



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.*

Inside OFARM Quarterly

President's Message	2
Calendar of Events	3
Producer Portraits	5

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Walmart Comes Calling

New Challenges, New Strategies for OFARM

By Richard A. Levins

When I first heard that Wal-Mart was concerned about the high price of organic foods, I didn't worry too much. After all, the solution is very simple. If Wal-Mart would only pay its employees more, they could easily afford organic foods and we'd all be better off. Unfortunately, that isn't how Wal-Mart intends to play it. Lee Scott, CEO of the retail giant, was quoted in *Business Week* (April 10, 2006) as saying: "We don't think you should have to have a lot of money to feed your family organic foods."

Uh oh. In the same article, a Wisconsin farmer hit it right on the head when he said, "I certainly don't see 'selling at a lower price' as an opportunity." I couldn't agree more. I suspect that you feel the same way. But the wolf is at the door. Worse yet, it's dressed up in much finer clothing than the last time we saw a challenge to the organic standards.

Most of us will remember the challenge to the organic standards from a few years ago. It was done rather clumsily and a public uproar of the type USDA seldom sees put things back in order rather quickly. This challenge is different. Wal-Mart is using much more polished messages and has far more resources at its disposal.

The message we are seeing is basically this. If organic food is so good for us, it should be cheap enough for everyone to be able to

Continued on page 2

Organic Integrity vs. Corporate Influence

By Roger Blobaum

Developments unfolding in the organic industry are raising serious new concerns about how fast the organic sector can be expanded and mainstreamed without weakening standards, undermining organic integrity, and turning off consumers concerned about the authenticity of organic products.

The rapid and fully documented movement of large conventional food processors and manufacturers into organic through mergers, buyouts, and consolidations the last two or three years has raised serious organic integrity concerns. This summer's announcement that Wal-Mart, the world's largest food retailer, is making a strong move into organic food marketing is focusing new attention on what is rapidly becoming a corporate takeover of the organic industry.

The Wal-Mart announcement was viewed with alarm by many in the organic sector because it showed the huge retailer plans to gain organic market share quickly by driving down prices. "Introducing Organics at the Wal-Mart Price," its new advertising tagline, clearly signals its price-cutting plans. Wal-Mart announced that 20 percent of its produce will be organic and that it will make organic food much more available and affordable by charging no more than 10 percent over the

Continued on page 3

President's Message

By: Oren Holle

Conversations among organic growers frequently include the comment, "We have to be sure we maintain the 'organic integrity'." So, what is "organic integrity?"

Is it holding to a high standard of practices and processes that are truly organic? Is it producing, handling, and marketing in a way that is friendly to environmental impact? Is it being socially responsible in the way all parties are treated from the producing farm to a consuming family? Is it establishing and maintaining the highest level of sustainability for food production? It is, of course, all of the above and a whole lot more.

We are quick to criticize the conventional system of production. We point to its huge direct costs of inputs in fertilizers and chemicals. We deplore the way their land is being mined of its natural ability to produce nutritious and healthy food. We are critical of the environmental impact of irresponsible use of resources. We will not overlook the social impact of declining rural communities. Then there is the huge cost of government subsidies, not only to farmers, but to the entire industry. We recognize that all these factors are simply not sustainable.

Allow me to pose this question. Are we truly aware of the investments we, as organic producers, make to maintain a very high level of organic integrity?

There are the obvious costs. The certification process itself is expensive and time consuming but we surmise it is worth the cost and effort because it helps to establish and maintain organic integrity. There are other, less obvious investments. We establish sound rotational practices with soil improving crops and practices that build fertility and soil health. Even though these methods don't produce cash returns every year on every

acre we know it is worth the long term investment; it is part of maintaining organic integrity. We look at the way we produce and analyze the impact to the environment; this kind of stewardship adds to organic integrity. We know that our methods have a positive impact on the social structure of our farms and communities. Our farms are generally more family oriented. We know that embracing the philosophy of operating our farms in a more sustainable way will give future generations a better opportunity to stay in farming. That is also a part of organic integrity.

