

# MAINTAINING THE INTEGRITY OF ORGANIC MILK

*Showcasing Ethical Family Farm Producers  
Exposing the Corporate Takeover - Factory Farm Production*

BY MARK ALAN KASTEL

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**The Cornucopia Institute** is dedicated to the fight for economic justice for the family-scale farming community. Through research, advocacy and economic development our goal is to empower farmers both politically and through marketplace initiatives.

**The Organic Integrity Project** will act as a corporate and governmental watchdog assuring that no compromises to the credibility of organic farming methods and the food it produces are made in the pursuit of profit. We will actively resist regulatory rollbacks and the weakening of organic standards to protect and maintain consumer confidence in the organic food label.

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## EXECUTIVE SUMMARY

THE METEORIC GROWTH OF ORGANIC DAIRYING is one of the rare success stories found in agriculture today. The business has been built over the past two decades and nurtured by family farmers collaborating with consumers hungry for organic food. For those farmers involved in dairying, organics has been a true lifeline. Those able to make the difficult three-year transition to organics have been rewarded by top commodity prices at the farmgate and a living wage—something that stands in stark contrast to the intense price squeeze that has driven many of their conventional neighbors from the business. In addition, organic dairy farmers are enjoying explosive growth in demand for their products.

Consumers have been willing to pay premium prices in the market for certified organic dairy products, with the understanding that the food has been raised in a sustainable, environmentally sound manner and that they are helping support and keep family farmers on the land. Many consumers assume that humane animal husbandry practices are employed by organic farmers, and they may believe that organic food is more nutritious.

Organic dairy products are also a “gateway” food to other organic products. Consumers recognize such familiar products as milk and cheeses, frequently sampling organic dairy products first before moving on and experimenting with other organic commodities.

But this success story is now at risk; it is threatened by powerful economic interests that covet their share of the organic pie (now in excess of \$15 billion in annual sales) and who are willing to twist, manipulate, and even ignore federal organic regulations in their rush to cash in. Some agribusiness giants are depending on consumers not knowing the difference between their product and those produced with ethics and integrity.

### PULLING BACK THE VEIL: RATING AMERICA’S ORGANIC DAIRY BRANDS

This report aims to pull back the veil and allow consumers to easily identify those organic dairy products that have been produced with the best organic practices. By using the Web-based rating tool found on our Web page [www.cornucopia.org](http://www.cornucopia.org), you will be able to identify the brands and products found in your region and examine their ranking, score, and how well they meet key criteria covering organic management practices. At the time of this publication, the survey rates 68 different organic dairy brands and private-label products found across the country.

The good news we can report is that *the vast majority* of all name-brand organic dairy products are produced from milk from farms that follow accepted legal and ethical standards.

However, consumers should also recognize that an increasing amount of milk used in certain organic dairy products is coming from factory farms that are employing suspect practices that skirt organic regulations and negatively impact human nutrition and the health and well-being of livestock. Nearly 20% of the name-brands now available on grocery shelves scored a substandard rating. And a growing number of new factory farms—housing thousands of cows in confinement conditions—are in development because of strong organic commodity prices, growing consumer demand, a shortage of certified organic milk, and a reluctance by federal regulators to enforce the current organic rules.

As more and more of these industrial-scale livestock operations come online, the potential will develop for a surplus of organic milk. Should a surplus occur, it is likely that the downward price pressure will wash many smaller family-scale producers out of business. This will repeat the same sad story that has forced so many conventional farmers off the land—even though organics was hailed as an antidote to the effect of corporate-controlled food production and its accompanying vertical integration of farming and its application of the industrial/confinement model.

Organic community observers have warned the United States Department of Agriculture for more than five years that factory farms have been moving into the organic livestock industry and that they have not been following key organic provisions faithfully observed by the many thousands of small- and medium-sized farmers. Our report also recounts that saga and the attempts by farmers, consumers, and organizations like The Cornucopia Institute to win USDA action. Mostly, the Agency has resisted or ignored the pleas for enforcement of federal organic rules, even sitting on recommendations from their own citizens advisory committee, the National Organic Standards Board.

## EMPOWERING THE ORGANIC CONSUMER AND WHOLESALE BUYERS

But we believe that there is a *higher authority* than the USDA: the organic consumer! It is our hope that consumers and wholesale buyers in the nation's grocery stores will use our survey results and ratings as a guide to help them vote in the marketplace for those organic dairy products from businesses who share their values. This will also send a powerful message and it will serve to prod those who require encouragement to change their management practices.

The ratings of dairy brands on the Cornucopia Web site are based on a 19-question survey that 81% of the name-brand marketers executed. Brands received scores ranging from “one cow” through “five cows” (five cows ranking as best) based on their milk production or purchas-

**Identify your local dairy brands with the Organic Dairy Brand Scorecard at [www.cornucopia.org](http://www.cornucopia.org)**

Some industry players have suggested that The Cornucopia Institute has an ulterior motive or a bias against certain companies involved in the organic dairy business. And they have charged that any public criticism of practices employed in the production of organic milk harms the organic label in the eyes of consumers.

Let us set the record straight. We strongly believe in the right of consumers and the public to know about the ethics and production practices involved in making the wide variety of organic dairy products. We fully understand the desire of those involved in the organic industry to present a positive view of their products. And we are as strong an advocate for organic food and agriculture as anyone.

But when practices are employed that shortchange or mislead the consumer, and harm the interests of the ethical family farmers who built this industry, we are going to speak out. We will identify what the problems are. We do this to inform, to protect, and to empower consumers and farmers, as well as to motivate all involved in the organic community to uphold the integrity and high standards of organic agriculture.

**Margaret Hannah**  
Board President  
The Cornucopia Institute

ing practices. None of the private-label marketers (grocery chains and distributors) opted to participate in the study—a lack of candor conspicuous in an industry founded on transparency. These *store brands* received a rating of one or two cows. Instead of depending on their participation in the research study, their rankings were based on industry sources and federal records indicating whether some or all of their milk was produced on factory farms.

From looking at graphic images of contented cows on luscious grass, or reading the heartfelt messages on some of the dairy product packaging proclaiming a deep and abiding reverence for the foundational philosophies of organic dairy production, consumers would never know whether their milk is coming from industrial-scale confinement farms—with questionable environmental, labor and animal husbandry track records—or from family-scale farms with a strong connection and respect for the land and animals. This report is intended to help you make purchasing decisions independent of industry chaff and PR.

# INTRODUCTION: THE PROMISE OF ORGANIC AGRICULTURE

OVER THE PAST 20 YEARS, since expanding into a viable commercial niche, the organic marketplace has been nurtured through a unique and loving collaboration between ecologically minded farmers, and consumers who are willing to compensate them fairly for their efforts. By purchasing organic products, consumers have demonstrated that they are interested in healthy, whole foods, grown without the potential for contamination by toxic agrichemicals or drugs, including antibiotics and growth hormones. And for some, the added bonus of supporting environmental protection and sustainability is a strong inducement.



In concert, family farmers who were, at a quickly escalating pace, being forced off the land by the industrialization of agriculture and the tightening of profit margins, have embraced organics as an “alternative economy.” For many, it was an economic lifeline, offering a living wage for the work they loved. Organic farming was the antidote to the message sent to farmers from the Nixon Administration’s Secretary of Agriculture Earl Butz: “Get big or get out!”

As the growth of organic agriculture accelerated in the 1980s, organic producers recognized that their infrastructure for voluntary, third-party certification was not being universally subscribed to. Some organic farms were certified, while many commercial-scale producers were not.



## INVITING THE FEDERAL GOVERNMENT TO REGULATE ORGANIC FOOD PRODUCTION: BE CAREFUL OF WHAT YOU ASK FOR, YOU MIGHT ACTUALLY GET IT

THE LACK OF UNIFORM STANDARDS encouraged a Congressional initiative that culminated in the adoption of the Organic Foods Production Act (OFPA) of 1990 to provide oversight, through the United States Department of Agriculture (USDA), to the rapidly growing organics sector. The goal was to create a “level playing field” with high integrity, transparency, and a verifiable audit trail, assuring consumers that organic food was produced to high, uniform, and ethical standards.

Although the USDA was unenthusiastic about the prospect of regulating organic food—and informed Congress of this in their direct public testimony—the legislation was enacted as part of the 1990 Farm Bill under the guidance of Vermont’s senior senator, Patrick Leahy. Flying below the radar, this would be the last time that large food concerns and agribusiness lobbyists ever neglected to monitor the organic community’s relationship with Capitol Hill.

