

Dairy Gateway Funding Assessment:
Potential Funding Opportunities

December 6, 2004

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The Dairy Gateway Project is an attempt to incorporate the three goals of sustainable development: environmental, economic, and social well-being, into a region that currently has a large agricultural component. The project is located in the northeast part of Wisconsin and encompasses the following three counties: Door, Kewaunee and Manitowoc. These areas have a rich agricultural history, but have recently come under pressure due to increasing urbanization. The interface between urban and rural societies presents challenges for both, and the Dairy Gateway Project facilitates discussion, interaction and understanding between these two communities. By creating local networks that reach out to the entire community, the project is attempting to promote economic growth, environmental gain and community participation. With these goals in mind, the project is working to unite agricultural and urban communities that reside in the project area. A major goal of the project is to produce a sustainable dairy industry that is supported by community participation and replicate this process in different regions across the country and throughout the world.

Beginning in 2003, with a generous grant from the Joyce Foundation, the project has sought to achieve its goals on multiple fronts. During the first year significant accomplishments have been made in law and policy, networking, community building, and forming collaborations with international and national academic institutions. Challenges were encountered due to the delay in the passage of the Green Tier law, the state budget crisis, project communication, and highly polarizing conflicts between farmers.

To ensure the continuation and success of the Dairy Gateway Project, additional funding options must be identified. Though the project was initially funded with a single grant from the Joyce Foundation, a diversified set of funding sources must emerge in the future. Potential sources of funding have been identified and divided into two groups: short-term funding and long-term funding. Short-term funding ideas are designed to meet the looming deadline in early 2005 imposed by the Joyce Foundation for alternative sources of funding to be located. The Joyce Foundation has indicated a willingness to fund the Dairy Gateway Project for an additional year provided the project can demonstrate additional funding sources are available. Therefore, the short-term funding section focuses on financial sources that can be obtained relatively quickly, such as grants and donations and an innovative joint investment program. Long-term funding alternatives are designed to ensure the viability of the Dairy Gateway Project years into the future. These alternatives include business endeavors and partnerships that will allow the project to generate the income needed without relying on the generosity of others.

The deadline imposed by the Joyce Foundation limits the alternatives that can be pursued to obtain funding in the short-term. We believe the best opportunity to demonstrate to the Joyce Foundation that the project is viable in the short-term rests in securing donations. These donations can take the form of grants from public or private organizations. To this end, we have identified and contacted a variety of philanthropic organizations. A letter has been sent to these organizations and can be viewed in Appendix A. For a full list of organizations that were contacted, consult Appendix B. A list of potential donors that were identified but have yet to be contacted can be found in Appendix C. An additional attempt at contacting these potential donors via telephone should potentially occur in early January 2005. Not only

would this convey the seriousness of our request, but it would also begin the cultivation of a more personal relationship with these organizations.

Though we believe grants are the most likely source of short-term funding, the Dairy Gateway Project cannot simply rely on one type of funding, no matter how diversified the sources. While it is difficult to assess the income that the project is able to contribute, a creative short-term opportunity between interested partners could be established. The Dairy Gateway project works with the local dairy community in northeast Wisconsin. Dairy farmers currently use Alto Dairy as the main manufacturing facility for their products. To indicate to the Joyce Foundation that the project is capable of creating an income stream, the Dairy Gateway Project could join with Alto Dairy to form a partnership. This will be an excellent opportunity to involve the Alto Dairy in sustainable activities as well as provide Alto Dairy with new and innovative marketing strategies. Instituting a joint investment relationship between the dairy producers and Alto Dairy could provide unique opportunities to both parties. A joint investment fund would allow participating dairy farmers to become invested in the success of the project because they will become financially involved in the project as well as stewards of the sustainable movement in the region. Alto Dairy could potentially become a leader of agricultural sustainability activities and also create opportunities for additional product lines and environmental marketing. A monetary ratio could be established based on a certain amount of milk production where for a predetermined amount of milk the participating farmers will contribute a predetermined amount of money to a general fund. Alto Dairy will make a matching contribution to this general fund that will be created for use implementing the Dairy Gateway Project. In addition to using Alto Dairy, a joint investment agreement could be reached between participating dairy farmers, Alto Dairy, and the Joyce Foundation where each organization contributes equal or proportional funds to a general fund for the continued administration of the Dairy Gateway Project.

