

OFARM Quarterly

Organic Farmers' Agency for Relationship Marketing

January 2008

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

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MOPC joins forces with OFARM

At its recent annual meeting in Great Falls, the Montana Organic Producers Co-op (MOPC) officially became a member of the Organic Farmers' Agency for Relationship Marketing (OFARM). OFARM, a cooperative incorporated in Minnesota, is a marketing agency in common with eight organic producer cooperatives/farmer associations with members in 23 states and Ontario, Canada.

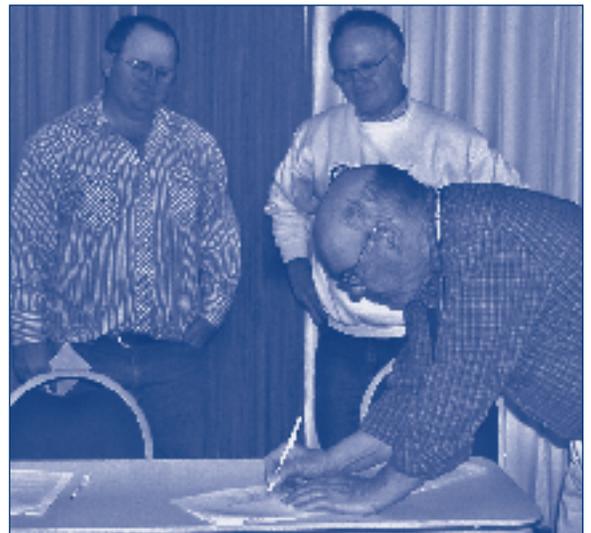
OFARM's successful work in helping agricultural producers, through their member co-ops, to stabilize organic grain prices inspired them to move into organic livestock. For the past year MOPC has been working with OFARM, as well as with other organic cooperatives which are marketing beef.

Organic producers face a number of challenges to obtaining fair market prices, including cheap offshore organic meats being sold to consumers without country of origin labeling, a lack of local certified organic processing facilities, limited transportation to inter- and intrastate markets, and a lack of information on cost-of-production and grading to help producers continually improve their herds and manage their pricing proactively.

"We're excited about joining up with OFARM," said Clay McAlpine, chairman of MOPC. "We're optimistic that working together with other

organic co-ops, and through our partnership with OFARM, we will stabilize organic livestock prices; prices that will ensure us of a living wage and keep our small (and large) organic farms and ranches in business. Working together will also help us be more competitive with foreign imports."

MOPC began negotiating sales contracts for potential members in 2005. Sales and shipments for 2006 jumped 338 percent and another 158 percent in 2007. MOPC coordinates all animal shipments of participating producers so that even the smallest producers may benefit from farmgate prices generally reserved for volume contracts and full semi-load shipments.



(L to R) Clay McAlpine, MOPC chairman, Carmen Fernholz, OFARM vice president and Robert Boettcher, OFARM treasurer, sign the OFARM membership agreement. MOPC officially joined OFARM in Great Falls, Montana, Nov. 30, 2007.

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President's Message

Producers: Time to focus on true price parity

By: Oren Holle

The fact that we are seeing organic grain prices at all-time highs is old news. Whether that is good news or bad is certainly open to the perspective of being on the sell side or buy side of the equation. There are some very positive results from this marketing picture. There are also some negative realities.

First, some grain producer's perspectives: They came through a number of years of struggling with less than adequate returns from organic grain production and the only consolation was that the conventional alternative was even more dismal so they stuck with it for the long haul. Now they have an opportunity for a relaxing breath of air as they have the opportunity to catch up on some of the shortfall from previous years. This has been a very welcome opportunity and much needed boost for their economic security. They really don't feel bad about having the chance to sell some \$10 to \$12 plus grain to make up for the \$4 to \$6 grain from just a few short years ago. They have every right to feel that way and there is no need to apologize for grasping such opportunities. Many feel that it is about time the buy side recognizes that higher price levels are necessary for the long term viability of organic grain production. They are also saying that the buyers have shown that they will pay higher prices when they have to.

Then, some buyer's perspectives: Ouch! We can't stand these price levels. That is certainly a legitimate cry from the grain user. This really hits home for the organic producers who are direct users of grain for feed where this price impact is immediate and really hurts. Dairy and livestock producers are feeling the pinch. Other end users are rightfully raising the alarm that the price increases are too dramatic and came far too quickly to have an opportunity for adjustment to these new levels. Some will argue that ultimately the consumer will not pay the prices needed for organic food to sustain these levels. Competition from lower priced products from the international market is also a concern.

Both of these perspectives are legitimate. Where should we go from here?

