

Northeast Dairy Task Force

Recommendations to USDA

December 16, 2021

To: Secretary Vilsack and Undersecretary Moffitt

CC: Marni Karlin, Senior Advisor for Organic and Emerging Markets and Mike Schmidt, Senior Advisor in the Office of the Secretary

Re: Recommendations for response to Danone/Horizon and Maple Hill market exit and for long-term systems improvement for the northeast dairy sector

The Northeast Dairy Task Force, collaboratively led by Laura Ginsburg – Northeast Dairy Business Innovation Center lead and Britt Lundgren – Stonyfield Organic director of organic and sustainable agriculture, offers USDA leadership the following recommendations to respond to and support the region's dairy sector in direct response to the cancellation of 89 Danone/Horizon farm contracts. While the Task Force was underway, an additional 46 organic dairy farms in New York were notified of impending contract losses from Maple Hill, further underscoring the need for long-term systems change.

The Task Force had representation from 27 unique organizations including state departments of agriculture, university extension, organic processors, organic associations, farm technical assistance providers, and subject matter experts. A complete list of participants by organization can be found in Appendix C.

Over the course of the past eight weeks, the Task Force has met as a large group and in subgroups to surface systemic concerns regarding dairy production in the Northeast. A total of four Task Force meetings and 12 subgroup meetings have allowed for in-depth conversations on focused topics. Subgroups included institutional market development; processing expansion; distribution logistics; farm viability; and federal response. Marketing and market development ideas were discussed across the Task Force.

The recommendations are organized by subgroup, with a brief description of the topic's focus area and special considerations. Under this the recommendations are outlined and include the specific request, organizations that support the request, funds needed, and, if possible, an existing mechanism to bring the request to fruition. All participating Task Force organizations were given the chance to support as many recommendations as fit their organizational goals; of the 27 organizations on the Task Force, only 13 took this opportunity. If a recommendation includes additional background content, this will be noted and found in one of the appendices. The Task Force neither sought nor aimed for consensus-based decision making regarding the recommendations, thus there are some recommendations that take a similar approach yet vary in the details. Recommendations are not offered in any particular order.

Throughout this document the region is described as the Northeast and New England interchangeably; however, the impacted and primary focus area of consideration for the recommendations are the six New England states plus central to eastern New York. While the task force was focused on gathering recommendations that would be appropriate for this region, we recognize that many of the policies discussed in this document are national in scope. Some of the policy recommendations would need to be implemented nationally, such as the recommendation to implement a final version of the Origin of Livestock rule. Other policy recommendations, especially those in the Institutional Markets section, could more easily be piloted just in the Northeast region but if successful could be expanded nationally.

For reference, the Northeast Dairy Business Innovation Center, hosted at the Vermont Agency of Agriculture, represents the ten states of the northeast, inclusive of Pennsylvania, Delaware, New Jersey, and all of New York. The Task Force recognizes that the Northeast Dairy Business Innovation Center is one of four centers across the United States which have been funded equally to date. The goal in identifying the NE-DBIC as a funding mechanism is not meant to create a circumstance in which one center benefits over the others, but rather as an existing recipient of federal funds that can move quickly to deploy additional monies into the regional dairy sector without new systems or processes having to be put into place.

Finally, in the days leading up to the completion of this document, Danone announced several steps to assist impacted farmers, including an additional six-month contract extension (through February 28, 2023), financial assistance for farmers via a transition payment, access to business assistance, and an interest in regional investment. While these positive steps give farmers and the regional dairy sector more time to address the circumstance, they do not change the underlying concerns addressed through these recommendations.

Recommendations by Subgroup

Institutional Market Development

Background: Half of the population of the Northeast region interacts with institutional buyers of food on a routine basis. These institutions include K-12 schools, campuses and universities, hospitals, prisons, and food banks. Many institutional food buyers have set goals for regional food procurement and/or emissions reduction targets for their food sourcing strategy. Organic dairy is potentially available to these institutions as a regional or local product, and organic dairy's reliance on pasture and avoidance of synthetic fertilizers made from fossil fuels makes it a good choice for institutions looking to reduce the GHG emissions from the food they serve. Despite this, organic dairy is currently not widely purchased and distributed by most institutional buyers, if they distribute it at all. Institutional buyers therefore represent an opportunity to expand the market for regionally produced organic dairy and potentially absorb some of the volume of milk from Horizon and Maple Hill producers who are losing their contracts, as well as a longer-term opportunity to grow demand for regional organic dairy in a way that could support a healthier regional market in the long term.

In order for institutional markets to represent a viable new market for regional organic dairy production, they must create a steady and sustained increase in demand. The institutional markets subgroup met with representatives of the Food Banks in Maine, New Hampshire, Vermont, and New York and staff from Farm to Institution New England and the Kendall Foundation to get input on potential demand for organic dairy from regional institutions and food banks, including information on product type and format. Based on these discussions, it is clear that both food banks and other institutions have an appetite to increase the volume of regional organic dairy they distribute. Some of that demand could be met by increased production of organic dairy products via existing processing infrastructure, while other opportunities were identified that would require new processing infrastructure in the region or refurbishing existing processing infrastructure that is not currently in use.

K-12 schools represent an important potential new area for distributing regional organic dairy products in the Northeast. There are roughly 2 million public school students in New England (2.029). If 50% of them purchased one 8-ounce container of milk every school day for 180 days, they would consume 11,250,000 gallons or 96,750,000 pounds of milk. If 25% of this milk was organic, it would provide a home for roughly 25 million pounds of milk annually.

Together these opportunities represent both short-term and long-term ways to increase and sustain demand for regional organic dairy. In the short term, increasing the purchasing power of food banks and other institutions that want to procure organic dairy via nutrition assistance programs, pandemic relief or CCC spending authority could create a meaningful increase in the volume of organic dairy that existing processors can purchase, thus enabling these processors to utilize milk from farms that are currently losing contracts. Longer term, support for the purchase and installation of new processing infrastructure (see further discussion in the processing section) could help expand the production of organic dairy products in new areas that would better serve food bank or institutional demand, such as UHT milk or shredded mozzarella cheese. These new processing opportunities could help ensure more steady and stable growth in demand for regional organic dairy over time.

The ideas brought forward in this section represent both near and long-term opportunities for increasing organic dairy demand.

Recommendations:

- FINE - multi-year grants via cooperative agreements to incentivize institutional procurement of regional organic dairy
 - The USDA should provide multi-year grants to incentivize and support institutional procurement of regional organic dairy. Multi-year grants for schools, colleges/universities, health care institutions, and corrections facilities to cover the cost differential, marketing support, storage and equipment investments, and other costs associated with making and sustaining the transition to organic regional dairy products
 - Mechanism - Cooperative Agreement with a regional entity to manage and distribute funds to institutions who commit to organic purchases and describe need for funds in an application. Funding could be limited to public schools, or other public entities. New England could be considered a pilot area to test a strategy to inform future policy and funding priorities. Grants of \$10,000 to \$100,000 based on populations served would add valuable support to switch to organic milk
 - Funding - \$2,000,000
 - Supporting organizations: MOFGA, NODPA, Stonyfield, NOFA-NY, CROPP, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Maine Dairy Industry Association, Morrison's Custom Feeds

- NOFA-VT - pilot an incentive reimbursement for schools to procure regional organic dairy products
 - In 2019, [Senator Sanders and Representative Omar introduced a bill](#) that would provide Universal Free School Meals. Included in that bill was a provision to provide a \$0.30 per meal incentive for schools that procure 30 percent of their food from local sources. The bill defines local as food produced within state lines or within 250 miles of the purchasing School Food Authority. USDA could also incentivize organic in addition to local and regional procurement.
 - Mechanism – National School Lunch Program
 - Funding - Can be determined by finding national lunch participation data (how many lunches are served nationally through NSLP) and multiplying by the per plate incentive rate of \$0.30.
 - Supporting organizations: MOFGA, NODPA, Stonyfield, NOFA-NY, CROPP, OFA, OTA, NOC, Maine DACF, Maine Dairy Industry Association, Morrison's Custom Feeds

- Stonyfield - Expand budget allocation under TEFAP for purchase of local/regional organic dairy products
 - Expand budget allocation under TEFAP for purchase of local/regional organic dairy products. USDA should identify the average additional premium that is budgeted for local organic dairy products and subsidize this premium so that it does not count against

a state's overall TEFAP budget allocation. USDA should expand the list of dairy products purchased by TEFAP to include yogurt.