Even though we are enjoying per unit returns which are well above conventional we still seem to struggle to provide the kind of income that we need to support all these ideals and processes that truly maintain a high level of organic integrity. Most of us would readily admit that there is a lot more we could do and would do in virtually every one of these categories if we could just better afford to do so. That makes me ask, are we truly calculating the real cost of maintaining 'organic integrity' and doing something to assure that you generate returns to fully embrace these challenges?

I would like to challenge you to take time to truly evaluate your returns to labor, management and investment as you strive to reach a higher level of 'organic integrity'. As a certified organic producer you are part of an alternative food system that does embrace a philosophy of maintaining a high level of organic integrity and you deserve to be compensated at a socially just level. Being a part of a cooperative marketing program within one of the OFARM member marketing groups will enhance your opportunities to make a fair return a reality. We believe organic integrity includes a fair price at your farm gate.

Walmart policies could upset organic standards, bring more imports

Continued from page 1

buy it. There is a not-so-subtle implication here that only an elite group of Volvo drivers gets the advantages of organic food. In one of the more clever versions of this story, the effort was self-described as "democratizing" organic food.

With Wal-Mart already the King of Importers, we have to expect this challenge to fair organic prices will involve more organic foods from other countries where the standards are more difficult to check and enforce. The other part of this challenge will no doubt be a direct assault on the organic standards. Current shoot-outs over the dairy pasture standards are only a taste of what is to come.

As a long-time friend of OFARM, I'm most worried about a challenge to the organic feed standards for livestock production. For example, the trade magazine Dairy Field (June 2006) reported that the Washington, D. C.-based International Dairy Foods Association is promoting "more flexibility to organic producers and processors regarding the feeding of dairy cows." For now, they will apparently settle for third-year transition crops, but what's next?

The difficulty in these arguments against organic producers is that they have enough public relations polish behind them that they can't simply be backhanded off the table by an outraged public. Instead, the public will have to understand organic grain production enough to know why the current standards are the best way to go.

For example, consumers will have to understand that it takes a few years for organic feed production to catch up to the demand for organic livestock products. The higher prices for organic feed are why this long transition process makes financial sense for organic grain producers.

Most importantly, I think, consumers will have to see that many of the environmental benefits of using organic livestock products come indirectly through the organic feed standards. Fewer pesticides and better care of the land don't come directly from drinking organic milk, for example. Those benefits come from the requirement that the milking herd be nourished with organic feed.

Public education is not usually the farmer's strong suit. Often as not, farmers distrust media and public relations. But that attitude is going to be expensive here. Really expensive. Facing a well-coordinated, sophisticated program to reduce farmer income is going to require something more than hard work and improved weed control.

Let me end with this. I'm concerned, but not discouraged. OFARM has been a shining example of how farmers can work together to protect fair prices. Those farmers have done it in the markets. I'm confident that that same spirit will allow them to do it in the press.

(Richard A. Levins is Professor Emeritus of Applied Economics at the University Of Minnesota.)

Calendar of Events

November 20, 2006

Sixth Annual Iowa Organic Conference, Ames, Iowa
Scheman Building, Iowa State University
E-mail: kiefferj@iastate.edu
Web site: www.ucs.iastate.edu/mnet/organic06/home.html

December 1 - 3, 2006

Montana Organic Association Conference,
Missoula, Montana
Contact: Lise Rousseau, 406-871-0019
E-mail: liserousseau@aol.com

December 6 -7, 2006

Illinois Organic Production and Marketing Conference,
Bloomington, Illinois
Interstate Center
Web site: <http://asap.aces.uiuc.edu/orgconf/>

January 15 - 17, 2007

National Farmers Organization Annual Convention, Moline,
Illinois
Radisson on John Deere Commons
Contact: 800-247-2110
Web site: www.nfo.org

January 19 - 20, 2007

2007 Minnesota Organic Conference and Trade Show, St.
Cloud, Minnesota
St. Cloud Civic Center
Contact: Mary Hanks, 651-201-6012
E-mail: Mary.Hanks@state.mn.us
Web site: mda.state.mn.us/esap/organic

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 22 - 24, 2007

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

Walmart likely to conventionalize organic farming, push prices down

Continued from page 1

conventional price at its 3,200 big box stores. It already is the biggest seller of organic milk and the world's biggest buyer of organic cotton.