Provided that the short-term funding needs can be met, a wide variety of funding options becomes available. These alternatives are focused on an extended time horizon. They seek to provide funds to keep the Dairy Gateway Project viable into the distant future.

Urbanization is rapidly occurring in many agricultural communities throughout the state of Wisconsin. These changes are especially evident in the northeast region of Wisconsin where the Dairy Gateway Project is currently taking place. Door, Manitowoc and Kewaunee counties are the focus areas for the Dairy Gateway Project and these communities are experiencing heavy commercialization and urbanization due to the close proximity to Lake Michigan and the increased interest of rural living. These changes to the landscape are beginning to have dramatic impacts on agriculture. The lands that are being converted are predominately agricultural lands that have been sold to development companies or private interests. The sale of agricultural lands has slowly begun to alter the community structure of these areas and agricultural interests as well. Creating a sustainable dairy industry in this region requires large dairy operations in communities where urbanization and commercialization are occurring. Changes in dairy operation, environmental protection, and community awareness activities that assist in creating a sustainable dairy industry are an expensive endeavor and adequate funding is necessary to continue the Dairy Gateway Project in the region. A change in the county tax structure would allow for a continuous revenue

stream without the implementation of new taxes on the county population. Creating a tax that is applied to the sale of agricultural lands to commercial or development interests would allow funds to be accumulated that could be applied to continuing the Dairy Gateway Project and other sustainable activities within these communities. This tax would be placed on the buyer and would be a percentage of the sale of the property, for example, a one percent tax placed on the sale of property worth one hundred thousand dollars would net the county or the created fund one thousand dollars. The tax would essentially become an additional real estate tax that would only be levied against the buyer. Different taxes rates could also be assessed dependent upon the size of the land purchase and whether lands were sold to an individual buyer or a development company. A tax structure alteration that applies solely to real estate purchases between agricultural land owners and development interests allows for an income revenue stream to be created that does not create an additional tax burden on the local community. Lastly, this method of taxation only requires additional payment by individuals or corporations that wish to remove lands from agricultural production. Therefore, communities are not financially impacted when land sales occur between two parties when the buyer continues to use the land for agricultural purposes.

An alternative to government intervention on behalf of the Dairy Gateway Project is a business plan we believe can be successful. Currently, all milk produced in the region is shipped to Alto Dairy, a well-established cheese maker in Wisconsin. The Dairy Gateway Project should seek to mobilize its members' influence upon Alto Dairy. Specifically, a specialized line of cheese that comes from the Dairy Gateway region might be created and then returned to that region to be sold. It could carry a Dairy Gateway Seal, which would enable consumers to purchase cheese that comes from locally produced milk. A small portion of each sale could then be donated to the Dairy Gateway Project to fund continued activities.

While this is easy to support from the perspective of the Dairy Gateway Community, a convincing reason for Alto Dairy to participate has not yet been presented. We believe the purchasing power of the Dairy Gateway Community can provide this incentive. Dairy Gateway organizers should approach local school systems, hospitals and other organizations that purchase food in large quantities about the possibility of supporting this project. At this stage, it will be crucial not only for Dairy Gateway organizers, but anyone with an interest in the success of the project, to apply pressure to the schools and hospitals so they will agree to participate. Participation in the Dairy Gateway Project would offer a potential boost to sales that could induce Alto Dairy to strongly consider a Dairy Gateway product line. Alto Dairy products served in schools and hospitals would intimately link local producers and consumers in such a manner that each side benefits from the interaction.

