

Comparable Profitability of Northeast Organic Dairy Farms

**Presented at ‘Identifying
Strategies to Support Sustainable
Agriculture in Canada’**

**Bob Parsons
University of Vermont
In cooperation with Tim Dalton
University of Maine**

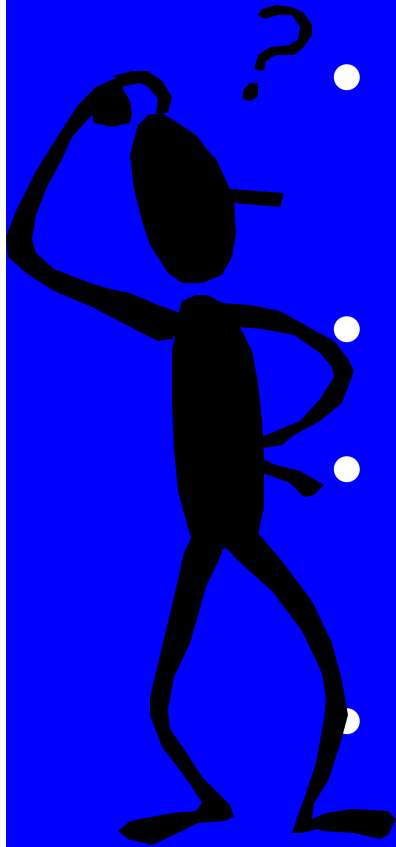
Study: Examine the Profitability of Vermont & Maine Organic Dairy Farms

- Organic dairy fast growing sector
- Northeast most concentrated region
- Higher milk price – up to \$25/cwt
- Future presents continued growth

Current Situation

- Maine – 63 organic of 370 dairy farms (17%)
- Vermont – 93 of 1250 dairy farms (7.4%)
- Up from 2 certified farms in 1994
- Growing at 10% per year
- 3 buyers – Horizon, Hood, and Organic Valley
- Right now – competition good for farmers!

Study Procedure



- Study funded by USDA CSREES “Integrated Organic Program”
- Cooperate with NOFA and MOMP
- Involve 13 Vermont farm and 17 Maine farm
- Farm visits to gather financial data

Pre-Conceptions of Study

- Is organic dairy highly profitable?
- Do they have low production costs?
- Are farmers exempt from commodity pressures?

How do Organic Dairy Farms Compare to Conventional?

	Organic	Conventional
Operator age	51	49
Education	14.1 years	13.0
Cows per farm	48	113
Milk per cow	14,060 lbs (6,369 kg)	17,821 lbs (8,073 kg)
Average milk price 2004	\$22.94 cwt	\$16.95 cwt

Production Characteristics

	Organic	Conventional
Graze dairy cows	100%	46.6%
Use milking parlor	20%	37.9%
No off-farm income	46.7%	37.8%
Milk marketed per farm	688,971 lbs (312,104 kg)	1,995,480 lbs (903,952 kg)

But Are Organic Dairy Farms Profitable?

- What is profit – net cash income reported as preliminary figures
 - Still putting depreciation figures together!
- Compare to “*Northeast Dairy Farm Summary 2004*” published by Northeast Farm Credit
- **Caution – Conventional milk prices in 2004 hit all time high (\$16.94 vs \$13.10)!**

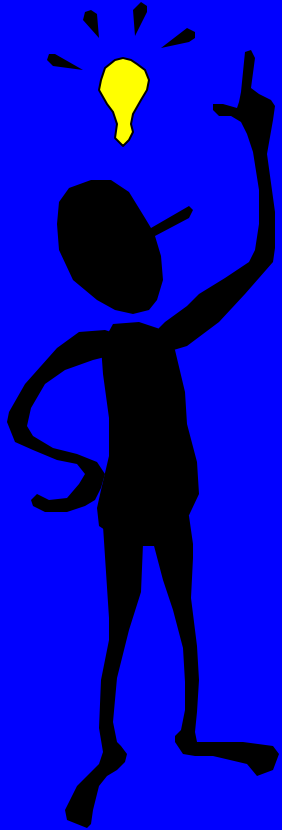
Comparing Profitability

2004	Organic	NEDFS
Cows per farm	48	67
Milk per cow	14,060 lb (6369 kg)	18,819 lb (8525 kg)
Net cash income per farm	\$41,355	\$65,124
Net cash income per cow	\$855	\$972
Net cash income per cwt	\$6.00	\$5.16

Are Costs any Different?

2004	Organic	Conventional
Cash Cost per cow	\$2785	\$2706
Cash Cost per cwt	\$19.56	\$14.39
Cash Purchased Feed per cow	\$1022	\$870
Purchased Feed cost per cwt	\$7.17	\$4.62

View of 2004...



- Organic farms profitable but...
- Conventional farms more profitable
 - Per cow basis
 - Per farm basis
- But 2004 was a bit unusual so what about 2003?

What a Difference a Year Makes!

	Organic - 04	NEDFS - 03
Cows per farm	48	65
Milk per cow	14,060 lb (6,369 kg)	18,898 lb (8,561 kg)
Net cash income per farm	\$41,355	\$44,785
Net cash income per cow	\$855	\$689
Net cash income per cwt	\$6.00	\$3.64

Not as much difference in costs...

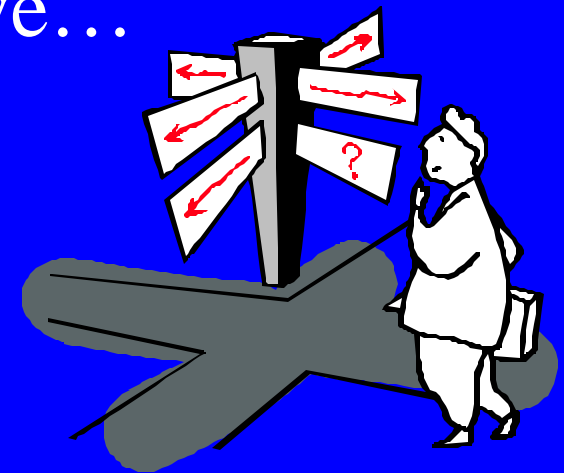
	Organic – 04	Conventional - 03
Cash Cost per cow	\$2785	\$2408
Cash Cost per cwt	\$19.56	\$14.39
Cash Purchased Feed per cow	\$1022	\$743
Cash Purchased Feed cost per cwt	\$7.17	\$3.93

Future Intentions for Next 5 yrs???

	Organic	Conventional
Likely to add cows	19.7%	37.8%
Discontinue dairy farming	13.3%	14.2%

So What's the Story?

- Organic profitable but comparison is mixed
 - More profit per cow in 03 but not 04
 - Less profit per farm but smaller herds
- 2004 is unusual year – record milk prices
- Organic appears to be competitive...
- But not excessively profitable!



Other Observations...

- Organic farmers like small size
- Facilities limit herd size
- Very optimistic about future
- Did not look at comparison of assets
- Did not look at variation of income
- More information due in near future

Any Questions??????

Thank You for your Coming!!!!