Part of the new “organic law” mandated the seating of a very special advisory panel that would oversee organic food production and handling procedures and any materials that would be approved for use in organic production. With a legislative mandate unlike those of other USDA advisory panels, The National Organic Standards Board (NOSB), made up of four farmers, three consumer and public interest representatives, three environmentalists, two food processors, a retailer, a scientist, and an organic certification agent, began meeting in sincere in the 1990s. They made recommendations to the USDA and provided guidance that the agency would use to draft and implement the regulations.

The USDA, however, chose to ignore much of the expert and public testimony taken during many years of sincere participation from stakeholders in the organic community, as well as the advice from the NOSB, when the agency promulgated its first draft of organic regulations governing the production, handling, and processing of organic food. The draft was published in the Federal Register in December, 1997. The USDA’s suggestion that the use in organic production of genetically modified organisms, sewage sludge, irradiation, antibiotics, slaughter by-products, and other objectionable items and practices immediately lit a firestorm of opposition. *Over 300,000 public comments* (a national record) were submitted to the USDA, almost exclusively condemning their draft proposal.



The draft was quickly withdrawn, and the organic community was once again, albeit in a shell-shocked state, attempting to collaborate with the USDA in fulfilling the promise contained in the 1990 enabling legislation: fair and judicious oversight by our federal government over organic food and its production.

It would not be until the fall of 2002 that the final draft of the organic rules would be adopted and go into effect. Despite the fact that the “Final Rule” largely reflects recommendations of the NOSB and public comments submitted in response to the first and second proposed rules, it contains vague language in several sections and has not been vigorously supported or enforced by USDA.

It has become clear that many of the “troubles” that face the organic industry today are a direct by-product of a somewhat flawed set of regulations and a federal regulatory body that is closely aligned with corporate agribusiness, agrichemical manufacturers, and biotechnology concerns.

Why hasn't the USDA been strictly enforcing the regulations that are on the books? Curious readers can find documentary evidence of the incestuous relationship between the USDA, corporate lobbyists, and large political contributions in two reports: *USDA Inc.: How Agribusiness Has Hijacked Regulatory Policy at the US Department of Agriculture*, by Phillip Mattera and published by Good Jobs First (available at [www.agribusiness-accountability.org/page/325/1](http://www.agribusiness-accountability.org/page/325/1)) and *A Matter of Trust: How the Revolving Door Undermines Public Confidence in Government—And What to Do About It*, written and published by the Revolving Door Working Group ([www.revolvingdoor.info](http://www.revolvingdoor.info)).

The reports outline the pedigree of the current Administration's political appointees at the USDA and their direct links to the most powerful food and farming corporations in the world. These corporations either have been hostile—investing in a disinformation campaign to both discredit organics and stifle its growth—or have been gobbling up the pioneering organic companies and then cutting costs by industrializing their processes by sourcing ingredients from factory farms and Third World countries, threatening the standards, ethics, and vision of organic production.

But don't simply take our word for the gross failures by the USDA to carry out their two fundamental duties: co-managing the administration of the federal organic regulations with the NOSB, and the accreditation of the nation's organic certifying agents. Readers are invited to review two scathing reports issued in 2005 that critique the performance of the USDA's National Organic Program. One report is an audit—a periodic peer review mandated by the OFPA law and carried out by the American National Standards Institute. It found that the agency *was deficient in many of the statutory responsibilities* in overseeing the accreditation of the nation's organic certifying agencies.

The second report was an investigation undertaken by the USDA Inspector General's office. It profiles lax USDA oversight and the agency's refusal to work collaboratively with the NOSB (as the law requires). Many scores of recommendations made by the NOSB have languished for years without the required action of the USDA. A number of well-placed industry observers estimate that somewhere between 30 and 40 board recommendations *have never even been addressed*.

In addition, appointments to the NOSB are now being made in secret. While the Federal Advisory Committee Act (FACA) does not require the USDA Secretary to publicly announce the nominees to the NOSB (or other citizen-committees) prior to their appointment, during some of the rounds of previous appointments stakeholders in the organic community were invited to comment on potential nominees to this critically important board after their names were publicly posted. This effort reflected a desire, at the time, by the USDA to build goodwill. The result was a highly respected, bipartisan, and diverse body that truly reflected the broad interests of a matur-



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ing industry, an industry that now exceeds \$15 billion in annual revenues. However, in recent years the USDA has utilized the more traditional process of having candidates privately vetted by political/policy appointees in the Secretary's office without providing the opportunity for public dialogue.

As a result, the last two rounds of appointments have witnessed an increasing tilt toward the corporate interests seeking to dominate the organic marketplace. Two of the more egregious appointments, and evidence of disrespect and contempt for the underlying philosophies that the organic industry was founded on, occurred earlier this year when the NOSB vacancies legally designated for a "consumer/public interest representative" were given to an employee of the agribusiness giant General Mills and a consultant working directly with dairy marketing and farming corporations on the West Coast. After a quick and caustic response, including letters to both the USDA Secretary and General Mills from a consortium of nongovernmental organizations (including the Consumers Union, publisher of *Consumer Reports* magazine) the nomination of the General Mills employee was withdrawn.

Obviously, openly collaborating with the public would have served USDA Secretary Mike Johanns well, by saving embarrassment and by appointing an advisory panel of the highest quality, integrity, and independence.

## THE COMMERCIALIZATION OF ORGANIC DAIRY

ALTHOUGH A LIMITED NUMBER OF DAIRY FARMS around the country never adopted “modern practices” and continued to farm organically after synthetic chemicals were popularized after World War II, only a handful of dairies around the country marketed their products as organic prior to the late 1980s.

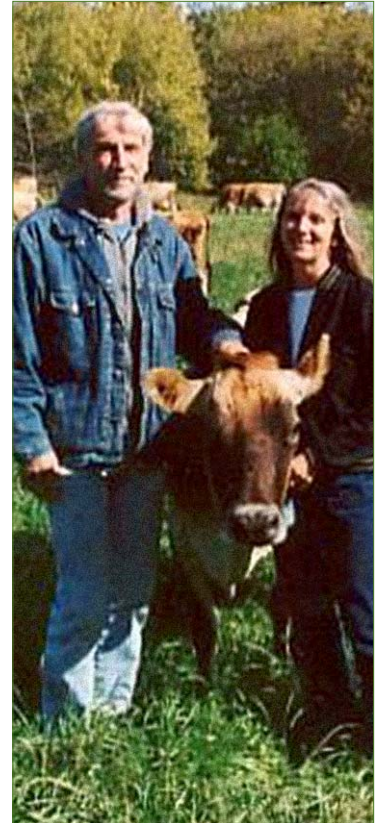
Two of those pioneers were Jack and Anne Lazor from Vermont (Ms. Lazor is a board member of The Cornucopia Institute). Their Web site features their story:

Butterworks Farm began in 1979 when we left our teaching jobs and began making a variety of dairy products from the milk produced by our three family cows. We made butter, yogurt, and cottage and farmer's cheese on our kitchen stove, and delivered these products and bottled raw milk to twenty-five families within 10 miles of our farm, here in the Northeast Kingdom of Vermont. Our little business evolved gradually to the point where we began selling products to local food co-ops and health food stores. By 1984, we became licensed by the Vermont Department of Agriculture to process our cows' milk into yogurt and bottled cream in a little “factory” in the upstairs of our barn.

The Lazors now milk about 45 jersey's.

Another pioneer was Stonyfield Farms, which began as a biodynamic farmstead dairy. It successfully flourishes today on a much larger scale as the country's biggest producer of organic yogurt. Another early organic dairy leader was Seven Stars Farm, in Pennsylvania. Today it continues producing farmstead yogurt and is very highly rated on our scorecard.

In 1988 dozens of farmers in southwestern Wisconsin formed what was principally an organic vegetable cooperative to replace the region's declining income from specialty tobacco production. With most of the vegetable/tobacco producers being small, family-scale dairy farmers, they quickly expressed the desire to investigate manufacturing and marketing organic cheese. The CROPP Cooperative, which would later adopt the marketing name Organic Valley in the early 1990s, started cheese production with seven certified organic producers, becoming the first commercial-scale organic dairy organization in the country. It has since grown into the nation's largest farmer-owned organic cooperative.





