

**1999 HOUSE APPROPRIATIONS**

**HB 1425**

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1425

House Appropriations Committee

Conference Committee

Hearing Date January 26, 1999

Tape Number	Side A	Side B	Meter #
1	x		0-35.0
Committee Clerk Signature <i>Kathleen Jones</i>			

Minutes:

**A Bill for an act to provide for a state dairy board and regional dairy diagnostic teams; and to provide an appropriation.**

**CHAIRMAN DALRYMPLE** called the hearing for HB 1425 to order with all members present.

**1A: 0.1 REP. BOEHM** presented the bill and gave an overview in support of it.

**1A: 1.2 DOUG DUKART, President of ND Milk Producers**, testified in support of the bill. (See attached testimony.)

**1A: 4.8 JOHN IGLEHART** testified in support of the bill. (See attached testimony.)

**1A: 6.4 SENATOR KEN SOLBERG, District 7**, testified in support of the bill.

**1A: 7.9 MARK DALL**, New Salem dairy farmer, testified in support of the bill.

**1A: 9.6 REP. TIMM** asked Mr. Dall if he felt the loss of dairy farmers was due to a decreased income or the labor it requires. Mr. Dall responded that both factors have contributed.

**1A: 10.5 ANTHONY & TIFFANY SCHMIDT**, Edgeley dairy farmers, testified in support of the bill, and said that the dairy team has helped them a great deal in becoming a successful operation.

**1A: 11.9 SCOTT TEWKSBURY, Edgeley Economic Development Committee**, testified in support of the bill.

**1A: 13.7 DAN SEM, Land O'Lakes Feed Consultant**, testified in support of the bill.

**1A: 14.5 JOHN JOHNSON, ND Dairy Diagnostics Coordinator**, clarified the ongoing project by discussing how it works and what they do.

**1A: 22.3 REP. BERNSTEIN** asked if this bill affects ALL milk producers in the state. Mr. Johnson said that it does.

**1A: 23.6 REP. KERZMAN** asked why the extension service has not taken on this program. Mr. Johnson said that the extension service has had to cut back on their programs and expenditures. They only have one dairy specialist on staff.

**1A: 25.1 REP. HUETHER** commented on milk being shipped out of state. Mr. Johnson said that there is milk being shipped out, but the money comes back to ND.

**1A: 28.2 MIKE ZIMMERMAN, Sand Hills Dairy**, testified in support of the bill.

**1A: 31.7 CHAIRMAN DALRYMPLE** asked Mr. Dukart if there was anything funny about the dairy farmers having to form their own board when there are other resources that may be available. Mr. Dukart said yes, however there is a lack of good communication with the research and research extension centers. He said there is a need to open these communication lines.

**1A: 35.0 CHAIRMAN DALRYMPLE** adjourned the hearing for HB 1425.



# General Discussion

## House Appropriations - HB 1425

Date: January 27, 1999			
Tape Number	Side A	B Side	Meter #
TWO	x		0.0 -16.5
Committee Clerk Signature <i>Kathleen Jones</i>			

Minutes: **A BILL for an Act to provide for a state dairy and regional dairy diagnostic teams; and to provide an appropriation.**

**Chairman Dalrymple** opened the meeting for discussion of HB 1425.

**1A: 1.9 Rep. Boehm** said the intention of this bill is to create a vehicle where the board could get grants and funds through private sources. The state appropriation could be removed from the bill but Rep. Boehm stated the need for the state to create the Board for the purpose of seeking other funding.

**1A:2.4 Chairman Dalrymple** asked if the state did remove the appropriation what would the Board do? Rep. Boehm stated that the Board would probably continue going what they are doing now.

**1A: 3.2 Rep. Kerzman** asked if the dairy farmers did not have enough avenues currently to receive additional funding.

**1A: 4.5 Rep. Monson** questioned what the current State Dairy Commissioner does? Allan Knudson, Legislative Council, stated that the position of State Dairy Commissioner was one of enforcing state and federal regulations. The position is funded in the State Ag Dept.

**1A: 5.0 Rep. Gulleson** stated that the State Dairy Commission deals with the promotion of dairy products on the federal check-off system.

**1A: 7.5 Rep. Byerly** stated that this bill is representing a classic example of the duties of State Extension Service as created in statute. Several of the Representatives agreed with Rep. Byerly.

**1A: 10.5 Rep. Gulleson** stated she would like to see SECTION THREE on Dairy Diagnostics added to the duties of the State Dairy Commissioner. Discussion continued regarding the need for Dairy Diagnostics assistants.

**1A: 13.4 Rep. Aarsvold** stated it is not right to pass the responsibility on to the Extension Service without providing more resources to the Extension Service.

**1A: 14.4 Rep. Carlisle** made the motion for a DO NOT PASS, seconded by Rep. Wentz. The vote was 12 yeas, 3 nays, and 5 absent and not voting.

# FISCAL NOTE

(Return original and 10 copies)

Resolution No.: HB 1425 Amendment to: \_\_\_\_\_  
 Requested by Legislative Council Date of Request: 1-20-99

- Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts. Please provide breakdowns, if appropriate, showing salaries and wages, operating expenses, equipment, or other details to assist in the budget process. In a word processing format, add lines or space as needed or attach a supplemental sheet to adequately address the fiscal impact of the measure.

**Narrative:** This bill is to establish a seven member appointed board to advise the department of agriculture on dairy industry matters, development of rules, receive public and private contributions to establish grants to develop dairy diagnostic teams to offer dairy producer educational and technological assistance to enhance the producer's productivity, profitability and quality of life.

\$200,000 impact for the General Fund

- State fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	0	0	0	0	0	0
Expenditures	0	0	200,000	0	0	0

- What, if any, is the effect of this measure on the budget for your agency or department:

- a. For rest of 1997-99 biennium: NONE  
(Indicate the portion of this amount included in the 1999-2001 executive budget:)
- b. For the 1999-2001 biennium: \$200,000 (\$0)  
(Indicate the portion of this amount included in the 1999-2001 executive budget:)
- c. For the 2001-03 biennium: NONE

- County, city, and school district fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
0	0	0	0	0	0	0	0	0

Signed: \_\_\_\_\_  
 Typed Name: Jeff Weispfenning  
 Department: Agriculture  
 Phone Number: 328-4763  
 Date Prepared: 1/20/99