- Mechanism – TEFAP
 - Supporting organizations: MOFGA, NODPA, NOFA-NY, CROPP, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Morrison's Custom Feeds
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- NOFA-VT - USDA should re-evaluate the specifications and vendor requirements for its various commodity procurement programs
 - Programs include USDA Foods for schools, The Commodity Supplemental Food Program for low-income seniors, and The Emergency Food Assistance Program (TEFAP). The product specifications should include some of the climate-smart agricultural practices that many small and medium sized farms already use, including organic certification. The vendor requirements should be re-evaluated to ensure small and medium sized farms and processors in regions where the costs of production are inherently higher can compete and win bids to supply these programs within their regions. Vendors from the New England region are disproportionately excluded from participating in the USDA Foods program. In SY2019, 3 of 6 New England States (CT, RI, VT) had no vendors in the USDA Foods Program, and 2 other states ranked last (NH) and second-to-last (MA) nationwide in terms of total dollar-value of food purchased and per capita impact of those purchases by USDA Foods. The USDA Foods Available List for SY2022 lists 4 yogurt products and 18 cheeses available to schools. None of these products is currently sourced from New England food producers. Prior attempts by New England producers to attain or sustain participation in the USDA Foods programs have proven untenable given high volume delivery minimums and low price points. New England, with some of the highest farmland prices in the United States, struggles to be competitive on both of these points. To support the organic dairy industry in New England, the USDA might consider 1) reducing minimum order delivery amounts of yogurt and cheese; 2) broadening the variety of yogurt flavors and cheeses sourced to include organic options; and 3) providing price ranges/thresholds that account for regional impacts in the USDA Foods program.
 - Mechanism - USDA Foods program, The Commodity Supplemental Food Program (CSFP) for low-income seniors, and The Emergency Food Assistance Program (TEFAP)
 - Supporting organizations: MOFGA, NODPA, Stonyfield, NOFA-NY, CROPP, OFA, OTA, NOC, Maine DACF, Morrison's Custom Feeds
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- NOFA-VT - USDA should offer cash in lieu of commodities to school food authorities to procure more local and regional food
 - Given the difficulty for New England producers to participate in USDA commodity procurement programs like USDA Foods for schools, the USDA should offer cash in lieu of commodities to school food authorities within the region that wish to procure more food from local and regional sources. Many schools in New England spend a significant portion of their USDA Foods entitlement funds to purchase dairy products like shredded

cheese, cheese slices, and yogurt. If they were given cash in lieu of their USDA Foods entitlements, they could spend those dollars on local/regional organic dairy products instead.

- Funding: No additional cost. Reallocation of entitlement funds to cash reimbursements for participating SFAs.
 - Supporting organizations: MOFGA, NODPA, Stonyfield, NOFA-NY, CROPP, OFA, OTA, NOC, Maine DACF
 - Supporting organizations: MOFGA, NODPA, Stonyfield, NOFA-NY, CROPP, OFA, OTA, NOC, Maine DACF
- Stonyfield - Ensure that Dairy Donation Program purchases organic dairy products at a rate that is proportional to the amount of dairy being produced in a region
 - Ensure that Dairy Donation Program purchases organic dairy products at a rate that is proportional to the amount of dairy being produced in a region (e.g., if 20% of dairies in Vermont are organic, at least 20% of Dairy Donation Program milk purchased in Vermont should be organic). The reimbursement rate for organic dairy products should be based on the average organic milk pay price for the region, not reimbursed at the lower conventional classified price.
 - Supporting organizations: MOFGA, NODPA, NOFA-NY, CROPP, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Morrison's Custom Feeds
 - Stonyfield - Ensure that all WIC recipients can use their benefits to purchase organic food, particularly organic milk and other organic dairy products
 - USDA Food and Nutrition Service allows states to define which foods can be purchased using WIC benefits, and some states do not allow the purchase of organic milk and organic dairy products. Organic dairy is higher in omega-3 fatty acids, which are essential to brain and eye development in unborn children and infants. Unborn children and infants are also particularly sensitive to dietary exposure from pesticides. Given these health considerations, it is essential that WIC recipients be given the opportunity to select organic dairy products if they so choose.
 - Supporting organizations: MOFGA, NODPA, NOFA-NY, CROPP, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Morrison's Custom Feeds

Processing Expansion

Background: Processing in New England is highly diverse and has representation across all scales – from those making products from less than a dozen goats to large facilities processing millions of pounds of milk per week. Regionally based processors have access to over 30 million consumers in the geographic area from the New York City metro area north to Maine, and with adequate investment in production and marketing, can increase sales volumes within the region relatively quickly. While there are numerous processing facilities in the region, nearly all of them are smaller than those in the western states which have the capacity to process higher volumes of milk being produced from fewer but larger farm operations.

The variety of processing operation scales and types is a critical factor to increasing milk utilization; regional dairy supply chain resilience is reliant on systems that source from all sizes of farms and move milk into many different processing facilities using multiple transportation methods. Larger processors may have difficulty conducting transactions with small scale processors to meet ingredient procurement or balancing needs because larger processing facilities are often not physically able to accommodate the small volume of milk components a small-scale processor might need to purchase or balance. It is therefore in the best interest of the region to encourage a diversity of solutions for expanding processing at multiple scales.

In its state-based task force response, the Vermont Agency of Agriculture (VAAF) sent out a survey to all Vermont licensed milk handlers to understand their interest and ability to scale up processing. Because of the way milk moves around the region, many out-of-state businesses received the survey as well, including businesses in Maine, New Hampshire, and New York. A concurrent project in Massachusetts, unrelated to the Horizon exit, identified additional processors in that state seeking to expand. Processors who indicated interest received direct follow-up from VAAF staff to understand specifics regarding volumes, timing of increase, and any financial needs. This information has been used to support the following recommendations, and while the survey did not identify every processor interested in expansion, the data provided a solid baseline regarding the key elements to put projects into motion.

The processing expansion recommendations take two primary approaches – first, invest catalytic levels of funding into existing successful track-record processors who are positioned and can scale production quickly; and second, invest in new processing facilities to continue to develop system flexibility. In many ways, the processing recommendations work in concert with recommendations from other subgroups. As an example, the institutional subgroup indicated market demand for shredded mozzarella cheese, a product not currently produced at scale in the region. Investment in this kind of processing would create a regionally sourced product that is in high demand and further bolster regional consumption of milk. The impact of processing investment will advance regional capacity in meaningful ways and better position the sector for the next decade and beyond.