## ORGANIC DAIRY: METEORIC SUCCESS ATTRACTS MAJOR CORPORATE INVESTMENT AND ETHICAL PRODUCTION SHORTCUTS

IN 1991 A GROUP OF WELL-HEELED INVESTORS, led by organic entrepreneurs Mark Retzliff and Paul Repetto, approached the CROPP Cooperative with a request to supply their new company, Horizon Organic, with organic milk so that they could enter the yogurt business. As demand increased, Horizon branched into the marketing of fluid milk. CROPP was now able to offer the economic hope of sustainable prices to more and more family-scale farmers, with their milk reliably going into Organic Valley cheese or Horizon products.

At about the same time in the early 1990s, a highly charged political issue rose to prominence in the nation's news media: the pending introduction, for commercial use, of a growth hormone that would stimulate increased milk production in dairy cows. Recombinant bovine growth hormone (rBGH), manufactured and marketed by Monsanto, became the first genetically engineered agricultural production product to be sold in the United States. Designed to boost a dairy cow's milk output and approved for use by the Food and Drug Administration on November 5,

1994, rBGH has played a significant role in the industrialization of dairy production. It has serious implications for animal welfare and poses a potentially serious health threat to dairy cows. The synthetic hormone's impact on human health is still being vigorously debated.

Despite widespread consumer concern and the wholesale disregard for what polling indicated was an overwhelming concern by their customers, conventional dairy product marketers refused to prohibit the use of the synthetic hormone, leading many concerned consumers, especially parents, to carefully examine the alternatives. Organic dairy products instantly benefited. Organic's prohibition on the use of genetically modified products like rBGH helped organic dairying's star rise in the marketplace. Of all products the biotechnology industry could have chosen as their first widespread commercialized product, they chose milk—a product so intimately defined by its relationship between mothers and young children.

CROPP continued to reach out to family farmers, proclaiming organic milk's health benefits and economic opportunities. But Horizon had a different supply chain model in mind: factory farming. One of their principal investors was Marc Peperzak, who at the time was the largest operator of conventional factory farms in the nation. His company, Aurora Dairy, operated a number of industrial-scale dairies, milking thousands of cows from Colorado to Florida. In the mid-1990s his corporation was the largest conventional milk producer in the United States. Horizon began by converting half the cows on a factory-farm facility in Paul, Idaho, to "organic" production, while the other half of the herd continued to receive conventional feed and daily injections of Monsanto's rBGH.

Soon after, Horizon converted all 4000 to 5000 cows at their Idaho facility to what they called organic production, maintaining a production formula very similar to conventional factory-farm production (confining cows to feedlots or sheds with very little, if any, access to pasture while they produced milk during their lactation cycle). The company subsequently started two other large dairies in the East.

Horizon has become an example of "success" in the investment community. As President Calvin Coolidge described the country's economic orientation: "The business of America is business." Horizon's investors have made millions, not selling organic milk, but by selling something much more valuable—equity and stock on Wall Street. They started out with millionaire investors from Aspen and Boulder, Colorado—later selling equity in

their organization to venture capitalists. Eventually they had a lucrative initial public offering (IPO) on Wall Street, both allowing investors to cash out, and infusing additional capital for growth. Flush with cash, they grew by adopting the standard paradigm of acquiring their competitors: Horizon purchased Organic Cow of Vermont, a respected organic brand, and Rachel's, in the UK.

Their transition into some of the richest entrepreneurs in the organic industry culminated with the selling of Horizon to Dean Foods, the true Goliath of the conventional dairy industry—the nation's largest commercial milk bottler with approximately \$11 billion in annual revenue. Already a minority owner of Horizon, Dean Foods acquired the 87% of Horizon that it did not own for \$216 million in January, 2004. This further padded the company's organic/natural portfolio which contained the previous 1999 acquisition of the Alta Dena dairy in California, a well-regarded regional brand.

Since Dean's core business had been stagnant, and their stock was not viewed favorably by institutional investors, they were able to use Horizon and their acquisition of White Wave, including the Silk line of soy drinks, to make their business more attractive to current and potential investors. Dean now controls the leading brand of milk in both the US and the UK.

Organic customers will never see the name "Dean's" on a carton of Horizon organic milk or Silk. Instead they will see the name of one of the pioneering companies in organics, White Wave. Some organic customers who think that their investment in high-priced food also represents a societal investment in responsible environmental stewardship and economic justice (in defense of family-sized farms being driven out of business by corporate agribusiness) might well be turned off if they knew the parent company's pedigree and history of dealing with the farmers who supply their conventional commodities. Just like General Mills, Kraft, and other giant corporations that have bought established organic brands, it was probably a smart move for Dean to leave its name off the products.

Our critique of Horizon, in this report, presents a bit of a conundrum. Although they are involved in vertical integration—controlling agricultural production from owning cows and land, to manufacturing plants and distribution and sales, a practice that typically discriminates against family-scale producers, they continue to *source at least half their milk from hundreds of family-scale farmers*. Our research has not indicated anything to make us believe that these farmers are not acting ethically and truly meeting the expectations consumers have about where their organic milk comes from.

However, in addition to the two large farms that Dean owns and operates (their 4000-head Idaho dairy and a 500-plus cow dairy in Maryland), they continue to buy milk from other mega-dairies including one in California with as many as 10,000 cows (a split operation with both conventional and organic production). Furthermore, the company continues to solicit private investment in more and more factory farms, including the recent announcement that an entrepreneur will build a 2000-cow set up in eastern Washington, an area with extremely low rainfall and quite likely ecologically unsuited for sustainable livestock production. (Later in this report we detail how factory farms are skirting—if not violating—the federal rules governing organic food production.)

Recently, in response to widespread criticism of their management practices on their Idaho factory farm, Dean/Horizon announced a \$10 million investment in building a second industrial-scale farm in Idaho and splitting their 4000 milk cows between the two operations. A recent news story quoted The Cornucopia Institute as calling this "Dean's \$10 million gamble." The giant corporation is betting on continuing to grow and control a large percentage of their milk supply while "greenwashing" their operations.

The concern among dairy farmers is Dean's clear economic model of controlling a large percentage of the market (Dean controls 30% of the country's conventional milk but already has a whopping 55% market share in organic dairy, according to a November 2005 *New York Times* report—[www.cornucopia.org/index.php/70](http://www.cornucopia.org/index.php/70)).



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And Dean has joined with Wal-Mart in putting marketplace pressure on virtually every retailer and supplier of organic milk in the country. In every market, Wal-Mart sells Horizon and Silk products at prices lower than some smaller retailers and cooperative stores pay their wholesale distributors. This does not bode well for smaller cooperative or family-owned dairy brands and the farmers who supply them.

With more and more milk coming online from giant farms, both from Horizon and other players, how long will it be until even a slight surplus of milk starts to put downward pressure on farm-gate prices? Already, some organic farmers, principally in the Northeast, are struggling with rapidly increasing costs due to very high prices of organic feed and escalating fuel costs. Many organic farmers are just making ends meet now and worry about a future dominated by corporate interests. They have seen most of their neighbors driven off the land by not heeding former Secretary Butz's now proverbial warning: "Get big or get out."

## PRIVATE-LABEL COMES TO ORGANIC DAIRY: THE ANONYMOUS COMPETITOR

STORE BRANDS, usually known as “private-label brands,” of organic food seem to contradict what many thought the organic movement was all about: consumers understanding where their food comes from and how it is produced.

By their very nature, *private-label products are anonymous*. Grocery chains or distributors are able to lower their prices, and sometimes expand their profit margins, by buying food and other products in a competitive open marketplace. One batch of their organic crushed tomatoes might be from California or Florida. But when a competitor in Mexico quotes a lower price, the store can slap its label on that can, and the consumer will never be the wiser. Are these products coming from family farms? Are they certified by reputable organizations? Are they joining a long list of other organic products being imported from as far away as Central and South America, New Zealand, and even China?

The big new player in organic dairy is Aurora, based in Colorado—yes, the same Aurora dairy whose principal owners, Mark Retzloff and Marc Peperzak, founded Horizon and then cashed out for millions when they sold the company to Dean’s. Aurora sold only their Idaho farm to Horizon, leaving them with about a half-dozen conventional factory farms with thousands of milk cows scattered around the country. They secured an \$18.5 million equity investment from Charles Bank in Boston (the manager of Harvard University’s endowment funds) to help convert their industrial farms in Colorado and Texas to what *they claim* is organic production and to build a processing plant to bottle milk in a remote area of Colorado.

Their Colorado operation is the largest organic dairy in the country, producing 10 million gallons of milk a year from its herd of 4000 to 5000 cows. Following the factory-farm model of their former installation in Idaho, now owned by Dean/Horizon, cows in Aurora’s facilities have virtually no opportunity to graze.