Organic producers should not feel the need to apologize for profitable price levels for producing healthy and wholesome feed and food. Much of what is wrong with the food production system of the conventional world is the result of skewed economic principles and failed band aid type programs which did little or nothing to protect the economic viability of our food production system. Surely we want a better approach in the organic market.

The real picture of these current price levels is that a large majority of the crops have moved into the market at levels considerably lower than the high end prices. The average purchase price for most buyers is still at a level that is respectable for both buyers and sellers. Some sellers have been caught short because they have sold before the major market moves and are delivering on contracts with much lower prices. Some buyers have also been caught because they were not able or simply did not contract at those lower to mid range levels. This is one of the inherent problems with depending on a volatile market.

I would submit that it would be much better for both sides of the market to embrace a program of effective long term pricing that serves to eliminate these wide market swings. Such a program requires that producers be willing to sit down together and build marketing programs that provide for fairness and market stability. The current market psychology gives the producers an opportunity to establish such programs at profitable levels.

It is time for producers to study their financial profiles and establish real cost-of-production numbers that will provide them returns for all aspects of their operation. When true cost-of-production, including return to investment and provision for return to labor to provide adequate family income along with capacity to support the social infrastructure of the community, are considered then the term parity price begins to come into focus, prices received in relationship to other costs in the economy. (See accompanying article.)

In OFARM, the member cooperatives and their leadership are constantly striving to provide such programs for their members. If you are one of those member participants, I would encourage you to stay hitched to the wagon and don't jump ship for that one great deal. If you are not currently one of our supporters, contact one of our groups and begin to understand what cooperative bargaining can do for you and the whole organic market. The time is now for organic producers to come to the table to establish both profitability and sensibility in this market for the longer term as opposed to short term gains. We have an opportunity to break away from the boom and bust agricultural marketing scenarios of the past. Failure to do so could very well have a long range disruptive impact as the industry reacts to this instability in the market. I believe that we all know that the conventional agricultural marketing atmosphere of the past is unacceptable for a viable organic food industry. Together, the OFARM member organizations are working to provide a more sustainable alternative.

MOPC JOINS OFARM: Landmark partnership helps farmers

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"There is a severe lack of cost-of-production data, a disjointed infrastructure, and spotty organic packing plant availability are all obstacles which need to be overcome for organic meat producers to be able to efficiently serve consumers in the U.S.," said John Bobbe, OFARM executive director. "MOPC has come a long way in overcoming many of these obstacles in a very short time. We're expecting great things from these folks. They've already have proven their worth to the organic agricultural community in many ways. Their joining forces with other organic co-ops will only serve to strengthen us all."

MOPC's current focus is on beef, but it will also be marketing lamb, goats, pork and bison as sufficient numbers of these animals become available to be attractive to buyers. As time goes on, MOPC will be adding organic grain marketing to their list of services to member producers.

OFARM was created to coordinate the efforts of producer marketing groups to benefit and sustain organic producers. See our Web site at www.orfarm.org.

MOPC was formed to help organic producers achieve fair market value for their production through: relationship marketing; education; information exchange; networking, and influencing farm policy. Their Web site is www.mopcoop.org.

1948 last year farm price parity achieved, organic producers affected by key factors

NForOrganics, the organic grain marketing program of National Farmers, served as host of the annual OFARM fall board meeting in Redwood Falls, Minn., Sept. 7. And the price review news for attendees of the Organic Farmers Agency for Relationship Marketing conference was simply outstanding.

"A farm-pricing milestone that producers haven't seen in nearly 60 years was reached in organic grains this summer," said Tim Ennis, an organic grain marketing representative for NForOrganics. Not since 1948, when grain growers enjoyed healthy prices for their corn, wheat, oats and soybeans, has a level of parity been achieved.

And because of a number of today's factors, including growing organic market demand for the past several years and increasing numbers of producers using price negotiation through bargaining agents, today's producers have a reasonable opportunity to expect prices to remain at decade highs, near term.

"We are pretty excited about even being able to think about prices that are 100 percent of parity, and we believe that we can provide organic producers an opportunity to maintain and carry those prices into the future," said Oren Holle, president of OFARM. "It's quite an accomplishment, and now we'd like to make it a reality for other crops as well."

Parity is generally thought of as a level for farm-product prices maintained by governmental support and intended to give farmers the same purchasing power they had during a chosen base period. In other words, parity is a measure of how the value of the farm production stacks up against the cost of inputs for that operation.

"Corn and wheat are the hottest grains right now," said Ennis. "Producers think it is amazing...we're selling a lot of wheat at outstanding prices."

"Producers think it is amazing...we're selling a lot of wheat at outstanding prices."

