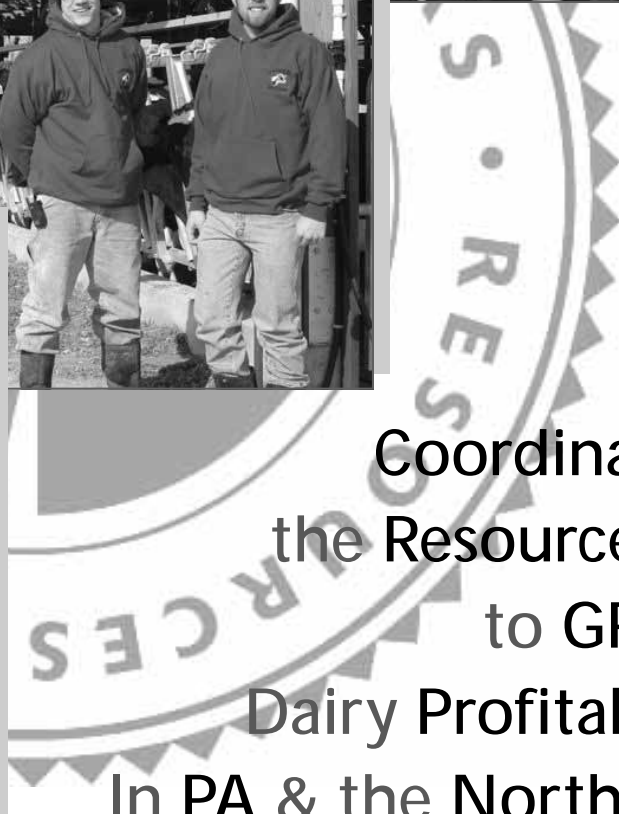


Empowering the People ...  
Creating the  
Partnerships ...



and  
Coordinating  
the Resources ...  
to GROW  
Dairy Profitability  
In PA & the Northeast.

The Center for Dairy Excellence and  
The Pennsylvania Dairy Task Force

ANNUAL SUMMARY

2009 Accomplishments & 2010 Initiatives

# The Dairy Industry in Pennsylvania — 2009



There is no doubt in anyone's mind. 2009 has been a year like no other for Pennsylvania's dairy farms. Record low milk prices have lowered milk margins by more than 40% from recent years.

Most analysts agree the average farm will lose \$1,000 per cow in equity this year. *With every challenge, there comes opportunity.* And this year's situation is no different. Producers have looked harder at their own farms and found ways to lower cost of production and add revenue to their dairy businesses. The evidence of their efforts is published monthly in Pennsylvania's Dairy Industry Performance Scorecard.

## Strength in Management

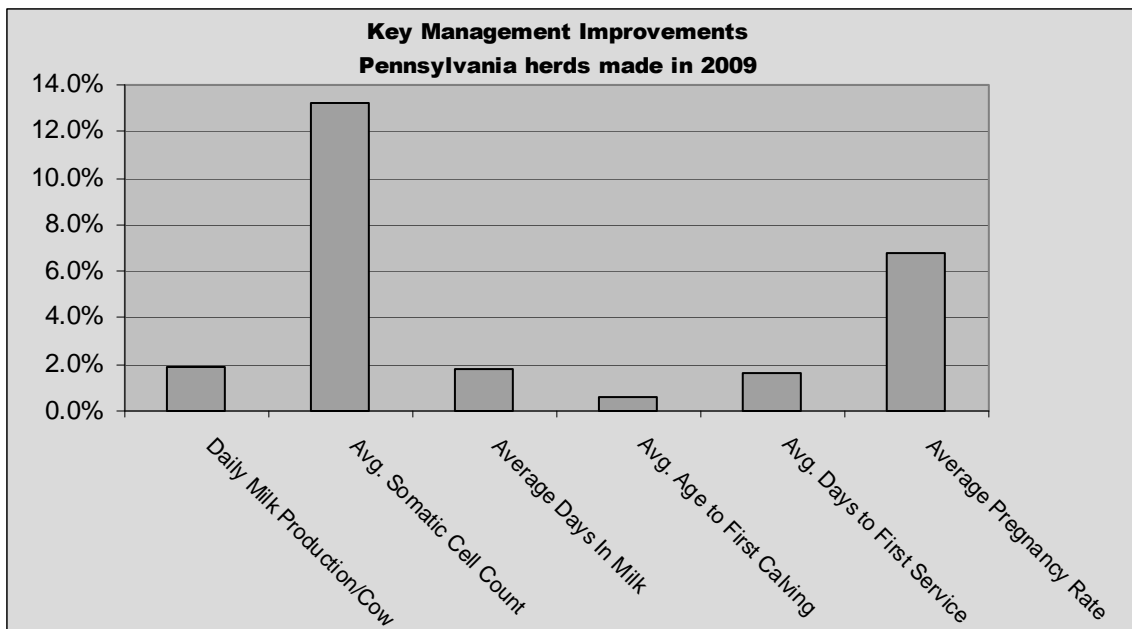
Milk production in Pennsylvania has remained even with last year, despite losing 10,000 cows. Nationally, milk production declined 1.1%.

