

**Statement of Steve Pierson  
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**U.S. House Agriculture subcommittee for Biotechnology, Horticulture, and Research**

**Hearing: Reviewing the State of Organic Agriculture – Producer Perspectives**

**October 30, 2019**

Good morning, Chairwoman Stacy Plaskett and Ranking Member Neal Dunn, as well as the other members of the subcommittee. Thank you for the opportunity to testify about the opportunities and challenges in the organic dairy marketplace.

My family and I operate a 900-acre dairy farm near St. Paul, Oregon. We milk 300 cows daily and care for a total of 800 dairy animals on the farm.

We became certified organic in 2005 and ship milk with CROPP Cooperative, which is more commonly known by its brand Organic Valley. Our farm provides a livelihood for my wife Susan and I, as well as my three adult children and my in-laws.

That is an important point to emphasize: This dairy farm supports four families as their sole income, as well as five other non-family employees.

I did not come from an agriculture background, but as young adult I saw dairy farming, perhaps naïvely and with some romanticism, as a profession that would allow me a great place to raise a family and work with my hands and heart. Becoming an organic dairy farmer, and joining with other organic dairy farmers in a cooperative, has amazingly brought those aspirations to reality.

Becoming an organic dairy farm has allowed us to make significant capital and sustainability investments to the farm. This past year we built a new rotary parlor to increase farm efficiencies. In 2014, we purchased a hay ranch in central Oregon. And in 2015 we added renewable energy infrastructure to the operation. We are in it for the long haul and building a farm that will be viable for the next generation if they too want to pursue this profession.

### **Organic Valley**

I also have the privilege of serving as a board director for CROPP Cooperative, also known as Organic Valley.

Organic Valley was established in 1988 with seven founding farmers and, since then, has grown into America's largest cooperative of certified organic farmers, with nearly 2,000 farms in 34 U.S. states, as well as in Canada, Australia and the United Kingdom. In 2018, the business achieved \$1.1 billion in sales.

The cooperative's founding purpose was to create and operate a marketing cooperative that promotes regional farm diversity and economic stability through organic agricultural methods and the sale of certified organic products.

The majority of the co-op's business is dairy. We offer an array of products available in approximately 15,000 retail locations across the United States. Our cooperative also sells organic bulk milk and ingredients to customers who use it in their own products, many of which are also distributed nationally.

In addition to dairy, the co-op includes a couple hundred producers who focus on organic eggs, produce, meat, and feedstuffs.

My cooperative has about 900 employees and an estimated \$104 million in fixed assets. The assets include a mix of processing facilities, office buildings, and warehouses located on four different campuses. The most recent facility purchase, in 2017, I'm proud to say, is a creamery in McMinnville, Oregon, just 20 miles from our farm. While the cooperative does some dairy processing at this facility in McMinnville as well as a creamery in Chaseburg, Wisconsin, it primarily relies on as many as 90 co-processors across the country to bring our products to market.

As a board director, I am proud that the cooperative has made these intentional investments in rural communities in an effort to create jobs and economic stability. It's an extension of the co-op's founding mission and not something you see every agricultural-based business prioritize.

## **Dairy Market**

These past years have been a difficult time in organic dairy.

Profitability has been hard to obtain on either the farm or the cooperative business side. Margins are thin, and while our national pay price remains around \$29 a hundredweight, we are practicing a quota system to manage the amount of milk the co-op receives.

The challenges in organic dairy, I believe, can be attributed to the following:

1. Changes in consumer preferences to favor more full-fat dairy products have made utilization of farm milk more difficult.
2. Increased milk production and competition in organic dairy has created an imbalance in supply and demand.
3. Trade disputes have caused an inability to sustain and grow international markets.
4. And regulatory uncertainty in the organic standards

## **Origin of Livestock**

A specific challenge that must be resolved is inconsistent interpretation of the organic standard for what is called the origin of livestock. This centers around certifiers failing to align on the requirements for transitioning dairy cattle to organic status.

Most farms that come to organic dairy abide by a one-time 12-month transition allowance for a dairy herd. Thereafter, farmers source only organic-born and organic-raised replacements. This is the interpretation of the regulation which most certifiers agree with.

Yet some certifiers and their dairy clients, practice a continuous transition approach which exploits the 12-month allowance, using it multiple times and with multiple groups of animals, or alternatively sources replacement stock from operations that specialize in transitioning animals year after year from conventional sources.

When comparing these two approaches our analysis at Organic Valley reveals a \$600 cost differential per replacement animal.

If you assume the national cull rate, which is around 25 percent, a farm of my size ends up at a competitive disadvantage of nearly \$45,000 per year because of this differential.

