



# Northeast Organic Farming Association of Vermont

*An organization of farmers, gardeners, and consumers working to promote an economically viable and ecologically sound Vermont food system*

## Written Testimony for the Hearing on Economic Impacts of Production, Processing and Marketing Organic Agriculture Products, 4/18/07

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NORTHEAST ORGANIC FARMING ASSOCIATION OF VERMONT

### *Impacts of Organic Dairy Farming in Vermont*

To the Honorable Members of the Subcommittee on Horticulture and Organic Agriculture,

On behalf of the Northeast Organic Farming Association of Vermont and its 1000+ member farmers, gardeners and consumers, I would like to thank Chairman Cardoza and Ranking Member Neugebauer for an opportunity to submit testimony on opportunities and challenges associated with organic dairy farming in Vermont.

The Northeast Organic Farming Association of Vermont (NOFA-VT) was founded in 1971 and is one of the oldest non-profit organic farming associations in the nation. We are the parent company of Vermont Organic Farmers, LLC, Vermont's only USDA-NOP accredited certifying agent. In addition to our other programs, NOFA-VT's Dairy and Livestock Technical Assistance Program is recognized nationally as a leader in providing direct on-farm technical assistance, technical information and education to organic dairy farmers. In this work we work closely with the Vermont Agency of Agriculture, Food and Markets; USDA's Natural Resources Conservation Service and Farm Services Agency, and many other state, regional and national organizations.

Vermont's family dairy farms are the historic anchor to the vitality and character of the state's agricultural economy, rural businesses, communities and working landscapes. In recent years, intractable market forces have led to an accelerated decline in the number of our family dairy farms. This is of great concern to all Vermonters.



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At the same time, however, the number of organic dairy farms in our state has increased dramatically: in 1994 Vermont had 3 certified dairy farms; by the end of 2007 we will have over 200 – 18% of all dairy farms in the state. (Vermont and Maine lead the nation in the percentage of organic dairy farms.) Organic dairy farming is widely viewed as a “bright spot” in our agricultural economy and is providing new opportunities for farm families and others to develop and manage successful, sustainable farms and food-related enterprises.

A recent report of an ongoing economic research study, “Profitability and Transitional Analysis of Northeast Organic Dairy Farms”, highlights important opportunities, as well as challenges, associated with organic dairy farming. The study was conducted by NOFA-VT, the University of Vermont and the University of Maine and was funded, in part, by the USDA Integrated Organic Program. The study’s findings are discussed in the April 25, 2007 issue of *Hoard’s Dairyman* magazine, “*Is Organic Dairy Farming a Cash Cow?*”, and in NOFA-VT’s Dairy and Livestock Technical Assistance Program Newsletter, Spring ’07, “*Economics of Organic Dairy Production in the Northeast*”. (The text of the latter is appended to this testimony.)

Briefly, this study of 2005 farm records examined a number of income, expense and profitability parameters on 44 organic dairy farms in Vermont and Maine (average herd size: 56 cows). Among other conclusions, the study found that profitability on organic dairy farms increased over 18% from the year before. Organic dairy farms had higher net farm revenue and were more profitable than conventional dairy farms of comparable size, though high costs of organic grains and hired labor were significant constraints to profitability on many organic farms. The authors note that farm gate prices for organic milk were significantly higher in 2006 over 2005 prices in the study, while conventional milk prices were significantly lower. These changes will be reflected in the study’s analysis of 2006 farm profitability and, though undetermined at present, should document increasing profitability of organic dairy farms over comparable conventional farms.

In addition to its economic findings, the study found that 85% of organic dairy farmers indicated that they were “very satisfied” with their switch to organic production. None were dissatisfied. This positive outlook bodes well for the future of Vermont’s organic dairy industry, especially in retaining existing and attracting new dairy farmers to our state. Indeed, NOFA-VT is aware of a number of individuals and farm families who chose to become dairy farmers largely because of the opportunity to farm organically.

This combination of improving profitability, the opportunity to make a living on a family-scale farm and widely perceived “quality of life” factors is driving the development and expansion of organic dairy farming Vermont and elsewhere.

Significant barriers to the success of organic dairy farmers, alluded to by the authors, are challenges associated with the management of organic pasture systems and organic forage crop production, as well as effective use of organic herd health products and practices. Organic dairy farmers require new knowledge, skills and technical understanding that require time and experience to master. (A number of the organic

farmers in the study are relatively new to organic dairy production.) Compounding these challenges is the relative dearth of scientific and technical research that addresses these and many other important and unique aspects and problems associated with organic dairy production systems.

The growth of organic dairy farming in Vermont, and in many other states, has yielded significant economic, social and environmental benefits for Vermont's farmers, communities and people. Its continued development offers considerable hope that our agricultural heritage of family-scale farming and diverse working landscapes will remain strong in the future.

The full realization of organic agriculture's benefits, in Vermont and elsewhere, will require significant and continuing public support in the development of new knowledge, technologies, and markets specific to organic agriculture. Considerable investments in education, research, organic transition and technical support programs for organic farmers are needed. It is, therefore, critical that robust new policies and programs to support organic agriculture be included in the 2007 Farm Bill.