Moving beyond institutional consumers, there are other options that would enable a Dairy Gateway product line to reach individuals. Door County has a thriving tourist economy, and Dairy Gateway should attempt to tap into that market. First, Dairy Gateway might open a retail store that sold dairy products marked with the Dairy Gateway seal, in addition to other local agricultural goods. To differentiate from an already crowded market, the store should focus on carrying local products that benefit local producers. If Dairy Gateway officials determine this option is not feasible, another idea would be to encourage already established stores to carry Dairy Gateway products. Stores such as Door County Gourmet, Door County

Market, and Top Shelf Gourmet are just some of the candidates that Dairy Gateway officials might approach about carrying the products. Intense educational efforts must accompany any Dairy Gateway product line. Local consumers must be made aware of the product and where they can purchase it, while tourists should see a display extolling the virtues of a Dairy Gateway product when they enter a store that carries it. By using institutional buying power to convince Alto Dairy to create a Dairy Gateway product line, we believe specialty products can produce income for the Dairy Gateway Project.

While a specialized product line allows the Dairy Gateway to market its products, involvement of the local community and local vendors provides an opportunity for the Dairy Gateway Project to benefit from the local products as well as their own. Farmers' markets provide the opportunity to foster community participation by joining producers and consumers at the point of exchange. The organization of a Dairy Gateway Farmers' Market, similar to the Dane County Farmers' Market, would provide a source of revenue where the profits generated from the application fee and market permits could be used toward the Dairy Gateway Project. The market would give producers of agricultural commodities and other farm-related products in the Dairy Gateway community alternative marketing opportunities. The market would promote the sale of Dairy Gateway-grown farm products, by providing an opportunity for farmers and people from urban communities to deal directly with each other thereby promoting social interaction. According to statistics from 2003 from the Wisconsin Farm Bureau Federation, the total market value of agricultural products sold by the producers in the Dairy Gateway area was \$257.4 million. Creating a way to provide more revenue for the farmers could be highly desirable.

An alternative approach to creating funding lies not in the products of agricultural processes, but on the land on which those processes are carried out. Farmers in the Dairy Gateway region possess approximately 528,000 acres of land. Through collaboration with major corporations, such as those in the energy sector, this land could be optimized so that both farmers and corporations would benefit. The corporations could utilize the land for research and development, while the farmers could benefit monetarily and provide a valuable resource for their community. Wind farms, biomass digesters, and ethanol production are relatively untapped resources which could provide beneficial resources to the community. According to the American Wind Energy Association, the Dairy Gateway region currently has 31 wind powered turbines that generate roughly 20.44 MW of electricity. Providing farmers with free residential site assessments, as well as incentives to locate turbines on their property in low use areas could form a mutualistic relationship between farmers and corporations. Another resource that could prove to be beneficial is biomass digesters. With roughly 2,700 farms in the Dairy Gateway region, a high percentage of which would contain livestock. If on average each farm would have 75 cows, this would mean that close to 30 million pounds of biomass from cows alone would be created per day, based on a 148lbs/day average from the University of Wisconsin Extension. The use of biomass digesters in the Dairy Gateway area would create a need for manure, assisting farmers by creating an alternative for excess manure. Alternatively, ethanol production is another long-term investment that could eventually become profitable by creating a demand for corn. The initial raising of capital for the building of the facilities could be raised by the selling of common shareholder stock. The community acting as stockholders in the process would obtain a gradual return on their

investment as well as providing a product that is in demand and a safer alternative to current fuel options.

Each of these projects present opportunities for farmers in the region, but it is necessary to clarify the role of the Dairy Gateway Project in these endeavors. The farmers' possess the land and resources, while the corporations possess the capital required to implement any of these ideas. The Dairy Gateway Project must connect these two separate groups, and do so in such a way that each side becomes linked to the Dairy Gateway Project instead of only being linked to each other. By acting as the middle-man, Dairy Gateway Project representatives can contact corporations and act on behalf of many farmers in the region. Presenting a unified front, with a considerable land base, should allow farmers to negotiate successfully with corporations. The farmers would have abundant resources with which they could appeal to corporations, while the unified negotiating style would prohibit corporations from pitting farmers against each other to see who would be willing to give up their resources for less.

