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Dairy-MAX is good for farm families, PDMP urges legislative support

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BELLEFONTE, Pa. – With costs escalating – gas at \$4, diesel fuel \$5 and corn topping \$7 on the CME, efficiency in the dairy business has never been more important than it is today. At the same time, dairy farm families are facing decisions about the future in terms of modernizing and/or expanding their dairies for the next generation.

Lawmakers are considering a bill (House Bill 2604/Senate Bill 1486) that would give the same kind of incentive and opportunity to dairy farms that has been afforded to other businesses in the manufacturing and technology sectors. If enacted into law this month by the Pennsylvania state legislature, Dairy-MAX (Dairy Modernization or Expansion Tax Credit Program) would provide up to \$50 million in tax credits over the next five years to cover 25% (capped at \$250,000 per farm) of the costs associated with a dairy farm modernization or expansion project.

“We are supporting this legislation because it presents an opportunity for dairy farm families to acquire, indirectly, funding to assist in a project to modernize or expand, which in turn helps grow and sustain the dairy industry in Pennsylvania. Dairy-MAX would incentivize these decisions with tax credits in a way that helps Pennsylvania dairies be more competitive and profitable for the long term,” says PDMP president and Perry County dairyman Logan Bower. He notes that PDMP has been involved in reviewing the measure before it was introduced last week by Rep. Art Hershey and Sen. Roger Madigan.

A program similar to Dairy-MAX has been very successful in Wisconsin and serves as a model for the economic stimulus it can bring to Pennsylvania. Bower points out that by providing indirect funding through tax credits, these projects would serve to stimulate the economy, generating more tax revenue for the Commonwealth while at the same time strengthening the competitive position of its dairy industry at a time when cow numbers and production are declining here again compared to aggressive expansion in some of the western states.

“There is a direct relationship between the addition of technology or modernization of a dairy and increased production and therefore the profitability of the dairy,” observes Alan Novak, PDMP executive director. “Dairy-MAX, in concept and design, would do that. It would allow those dairies on the cusp of making that decision, to invest in expansion or the addition of technology. What Dairy-MAX is designed to do is to provide this opportunity for smaller and mid-sized dairies. If this bill is passed and looks close to the way it has been proposed, farms that cannot use the tax credits can sell them or allow a project sponsor to retain them, indirectly raising funds to reduce the farm’s capital investment in a project.”

Novak points out that “these types of programs are routinely available to manufacturing and technology businesses. There are examples all over Pennsylvania where tax credit programs like this have been used to entice companies to locate in Pennsylvania or to expand facilities already here,” he reports. “Dairy-MAX recognizes that dairy operations – to be sustainable – must be profitable businesses. Why not extend a program used in other sectors to the ag sector and one of the largest industries in Pennsylvania?”

Pennsylvanians – statewide and in individual counties – are beginning to more fully realize that healthy economic development in the Commonwealth involves the growth of farm operations every bit as much as it involves the growth of the manufacturing and technology sectors. There are many rural communities in Pennsylvania where dairy farming is still the largest contributor to their economy.

Novak points out what Lancaster County did, for example, with the establishment of its Blue Ribbon Commission, driven in large part by the economic considerations of a thriving farm and dairy economy, in addition to the lifestyle and open-space considerations these businesses provide.

“Critical scrutiny should always be invited whenever tax credits are used because they impact a budget on the one hand. But on the other hand, this program is sound because it can clearly show that with an investment like this, there’s a stimulus to the economy, which more than offsets the total immediate impact on tax revenue,” Novak explains. “The Center for Dairy Excellence has tracked the numbers and can show historically how dairy expansion directly corresponds to the growth of the economy in the surrounding community.”

Furthermore, the program similar to Dairy-MAX in Wisconsin has reportedly yielded a 10 to 1 ratio of return on investment for taxpayers.

Beyond economic stimulus and return on taxpayer investment, however, is the overarching concern for Pennsylvania’s dairy producers and consumers. “It comes down to this,” says Novak. “If the dairy industry is in fact important to the state of Pennsylvania, then we need it to grow and modernize it to assure a safe and available supply of milk produced locally and maintain this very strong economic engine in Pennsylvania.”

PDMP is preparing a letter of support this week to the Pennsylvania legislature. Walt Moore, owner and manager of Walmoore Holsteins in Chatham, Chester County, has already met with his senator. Moore is the fourth generation to operate the family’s now 670-cow dairy, and he is a founding member of PDMP.

“Dairy-MAX is an opportunity for dairy farm families to offset some costs to invest in our businesses to keep us competitive with the other areas of the country,” Moore states. “Many of us have been concerned about the slip in Pennsylvania production, but the tides are changing as locally grown food and dairy products become increasingly important to consumers. With the way fuel prices are escalating, we need to do all we can to keep our dairy farms here competitive. We are within a short drive of the major population centers of the U.S. We need to ensure a strong and stable milk supply here for the future.”

The future vitality of the dairy industry in Pennsylvania is a consumer issue every bit as much as it is a producer issue. “Sustainability means: ‘I’m going to be here next week, next decade,’” Novak suggests. “That happens if dairies are operating in the black, not the red. If people stop and think about it, this really makes sense. Farms are operated by families, who like the rest of us, have kids who want to go to school, mortgages to pay, and also feed bills, fuel bills, payroll to meet for their employees, just the same as any other business. To keep a business within a state or community, it has to make money.”

PDMP has brought the producers’ perspective to the coalition that has worked to design this legislation. “Having an organized group of producers is important,” Novak observes. “PDMP collaborated and as an organization drew upon members to lend producer input. It’s now time to stimulate and energize members to let their voices be heard. Advocacy by individual producers is now needed to see this through. It’s the dairy farmer, business person, constituent, that makes a big difference in reaching legislators to tell them of how this legislation will affect their family, their business, their future, and the future of Pennsylvania’s dairy industry.”

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