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## **Dairy Development and Profitability Enhancement Program**

Fiscal Year 2023 Legislative Report  
Work Plan Fiscal Year 2025

07/01/2024

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## Executive Summary

In fiscal year (FY) 2023, the Minnesota Department of Agriculture (MDA) continued to implement the Dairy Development and Profitability Enhancement Program (DDPEP), consisting of two components: the Dairy Profitability Enhancement Teams (Dairy Profit Teams) and the Dairy Business Planning Grants. Together, these programs invested over \$583,000 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 246 farms across the state to bring a flexible, custom-fit, and holistic team diagnostic approach to finding ways to improve their profitability, productivity, sustainability, and viability.
2. Dairy Business Planning Grants helped 17 dairy producers hire professional consultants to aid in developing business plans and strategies. Professional planning helped producers explore expanding their herds, building new facilities, transferring operations to a new generation, and changing ownership structures.

## Background

Since 1996, the DDPEP has helped Minnesota dairy farms lower costs, improve milk quality, and increase profits.

In its founding 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 that focused on alternative dairy species (sheep and goats).

The Legislature increased the appropriation to \$2 million for the FY 2004-05 biennium to expand advisory team activity and begin a grant program to encourage individual farmers to invest in comprehensive dairy business planning. During budgetary reductions in 2009, annual funding was reduced to \$634,000 and it remains at that level.

The 2021 Minnesota Legislature appropriated \$634,000 per year for the FY 2022-23 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 state statute (MINN. STAT. 32D.30). Prior to then, the program was reauthorized each biennium through session law.

In 2024, the Minnesota Legislature adopted several changes to the statute to broaden the eligible uses of the funding and make the program more adaptable for industry needs. [Appendix A](#) outlines the changes made to the statute.

Statute provides authority to the commissioner to allocate funding between both program components 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.**



## FY23 Activities and Accomplishments

### Dairy Business Planning Grants

Dairy Business Planning Grants provide funding for producers to develop a comprehensive business plan. Grants are capped at \$5,000 per producer and require a dollar-for-dollar match from the farm. Recipients can use these grants to evaluate modernization projects, test for stray voltage, and pursue other improvement activities while developing their business plans.

In FY23, we awarded \$83,000 to 17 producers who were considering significant changes to their operations. The average grant size was \$4,882. Producers in Stearns County received five grants; Brown County received three; and Goodhue, Lincoln, McLeod, Meeker, Mower, Otter Tail, Pine, Rock, and Wright Counties each received one. See [Appendix B](#) 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 issued a competitive request for proposals (RFP) in the summer of 2022 to award a grant contract agreement to an organization or organizations to implement the Dairy Profit Teams for FY23. The Minnesota Dairy Initiative (MDI) was awarded the sole contract at \$500,000 to support advisory teams fielded by the seven MDI regional programs across the state.

*Heintz Badger Valley Farm of Caledonia has participated in the Dairy Profit Team program since 2018. The farm has found value in working with Minnesota Dairy Initiative to create a team that helps them advance their dairy operation. Scan the QR code to view a short video of Doug and Dayne Heintz and their team members explaining the impact of the team's efforts.*

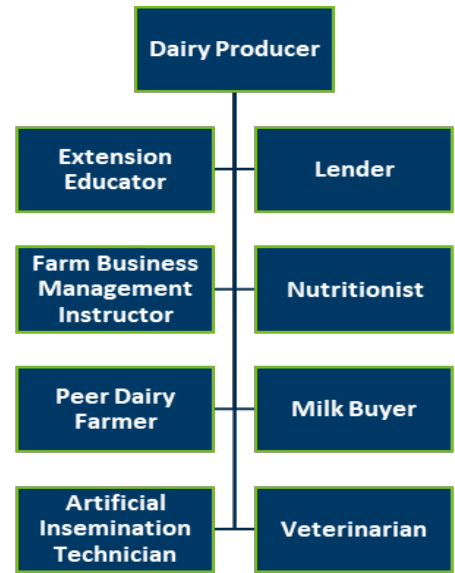


**Minnesota Dairy Initiative structure**

MDI partners with other organizations to offer a holistic team structure, such as the Sustainable Farming Association (SFA), Minnesota Milk Producers Association, the University of Minnesota (UMN), University of Minnesota Extension, Minnesota State Colleges, the Farm Business Management (FBM) program, and local lenders.