Pennsylvania's ability to hold milk production is largely due to strength in several key management areas. The state's dairy herd increased milk production per cow by 1.9 percent.

Hidden behind that increase are improvements in somatic cell counts, days in milk, days to first service, age to first calving, and pregnancy rates.

A key focus of the Center for Dairy Excellence is to help these dairy farms find ways to improve profitability in both good times and bad. Many of the programs and resources offered by the center provide producers with ideas and resources for reaching critical benchmarks in these key management areas.

Pennsylvania Dairy Industry Performance Scorecard Summary	Oct. 2008 Report	Oct. 2009 Report	Change from last year
Total Monthly Milk Production	862 mill. Lbs.	862 mill. Lbs.	—
Percentage of U.S. Market Share	5.52%	5.58%	▲ 1.1%
Milk Cows	549,000 cows	539,000 cows	▼ 1.8%
Dairy Farm Operations			
Rolling 12-Mo. State Milk Production	10.64 bill. lbs.	10.53 bill. lbs.	▼ 1.0%
Wholesale Milk Price	\$19.40/cwt.	\$15.40/cwt.	▼ 20.6%
Milk Production/Cow/Day	58 lbs.	59 lbs.	▲ 1.9%
Average Somatic Cell Count	315,000	273,320	▲ 13.2%
Average Pregnancy Rate	16.11%	17.21%	▲ 6.8%



# The Center for Dairy Excellence

## Strategic Plan for Dairy Development

The Center for Dairy Excellence was established by the Pennsylvania Department of Agriculture at the recommendation of the Pennsylvania Dairy Task Force in 2004 to empower people, create partnerships and coordinate available resources to grow profitability of the dairy industry in Pennsylvania and the Northeast. Since then, milk production in Pennsylvania grew 500 million lbs., while annual milk production per cow grew 1,400 lbs. This milk production increase boosted on-farm revenues on a 65-cow dairy by nearly \$14,000. With 7,670 farms in the state, that results in a \$107 million increase in on-farm revenues, generating \$268 million in economic impact for the commonwealth.



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Efforts of the Center for Dairy Excellence helped to stimulate that increase. The work of the center is *due in large part to the involvement of the Pennsylvania Dairy Task Force*, a group of 110+ volunteers – industry leaders and dairy business owners – who dedicate their task force time to shaping the direction of the center.