Recommendations:

- VAAF: grant funding to support existing processor expansion
 - Idea - Funding to support existing, track record processors to fund expansion of current processing capacity through the development of new products or increased capacity of current product lines. Funding will be available via grants through the NE-DBIC with a cap of \$7.5 million per business. Grants will pay for equipment and technical assistance. The goal of this effort is to quickly and efficiently move more milk into processed products utilizing systems that are already in place. Priority projects will likely include organic products, UHT milk processing, cheese processing for institutional markets (e.g., shredded mozzarella), and shovel-ready expansion projects at all scales of production.
 - Mechanism - Grants via NE-DBIC; DBII allowable subaward cap will need to be raised using Secretary's authority pursuant to authorizing language
 - Funding - \$50,000,000
 - Supporting organizations: MOFGA, NODPA, Stonyfield, NOFA-NY, CROPP, OTA, NOC, Maine DACF, NOFA-VT/VOF, Morrison's Custom Feeds, Farm Bureau - NY

- VAAF: grants to support new processors
 - Funding to support new processors in paying for startup costs in equipment, technical assistance, and marketing development. Funding will be available via grants through the NE-DBIC with a cap of \$250,000 per business.
 - Mechanism – Grants via NE-DBIC, range falls within existing programmatic authority
 - Funding - \$5,000,000
 - Supporting organizations: MOFGA, NODPA, Stonyfield, NOFA-NY, CROPP, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Maine Dairy Industry Association, Morrison's Custom Feeds, Farm Bureau - NY

- NODPA: grant funding to create a market and infrastructure for a regionally branded milk
 - To provide \$50 million in grant funding to create a market and infrastructure for regionally sourced, consumer-supported, regionally branded milk. The creation of a new supply-side model for organic dairy that addresses the immediate loss of milk markets for northeast organic dairy producers and provides them with long-term sustainability. The impact of these losses is almost impossible to calculate, given how these farms are anchors in their communities and support so many other businesses as well as the tax base for innumerable rural towns and counties. It is clear that the major dairy companies in the US are quickly moving away from rural communities in the Northeast in favor of more cost-effective supply chains and huge, vertically integrated operations. While these 135 farms need new markets for their milk immediately, many more will be vulnerable in the near future. It has become apparent that the whole organic milk supply-side model in the Northeast needs to change. The current model for the supply side of organic dairy in the Northeast is obsolete, with many organic dairy farms facing extinction now, and many more likely to follow. A long-term analysis is that in the Northeast, the future of organic dairy family farms will be regionally based. A new

organic dairy supply-side model is needed, and a successful model will feature regionally owned, scale-appropriate facilities to process regional milk that will be sold into the regional market as a source-identified local product that will give an adequate pay price that ensures a living wage to organic family farms in the Northeast.

- Mechanism - These grants would be targeted to certified organic dairy operations located in New England and New York. Eligible entities may apply if they support local and regional organic food business enterprises that process, distribute, aggregate, or store locally or regionally produced organic dairy food products. All applicants must be domestic entities owned, operated and located within the 50 U.S. states, the District of Columbia, American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico or the U.S. Virgin Islands to be considered eligible.
 - Funding - \$50,000,000
 - Supporting organizations: MOFGA, NOFA-NY, CROPP, OFA, NOC, NOFA-VT/VOF, Morrison's Custom Feeds
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- MOFGA: support block grants focused on dairy and meat processing
 - Provide funding to individual Northeast states (ME, NH, VT, MA, NY) to invest in state level dairy and meat processing to create supply chain resilience
 - Mechanism – state block grants
 - Funding - \$100,000,000 - \$20M per state
 - Supporting organizations: NODPA, Stonyfield, NOFA-NY, CROPP, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Maine Dairy Industry Association, Farm Bureau - NY

Distribution Logistics Recommendations

Background: Distribution is a critical issue for the success of any agricultural business, perhaps more so for dairy given the time restraints in moving milk from the farm to the processor. National CDL driver shortages have had an impact in the northeast similar to the rest of the country; new drivers are challenging to attract into the profession while licensed drivers are hard to retain.

The distribution subgroup focused on the movement of milk between farms and processors and again from processor to retailer. The subgroup spoke with number of subject matter experts, including a CDL trainer in Vermont, milk haulers in Vermont and Maine, and an agricultural commodities hauler from Vermont with regional routes. Additionally, the NE-DBIC already had a distribution study underway studying the movement of specialty cheese across New England and into eastern seaboard markets and the lead researcher for this project presented on their findings to date.

These conversations highlighted several specific trends: it is challenging to recruit new CDL drivers due to the schedule needed for moving agricultural products (particularly farm pick-ups); insurance premiums disincentivize hiring drivers with less than two years' experience; drug testing removes licensed drivers from the field and is inconsistent with state laws allowing use of marijuana; and driver retention is a challenge when schedules become inflexible and there is limited professional growth.

Using existing strategies, including the Commodity Credit Corporation authority, and recently developed programs such as the Payroll Protection Program, the distribution logistics subgroup offers a number of recommendations that can bolster new entrants, retain existing licensed drivers, reduce cost to companies, and expand interest in the job opportunity.

Recommendations:

- CROPP: Farm Hauling Farmer Stipend Pilot Program
 - This pilot program targeted to the Northeast would lessen transportation costs farms incur as they seek to get raw agriculture commodities to market. Because of the daily or every other day nature of dairy on-farm storage and pick-up, producers of fresh farm milk would be prioritized. The pilot would be offered as a short-term offset as transportation capacity grows and stabilizes. Pilot program elements would include:
 1. Existing AGI and farm program eligibility requirements
 2. Eligible costs must originate from CDL trucking expenses
 3. Eligible farms must demonstrate a minimum of 4 hauling costs per month in getting raw agriculture goods to market
 4. Reimbursable costs require receipt of hauling charge and or farmer attestation form affirming self-hauling costs
 5. Maximum payment: 75 percent of hauling cost not to exceed \$250 per month per farm
 6. 12 months of payment available and offered on a quarterly basis for previous 3 months
 7. Priority shall be given to dairy operations with less than 2.5 million pounds of production per year

- Mechanism: Farm Service Agency in partnership Agricultural Marketing Service or as block grants to state departments of agriculture.
 - Funding: Further analysis required.
 - Supporting organizations: MOFGA, Stonyfield, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Maine Dairy Industry Association, Morrison's Custom Feeds
- MOFGA - government funded supplemental insurance to reduce cost for agricultural haulers
 - Government funded supplemental insurance to reduce the cost and barriers to accessing policies for trucking agricultural products.
 - Mechanism – potentially FSA
 - Supporting organizations: Stonyfield, CROPP, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Maine Dairy Industry Association, Morrison's Custom Feeds
- MOFGA - develop an agricultural liability level that is lower than common carriers to reduce premiums
 - Agricultural carriers should also have an agricultural liability level that is lower than common carriers to ensure that premiums remain affordable for small, regional trucking companies.
 - Mechanism – potentially FSA
 - Supporting organizations: Stonyfield, CROPP, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Maine Dairy Industry Association, Morrison's Custom Feeds
- CROPP - regional transportation forgivable loan program modeled off the Paycheck Protection Program
 - Initiate a Northeast regional transportation forgivable loan pilot program to maintain and grow the labor force involved in the commercial hauling of raw agricultural goods to market. Develop a regional transportation forgivable loan pilot program be offered by USDA Rural Development modeled off the Paycheck Protection Program established in 2020 by the Small Business Administration. Resources made available through the lending community would help transportation companies retain and grow a labor force of commercial drivers. To be eligible a transportation company in the Northeast must have at least 75% of their business dedicated to hauling raw agriculture commodities or food product/ingredients to market outlets. Loan amounts would be capped at \$150,000. Loans would be forgivable as terms and conditions of labor outcomes are secured.
 - Mechanism - USDA Rural Development, Commodity Credit Corporation
 - Funding - \$3,000,000
 - Supporting organizations: MOFGA, Stonyfield, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Maine Dairy Industry Association, Morrison's Custom Feeds

- CROPP - establish a CDL scholarship and driver recruitment program
 - Resource the NE DBIC to establish a two prong CDL scholarship and driver recruitment program. USDA should fund NE DBIC to create a scholarship program for trainees seeking CDL driver license and experience. The scholarship program would offset costs for new-entry trainees enrolled in a CDL driving school/program. Scholarships should target prospective trainees who are not sponsored by a transportation company and those who are interested in CDL jobs within the food and agriculture industry. The scholarship program would function as a cost-share or grant and be made available to trainees who complete the training course. Funding per student should not exceed total cost of the course.

