

*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: USDA price reporting incomplete

Recently, the USDA, through its Agricultural Marketing Service (AMS), began reporting organic crop prices.

After lengthy discussions with AMS representatives, the OFARM Board of Directors has adopted the following position: *These price reports may not reflect the day to day actual marketing taking place within the OFARM structure.* They also do not reflect sustainable prices organic producers need to receive to meet their cost of production plus a reasonable profit.

Your OFARM member organization marketers do not rely on these reported prices in any way for negotiating the best possible sale of your grains and livestock.

One of the best ways for you to be able to extract the dollars you want and need from the marketplace has been shown to be through group and network marketing through the OFARM member organizations. The USDA and other institutions may ask you to volunteer information for their price reporting. † Whether you report your price and contract information to a government agency or institution is at your discretion.

April 3, 2007 † Adopted by the OFARM Board of Directors

The USDA's track record on price reporting

Going back over the last decade, the USDA price reporting through a number of its agencies has been part of controversies that resulted in inaccurate price reporting and costing farmers tens of millions of dollars.

Most of the cited instances are in dairy price reporting but could have implications for other commodities as well.

In March 1996, after a 3-and-a-half-year investigation, the Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP) and the University of Wisconsin-Madison College of Agriculture and Life Sciences released a report on the trading of cheese at the National Cheese Exchange, Green Bay, Wisconsin. The report raised serious concerns about the Exchange as a mechanism for determining bulk cheese prices. USDA's Agricultural Marketing Service (AMS) through its National Agricultural Statistical Service (NASS) was a party to reporting manipulated prices to farmers and the dairy industry resulting in the loss of billions of dollars in dairy farm income.

More recently (April and May 2007) National Farmers Union (NFU) and the National Milk Producers Federation (NMPF) received admissions from USDA officials that prices reported for non-fat dry milk didn't accurately reflect market prices. NFU President Tom Buis said the prices reported by the NASS have consistently been below actual prices in the marketplace resulting in lower prices for dairy producers. Buis went on to point out that this misreporting resulted in dairy farmers losing hundreds of millions of dollars.

Senator Russ Feingold (WI), along with 10 cosigners, sent a May 9 letter to USDA Secretary Mike Johanns and the USDA Inspector General calling for a quick investigation into the effects of bad price reporting.

At the heart of the problem is USDA's failure to implement since 2000 a mandate by Congress to implement a process of price reporting with transparency which all parties could have confidence in.

President's Message

Effective marketing based on long-term strategy

By: Oren Holle

First, a few comments about USDA Price Reporting. The preface to the report for the week ending July 14 with corn prices from \$8 to \$13 read as follows:

Organic grain and feedstuff prices steady to firm on light to moderate market activity. Corn and soybeans steady to firm. Alfalfa good demand on light offerings, with reports of conventional producers purchasing organic hay for feed needs. Good demand on light to moderate offerings by producers.

What will organic producers do when the report preface six months or a year from now reads more like this:

Organic grains and feedstuff prices were trending sharply lower due to pressure from buyer resistance, lower cost world supplies, and more than adequate domestic supplies after reduction in feed demand caused by producers using strategies to reduce dependence on heavy feed grain usage and curtailing expansions.

While it really makes us feel good to take the extra money to the bank when an opportunity presents itself to sell on a hot market, we need to remember that sound marketing strategies need to be based on making rational decisions with the best information available that serve the benefit of producers and buyers both short term and long term. This concept is really what cooperative marketing through OFARM member organizations is all about.

Next, a few comments about volatility in the market. Opportunities abound in the current market for attractive contracts for this year's growing crops. I believe that a sound marketing

strategy is based on moving part of my production into this market at these levels and reserving a portion to take advantage of future possibilities at higher levels and if the market does soften, due to unforeseen change factors, at least I have some sold.

I recall a time when feeder cattle moved from price levels in the low \$70 to the mid \$90 level. Producers who had an opportunity to contract calves at a basis of \$92 were so sure the market would go higher that one of the producers stuck a dollar bill on the ceiling and said not to come back till the offers were \$100 plus and in the same marketing period sold those same cattle in the mid \$60 range.

I have seen sunflower growers turn down \$10 plus contract offerings that assured them high levels of profit and ended up taking ridiculously low prices under \$6 by the time the crop was harvested.