Date: JANUARY 27, 1999  
Roll Call Vote #: ONE

**1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HOUSE BILL 1425**

House APPROPRIATIONS Committee

Subcommittee on \_\_\_\_\_  
or

Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DO NOT PASS

Motion Made By REP. CARLISLE Seconded REP. WENTZ  
By \_\_\_\_\_

Representatives	Yes	No	Representatives	Yes	No
Rep. Ole Aarsvold		X	Rep. Jim Poolman - Not present		
Rep. LeRoy G. Bernstein	X		Rep. Ken Svedjan	X	
Rep. James Boehm		X	Rep. Mike Timm - Not Present		
Rep. Rex Byerly - Not present			Rep. Ben Tollefson	X	
Rep. Ron Carlisle	X		Rep. Janet Wentz	X	
Rep. Al Carlson - Not Present			Chairman Dalrymple	X	
Rep. Jeff Delzer	X				
Rep. Pam Gulleeson		X			
Rep. Serenus Hoffner	X				
Rep. Robert Huether - Not Present					
Rep. James Kerzman	X				
Rep. Ed Lloyd	X				
Rep. David Monson	X				
Rep. Ron Nichols	X				

Total (Yes) Twelve (12) No THREE (3)

Absent FOUR (4)

Floor Assignment Rep. Ron Carlisle, District 30

If the vote is on an amendment, briefly indicate intent:

**1999 TESTIMONY**

**HB 1425**

Mr. Chairman and Members of the Committee

My name is John Iglehart. My wife and I operate Iglehart Dairy in the Garrison area. I have been in the dairy business for 35 years. We are presently milking 200 cows. We are one of the 20 farm families that were accepted in the Dairy Diagnostic Pilot Project.

After the storms in 1996 we had problems with low production, high somatic cell counts, and herd health in general. I didn't know why or what to do about it.

The Dairy Diagnostic program has been the answer to our problems. Our team made suggestions to make some changes in our feeding practices. We made sure the feed was mixed better, pushed feed back in feed bunks more often, and fed long stem hay. Both our production and butterfat increased. After making just these few changes in one month our income increased \$7200.00 with no additional expenses.

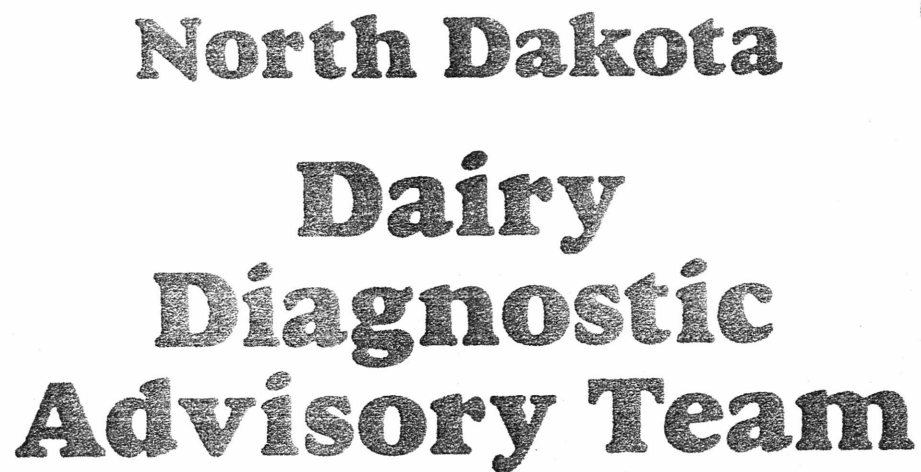
We are continuing to increase our production, working on the somatic cell, and now have fewer cows in the sick pen.

We have benefited in many ways from this program and I'm looking forward to future meetings and other challenges.

I feel that other dairy farm families could also benefit from this advisory team approach once they see how effective this team work can be.

It has been a pleasure to be in this program and I hope it will continue to grow.

Thank you.

The logo features the text "North Dakota Dairy Diagnostic Advisory Team" in a bold, serif font, centered within a thick, dark border that follows the outline of the state of North Dakota. The border has a slightly distressed or torn edge appearance on the right side.

# **North Dakota Dairy Diagnostic Advisory Team**

## **North Dakota Dairy Diagnostic Advisory Team**

Department of Animal and Range Sciences • 100 Hultz Hall • P.O. Box 5053 • North Dakota State University  
Fargo, North Dakota 58105-5053 • Phone 701/231-7644 or 701/231-7993 • Fax 701/231-7590  
email [jjohnson@ndsuext.nodak.edu](mailto:jjohnson@ndsuext.nodak.edu)

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*A program for dairy families to increase dairy profitability through teamwork*

# **HOUSE BILL 1425**

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<i>Dairy Diagnostic Team Budget.....</i>	<i>blue tab</i>
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- List of Testifiers -  
House Bill No. 1425 -- ND Dairy Diagnostic Program

House Appropriations Committee  
Tuesday, January 26, 1999

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These people may be contacted as follows:

**ND Dairy Task Force**

Doug Dukart, chair  
HCR1, Box 8  
Manning, ND 58642

ph: 701-573-4525  
Email: [dukdairy@pop.ctctel.com](mailto:dukdairy@pop.ctctel.com)

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6453 83<sup>rd</sup> Ave. SE  
Edgeley, ND 58433

ph: 701-493-2094  
Email: [schmidt@daktel.com](mailto:schmidt@daktel.com)

**Pilot Project Dairy Farms**

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Dickinson, ND 58601

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**Financial Institution Reps**

Scott Tewksbury  
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P.O. Box 68  
Edgeley, ND 58433

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701-493-2357 (home)  
Email: [stewks@daktel.com](mailto:stewks@daktel.com)

**ND Dairy Diagnostic Program**

John Johnson, Statewide Coordinator  
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Email: [jjohnson@kwh.com](mailto:jjohnson@kwh.com)  
[jjohnson@ndsuxt.nodak](mailto:jjohnson@ndsuxt.nodak)





# Milk Producers Association of North Dakota, Inc.

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Chairman Dalrymple and members of the Appropriations Committee:

My name is Doug Dukart, I am chairman of the North Dakota Dairy Task Force, I am also president of the Milk Producers Association of North Dakota. My wife and I farm and milk cows near Manning with my son and his wife.

I am here today to ask for your favorable consideration on House Bill 1425, which would fund the Dairy Diagnostic Team Program. The dairy diagnostic concept is the result of the efforts of a Dairy Steering Committee which consists of dairy industry participants including: farmers, agricultural finance specialists, product suppliers, and dairy processors. The committee was formed during a dairy summit held during the summer of 1997 to address the decline of the dairy industry and to explore ways to restore its vigor.

The common goals of the members of the dairy steering committee can be best explained by our mission statement:

*Our purpose is to facilitate the development of a strategic plan and shared vision for the entire dairy industry through enhancement of the quality of life, strengthening overall profitability, market development, and long term industry stability.*

The main concern of the committee from the outset has centered around finding ways to help existing dairy farmers who want to continue dairying, to more be profitable and have a more family oriented lifestyle. The concept initially involved hiring professional dairy consultants to visit farms, evaluate the operations and make recommendations for the farms to increase production and profitability.

Unfortunately, hiring professional consultants is very expensive—thus the concept has evolved into the current concept which uses a team approach utilizing local experts competent in: animal health, dairy equipment, nutrition, reproduction, labor management and perhaps finance.