And like the marketplace pressure exerted by the Dean/Wal-Mart connection, Aurora’s cheaper factory-produced milk is undercutting reputable and established brands in the market. Aurora’s primary business is producing private-label milk, supplying supermarkets such as Safeway and Giant, and specialty retailers such as Wild Oats or warehouse stores like Costco. Again, *no matter where you are in the country*, if you are a farmer producing organic milk that truly meets the expectations of consumers by pasturing your animals, you are most likely facing competitive pressure from Aurora.

None of the grocery store private-brand milk cartons we have seen say anything about Aurora or confinement factory farms. Most products instead graphically misrepresent their contents by portraying images of cows on lush green pastures with cute red barns and text such as “pastures for grazing and roaming.”

Like Horizon, Aurora seems to be having success in the marketplace, and reports indicate that they are building an additional 3000-plus cow dairy in arid Colorado (also being portrayed as another model “green” farm) and intend to convert another current confinement farm in Georgia to organic production.





## APPEALING TO THE USDA FOR ENFORCEMENT OF THE PASTURE STANDARD ON ORGANIC DAIRIES: AN EXERCISE IN FUTILITY?

NEARLY FIVE YEARS AGO, the National Organic Standards Board passed a “pasture guidance document” clarifying management requirements for organic dairy cows and other ruminants. But the USDA did little with the recommendation to communicate what it expected of organic livestock producers, letting it languish. With more and more factory farms in development, the directors of The Cornucopia Institute decided to pursue alternative enforcement avenues.

On January 10, 2005, the Institute filed the first of three formal legal complaints with the USDA’s Agricultural Marketing Service (AMS) compliance division. The legal complaints outlined multiple alleged violations of organic livestock management practices at three mega-farms and called upon the compliance division to investigate the matter.

The Institute’s complaints were based on photographs, satellite imagery, and interviews with dozens of industry professionals, including current and former farm employees, veterinarians, feed consultants, and representatives of a buyer’s group that had been scrutinizing the records of one of the identified farms. All of these professionals had the opportunity to visit and observe the three industrial farms targeted in the legal complaints. Suspected violations of organic livestock management practices were identified on each of these factory farms, and the allegations were documented in the formal legal complaints filed with the USDA’s compliance staff.

The day the first of these complaints was filed against the Aurora confinement operation in Platteville, Colorado—the nation’s biggest certified organic dairy—the *Chicago Tribune* ran a front page story comparing this industrial farm, in the arid West, with a more typical family-scale organic dairy farm in Wisconsin.

The response to the legal complaint was instantaneous and electric. Richard Mathews, then the manager at the USDA’s National Organic Program, sent an e-mail to his staff and all members of the NOSB at 7 p.m. that evening requesting the board to “revisit” their guidance document from 2001 and update it. They would present the update at the spring 2005 NOSB meetings and offer their new draft to the USDA for adoption.



The Institute subsequently filed additional complaints, this time against Dean's Horizon farm in Paul, Idaho, and one of Horizon's fluid milk suppliers, the 10,000-cow confinement, split (organic/conventional) dairy in California operated by Case Vander Eyk, Jr.

Sensing a light at the end of the tunnel, The Cornucopia Institute and other family-farm supporters helped organize an unprecedented level of farmer participation at the NOSB's spring meeting in Washington, D.C., that brought more farmers to this meeting than had ever attended any other meeting of the NOSB in its 15-year history. The farmers assembled from around the country to impress upon the Board that immediate action was necessary to close the loopholes these factory farms were creatively using to justify ignoring the current regulations. This was particularly important with more feedlot dairies under development across the country.

In addition, the Institute presented a survey it had undertaken of the nation's organic dairy farmers to measure their support for enforcement of the pasture rule, strict organic standards, and how rigorous enforcement of the rule would impact their farming operations ([www.cornucopia.org/index.php/13](http://www.cornucopia.org/index.php/13)). Nearly 93% of the hundreds of farmers who responded (a 30% response rate) expressed outright support for the organic pasture rule and its enforcement. And a petition containing more than 8000 signatures supporting the organic pasture standard was also hand delivered to the Board.

The NOSB heard the message. They chose to strengthen and clarify their original guidance document, making it crystal clear that Horizon, Aurora, and similar industrial dairies were out of compliance. Furthermore, the NOSB proposed a number of rule changes aimed at clarifying and tightening up other aspects of the guidance document. Board members believed that changing the rules carried more weight and substance than the issuing of an advisory guidance to dairy producers and organic certifiers.

## Organic Enforcement: The Legal Route

Last fall, The Cornucopia Institute filed a fourth formal complaint with the USDA after being invited to visit a contract ranch that raised calves, replacement heifers, and dry cows (between lactations) for the Aurora factory dairy. Not only were none of these cattle on pasture, but we were flabbergasted to discover that this giant "split" operation—housing thousands of animals, both conventional and organic, storing and using conventional and organic feed, and managing 50 to 100 employees—had never been certified as an organic livestock operation! One of the largest and most complex organic livestock facilities in the United States, and yet no inspector had ever reviewed its records, interviewed its managers, or examined and approved an organic livestock management plan.

The USDA is now actively investigating in earnest two of the four legal complaints the Institute has filed.

Files for the other two factory farm complaints were closed by the USDA without explanation. Institute staff were forced to file a request under the Freedom of Information Act to determine why the Agency justified closing the cases. We learned that the complaints were dismissed at the direction of the acting manager of the National Organic Program and without any investigation ever being initiated. The Cornucopia Institute is currently exploring options with our legal counsel for possible court intervention.

## WHAT THE REGULATIONS REALLY SAY

The Cornucopia Institute's original contention in filing their legal complaints was that the current law *was enforceable* without additional clarifications or changes to the regulations. At least four sections in the organic regulations, if considered together, make it quite clear that organic dairy cattle are intended to be pasture based.

**Section §205.237** states: "The producer of an organic livestock operation must provide livestock with a total feed ration composed of agricultural products, including pasture and forage."

**Section §205.238** states, among other provisions: "The producer must establish and maintain preventative livestock health care practices, including ... establishment of appropriate housing, pasture conditions, and sanitation practices to minimize the occurrence and spread of diseases and parasites, and provision of conditions which allow for exercise, freedom of movement, and reduction of stress appropriate to the species."

**Section §205.239** mandates that: "The producer of an organic livestock operation must establish and maintain livestock living conditions which accommodate the health and natural behavior of animals including ... access to the outdoors, and, access to pasture for ruminants."

**Section §205.239 (b)** also stipulates that any confinement due to "inclement weather, the animal's stage of production, conditions under which the health, safety or well-being of the animal could be jeopardized, or risks to soil and water quality" could only be utilized in organic management as a *temporary* measure.

Along with these requirements, the organic regulations provide a very clear definition of "pasture" in Section §205.2: "Land used for livestock grazing that is managed to provide feed value and maintain or improve soil, water and vegetative resources."

The full text of the USDA National Organic Program regulations can be viewed at [www.ams.usda.gov/nop](http://www.ams.usda.gov/nop).

### Hey, Aren't These Farms Certified?

Some consumers have asked the question, how could these violations be taking place if these farms are certified? After all, certification is supposed to be the backbone of the USDA's organic program and is designed to be a firewall blocking unsound practices that produce food unfit for the strict standards expected of the organic food label.

Scrupulous organic certifiers have taken great umbrage at the fact that the certifiers of these suspect farms are letting their clients tiptoe around organic rules and regulations. It has been argued that the truly culpable parties here are the certifying agencies. At a minimum, they could very well be categorized as "co-conspirators."

So who does certify the farms that are being formally investigated and/or under public scrutiny?

The Aurora dairy farm is certified by the State of Colorado, one of 13 state programs in the country.

Interviews with state Department of Agriculture staff have indicated that the personnel involved might not have had any prior experience in organic livestock inspections—and yet they were assigned to review the largest and most sophisticated organic livestock operations in the country.

Many of the other factory farms in this country are certified by Quality Assurance International (QAI), one of the largest certifiers in the United States. QAI mostly certifies large corporate interests. The very few farms they work with tend to be among the biggest in the country. With approximately 50 other domestic certifying agencies in the country, the USDA chose a QAI staff member this past December to join the NOSB as the representative for certifier interests on the Board. He joins a former QAI associate who already sits on the 15 member board.

The vast majority of all organic livestock producers and their certifiers understand the intent of these passages. Access to pasture means ongoing access, which naturally results in the animals securing a significant percentage of their feed intake from pasture. It seems the large corporate dairy operators understand this also, since in justifying their confinement operations, they have carefully crafted their language in an attempt to develop loopholes that no one else sees.