— Tim Ennis

But in the organic dairy-producing sector, a current price level of \$22.50 plus premiums, is only about 60 percent of parity. "We learned from our bargaining experience in National Farmers that low prices drag down higher ones, so we're sensitive to dairy producers' input costs," said Holle.

"We are also looking for every opportunity to assist in bringing the lower prices up to comparative levels so all producers have the chance to share in this prosperity."

OFARM is known for its target pricing schedules, and although it is not backing down from its organic grain price targets, the organization is sensitive to what dairy producers now face.

In a collaborative effort to help organic producers, OFARM and Organic Valley have established a new organic pricing committee. Organic farmers from dairy, grains, poultry and livestock are sitting down together to address their common interests.

An example of how producers can benefit is a joint effort to create an organic grain pool. Some of the grain would be pledged from existing National Farmers/Organic Valley producers. But, the pool would also be open to non-members to pledge a percentage of their organic grains as well.

As Ennis looks in the pricing crystal ball, he anticipates demand will remain strong in feed grains. But, at some point a buying industry reaction could occur to move those levels back down.

"One initiative OFARM members are considering is to begin assembling production for the '08 crop, and negotiate forward contracts to maintain current price levels," said Holle. "It is a group effort of several organic bargaining groups, that happen to be under OFARM's umbrella."

November farm prices received increases 2 points

Commodity & Unit	Price Received	100 % Parity	Parity Received	In cents /lb.
Cotton, per lb.	0.540	2.10	26	0.540
Wheat, per bu.	7.92	11.10	71	13.2
Corn, per bu.	3.49	8.24	42	6.23
Barley, per bu.	4.69	7.77	60	9.77
Grain Sorghum, per cwt.	6.22	14.10	44	6.22
Soybeans, per bu.	9.48	18.20	46	15.8
Oats, per bu.	2.35	4.62	52	7.34
Dry edible beans, per cwt.	26.80	58.40	46	26.8
Milk (all), per cwt.	21.60	41.20	50	21.6
Beef cattle (all), per cwt.	89.30	218.00	41	89.3
Calves, per cwt.	118.00	313.00	38	118.0
Hogs, per cwt.	38.50	125.00	31	38.5

Producer Portraits

Roger Rivest is organic Renaissance man

Roger is the Great Lakes Organic marketer. Roger started marketing organic on his own in 1998 and became Great Lakes Organic's (GLO) marketer in 1999. He represents GLO on OFARM's board of directors.

Staples, Ontario is 10 miles north of Leamington, 25 miles southeast of Detroit.

Roger farms with his son Jeff.

The farm consists of 800 acres, wheat, soybeans, oats, and occasionally spelt. They quit growing corn a number of years ago because of a repeated pattern of dry weather. Land on the farm is mostly flat and all clay soil.

Staples is a rural crossroads. Most people in the area work in factories which are predominately feeder plants manufacturing automotive parts.

Roger started farming in 1973 and began transitioning to organic in 1987. Organic certification was completed in 1990. The farm is certified with Pro-cert.

Roger was one of the founding members of Great Lakes Organic (GLO). GLO was organized in 1999. It has 35 members and 17 shareholders. Production from its members include organic grain, pork and they are in a partnership with Organic Bean and Grain (Michigan) in a flour mill (Heritage Mills). GLO is just getting into supplying farmers with inputs such as seed and fertilizer. They are also developing the Aunt Gloria retail line of products, which currently includes edible beans and are also looking at cereal.

GLO is in the international market. Roger is past president of the Canadian Soyebean Export Association and has been to Asia on at least 6 trips developing markets for wheat, spelt and soybeans.

From his experience he sees China and Singapore as the shining lights for market demand. They have a modern high standard of living. Other Asian countries are also developing. The organic industry in Japan has sourcing non-GMO grain as a Number One priority because it is a food safety issue. Taiwan and Malaysia are following the pattern with regard to their food security system. Japan is pretty stable with growth demand coming from Taiwan and Malaysia.

Three trends he sees in growth in demand for organic foods is that in Asia, people eat healthy, believe in organic and food security is a major concern. Europe is extremely concerned with GMO crops and has an emphasis on local food systems.

In North America, people are looking at the health benefits of organic, an aging population and food safety. There are a lot of baby boomers where the husband and wife are retiring with money

and willing to spend money on organics. Young mothers are also concerned about food safety in what to feed their children.

GLO joined OFARM in 2001. Roger became familiar with OFARM through Mark Vollmar at Organic Bean and Grain. He attended the organizational meeting of organic producers that met in Ames, Iowa in 2000 to form OFARM.

