

# Vermont Milk Commission

Dairy Margin Coverage Reimbursement and Danone Horizon Task Force

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# Vermont Milk Commission

Month	Corn (\$/bu)	Premium Alfalfa Hay (\$/ton)	Soybean Meal (\$/ton)	All Milk (\$/cwt)	Final Feed Costs for DMC(\$/cwt)	Milk Margin Above Feed Costs for DMC(\$/cwt)
Jan	5.57	262.00	421.21	24.20	12.66	11.54
Feb	6.10	266.00	480.96	24.70	13.72	10.98
March	6.56	269.00	493.98	25.90	14.35	11.55
April	7.08	271.00	476.70	27.10	14.81	12.29
May	7.26	274.00	441.28	27.30	14.79	12.51
June	7.37	277.00	445.93	26.90	14.98	11.92
July	7.25	333.00	467.87	25.70	15.78	9.92
Aug	7.24	343.00	510.90	24.30	16.22	8.08
Sept	7.09	342.00	473.94	24.40	15.78	8.62
Oct	6.50	348.00	468.68	25.90	15.19	10.71
Nov						
Dec						

Under \$9.50 twice this year.  
 Possible payment of \$1.42/cwt. for August and \$0.88/cwt for September.  
 May be under \$9.50 for November & December 2022.

## USDA Dairy Margin Coverage Program

- ▶ A program to assist dairy farmers with risk management for feed costs & milk price margin - conventional pricing
- ▶ Feed Costs include soybean meal, alfalfa hay & corn meal from USDA
- ▶ National All Milk Price calculated by USDA
- ▶ Margin choices \$4 to \$9.50 in \$0.50 increments
- ▶ Premiums payments required by farmers to take part - \$100 minimum
- ▶ Two tiers of premium costs based on farm size milk volume
- ▶ 5 million pounds or less - lower cost for premium
- ▶ Over 5 million pounds higher cost
- ▶ Large farms can cover a portion of volume in tier 1 and remainder in tier 2

Month	Statistical Uniform Price Prediction Middlebury 2023	Predicted DMC Margin 2023
Jan	\$21.21	\$7.44
Feb	\$20.77	\$6.89
March	\$20.66	\$6.85
April	\$20.47	\$6.66
May	\$20.25	\$7.13
June	\$20.16	\$6.90
July	\$20.02	\$6.72
Aug	\$20.04	\$7.58
Sept	\$20.06	\$8.39
Oct	\$20.30	\$8.32
Nov	\$20.33	\$7.53
Dec	\$20.16	\$7.95
<b>Average</b>	<b>\$20.37</b>	<b>\$7.36</b>

# Vermont Milk Commission

Dairy Margin Coverage Prediction for 2023

Prediction below \$9.50 all year.  
Source Agri-Mark November 28, 2022

# Vermont Milk Commission

## Dairy Margin Coverage Program - Premium Assistance

- ▶ Passed by Vermont Legislature in 2022 with \$2.6 million in funding
  - ▶ Utilize until depleted - more than one year of support allowed
- ▶ Reimbursement of USDA Dairy Margin Coverage Program Tier 1 Premiums
- ▶ Reimbursed for exact amount with a maximum of \$7,500
  - ▶ \$7,500 represents 5 million pounds of milk at the highest margin level of \$9.50
- ▶ Agency began reimbursement program in August of 2022
  - ▶ Very low rate of payment by farmers for premium 12% paid in full
- ▶ Partnership with USDA Farm Services Agency
  - ▶ Farmers sign waiver for USDA to share premium payment information with Agency
  - ▶ Once information received from USDA - Agency send application to specific farmers

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County	# of Contracts	smallest \$	largest \$	# at Max	average	total by county
Addison	66	\$69.00	\$7,500	26	\$5,195.43	\$342,504.61
Bennington	6	\$295.83	\$7,500	2	\$3,165.70	\$18,994.22
Caledonia	42	\$347.37	\$7,500	3	\$2,373.42	\$99,683.82
Chittenden	18	\$356.18	\$7,500	3	\$3,768.86	\$67,839.43
Essex	8	\$417.16	\$7,500	1	\$2,964.68	\$23,717.46
Franklin	96	\$366.47	\$7,500	27	\$4,244.74	\$407,495.12
Grand Isle	7	\$1,532.18	\$7,500	2	\$4,045.32	\$28,317.27
Lamoille	19	\$192.33	\$7,500	1	\$2,422.15	\$46,020.85
Orange	30	\$507.25	\$7,500	5	\$3,036.32	\$91,089.66
Orleans	65	\$365.02	\$7,500	5	\$2,671.09	\$173,620.78
Rutland	28	\$236.81	\$7,500	1	\$2,623.99	\$73,471.79
Washington	15	\$181.70	\$7,500	3	\$2,942.20	\$44,133.00
Windham	14	\$574.10	\$7,500	2	\$2,855.37	\$39,975.14
Windsor	18	\$255.37	\$7,500	1	\$1,981.00	\$35,657.96
Total	432				\$3,163.59	\$1,492,521.11