As an example, they have made a number of statements akin to, *all of our animals have access to pasture during some of their lives, or during some of the year, but due to “stage of production” we don’t pasture our lactating (milking) animals.*

Past members of the National Organic Standards Board, including Cornucopia board member Bill Welsh (who also sat on the NOSB’s livestock committee when the standards were written), see through the ruse. Welsh has emphatically stated: “Cattle were intended to graze on pasture, and ‘stage of production’ was intended to describe situations such as the birthing process or the necessity to protect very young offspring.”

The fact of the matter is that it is simply impossible to milk 2000, 3000, 4000, or more cows three or more times a day, and logistically transfer them back and forth from pasture to the milk parlor that many times a day. Family-scale organic dairies understand this, and that is why they typically milk their cows twice a day. But the confinement model is designed to maximize extremely high milk production from dairy cattle—something that is unachievable in a pasture-based system. By milking more often and feeding their milk herd a high-energy ration instead of a reliance on pasture, operators are able to produce more milk at a lower price.

This high-production strategy also causes extreme stress on the animals and quickly “burns them out.” The high cull/slaughter rates, or herd attrition, on these huge confinement farms are anything but organic and sustainable. The fact that they need to constantly bring in replacement animals to the milking herd, because their own on-farm reproduction is inadequate to sustain the pace of their cull rate, is proof that these facilities are violating the intent of the regulation and are not sustainable operations.

These large farms, in the Institute’s opinion, *are gaming the system* at the expense of ethical family-scale producers. And their lower cost of production threatens the future financial viability of family-scale farmers who have been ethically and faithfully following the true intent of the organic livestock management regulations. This economic model has already been proven in conventional agriculture where most small producers have been washed off of the land by the larger, industrial-scale operations.

Pasturing truly is the cornerstone of organic dairy farming; it protects and builds the soil, creates wildlife habitat, and makes an ideal filter system—important for our waterways.

Consumers should also be aware that milk from factory-farm operations may be less nutritious than that from pastured dairy cows. *What cows eat affects their milk’s nutrition.* The Danish Institute of Agricultural Research recently reported that organic milk—defined as produced by pastured cows—is 50% higher in vitamin E, 75% higher in omega-3 fatty acids, and 200%–300% higher in antioxidants than conventional milk. And The Union of Concerned Scientists has just released the first comprehensive study that confirms that beef and milk from animals raised entirely on pasture have higher levels of beneficial fats that may prevent heart disease and strengthen the immune system ([www.ucsusa.org](http://www.ucsusa.org)).



**THESE LARGE FARMS... ARE GAMING THE SYSTEM AT THE EXPENSE OF ETHICAL FAMILY-SCALE PRODUCERS. AND THEIR LOWER COST OF PRODUCTION THREATENS THE FUTURE FINANCIAL VIABILITY OF FAMILY-SCALE FARMERS**

## SUBTERFUGE: ACTION BY THE NOSB IS CONVERTED BY THE USDA INTO MORE INACTION

AT THE NEXT NOSB MEETING, in August 2005, board members and the public were caught by surprise when USDA staff suddenly and unexpectedly rejected the body's recommendations for a proposed rule change, claiming that it was "ambiguous and without clear regulatory intent."

Members of the organic farming community, who had once again trekked to Washington to engage in the process, were stunned and felt betrayed. The NOSB's intent was clearly documented in the transcripts of prior meetings, public testimony, and the document they had originally submitted in 2001. In terms of language, if USDA staff had legitimate concerns, they could have collaborated with the NOSB and its livestock subcommittee prior to their August meeting to develop a new draft to be presented and voted on. Instead, their rejection of the language was viewed as a delaying tactic.



**MEMBERS OF THE ORGANIC FARMING COMMUNITY, WHO HAD ONCE AGAIN TREKKED TO WASHINGTON TO ENGAGE IN THE PROCESS, WERE STUNNED AND FELT BETRAYED.**

In the meantime, the NOSB drafted a new pasture guidance document and adopted it at the August meeting. This guidance document joins an increasing body of recommendations that have yet to be formally enacted by the USDA and posted on their Web site for implementation.

The NOSB then requested a fall 2005 meeting, primarily to review the sunseting of approved materials for organic production and processing. At that meeting they also expected to vote on the final adoption of a rule change pertaining to pasture. USDA staff initially rejected the NOSB request for a meeting, stating their workload would not permit it. When the NOSB did prevail, and a meeting was scheduled for November, the USDA made it clear that they would not allow pasture to be placed on the agenda; the meeting would be exclusively focused on the sunseting issue.

The Cornucopia Institute turned to USDA Secretary Mike Johanns and encouraged him to intercede in the dispute and order NOP staff to place pasture on the meeting agenda. Unfortunately, as had been the Institute's past experience, phone calls and e-mails went unreturned.

The Institute then crafted a sign-on letter, supported by over 100 consumer, environmental, and farm organizations in the organic industry, requesting that the Secretary intervene.

And finally, The Cornucopia Institute partnered with the Organic Consumers Association to encourage public contacts of Secretary Johanns on the pasture matter. The campaign resulted in over 40,000 e-mail and phone contacts to the USDA echoing the call for the pasture guidance to be put on the NOSB agenda for a vote.

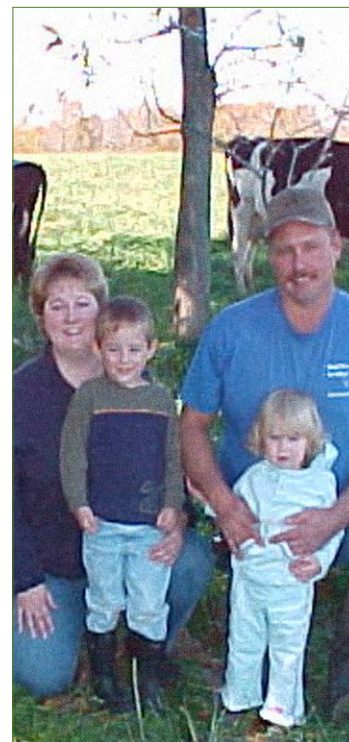
## THE ORGANIC COMMUNITY'S BIG VOICE

Let's put those 40,000 contacts into perspective. When the Department of Health and Human Services (HHS) presented their plan for dealing with an outbreak of avian influenza, obviously an issue of great concern to both the agricultural community and public health officials, they received approximately 50 comments from citizens. When the Food and Drug Administration (FDA) differed with their scientific advisory panel on how to regulate the "morning-after pill" (also known as "Plan B"), they received 2,268 responses. And that was front-page news because of the debate as to whether the therapy constituted abortion.

40,000! That's quite an impressive response for a couple of weeks on what some may perceive as a rather arcane bit of regulatory language. Is there any doubt concerning the passion and commitment that farmers and consumers have about the integrity of the organic label?

And the result? The USDA staff did the organic community a big "favor" by acquiescing and placing pasture on the NOSB agenda for their November 2005 meeting. The catch was they would only allow public comment—more public comment after five years of dialogue. They would not allow pasture to be on the agenda as an *action item* and voted on by the NOSB.

This was unfortunate. Then NOSB Chairman James Riddle was already on the record as stating that if the USDA would allow pasture to be placed on the agenda, the board was prepared to vote on and address the rulemaking issue.



## THE USDA HAS ENOUGH OF LISTENING TO "DUMB" FARMERS AND CONSUMERS

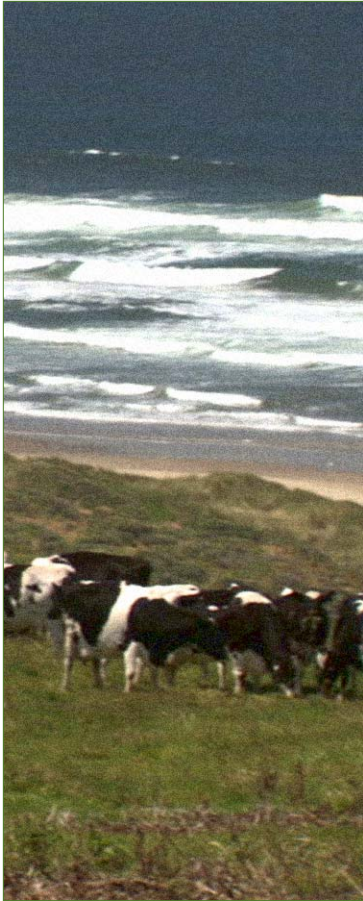
Although a massive amount of testimony has occurred, both written and oral, during the past five years, almost exclusively and overwhelmingly in support of enforcing the provisions requiring pasture for dairy cattle, the USDA, it seems, still has questions they need answered.