The options presented above show a potentially diverse set of funding sources that will enable the continuation of the Dairy Gateway Project. The ability of the project to draw potential funding from this wide range of sources is a testament to its methods, goals and participants. This should ultimately prove to be the key reason why the Dairy Gateway Project will be successful. Though some of our suggestions will ultimately fail, some should prove to be viable and will generate revenue for the project. We are somewhat concerned about the funding bottleneck that currently confronts the project, and this may prove to be the biggest challenge hampering its continuation.

In addition to providing suggestions for funding the Dairy Gateway Project, we also feel it is necessary to comment on its direction. By following these recommendations, the project should enhance its financial viability. All parties concerned should move toward more sustainable production practices. Though community efforts such as the one seen in the Dairy Gateway should be applauded, a stronger commitment to environmentally sustainable practices should help secure additional funding for the project. Philanthropic organizations would be more likely to fund a project that has multiple features that they support, such as community building and environmental protection. The same logic applies if Dairy Gateway products are marketed. Socially conscious consumers might hesitate to support a product that enhances society though community building but still continues environmental degradation. To that end, farmers must look at how their milk is produced, and, were Alto Dairy to be involved in the project, it must consider its environmental impacts and move toward sustainable methods of production. This additional goal for the Dairy Gateway Project provides a challenge that will be difficult to achieve. However, striving for this goal should help to meet the challenge currently facing the project concerning the availability of necessary financial resources.

Appendix A
Tom Jodarski
N2484 Burns Rd
Mauston, WI 53948

University of Wisconsin-Madison
Strategy and Sustainability
Dairy Gateway Focus Group

November 23, 2004

Dear Mr. Jodarski,

We are students at the University of Wisconsin-Madison taking a class on sustainability and business strategy during the Fall 2004 semester. As a project for this class, we are exploring potential funding opportunities for a local program fostering sustainable development. Our work on this front is part of a collaborative effort bringing together universities, government officials, community leaders and individuals to encourage a lasting relationship between farmers and local individuals.

The Dairy Gateway project is working to establish the idea of sustainable development: linking success on the environmental and economic fronts with social well-being and acceptance. The project has developed grass-roots networks of dairy farmers, local government representatives and neighbors. The project engages local stakeholders in developing a vision for three counties in North-Eastern Wisconsin and seeks consensus on programs that foster economic growth, environmental gain and community participation. New legal and policy instruments are being developed and applied to protect and support these local stakeholder commitments. Out of this stakeholder engagement a Dairy Gateway Network is beginning to be established, linking people throughout the project area and beyond to develop a proactive “yes we can” strategy that examines the region’s diversity of interests and needs. New leaders have emerged, with entrepreneurs dedicated to continued engagement and improving and maintaining a constructive dialogue even though the problems are difficult.

Learning and sharing are essential features of the Dairy Gateway project. Results are being shared broadly and every possible effort is being made to create processes and products that can be replicated in other industries and other locations – not just locally but globally.

The distinctiveness of this project is captured in four points:

1. Environmental goals are premised on the interconnectedness of the ecosystem; in order to protect the ground and surface waters of the area, decisions and actions must reflect the relationship between what is done to the land and what shows up in the water;
 2. Public policy goals are anchored in a body of law that captures the collective aspirations of a community that can do better than meeting minimal water and other environmental requirements and in so doing provide an inspirational and replicable example of civic entrepreneurship that is valued in practice and validated by law;
 3. Though piloted in a discrete region of Wisconsin, a successful project will carry far beyond, through best practices, public policies, community stories and images that resonate throughout the state to the world community; and,
 4. Credibility and replicability are affirmed and facilitated by academic partners in the University of Wisconsin-Madison La Follette School, the Massachusetts Institute of Technology and the University of Pennsylvania Law School that will manage a learning and sharing system of enduring consequence.
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The Dairy Gateway area faces significant economic challenges. Within the project area, agricultural operations (and dairies in particular) are experiencing difficult economic times. Because of tough competition from huge operations in other states, many people in the industry feel that Wisconsin's dairies must modernize and expand, or go out of business. **Over the last decade, Wisconsin has lost dairy farms at an average rate of more than 3.5 per day.** Milk production has also decreased, though not as dramatically. This creates an unfortunate economic multiplier effect, because the Dairy Gateway region is also home to numerous food processing businesses (e.g., cheese makers) that depend on a local supply of raw milk.

