

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 helps producers get through market uncertainty

President's Message
By Oren Holle

The producer dialog these days is:

"How's harvest going?"

"Done." A little corn left, still too wet or late planted beans still waiting.

"How did it do for you?" Pretty good, or, room for improvement.

Pretty typical conversation. Very little talk from any large areas about bumper crops. The OFARM summary of wide area conditions is that corn is about average, overall and soybean yields were excellent in some places but generally fell a little short.

Every indication at this point is that there is no reason for markets to fall because of over abundant supplies. All the crops produced should be able to find a home in the market.

Yet market uncertainty abounds. The big question in most every conversation is the economy and what effect it will have on the market, both short term and long term. Everyone seems to have a speculative opinion but the fact is no one knows for sure.

Conscientious buyers, of course, are making all the moves possible including "talking down market prices to producers" to buy for less right now, causing downward pressure on the market.

Producers are concerned and confused about what the future holds so some are making sales out of fear for lower prices later. Many are waiting for improvements and not selling now in hope of something better.

Summary: it is impossible to know for certain what the right moves should be.

The advice we shared with organic growers a few weeks ago in a special marketing letter is still as sound as it was then.

- ♦ Don't panic.
- ♦ Don't just take the first offer without serious negotiation.
- ♦ Contact an OFARM marketer to develop your marketing plan.

There is always room for the sound logic of being as informed as you can be and working with your neighbor producers to plan and execute your marketing strategies as a group so the buyers do not have the opportunity to take advantage of you as an individual. The OFARM

"It is impossible to know for certain what the right moves should be."

Individual effort is not enough

By Richard A. Levins

I spoke at the Rural Life celebration in Little Falls, Minnesota, this past August. Something like 800 people sat on hay bales stretched across a farm field in the noonday sun. The Bishop, several priests, and a group of altar servers sat patiently as I walked toward the tent where Mass had just been said.

What can a person who is both Catholic and an economist say under such circumstances? Would I be excommunicated on the spot? Would my college take back my Ph.D?

I began by confessing that as an economist I had for years taught college freshmen about the views of Adam Smith. He's the "original economist" who famously said that individual effort, guided by personal self interest, would lead us toward the best of all worlds. In our age of sound bites, this has translated into "greed is good" and "the individual reigns supreme".

I suppose I could have tried to sidestep as much as I could by explaining that Adam Smith wrote in a 200-year-old world that bears virtually no resemblance to today's modern economy. Had I done that, I would have followed up with some explanation of how sound bite economics and actually reading what the early economists wrote lead us to very different interpretations of their work.

Somehow, the idea of doing that for very long in such circumstances would leave everyone bored, and more than a few suffering heat stroke.

As fate would have it, the choir was singing a refrain of "we can make a difference" before I spoke. "We", not "I", can make a difference. That, in terms both economists and people of faith can understand, tells the story. There is something special about people acting together for the common good. Individual action is important, but by no means the whole story. The same idea applies in Catholic tradition. Individual actions are important, but so is the special experience of people worshipping together.

I held up a copy of the text I used in my freshman economics classes at the University of Minnesota. If economics has a Bible, it is no doubt Nobel-Laureate Paul Samuelson's classic, co-authored in its eighteenth edition with Yale economist William Nordhaus. Most everyone settled down and leaned forward a little when I quoted the text as saying that a free market system without government was like one hand clapping.

One hand clapping? Not exactly the "no government is good government" mantra so favored by Wall Street, but there it is, nonetheless. As I ticked off the reasons Samuelson and Nordhaus used to justify the role of government in a well-functioning economy, people began

to see that government, that is, "we", plays a very important role in the economy. Without that "we", our economy will be less, not more, efficient and less likely to treat everyone fairly.

OFARM has been saying this for years. Marketing is not only an "I" proposition. It has a strong "we" component, too. I ended with something Ron Mattos, NFO's national vice president wrote:

"We have learned over the years that when it comes to farming, helping your neighbor is a big part of helping yourself. We must get away from dog-eat-dog competition that costs us our neighbors and move toward a world where cooperation keeps us all strong and independent."

As the community walked toward the barn to share lunch, everyone knew that the individual act of getting food to go and eating alone would never do. The community was more, much more, than the sum of its parts. We know that at OFARM, too: individual effort, without the strength of working together, is another example of what the textbook calls "one hand clapping."

Richard Levins is a University of Minnesota Agricultural Economist Emeritus and author of *Market Power for Farmers*. He has written articles for a number of publications, including *Successful Farming* and *Hoard's Dairyman*.

OFARM mission: Relevant as ever

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Mission Statement is as relative as ever:

To coordinate efforts of producer marketing groups to benefit and sustain organic producers. This is what we do and that coordination translates to benefits for you.