Figure 2 shows an example of an MDI Dairy Profit Team. Each team includes people with different backgrounds and expertise tailored to an individual farm’s needs.

**Figure 2. Members on a typical MDI Dairy Profit Team.**



Dairy Profit Teams work directly with farmers and farm families to utilize a flexible, custom-fit team diagnostic approach to help farm families evaluate their whole farm. Teams work to find ways to improve profitability, productivity, sustainability, and viability through establishing priorities, conducting team meetings, and achieving business goals. Teams identify priorities and suggest changes that could help the farmer/family meet their goals but do not make decisions for farms.

MDI charges each farm a \$200 yearly program fee. By paying this fee, dairy farmers became eligible to receive scholarship funds to help them reach their goals. If farmers do not intend to apply for scholarship assistance, no enrollment fee is required. The average team organized by MDI costs between \$2,000-\$2,500 per farm to facilitate and provide services. Farmers often work with their Dairy Profit Team for multiple years.

**Minnesota Dairy Initiative activities**

In FY23, MDI enrolled 246 dairy farms that milked a total of 64,781 cows, representing 13% of the dairy farms in the state ([Appendix C](#)). The number of enrolled dairy farms, number of cows managed under MDI teams, and percentage of enrolled dairy farms in Minnesota all increased in FY23 compared to FY22.

MDI worked to continue discussions with on-farm teams regarding finances, labor management, viability, and programs made available to producers. Despite the rise of inflation and a variable milk price, farms were eager

to learn from their teams and had discussions about expansions, farm succession, value-added diversity, technology implementation, sustainability, animal health, and risk management.

In addition to the farms that were directly served by Dairy Profit Teams, 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 retreats for dairy farm couples that included workshops on communication with your partner and family, relationship building, handling stress, managing personalities, problem solving, and action planning.

MDI continues to hear dairy farmers' and team members' thoughts on the program's performance to ensure MDI remains efficient, relevant, and impactful to Minnesota's dairy farmers and dairy industry. The program strives to bring dairy farmers 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.

### Minnesota Dairy Initiative estimated economic impact

MDI measures economic impact over four years because teams focus on helping producers make long-term management changes that often take several years to implement and produce results. The tables below show selected financial indicators from 2019-2022 FINBIN data.

MDI farms typically make more cost-efficient feed decisions based on the guidance of their team members. This has been especially important with rising feed costs. Table 1 shows that MDI helped save enrolled farmers an average of over \$11.8 million on feed costs per year from 2019-2022.

**Table 1. Feed cost savings for MDI teams, Average for 2019-2022.**

Herd type	Feed cost
Non-MDI herd – feed cost/cow (four-year average)	\$2,430.27
MDI herd – feed cost/cow (four-year average)	\$2,247.73
Difference	\$182.54

**Total savings on feed cost for MDI cows per year (64,781 cows x \$182.54) = \$11,825,123.70**

Similarly, MDI farms had a higher average milk price/cwt compared to non-MDI farms, which may reflect the assistance provided to improve milk quality.

**Table 1. MDI herd versus non-MDI herd cow expense and milk price comparison, Average for 2019-2022.**

Analysis	MDI Herd	Non-MDI herd	Difference
Total direct expenses/cow	\$3,521.05	\$3,721.34	\$200.29
Total direct and overhead expenses/cow	\$4,135.36	\$4,370.68	\$235.32
Feed cost/CWT	\$9.68	\$9.72	\$0.04
Hired labor/cow	\$393.73	\$472.16	\$78.73
Average milk price/CWT	\$20.47	\$20.39	\$0.08

## Farms reached through educational programs

MDI hosted numerous events across Minnesota in FY23, including farm tours, workshops, retreats, and pasture walks. Through these events, MDI reached an estimated 1,428 farms and farmers. A few highlights include:

- A Women in Dairy event titled “Using Baler Twine and Barn Lime” had 40 people in attendance who learned about resilience in dairy farming.
- MDI co-hosted a Dairy Day about harvesting high-quality forages through a field day with 40 producers in attendance.
- A farmer-to-farmer bus tour was held in Stearns County where 25 farmers had an opportunity to visit and ask questions about calf-raising facilities on other dairy operations.