Modernization and expansion of a dairy is easier said than done, in part for financial reasons, but increasingly because of conflicts with neighbors and community officials. These conflicts most often focus on environmental issues, such as odors or agricultural runoff into streams and groundwater. Some farms also use significant quantities of water. The conflicts are increasing dramatically as suburban areas expand. More and more farmers find that the neighboring properties are no longer other farms, but are now subdivisions filled with commuters that often have unrealistic expectations of how a farm should be managed. The new neighbors often outnumber the farmers in the community, and town officials are increasingly responsive to their concerns.

Furthermore, as dairies seek to expand, they also face increased scrutiny from environmental regulators. Agricultural runoff from large farms is now carefully regulated due to large potential risks, yet there is little regulation of smaller farms that collectively pose significant risks. New regulations for odors, dust, and other air quality concerns may also be on the horizon.

The challenge in the Dairy Gateway region is to develop new and improved policies and regulatory approaches for protecting the natural environment of the Great Lakes region, while enhancing the region's economy and strengthening its social fabric.

A singular donor generously supplied funds for the first year of the Dairy Gateway Project. This donor has demonstrated a willingness to continue providing funds for the upcoming year. However, the Dairy Gateway Project must show an ability to diversify its funding sources. In order to receive the funds earmarked for Dairy Gateway for the second year, the initial donor would like to see matching funds that demonstrate others' belief that this project is worthwhile. If your organization is potentially interested in participating in the Dairy Gateway Project, or is in contact with an organization that may be interested, we would be extremely interested in hearing from you. Additional information about the Dairy Gateway Project can be found at the following addresses:

The Dairy Gateway website: <http://dnr.wi.gov/org/caer/cea/assistance/agriculture/dairy.htm>

The First Year Report: <http://dnr.wi.gov/org/caer/cea/assistance/agriculture/yearonereport.htm>

Inquires should be directed to Mark McDermid at the Wisconsin Department of Natural Resources. He can be reached by phone at (608) 267-3125 or by email at mark.mcdermid@dnr.state.wi.us.

Thank you for your consideration,
Brian Anderson
Ryan Flynn
Benjamin Krams
Jessica Burch



Appendix B

Fond du Lac Area Foundation

Phone: (920) 921-2215
Fax: (920) 921-1036
384 N. Main Street - Suite 4
Fond du Lac, WI 54935
info@fdlareafoundation.com

Community Foundation for the Fox Valley Region, Inc.

P.O. Box 563
4455 W. Lawrence St.
Appleton, WI 54912-0563

Greater Green Bay Community Foundation

302 North Adams Street, Suite 100
Green Bay, Wisconsin 54301
(920) 432-0800 Phone
(920) 432-5577 Fax

Bader (Helen) Foundation

233 N. Water St.
4th Floor
Milwaukee, WI 53202
414) 224-6464

Wisconsin Community Fund

www.wisconsincommunityfund.org/
WCF Milwaukee:
1442 North Farwell Ave., Suite 100
Milwaukee, WI 53202
Phone: (414) 225-9965
FAX (414) 225-9964
WCF Madison:
1202 Williamson Street, Suite D
Madison, WI 53703
Phone: (608) 251-6834
FAX(608) 251-6846
Email: info@wisconsincommunityfund.org

American Dairy Science Association (ADSA)

Iowa State University
123 Kildee Hall
Ames, IA 50011
Phone: (515) 294-4522
Fax: (515) 294-2393
E-Mail: ltimms@iastate.edu