At the November meeting they asked how judicious enforcement would affect farms in the arid West and dairies operating in foreign countries. They failed to ask how *not* enforcing current provisions in the regulations would jeopardize existing family-scale farms in areas of the country that *are* ecologically conducive to livestock agriculture. Many industry observers felt the nature of their questions was very revealing.

With a sense of pride in delivering something to the citizenry that was so concerned with this issue, USDA staff at the November NOSB meeting announced that in the spring of 2006 a symposium would be held soliciting scientific input and other expert testimony concerning how pasture should be incorporated into the organic rules.

Obviously some bureaucrats and political appointees at the USDA have looked at the past testimony—virtually all in favor of enforcing the current or enhanced regulations—and don't like the odds. Just as with other issues, such as global warming, where there is an overwhelming consensus in the scientific community, if corporate interests bent on justifying their own interests look hard enough, they can come up with experts with recognized credentials who will testify against the grain.

It is our concern that the testimony that will be presented at this spring's NOSB meeting (scheduled for State College, Pennsylvania, on April 18, where this report will be formally presented) will be purposely weighted toward interpretations that enable industrial-scale farms to continue to operate and call their milk "organic." And USDA officials will be able to hang their hat with pride on the forthcoming rule they have now committed to promulgate, and state they have "taken all parties into consideration" in its development.



## APPEALING TO A HIGHER AUTHORITY

ALTHOUGH WE WILL CONTINUE to encourage organizations representing farmers and consumers to collaborate with the regulators at the USDA, as The Cornucopia Institute intends to do, *we are now appealing to a higher authority* in this country: the organic consumer. We intend this organic dairy brand scorecard to empower organic consumers and wholesale buyers in the marketplace, equipping them with the knowledge to make good and discerning purchasing decisions.

Our comparative analysis rates organic dairy marketers, both brand-name and private-label, based on whether they conform to the expectations and perceptions consumers commonly hold regarding organic dairy production. Not surprisingly, many of these perceptions coincide with the federal regulations that some dairies are allegedly violating.

Organic dairy consumers make some assumptions when they pay the premiums necessary to make their purchases. Many, if not most, come to organic dairy (a gateway product for entry into the broader organic marketplace) because of their personal concerns about toxic contaminants, antibiotics, and hormones. Informed consumers know that organic dairy farming practices—incorporating pasture—minimize both air and water pollution associated with industrialized livestock production.

Many consumers also have animal welfare concerns, finding confinement agriculture morally repugnant, and go out of their way to seek out organic products assuming, as the regulations require, that the health, well-being, and natural behavior of the animals are respected at a level uncommon in conventional agriculture today.

And many consumers believe that their patronage of organic brands connects them more directly to family farmers, who they respect and want to financially support. They also feel good about the fact that farming organically allows these farmers and their children to avoid occupational exposure to toxins, which has resulted in conventional farmers having the highest rates of cancer of any occupation. Our scorecard addresses many of these macro concerns.

## KILLING THE MESSENGER

Knowledge is power. And that is evidently what many of the largest corporate players in organic food are afraid of: empowering consumers.

Since The Cornucopia Institute announced its intention to release this scorecard, it has been the subject of a campaign of intimidation promulgated by the Organic Trade Association (OTA) and some of its most powerful corporate members.

Although the OTA started out as an umbrella group truly representing the interests of farmers, processors, and consumers alike, in recent years it has evolved into an industry trade/lobbying group. The watershed event defining the OTA's new role was their involvement and leadership in 2005 in writing and shepherding a legislative rider through Congress that altered some of the provisions contained in the 1990 Organic Foods Production Act that regulated synthetic substances used in organic production and processing.

The merits of their proposal are open to debate, though many viewed it as liberalizing current regulations. However, what the OTA was nearly universally condemned for by most constituencies in the organic community was that the OTA did not collaborate widely with others but, instead, invested in well-connected industry lobbyists to obtain its goals on Capitol Hill. The OTA's ultimate success in having Republican leadership insert their desires into an appropriations bill, *without bipartisan involvement or public hearings*, factionalized the organic industry and resulted in many critical stories in the media that tarnished the organic label's reputation.

When learning of The Cornucopia Institute's organic dairy brand scorecard, major corporate organic dairy interests, along with the largest natural food retailers, began to circle the wagons. Within days, the OTA wrote to The Cornucopia Institute's board of directors expressing concern that this scorecard would somehow wound the reputation of organic dairy. But instead of engaging in a private dialogue, they immediately disseminated the contents of their letter publicly in an attempt to discredit the Institute and this scorecard.

We are sure the OTA leadership did not intend their initiative to act as a fund-raising vehicle for The Cornucopia Institute. But the result of their action was a flurry of laudatory e-mails, some from organic businesses stating they would be canceling their OTA membership and instead supporting the Institute's efforts to defend the integrity of organic food and farming. Coming on the heels of the OTA's Congressional debacle last fall, and a 100% increase in dues for their small- and medium-sized members, is it any wonder that some of the ethical businesses that helped build this industry, and for so long represented the core of the OTA's membership, would feel betrayed and look for alternatives for civic involvement?

OTA staff have made strategic phone calls to the news media warning them of this "unscientific study." Of course, when readers scrutinize our methodology, they will note that this was never intended to be nor was it represented as a "scientific study" utilizing exacting procedures and sampling to make broad statements and conclusions about organic dairy production. Rather, The Cornucopia Institute's intention was to create a comparative analysis, or what statisticians would refer to as "discrimination" (differentiation) between organic dairy brands. We hope readers will feel that we have succeeded in developing a useful tool for consumers.



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ATTEMPT TO DISCREDIT  
THE INSTITUTE AND  
THIS SCORECARD**

In addition to the OTA, one of the nation's largest multibillion-dollar food corporations, with holdings in the organic milk industry, has started its own effort, with the assistance of one of the country's most prominent and connected lobbying and public relations firms, to discredit and injure the publisher of this brand rating scorecard. Their personnel have contacted reporters, funders and contributors, farmer-members, and the sponsors of events where Cornucopia staff have been invited to speak.

Some of the foundations that support The Cornucopia Institute and some of the organizations that sponsor conferences where Institute staff have spoken or presented their work have received substantial monetary contributions from corporate dairy. It now appears that the strings attached to this money are being reeled in. Speaking truth to power can be dangerous when corporate profits are at risk.

## COMPARING THE NATION'S ORGANIC MILK SUPPLIERS: TRUE INTEGRITY OR MARKETING HYPE?

It seems that all organic marketers recognize the romantic image that family-scale farms hold in the American psyche. When approaching the study, our intention was to separate marketing and public relations hype from the facts surrounding how companies are producing or procuring their raw milk supply.

Through our research, it quickly became clear that four typical models best describe raw milk procurement:

**Farmstead dairies.** The dairy products are manufactured right on the farm, in most cases exclusively from that particular farmstead's milk. In some cases, farmers buy milk from one or more of their neighbors. This production model produced the highest-rated brands. These dairies received these ratings not because they are small but because they excelled in several production areas.

**Dedicated patrons or cooperatives.** Some national labels have their own "captive patrons" producing milk and delivering it to dairy plants on an exclusive basis. Others are cooperatives, owned by the farmers themselves and supplied with milk from their own members.

**Third-party purchase.** Companies purchase 100% of their milk, not directly from farmers themselves, but from third parties, again, sometimes cooperatives.

**Open market sourcing.** For private-label, or store brands, milk is procured from third parties, with no source information on the product.



## SURVEY PROTOCOL

THE CORNUCOPIA INSTITUTE, starting in early 2005, sent a 19-question survey (Appendix I), with an accompanying cover letter (Appendix II), to all readily identifiable organic dairy marketers in the United States. The Institute relied on a number of published organic food directories, wholesale catalogs, national retail store visits, and Internet search engines in compiling the distribution list. Every effort was made to be comprehensive.



The cover letter was intentionally strongly worded, both outlining the risk to the industry of corporate control/factory-farm production and the risk to marketers who did not want to expend the effort of completing and returning the survey. This letter incorporated feedback from the Institute's board of directors and policy advisory panel. It was their strong feeling that most large corporations would ignore the questionnaire—a common practice—unless they felt a highly compelling reason to participate. The letter was apparently effective, because the majority of brand-name marketers participated in a timely fashion, without the need for further follow-up.