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## Dairy Margin Coverage Program Premium Assistance

- ▶ Total number of contracts - 432
- ▶ Total dollars to reimburse - \$1,492,521.11
- ▶ Three largest counties - by dollar and contracts - 52% of contracts
  - ▶ Franklin - \$407,495.12 on 96 contracts
  - ▶ Addison - \$342,504.61 on 66 contracts
  - ▶ Orleans - \$173,620.78 on 65 contracts
- ▶ Number of contracts at maximum - 82
  - ▶ Maximum amount to cover in Tier 1 - 5 million pounds
  - ▶ 250 cow farm making 20,000 pounds per cow - just over the MFO (200 to 699) cows
- ▶ As of December 8 - 43 more contracts to reimburse approximately \$137,000 remaining

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## Dairy Margin Coverage Program Premium Reimbursement

- ▶ 2022 sign up extended through March of 2022
  - ▶ Number of farms March 2022 = 564
  - ▶ Number of contracts 432 or 76.6% took part
  - ▶ 132 did not take part or 23.4%
  - ▶ \$1,492,521.11 premiums used from \$2.6 million-- Remainder - \$1,104,478.89
- ▶ Working with USDA to encourage sign up for 2023
  - ▶ Press release, direct mailing, Social Media and Dairy Update
- ▶ Information from USDA on 2023 sign up through December 5, 2022
  - ▶ 328 contracts
  - ▶ Dairy Farm number as of November - 530 - 61.9% enrolled
  - ▶ \$1,100,540 premiums and with 48.6% paid in full
  - ▶ Expect enrollment to increase closer to 76%
  - ▶ Sign up ends December 9, 2022 - extended to January 31, 2023

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## Dairy Margin Coverage Premium Assistance

- ▶ Agency will start reimbursement process for 2023 on December 15, 2022
- ▶ Applications to dairy farmers that have paid USDA in full - sign up ends December 9, 2022
  - ▶ Applications will be sent out based on the date of when USDA was paid in full
  - ▶ January 2023 - until funds are exhausted: State of Vermont continues to provide applications as farmers pay USDA DMC Tier 1 premium in full.
  - ▶ Agency will process administratively complete applications to establish an account with the farm to allow a check to be processed (completion of W-9 form is required).
- ▶ First come, first served will be established by receipt of an administratively complete application form and W-9 form at the Agency of Agriculture.
- ▶ September 1, 2023, USDA must be paid in full.



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## Dairy Margin Coverage Premium Assistance

- ▶ Ways that Dairy Farmers can pay USDA Farm Services Agency in Full
  - ▶ When signing up for the program - pay in full
  - ▶ Sign up for the program and select if and when payments made - deducted from amount owed
    - ▶ Margin drops below selected amount (\$9.50) and a payment from the program is made
    - ▶ Payment used toward premium amount until premium is paid
  - ▶ Farmer waits until September 1 to pay USDA in full - required if no payments occur
- ▶ Farmer ceases operation during the calendar year - work with USDA
  - ▶ Premium amount is pro rated based on number of days in the program
  - ▶ Reimbursement from state is on the pro rated amount
  - ▶ If overpaid by the state - need to repay the state

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## Dairy Margin Coverage Premium Assistance

- ▶ Will be very close on funds available to reimburse for all premiums in 2023
- ▶ All 2023 applications will be first come/first served based on full payment to USDA and an administratively complete application

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## Danone Horizon Organic Dairy Task Force

- ▶ Started task force when Horizon stated leaving Vermont impact to 28 farms
- ▶ Task Force came together to assist farms
  - ▶ Transition to new market or end of operations
  - ▶ Work to determine new markets
  - ▶ Federal proposals for assistance
  - ▶ On-going issues with organic
- ▶ All but two of the farms have found markets
  - ▶ Family transition one on farm - not sure will continue milking, switch to conventional - working with Farm and Forest Viability
  - ▶ One farm less responsive - working with Farm and Forest Viability
- ▶ Contracts end February 28, 2023

# Vermont Milk Commission

## Danone Horizon Task Force

- ▶ Organic Dairy Industry issue - Milk Price Feed Cost squeeze
- ▶ Organic Milk Price Paid to Farmers up slightly but not enough
  - ▶ Concerns for consumer inflation issues and ability to raise prices to retail
- ▶ Grain prices - especially soybean meal extremely high
  - ▶ Trade issue with India - major exporter of organic soybean meal
  - ▶ Organic Grain production in US lacking - mainly for human food grade less for livestock feed
  - ▶ Impact to Organic Dairy as well as poultry and hogs
  - ▶ Soybean meal double in price - \$800 to \$1,600 per ton
- ▶ Requesting assistance from USDA to Organic dairy farms

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► Questions