



Organic Farmers' Agency for Relationship Marketing

Quarterly

*The dawn of a new era in
collective pricing, marketing and
inventory by and for
North America's organic farmers.*

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OFARM: Imports threaten U.S. organic integrity

Threats to organic integrity presented by imports of potentially substandard organic grains into the U.S. as well as substitutions of imported grass-fed beef (not organic) for domestically produced organic grass-fed beef by at least one major food retailer should be of concern to all North American organic producers.

Oren Holle, OFARM president and Kansas organic farmer notes, "We have reports of containers of organic soybeans from China landing on west coast ports. Prices paid to Chinese farmers are about \$1 per bushel over their conventional soybean market. The beans are landed on the west coast for about \$9 per bushel and shipped to the Midwest for animal feed ending up here for about \$11 per bushel. This is putting downward pressure on the prices of domestically produced soybeans undercutting Midwestern organic farmers' prices by \$5-6 per bushel. There is also a major question about the organic inspection standards used in China compared to the high standards North American producers are expected to meet."

Holle goes on to note that in many cases the imports are cheaper than domestically produced products. In other cases commodities are in short supply and the buyers will tell you "we're going offshore because there is no product and no alternatives available domestically." But those pioneering businesses that were bought out or merged with others, used to aggressively solicit and support farmers in this country in the transition and the educational process to produce more and more organic products to meet their needs. With the exception of dairy farming most of this has totally broken down. We have corporations going through brokers shuffling pieces of paper. The relationship between manufacturers and farmers, are in many cases, nonexistent.

Great Lakes Organic marketer and OFARM board member, Roger Rivest traveled to Asia, November 10-25, 2006 for the Canadian Soybean Exporters Association. He visited Singapore, Japan, Malaysia and Indonesia. He put the question to buyers in the region about why they buy Chinese beans with questionable certification standards versus demanding U.S. beans be not only USDA certified, but also JAS certified. Why are the Japanese importing Chinese beans, when they follow questionable certification standards? The response according to Rivest was that they give us a piece of paper telling us it's "organic." Other people are buying it so they follow their competitors.

Tom Bilek, Minnesota Buckwheat Growers president and OFARM Board member has first hand experience in hitting the wall on marketing U.S. organic and conventional buckwheat. For at least the last 2 years, he notes that China has virtually taken over both the domestic and conventional market. Buyers have repeatedly told him that they can get Chinese buckwheat at much cheaper prices than what is U.S. produced.

Organic grains are not the only segment of the industry seeing the effects of imports.

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President's Message

By: Oren Holle

During the trying times of the Civil War and Abe Lincoln's presidency the westward expansion of our nation was the secondary important political issue of that era. The country was being connected by the railroads and a hot topic in congressional debate was whether we should buy the rails from France or manufacture them here. While Honest Abe admitted he was not up on all the issues of international trade he observed a simple point. "If we buy the rails from France we will have the rails and they will have the money. If we make them ourselves we will have the rails and the money." I have a hard time understanding why our economic and political system of today seems to overlook such simple logic. Certainly the whole system of international sourcing of a host of goods and services is a huge departure from the attitude of self sufficiency and support for our own industries and service providers.

We might do well to keep this simple logic in the forefront as we engage our organic marketing system and do all we can to remind buyers and end users that to maintain economic viability the organic market needs to look long and hard at the issue of supporting North American producers by making it a priority to use our 'homegrown' organic products.

I recognize that as we attempt to market our products in a world market we may not be able to stop importing entities from considering purchases that may cost less money even if the certification integrity of some of the product raises concerns. While we can encourage the continued use of our high quality product with full certification integrity the ultimate decision is still out of our hands.

What we can do, however, is to act collectively through organized marketing efforts to be sure that the world market does not become our market. We will undoubtedly hear

that this worldwide competition means we have to lower our market expectations in order to compete.

All indications are that the organic market will continue its fifteen to twenty percent annual growth curve for the foreseeable future. I believe that translates to an ongoing need for all the organic production grown in North America and I see no reason for us to fall for this world market mentality.

Certainly we should endorse Country of Origin Labeling (COOL) and surely we would support initiatives to make sure organic integrity is maintained for incoming products. We should make every effort to identify ourselves with issues of fair trade and fair deals and fully support the ideals of local and regional food that consumers can buy with confidence. We need to be sure that while we work on all these issues we also do something to protect our ability to maintain a fair farm gate price for the organic products we produce.