This move to drive down prices, plus Wal-Mart's unmatched ability to arm twist suppliers and import cheaper supplies from China and elsewhere, threatens the ability of organic farmers to maintain price premiums. Organic farmers are pushing now to meet rapidly rising demand and having Wal-Mart competing along with Safeway and other conventional retailers with their own organic house brands should help keep farm gate prices up in the short term. Eventually, however, Wal-Mart and others will turn to huge corporate operators because it's a lot easier to source organic lettuce from one or two corporate farms than from 100 small operations. And they will go to China, Mexico, Brazil, and other low-wage countries to source supplies needed to drive prices down.

China's export-driven organic sector, launched in the early 1990s, is expanding rapidly in northeast and coastal provinces and has significant government support. The recent announcement in Beijing that China now has 12 percent of the world's organically-managed land, relies heavily on respected foreign bodies for inspection and certification, and has become a major exporter of organic dry beans, rice, vegetables, and soybeans appear to make this a genuine threat.

The New York Times, in an editorial commenting on the Wal-Mart announcement, was unusually direct in describing the likely impact: "There is no chance that Wal-Mart will be buying from small, local organic farmers," the editorial stated. "Instead its market influence will speed up the rate at which organic farming comes to resemble conventional

farming in scale, mechanization, processing, and transportation. For many people, this is the very antithesis of what organic should be."

Consumer organizations that advocate organic farming, like most organic farmers, are not elated about all this. Even before the Wal-Mart announcement, the national magazine that is published by Consumers Union and goes to 4 million households carried a warning about whether the federal government's organic guarantee is meeting consumer expectations. Spending on organic has grown so fast, Consumer Reports magazine noted, that large food companies have begun chipping away at what organic labels promise to deliver.

So far the big organic retailers, manufacturers, and processors seem to be giving consumer concerns the brushoff. If you go by their publications, and what they say and do in Washington, their position is that consumers actually know very little about organic food and farming and are clueless about organic integrity. Organic industry advertising increasingly tends to feature questionable health and food safety claims rather than the environmental and other benefits of organic farming verified by certifiers. The industry line is that organic is becoming a trendy lifestyle thing and that consumers see it as little more than healthy food they feel good about bringing home to the family.

Organic Processing, the main industry magazine, says in its most recent issue that it's the buzz about organic and not the label and the regulations designed to guarantee organic integrity that are fueling organic growth. An article entitled "Behind the Organic Buzz: What Consumers Think of Organic Labeling" states that mainstream organic consum-

Continued on page 4

We need to protect the integrity of organic food and farming

Continued from page 1

ers are hard pressed to define organic as more than a product with fewer pesticides and that most know little or nothing about standards or certification.

Are these the same consumers who by huge margins in a Consumers Union poll said they do not want food labeled as organic to contain artificial ingredients? The poll of 1,200 consumers showed 85 percent were opposed to allowing synthetics in food labeled as "organic" and 74 percent did not want synthetics in food labeled as "made with organic." Yet Congress rejected these findings, as well as a flood of letters from consumers, and rammed through without a hearing or debate an industry provision overturning a federal court decision and restoring the use of synthetics in both label categories.

Or the same consumers who by huge margins in a different Consumers Union poll of 1,485 adults supported national organic standards that require outdoor access to pasture for ruminant animals? Or those in a poll of more than 1,000 adults commissioned by the Center for Food Safety that had similar views? Yet the Department of Agriculture is still stalling, and still questioning, the value of adopting pasture standards recommended several years ago by the National Organic Standards Board.