I was in the corporate office of John Morrell & Company when they were willing to sign cost of production contracts which at that time was \$32.50 per cwt. All the producers needed to do was to put X number of hogs on the kill floor each morning and the producers major concern was, what if the market goes to \$40. In less than the four months it took to finish those market hogs they sold most of them in the mid \$20 range.

Your organic marketing program can be based on sound information and groups of producers developing strategies to provide for stable long term pricing objectives. That is what cooperative marketing through OFARM member co-ops is designed to accomplish.

Your organic marketing can be based on sound information and groups of producers developing strategies to provide stable, long-term pricing.

USDA ORGANIC PRICE REPORTING: Transparency is key

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Organic Crop Price Reporting

Recently USDA's AMS began reporting some organic crop prices every two weeks. One of the issues OFARM sees is that when markets are volatile and moving upward as we have seen over the past months, the prices reported under-report what the current market is. Farmers relying on these reported prices could under-sell the market.

If the markets ever turn south, no amount of USDA price reporting is going to stop a downward spiral of organic prices and lost income to organic producers.

Another problem that is not addressed in the price reporting process is farmers receiving a sustainable and profitable price for organic crops and livestock. For years, conventional farmers have suffered at the hands of prices merely reported, not what it takes to receive cost of production, plus a reasonable profit long-term.

OFARM is not opposed to publicly reporting organic crop and livestock prices. However, for long-term viability of the organic industry, farmers need to determine what prices need to be in order for them to be profitable.

The Value of OFARM

OFARM's mission is to coordinate the efforts of producer marketing groups to benefit and sustain organic producers. OFARM publishes its Target Prices which are the trends necessary for organic farmers to receive a fair return for what they sell with the ultimate goal of cost of production plus a reasonable profit. These prices are periodically reviewed and revised by organic producers and their marketers within OFARM.

OFARM member organization marketers do not rely on publically reported prices in any way for negotiating the best possible sale of your grains and livestock.

One of the best ways for you to be able to extract the dollars you want and need from the marketplace has been shown to be through group and network marketing through the OFARM member organizations.

Calendar of Events

August 7 - 9, 2007

Farmfest 07

Web site: www.farmfest.com

September 6 - 8, 2007

OFARM Semi-Annual Board Meeting,

Redwood Falls, Minnesota

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Web site: www.ofarm.org

November 30, 2007

Montana Organic Producers Cooperative meeting,

Great Falls, Montana

Best Western Heritage Inn

Contact: Karalee Bancroft, 406-225-4280

E-mail: carolineranch@earthlink.net

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

December 6 - 8, 2007

ACRES USA Conference

Louisville, Kentucky

Louisville Marriott

Contact: 512-892-4400

Web site: www.acresusa.com

February 7 - 9, 2008

Northern Plains Sustainable Agriculture 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

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February 21 - 23, 2008

Upper Midwest Organic Farming Conference,

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Web site: www.mosesorganic.org

March 25 - 27, 2008

SARE National Conference,

Kansas City, Missouri

Web site: www.sare.org/2008conference

OFARM Leaders Making News

Paulette Bradley, Wisconsin Organic Marketing Alliance (WOMA) general manager and organic farmer was named to the Wisconsin Organic Agriculture Advisory Council by Wisconsin Department of Agriculture, Trade and Consumer Protection Secretary Rod Nilsestuen.

Robert Boettcher, OFARM treasurer was named by the Governor of Montana as one of two people to represent agriculture on the Climate Change Advisory Council. Robert serves on the Agriculture, Forestry and Waste Management Technical Working Group. The main purpose of this is to reduce green house gas emissions.

Carmen Fernholz, OFARM vice-president and NFOrganics was appointed to the Minnesota Organic Task Force. The 14-

member task force provides recommendations about policies, practices and programs that will support the state's growing organic agriculture industry.

This group of energetic, committed people will help steer Minnesota Department of Agriculture's organic outreach and support effort. In addition, Carmen holds a University of Minnesota half-time position as organic research coordinator. He helps coordinate and oversee organic crop research on 120 acres at the Lamberton Research Station.

Roger Rivest, OFARM board member and Great Lakes Organic (Ontario, Canada) is currently serving as chair of the Canadian Soybean Exporters Association. The council is active in promoting sales of Canadian soybeans worldwide.

Longtime marketer reviews NFOrganics

Tim Ennis, NFOrganics marketing director

Tim and his wife Kathy live in Corning, Iowa. Corning is about an hours drive southeast of Omaha.