## FY25 Workplan

During the 2024 Minnesota legislative session, the DDPEP program’s statute was updated to create more flexibility in supporting the dairy industry. Changes include expanding the Dairy Profitability Enhancement Program delivery methods beyond the teams-based approach; broadening the eligibility of the Dairy Business Planning Grants to include dairy processors; and allowing Dairy Business Planning Grant recipients to use grant funds for technical assistance services to evaluate operations, transitional changes, expansions, improvements, and other business modifications in addition to comprehensive business planning. See Appendix A for the updated language.

### Dairy Profit Teams Grant

In the summer of 2023, we updated the Dairy Profit Teams Grant request for proposals (RFP) to award grants to one or more organizations to implement Dairy Profit Teams. Additionally, we moved to releasing one RFP per biennium instead of releasing an RFP every year to bring more certainty to the organization or organizations selected to operate the program. We received two applications which were evaluated by dairy industry experts.

- MDI was awarded \$475,000 for both FY24 and 25 to continue supporting their advisory teams fielded in their seven regions across the state.
- Minnesota Milk was awarded a \$25,000 grant for each year to focus on creating legacy conservation plans with local teams in Southeast Minnesota. The team will concentrate on forming best practices and quantifying economic, social, and environmental outcomes of the program.



**Dairy Business Planning Grants**

In early FY25, we will revise the Dairy Business Planning Grant application to incorporate the statutory changes, including opening the program to processors and expanded the eligible uses of the funds. In FY25, our goal is to engage at least 15 farms and processors across the state.



**Administration**

In FY25, the MDA is reserving \$45,000 for administrative expenses, including staff salary, office space, and miscellaneous costs.

**Budget**

**Table 3. FY25 Dairy Development and Profitability Enhancement Program budget.**

Budget item	FY25 amount
Dairy Profit Teams	\$500,000
Dairy Business Planning Grants	\$89,000
Administration	\$45,000
Total funding	\$634,000

## Appendix A: Program Statute with May 2024 Updates

**MINN. STAT. 32D.30.** ([www.revisor.mn.gov/statutes/cite/32D.30](http://www.revisor.mn.gov/statutes/cite/32D.30))

Subdivision 1. **Program.** The commissioner must implement a dairy development and profitability enhancement program consisting of a dairy profitability enhancement ~~teams and~~ program dairy business planning grants, and other services to support the dairy industry.

Subd. 2. **Dairy profitability enhancement ~~teams~~ program.** (a) The dairy profitability enhancement ~~teams~~ program 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~~ The program must assist dairy producers in all dairy-producing regions of the state ~~and~~. Assistance to producers from the program may consist of be provided individually, as a team, or through other methods by farm business management instructors, dairy extension specialists, and other dairy industry partners. ~~Teams~~ The program may engage in activities including such as comprehensive financial analysis, risk management education, enhanced milk marketing tools and technologies, ~~and~~ facilitating or improving production systems including rotational grazing, and value-added opportunities.

(b) The commissioner must make grants to regional or statewide organizations qualified to manage the various components of the ~~teams~~ program and serve as the program administrators. 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 or dairy processor to ~~develop comprehensive business plans~~ use technical assistance services for evaluating operations, transitional changes, expansions, improvements, and other business modifications. Producers and processors must not use dairy business planning grants for capital improvements.