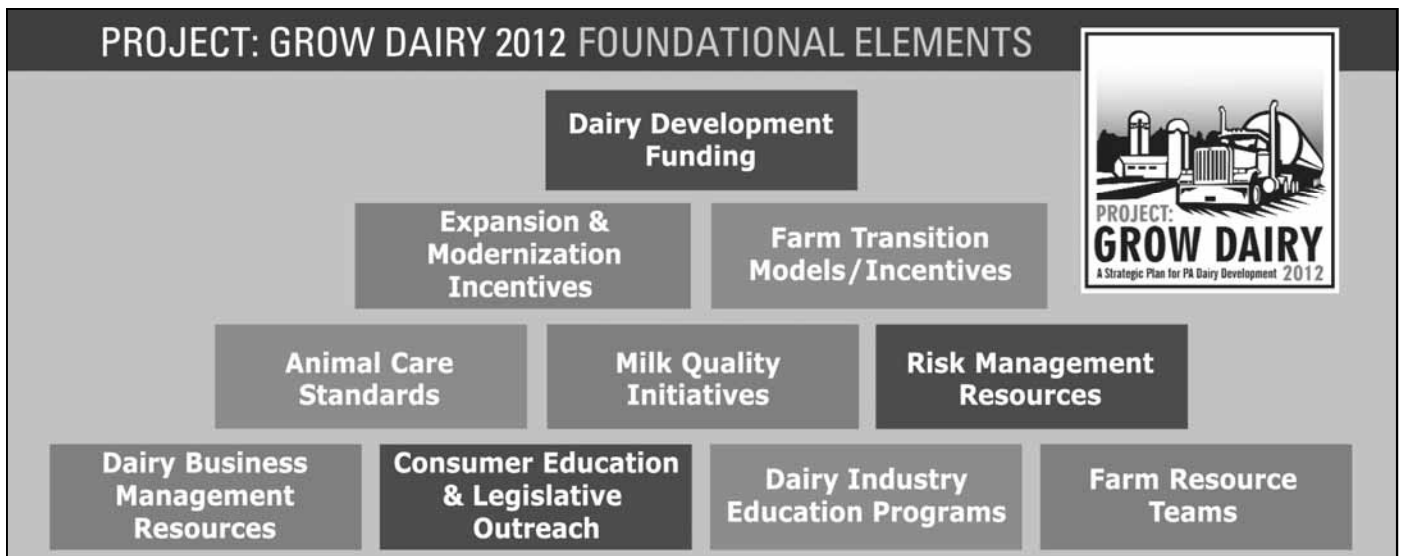
Many of the center's initiatives result from ideas and concepts discussed within one of five Pennsylvania Dairy Task Force committees. In 2007, leadership from each of these five committees came together to develop a strategic plan for the center's work and for dairy development in Pennsylvania. "**Project: Grow Dairy 2012**" came out of those discussions, and today this plan guides the Center's work.

This plan continues to serve as the backbone for programs advocated by the Center for Dairy Excellence. In 2009, the center made key inroads in many of the program areas under the "Project: Grow Dairy" strategic plan. Those accomplishments are outlined in this summary.

Many of these initiatives are collaborative efforts with other industry groups. A few of those organizations include the Professional Dairy Managers of Pennsylvania, the Pennsylvania Dairy Stakeholders, the Pennsylvania Dairywomen's Association, the Pennsylvania Dairy Promotion Program, the Mid-Atlantic Dairy Association, the Pennsylvania State University and the Pennsylvania Beef Council. We want to thank them for their work with the Center for Dairy Excellence and their commitment to growing Pennsylvania's dairy industry.



### PROJECT: GROW DAIRY 2012 FOUNDATIONAL ELEMENTS



# The Building Blocks of Grow Dairy 2012

## Farm Resource Teams

The **Dairy Profit (Resource) Team Program** provides funding and support for farms to establish on-farm advisory teams to make better decisions and increase profits.



Nearly 265 dairies have established a dairy profit, target or succession planning team.

The center also continues to capitalize on our partnership with **The Pennsylvania State University** to deliver training and support to dairy farms through one of the resource team programs.

### Key 2009 Accomplishments

- ✓ Nationally recognized **SCORE (Service Core of Retired Executives) members** are being aligned with profit teams to share their business insight as facilitators.
- ✓ **Practical Dairy Advisors (PDA)** are working closely with teams to help them pinpoint bottlenecks and reach key benchmarks.
- ✓ The Center for Dairy Excellence secured **additional funding** for the program and introduced **new guidelines and individual farm funding levels** for On-Farm Dairy Resource Teams.
- ✓ The new guidelines include an annual application process to bring **more accountability and oversight** to the program.