In tandem, NE DBIC would also establish a regional driver recruitment-promotor program. NE DBIC personnel or via a competitive grant awardee would prioritize promotion of the scholarship program, survey/monitor transportation companies whose primary business is centered in agriculture for employment needs, connect available CDL drivers with those employment opportunities and engage strategically with populations that might see career advancement in the agriculture transportation sector.

- Mechanism - Agricultural Market Service, Commodity Credit Corporation
 - Funding - \$3,000,000
 - Supporting organizations: MOFGA, Stonyfield, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Maine Dairy Industry Association, Morrison's Custom Feeds, Farm Bureau - NY
- CROPP - Inform regulatory transportation choices to support cost containment and driver retention
 - Urge U.S Department of Transportation (DOT) to reconsider the Federal Motor Carrier Safety Administration's (FMCSA) entry-level driver provisions set to begin on February 7, 2022.
 - Support efforts to prioritize provisions of Infrastructure Investment and Jobs Act Pub.L. 117-58 that creates an apprenticeship program where the FMCSA will start a three-year pilot program to allow up to 3,000 drivers under 21 years of age to operate commercial trucks in interstate commerce.
 - Oppose legislative efforts or agency rulemaking that would increase minimum insurance requirements for commercial vehicles.
 - Mechanism - Official correspondence with DOT FMCSA and congressional leaders
 - Supporting organizations: MOFGA, Stonyfield, OTA, Maine DACF, Maine Dairy Industry Association, Morrison's Custom Feeds

Farm Business Viability Recommendations

Farm business viability is a critical piece of developing a successful, resilient, and responsive dairy sector. For a farm business, viability technical assistance and services can mean multiple things including such topics as accurate bookkeeping, animal management, milk quality, or understanding contracts for milk hauling. Regionally, there are a diversity of highly skilled technical assistance providers who can consult on these matters. Several recommendations suggest additional support for technical assistance provision through existing organizations and channels for farms to meet the needs of new processors or strategically plan for an exit from the dairy sector.

The Task Force also took a related but different tack on farm viability needs – in many ways, farms are struggling to remain viable beyond their business acumen skills due to the increasing pace of changes in distribution logistics, cost of energy, and need to modernize their farm operations to meet cooperative or processor requirements. Some of these improvements are costly yet yield no or limited income benefits to the farm; driveway accessibility is a prime example of this. For some farms to remain on hauling routes, they will need to improve access to allow for tractor-trailers to pick-up the milk.

Additionally, the Vermont Agency of Agriculture developed a gap payment proposal with input from Maine and New York to source accurate numbers for production volume and number of farms impacted by the contract cancellations. This gap payment impacts farm viability by allowing farms to receive additional monies for their organic certified production if there is a period they must ship to a conventional processor while they finalize arrangements with a new organic processor.

The farm business viability recommendations dovetail with those from the processing expansion and distribution logistics subgroups. In order to achieve systems change, all three must be developed concomitantly.

Recommendations:

- VAAFM - grants to support technical assistance and implementation for whole farm system review and improvements
 - Technical assistance and implementation funding for whole farm system review and improvements, including but not limited to animal housing and milking infrastructure, bulk tank/milk storage, energy efficiency upgrades, and driveway accessibility for milk trucks. As these kinds of improvement have limited or no impact on milk pricing but are critical to farm business viability, they can be challenging to finance with conventional loans. Energy efficiency projects could be completed in partnership with USDA REAP funding and state-based incentives. These projects will enhance farm business operations, generating labor savings while reducing costs, and will allow farms to move confidently into the future. Examples of the type of improvements for access, on-farm milk storage, and enhanced milk truck loading can be found in Appendix B.
 - Mechanism - State block grant funding or funding to NE-DBIC; DBII allowable expenses would need to be expanded to include construction or these costs could be handled through FSA
 - Funding - \$25,000,000 - \$5 million per year for five years

- Supporting organizations: MOFGA, NODPA, Stonyfield, NOFA-NY, CROPP, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Maine Dairy Industry Association, Morrison's Custom Feeds, Farm Bureau – NY
- CROPP - launch a Northeast pilot Dairy Farmstead Modernization cost share program
 - Launch a Northeast pilot Dairy Farmstead Modernization Cost Share Program: USDA can support infrastructure improvements on-farm that facilitate the marketing of raw agriculture commodities in the Northeast through a Dairy Farmstead Modernization Cost Share Program. The particular nature of dairy requires daily, or every other day, movement of raw product puts significant strain on farmsteads and access points. Dairy producers would be able to receive a 50 - 75% cost share to update a farmstead infrastructure. A maximum cost share should not exceed \$50,000 and two years in length. Infrastructure enhancements might include but are not limited to driveway improvements, modifications of loading and unloading locations, rerouting of power sources, tree management, technology adoption on farmstead to support commodity transport, lighting improvement and general occupational safety measures.
 - Mechanism - Offered through the Farm Service Agency; block grants to state departments of agriculture; or by expanding the scope and funding for the NE DBIC
 - Funding - \$5,200,000 annually
 - Supporting organizations: MOFGA, Stonyfield, NOFA-NY, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Maine Dairy Industry Association, Morrison's Custom Feeds, Farm Bureau - NY
- VAAF - Financial Assistance to the 135 Dairy Farmers that have lost market due to Danone Horizon leaving the Northeast. The assistance would fill the financial gap between the organic price and the conventional price for these dairy farms that do not have a new market secured as of September 1, 2022.
 - Appendix A provides complete program information and estimated financial need based on two different models using support ranges from 50% - 100% of the difference:
 1. Average assistance per farm by state based on total state volume
 2. Payments per farm per year based on support range and number of cows using average milk production volume
 - MOFGA, NODPA, Stonyfield, NOFA-NY, CROPP, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Maine Dairy Industry Association, Morrison's Custom Feeds
- NODPA - Enact a moratorium on payments for principal and interest on debt for businesses with federally guaranteed loans and develop a program that pays these costs rather than a deferred payment
 - During the COVID pandemic Federal agencies used their discretionary funds to have a moratorium on payments of both principal and interest on debt to assist with the cash flow of businesses who had federally guaranteed loans. The programs paid the interest

and principal rather than deferred payment. USDA should look at how FSA can achieve the same effect without adding to the future indebtedness of organic family families. They should work with other agencies like the SBA to achieve these goals which were used very quickly and effectively during the pandemic

- Supporting organizations: MOFGA, Stonyfield, NOFA-NY, CROPP, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF

- Maine Department of Agriculture - Provide USDA loan repayment flexibility for organic dairy farms facing regional market upheaval
 - Mechanism – coordination with FSA as during the pandemic
 - Supporting organizations: MOFGA, NODPA, Stonyfield, NOFA-NY, CROPP, OFA, OTA, NOC, NOFA-VT/VOF, Morrison’s Custom Feeds