The coordination and the administration of the voluntary dairy advisory teams does cost money. There have been generous contributions from milk processors, farm credit, REC's, and charitable organizations to help foster the development of this program. In June the dairy steering committee applied for and received a grant from the Ag Products Utilization Commission for administration of a pilot project.

The pilot project involves 21 farms using a team approach to improve dairy productivity, farm profitability, reach family goals and to plan for the future. The goal of this program is not to create mega-dairies, or even to necessarily expand the existing dairies. It is to help the farm businesses achieve production efficiencies that will allow them to stay in business.

The program has been extremely successful. In fact, assuming the participating farms reach their respective goals by the end of the program's first year, the 21 dairy farms involved in the pilot project will have made an additional \$2.1 million in gross revenues collectively. That is \$100,000 per farm.

We are coming to you today to request an additional appropriation for the continued success of the program. The money provided by the APUC grant allowed the program to serve 21 farmers across the state; the appropriation in HB 1425, will impact 74 farms and no doubt an equal number of communities.

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Dairying is the most basic form of adding value to our state's grains and feedstuffs. The dollars generated on dairy farms revolve through their communities an estimated seven times. Dairy farms are employers both directly and through the valued added stream with : truck drivers, processors, suppliers, and retailers all benefiting from the business.

Mr. Chairman, there are several farmers and spokesman who would like to speak to your committee about this program. With your indulgence, may I suggest that in the interest of time and to best utilize the 30 minutes allotted to us, that the committee withhold questions until the end, so that each of our speakers has time to address your committee.

Thank you Mr. Chairman and I would like to introduce Jack Iglehart from Garrison.

## North Dakota Dairy Diagnostic Program HB-1425

The current North Dakota Dairy Diagnostic Advisory Program is a pilot project to help dairy farmers establish their own advisory team (similar to a board of directors) to assist in setting goals, guide decision-making, and analyze business opportunities. It was developed by the N.D. Dairy Strategic Planning Task Force, partially funded by various dairy industry organizations with collaborative financial support from N.D. Ag Products Utilization Commission and the NDSU Extension Service. The progress and success of the pilot project indicates that this program should be made available to more North Dakota dairy farm families.

### Value to the State.

#### The North Dakota Dairy Industry -

- Generates \$87 million from milk and \$122 million from cattle and calves in farm-gate receipts.
- 784 herds, 61% fewer than it did in 1992. (NDDA, 1/99).
- Cow numbers have stabilized and rose 1,000 head last quarter to 50,000 (NDASS, 12/98).
- Per cow milk production is increasing, but not enough to offset the loss of dairy farms.
- Offers expanded markets for N.D. grain and forage producers.

#### The Dairy Diagnostic Team Program-

- Will add milk volume allowing processors to increase efficiency and reduce dependence on milk imported from other states.
- Stem the decline in dairy farm numbers (3 to 15% loss per year since 1992).
- Improve the viability of rural communities. It is estimated that every \$1 spent in dairy turns over as many as 7 times in that community according to University of Minnesota research.

### Goals of this Program.

- Increase retention of dairy farm families in North Dakota.
- Improve profitability and quality of life for the state's dairy farm families.
- Enhance the long-term sustainability of ND dairy farms and processing plants.
- Provide information and new technology to any size of dairy farm through teamwork.
- Implement an individualized program with goals for each farm, its family, and their team.
- Form and educate knowledgeable community dairy management teams with expertise in financial management, dairy husbandry, forages, housing, and environmental issues.

### Highlights from the Pilot Project.

*Farms range from 19 to 300 cows in herd size.*

- **Farm A.** Increased cash flow \$7,200 in the first month without any additional expenditures to the operation, by applying new technology while using only existing farm resources.
- **Farm B.** Less than two months after implementing the advisory team's initial recommendations, this farm reported an increase of 6 pounds of milk per cow per day.
- **Farm C.** Poor quality forages limited this farm's income potential, so the team redesigned the farm's cropping system to improve milk production and efficiency of land and labor use.
- **Farm D.** This dairy farmer is in the process of bringing in a new, young partner enabling him to increase the size of his herd, improve his lifestyle and help a new dairyman get started.
- **All 20 Farms.** When these participants reach their current set of reasonable and attainable goals, the impact will total **\$2.1 million of additional gross revenue** to the local economy. (*This estimate is based on a conservative \$12 per cwt. of milk. It does NOT include the multiplier*)

### How Does the Program Work?

- The farm family and a program coordinator identify the team of advisors and organize on-farm meetings which include team diagnostic training and analysis.
- Conduct a business SWOT analysis: Strengths, Weaknesses, Opportunities, and Threats.
- Develop strategic plans that include a plan of action and both short- and long-range goals.
- Perform follow-up, including: monitoring progress and development of a mentor program.

*A program to increase dairy profitability and family quality of life through teamwork*

## Plan Your Future



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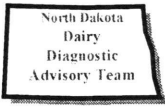
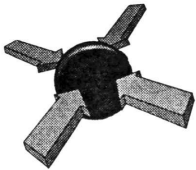
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### A Team Process to Improve:

- Dairy productivity
- Farm profitability
- Family goals
- Plans for the future



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### Project Objectives

- Solve challenges using small team approach to evaluate and initiate change
  - one-on-one delivery
  - provide new technology
  - enhance sustainability
  - provide assistance in areas of need
    - ▶ estate planning
    - ▶ herd health
    - ▶ milk quality
    - ▶ nutrition
    - ▶ labor
    - ▶ expansion



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### Assisting Dairy Producers with Steps toward increasing profits

1. Identification

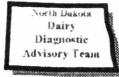
*help to assist in identifying barriers to your production and business goals*

2. Diagnosis

*actions suggested, modifications monitored, and progress evaluated*

3. Generating alternatives

*positive problem solving measures and working together for solutions and goals*



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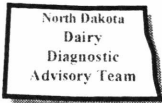
### Pilot Project - '1998-99'

Program adopted by the ND Dairy Strategic Planning Task Force

Financial support \$:

- Dairy industry
- Ag Products Utilization Comm.
- NDSU Extension Service
- Dairy service providers
- ND Milk Producers Assn.
- Participants themselves

*launched June 1998*



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### How Team Diagnostics Work ...

✕ First meeting

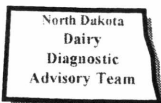
- identify and contact team members

✕ Second meeting

- mission statement
  - long and short term goals
- SWOT analysis
- 'To-do' list

✕ Future meetings

- analysis / monitoring
- benchmarks / record keeping
- develop a mentoring program



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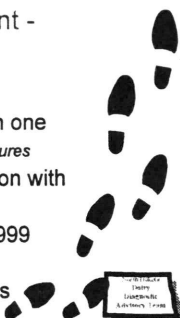
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### Where are we so far?