Tim grew up on a Wisconsin dairy and feeder pig farm in south central Wisconsin. He graduated from the University of Chicago with a degree in economics and started working for National Farmers Organization in 1971. His work included as a field organizer contacting farmers throughout the Midwest.

From 1980-1986 he became NFO Specialty Crops Department director. He worked with producers in marketing less common crops than corn, soybeans and wheat. Crops included sunflowers, dry edible beans, millet, and buckwheat. He began marketing organic soybeans for a few NFO members as early as 1978. He has followed, at first slow, and then dramatic developments of organic grain markets

Tim notes that his parents believed that it was a worthwhile effort for farmers to organize themselves to do something about milk prices 1963.

Tim has been in his present position since May, 2004. For about 7 years, in between working for NFO, he worked from 1997 to 2004 for AgConnect, an Iowa project for bringing together established farmers with equity to connect with beginning farmers. During this time he worked with a number of organizations whose interest was value-added meat and milk.

NFOrganics

The bulk of NFOrganics business is in the five Upper Midwest states of Minnesota, Iowa, South and North Dakota and Wisconsin. They also market for producers from Ohio to Montana. Major organic crops marketed include: corn for feed, soybeans, wheat, barley, and oats for both feed and food use. At the request of their producers they have had some success in marketing organic hay in the past year, usually for members who were marketing other crops with them first.

Tim says that membership participation has more than doubled in the last 2 years with over 100 farmers as regular members.

Challenges and Opportunities

According to Tim, successes in organic marketing are due to the willingness of organic producers to organize and stay organized for the good of the industry.

Our success is in finding a market for anything organic that our members would give us authority to market. Many of our current new members, become members first because we agreed to help them with something more difficult than traditional corn and soybeans. Soybeans have had the most liquid markets historically. In the last 3 years that has changed and organic corn is the most highly sought after commodity. Today, you can always find someone who is ready and willing to buy it.

Tim states that the history of organic corn has been an Ask the market scenario, for \$3.75-\$4, do you want to buy a load? The market would say for example, we don't want any. It is much different today. In 2007, the market is not being able to find the organic corn it would like even while prices are at unprecedented levels above \$8 per bushel.

Tim points out that a key challenge today is for the organic grain farmers not to kill the goose that lays the golden egg.

Potential buyers of our product need to be profitable and sustainable. We hope that producers will be willing to contract at cost of production plus reasonable profit. We are interested in long-term profitability and sustainability as much as short-term gains.

Other challenges to organic marketing are to have users recognize alternatives to inadequate supplies of feed corn and to substitute other crops such as barley, oats, and other less common organic crops.

A major challenge, Tim feels in organic marketing is developing more acres of grain for cash sale. The challenge is made more difficult with conventional corn at \$3.50-\$4 per bushel in the past year. Contributing to that challenge is that the meat, milk and egg sectors of organic production are expanding at a pace of 20-30 percent growth, while organic acres have been growing at less than 10 percent expansion.

The challenge is how to promote measured growth of organic acres. The 36-month transition is a challenge to most farmers. Producers believe they have to sacrifice in the transition period in order to become certified organic. It should be a 10 year to life time commitment.

Many small individual successes for NFOrganics include doing everything that is necessary for paperwork, collection, payment to producers, with the ultimate goal; getting good profitable payments in hands of producers.

Value of OFARM

NFOrganics participation in OFARM, from Tim's perspective, provides opportunities to find available supplies when buyers need supplies that they don't have or supplies closer to buyers. It provides the opportunity to match our buyers with supplies we may not have, also direct them to other member organizations that have what they need. From a practical standpoint, we are able to help each other and expand business and to not only help our own members but members of other organizations in the OFARM network.

OFARM, in Tim's opinion, has had a lead role in developing better markets for wheat for human consumption. Developments in 2006 have dramatically changed the pricing in wheat by \$1-\$2 per bushel to producers. Returns to producers have improved over what had been common prior to that time, depending on quality factors like protein, test weight, falling numbers.

NFOrganics has gained referrals of prospective members and buyers from other organizations in the OFARM network. He believes the sharing of marketing opportunities has benefited NFOrganics members as well as the members of the other organizations. The relationships between OFARM organizations have helped to balance supplies in a constructive way that has helped everyone involved.