What seems to be unfolding is organic manufacturers, processors, and retailers pressing for more relaxed rules with the help of pay-to-play politicians and a compliant National Organic Program and organic farmers and consumers trying to mobilize public support for strengthening the rules now in place. The lack of an authentic farmer voice in national organic policymaking makes it harder to get this done. The continued erosion of organic integrity appears to be the likely outcome.

This troubling situation is made worse by the growing market power and political influence of conventional food companies that use buyouts and mergers to take over pioneer organic companies and move aggressively into most organic industry sectors. The extent of this corporate takeover is dramatized by this takeover list published by Organic Processing magazine prior to the Wal-Mart announcement:

Kellogg's Kashi, General Mills Cascadian Farms, Kraft's Boca Burger and Back to Nature, Mars' Seeds of Change, Coca Cola's Odwalla, Con Agra's Lightlife, Danone's Stonyfield, Unilever's Ben and Jerry's, Dean's White Wave and Horizon Organic, and Heinz's Hains which operates Arrowhead Mills, Health Valley, and Celestial Seasonings. Nestle's, Pepsi, and others are still jockeying for a slice of the organic pie. Amy's, Lundberg Family Farms, Eden Foods, Organic Valley, Traditional Medicinals, and Nature's Path are on the short list of independent organic pioneers still standing.

Aaron Stephens, an organic pioneer and CEO of Nature's Path, admitted in this same industry article that these huge late-arrival competitors may not have the same level of commitment to organics, the environment, and bettering the world as organic's pioneer companies. But on the plus side, he conceded, more land is being converted to sustainable practices and more people are eating healthful food.

What is not being said is that this rapid food industry

takeover signals Congress and USDA that a level of organic integrity guaranteed by strong rules may no longer be an organic priority. Legislative and regulatory arena slippage and backsliding has already taken place with both Congress and the National Organic Program doing their part as ready accomplices.

The Organic Foods Production Act, for example, has already been amended four times through industry-sponsored riders hidden in huge appropriations bills. This has been done without notice to consumers and farmers, without access to the amendment language, without public hearings, and without debate. These changes, including the one that repealed the 100 percent feed requirement for poultry, have been hidden in funding bills up to 14 inches thick that are wiped clean of all political fingerprints and rushed through without debate.

Appropriations subcommittees are referred to on Capitol Hill as "favor factories," sort of high-end flea markets where everything is for sale and all transactions are made under cover of darkness. That is the political arena into which organic is increasingly being dragged by industry lobbyists, including those from big companies involved in the corporate takeover of the organic sector, creating a difficult political environment.

Another example is the end run the NOP attempted to make around the NOSB through a series of regulatory changes that became known as the four directives. Included were changes allowing the use of fish meal with unapproved synthetics in poultry and livestock feed, allowing organic calves treated with antibiotics and other medications to stay in organic dairy herds, and allowing pesticides containing unidentified harmful substances. The directives eventually were rescinded following a strong public protest.

Still another was USDA cowering to corporate interests by naming a General Mills manager and a dairy industry consultant to two of the NOSB slots reserved for consumer/public interest representatives. Eight national consumer and public interest organizations immediately launched a campaign to force USDA to rescind the appointments. In the end, after heavy pressure, the General Mills appointee withdrew but the industry consultant was kept.

Unfortunately the growing threat to organic integrity created by the rush of conventional processors, retailers, and others buying up the organic sector extends well beyond problems linked to rapid expansion and mainstreaming.

It deals with the need to protect what organic is about, to be certain it is what the organic label says it is, and to make sure it does not become what it was hoped it would be an alternative to.

Organic farmers and consumers are no match for the 29,709 registered lobbyists that swarm over Capitol Hill or big money politics. What is possible is a renewed effort by the farmers who developed organic farming and the consumers who support it to build public support for halting Congressional and USDA backsliding, for keeping the integrity of organic food alive, for making elected public officials accountable, and for making certain organic doesn't become just another meaningless green label.