- 20 farms from 16 to 300 cows
- Current goals, if reached represent - \$2.1 million added revenue
- Success stories:
  - \$7200 increased enterprise income in one month *without the addition of off-farm expenditures*
  - 3 lb /cow/day increased milk production with addition of a TMR [total mixed ration]
  - Fall forage evaluation changed the 1999 farm cropping plans
  - Enterprising partnerships and startups
  - Unique leadership models



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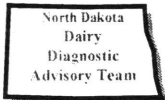
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### Goals of Dairy Diagnostic Effort

- Develop a team educational delivery system and provide new technologies to all size farms
- Individualized program to achieve goals identified by the producer and team
- Enhance success of the dairy enterprise
- Long-term sustainability of the whole farm
- Utilize the expertise of the industry
- Maintain a strong, viable dairy industry for North Dakota



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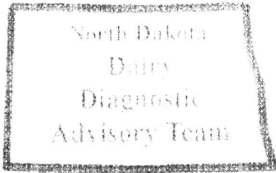
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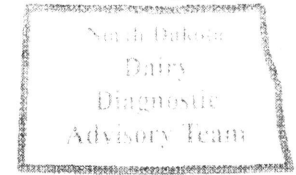
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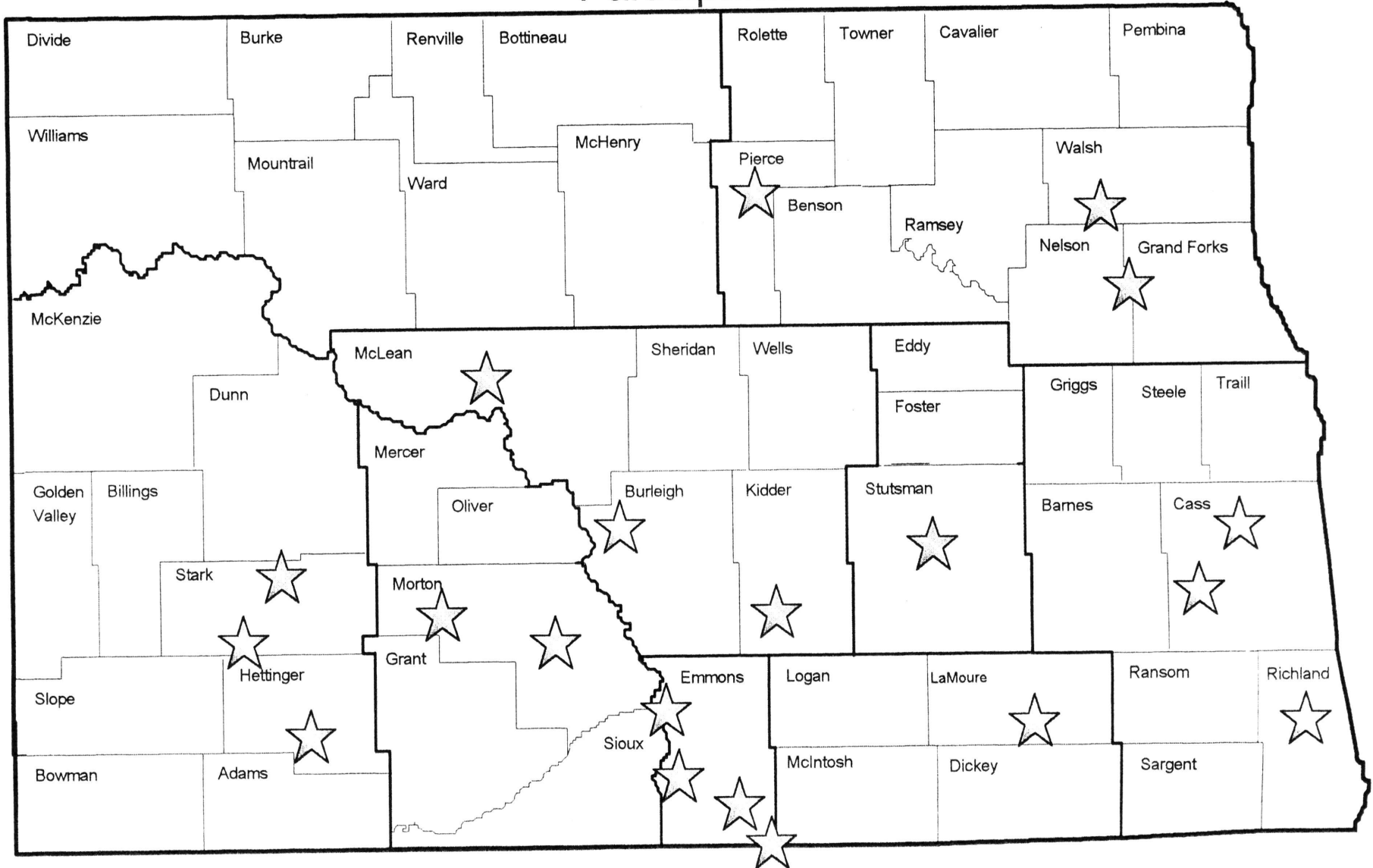


# 1998-99 NORTH DAKOTA Dairy Diagnostic Advisory Team



## *Pilot Project*

### — Participants —



## Intent of Dairy Diagnostic Program Request.

To establish a state-wide coordinator for program management, oversee the establishment of the multiple advisory teams, and allocate the resources as outlined below.

## Proposed Budget.

Input	Per Farm (annual)	Program <sup>1</sup> (biennial)
<b>Expenditures <sup>2</sup></b>		
Administration costs	\$ 700	\$ 103,600
Educational materials	500	74,000
Specialized individual farm resources	400	59,200
Business management costs	200	29,600
Total	\$ 1800	\$ 266,400
<b>Income</b>		
<i>Appropriated funds</i>	<i>\$ 1350</i>	<i>\$ 200,000</i>
Industry and user sources	450	66,400
Total	\$ 1800	\$ 266,400

<sup>1</sup>Estimated cost to conduct this program is for a minimum of 74 farms in the first year and through efficiencies in the second year, this number could be increased to around 90 farms.

<sup>2</sup>Calculations based on the costs associated with the pilot project farms.



## **NEWS for North Dakotans**

Agriculture Communication, North Dakota State University  
7 Morrill Hall, Fargo, ND 58105-5665

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May 28, 1998

# **Program Launched to Help North Dakota Dairy Producers**

The North Dakota dairy industry is using Dairy Month to launch a new program designed to help dairy farmers boost profitability and production. Under the program, being launched Monday, June 1, dairy farmers can call on a team of expert advisors for guidance in improving their operations.

The North Dakota Dairy Diagnostic Advisory Team program will help producers improved productivity and profitability by helping family dairies plan for the future and set goals that will help them achieve those plans.

"We've borrowed ideas from past programs in the state and from efforts in other states to come up with a plan that is custom made for North Dakota producers," says J.W. Schroeder, dairy specialist with the North Dakota State University Extension Service.