A few marketers requested more background information on the Institute before feeling comfortable enough to release sensitive and proprietary material, including contact information for their largest dairy farmers. This information, which would be highly valuable to a competitor, was necessary for our verification purposes, and the Institute assured participants that it would not be released to anyone outside of the organization.

Every marketer that did not participate, other than private-label marketers, was contacted a minimum of one additional time by certified mail (return receipt requested) through the U.S. Postal Service. Private-label brands were later added to the study near the end of the data collection phase and, to minimize the time involved, were sent certified letters (return receipt requested) as their initial request. All dairies were afforded 30 to 60 days to respond.

We requested that each survey be signed by an owner or officer of the corporation or cooperative. Upon participant request, we also decided to allow e-mail from an officer's distribution address as confirmation of authenticity. This approach was taken to ensure that someone with the authority to make representations on behalf of the label was willing to stake his or her reputation on the answers to the survey. The return rate of surveys from name-brand marketers was an impressive 81%. However, private-label/store brands "responded" with a return rate of zero percent (0%).

Farmers listed as sources by the responding marketers were randomly contacted to verify that the policies and procedures represented by the marketers were actually implemented, and to ascertain what kind of relationship and oversight they had with these companies. Some USDA-accredited certifiers were also interviewed to verify their interpretation of the organic standards vis-à-vis the farms and labels they certified.

## DATA REVIEW AND RANKING PROCEDURES

The 19 survey questions are consolidated into 12 criteria for scoring. Each of the 12 criteria was worth 100 points, for a total of 1200 points. No weighting of the questions was incorporated. The questions were developed to highlight whether brands conformed with the expectations that consumers widely hold concerning organic dairy production. Some questions were also keyed to the most important areas of organic dairy production: whether cattle had “access to pasture,” as required in the regulations, and whether farms were raising their own calves as replacement animals or were bringing in conventional animals that might have been managed using prohibited materials (milk replacer/cow’s blood, antibiotics, conventional feed containing potential pesticide contamination, genetically engineered feed, poultry manure, etc.).








Although we have discussed the pasture issue in-depth in another part of this document and consider it to be a primary determiner of whether a dairy is truly organic, we believe that *the replacement animal controversy is also crucial* in separating genuine organic farms from unsustainable industrial operations applying their standard management protocols.

Some of the larger farms sell off all of their calves at birth and buy conventional replacement heifers at approximately one year of age. This saves them the expense of feeding the calves organic feed for the full two years of their lives prior to their entering the milking line. This is a huge cost savings move for industrial-scale operators. In addition, it also avoids the higher-cost and more challenging management of caring for young calves without the “crutch” of antibiotics (dairy cattle are typically about two years old when they complete their first reproductive cycle and began their first lactation).

The routine use of conventional replacement animals places ethical, sustainable organic producers at *a distinct competitive disadvantage*.

And finally, as mentioned previously, because the cull rate (attrition or slaughter rate) of some industrial farms is so high, they cannot sustain themselves with their own cows’ offspring and therefore must buy replacement animals. This is another defining issue, not only in unfairly lowering production costs on some of the larger farms, but also because it proves, conclusively, that these farms are not managing their animals for health and longevity, as called for in the organic regulations. Instead, higher production and higher economic return are gained at the expense of the animals’ health and well-being.

This is not *true organic production* in the eyes of the consumer, in addition to its potential legal implications. It must be noted that in some rare and extraordinary instances well-managed family-scale farms might purchase heifers from off their farm. Sometimes aggressive culling is necessary to correct herd health problems, and sometimes, as in the case of bringing a son or daughter into the business, they might need to buy cattle to grow the

Farm Name	Cows Stars	Location	Products	Market Area	Total Score	Cow Rating
<b>5 Cow Rating (Outstanding)</b>						
<a href="#">Animal Farm</a>	5	Orwell, VT	Butter	Vermont	1200	
<a href="#">Evans Farmhouse Creamery</a>	5	Norwich, NY	Fluid Milk Products	New York/New Jersey	1200	
<a href="#">Green Hills Harvest</a>	5	Purdin, MO	Fluid Milk Products	IA, KS, MO	1200	
<a href="#">Kimberton Hills</a>	5	Phoenixville, PA	Fluid Milk Products (raw)	Pennsylvania	1200	
<a href="#">Oak Grove Organics</a>	5	Carthage, IL	Fluid Milk Products (Cheese and butter)	Chicago/W. Illinois	1200	
<a href="#">Organic Pastures Dairy Company</a>	5	Fresno, CA	Fluid Milk Products (raw)	California OR - sold as pet food	1200	
<a href="#">Radiance Dairy</a>	5	Fairfield, IA	Fluid Milk Products	Fairfield, Iowa	1200	

Sample of scorecard published at [www.cornucopia.org](http://www.cornucopia.org)

operation. But the organic regulations are widely interpreted to require that these replacement animals should be certified and managed organically from the last third of gestation—or approximately 90 days depending on the specific breed of cattle.

## PRIVATE-LABEL ORGANICS: AN OXYMORON?

Rating private-label brands has been problematic. Although the majority of name-brand organic dairy brands participated, none of the private-label marketers returned our survey. A few courteously replied, saying that it is the policy of their corporations not to reply to any questionnaires or surveys, but most ignored our request altogether.

So, the question remains: Is “private-label organic” an oxymoron? Many consumers choose organic food because they want to know the story behind what they are consuming—how their food is produced, how the animals are cared for, where it comes from. In short, does it represent their values? The very nature of private labels is the marketer’s desire to offer a lower-cost product (without the cost of advertising or other promotional considerations) and maintain a certain level of anonymity, obtaining additional negotiating leverage with suppliers.

Although we were not privy to information from the private-label marketers themselves, we were able to ascertain, through a number of industry sources and governmental records (e.g., Interstate Milk Shipping plant numbers), who has been supplying much of the private-label milk. Private-label brands supplied by dairies that procure their raw milk from family farms of high integrity scored “two cows” (good). Private-label brands sourcing their milk from industrial-scale farms scored with “one cow.”

Because the anonymity assures flexibility in purchasing, *there is no way to know whether a “good” private-label brand today will still be manufactured with milk of the same integrity tomorrow.* So consumers should be circumspect when purchasing private-label products if the issues in this report matter to them.

Many of the reputable suppliers of organic private-label milk have stated their desire to move out of that segment of the business due to the shortage of milk in the marketplace. Most of these suppliers have their own name-brand labels that presumably return more profit to their organizations, and potentially to the farmers.

We would encourage marketers of private-label dairy products, who have long-term relationships with their reputable milk suppliers, to consider noting on the carton who supplies their milk (possibly including the logo of the cooperative or other supplier). That way, consumers will know the answer to their question: Where is my milk coming from and how is it produced? Including the name of the dairy supplier on their private-label products would also assure a higher level of security for the farmers and organizations involved.

## WEB-BASED DAIRY BRAND SCORECARD: A BRIEF EXPLANATION

By visiting [www.cornucopia.org](http://www.cornucopia.org) and clicking on the link for the dairy scorecard/rankings, interested readers can view a listing of the ratings of their favorite dairy brands. The following provides a brief breakdown of the general scoring categories:



**Five-cow-rated dairy marketers.** These “outstanding” farmstead dairies are the top-rated dairy brands in our study. The top seven farms in this category had perfect scores of 1200. Their intimate relationship with their cows and complete control over their milk and other dairy ingredients, not to mention that 100% of profits go back to the farm family, are what distinguish this group. Farms rated just under 1200 might have less than 100% control of their milk supply (they might buy from a few neighbors) or the products they manufacture might require other off-farm dairy products, like milk powder. However, they are still very much hands-on manufacturers in comparison to larger commercial entities, and a wonderful way for consumers to directly connect with their food.



**Four-cow-rated dairy marketers** are generally larger commercial manufacturers or marketers of dairy products. They tend to buy milk from many different farmers or wholesale from a milk supplier who manages the relationship with individual farmers. All the “excellent” brands in this category are highly respected and source their milk from family-scale farms.



**Three-cow-rated dairy marketers.** The two “very good” companies in this segment both deserve special recognition and encouragement. Ben & Jerry’s found it impossible, as they desired, to find enough organic milk in Vermont to meet their needs. Committed to start offering organic ice cream, they currently buy milk on the open market. HP Hood markets milk under the Stonyfield name and buys all their milk from a wide number of sources of family-farm milk. The nature of their procurement practices give them much less control over the supervision of their farms. They are working hard to upgrade their direct control over their milk supply and, both these companies could potentially rise in future rankings.