Thank you for the opportunity to provide this testimony to the Subcommittee.

Respectfully,

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Appended document

**NORTHEAST ORGANIC FARMING ASSOCIATION OF VERMONT**

**Dairy and Livestock Technical Assistance Program Newsletter**  
**Spring 2007**

***Economics of Organic Dairy Production in the Northeast***

**Lisa McCrory, NOFA-VT and Bob Parsons, University of Vermont**

The organic dairy industry, still very much in its infancy, has been growing steadily in the Northeast since 1994. Vermont had 3 certified dairy farms in 1994 and today there are 126 certified farms with another 80 to complete their transition by June of this year.

Organic milk, sold from the farm gate, is in its 13th year of existence in Vermont, and most of the farms shipping organic milk today have been doing so for less than 5 years. Understanding the costs of production on an organic dairy farm has been a challenge because many of the farms shipping organic milk are still making investments in the infrastructure of their farm while others are still working out the kinks and getting used to a new style of management. Nonetheless, collecting information on the costs of producing organic milk is needed. This information can assist those producers considering the transition to organic, will help the loan officers decide if they are going to support a farmer's interest in transitioning, and will help maintain a sustainable pay price for organic milk.

In 2004, a 2-year study was initiated to determine the profitability of organic dairy farms. University of Vermont Extension, University of Maine Extension, NOFA-VT and the Maine Organic Milk Producers (MOMP) have been working together to collect the numbers and survey information. To supplement the economic findings, technical articles will be written covering subjects on organic dairy transition costs, growing high quality forages, growing small grains, successful farm management systems and more.

### The Findings

To date, two years of economic data have been collected (2004 & 2005) and additional funds have been raised to collect two more years of economic information (2006 & 2007).

There were 30 farms participating in the 2004 production numbers; 13 from Vermont and 17 from Maine. Results showed that the 'average' organic dairy farm milked 48 cows, sold 689,000 pounds of milk and received an average of \$22.97/hundredweight for milk sold. Premiums for components and quality provided a \$7.16/cwt spread between the lowest (\$19.88) and highest (\$27.04) pay price. The farms averaged a net cash income of \$21,898 after taking depreciation and accrual adjustments into account.

The 2nd year of a study (2005) has found that profitability is up 18.8% from the previous year. There were 44 farms participating in year 2; 26 from Vermont and 18 from Maine. The farms for 2005 averaged 56 cows, sold 740,098 lbs of milk, were paid an average of \$24.94 per cwt. As compared to the 1st year of the study for 2004, the farms averaged 8 more cows, sold more milk per farm, and received an additional \$1.97 per cwt. In contrast to the first year of the study, milk production per cow was down by nearly 1500 lbs. This was attributed to the wider variations of the farms in the study for this year. The farms averaged a net cash income of \$33,409 per farm after taking depreciation and accrual adjustments into account.

Both years of the study have shown that feed, labor, and supplies/repairs are the leading cost categories. Feed expense was actually down a bit, from \$1003 per cow in 2004 to \$936 per cow in 2005. Supplies and repairs, labor and depreciation were up slightly.

The difference in pay price from one year to the next was due to a dramatic increase in pay price to the producers during the third quarter of the 2005 year. Preliminary results of the 2004 numbers came out a few months earlier. Producers had reputable study results available to prove that the pay price of \$21.50/cwt was stale and producers needed more money for their organic milk

### On the bottom line

Looking at some of these figures from another perspective, the total production cost per cwt was \$24.58 and net return per cow was \$579. Overall, the net income per cow was down a bit from 2004 and was nearly \$250 lower than a similar study in 1999. Since then we have seen a rise in organic milk prices but a greater rise in farm expenses.

When looking at the difference in Maine and Vermont organic dairy farms, there was no statistical difference between the farms in the two states. Vermont farms were a bit more profitable but tended to have lower depreciation costs. Therefore the study is not slanted by a difference between the two states.

In conclusion, profitability was up 18.8% from 2004, primarily from higher organic milk prices. But the organic dairy sector is not as profitable as it was in 1999 due to faster rising production costs. There is a great variability between farms indicating that management is still the key ingredient for farm profitability.

What does the future offer? Organic dairy can be expected to be more profitable in 2006 as preliminary figures predict milk prices rose above \$27 per cwt with quality premiums. Producers with higher components were paid nearly \$30 per cwt. On the conventional side, we can expect 2006 to average closer \$14 per cwt, nearly \$2 lower than 2005. This explains why more than 80 farms are currently transitioning to organic dairy production this year.

NOFA-VT staff and UVM Extension staff are collecting 2006 income and expense information now; if you are interested in participating in this study, please let us know. More information will be forthcoming in the near future as we examine various aspects of the study.

For more info, contact Bob Parsons, University of Vermont, 802-656-2109,  
bob.parsons@uvm.edu

Recognition goes to the following individuals for making this study possible:

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