- VAAFM - Funding to support long-term technical assistance to businesses as they move to a new processor, ensuring the farms can meet production, management, and quality guidelines
 - Mechanism – grant funding via state block grants or through NE-DBIC
 - Funding - \$900,000
 - Supporting organizations: MOFGA, Stonyfield, NOFA-NY, CROPP, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Morrison’s Custom Feeds, Farm Bureau - NY

- VAAFM - Technical assistance to farmers planning on exiting dairy to prepare for a planned, intentional, and thoughtful exit from dairy production
 - Mechanism – grant funding via state block grants or through NE-DBIC
 - Funding - \$500,000
 - Supporting organizations: MOFGA, NODPA, Stonyfield, NOFA-NY, CROPP, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Maine Dairy Industry Association, Farm Bureau - NY

Marketing and Market Development

The organic dairy market has been in a state of oversupply for several years. Earlier in 2021, the Organic Trade Association reported that the sector was beginning to emerge from oversupply following several years of relatively slow growth in sales, as changes in consumer's shopping habits driven by covid resulted in a 12% growth rate for organic dairy purchases in 2020. Still, at the time that Horizon announced they were dropping the contracts for 89 farms in the Northeast, none of the major processors of organic dairy in the region were taking on new contracts with organic dairy farms. This points to the need for new marketing efforts to increase consumption of organic dairy products. It will require a sustained and substantial increase in demand for the region's organic dairy processors to be able to absorb the milk from the dairies that are losing their contracts without exacerbating oversupply issues. The best way to generate this increase in demand is through marketing activities that will encourage consumers in the region to choose local organic dairy products.

Recommendations:

- CROPP - Enhance Market Access Program to support organic dairy trade and international market growth
 - USDA Market Access Program (MAP) funding for the organic industry should be expanded 3-fold, and include an organic dairy focus, to meet growing international demand, and to remain competitive with other key organic export countries. Currently the U.S. organic industry receives only about 0.3% of total yearly MAP funding to identify additional organic trade options. This allocation is insufficient when examining just one segment of the industry --- organic dairy. According to [published reports](#), global growth in organic dairy is expected to climb to \$54.4 billion by 2025 with Saudi Arabia and China as examples of expanding markets. Additionally, USDA-Foreign Agricultural Services should work with domestic organic dairy stakeholders to explore and review social preferences that USDA Certified Organic can fulfill. USDA Certified Organic products are unique to their conventional counterparts, with specific input and production requirements imbedded in USDA organic standards that in some instances can meet cultural preferences for key export markets. A greater focus of USDA-FAS and MAP resources, and or the Foreign Market Development Cooperator Program, could ultimately help grow organic milk procurement as well as provide increased stability with a broader number of market outlets for domestic producers and companies to service.
 - Funding: Existing authorities. P.L. 115-334 (2018 Farm Bill) offered within annual Notice of Funding Opportunity.
 - Supporting organizations: Stonyfield, OTA, Maine DACF, NOFA-VT/VOF, Morrison's Custom Feeds

- Stonyfield - increase the funding available to the Northeast Dairy Business Innovation Center to be distributed via the Dairy Marketing and Branding Services Grant
 - USDA should increase the funding available to the Northeast Dairy Business Innovation Center to be distributed via the Dairy Marketing and Branding Services Grant. In order for regional processors to be able to absorb the organic dairies currently losing their contracts, there needs to be a sustained regional increase in demand. The Dairy Marketing and Branding Services Grant can support existing value-added processors in the region with marketing activities that can help to meet this need. In 2021 this program received 40 applications totaling \$1.2 Million and was only able to fund 13 applicants with a total of \$450,000. USDA should increase funding available through this program to \$2 million annually and lift the cap on the total amount awarded to any one processor to \$200,000.
 - Mechanism - NE Dairy Business Innovation Center Dairy Marketing and Branding Services Grant
 - \$10,000,000 - \$2 million annually for five years
 - Supporting organizations: MOFGA, CROPP, OTA, Maine DACF, NOFA-VT/VOF, Morrison's Custom Feeds

Federal Response Recommendations

A variety of federal policies and programs influence organic dairy production systems, enforcement of the organic standard, and the availability of information regarding organic dairy production. Collectively, these policies influence many of the routine business and production decisions made by organic dairy farmers and processors and ancillary businesses, such as milk hauling. USDA has an important opportunity to ensure that its policies on everything from organic certification to FMMO to the use of new federal infrastructure funding are treating organic dairy producers fairly and supporting them in accessing markets.

Recommendations:

- CROPP - finalize and immediately implement the Origin of Livestock final rule
 - Inconsistent application of 7 CFR § 205.236 – Origin of Livestock has created conditions of competitive harm endured by Northeast organic dairy operations. Uneven application of the organic regulations for how organic operations source and/or transition dairy replacements creates significant cost disparities amongst producers and the organic milk they yield. The 2015 Origin of Livestock proposed rule seeks to remedy this disparity by stating: “A producer as defined in § 205.2 may transition dairy animals into organic production only once. A producer is eligible for this transition only if the producer starts a new organic dairy farm or converts an existing nonorganic dairy farm to organic production. A producer must not transition any new animals into organic production after completion of this one-time transition...”
 - While the final rule text may deviate from the proposed rule this central premise of a one-time, transition event on a dairy farm [operations] must be sustained.
 - USDA-AMS-NOP should prioritize issuing a final Origin of Livestock regulation. After issuing the final regulation USDA should:
 - Communicate immediately with all accredited certifiers notifying them of the new regulation and expectations.
 - Communicate immediately, through various medium, to all USDA certified organic dairy operations detailing the new regulations.
 - Enhance accreditation reviews/audits to ensure accredited certifiers have adopted the new regulation.
 - Pursue any complaints filed on dairy operations or accredited certifiers not adhering to the new regulations.
 - Mechanism – AMS-NOP rulemaking
 - Supporting organizations: MOFGA, NODPA, Stonyfield, NOFA-NY, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Maine Dairy Industry Association, Morrison’s Custom Feeds, Farm Bureau - NY

- VAAFM - USDA should coordinate with federal and state Departments of Transportation to ensure road upgrades prioritize farm access
 - Supporting organizations: MOFGA, NODPA, Stonyfield, NOFA-NY, CROPP, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Maine Dairy Industry Association, Farm Bureau - NY

- NODPA - Strengthen pasture rule enforcement with particular attention to high risk Concentrated Animal Feeding Operations (CAFO)
 - Particular attention needs to be paid to the following:
 - a. Certifier's inspection reports are inconsistent in detailing the growing season applicable to each operation. There is published data that reflects the growing season for each area. The operation must follow the applicable growing season rather than fall back on the minimum of 120 days.
 - b. In evaluating percentage of dry matter consumption from pasture, each class of animal is required to be assessed separately.
 - c. Attention needs to be paid to the crop rotation within the OSP with pasture as a crop.
 - d. There is a lack of certifier/ inspector expertise in evaluating the dairy rations of large-scale dairies who use sophisticated technology and highly qualified teams of veterinarians/nutritionists to prepare reports that may be impossible for the average dairy inspector to interpret when they analyze dairy rations and tie them to production and pasture consumption. NOP needs to mandate that these dairies are inspected by highly qualified dairy nutritionists experienced in pasture management.
 - NOP needs to continue to level the playing field in providing inspectors who can interpret the unsophisticated but honest record keeping of small-scale dairies that do not have the technology, money or time for reports to satisfy desk audits. An experienced dairy inspector can take a walk in the pastures, noting the locations of water, shade and access pathways that are well worn by animals and view the unique signs of grazing within pastures, to assist in their evaluation of meeting regulations.
 - The publication of the Origin of Livestock Final Rule is promised for Spring in 2022. When published, and if it contains the provision that transitioned animals cannot maintain their organic dairy status if they are be sold or transferred from their transitioning operations, the regulation will need to be implemented immediately. NOP needs to mandate that certifiers are prepared for the publication and have training in herd record-keeping of transitioned animals and required ownership records. NOP needs to ensure that certifiers are qualified to put the regulation into immediate effect to start what will undoubtedly be a long road back to a level playing field for all dairies
 - Mechanism – USDA NOP
 - Supporting organizations: MOFGA, NOFA-NY, OFA, NOC, Maine DACF, NOFA-VT/VOF, Maine Dairy Industry Association, Morrison's Custom Feeds