## Expansion/Modernization Incentives

**Incentive-based programs** are designed to stimulate modernization and expansion of the dairy industry. Past incentive-based programs included the Dairy XP program, dairy modernization grants, and dairy implementation grants.

In 2009, the Center for Dairy Excellence recognized the challenging nature of the dairy economy and focused on programs in this area that would help producers manage through the crisis.

### Key 2009 Accomplishments

- ✓ The Center for Dairy Excellence offered **forty \$1,500 grants** to help dairy farm families utilize professional services to do cash flow projections, production costs analysis, and dairy business budgeting.
- ✓ The grants were an initiative of the Pennsylvania Dairy Task Force's **Business Management Committee**.



Educational opportunities and outreach programs like the **Pennsylvania Dairy Profitability Forum** and **"Open House and Dairy Tours"** give dairy producers access to timely, relevant information on best management practices to improve the profitability of their dairy operation.

Thousands of dairy producers also look for timely, relevant news and producer testimonials provided in the **Lancaster Farming "Center Spotlight"** and the **Farmshine "Center Page."**

The center's **Dairy Advocacy and Resource Team** program continues to provide invaluable information to help sales and service representatives become even greater resources for their customers.

### Key 2009 Accomplishments

- ✓ More than 250 people attended the **Dairy Profitability Forum** held in two locations. The event addressed milk pricing, dairy policy, best management practices, and future dairy farm profitability.
- ✓ Nearly 700 people participated in the center's **Open House and Dairy Tour** series, showcasing innovative dairy operations.
- ✓ The center hosted **DART regional meetings** in April, July and October, reaching more than 450 industry representatives with invaluable information to enhance their skill sets.
- ✓ The Center for Dairy Excellence introduced a new educational conference call learning series, **"Mastering the Dairy Business,"** which offered valuable management insight to the 310 producers who joined the noon-time calls. Eight calls were held in 2009.





# The Building Blocks of Grow Dairy 2012

## Dairy Business Management Resources

In the early 2009 survey conducted by the center, only 12% of the 1,600 dairy producers responding said they had a formalized business plan in place. Yet, a business without a plan is like a ship without a compass.

In 2007, the center worked with the Kutztown University Small Business Development Center to put together templates to help these dairy farms go through the complicated process of completing a business plan.

### Key 2009 Accomplishments

Early in 2009, the center rolled out the Dairy Business Planning Template, an online resource that simplifies writing a business plan.

The resource uses video, examples, and instruction to walk farm families through each step involved in writing their plan.

The center plans to provide the Dairy Business Planning Template to ag lenders, business planning consultants, and others working closely with farmers in this area. The resource is also available on a flash drive for those who do not have internet access.



## Dairy Development Funding

To continue to expand the reach of the Center for Dairy Excellence and to bring more resources and support to the state's dairy farm families, the center must continue to build monetary support for its programs and resources. This funding is critical to the continued success of the center and its mission.



### Key 2009 Accomplishments

In 2009, the center received a federal grant, which will be used to continue financial support for the on-farm dairy resource team program.

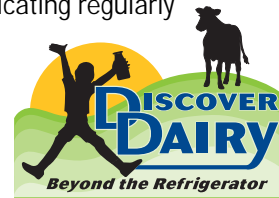
In October, the center rolled out the "Allies for Advancement" program, which will enable industry organizations to provide monetary support for the

center's programs. The program is intended to help the center continue to grow its efforts to support Pennsylvania's dairy industry.

## Consumer Education & Legislative Outreach

The Center continues to work closely with the Pennsylvania Dairy Promotion Program, Mid-Atlantic Dairy Association and the PA Dairy-men's Association to increase consumer awareness of the dairy industry and the role dairy farms play in our local communities.

Communicating regularly with state policy leaders is also critical to encourage greater support of Pennsylvania's dairy



farm families. The Center for Dairy Excellence communicates regularly with local, state, and national policy leaders to keep them aware of the issues affecting the state's dairy industry.