Roger notes that in watching OFARM develop over the years, it was originally focused on pricing to get better value out of the marketplace and still is. But that role has expanded through network and group marketing to exchange information and data sharing amongst the member organizations. This has become increasingly important in today's organic market. It includes other important parts of marketing such as reliable price discovery, logistics, freight, buyer info. The member organizations also work together to insure buyer payment and buyer credit worthiness.

As he has observed the development of the organic industry over the years, he notes that when it first started there was no real structure in place to represent farmers. OFARM, through its development helped push the organic industry and producers into what it stood for. About three years ago, multinationals began educating consumers with packaging and marketing at the retail end, again pushing the industry. Buyers and independent people have now come into the organic industry and begun sourcing from individual farmers. He says it is going to be crucial to keep the industry honest because there are so many people coming in we know nothing about. The challenge is to continue to meet farmers needs and keep them in business.

A recent survey of the organic industry shows that for 55 percent of those surveyed, the biggest problem is sourcing organic grain.

Roger is concerned about the future of the organic industry, especially the current extremely high prices being paid for organic grains. From his observation, anytime there are very high prices, organic livestock prices and milk prices need to follow which they have not. There is a large demand base for organic milk and meat, but at current grain prices dairy and livestock producers find it difficult to stay profitable. Livestock and dairy farmers may choose to leave the industry whereas some of the currently large companies need grains to support their product lines, and a crucial shortage of organic grains, will they continue to support their product lines.

He cites the group and network marketing efforts and collaboration among the OFARM member organizations as critical to address these challenges.

February 20, 2008 * 8:30 a.m. registration * 9 a.m. to 5 p.m.

Courtyard by Marriott * LaCrosse, Wisconsin

OFARM Board and Committees meet February 19, beginning at 1 p.m.

For more information, contact Oren Holle * 785-337-2442 * oholle@bluevalley.net

OFARM * ANNUAL * MEETING

Calendar of Events

January 14 - 17, 2008

NFO Convention and NFOrganics meeting
Milwaukee, Wisconsin -- Hilton Milwaukee City Center
Contact: Luann Robinson, 800-247-2110 or lrobinson@nfo.org
Web site: www.nfo.org

January 17 - 18, 2008

Midwest Organic Production and Alternative Marketing Conference & Trade Show
Champaign - Urbana, Illinois -- Illini Union
Contact: Elaine Wolff, 217-333-2881, wolff@uiuc.edu

January 18 - 19, 2008

Minnesota Organic Conference & Trade Show
St. Cloud, Minnesota -- Best Western Inn
Contact: Mary Hanks, 651-201-6277, mary,hanks@state.mn.us

January 24 - 27, 2008

27th Annual Guelph Organic Conference
Ontario, Canada -- University of Guelph
Contact: 705-444-0923, organix@georgian.net

January 25 - 27, 2008

Northeast Organic Farming Association of New York
Saratoga Springs, New York -- Saratoga Hotel & Conf. Center
Contact: Kate Mendenhall, 585-271-1979, projects@nofany.org

February 7 - 9, 2008

Northern Plains Sustainable Ag Society Annual Conference
Mandan, North Dakota -- Seven Seas
Contact: 701-883-4304
Web site: www.npsas.org

February 19 - 20, 2008

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

February 21 - 23, 2008

Upper Midwest Organic Farming Conference
Contact: 715-772-3153
E-mail: cathy@mosesorganic.org.
Web site: www.mosesorganic.org

March 25 - 27, 2008

SARE National Conference,
Kansas City, Missouri
Web site: www.sare.org/2008conference



organic opportunity

Organic farmers have a unique opportunity. By joining Organic Farmers' Agency for Relationship Marketing, or OFARM for short, organic farmers can take advantage of group marketing strategies and network information they wouldn't have if they tried to market alone.

There really is power in numbers!

Experience shows farmers generally receive higher returns with coordinated marketing through OFARM.

Call OFARM at (785) 337-2442, or visit us on the Web at www.ofarm.org to learn more!

marketing results

OFARM Member Organizations

Buckwheat Growers Association of Minnesota

Tom Bilek
218/631-9212, info@buckwheatgrowers.com
Web site: www.buckwheatgrowers.com

Great Lakes Organic (Ontario, Canada)

Roger Rivest
519/687 3522, greatlakesorganic@on.aibn
Great Lakes Organic (Petrolia): 519/882-4526
Web site: www.greatlakesorganic.com

Kansas Organic Producers Association

Earl Wright
620/767-7272, kopa@tctelco.net
Web site: www.kansasorganics.com

Midwest Organic Farmers Co-op (Illinois)

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Web site: www.midwestorganic.com

Montana Organic Producers Co-op

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