- VOF/NOFA-VT - Improve Transparency for Existing Pasture Rule Enforcement
 - Better reporting on pasture rule enforcement both by certifiers and the NOP will help to assess inequities and areas of concern. The NOP should identify exactly what is being assessed and evaluated during an NOP on-site pasture enforcement visit. This can help both certifiers and farmers prepare for these visits. In addition, the NOP should report annually on the total number of operations they visit, the regions visited, and the results of those visits. Information should be aggregated to protect confidentiality but should include pasture DMI for each animal group assessed, pasture health and quality, and the overall stocking rate of the operations. Certifiers should be required to report annually on the total number of cows per operation, broken out by milking, dry cows and heifers, and number of acres of pasture per operation. USDA should use this data to annually publish the average stocking rates by county. Having this information available publicly could help establish “norms” for different regions that could be utilized as a resource for farmers and certifiers for general pasture rule compliance and assessment.
 - Mechanism: USDA NOP
 - Supporting organizations: MOFGA, NODPA, Stonyfield, NOFA-NY, CROPP, OFA, OTA, NOC, Maine DACF, Maine Dairy Industry Association, Morrison’s Custom Feeds, Farm Bureau - NY

- OTA - Immediately publish and implement the Organic Livestock and Poultry Practices Final Rule
 - Clarifying and strengthening the organic standards is critical to maintaining the integrity of the organic label and providing a level playing field for organic dairy operations to compete in the market. Also, if NE dairy farms need to undergo infrastructure updates to meet new market specifications (e.g., renovating dairy barns or outdoor access areas), they can plan ahead for compliance with OLPP rules.
 - Mechanism: USDA rulemaking
 - Supporting organizations: MOFGA, NODPA, Stonyfield, NOFA-NY, CROPP, OFA, NOC, Maine DACF, NOFA-VT/VOF, Maine Dairy Industry Association, Morrison’s Custom Feeds, Farm Bureau – NY

- OTA - Request an update on the accreditation status of the Texas Department of Agriculture’s organic livestock program
 - The Texas program has been cited by USDA as having a history of noncompliance. Strong enforcement of the standards for certifier accreditation is critical to provide a level playing field for organic dairy operations and avoid economic disadvantages from inconsistent enforcement.
 - Mechanism: USDA NOP accreditation division
 - Supporting organizations: MOFGA, NODPA, Stonyfield, NOFA-NY, CROPP, OFA, NOC, Maine DACF, NOFA-VT/VOF, Morrison’s Custom Feeds

- OTA - NOP should continue its Dairy Compliance Program
 - Additionally, NOP should provide a detailed update with information that would help identify inconsistent enforcement that may be contributing to economic disadvantages for Northeast organic dairy operations
 - Mechanism: USDA NOP Compliance and Enforcement Division
 - Supporting organizations: MOFGA, NODPA, Stonyfield, NOFA-NY, CROPP, OFA, OTA, NOC, Maine DACF, NOFA-VT/VOF, Maine Dairy Industry Association, Morrison's Custom Feeds

- NODPA - Analysis of organic milk price and feed cost data to determine possible benefits of an organic counterpart to the existing Dairy Margin Coverage (DMC) Program
 - The Dairy Margin Coverage (DMC) Program, developed as part of the 2018 Farm Bill, is a national risk management program that offers margin protection to dairy farmers, defined as the difference between the national all milk price and national average feed costs. The program is particularly targeted to benefit small-and-medium scale dairy farms. Producers can choose their level of coverage. While premiums increase based on level of coverage chosen, those premiums are highly subsidized for a producer's first 5 million pounds of milk production annually, which is the mechanism used by Congress to target the benefits to small-and-medium-scale dairy farms. Producers can buy coverage for production above the 5-million-pound threshold, but the premiums for coverage above that are significantly higher, by design.
 - The factors used to calculate the monthly margin DMC payments are the average national all-milk price minus national average feed costs (including corn, soybean meal, and alfalfa hay). The all milk price is reported monthly by the National Agricultural Statistics Service (NASS). The corn and alfalfa hay prices are also reported monthly by the National NASS, and the soybean meal price is reported monthly by the Agricultural Marketing Service (AMS). USDA's Farm Service Agency (FSA) uses those data to administer the DMC program.
 - Conventional and organic dairy producers are eligible for the program. However, the price factors used to calculate the margin are based on conventional prices.
 - Request: That FSA, in coordination with NASS and AMS, use available organic price and feed data to provide analysis of what an organic DMC program would have paid out to organic dairy farmers over the last 10 years, had such a program existed, relative to the DMC program. To the extent possible, USDA should use organic data that is as comparable as possible to the data sets used under the DMC program. If there are data sets used for the DMC that have no comparable organic data set, we urge USDA to note that deficiency and provide analysis of the potential to start collecting those organic data.
 - Mechanism: FSA, NASS, AMS
 - Supporting organizations: MOFGA, NOFA-NY, OFA, NOC, Maine DACF, NOFA-VT/VOF

- NODPA - Request for more detailed organic milk data to reflect the depth of information provided for non-organic milk production
 - Pay price for organic dairy farmers is set either by direct marketing of products to the consumer; a personal contract with the buyer (organic brand, dairy processor or, in the case of vertically integrated organic CAFO's, retailer), or as part of a cooperative agreement as a member of a cooperative. There is a scarcity of organic data available for the farmer to make decisions on the state of the organic market, projections on potential changes in supply and demand and the value of their product. Our request is that mechanisms are established for publishing this data for organic milk so organic farmers can understand their market in ways similar to the conventional market.
 - The Federal Milk Marketing Order program (FMMO) already receives data that allows them to provide information on the organic dairy sector. Statistics on dairy also are found at the USDA National Agricultural Statistics Service (USDA NASS) and the USDA's Economic Research Service (USDA ERS). Every region produces a monthly statistical report that is published up to 2 months in arrears of the usage.
 - FMMO data is derived from reports submitted by pooled handlers. The majority of organic milk is processed at FMMO pool plants that also process and manufacture conventional milk and are required to report to the FMMO. Only FMMO 1 (the Northeast order) reports some of this information in its monthly statistical reports, in limited form. The FMMO 1 Monthly Statistical Report breaks out organic Class I fluid volumes for Whole Milk and Reduced Fat Milk (2%), and this limited report has some use. Providing only part of the needed data, however, the information can also be combined to get an inaccurate picture of utilization of organic fluid milk in the Order and marketplace.
 - USDA Dairy Programs asserts that it only has the statutory authority to collect Class I (fluid milk) data in the detail necessary to separate milk produced under organic production, but has not explained either why the information is not available for all Orders or why the data made available from FMMO 1 is only provided in such limited form. The following request we believe is within the statutory authority of the FMMO:
 - Utilization of organic Fluid Milk products and cream from Producer Receipts and Other Sources: Class I milk:
 1. Marketing Area;
 2. Other Federal Markets;
 3. Non-Federal Markets
 - Utilization of Fluid Milk Products and Cream by Pool Plants for Class 1 Milk, for all Orders:
 1. Organic Whole Milk
 2. Organic Reduced Fat Milk (2%)
 3. Organic Low Fat Milk (1%)
 4. Organic Fat Free Milk (Skim)
 - Organic Mailbox Price by region
 - Export of organic dairy products
 - The monthly reporting from FMMO 1 shows "Class I from outside the marketing area." Our request is does this total include bulk and packaged milk too?

