Proposal for Danone Investment in Organic Dairy Infrastructure in the Northeast

Compiled by Northeast Organic Dairy Producers Alliance, Maine Organic Farmers and Gardeners Association, NOFA-Vermont, NOFA-New York, NOFA-New Hampshire, and Organic Farmers Association

August 2022

In a December 2021 letter to policymakers and advocacy groups, Danone North America stated its intention to "explore co-investment solutions that will address some of the systemic challenges related to Northeast organic dairy infrastructure."

Eight months later, we are still waiting for Danone to provide details on how they will invest in organic dairy infrastructure in the Northeast. This investment could inject critically needed resources into the region, allowing organic dairy farmers to maintain their operations after Horizon Organic (owned by Danone North America) stops buying their milk.

We urge Danone to invest at least $20 million in this region, matching the USDA taxpayer investment to aid organic dairy farmers overcome this crisis. Below we list several types of investment that would help improve the long-term viability of organic dairy farms in the Northeast and help farmers who have been notified of Horizon contract termination to remain in organic management. Farmers need investment across all scales in order to build a sustainable future for organic dairy farming in the wake of the past year's upheaval. The investment must support infrastructure at the farm level, state-based infrastructure, and regional infrastructure.

Direct Investment in Organic Dairy Farms: $2,225,000

Years of milk prices that do not cover the cost of organic production, coupled with the uncertainty caused by Danone's decision to exit the region, have left many organic dairy farms in dire need of improvements. Organic dairy farmers in our northeast region have informed us that investment is desperately needed in their farm operations to improve their ability to produce high-quality milk and meet the requirements of the companies still buying in the region.

The best way to invest in farm-level infrastructure is to provide funding to regional advocacy groups (MOFGA, NOFA-VT, and NOFA-NY) who can administer funding to individual farms for infrastructure changes and technical assistance necessary to continue in organic farming.

- Immediate Farm Infrastructure Improvements (89 farms x $10,000 = $890,000)
    - ME = $130,000
    - VT & NH = $300,000
    - NY = $460,000
- Technical assistance to help farmers meet new buyers' quality requirements or qualify for additional certifications (such as grass-fed):89 farms x $15,000 to support TA over 3 years ($5K/farm/yr) = $1,335,000
    - ME = $195,000
    - VT & NH = $450,000
    - NY = $690,000

State-Based Infrastructure: $45,000,000
In addition to investment in individual farm operations, there is a dire need for processing infrastructure for organic milk in each state.

- ME: $10 million - Capital investment in Maine organic processing facilities
- NY: $20 million – Capital investment in New England and New York milk processing project
- NH: $5 million - Capital investment in New Hampshire organic milk processing project
- VT: $10 million – Capital investment for Vermont organic processing facilities

Regional Infrastructure: $22,750,000
Investment in organic milk processing infrastructure that serves the Northeast region would help ensure the viability of organic dairy farms. There are several steps needed to reach this goal that could benefit from the investment.

- Northeast Regional Feasibility Study: $2,000,000

This could expand on the current funding provided by the Dairy Business Innovation Center and support work to finalize business plans, provide start-up capital and support producers who want to participate by underwriting their pay price.

- Northeast Organic Dairy Marketing Specialist at a regional farm advocacy group, such as the Northeast Organic Farming Association or the Northeast Organic Dairy Producers Alliance, or a northeast dairy-serving university. 5-year support for position and research team: $1,250,000

Marketing of organic milk has become more complicated with increased quality standards, consolidation/lack of competition among buyers, increased requirements for certification, and more direct marketing of value-added products at the farm level. This investment in marketing expertise would provide support for producers in navigating the organic dairy procurement process and would be especially important for young farmers.

- Northeast Organic Dairy Cost of Production Survey for 5 years: $2,500,000

The survey was started by Bob Parsons from the University of Vermont in 2006 and included organic dairy farms in Vermont and Maine. NOFA-VT took it over in 2017 and has been running the survey using data from Vermont farms. This proposal would be for a survey based on data from New York, Vermont and Maine to reflect organic dairy costs of production in the Northeast. The funds would pay for a representative from each state plus the coordination costs required for collating and publishing the data by NOFA-VT.

- Support increased regional processing capacity to facilitate co-packing: $10,000,000.

The concentration of processing infrastructure has resulted in a bottleneck that blocks innovation. Increasing development of, and farmer access to, co-packing facilities will enable producers to trial innovative products for the marketplace and provide a direct market or regional collaborative model for producers looking to remain in dairy but operate outside the traditional commodity market.

- Support regional marketing projects that develop regional milksheds: $7,000,000 over 5 years.

Transportation logistics pose a significant challenge to the long-term viability of dairy farms. Bolstering the strength of regional systems will minimize many of the transportation logistics issues.