The program is sponsored by the North Dakota Dairy Strategic Planning Task Force, a consortium of public and private dairy interests. Support for the program has come from the North Dakota Agricultural Products Utilization Committee, the NDSU Extension Service and a number of private companies involved in the dairy industry.

Under the program, a local diagnostic team will help producers assess strengths and weaknesses of their dairy farms with a goal of making them more profitable and goal oriented. The diagnostic team will be made up of local people selected by the dairy producer with expertise in areas such as dairy nutrition, finance, equipment, herd health, manure management, labor issues, and farm and family goal setting.

"The success of the program depends on the willingness of local people to volunteer. Many of them are professionals in their fields, so they're already providing this service to the region," Schroeder says. "We hope they see this as a way to ensure the future success of the dairy industry and their own businesses."

On June 1, the program will begin taking applicants for the first year of the program. About a dozen dairy farms will be selected to participate in the pilot year, Schroeder notes.

"We'll be looking critically at how the program works during this first year to work the kinks out and improve it," Schroeder says. "We need to walk before we can run."

For more information on the program, write to the North Dakota Dairy Diagnostic Program, 100 Hultz Hall, Box 5053, NDSU, Fargo, ND 58105-5053 or call (701) 231-7644 for application forms. Coordinator John Johnson will be overseeing the initial setup of the program. He can be reached at (701) 361-2987.

"We're looking for a select group of producers with stable dairy operations who want to fine-tune their

enterprises and find the holes that are reducing profitability and milk quality," Schroeder says. To qualify for the pilot program, producers should maintain some form of enterprise or farm business management records, be interested in expanding farm profitability, intend to build a future in dairying and be willing to share diagnostic team experiences with other producers. An annual fee of \$150 will be charged to participants.

"The dairy industry in the state of North Dakota is at a critical stage right now," Schroeder says. "If we don't do something, there won't be much of a dairy industry left. We felt we needed to strengthen our existing producers as we look at expanding the overall industry."

In 1990, there were 85,000 head of dairy cattle in the state. In 1998, there were 58,000. Currently the dairy industry represents more than 25 percent of the North Dakota's gross receipts from animal agriculture. "We could see that contribution to our economy drastically reduced unless we take quantum steps now to support this important industry," Schroeder says.

###

**Source:** J.W. Schroeder (701) 231-7663

**Editor:** Tom Jirik (701) 231-9629

# North Dakota Dairy Trends

1992-1998<sup>1</sup>

	1992	1993	1994	1995	1996	1997 <sup>2</sup>	1998	6-yr chg	1-yr chg
Total Milk Production (million pounds)	989	938	869	838	804	702	670	-32.3%	-4.6%
Number of Dairy Cows	78,000	71,000	68,000	64,000	62,000	55,000	50,000	-35.9%	-9.1%
Number of Dairy Farms	2,000	1,900	1,700	1,500	1,300	843	784	-60.8%	-7.0%
Average No. of cows / farm	39	37	40	43	48	65	64	63.5%	-2.3%
Average milk /cow/yr. (Lb)	12,679	13,211	12,779	13,094	12,968	12,764	13,400	5.7%	5.0%
National Average	15,423	15,554	16,175	16,433	16,466	16,916	NA		
Difference	2,744	2,343	3,396	3,339	3,498	4,152	NA		

<sup>1</sup> North Dakota Ag Statistics Service.

<sup>2</sup> North Dakota Department of Agriculture, 5/1/98.

## *Milk Production Counts!*

A North Dakota dairy cow produces 4,152 pounds *less* milk per year than the national average (1997). Using a base price of \$13.50 per hundredweight (cwt.), that's \$560 per cow lost income.

*Multiply that by 55,000 cows, North Dakota lost \$30,800,00.*

***That's \$36,536 in lost income for every North Dakota dairy producer!***

# ECONOMIC IMPACT ASSESSMENT

## NORTH DAKOTA

### Dairy Sector 1997

\$84,940,000 direct impact

<i>Economic Sector</i>	<i>Business Activity (\$000)</i>
Ag Livestock	\$102,540 (includes direct impact)
Ag Crops	\$ 33,449
Nonmetal Mining	\$ 705
Construction	\$ 6,133
Transportation	\$ 1,283
Communications & Public Utilities	\$ 7,823
Ag Processing & Misc. Manufacturing	\$ 48,671
Retail Trade	\$ 60,061
Financial, Insurance & Real Estate	\$ 12,962
Business & Personal Service	\$ 4,774
Professional & Social Service	\$ 6,031
Households	\$ 88,384
Government	\$ 8,384
<b>TOTAL</b>	<b>\$ 381,644</b>
secondary employment	\$ 3,909

Source: F. Larry Leistritz, Professor, Agricultural Economics, North Dakota State University, Fargo, ND

Sectors that receive substantial direct expenditures include *agriculture—livestock* (for replacements), *agriculture—crops* (for roughage and feed grains), *retail trade* (concentrate feeds, supplies and repairs), *finance insurance and real estate* (interest payments and insurance premiums) and *households* (hired labor and returns to operator labor and management).

<b>Estimated Total (direct plus secondary) Impact From Expanded Dairy Production in North Dakota, 1993</b>		
SECTOR	Gross Business Volume	
	Per Herd (based on 500 cows)	Statewide
	thousand dollars	
Ag Livestock	262	5,240
Ag Crops	192	3,840
Nonmetal Mining	5	100
Construction	84	1,680
Transportation	26	520
Communications & Public Utilities	98	1,960
Ag Processing & Misc. Manufacturing	142	2,840
Retail Trade	656	13,120
Financial, Insurance & Real Estate	176	3,520
Business & Personal Service	89	1,780
Professional & Social Service	97	1,940
Households	880	17,600
Government	89	1,780
<b>TOTAL</b>	<b>2,796</b>	<b>55,920</b>

Source: "Economic Impact of Expanded Dairying in North Dakota," *AE 93010*, F. Larry Leistritz, NDSU Department of Agricultural Economics, June 1993

# 1. General Description of Project

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## Goals of the Dairy Diagnostic Team Grant

- ◆ Develop a team educational delivery system of information and provide new technologies to small, medium and large farms.
  - ◆ Develop an Individualized Program to the dairy farmer to achieve the goals the producer and the Dairy Diagnostic Team have identified.
  - ◆ Enhance financial success of the dairy farm enterprise.
  - ◆ Enhance long-term sustainability of the whole farm.
  - ◆ Utilize the expertise of several dairy industry experts, the ND Department of Agriculture and the NDSU Extension Service.
  - ◆ Maintain a strong, viable dairy industry in North Dakota.
- 

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## Steps in the Dairy Diagnostic Process

- \* Identify individual farm team.
  - \* \*Provide dairy diagnostic training.
  - \* Organize on-farm team meetings.
  - \* Identify production and business **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats (SWOT Analysis).
  - \* Develop strategic plans that include action plans and goals.
  - \* Perform follow-up, including: monitor progress and development of a mentoring program.
-

## **Project Objectives**

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- Improve one-on-one education and technology transfer for dairy farmers
- Train local Dairy Farm Advisory Team members
- Improve dairy farm family quality of life
- Improve the profitability and sustainability of local dairy farms
- Identify potential industry support

## **Work Plan**

### **North Dakota Dairy Diagnostic Team “Pilot Project”**

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The North Dakota Dairy Diagnostic team concept is designed to improve the profitability of current dairy farms, plan for future transfer of existing dairy herds, and assist in expansion opportunities in the state. Due to limited funding, the first year of this effort be conducted as a pilot project. In step with the proposal's intent, a dairy diagnostic program will be implemented for dairy families beginning in 1998. Approximately 12 farms will be identified and strategically located across the state to more uniformly demonstrate the virtues of this concept. Local contributors and extension educators actively involved in the delivery of the program will be updated regularly. A record keeping system will be kept that will track participation, progress and who is responsible for activities.