- We also request that Dairy Programs reconsider whether utilization of organic milk for Class II Yogurt utilization may be identified under existing authority, and what would be required to make the information available if this authority exists.
 - Mechanism: Existing data within FMMO, NASS, ERS
 - Supporting organizations: MOFGA, Stonyfield, NOFA-NY, OFA, NOC, Maine DACF, NOFA-VT/VOF
- OFA - USDA should work with federal agency partners to address market consolidation in the organic dairy market
 - The crisis in New England and eastern New York caused by Horizon's decision to exit the area is a vivid regional example of the impacts of consolidation that plagues the entire organic dairy sector. Previous government decisions have allowed this consolidation to worsen and should be revisited. When Danone purchased White Wave in 2017, the Department of Justice mandated that Stonyfield Organic (owned by Danone with a supply contract with CROPP Cooperative) would have to be sold as a remedy to prevent monopsony in the region. Stonyfield Organic was sold to Lactalis, the second largest Dairy company in the world. Now there is effectively only one purchaser of organic milk in New England and eastern New York, Lactalis. Lactalis purchases 80% of its total milk supply from CROPP and purchases the other 20% either directly from Northeast farms or other sources. CROPP milk from New England and eastern New York is also used in packaged product under the Stonyfield Organic label licensed to CROPP by Lactalis.
 - USDA should ask the DOJ to investigate the effect of lack of competition in New England and eastern New York in light of Danone's decision to exit the region. USDA should also work with the DOJ to propose new remedies to restore competition in the region. The results of this investigation should inform future updates to federal guidelines on horizontal and vertical merger approvals.
 - USDA should also work with the inter-departmental White House Competition Council (established by President Biden's Executive Order on Promoting Competition in the American Economy) to examine the organic dairy market in the Northeast as a case study of loss of resilience and harm to farmers caused by consolidation.
 - Mechanism: USDA and DOJ compliance with Executive Order on Promoting Competition in the American Economy; White House Competition Council; DOJ-FTC Merger Guideline Updates
 - Supporting organizations: MOFGA, NODPA, NOFA-NY, NOC, Maine DACF, NOFA-VT/VOF, Maine Dairy Industry Association, Morrison's Custom Feeds

Appendix A – Gap payment program resources

Program for Financial Gap for Dairy Farmers impacted by the Danone/Horizon and Maple Hill Departure

Proposal: Financial Assistance to the 135 Dairy Farmers that have lost market due to Danone/Horizon and Maple Hill leaving the Northeast. The assistance would fill the financial gap between the organic price and the conventional price for these dairy farms that do not have a new market secured as of their contract cancellation date.

There are many initiatives proposed to allow for dairy processors to take on more organic milk but not all will be ready as of contract cancellation, now February 28, 2023 for Horizon farmers but early in 2022 for Maple Hill farmers. This program would allow dairy farmers to maintain organic certification by continuing to purchase organic feed and other organic farming input requirements, all at organic (higher) prices, while receiving a conventional price for their milk. It is imperative that dairy farms maintain organic practices and certification through this gap. According to the National Organic Program Rule Section 205.236 (b)(1) The following are prohibited: Livestock or edible livestock products that are removed from an organic operation and subsequently managed on a nonorganic operation may be not sold, labeled, or represented as organically produced.

This means that an organic animal that is subsequently managed conventionally cannot be re-transitioned into organic production. Therefore, if an organic dairy producer decided to manage their herd conventionally for any period of time, those same animals would be disqualified from transitioning back into organic production. Because of this, if a producer would like to keep their original herd and genetics, they must maintain their organic management and certification if they would like to even consider reentering the organic market in the future. This would cause an unsustainable cost issue for most farmers – maintaining organic certification while being paid a conventional price.

The proposal is for a payment to individual farms for the gap between the organic milk price and the conventional milk price for up to a period of one year or until a new organic market or a market with a comparable price is obtained, whichever comes first.

The calculations included are for informational purposes and use the average organic pay price to farmers over the past 5 years versus the 5-year average conventional Statistical Uniform Price for Boston for Federal Milk Marketing Order One. UVM Extension with other partners has conducted an organic cost of production study and has the average pay price for several years that would include components and other premiums. The Statistical Uniform Price did not include any premiums or components beyond the levels prescribe for this price series.

For the actual program, organic producers could provide payment history through milk check stubs to USDA Farm Services Agency to establish an average over a period of months or years. This could then be compared to actual federal Milk Market order payment through current milk check stubs indicating component and or quality premium payments. Pounds could be verified through Federal Order One or through State Departments of Agriculture, or through purchasers milk check stubs. USDA Farm Services Agency has collected and verified milk pounds for individual farmers through working with Cooperatives in the past. Payments could be made on the difference of the past organic prices versus the Statistical Uniform Price one to two months after sale of the milk through USDA Farm Services Agency.

Possible Steps for a Program

1. Verify all farms in the Northeast that have not found an organic market by their specific contract termination date. Determine if a conventional market has been obtained. Farmers register and report to USDA Farm Services Agency.
2. Determine method of verifying average organic pay price, Federal Milk Market Payment rate, and pounds for each producer
 - a. Some farms may not obtain any market for their milk as of their contract termination date. These farms could be eligible for the bridge payment only without marketing milk.
 - b. Farms would be encouraged to dry off as many cows as possible during this timeframe to reduce the amount of grain purchase and milk that would be disposed of.
 - c. Payment would be made on the difference between average organic pay price and statistical uniform price on the pounds of milk produced per months in 2021.
3. Set rates – Organic Price level and Conventional Price level
 - a. Collect data from farms for Organic price history for 2019, 2020 and 2021. Average price not to exceed current pay rates for organic buyers in the region. Ensure an incentive to accept a market for organic milk – do not want the bridge program to be more lucrative than existing markets.
 - b. Compare the average to the actual price received from Federal Order One pay rate component pricing.
 - c. Pay difference on milk volume for current month.
4. Monthly calculation and payment rate for producers by USDA Farm Services Agency – one to two months after sale of milk
5. Distribution of gap funding to individual farms – two months after sale of milk
6. Farmers responsible for updating USDA Farm Services Agency if status changes – if an organic market is obtained or a market with a comparable price is achieved.