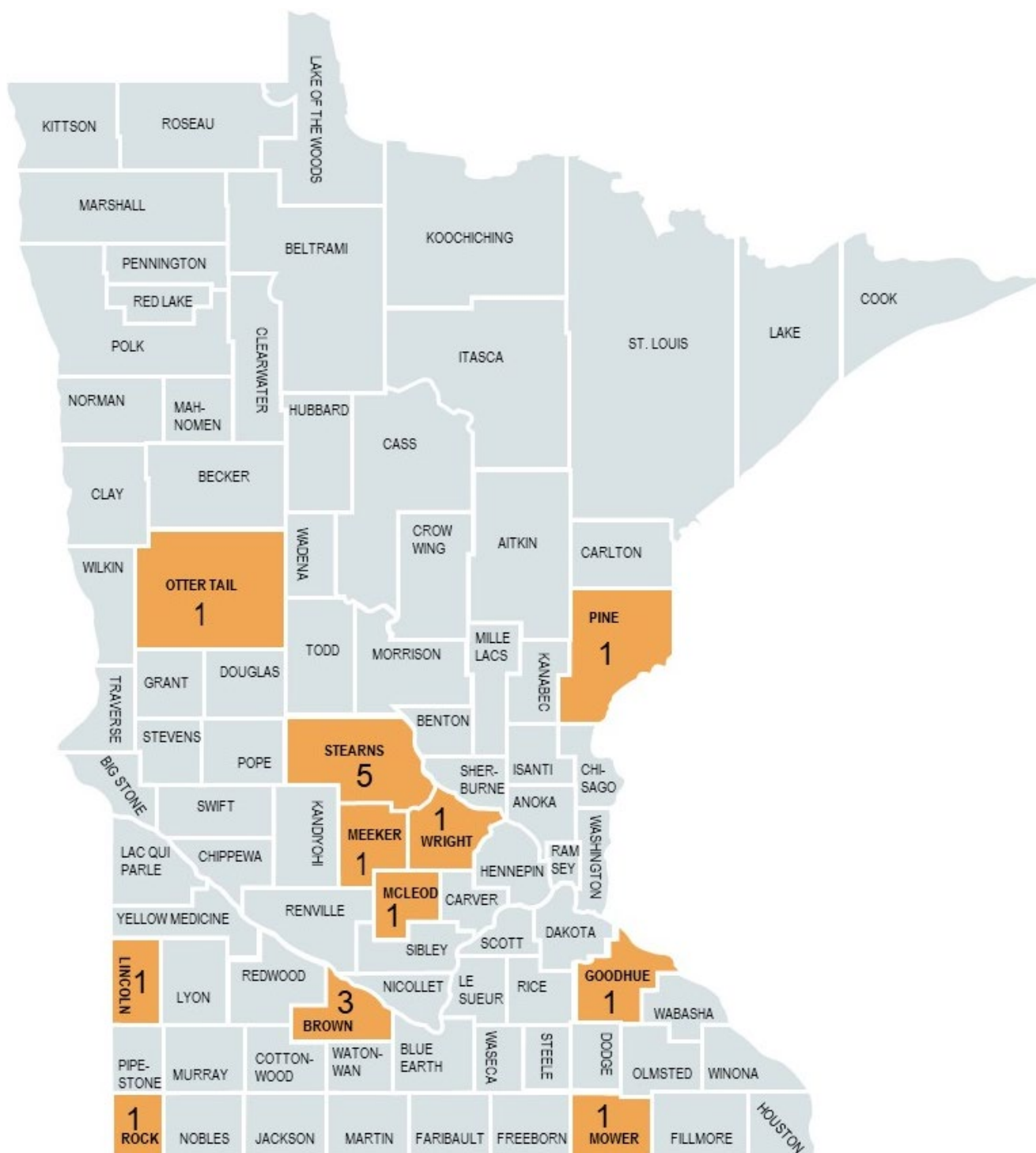
Subd. 4. **Funding allocation.** Except as specified in law, the commissioner may allocate dairy development and profitability enhancement program dollars ~~among~~ for the permissible uses specified in this section and other needs to support the dairy industry, including efforts to improve the quality 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: FY23 Dairy Business Planning Grant Recipients

In FY23, the MDA awarded 17 Dairy Business Planning Grants totaling \$83,000 to producers across the state. Stearns County received five; Brown County received three; while Goodhue, Lincoln, McLeod, Meeker, Mower, Otter Tail, Pine, Rock, and Wright received one.