USDA has not fixed this problem, but as of October 1, 2019, they have reopened the comment period for the 2015 Origin of Livestock Proposed Rule. The proposed rule fixed this dilemma by clarifying dairy transitions to be understood as a one-time event on a dairy farm associated with a producer.

I believe the July 17, 2019, hearing in front of this subcommittee titled “Hearing on Assessing the Effectiveness of the National Organic Program,” where this issue came up in exchanges with Undersecretary Greg Ibach, was one of the motivating forces that got USDA to prioritize this topic and advance regulatory action on it. Thank you.

My strong message to the committee members today is to continue demanding that USDA finalize the origin of livestock language in a manner that aligns closely to the proposed rule. My interactions with fellow organic dairy farmers and organic dairy associations lead me to believe there is a strong consensus to fix this regulatory failing.

### **Dairy Compliance Project, Strengthening Enforcement, International Trade**

Two additional hot-button issues in organic dairy include ensuring grazing is done in accordance with the Pasture Rule, and that organic feedstuffs from international sources are authentic.

I’m encouraged that the National Organic Program is continuing to implement the Dairy Compliance Project, which spot-checks organic dairies and certifiers with AMS auditors to examine how the organic standards are being achieved on the ground.

While this is a welcome oversight effort, it is our experience at Organic Valley that the agency has been fairly guarded about the approach and findings of the Dairy Compliance

Project. All of us want organic dairy to be at the top of its game, and we believe sharing information and soliciting feedback from organic dairy stakeholders can enhance the agency's work in this area.

I am also pleased that federal rulemaking on Strengthening Enforcement is to be coming yet this year. This rulemaking focuses on addressing the risk of fraudulent organic grain imports and was initiated in the last Farm Bill.

Organic Valley strongly endorsed congressional action on these issues, and we are supportive of both private-led and agency-initiated efforts to ensure organic integrity through organic supply chains.

Additionally, Organic Valley's grower pool, which raises animal feedstuffs, has been alarmed by the fact that fraudulent imports can have a harmful effect on domestic organic crop prices. Our members worry that domestic growers are put at a competitive disadvantage on the world stage if entities in other countries are engaging in criminal activity to misrepresent or sell non-organic grains as USDA Certified Organic.

The Strengthening Enforcement rulemaking cannot come soon enough, and I urge the subcommittee to stay in contact with the National Organic Program to safeguard the rulemaking advances in concert with the urgency reflected in the 2018 Farm Bill.

In the international trade arena, organic dairy—along with all of the nation's dairy—faces, a seesaw of trade disputes that have created disruptions in planning and sales efforts in foreign markets like China, the European Union, the United Kingdom, and beyond.

Organic Valley's experiences have been that organic dairy products are particularly sensitive to additional tariffs, given they are already considered a high-premium product in many foreign markets. A marginal increase in consumer prices for both branded and private label organic products, to offset the imposition of tariffs, has made these organic offerings untenable in most cases.

For Organic Valley, it's not just the loss of millions of dollars in sales opportunities this year, but also the inability to recoup market research that has spanned seven years.

There needs to be a speedy resolution to trade disputes, and I urge Congress to be more present in bringing an end to these uncertainties and lost market opportunities.

## **Opportunities**

So that is some of what is challenging us in the organic dairy marketplace right now. But what am I'm encouraged about?

I know our organic dairy farmers are committed to the land, their cows, and their cooperative. I am encouraged that organic dairy is special in what we offer, and that comes

from the way we raise and treat our animals. And I am encouraged that dairy innovation has the potential to help utilize milk and offer choices for consumers.

We in organic already know organic dairy can have a positive impact on the environment and climate. Organic dairy farmers have been doing regenerative soil health and grazing practices for decades—these practices are fundamental to our agriculture systems.

We in organic have seen scientific studies on organic milk, like the one done by Emory University in 2019, affirming through testing that organic milk is a clean and healthy option for consumers void of toxic pesticide and antibiotic residues.

And in dairy innovation, we are seeing new products like Organic Valley Ultra, the first organic ultra-filtered milk, made using a unique filtration process to create an organic milk with twice as much protein and half the sugar.

In closing, we at Organic Valley have evolved our thinking to recognize that consumers are making a statement about who they are by what's in their grocery carts and homes, defining themselves by electing to choose organic and Organic Valley products. It is a matter of resonating with the values consumers have and finding the places and delivery that gets them what they want. Organic is a choice for a farmer, a choice for a business, and a choice for a consumer. I've been blessed to be able to be an organic farmer and work with an organic marketing cooperative to bring from the farm to consumers a product that has high integrity and promise.

Thank you for this opportunity to share my experiences and thoughts. I welcome any follow-up questions that can inform the subcommittee as you deliberate on future food and agriculture policy.