I firmly believe that if we continue to base our marketing plan on establishing prices that reflect our production cost and reasonable returns to labor, management and investment

this organic market that needs all of our product will pay what they must to buy our products. This will not just happen because the demand is strong. It requires a well planned and executed marketing program that stems from producers embracing cooperative and collaborative marketing initiatives.

OFARM and its member marketing groups offer organic producers the opportunity to take control of their own destinies when it comes to dealing with the issues of globalization and corporate influence in the organic market. Producers have a choice. They can sit on the sidelines and watch things happen to their market or they can chose to become involved and be a part of making things happen.

For those who are currently a part of this marketing effort, keep up the good work. For those of you who are not, come join us. Together we are making a difference.

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OFARM Annual Meeting

Wednesday, Feb. 21
LaCrosse Center, LaCrosse, WI
9 a.m. - 4 p.m.

Committees meet Tuesday, Feb. 20
at the Courtyard Marriott, LaCrosse, WI

For more information: Oren Holle, OFARM president
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This meeting is held to transact official OFARM business.
All OFARM members are invited.
This meeting is open to the public.

Calendar of Events

February 9 - 10, 2007

NPSAS 28th Annual Winter Conference,
Aberdeen, South Dakota
Ramkota Inn
Contact: Gary Hothaus, 701-883-4304
E-mail: npsas@drtel.net
Web site: www.npsas.org

February 21, 2007

OFARM Annual Meeting,
LaCrosse, Wisconsin
LaCrosse Center
Contact: Oren Holle, 785-337-2442
E-mail: oholle@bluevalley.net
Web site: www.ofarm.org

February 22 - 24, 2007

Upper Midwest Organic Farming Conference,
LaCrosse, Wisconsin
LaCrosse Center
Contact: Cathy Oliphant, 715-772-3153
Web site: www.mosesorganic.org

March 23 - 24, 2007

FamilyFarmed.org Expo
Chicago, Illinois
Contact: 312-951-8999

May 6 - 8, 2007

All Things Organic Tradeshow & Conference,
Contact: 207-842-5562
Web site: www.organicexpo.com

November 30 - December 2, 2007

Montana Organic Association Fifth Annual Conference
Great Falls, Montana
Best Western Heritage Inn
Contact: Lise Rousseau, 406-871-0019
E-mail: conference@montanaorganicassociation.org

Organic producers must stand together to protect organic integrity

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Organic livestock, especially beef, has had one barrage after another of imports.

According to Grassworks, Inc. in its January 2007 newsletter, "Albert's Organics, a subsidiary of natural and organic distributor United Natural Foods, Inc. offers organic beef under its Grateful Harvest brand. Raised in Uruguay, cattle in this program are 100 percent grass-fed. By importing its products, the Grateful Harvest beef program will produce six to eight times the quantity of organic beef than anyone else in the country currently sells. It is being sold in stores across the country including North Central Wisconsin."

Dr. Steve Atchley, at the Montana Organic conference in December, 2006, stated that Mesquite Organic Foods was no longer in business. Mesquite, based in Aurora, Colorado marketed organic grass-fed beef for a number of producers in Western states. A principle buyer replaced Mesquite beef with non-organic imported beef from Australia undercutting the domestic beef prices in its stores by over \$2 per pound.

Graze, a Wisconsin based newspaper for graziers reports in its January 2007 issue, that "Restaurateurs in San Francisco have founded Estancia Beef, a wholesale business claiming Argentine ties that imports grass-fed beef from Uruguay.

Founded by ranchers Bill Reed and J.P. Thieriot, who also own El Raigon Steak House in San Francisco, Estancia Beef offers tenderloin, ribeye, flank and strip loin steaks from "free range grass fed beef." The beef is available at restaurants and butcher shops in the San Francisco area. The company

says it is expanding its efforts to include U.S. ranchers who are committed to 100% grass-fed cattle."

It was reported that last fall, Mark Bradley, associate policy director for the National Organic Program planned to travel to China to investigate first hand, China's questionable certification standards. To date, no information is available his findings.