### Key 2009 Accomplishments

- ✓ Usage of the Discover Dairy program continued to grow, with more than 200 teachers now enrolled in the program. A lesson series for middle school teachers will be rolled out in early 2010.
- ✓ The center introduced a regular Pennsylvania Dairy Industry Update bulletin for members of the PA General Assembly and Congressional Delegation. The bulletin is e-mailed to legislators and staffers to keep them informed about dairy issues.
- ✓ The center worked closely with the Professional Dairy Managers of Pennsylvania to build stronger relationships with key legislators in Harrisburg and in Washington, D.C.
- ✓ The center also continues to provide leadership and support for the Northeast Dairy Leadership Team. In 2009, that work was largely focused on providing information to the Northeast Congressional delegation on dairy policy and recommendations for change.

# Center for Dairy Excellence 2010 Priorities

In 2010, the Center for Dairy Excellence will continue to implement "Project: Grow Dairy 2012," with a focus on strengthening and growing Pennsylvania's dairy industry. A key part of our efforts will involve helping farmers re-calibrate their business and explore new opportunities to improve profitability.

## Innovative Educational Opportunities ...

The hallmark of our efforts at the Center for Dairy Excellence is our work to bring educational opportunities to Pennsylvania's dairy farm families. The center will continue to host regular "Mastering the Dairy Business" conference calls, "Open House and Dairy Tours," and the fall Pennsylvania Dairy Profitability Forum.

Our work with on-farm resource teams and with the Dairy Advocacy and Resource Team program will continue to bring this information to individual dairy farms. Dairy profit teams have demonstrated their ability to bring better ideas and added insight to the decision making process on the farm.

We will also work closely with industry partners, including Penn State Dairy Alliance, to collaborate on educational opportunities for dairy producers. A goal for the center in 2010 will be to enhance our educational efforts targeting young and beginning farmers.

## Bringing Best Management Practices to the Farm ...

A key area of emphasis will be on best management practices and standard operating procedures in herd management, business performance, and animal care. We will continue to encourage producers to focus on these best management practices by:

- ✓ Sharing farmer testimonials in agriculture and dairy publications, and
- ✓ Showcasing farms using these best management practices at the summer "Open House and Dairy Tour" series and at the fall Dairy Profitability Forum.

## Being a Source for Useful and Unique Information ...

The center is uniquely positioned to be a credible source of relevant market and industry information. And we intend to continue to provide this information through regularly published resources, including:

- ✓ The Markets and Management Update in the *Farmshine*,
- ✓ The Dairy Week in Review in the *Lancaster Farming*, and
- ✓ The Pennsylvania Dairy Industry Performance Scorecard published online.

## Showcasing the Value of Pennsylvania's dairy farms ...

Last, but not least, a key priority in 2010 will be to educate both consumers and key policy leaders on the many contributions that dairy farms make to the commonwealth and why these farms need the continued support of the local community. The center is actively engaged at the local, state, and national level, informing policy leaders – from township supervisors to our Pennsylvania Congressional Delegation – on dairy-related issues.

Key vehicles to accomplish this priority in 2010 will include:

- ✓ The Discover Dairy Lesson Series program,
- ✓ The Pennsylvania Dairy Farmer Speakers Bureau,
- ✓ The Pennsylvania General Assembly Dairy Industry Update, and
- ✓ The Pennsylvania Dairy Task Force's legislative and consumer outreach efforts.