Bridge Program calculations

Assumptions

\$	16.93	conventional 5 year average SUP for Boston Location
\$	36.59	Average Price from UVM study for organic cost of production 2014 through 2018
\$	19.66	Difference
\$	17.69	assistance at 90% of difference
\$	15.73	assistance at 80% of difference
\$	13.76	assistance at 70% of difference
\$	11.80	assistance at 60% of difference
\$	9.83	assistance at 50% of difference

Vermont Farms and volume

21 farms
25,822,000 yearly volume

Assistance

rate	total \$ per year	dollars/farm
100%	\$ 5,076,605.20	\$ 241,743.10
90%	\$ 4,568,944.68	\$ 217,568.79
80%	\$ 4,061,284.16	\$ 193,394.48
70%	\$ 3,553,623.64	\$ 169,220.17
60%	\$ 3,045,963.12	\$ 145,045.86
50%	\$ 2,538,302.60	\$ 120,871.55

New Hampshire Farms and Volume

2 farms
1,500,000 yearly volume

Assistance

rate	total \$ per year	dollars/farm
100%	\$ 294,900.00	\$ 147,450.00
90%	\$ 265,410.00	\$ 132,705.00
80%	\$ 235,920.00	\$ 117,960.00
70%	\$ 206,430.00	\$ 103,215.00
60%	\$ 176,940.00	\$ 88,470.00
50%	\$ 147,450.00	\$ 73,725.00

Maine Farms and Volume

13 farms
10,000,000 yearly volume

Assistance total \$ per

rate	year	dollars/farm
100%	\$1,966,000.00	\$ 151,230.77
90%	\$1,769,400.00	\$ 136,107.69
80%	\$1,572,800.00	\$ 120,984.62
70%	\$1,376,200.00	\$ 105,861.54
60%	\$1,179,600.00	\$ 90,738.46
50%	\$ 983,000.00	\$ 75,615.38

New England Total

Total per year	average per farm
\$ 7,337,505.20	\$ 203,819.59
\$ 6,603,754.68	\$ 183,437.63
\$ 5,870,004.16	\$ 163,055.67
\$ 5,136,253.64	\$ 142,673.71
\$ 4,402,503.12	\$ 122,291.75
\$ 3,668,752.60	\$ 101,909.79

New York - Danone/Horizon

46 farms
10,671,323 yearly volume

Assistance

rate	total \$ per year	dollars/farm
100%	\$ 2,097,982.00	\$ 45,608.30
90%	\$ 1,888,183.80	\$ 41,047.47
80%	\$ 1,678,385.60	\$ 36,486.64
70%	\$ 1,468,587.40	\$ 31,925.81
60%	\$ 1,258,789.20	\$ 27,364.98
50%	\$ 1,048,991.00	\$ 22,804.15

New York - Maple Hill

46 farms
11,162,904 yearly volume

Assistance

rate	total \$ per year	dollars/farm
100%	\$ 2,194,626.93	\$ 47,709.28
90%	\$ 1,975,164.23	\$ 42,938.35
80%	\$ 1,755,701.54	\$ 38,167.42
70%	\$ 1,536,238.85	\$ 33,396.50
60%	\$ 1,316,776.16	\$ 28,625.57
50%	\$ 1,097,313.46	\$ 23,854.64

Total NY

Total per year	average per farm
\$4,292,608.93	\$ 46,658.79
\$3,863,348.04	\$ 41,992.91
\$3,434,087.14	\$ 37,327.03
\$3,004,826.25	\$ 32,661.15
\$2,575,565.36	\$ 27,995.28
\$2,146,304.46	\$ 23,329.40

Payment per year based on Farm Size

Assumptions Average milk per cow per year for organic - average from UVM Cost of Production study 2014

14,163

100% payment level

Cow numbers	milk per year	payment per year
25	354,065	\$ 69,609.18
50	708,130	\$ 139,218.36
75	1,062,195	\$ 208,827.54
100	1,416,260	\$ 278,436.72
150	2,124,390	\$ 417,655.07
200	2,832,520	\$ 556,873.43
300	4,248,780	\$ 835,310.15

70% payment level

Cow numbers	milk per year	payment per year
25	354,065	\$ 48,726.43
50	708,130	\$ 97,452.85
75	1,062,195	\$ 146,179.28
100	1,416,260	\$ 194,905.70
150	2,124,390	\$ 292,358.55
200	2,832,520	\$ 389,811.40
300	4,248,780	\$ 584,717.10

90% payment level

Cow numbers	milk per year	payment per year
25	354,065	\$ 62,648.26
50	708,130	\$ 125,296.52
75	1,062,195	\$ 187,944.78
100	1,416,260	\$ 250,593.04
150	2,124,390	\$ 375,889.57
200	2,832,520	\$ 501,186.09
300	4,248,780	\$ 751,779.13

60% payment level

Cow numbers	milk per year	payment per year
25	354,065	\$ 41,765.51
50	708,130	\$ 83,531.01
75	1,062,195	\$ 125,296.52
100	1,416,260	\$ 167,062.03
150	2,124,390	\$ 250,593.04
200	2,832,520	\$ 334,124.06
300	4,248,780	\$ 501,186.09

80% payment level

Cow numbers	milk per year	payment per year
25	354,065	\$ 55,687.34
50	708,130	\$ 111,374.69
75	1,062,195	\$ 167,062.03
100	1,416,260	\$ 222,749.37
150	2,124,390	\$ 334,124.06
200	2,832,520	\$ 445,498.75
300	4,248,780	\$ 668,248.12

50% payment level

Cow numbers	milk per year	payment per year
25	354,065	\$ 34,804.59
50	708,130	\$ 69,609.18
75	1,062,195	\$ 104,413.77
100	1,416,260	\$ 139,218.36
150	2,124,390	\$ 208,827.54
200	2,832,520	\$ 278,436.72
300	4,248,780	\$ 417,655.07

Appendix B – Examples infrastructure costs for farm viability improvements

Information provided by New York State Department of Agriculture and Markets

- Farm storage silos for greater than 10,000 gallons
- Glycol chillers
- Clean in place (CIP) wash systems
- Farm milk load out equipment – high speed pumps, in-line sampling systems for direct loading, in-line weigh meters
- Water reclamation systems
- Investments in access point improvement for rural roadways and driveways to accommodate tractor trailers
- Foot foamer for cleanliness

- Total package cost for 10,000 gallon on-farm milk storage silo
 - Mueller 10,000 gallon silo \$85,000
 - Control package with high-speed pump \$25,000
 - Mueller chiller and compressors \$45,000
 - Mueller plate cooler \$10,500
 - Installation and labor \$30,500
 - Total cost \$196,000

Appendix C – Task Force Representation

- State Departments/Agencies and University Extension
 - New York – Deputy Commissioner Jennifer Trodden; Jade Kraft – Senior Advisor for Food Policy
 - Vermont – Diane Bothfeld – Director of Administrative Services and Dairy Policy; Laura Ginsburg – Development Division Section Chief and NE-DBIC lead; Kathryn Donovan – NE-DBIC coordinator
 - New Hampshire – Commissioner Shawn Jasper
 - Maine – Bureau Director Nancy McBrady; Rick Kersbergen – Maine Extension; Glenda Pereira – Maine Extension
- Producer Associations
 - NOFA – NY – Bethany Wallis and Katie Baildon
 - NOFA – VT and Vermont Organic Farmers – Nicole Dehne
 - Maine Organic Farmers and Gardeners Association – Sarah Alexander and Ryan Dennett
 - Northeast Organic Dairy Producers Alliance – Ed Maltby
- National Organizations
 - Organic Farming Alliance – Kate Mendenhall
 - Organic Trade Association – Jo Mirenda
 - Farm Bureau-NY – Elizabeth Wolters
 - Farmers Union - New England – Roger Noonan
 - National Sustainable Agriculture Coalition – Eric Deeble
 - National Association of State Departments of Agriculture – Rebecca Barnett
 - National Organic Coalition – Steve Etko
- Processors
 - Maine Organic Milk – Annie Watson
 - Organic Valley – Adam Wartheson
 - Stonyfield Organic – Britt Lundgren
 - Jasper Hill Farm and Creamery – Mateo Kehler
- Subject Matter Experts
 - Farmer technical assistance and grazing – Sarah Flack, independent consultant
 - Dairy systems – Kyle Thygesen, Vital Farms
 - Distribution and ancillary systems – Mike Thresher, Morrison’s Custom Feeds
 - Institutional procurement – Annie Rowell, Sodexo; Peter Allison, Farm to Institution New England (FINE)
 - Maine dairy systems – Julie Marie Bickford, Maine Milk Commission, Maine Dairy Industry Association
 - Farm business technical assistance – Liz Gleason, Vermont Farm and Forest Viability