Holle notes that one of the basic strengths is consumers desire to support domestically produced organic milk, livestock and grains. The example of North American producers facing competition from substandard imports is a throw-back to the same problems conventional producers face. It is also not the concept that consumers support when they buy organic products. In addition it threatens the ability of organic producers in North America to continue in business.

He concludes that there was never a more critical time for U.S. organic producers to stand together to protect the integrity of what many have spent the last two decades or more building, a domestic family-farm based organic agriculture.

OFARM's member organization farmers produce organic grains and livestock meeting some of the highest standards in the world. The eight OFARM member-farmer cooperatives/associations have organic producers in 22 states and Canada.

OFARM's mission is to coordinate the efforts of marketing groups to benefit and sustain organic producers.

Portrait of an orga

(NOTE: With this newsletter, we begin a series of profiles of the OFARM member organization marketing personnel. We thought it would be insightful for you to get to know these people who are on the frontline each day in helping to sustain organic farm gate prices. In this issue, we profile Kansas Organic Producers (KOP) Earl Wright.)

Earl and his wife Deanne live in Council Grove, Kansas which is where one of the marketing offices for KOP is located. He is the Market Director for KOP and has held that position since 1998.

KOP's major crops are corn, soybeans, hard and soft red winter wheat as well as hard white winter wheat, livestock and poultry feed and began marketing feeder cattle this year for the ranchers in the coop. Their members also produce several other crops that are part of the KOP marketing program. Its members are located in an area from West Texas to Utah to South Dakota and all the states in between. KOP has 40 to 50 members in eight states.

Background:

Earl is a native of Kansas and brings a wide range of experience to his job.

For 20 years he had a purebred hog operation and farmed. Prior to coming to KOP he was the operations manager for Tall Grass Prairie Producers Coop, a natural beef producers cooperative. Previously he was a high school vocational agriculture teacher, and university instructor in the Agricultural, Engineering department at Kansas State University. During the farm crisis (1985-1995) he was a financial consultant and part of the staff of FACTS hot line operated by the Kansas Department of Agriculture.

During the farm crisis years, Earl estimates he talked to 16,000 farmers in Kansas. He notes that a lot of things I do today in my job; mediation, conflict resolution, organizing programs were from the valuable experiences he gained during that time in working with farmers.

Having worked in conventional agriculture, it motivates him to provide opportunities for organic farmers.

Successes in organic marketing:

Earl cites a number of successes in organic marketing. The biggest success is identifying and bringing direct end-users to KOP members. That's providing the opportunities for nearly all the production from KOP members to be sold during any marketing year. That's only increased our success. Our customers have gained confidence with KOP as a reliable source for their grain needs. Consequently our accounts continue from year to year and that has developed a strong relationship with our customers.

A second success is diversification of the market place. Marketing through KOP, producers are not limited to one market option.

A third piece to the equation that is very critical to KOP's success is that it has members over a wide area as men-

tioned above. This allows KOP to be a reliable source of both quantity and quality for its customers. Weather conditions are a consistent challenge for our farmers. KOP has thus far been able to be a reliable source because production can be counted on from some area in the eight state region.

A fourth is providing flexibility to our customers in transportation and delivery. When problems occur with delivery from one area we have the capability to change to another source and keep the customer supplied. Our members have come to recognize this as a benefit for everyone. KOP can accomplish this by developing pools of grain from several growers in the same area.

Earl states, "Access to markets for our farmers and providing the best service and quality to our customers. It has to go both ways. It has taken 6 years to put this into place, but it is really working. Our staff is really good at solving problems. It takes many tools to successfully solve problems, KOP has developed those tools.

Challenges in organic marketing:

Earl cites the following challenges to organic marketing: Maintaining a fair price for the grower is a constant challenge-all the large food processors are into organics. He has no illusions that large food companies do not have a strong social conscience for producers. Their history in conventional agriculture tends to be a part of organic agriculture. Those organic companies that understand the value and importance of both the farmers and users of organic production have been the customers KOP has cultivated and continue to be our buyers. He believes if we have the marketing power to show food companies it is in their best interest to pay fair prices then organic grower can help encourage a social conscience. It behooves organic farmers and ranchers, dairy and poultry farmers to develop the relationship where both parties benefit. The advantage of organic marketing cooperatives to have marketing power provides a marketing situation that is not so unbalanced as a single farmer experiences.