Dairy families and business partnerships will be selected by a local diagnostic team executive committee and will have a formal financial analysis (FINPACK) run by cooperating Farm Business Management personnel or NDSU Extension Educators.

The initial cost to each diagnostic program farm will be \$150.00 for the first year, with a second year cost to be determined by the local diagnostic team executive committee. Fees may need to be increased over time in order for this program to be self-sustaining.

This program will enable dairy families and managers to team up with dairy industry partners and educators to develop a specific plan for the future of their farm. The diagnostic team concept is built on the premise that the value of a team is greater than the sum of the parts. Diagnostic farm families will be required to select team members for their farm.

Coordination for the diagnostic teams will be provided by the local extension educators or others who will receive the applications. Leads for the team will come from industry, processors, and dairy farm families.

The grant will be administered state wide by J.W. Schroeder, Extension Dairy Specialist and principle investigator of this project in cooperation with the NDSU Extension Service, Department of Animal and Range Sciences and Restricted Account Funding. Expenses associated with the diagnostic teams will be forwarded to the project coordinator according to auditing requirements.

This pilot project of dairy diagnostic teams will consist of Extension, Farm Management and Dairy Industry Partners who are dedicated to the enhancement of the dairy industry. The North Dakota dairy team focus is rural economic development of dairy farms and not a crisis management program. The purpose is to create prosperity for farm families and enhance the rural economy of North Dakota.



The central coordinator will prepare reports, solicit expertise if needed, schedule farm meetings, and record team accomplishments. This person will have an office at the NDSU Animal and Range Sciences Dept. This person will be preparing correspondence to team members and family farms on the diagnostic team endeavors. The coordinator's immediate supervisor will be the principle investigator.

The steps involved in the Dairy Diagnostic process are:

- Identify individual farm team.
- Provide dairy diagnostic training.
- Organize on-farm team meetings.
- Identify production and business Strengths, Weaknesses, Opportunities and Threats (SWOT analysis).
- Develop strategic plans that include action steps and goals.
- Perform follow-up; monitor and mentor progress.

Participating dairy families will be expected to provide somewhat confidential information about their operation. However, it is understood that such information will be held confidential by diagnostic team members and will not be used without permission.

Other expectations from participating families may include:

- sharing of successful practices with other dairy producers
- hosting small farm tours
- participate at least 12 months in the program
- provide names of diagnostic team members
- management practice costs may be borne by the producer (forage tests, soil tests, bulk tank cultures, water tests) using generally accepted dairy management practices
- providing for ration balancing
- check milking equipment
- implement recommendations
- monitor and document impact of implemented practices

This agreement includes a sunset clause. In the event that the producer family or diagnostic team cannot come to a mutual agreement, recommended practices are not implemented or the necessary information is not documented to support the project, arrangements will be terminated.

# Dairy Farm Diagnostic Team Advisory Project

## How The Program Works

1. Dairy producer applies.
2. Local coordinator reviews application, references and other input, and selects participant.
3. Contact selected dairy producer to explain steps involved and to arrange first one-on-one appointment.
4. Visit farm - meet farm family to begin data collection and to identify potential Advisory Team members.
5. Identify Advisory Team members and set dates for on-farm team visit and post-farm meeting.
6. Second farm visit by coordinator - complete data collection.
7. Send a notebook containing copies of collected data to dairy producer and the Advisory Team - a few days before on-farm team visit.
8. On-farm team visit - bring notebooks, this is a data collection day for the team
  - a. Introductions
  - b. Farm family answers questions about data collected
  - c. Tour facilities - Team asks questions
  - d. Family explains recent changes and plans for the near future
9. Follow-up evaluation day
  - a. Advisory team meets for a few hours with the farm family team
    - 1) Review collected data and perform...
    - 2) **SWOT** analysis (**S**trengths, **W**eaknesses, **O**pportunities and **T**hreats)
    - 3) Draft **DRIVE** Goals (**D**irectional, **R**easonable, **I**nspirational, **V**isible, **E**ventual)
    - 4) Begin **SMART** Goals (**S**pecific, **M**easurable, **A**ttainable, **R**ewarding, **T**imed)
    - 5) Rough draft of Mission Statement
    - 6) Coordinator reviews group findings
    - 7) Group completes Mission and **DRIVE** Goals
    - 8) Set **SMART** Goals
    - 9) Develop Action Plan - Note: funding is available
    - 10) Plan when the next on-farm Team visit will occur
10. Local coordinator provides review report of farm situation, **SWOT** summary, mission statement, **DRIVE** Goals, **SMART** Goals and the Action Plan for farm family, Advisory Team and Project Coordinator.
11. Local Coordinator will monthly:
  - a. Visit farm to monitor and mentor progress
  - b. Identify situations where some additional team member expertise is needed
  - c. Provide short report of progress being made to farm family, Advisory Team and Project Coordinator. Note: Should be 3-hole punched to fit in notebook.

## POSITIONING FOR THE FUTURE

Positioning the dairy operation to be profitable in the future will require greater attention to all areas of management. Positioning for the future means focusing on increasing profits by decreasing costs. The future dairy producer will become even more business minded by monitoring various performance parameters to guide the dairy operation (Table 1). This will allow producers to identify production strengths and weaknesses. Many producers have major opportunities to improve their profit picture through improved cost control, increased productivity or both. Some of these opportunities include:

- improve milk quality – reduce somatic cell count level to less than 150,000
- control feed cost – harvest forages at optimum quality, test forage for nutrient content, incorporate commodities when economical
- improve ration – feed total mix ration, ration balancing
- reduce calf mortality – maintain calf losses at less than 5 percent
- reduce age at 1<sup>st</sup> calving – properly manage heifers to calve at 23 to 24 months of age
- intensive grazing management – maximize forage quality through rotational grazing while reducing harvest costs
- purchase grain and/or forage needs – reduce capital investment per cow
- contract out special services – heifer raising, manure hauling, forage harvesting
- partnering with others – sharing of equipment, labor, facilities
- and the list goes on.

