



Northeast Organic Farming Association of Vermont

An organization of farmers, gardeners, and consumers working to promote an economically viable and ecologically sound Vermont food system

A “Very Interesting” Year Ahead for Organic Milk Markets

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George Siemon, CEO of the CROPP (Organic Valley) Cooperative, refers to 2007 as the “Year Of The Organic Milk Bath” -- a year when the nation’s organic milk supply will expand by approximately 50% over last year’s levels. While consumer demand for organic dairy products continues to expand 15-20% each year and shortages of organic milk have been common, this unprecedented increase could create a temporary oversupply in the organic milk market in many parts of the country. Buyers and processors of organic milk in the Northeast (CROPP, Dean Foods, Stonyfield Farm, Hood, Agrimark and others) are responding with a combination of supply management measures, as well as plans for expanded marketing and product development.

This dramatic increase in production is the result of a 2006 change in USDA rules that significantly increased producers’ feed costs during the required 12 month transition to certified organic milk production. As a result, hundreds of dairy producers nationally, and over 80 in Vermont, opted to begin their transition last spring, just ahead of the effective date of the rule change, June 8, 2006. Now, a year later, certified organic milk from these farms is flooding onto the market – at a time that the grazing season is set to begin with its “spring flush” increase in milk production and the annual spring/summer decrease in consumers’ fluid milk consumption. The circumstances are, according to George Siemon, a one-time occurrence that will make 2007 a “very interesting” year.

Recently CROPP, Hood, Dean Foods and Agrimark have announced that, with few exceptions, they are placing a hold on issuing new production contracts with farmers in Vermont, the Northeast and elsewhere in the nation until sometime in the Fall of 2007. Since dairy producers are strongly advised not to begin the costly 12 month transition unless they have a signed contract with an organic milk buyer, this hold on new contracts will significantly reduce the amount of “new” organic milk entering the marketplace until the Fall of 2008, when producers who sign contracts this Fall will begin shipping certified organic milk. This will allow time for increased marketing efforts and consumer demand to ‘soak up’ the current oversupply.



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At the same time, organic dairy processors and manufacturers are planning new marketing efforts and product development efforts. For example, some organic milk processors will be expanding marketing in the currently underserved food service sector and ramp up sales of organic milk components to food manufacturers. Stonyfield Farm, a major buyer of organic milk in the Northeast, is already buying 48% more organic milk this spring than a year ago, according to one report. With the extra supply of organic milk Stonyfield plans to reintroduce their organic smoothies and quart-size organic yogurt products, which had been discontinued due to shortages of organic milk. For Nancy Hirshberg, a Stonyfield vice president, the current oversupply is “a gift from above”.

Those Vermont dairy farmers who had hoped to begin their transition to organic production this spring would probably not be inclined to agree with this view, but the suspension of new contracts in the current situation will help assure that the supply of organic milk is managed to protect the high pay prices that certified organic dairy farmers now receive – as much as \$30+ /cwt – and that they will continue in the future.

Meanwhile, there are steps that dairy farmers can take to prepare for organic milk production in the future. Efficient and profitable organic milk production requires new knowledge, understanding and skills in pasture management, parasite & fly control, disease treatment and prevention, crop production, soil management and many other aspects of dairy production. And it is important for farmers to develop a good understanding of organic dairy regulations and have a solid business and financial plan in place before the transition period -- and beyond.

With the support of the Vermont Agency of Agriculture, Food and Markets, the Vermont Housing and Conservation Board, the Freeman Foundation and the USDA’s Risk Management Agency, NOFA-VT’s Dairy and Livestock Technical Assistance Program provides technical workshops, farm consultations, financial planning services, learning resources and practical advice to Vermont’s certified organic and transitioning dairy farmers, dairy industry service providers and farm professionals. This spring and summer NOFA-VT will be offering a series of informative Organic Pasture & Livestock Management Workshops on farms throughout Vermont. And on June 8th a special workshop for farmers on “Quality Milk and Udder Health on Organic Dairy Farms” will be held in Waterbury. These workshops are open to all dairy farmers with an interest in organic production. Workshop details and information on NOFA-VT’s Dairy and Livestock Technical Assistance Program may be found on NOFA-VT’s webpage (www.nofavt.org) or by contacting NOFA-VT at 434-4122; info@nofavt.org.