

The Industrialization of Organic Dairy

BY MARK A. KASTEL

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The organic farming movement was built on a loving, collaborative relationship between producers farming in consort with nature and consumers who were willing to more fairly compensate them for their efforts. For the first 25 years this relationship returned increasing, and economically stable, farm gate prices.

But the lucrative and growing industry was just too much to resist, and corporate agribusiness, with the tacit endorsement of federal regulators, has accelerated their takeover and is currently squeezing family-scale farmers out of business (as is happening in other organic commodities including eggs and poultry, fresh fruits and vegetables, cereal and feed grains).

Wholesale purchasers of raw organic milk have cut prices to farmers by 25-30 percent or more. In addition, some buyers have set quotas, mandating production cuts.

The current organic dairy movement began commercializing, in earnest, in the 1980s. The few original, nascent "organic" dairy brands were marketed by farmstead producers that both milked cows and bottled milk, made cheese or manufactured yogurt – mostly sold at farmers' markets or through member-owned natural foods grocery cooperatives.

During the late 1980s, at least two independent groups of farmers, one producing cheese in Ohio and the other becoming the nation's largest

farmer-owned organic cooperative, in Wisconsin, were operating. The co-op, the Coulee Region Organic Produce Pool (CROPP), launched in 1988. With the financial backing of the National Farmers Organization (NFO), they began manufacturing cheese.

CROPP would eventually absorb the farmers in Ohio. Now known as the Cooperative Regions of Organic Producer Pools, CROPP has over 2,000 member-owners with its own brand: Organic Valley.

This was all occurring against the backdrop of a growing body of research looking at the deleterious health impacts of synthetic pesticide residues in our food. Prominent scandals such as the *60 Minutes* exposé looking at Alar, a growth regulator used on apples, helped sensitize the public.

The conventional dairy industry, adopting and defending Monsanto's newly introduced genetically engineered bovine growth hormone (rBGH), also helped catapult organic dairy sales, especially resonating with parents who did not want their children treated like "lab rats."

In 1991, a group of wealthy investors in Colorado launched the Horizon Organic label. Based in Boulder, they began with a pilot project distributing organic yogurt. The principals included the largest conventional milk producer in the country at the time (Aurora Dairy), with concentrated animal feeding operations (CAFOs), or "factory farms," stretching across the country. They were well positioned to cash in on the increasing hunger for organics.

They converted the first Aurora conventional dairy to organic pro-



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duction, milking 4,000-5,000 cows in arid Idaho. Half the cows were in total confinement, fed conventionally and given Monsanto's rBGH. The other half of their herd, also confined to feedlots and sheds, was fed certified organic commodities. The entire facility would eventually convert to organic production.

Organic Valley and Horizon product lines rapidly diversified to include butter, spreads (cream cheese), cottage cheese, sour cream, coffee creamers and other dairy products. The two companies, at least initially, maintained a cordial business relationship and, according to some reports, assisted each other in balancing supply.

During the 1990s, another original farmstead producer, Stonyfield Farms, built a manufacturing plant in New Hampshire and successfully grew their brand into a national leader. Stonyfield relied on family-scale

farmers in the Northeast (members of CROPP Cooperative through an exclusive supply agreement) for their milk supply.

As the industry grew, more regional brands appeared. Some have endured in a challenging market, like Clover Sonoma in California and Natural by Nature in Pennsylvania, while others have fallen by the wayside (The Organic Cow, Maine's Own Organic Milk, etc.).

A watershed event in late 2003 was the sale of Horizon to Dean Foods. Dean was the largest dairy conglomerate in the United States, marketing about 50 different brands. Simultaneously, the founders of Horizon then took the proceeds and launched Aurora Organic Dairy. They converted another of Aurora's conventional CAFOs in Platteville, Colorado, to organic production. Fully vertically integrated, Aurora also built a manufacturing plant next to the facility.

The stated marketing goal of Aurora Organic Dairy (AOD) was to make organic milk more "affordable." I said at the time that this was coded language for, "We are going to competitively crush all of our competitors by squeezing the margins out of this industry."

The acquisition of the Horizon brand by Dean Foods and the launch of Aurora Organic Dairy, specializing in producing private-label, or storebrand, packaged organic milk for the grocery trade, was the catalyst for forming The Cornucopia Institute in 2004 by myself and longtime colleague, Will Fantle.