This list of opportunities is almost endless. However, it is important to remember what may be good for one dairy operation may not be good for another.

Table 1. Dairy performance guidelines.

Item	<i>Level of Performance</i>		
	Needs Improvement	Acceptable	Competitive
Milk prod. # per Holstein	14,000 to 16,000	17,500 to 18,500	20,000+
Milk sold/worker/yr (lb)	<600,000	800,000	1,000,000
Investment/cow (\$)	<7,500	6,500	4,000
% Return on assets	1-3	5-8	13+

## DAIRY

**INITIATIVES:** Strategies for Success in the 90's

### Developing A Dairy Diagnostics Team

In medical circles, diagnosis, diagnosis, and diagnosis are said to be the three most important steps in the treatment of a patient. This statement clearly implies that successful treatment is dependent upon a correct diagnosis. The diagnostic process has been successfully applied in medicine for many years. It has been our experience that this same thinking process can be effectively used to determine the health of a dairy farm.

**DIAGNOSIS:** *The art or act of identifying a disease from its signs or symptoms; and investigation or analysis of the cause or nature of a condition, situation or problem.*

**DAIRY DIAGNOSTICS TEAM:** *A group of ag professionals working together with a dairy farm family using the diagnostic process to improve farm productivity, profitability and meet family goals.*

**“The whole is  
👉 greater than the 👈  
sum of its parts”**

Every dairy farm already has the components of a dairy diagnostics team (banker, veterinarian, milk plant field representative, feed dealer/nutritionist, AI representative, vocational ag instructor, crop consultant, extension education). They often know each other but seldom meet as a team with the farm family. The combined expertise of these dairy professions, through teamwork, can be a powerful force to assist farm families in reaching their goals. **“The value of the team is greater than the sum of its parts.”** Diagnostic team members also gain much by leaning from each other.

### What's Missing?

The missing link is **“Teamwork.”** The team members already exist. They have familiarity with the farm but from different perspectives. Most have visited the farm on several occasions and are already familiar with parts of the farm operation. Few have a good handle on the whole farm and it's operation, financial status, or family goals.

## Guidelines for Forming a Diagnostics Team

1. Identify the diagnostic team members from among those ag professionals already providing service to the farm. In some cases, the dairy farm owner may want to have one ag professional not currently providing service to the farm to be assured of an unbiased view point. A neighboring farmer may also be another appropriate team member. Keep the team a workable size consisting of those individuals that have the farm family's best interest at heart. Leadership for the group is best provided by the dairy farmer but can be delegated to a key professional. The dairy farm family must make the final decision on who the team members and team leader will be.
2. Have a team meeting on the farm. This visit should include a short tour, discussion and familiarization of the whole farm operation. Begin to identify strengths, opportunities, constraints and goals. Explore ideas for possible solutions.
3. The team needs a leader and a secretary. The leader will be responsible for keeping the discussion focused to finding opportunities and solutions for the farm family. The secretary will record goals and action plans and distribute these notes to all team members.
4. Develop a prioritized list of opportunities. Establish some short term SMART (Specific, Measurable, Achievable, Realistic and Time-framed) goals. Decide on individual responsibilities and on how often to meet for future team meetings. summarize the goals and action plan and distribute them to all team members.

## Ground Rules

1. All ideas need to be discussed freely and openly.
2. Everyone needs to respect the ideas of their fellow professionals and those of the farm family for the betterment of whole farm operation.
3. The producer has final say - **it's his/her farm.**
4. The dairy farm family takes "ownership" of the final priorities and the goals agreed upon.
5. Diagnostic team members need to put the dairy farm family's interests above self-interests.

**Together  
Everyone  
Achieves  
More**

Source: V.A. Oraskovich, B.J. Conlin and J.K. Reneau

## North Dakota Dairy Diagnostic Team

### Advisory and Oversight Committee

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**Description:**

The following is a partial list of resource people and their organizations who will contribute to the implementation and oversight of this Pilot Project for the North Dakota Dairy Diagnostic Program.

- North Dakota Dairy Diagnostic Project: *John L. Johnson*, Program Coordinator and Implementor
- North Dakota State University Extension Service: *J. W. Schroeder*, NDSU Dairy Specialist and Principle Investigator
- North Dakota Department of Agriculture: *Roger Scheibe*, Dairy Director  
*Wayne Carlson*, Livestock Services Director
- North Dakota Dairy Strategic Planning Task Force: *Doug Dukart*, chair

**Members:**

*Dwight Aakre*  
*Robert Gaebe*  
*Gary Hoffman*  
*Tom Keidel*  
*Lila Krebs*  
*Jerry Messer*  
*Terry Mastel*  
*Victor Mathern*  
*Keith Pagel*  
*Nancy Planteen*  
*Craig Riester*  
*Mike Rose*  
*Floyd Slaubaugh*  
*Sue Steckler*  
*Chuck Wald*  
*Jim Winger*  
*Mike and Mary Zimmerman*

## Suggestions for Planning an Advisory Group Meeting

Have an understood objective, make the session timed, have a timekeeper, recorder, and facilitator. During the session have the recorder make lists of important points on a blackboard or flip charts as you progress.

Everyone's time is valuable. Don't waste it. Keep things moving, but friendly. Start on time, set an ending time (approximately 90 minutes), and list the agenda for everyone to see.

*Example agenda items:*

- Introductions
- Presentation of production and financial data
- Identify the most important problem in the business from the management point of view
- Confirm the problem with the experts in attendance
- Diagnose the problem and component parts
- Develop a people plan to resolve the problem (keep asking "why" until a person of position in the business is named – do not accept external factors, such as weather, the economy, someone off the farm, etc.)
- Check the plan against the data
- Set up control points and timing to measure progress
- Reevaluate progress later and report to group

After the initial introductions (very important for every person to speak at the beginning and to know everyone around the table before starting – this can take a half hour at the first meeting), explain that advisory groups are new and everyone will gain by learning from each other. Keeping each other in business is the overall goal. Financially healthy farm businesses are paying customers for service and supply businesses. If you all are mutually more successful in business, then you will stay in business and keep each other as clients or providers in business. An average farm generates \$130,000 in revenue which is equivalent to average salaries for 5 or more people.

