



ORGANIC FARMERS
ASSOCIATION

DYNAMICS & CHALLENGES IN THE ORGANIC MILK MARKET

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Organic dairy producers nationwide are facing unique challenges further escalated by the increased consolidation of the organic dairy industry. The management of organic dairy farm milk contracts is a national problem not confined to small and mid-size operations in the Northeast but has been pervasive over the years throughout the West and Midwest as well.

Consumers have high expectations for organic dairy and expect organic milk to come from family farms managing cows on pasture. While the great majority of organic dairy producers meet these consumer expectations, corporations and cooperatives lack transparency on the volume of milk purchased from large-scale operations leading to a misrepresentation of how the organic dairy market truly functions.

WHERE DOES YOUR ORGANIC MILK COME FROM?

Processing consolidation has come about due to a lack of investment in necessary local and regional infrastructure, lack of federal oversight of consolidation in the organic market, and lack of NOP enforcement of the pasture rule and Origin of Livestock.

Most organic dairy processing now uses Extended Shelf Life (ESL) or Ultra-High Temperature (UHT) pasteurization to prolong milk shelf life and reduce distribution challenges of a perishable product. UHT is a relatively new technique and many regional dairy plants cannot process it. Consolidation of processing to large plants with UHT capability means organic milk doesn't have to be local. Now, the east coast has store-brand milk produced and packaged in Colorado while west coast stores stock milk from as far away as New York.



FIPS State Code

- 01-Alabama
- 02-Alaska
- 04-Arizona
- 05-Arkansas
- 06-California
- 08-Colorado
- 09-Connecticut
- 10-Delaware
- 11-D.C.
- 12-Florida
- 13-Georgia
- 15-Hawaii
- 16-Idaho
- 17-Illinois
- 18-Indiana
- 19-Iowa
- 20-Kansas
- 21-Kentucky
- 22-Louisiana
- 23-Maine
- 24-Maryland
- 25-Massachusetts
- 26-Michigan
- 27-Minnesota
- 28-Mississippi
- 29-Missouri
- 30-Montana
- 31-Nebraska
- 32-Nevada
- 33-New Hampshire
- 34-New Jersey
- 35-New Mexico
- 36-New York
- 37-North Carolina
- 38-North Dakota
- 39-Ohio
- 40-Oklahoma
- 41-Oregon
- 42-Pennsylvania
- 43-Puerto Rico
- 44-Rhode Island
- 45-South Carolina
- 46-South Dakota
- 47-Tennessee
- 48-Texas
- 49-Utah
- 50-Vermont
- 51-Virginia
- 53-Washington
- 54-West Virginia
- 55-Wisconsin
- 56-Wyoming



CHECK WHERE YOUR MILK IS PROCESSED

A code near the expiration date tells you the location of the plant where the milk was processed. Though this code identifies the processing plant, it does not tell you where the milk was produced.

We checked six large retail outlets in Hadley, MA and only one-half gallon carton was processed in New England. We also checked a large retail outlet in Washington state, which showed cartons processed in Utah, Colorado, and New York. Without consolidation and centralization, milk would not be able to travel from coast to coast.



Processing consolidation has been coupled with changes in milk sourcing. In 2021, 135 northeast organic dairy farm contracts were terminated between July and November, marking the largest regional U.S. family organic dairy contract loss in history. In 2017, a large group of Humboldt County, California organic dairy farmers' contracts were terminated where picturesque, grass-based dairies, and high-quality milk production embodies consumer expectations for organic milk. In both cases, processors cited trucking costs and carbon footprint as reasons why they were pulling out. These milk buyers were directing milk to centralized processing plants, distanced from the farms, which increased the miles milk needed to travel to the processing plant making trucking too expensive (or inconvenient) to pick up from many family dairies.