Between 2000 and 2004, the USDA's National Organic Standards Board (NOSB) had already passed no fewer than five resolutions trying to rein in CAFO abuses. One of the first things Cornucopia did was to file four formal legal complaints with the USDA. We argued that organic regulations were being violated by the Dean/Horizon corporate-owned dairy in Paul, Idaho, a leased dairy Horizon operated in Maryland, a supplier with a split herd (conventional/organic) of 10,000 cows in Pixley, California, and Aurora's operation in Colorado.


The USDA's National Organic Program (NOP) dismissed Cornucopia's complaints, without an investigation. Cornucopia appealed, and the department eventually adjudicated Cornucopia's claims. One Horizon supplier, the Case Vander Eyk, Jr. dairy in California, with no pasture within a mile of their facility, was decertified. Horizon's corporate-owned facilities, in Idaho, were never formally audited, presumably, because of the economic/political clout wielded by the \$12 billion a year dairy conglomerate, Dean Foods.

The Dean/Horizon Maryland dairy, near Washington D.C., was visited by the USDA, but only after their lawyer required USDA investigators "make an appointment." Not coincidentally, lots of cows were out grazing that day.

Aurora, producing private-label "organic" milk for Walmart, Target, Costco and many large supermarket chains, was fully investigated by sworn USDA law enforcement officers. These career civil servants found Aurora in "willful" violation of 14 tenets of the organic law, including confining their cattle (grazing is required by law) and illegally bringing in conventional replacement heifers. USDA staff recommended that Aurora lose their right to engage in organic commerce.

Aurora hired an attorney from the powerful Washington, D.C. law firm of Covington and Burling to represent their interests. The result of their negotiations was political appointees at the USDA overriding the staff and offering Aurora a one-year probation. They also had to reduce the number of animals at their Colorado dairy from approximately 4,400 milk cows to just 800. Even after plowing up some of the feedlots and tearing down sheds, that was the number of cows that could legally be accommodated - illustrating how fraudulent their operation had been.

I was personally contacted by the Under Secretary of Agriculture at the time, trying to sell me on the deal (claiming it was the only expedient avenue to bring the scofflaw dairy to justice).



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The USDA, again during the Bush administration, claimed the organic standards were ambiguous and charged the NOSB with promulgating additional rulemaking. By 2011, after years of delay, a new "pasture rule" went into effect. It required at least 30 percent of the dry matter intake (DMI) in a ruminant's diet to come from fresh pasture and required grazing for the entire season (which could not be less than 120 days).

Since then, no matter what level of evidence has been presented to the NOP concerning scofflaw dairies ignoring grazing and other operational mandates, they have failed to act. Their standard approach has been to rely on the statements made by the operation's organic certifiers. Cornucopia's contention is that, in some cases, these certifiers were either incompetent or co-conspirators in the violations.

How can a dairy, with 1,500-15,000 cows, milk three or four times a day (two times a day is the standard and still challenging) and move cows in and out of a milking facility then back and forth to fresh pasture? They can't.

How can cows meet the minimum standard for pasture intake with stocking levels of up to 10 cows per acre or more (when polled, organic dairy farmers across the nation reported an average of one cow per acre)? They can't.

And the proposition gets even more ludicrous when we find, through scrutinizing regulatory documents, that a number of these dairies cut some of the annual growth, in challenged desert-like environments, for stored hay (maybe increasing the effective stocking rate to, a ridiculous, 15-20 cows per acre).

All of this seemed reasonable to the USDA, industry lobbyists and the largest certifiers.

Things got even worse during the Obama administration. New USDA Secretary Tom Vilsack, a lawyer and former Governor of Iowa (recognized as governor of the year by the biotechnology industry), appointed Kathleen Merrigan, a former Agricultural Marketing Services administrator and former NOSB member, as deputy secretary. She had a background in

Authentic Organic Dairy Products

The Cornucopia Institute, a prominent organic industry watchdog and farm policy research group, has just released a comprehensive history and study of the organic dairy industry. The report exposes how factory farms, some milking as many as 15,000 cows in desert-like conditions in the Southwest, are defrauding consumers of the documented nutritional superiority in pasture-based organic dairy production.

Of particular interest to consumers is the report's organic dairy scorecard rating 160 brands in terms of their authenticity and quality of production; cornucopia.org/scorecard/dairy.

The scorecard rates brands in terms of the integrity of their milk supply, separating major industry players, like the private-label milk brands at big-box retailers that exclusively source from mega-dairies, from the many smaller family-owned operations where cows often have names not numbers. The products, both name brand and private-label (store brand) options, are rated on the basis of a questionnaire, investigations and data mining in federal and public records.