OFARM has benefited its members with the exchange of market information through semi-annual meetings. Conference calls have benefited all the parties in terms of information and goals including target prices, and supply and demand projections. The marketing calls provide confirmation of information so the marketers can be more certain of market trends as they are assisting their producers in making marketing decisions.

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Organic Valley/CROPP, OFARM increase feed supply

The growing demand for organic feed ensures a strong market and a top opportunity for farmers considering getting into the organic marketplace, according to George Siemon, CEO and a founding farmer of the Organic Valley/CROPP Cooperative, the nation's oldest and largest cooperative of organic farmers.

Providing a sustainable and consistent price to the farmer has always been the goal of Organic Valley/CROPP cooperative, and we want to see sustainable and stable prices to the farmers supplying feed goods for our livestock operations as well," stated Siemon.

The growth of organic livestock across the country over the last two years has been estimated to be 50 percent, while organic feed acres have increased by only 8-10 percent. This rate of growth, combined with the increase in conventional grain prices, has meant that on farm prices for organic goods have continued to stay strong.

For those farmers new to organic methods, taking land coming out of CRP (the Conservation Reserve Program) and putting it into certified organic production is an easy way to enter the organic marketplace," said Siemon. He noted that land must be free of synthetic pesticides and fertilizers for a three year transition period in order to be certified organic. CRP land usually qualifies immediately and provides the organic premium to the grower in the first year of production.

Committed to expanding its role in helping the cooperative's farmers source feed, Organic Valley/CROPP Cooperative has hired Lowell Rheinheimer, its former Mid-East Region Pool Coordinator and a 15-year veteran of the organic farming movement, to be the co-op's first Farm Resources Manager. In his new post, Rheinheimer will expand feed operations and assist with education on alternative feed options, forage maximization, and other feed-related issues.

Organic Valley/CROPP is also working with the Organic Farmers Association for Relationship Marketing (OFARM) to expand the number of organic grain and forage suppliers in the U.S. Both groups are committed to meeting the need for

additional growers of organic feedstuffs through open dialogue and careful planning.

By connecting the members of OFARM and Organic Valley/CROPP, we hope to ensure a steady supply of feed for their livestock while ensuring a market for the grain grown by our members. It's a win-win solution for all involved," said Oren Holle, OFARM President and Kansas organic livestock and grain producer.

About the Organic Farmers Association for Relationship Marketing (OFARM) An organization of producer groups dedicated to a farmer's best interest, the Organic Farmers Association for Relationship Marketing (OFARM) strengthens marketing returns for members, tracks production inventories, and exchanges pricing and marketing information. Organized in 1999, OFARM has grown to become an organic cooperative with seven farmer cooperatives/associations representing grain, dairy and livestock producers in 22 states and Ontario, Canada.

Organic Valley/CROPP Cooperative: Independent and Farmer-Owned CROPP Cooperative (Cooperative Regions of Organic Producer Pools) markets under the Organic Valley Family of Farms label. Independent and farmer-owned, Organic Valley is America's largest cooperative of organic farmers and is one of the nation's leading organic brands.

Organized in 1988, it represents 922 farmers in 27 states and one Canadian province, and achieved \$355 million in 2006 sales. Focused on its founding mission of keeping small and mid-sized farmers farming, the cooperative produces over 200 organic foods, including organic milk, soy, cheese, butter, spreads, creams, eggs, produce and juice, which are sold in supermarkets, natural foods stores and food cooperatives nationwide.

The same farmers who produce Organic Valley also produce a full range of delicious organic meat under the Organic Prairie label. For further information, call 1-888-444-MILK or visit www.organicvalley.coop, www.organicprairie.com and the cooperative's farmer's Web site, www.farmers.coop.org.

Longtime marketer: OFARM is a great work in progress

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The calls also help determine things like crop and weather conditions in areas where we don't have members.

Organic production is not a small challenge and weed control is major challenge for any producer. A recent advertisement used by NFOrganics points out the importance of marketing in organics. The ad states that there are two keys to successful organic grain farming; weed control and marketing. The ad states, "We don't do weed control". We're in the business

to do marketing for the benefit of our members. Tim states, "From our perspective, there will be continued excellent opportunities in the foreseeable future. Over the next 5-10 years for there will be an opportunity for many additional new grain producers in this industry. There are limits, but the demand is there for added production right now."

OFARM's been a great work in progress. It is doing what it is intended to and is benefiting all organic producers by its existence."

OFARM Member Organizations

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