PRICES TO FARMERS ARE TOO LOW

For the past five years, farmers have been paid less than their cost of production, debunking the concept that the premium pay price organic dairy families receive supports a viable economy for organic dairy farm families. Though a premium price is commanded at retail stores, organic farmers only receive about 30% of

the retail price. In 2021 and in early 2022, producers reported a nearly 15% growth in their cost of production, yet pay price has remained stagnant since 2018, a year when pay price fell back to 2012 rates.

Low pay prices are driven by low-cost organic milk being sold under store-brand private labels. Generic, store-brand organic milk is now the leading seller of retail milk. Many stores source their private label milk from mega “organic” dairies, and that drives down the price of all private-label milk-including that packaged by farmer-cooperatives for other retail stores.

CONSOLIDATION = TOO LITTLE COMPETITION

Is there collusion in the organic milk industry? The fate of organic dairy farm families rests primarily in the hands of a few multinational companies and one cooperative. Across the U.S., farmers are offered roughly the same pay prices, with the same increases or decreases, and similar market incentives set by the small group of buyers. While the federal government has timely and detailed reports on the source, quality, and utilization of risk management tools for the conventional milk market, this public information is not available for organic milk. The few organic milk buyers hold power over producers. Cooperatives can peremptorily impose milk quotas and change milk prices, and corporations include contractual clauses that allow them to restrict milk volumes for which they will pay and cut pay prices as they choose.

MARKET SECURITY?

Processors' ability to terminate contracts at will has created an unsustainable environment for organic dairies. Reasons for termination have ranged from a lack of demand, milk quality issues, farm access, inadequate milk volumes, expensive trucking costs, etc. While organic dairy contracts have always suffered some risk of instability, as the number of

organic buyers decreases, farmers have fewer buyers to turn to if they lose their contract, making the risk of instability even greater.

Dairies are unique in that cows must be milked daily to stay in production. Milk is a perishable product requiring immediate processing. Dairy farms are financially dependent on continued production and milk sales. A dairy farm cannot sit on a tank of milk until the pay price increases, they must empty it so they can fill it again. Their bargaining power is minimal, and farmers' contracts constrict their ability to stand up to unfair conditions for risk of termination.

Organic dairies have long been dependent on their direct relationships with processors, but these connections are eroding with the distance increasing between the buyers and producers. The national market is moving towards the use of brokers to buy and sell organic milk, which further distances the processors from long-term and personal relationships with organic dairy farm families.

WHAT IS NEXT?

Is there a future for independent organic dairy farms? With the processing and distribution of organic dairy in the hands of so few buyers, is it possible to make changes toward a more regional system?

For organic dairy producers to succeed, we need a market made up of less consolidation and more regional brands of milk, where control of all levels of production rests with the community stakeholders and the producers.

Success stories like [Straus Family Creamery & Dairy](#) in Marshall, California show that it can be done. Straus processes their own farms' milk and 11 other local organic dairies. They offer a greater pay price and prioritize relationships with these farms.



At a larger regional scale, forming pools of milk from farmers within a region, processing it in that region by regionally-owned processing plants, and then selling the milk in the same region, might be a formula for success. Federal support for regional infrastructure and increased competition in the organic dairy industry, capital investors, State and Federal loan guarantors, and socially-motivated investors can help pave the financing path to bring everything together. It will take time to rebuild northeast regional processing; to keep the recently terminated 89 organic dairies in business, they will need support through state, federal, or private-grant programs until infrastructure is secured. As milk buyers leave regions, we ask them to support their terminated producers' transition to other markets with meaningful financial assistance and help with the establishment of more infrastructure. This will demonstrate gratitude to the decades of service organic dairy farm families have provided to build their brands and consumer support.

Nationally, organic dairy farms now face the same challenges and must come together with a united voice to bring about change within the organic milk industry. Otherwise, the image and bucolic delights of cows grazing the hillside, as our consumers expect and processors market, will fall to the wayside. Not only are the futures of organic family farms across the country at stake but so are consumer trust and the integrity of the organic seal. Now is the time for farmers to demand change. 🌱

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