Organic marketing cooperatives also provide an opportunity to have access to large companies. Whether we agree or disagree, the fact is, organic agriculture is maturing and what was organic in the early 1990's has changed. Large food companies continue to gain market share. If we want to be a part of this market it will be necessary to figure out the position to take. I believe we can provide these markets and still not lose sight of our commitment to the organic farmers that brought us to this position. Organic farmers are asking for a fair price and if they receive this they will provide in return, the opportunity for organic agricultures continued growth. The alternative to this looks too much like what organic farmers left behind and going back is not an option. I believe the ability to continue growing organic agriculture is with the coop-

The biggest success is bringing direct end-users to KOP members. Our customers have confidence in KOP as a reliable source for grain needs

nic grain marketer

erative marketing concept, give farmers access to a fair price and they will respond by increasing organic farming. But, if large retailers see organic as a way to make larger profits on the backs of organic farmers, organic agriculture will have difficulty supplying the growth expected by the organic community.

He uses the largest retailer as an example—organic agriculture is industrializing.

In order to supply their enormous capacity, they can't fill their warehouses with a group of good sized growers, so they go to very large growers to fill their needs. Now he points out, "Take that to the food side, there is a dilemma because they've built this huge business on the concept of family friendly food. How do you keep food on the shelf? You cater to someone that can provide large quantities. These large companies, in some cases, would really like to show that they support sustainable family farms. There are problems in dealing with many individual growers. Let's do the same thing we're doing in grain and what some of the dairies have successfully accomplished, organizing family farmers in pools or cooperatives marketing through one large pool so they can meet the market needs without the big is better mentality. It meets needs of small growers and large buyers. The more we can develop that kind of concept, the more sustainable family operations will be. A successful example is Organic Valley."

Earl encourages farmers to look seriously at the opportunities in organic farming and to begin the transition process. The challenge for our coops is to put forth programs to develop new growers and at the same time provide access to fair markets for their members..

He sees the importance of pooling producers and marketing collectively.

OFARM is a beginning for that concept. It was probably, 6 yrs ago he was looking at how they could mimic the Organic Valley model and apply this model in the marketing of organic grain. Their dairy farmers were getting closer to selling all of their milk for the pay price established when they organized the cooperative. He could not transport that model directly over organic grain. He feels that the formation of OFARM is providing the missing element to development of a good organic marketing program. We can achieve similar goals, that Organic Valley has made, with OFARM as the connecting link

The beginnings of OFARM:

In the late 1990's, Earl was working on a small grant to get a group of organic producers to periodically connect by a conference call for the development of organic marketing. The last part of the grant was a face to face gathering in Ames, Iowa. Following that last activity of the grant, plans were made and existing organic marketing coops and other organic connected individuals were invited to Ames to explore the idea of forming a collective group of existing marketing coops like the Kansas Organic Producers Associa-

The challenge for our coops is to put forth programs to develop new growers and at the same time provide access to fair markets for their members

tion. Some of the members in the grant group plus the invited coops met at the National Farmers Organization headquarters. It was the collective thinking from that meeting that OFARM came about. With the most valuable support and help from NFO we began to understand what a Marketing Agent in Common could provide and the value of farmers using the Capers Volstead act for collective marketing. Considerable brain storming occurred in this first gathering. Many important foundation ideas for OFARM occurred. Finding a name that expressed the total concept of our goals, and we did develop a list of goals, is in itself a credit to those in that room that day.

Earl states, "We knew we wanted the words, relationship, organic and farmer in the name and this lead to the birth of OFARM. Current OFARM president, Oren Holle was part of this first meeting and a significant contributor that day as were all of the others. Once that concept fell into place, different from Organic Valley because milk and grain are different, the idea for OFARM was born. The concept is to organize other groups into coops and for producers to join existing ones and to share information. The information sharing by OFARM members has been the keystone of the organization. We've have the model. Now it's a matter of working really hard to grow and improve on those early dreams and ideas. The challenges are numerous but so are the opportunities for OFARM member producers."

OFARM Target Price List

(as revised at the September 2006 board meeting)

is now posted on the
OFARM Web site at
www.ofarm.org

OFARM Member Organizations

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Kansas Organic Producers Association

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