True organic, pasture-based dairy production produces milk with higher levels of omega-3 fatty acids and beneficial antioxidants. Testing, done as part of an investigative report in 2017 by the Washington Post, found milk from Aurora Organic Dairy, the industry's largest organic producer and supplier to retail chains like Costco, Safeway and Walmart, was nutritionally deficient compared to organic family-scale production.

"Consumers are being ripped off," observes Cornucopia board member and organic dairy farmer Kevin Engelbert. The Nichols, New York, farmer and his family operate what was the first certified organic dairy farm in the country. "My family and I have dedicated ourselves, as have the majority of the over 2,000 organic dairy farmers in this country, to creating a superior product in terms of both flavor and nutrition. The inaction by the USDA in enforcing the law is depriving consumers of the healthful benefits they are seeking and competitively damaging ethical farmers."

For every type of product (fluid milk, cheese, butter, ice cream and more), consumers can locate the most reputable brand on the Cornucopia organic brand scorecard. The scorecard is mobile friendly, allowing users to check brand ratings, in real-time, while shopping. It also spotlights newer organic dairy developments such as the promise of 100 percent grass-fed labeled products, soy-free feed and A2 genetics.

The organic industry has grown into a \$50 billion a year juggernaut. No longer do consumers have to go out of their way to buy organic foods at specialty retailers like Whole Foods or the nation's 300 member-owned natural foods cooperatives. Costco is now the largest organic retailer in the country, with Walmart, Target, Kroger and many more of the country's major food retailers rapidly expanding their organic offerings.

However, the USDA's failure to protect ethical industry participants and consumers from outright fraud makes using Cornucopia's organic dairy scorecard a way for organic stakeholders to take the law into their own hands. In every market and product category, consumers can vote in the dairy case to economically support authentic organic farmers while simultaneously protecting and nourishing their own families with the best available foods.

organics but also a very cozy relationship with the industry lobby group, the Organic Trade Association (OTA), even sending students to intern at Au-

rorra Organic Dairy when she was previously teaching at Tufts University.

Merrigan appointed individuals at the NOP with experience in the

organic industry, including former certifier, Miles McEvoy, to run the program. However, the OTA lobbyists were in the driver's seat and their members certainly didn't advocate for vigorous enforcement of any rules that would have constrained industrial dairies.

For example, although it was cited as a top priority by the Bush administration and reiterated as such by McEvoy at the beginning of his tenure, a misinterpretation of the organic standards (some call it a "loophole") allowed a pipeline of conventional replacement animals to be brought continuously into organic dairies.

This loophole created an unfair competitive advantage for the CAFOs. Pushing for high production, they could "burn out" their cattle in one or two years and access a ready supply of conventional replacements converted to organic during the second year of their life.

This allowed large-scale dairies to increase production quickly by buying more conventional cows when the supply of organic milk was tight.

In contrast, true organic farmers don't buy replacement heifers for their milk herd – they sell replacement heifers. Not pushed for maximum production, truly organic cows live long healthy lives, resulting in a surplus of heifer calves.

Selling calves at birth and replacing them with the faux replacement heifers, giant CAFO dairies are even selling the milk that legitimate organic dairy producers use to bottle-feed their young calves.

The most recent USDA records indicate that organic milk production was up 18.5 percent in 2016. Today, there is no doubt that a surplus created by an ever-increasing number of giant dairies, almost universally using legally questionable practices, is poised to wash many organic family farmers off the land.

To illustrate the grotesquely disproportionate scale of some of these organic "farms" in the arid Western states; Texas produces 1.4 times the organic milk that Wisconsin produces, even though Wisconsin, the state with the most organic dairies

and commonly known as America's Dairyland, has 75 times more organic producers (453 versus 6 according to the USDA records).

Although everyone, large and small, is now impacted by the surplus, companies like Aurora, with millions in outside investor equity, may be better positioned to survive. Aurora recently announced a major expansion of their business with the construction of a second processing plant in Columbia, Missouri, which will reportedly require the milk production of 30,000 cows to operate.

Organic dairying is now a "bifurcated" industry. There are two organic labels. What was once a badge of ethical food production, the organic seal, is now just a beginning.

It's incumbent upon consumers and wholesale buyers to empower themselves with additional knowledge so they can make good, discerning purchasing decisions in the marketplace, rewarding the true heroes in the organic dairy industry.

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