFA has revolutionized and regenerated our operation in ways that I never thought possible. I greatly appreciate what their practical and thoughtful ideas have done for me. I am always encouraging others to talk with them to help make a change to their own farm after seeing what it has done to mine.” Derek Schmitz, Stearns County

“Enrolling in the MDI program has been something that I have thought about doing for a long time and finally decided it was time to do. We connected with a MDI coordinator that helped us gather our thoughts, goals, and ideas for what we wanted from our team and what we felt could help us with our farm. Every farm has their problems or improvements that they want to make, but having a set time to focus on what the future of our farm is going to look like - everything related to right sizing, profitability, family needs, and on-farm efficiencies helps us take the next step to knowing what we need to do. Having the team get together at one place, at one time is so invaluable because it allows us to get our thoughts out and hear from the group about it all at once. Having a MDI coordinator helps us stay on task, provides accountability, and forces us to have the conversations that we otherwise wouldn't have because we are busy with just everyday things we need to do with farming. It is worth the two hours set aside quarterly to do and is extremely valuable to our farm.” Peter Beck, Mille Lacs County

“MDI has helped us with our farm's goals. It is valuable to have team meetings and also to have accountability.” Mike and Eileen Stang, Stearns County