Producer Portraits

Producer Johnson sees OFARM as price protection

Floyd Johnson operates Shoal Creek Farm in Raymond Illinois. He has two children, Dakota age 14 and Gabrielle age 11. His parents still live on the farm as well.

Raymond, Illinois is located 35 miles south of Springfield in the central part of the state.

It has a population of 900 people. Businesses include an auto body shop, boat dealer, small-line implement dealer, and four churches. Raymond is a hub for surrounding smaller towns. The local school draws students from surrounding communities.

Body shop, boat dealer, small line implement dealer, and four churches.

The farming operation consists of 500 acres which he rents from his parents. Floyd started conventionally in 1979. As part of their conventional operation, they adopted no-till, but he didn't feel they were getting the soil response. He also went to cover crops on no-till and began using aeration tools. Eventually it reached the point of being so close to organic that he decided to take that step.

He started the transition to organic in 1996. The certifier is Indiana Certified Organic.

The farm has two crop rotations depending on the land.: On the level ground, the rotation is one year each of corn, soybeans, and small grains with clover for the third year. On the more hilly land, they add a fourth year to the rotation with hay. The hilly land is farmed in 120 foot alternating strips with corn and beans interspersed with strips of small grains and hay.

For weed control, corn is rotary hoed and cultivated twice.

In addition to crops, he raises 3600- 4000 chickens for meat annually. Between 9 and 10 batches of 400 birds are raised. Chickens are pastured using mobile pens. The chickens are slaughtered at a plant in Arthur, Illinois.

The processed birds are direct marketed in Chicago and to health food stores. Other markets are in Champaign, Bloomington, Peoria, and Highland as well as St. Louis, Missouri.

Floyd is experimenting with raising 50 hens for eggs and plans are for developing pasture with appropriate fencing for lambs.

Floyd currently serves as Midwest Organic Farmers Cooperative (MOFC) president. He has been on the MOFC board and was one of a number of farmers instrumental in forming MOFC.

He knows full well the value of MOFC and network marketing. In his first year of organic, he had organic beans that sold for \$6 per bushel. "It made me sick. That winter, I was sitting across the dinner table from some farmers from the Carolinas who were getting \$12-15 selling through a broker. The idea of me selling for \$6 and the broker turning around and selling for \$12 a bushel ticked me off."

We had a number of meetings for forming a marketing coop. Finally the ground work done was done and a number of us said "let's do something pretty soon." That's when MOFC was formed.

Floyd is one of two MOFC representatives on the OFARM board of directors. To illustrate the value of OFARM, he relates, "The year before MOFC joined OFARM and we got the coop up and running, a number of us including Marvin Manges from Yale, Illinois who was also instrumental getting MOFC up and going, attended meetings about growing spelt. The buyer at the meeting made it sound like spelt was a good deal. We heard repeatedly at meetings that we needed to cut the spelt and let it lay in the field. Eventually when we did harvest it as we were told, the falling numbers didn't meet the specifications lowering our prices. Meanwhile the buyer was telling other groups of growers at home that there were a bunch of Illinois farmers growing spelt and used it to drive those farmers prices down."

He sees the value of OFARM because "everyone is local somewhere. Often times on the conference calls a name is brought up that sends up a flag where someone should have done something to protect themselves."

In Floyd's opinion, "We need everyone's participation in these groups, to make them work. They are the members' groups. Members need to realize that. The need to belly up to the bar to put their 2 cents in because maybe theirs is the 2 cents we need. Although they may feel they don't know anything, what they do might be just exactly what we need."

The OFARM Target Price List
(as revised at the September 2006 board meeting)
is now posted on the OFARM Website at
www.ofarm.org

OFARM Annual Meeting

OFARM

"Organic Opportunities - Marketing Results"

Wednesday, Feb. 21
LaCrosse Center, LaCrosse, WI
Registration: 8:30 a.m.
Committees meet Tuesday, Feb. 20

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