A few comments from the past come to mind again. At least we are approaching the market with a price in mind. The Target Price Lists for grain and livestock are still a reasonable projection of where prices need to be to be profitable. There is a great deal of value in the marketing information we share and analyze because that information allows us to plan market strategies to counteract negative factors. We can accomplish vastly more by working together than by standing alone in the market arena.

If this analogy sounds simplistic it was intentional. Marketing as a group rather than as an individual just simply makes a lot of sense.

OFARM comments on USDA's proposed livestock rules

In October, the USDA published proposed new rules that have the potential to have a major impact, not only on pastured dairy animals, but management of organic livestock in general. To read the rule as printed in the Federal Register, go to www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5073426.

OFARM filed a request along with many other organizations concerned about the rules impacts with USDA to extend the comment period an additional 30 days so producers can adequately discuss and file their comments and concerns. The extension request is from the current December 23, 2008 to January 23, 2009.

The following are comments OFARM will file with USDA on the proposed rules. The comments were developed as a result of consultation with organic livestock producers from across the OFARM member organizations in the 23 states where they have membership.

OFARM appreciates the USDA finally initiating action to address industry concerns about enforcement of the pasture rule but, we are deeply troubled by the many far reaching impacts of new proposed language for the other sectors of organic livestock production. Consequently we will support and request an extension of time to comment so these impacts can be more fully addressed by the various stakeholders in the process. Listed here are several areas of concern for our producers.

1. The proposed rule requiring fencing of all water bodies, (streams, ponds, etc.) would impose a severe economic hardship on organic cattle ranches and seriously oversteps the generally accepted principle of allowing cattle to pasture in their normal patterns of behavior.

In the western plains areas where large acreages, such as a cow-calf pair needing up to 50 acres, this provision would require an enormous investment in fencing to comply with rules that are impractical for this region. This is in huge contrast to conditions east of the Mississippi River which are different.

2. With any proposed rule, there needs to be provision for regional variations to fit the specific environmental and

economic conditions of the region in order for organic production, especially beef production to be sustainable and profitable.

3. Organic cattle producers who have chosen to gear their operations to provide for an organic market demand for grain finished beef would be faced with a severe economic hardship if the proposed language for access to pasture is fully implemented. The proposed language may well put some of them out of business. Most have very effectively addressed the animal health, welfare, and natural behavior requirements of existing rules and if properly enforced meet satisfaction of both accepted standards and consumer preference.

4. The rules as proposed would likely have an immediate negative impact in the volume of grain-fed beef production which could suddenly impact other organic sectors such as the profitability of organic grain producers by reducing the demand for organic feed grains.

5. A phase-in period to minimize the impact of newly proposed rules and not pose economic hardship is essential to allow producers to adjust their operations to comply with any new rules.

6. The rules as proposed appear to be aimed to address concerns specific to dairy but do not necessarily lend themselves to applicability to other types of livestock production. We doubt that effective rules for dairy production could ever meet the needs of pork production in a one size fits all rule.

In summary, it might be better to encourage review of the current rules and recommend a few needed clarifications to address some specific abuses rather than pursue this knee jerk action on the part of the USDA. However, we do recognize that this dramatic rule change is proposed and we may not have a choice but to follow this issue and engage the process of dialog and comment to its conclusion.

*Read the proposed
rule at
www.ams.usda.gov*

Producers: Prioritize your marketing

By Perry Garner
NFOrganics Communications Director

With a seemingly colossal-sized organic grain farm at 1,500 acres of cropland, NFOrganics producers Charlie and Allan Johnson, Lake County, S.D., hosted a farm symposium and tour of their grain operation in July.

About 120 people in the organic food processing industry, producers, and South Dakota Secretary of Agriculture learned about organic production on the Johnsons' farm.

Cars, trucks and vans lined the gravel roads as Johnson showed and explained different portions of the operation, including weed control and crop rotation strategies, on-farm storage and machinery.

Those in attendance also heard from the Johnsons' neighbor, Dave Wilcox, an organic beef producer, and purchaser of NFOrganics grain. The event was sponsored by Northern Plains Sustainable Agriculture Society.

The farming brothers own 2,400 acres total. After the 1,500 in cropland, the balance encompasses building sites, slough and grass meadow. Much of the land was their father's, and some was previously farmed by their Uncle William Johnson.

Charlie explained how the Johnson family started in organic agriculture. "A little like the song says, we were organic before organic was cool," he joked.

Organic farming was a good cause, Johnson said. "It was a cause and a very strong purpose on behalf of my dad."

"They have a long history of being committed to the health of the land, and the health of their family," said Tim Ennis, NFOrganics manager.

Charlie explained a personal measurement for what his father wanted to put on the fields. "My dad was never comfortable with any type of input or product that he was going to put on the land that he couldn't put on the tip of his tongue."

NFOrganics

The Johnsons' father, Bernard, was a charter National Farmers member in their county, dating back to 1961. "We're proud of that membership. We've marketed grain and livestock through National Farmers Organization. I believe in collective marketing."