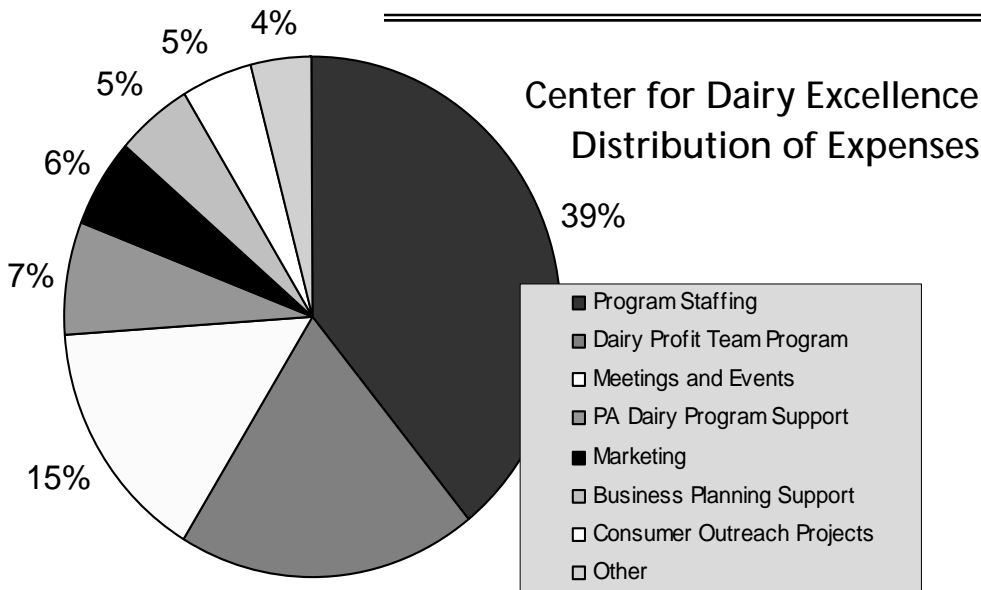
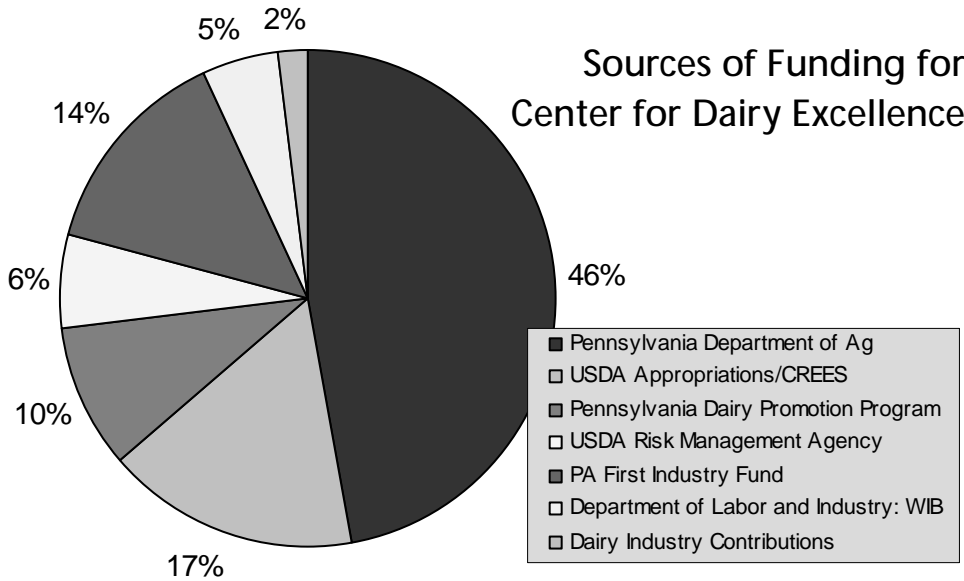


# Thanks to Our Supporters

The Center for Dairy Excellence is a non-profit 501C6 organization. The organization was created to enhance profitability and viability of the dairy industry, the leading sector in Pennsylvania's number one industry, Agriculture.

Along with support from the Pennsylvania Department of Agriculture, the center relies heavily on grant funding and support from the dairy industry. The funding from the commonwealth acts as seed money for a \$1.2 million budget to support Pennsylvania's dairy industry.

In-kind support contributed by the many volunteers who serve on the task force is also an invaluable resource. That support stretches Center for Dairy Excellence funds farther on behalf of the dairy industry. The in-kind contribution from these volunteers is estimated at more than \$1 million over the past five years.



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