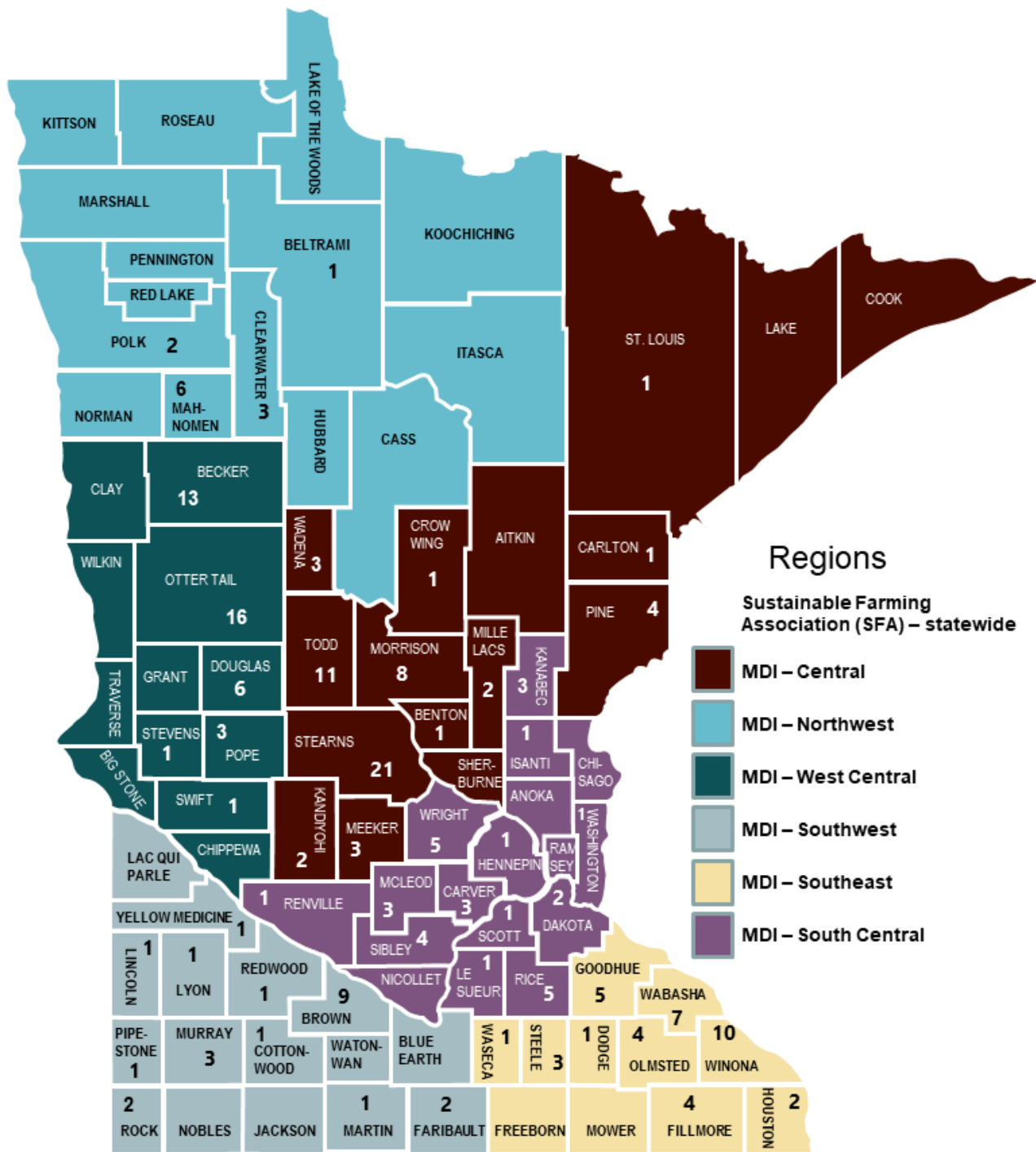
**Map 1. Locations of FY23 Dairy Business Planning Grant recipients.**



## Appendix C: Dairy Profit Teams and Regions

In FY23, there were 246 teams served by six Minnesota Dairy Initiative (MDI) regions as well as the Sustainable Farming Association (SFA), which serves the whole state. Table 5 lists the counties in each region and how many herds per county were enrolled in the program.

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



## Regional contacts as of 07/01/2024

**Table 4. Regional partners for Dairy Profit Teams.**

<b>Regional Partner</b>	<b>Contact Information</b>
Minnesota Dairy Initiative (MDI) – State Coordinator	Emily Mollenhauer, 651-764-0309
Sustainable Farming Association (SFA) – Statewide	SFA Office, 763-260-0209
MDI – Central	Leah Bischof, 320-429-0611
MDI – Central	Kristen Salzl, 651-278-1374
MDI – Central	Taylor Witt, 320-360-6489
MDI – Central and Northwest	Karen Gorentz, 218-234-3716
MDI – South Central	Jill Zieroth, 952-466-5311
MDI – Southeast	Dale Heintz, 507-951-0756
MDI – Southeast	Minnie Ward, 507-259-6534
MDI – Southwest	Heidi Sellner, 507-794-7993
MDI – Southwest	Brittany Moorse, 507-530-4415
MDI – West Central	Jay Brown, 218-238-6790