And when it comes to marketing organics, the Johnsons were doing that before NFOrganics emerged in the National Farmers marketing brand lineup.

"We were pioneers in developing National Farmers' grain marketing in organics, NFOrganics," he said. And NFOrganics belongs to OFARM, a group of organic producer associations devoted to sharing buyer and seller information and establishing target prices for producers."

"We have great resources in the people at NFOrganics,"

Charlie said. "They know the markets, and know our operation," he said.

"They can talk to buyers and processors, and know what I expect as a producer, and represent a deal that's good for Johnson Farms, as well as other NFOrganics farms," he said.

"They consider National Farmers their organization from start to finish," Ennis added.

Agent in a sale

If Michael Jordan can have an agent, why can't Charlie Johnson, as a producer? Charlie, a Lake County, S.D. organic grower, asked that question during a panel discussion for the farm tour and symposium.

Having that agent represent him is the top strength of NFOrganics. "The best part is I know I have an organization that is representing me behind the sale," Charlie said.

"A lot of grain goes out in a quick hurry – a few semiloads a week. If we didn't get paid, it would be a problem. So, having an organization making sure the buyer performs, is a major benefit."

He shared a specific example about that, too. A few years ago, the Johnsons had an acre contract on soybeans. At their March delivery date or beyond, nothing had happened. Through some negotiation and phone calls, NFOrganics representatives initiated some grain movement.

What was more important was "they were able to initiate some monetary movement," Charlie said, smiling. Johnson Farms actually got some money ahead of time.

"It was good to have the organization behind me, because I think they were able to provide a little more go power, rather than just me, one producer, here in Madison, S.D."

Charlie noted that their farm has never gone unpaid by a buyer. "We've never had that rough experience. And I don't imagine that we will, mainly because we have NFOrganics behind us as an organization."

Price

Johnson said NFOrganics bargainers can go in and request a sale that he wouldn't even think of asking for. "They're able to ask for a certain price level, that I maybe wouldn't have the guts to ask for," he said.

"NFOrganics, going into the marketplace, realizing the price level that's out there, and realizing the price level that's acceptable to me brings more dollars to our operation."

Crop rotation

The Johnsons run a six-year rotation. They plant alfalfa two years, soybeans next, then corn, soybeans again,

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Calendar of Events

January 12-15, 2009

National Farmers Organization and NFOrganics Convention

Coralville Marriott Hotel, Coralville, Iowa
www.nfo.org 800-247-2110

January 16-17, 2009

2009 Minnesota Organic Conference

St. Cloud Civic Center, St. Cloud, Minnesota
Contact: Mary Hanks, 651-201-6012
Mary.Hanks@state.mn.us

February 13-14, 2009

Northern Plains Sustainable Ag Society Winter Conference

Huron Event Center, Huron, South Dakota
www.npsas.org 701-883-4304

February 26-29, 2009

Upper Midwest Organic Farming Conference

LaCrosse Center, LaCrosse, Wisconsin
www.mosesorganic.org 715-772-3153

February 26, 2009

OFARM Annual Meeting

Contact: Oren Holle, 785-337-2442 oholle@bluevalley.net
Courtyard by Marriott, Lacrosse, Wisconsin

OFARM

comments to USDA on organic issues

OFARM submitted comments to the USDA on two important issues that have the potential to affect the integrity of "organic" and organic producers.

OFARM's comments on the USDA's "Guidance for Industry: Regulation of Genetically Engineered Animals Containing Heritable rDNA Constructs Availability" focused on regulating gene-altered animals to create public transparency. Producers and the public should have the right to know through proper labeling what products are gene-altered at the grocery store and to have adequate accountability in case of problems.

OFARM also submitted comments to USDA regarding implementation of provisions for grants for conventional/classical plant and animal breeding to make them a priority to benefit organic producers in contrast to targeting most of the grant funding towards genetically-engineered plants and animals.

OFARM

A N N U A L M E E T I N G

Improving Your Organic Profits!

February 26, 2009
Summary Agenda - Next OFARM Quarterly

February 24 & 25
Board of Directors
Target Price Discussions
Planning Sessions

C o u r t y a r d b y M a r r i o t t
L a c r o s s e W i s c o n s i n

Stick with what works best for you

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winter rye, with oats as nurse crop and an underseed of alfalfa.

The split for the crops each year is 250 acres corn, 250 acres oats, 500 acres soybeans, 500 acres alfalfa hay. In addition to Allan and Charlie, their brother, Kevin, helps on the farm when he can. And they hire area teenagers and young adults to work on weed control in the summers.

The Johnsons look at what they can do better continually, Ennis said, but stick with practices that work well. They evaluate their seed and their rotation to assure that it's what works best for them, and their land.

"They are always doing things repeatedly right," Ennis said.

OFARM Member Organizations

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Kansas Organic Producers Association

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Wisconsin Organic Marketing Alliance

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