American Dairy Products Institute

116 N. York Street
Elmhurst, IL 60126
Ph: (630) 530-8700
Fax: (630) 530-8707 or (630) 530-8712
<http://www.adpi.org>

Wisconsin National Farmers Organization

955 17th Street
PO Box 175
Prairie du Sac, WI 53578
Phone: (608)643-3341
Email: rstatz@nfo.org

Dairy Field

James Dudlicek
155 Pfingsten Road, Suite 205,
Deerfield, IL 60015
Phone: (847) 205-5660
Fax: (847) 205-5680
jdudlicek@stagnito.com

Cooperative Resources International

100 MBC Drive
Shawano, WI 54166
Phone: 715-526-2141
Fax: 715-526-4511
Email: info@crinet.com

Dairy Management Inc.

10255 W. Higgins Rd. Suite 900
Rosemont, Illinois 60018
By Phone: 847.803.2000 x3205
By Email: ILoveCheese@rosedmi.com

WFU Cheese

303 E. Hwy. 18
Montfort, WI 53569
Phone: 608-943-6771
Fax: 608-943-6769
shop@wfucheese.com

Wisconsin Cheese Makers Association

8030 Excelsior Drive, Suite 305

Madison, WI 53717-1950

Phone: 608-828-4550

Fax: 608-828-4551

office@wischeesemakersassn.org

Wisconsin Farm Bureau Federation

PO Box 5550

Madison, WI 53705-0550

1-800-261-FARM or 608-836-5575

Northland Cranberries Inc.

William Hatch

Yellow River S M

Necedah, WI 54646

Phone: 608-565-7890

Walsh Grain Farms

John Walsh / Judy Neve

Highway 17

Mauston, WI 53948

Phone: 608-847-7291

Riley Dairy

Kevin & Sue Riley

N4403 Felland Rd

Mauston, WI 53948

Phone: 608-847-5427

Eugene Lee

N4588 Lee Rd

Elroy, WI 53929

Phone: 608-462-5555

Tom Jodarski

N2484 Burns Rd

Mauston, WI 53948

Phone: 608-847-4979

Appendix C

Beldon Fund

Letters of Inquiry
Beldon Fund
99 Madison Avenue
8th Floor
New York, NY 10016

Charles Stewart Mott Foundation

Office of Proposal Entry
Charles Stewart Mott Foundation
Mott Foundation Building
503 S. Saginaw St., Suite 1200
Flint, MI 48502-1851
U.S.A.

Doris Duke Charitable Foundation

Office of Grants Administration
Doris Duke Charitable Foundation
650 Fifth Ave, 19th Floor
New York, NY 10019

Great Lakes Protection Fund

1560 Sherman Avenue, Suite 880
Evanston, IL 60201
847-425-8150
847-424-9832 fax
<http://glpf.org/application/preproposal.html>

Jessie Smith Noyes Foundation

6 East 39th Street, 12th Floor
New York, NY 10016
Fax: 212-689-6549
Email: noyes@noyes.org

Natural Resources Foundation

P.O. Box 2317
Madison, WI 53701

Surdna Foundation

<http://www.surdna.org/>

Norman Foundation, Inc.

147 East 48th Street
New York, NY 10017
Tel: (212) 230-9830

The Rockefeller Family Fund

437 Madison Avenue, 37th Floor,
New York, NY, 10022
mmccarthy@rffund.org

Andrew W Mellon Foundation

140 East 62nd Street,
New York, NY 10021
Tel: 212-838-8400 / Fax: 212-223-2778

The George Gund Foundation

1845 Guildhall Building
45 Prospect Avenue West
Cleveland, Ohio 44115

The Ittleson Foundation

Anthony C. Wood
Executive Director
Ittleson Foundation, Inc.
15 East 67th Street
New York, NY 10021
(212) 794-2008

The William Bingham Foundation

20325 Center Ridge Road, Suite 629
Rocky River, OH 44116
(440) 331-6350

Wallace Global Fund

1990 M Street, NW, Suite 250
Washington, DC 20036 USA
(202)452-1530