## Herds enrolled by region and county FY23

**Table 5. Number of herds per county served by the Sustainable Farming Association (SFA) and by the six Minnesota Dairy Initiative regional teams.**

Region	County	Herds	Region	County	Herds
SFA	Becker	2	South Central	Dakota	1
SFA	Clearwater	3	South Central	Hennepin	1
SFA	Faribault	1	South Central	Le Sueur	1
SFA	Goodhue	1	South Central	McLeod	3
SFA	Mahnomen	1	South Central	Pine	1
SFA	Martin	1	South Central	Renville	1
SFA	Meeker	1	South Central	Rice	5
SFA	Morrison	2	South Central	Scott	1
SFA	Polk	1	South Central	Sibley	3
SFA	Pope	1	South Central	Washington	1
SFA	Stearns	3	South Central	Wright	4
SFA	Todd	1	Southeast	Dakota	1
SFA	Wadena	1	Southeast	Dodge	1
SFA	Winona	1	Southeast	Fillmore	4
SFA	Wright	2	Southeast	Goodhue	4
Central	Benton	2	Southeast	Houston	2
Central	Carlton	1	Southeast	Mower	0
Central	Carver	1	Southeast	Olmsted	4
Central	Crow Wing	1	Southeast	Steele	3
Central	Kandiyohi	2	Southeast	Wabasha	9
Central	Lincoln	1	Southeast	Winona	13
Central	Meeker	0	Southwest	Brown	9
Central	Mille Lacs	2	Southwest	Lincoln	3
Central	Morrison	6	Southwest	Lyon	1
Central	Ottertail	2	Southwest	Murray	3
Central	Pine	0	Southwest	Redwood	1
Central	Pope	1	Southwest	Pipestone	4
Central	St. Louis	2	Southwest	Rock	2
Central	Stearns	18	Southwest	Sibley	1
Central	Todd	10	Southwest	Waseca	1
Central	Wadena	2	Southwest	Yellow Medicine	1
Northwest	Beltrami	1	West Central	Becker	13
Northwest	Clearwater	2	West Central	Clay	0
Northwest	Mahnomen	5	West Central	Douglas	6
Northwest	Polk	2	West Central	Ottertail	14
South Central	Brown	2	West Central	Pope	2
South Central	Carver	3			

## Appendix D: Testimonials

*"I have been involved with MDI, on various teams since 2005. Each team is different, built to achieve each team's specific farm goals. It has been very rewarding to participate in teams that have transitioned through change, fixed farm issues, transferred to the next generation, advanced their dairy business, worked at being a good employer, and added new team members. MDI, as an organization, has also grown through the years. The facilitators are skilled professionals, that custom build each team's agendas, navigate tough conversations, and keep the team on track and accountable. MDI has done a great job not only at investing in dairy farmers but also investing in staff. Minnesota dairy farmers are so fortunate to have a resource like MDI."*

– South Central Region Team Member

*"Working with Doug and Kent through SFA and MDI 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

*"MDI has helped our farm in many ways: 1. We all get brought together to have the conversations that we never would have otherwise. 2. We get to set goals for every individual involved in the operation and get to know what everyone's expectations are. This helps us stay aligned as a team and keeps us on the same page and working in sync with each other to achieve the same thing. 3. Jobs that are on the "To Do" list all get someone assigned to them and the person with their name by that job is held accountable for getting it done in the time period they are expected too. The list goes on with the many, many things that MDI helps with. It's nice having different sets of eyes looking at the operation as a whole."*

– Jordan Meyer, Houston County

*"When asked about the value of our dairy profit team here at our dairy farm; I can honestly say we wouldn't be without it! Our form of business management really embraces the team approach. No matter the subject at hand, making sure all key people with management influence are aware of the direction we choose to go on a particular business decision is invaluable!! As with most things on a dairy, decisions tend to come full circle. Having everyone on the same page allows greater understanding to how decision outcomes affect what can and cannot happen moving forward. Our dairy really appreciates and embraces everyone's valuable input. Thank you dairy initiatives for providing the structure to make this approach such a success!"*

– Producer, Kandiyohi County