- \* Objective → should be specific and focused (e.g., diagnosis of profitability centers, nutrition problems, labor reduction, cropping systems, animal health, labor reduction, renovation, expansion, debt reduction). **Be focused and stay focused.**
- \* Timed → one to two hours with at least 30 minutes of introductions. Take time to know each other because you will be discussing various points of view (controversial) and it is easy to remain silent if uncertain. You want free-flowing brainstorming in the beginning, then evaluation of ideas later in session.
- \* Appoint a time keeper → someone needs to take responsibility for saying, “We will have introductions for 30 minutes, that gives everyone five minutes to tell who he is and what he can contribute to the process.” The time keeper then is authorized by the group to cut people off when discussion strays from the objective of the meeting. The time keeper helps guide those who are less experienced in meetings to maximize the valuable time of all involved.
- \* Facilitator → is essential to keep the meeting moving and to draw out the good ideas from everyone and particularly the silent attendees. People with helping backgrounds are good at this – veterinarians, extension educators, lenders, sometimes the farm manager.
- \* Learn the decision making process → cycle of problem identification, problem diagnosis, alternative solutions, making a decision, tactical planning and controlling. Learn how to conduct brainstorming sessions.
- \* Record → important points on a blackboard or flip chart to help keep people focused and avoid wasting time. List key data, possible problems, rank problems, list alternative solutions (from brainstorming), rank solutions, write SMART goals, list control data to be collected, list who is responsible and when, what is to be reported back to the group, etc.
- \* Near the end of the session → write a SMART goal (specific, measurable, attainable, rewarding and time).
- \* Report back to the group → after progress is made and eventually gather the group again to continue the process. The process never ends until the business stops or the group disbands. Over time the group will change. Minnesota, New York, Pennsylvania, Washington, and more recently other states, have been teaching workshops on the group meeting process. Pennsylvania is developing a video on the process for teaching workshops.



**A Successful Farm Business  
Puts It All Together**

**Lifestyle, Cash Satisfaction  
Successful Farm Business  
Resources, Labor, Retirement**

# North Dakota Dairy Diagnostic Team

## MONTHLY REPORT

Name: _____	Date of Visit: _____
Farm Name: _____	Number of Visits: _____
County : _____	

● **Program Progress Report:** This is team meeting No. \_\_\_\_\_

● **Farm Team Members:**

<u>Name</u>	<u>Position or role</u>
_____	<b>Facilitator:</b> _____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

● **Farm Statistics:**

Dairy herd: Milked Cows \_\_\_\_\_ Dairy Cows \_\_\_\_\_ Young stock \_\_\_\_\_  
Milk shipped: Milk lb \_\_\_\_\_ Fat % \_\_\_\_\_ Protein % \_\_\_\_\_ SCC \_\_\_\_\_

● **Successes:** (Describe accomplishments since last meeting)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

● **Challenges:** (Describe difficulties and limitations encountered)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

● **Goals:** (List new goals and changes to plans)

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● **Current "TO DO" List:** (List projects to be completed by next visit and time frame)

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● **Highlights of Visit:** (Noteworthy advances in the team efforts)

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● **Miscellaneous:** (Other outcomes or needs)

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Report Prepared by: \_\_\_\_\_



# Milk Producers Association of North Dakota, Inc.

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January 28, 1999

Chairman Dalrymple and members of the Appropriations Committee:

After Tuesday's hearing on HB 1425, regarding dairy diagnostic teams, I feel compelled to clarify some misconceptions that seemed to be occurring as the hearing closed. This letter is particularly urgent since I have been informed that the committee has already acted to recommend defeat of this bill before we were able to address these issues for you and your committee.

A question was asked "*Why can't extension adequately provide for today's dairy industry needs?*"

Representative Dalrymple, North Dakota has only one dairy extension person in the state working to serve the education needs of 847 dairyman. The Extension Service is already a partner and has dedicated a substantial amount of time to organizing this project. Their impact through this program by utilizing local teams has been multiplied many times compared to what it would have been possible for one specialist to achieve. The diagnostic approach is one that the Extension Service endorses as a means to enhance their outreach. It is a complement to extension not in competition with it.

It is important to note that this "Pilot" project has only been in place for about seven months since its inception. It is the first major effort of the ND Dairy Strategic Planning Task Force, which is comprised of voluntary stakeholders in the dairy industry, including service providers, processors, regulatory authorities, extension and producers.

APUC, did NOT fund all of the program needs as implied at the hearing. The initial seed money was raised by this group. --they obtained start-up funds from the industry which provided 25% of the pilot project funding. The efforts of the State Dairy Specialist helped convince the NDSU Extension Service to become a 25% partner. Together we went to APUC for a 50% match to 'jumpstart' this program.

The appropriation request is NOT a welfare project, but an investment. The long-range plan is to wean itself of formal funding after the growth and repair of the current industry has taken place. No, the proposal doesn't serve all of the state's dairy families, because we wouldn't dare ask for that much money. Now it seems that this conservative effort may be penalized. Certainly, producers should invest some of their own money; to a small extent they are now and that will expand. The project will undoubtedly become self sustaining once the program gains momentum and a reputation, but we need this start.

I firmly believe that there is no single source of information and resources whether it be extension, the financial community, feed nutritionists or equipment dealers; that can adequately provide for the needs of rebuilding the dairy industry and addressing the information needs of the farmer. The reason is that each is only focused on what they do best, and fail to see the big picture of what the dairy farm actual needs are. But by working together as a team everyone benefits. The concept of the dairy diagnostic program is to tailor the team specifically to each individual dairy farm's business and information needs. An extension educator can offer an overview in a classroom setting, but he is incapable of making specific recommendations for all of the individual farms in that state like local teams can do.

Mr. Chairman, your question suggesting the research and extension budget should include this program is valid. The only reason that the bill creates an uncompensated board, is to have the funds in the control of

appointed dairy farmers and not “diluted” within the NDSU budget for example. Placing this project within the extension program is fine with us, we simply ask that the funds are “earmarked” for this program.

What is good for dairying is good for rural North Dakota, good for agriculture and ultimately good for the entire state. No other sector has the magnitude of an economic multiplier coefficient that dairying has. For example, if the \$2.1 million dollars of pilot farm income that will be generated by the attainable goals creates \$14 million dollars in new, taxable wealth (using the 7 multiplier and a conservative \$12/cwt for milk), why wouldn't we want to grow our own industry? If we don't, other states will surely oblige by trucking their milk and selling it here.

Our understanding of APUC's role mission in the State, is to assist new innovation and research, not to be the caretaker of established programs. While we still would qualify at this early stage in our development, we're NOT guaranteed additional funding. The nature of the biennial legislature in North Dakota made it necessary for us to come forward before the next century arrives. Hopefully you will give this proposal a careful look before defeating the bill.

Lastly, What We Do is not as important as How We Do It! As this model is refined and tailored to ND it will create a method for other groups to adapt. We are NOT just about improving the lifestyle of 847 dairy farmers, we are about strengthening the economy of the entire state. Furthermore, we are about education and developing a network of qualified para-professionals that will provide an educational infrastructure to support this model and help the delivery of technology to rural North Dakota, including to farmers not involved in the program. This is truly a team effort to create a team environment of collaboration among rural and urban sectors, between the aging adult and growth youth, and between commerce and government. We implore you to strongly consider the virtues of the Dairy Diagnostic Team Approach and strive to find a way to find the project.

Sincerely,



Doug Dukart  
President