**Two-cow-rated dairy marketers.** These “good” private-label brands have what appear to be a questionable long-term commitment to organics. Note that this information is based on industry sources and governmental records. No private-label supplier participated in the study.



**One-cow-rated dairy marketers (PRIVATE-LABEL)** These are “substandard” with some or all factory-farm milk or milk from unknown sources. (However, even though rated lower, we consider this milk to be superior to conventional milk). Note that this information is based on industry sources and governmental records. No private-label supplier participated in the study.

**One-cow-rated dairy marketers (BRAND-NAMES)** These are also “substandard” and appear with a one cow ranking either because some or all of their milk come from factory farms and/or because they refused to be open with their customers as to where their milk comes from.

Clicking on the name of any dairy in our Web-based organic dairy brand scorecard at [www.cornucopia.org](http://www.cornucopia.org) will take you to its subsidiary page, where you can learn more about their products and their organic milk procurement practices.

## AFTERWORD: GUIDANCE FOR CONSUMERS AND WHOLESALE BUYERS



IT IS UP TO THE ORGANIC CONSUMER to impress upon the marketers of organic dairy products, either through their patronage or their direct communication, what they expect in terms of the management of organic dairy cows. The entire organic industry was founded on a unique collaborative relationship between consumers and farmers. Consumers are willing to pay a premium for food that is produced using methods that protect the environment and respect livestock. They are willing to financially reward farmers and marketers who adopt ethical production methods and are willing to undertake the expense and effort of an independent, third-party certification process.

The good news contained in this report is that the vast majority of all name-brand organic dairy products are produced from milk from farms that follow accepted legal and ethical standards. But consumers should also recognize that milk is going into some organic dairy products from factory farms that are employing suspect practices that yield a competitive advantage to the factory-farm operator while potentially impacting human nutrition and the health and longevity of livestock. Nearly 20% of the name-brands now available on grocery shelves scored a lowly *one cow*—the substandard rating.

Although there is no lack of reputable brands available in all regions of the country, there is, unfortunately, a shortage of organic milk. Marketers are unable to meet current demand even without taking into consideration consumers shifting their allegiance to brands based on the findings of this report.

The Cornucopia Institute encourages consumers to utilize a hierarchy when buying organic dairy products for their family.

Your patronage of the highly ranked brands in this survey will send a clear message to the organic heroes profiled that you appreciate their work and are willing to support it.

If your preferred brand is not available, a lower-ranked organic dairy product, even if it is produced on a factory farm, still offers greater value and protection than conventionally produced milk. If consumers are concerned with issues such as bovine spongiform encephalopathy (BSE/mad cow), genetically engineered bovine growth hormone (rBGH), and pesticide or drug residues, then even low-ranked organic milk offers some advantage.

As an alternative, you may consider a local farmstead, family business, or cooperatively produced, rBGH-free, conventional milk brand. If you find such a marketer in your area, we would encourage you to communicate with them and encourage that their farmers convert to organic production. Make sure they know you are willing to pay them a premium for local milk that is fresh and organic.

Organic food retailers can help consumers make these decisions by posting point-of-sale (POS) signage with information on the organic dairy brands they carry.

The organic industry is evolving so quickly that we will have undoubtedly missed a few of the newest entrants into the organic dairy business. We encourage any dairy marketer who has been inadvertently left out of this study to contact us immediately, and we will incorporate you into our ratings.

For consumers, that means that you might want to check our Web site periodically. Some of the familiar brand rankings might change up or down pursuant to changes in their production methods. The ratings will be updated on an ongoing basis. We know that some dairies are working hard with their farmers to upgrade their practices and provide tighter oversight. We applaud their efforts and expect that their hard work will result in an improved rating. We hope this will be rewarded in the marketplace.

# APPENDIX I: THE CORNUCOPIA INSTITUTE ORGANIC DAIRY PRODUCTION SURVEY

You can scan this document or obtain an electronic version by contacting The Cornucopia Institute at [organic@cornucopia.org](mailto:organic@cornucopia.org). You are encouraged to manipulate the spacing on this document as needed.

1. **Ownership Structure:** Please describe the ownership structure of your organization and disclose, as per SEC filing requirements, any major shareholders with stakes exceeding 5%.
2. **Milk Supply:** Please describe, with specifics, where you obtain your milk supply, or finished product if you contract for production. If your supply comes from different sources (company-owned farms, captive patrons, cooperative suppliers, open-market milk) please specify percentages and pounds of milk from each source for 2003 and 2004).

*Please note; if you contract for 100% of your milk supply or finished packaged products (private label) please feel free to skip to the end of this document if you are unable to answer any of the questions below.*

3. **Size of Farms:** Please provide the number of farms supplying milk in each size category (0–49, 50–99, 100–199, 200–499, 500–999, 1000–4999, 5000+ cows).
4. **Large Farms:** Please supply full contact information, number of cows, pounds of milk produced, and certifier for your five largest farms. (*Note:* contact information will be treated as proprietary and not shared with the public or any outside entity.)
5. **Certification; Farms:** Please describe the organic certification process on the farms that supply your milk (if you have more than one certification agency certifying farms, please specify/explain).
6. **Certification; Products/Processing:** Please describe what certifier(s) certify your products/processing. If there is more than one certifier please describe which products are certified by which organizations.
7. **Pasture:** Please describe any written requirements (supply sample), in addition to what is required by the USDA that your organization has regarding pasture (how many cows per acre; type of forage available on pasture, days on pasture, etc.). Please delineate how enforcement of your standards is overseen.
8. **Pasture — Large Farms:** For your five largest farms, please specify the acreage of pasture available for each operation, days on pasture and how many times per day the cows are milked.
9. **Pasture — Exemptions:** During the lactation cycle, when do you allow cows to be confined and why?
10. **Replacement Heifers:** Please supply the number of replacement cattle (heifers and cows) purchased for the last two years on your five largest farms and how many cows were sent to slaughter.
11. **Commercial Heifers:** Does your organization allow the procurement of cattle from conventional farms if they are managed organically one year prior to milking?
12. **Antibiotic Use:** Does your organization allow antibiotic and other pharmaceutical treatments of calves, young stock, or cows, on the farms, as long as they are managed organically for one year before being brought into organic production?
13. **Hormone Treatments:** Other than production enhancing hormones (BGH/BST) are any therapeutic hormones used on the farms supplying your milk or on your heifers if someone else raises them? Please specify.

14. **What kind of feed do you provide for your cows, in addition to pasture?**
15. **Farm Support:** Do representatives of your company visit each farm or do you exclusively depend on the independent third-party certification process or some other third party? If your personnel visit the farms, how many times per year? What do they check for? If you produce a farmer newsletter or other training material please supply samples (to be held in confidence).
16. **Milk Quality:** What company standards do you maintain, if any, in addition to applicable state law, pursuant to bacteria and somatic cell count in raw milk?
17. **Procurement of Ingredients/Components:** Does your operation buy dairy products?

Yes (go to 17a)  
No

17a **Please indicate which of the following dairy products your operation purchases and from whom?**

powder  
whey concentrate  
milk protein concentrate  
cheese  
butterfat  
buttermilk  
other component (please specify)

18. **Farmgate Pricing:** For farm milk you directly procure, please describe any variation of pricing, regionally or by farm size, including premiums and any related costs, such as trucking. Note: Specific pricing will be held in confidence.
19. **Marketing area:** Please let us know where your products are available at retail.

*Note: Please specify what documents you can make available, or what other methodology can be used, to verify the information you are supply for each question. Background documents used to verify answers will be held in strict confidence.*

*If you are a publicly traded corporation or a cooperative, please supply your most recent annual report. If a new individual or corporation has acquired over 50% equity in your organization during the past 24 months, please supply the most recent annual reports from both organizations.*

Corporate name: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Please return to: The Cornucopia Institute, P.O. Box 126, Cornucopia, Wisconsin 54827 (608) 625-2042



# APPENDIX 2: DAIRY SURVEY COVER LETTER



**C O R N U C O P I A**  
I N S T I T U T E

May 31, 2005

Sue Huber  
Sibby Farms, Inc.  
S2987 Sebion  
Westby, Wisconsin 54667

Dear Sue,

It's the small to medium size organic farms and motivated consumers who built the burgeoning organic food industry. The farmers were true risk takers, rejecting convention and plowing ahead with a production system based on ecological wisdom. Consumers, hungry for food produced in this fashion, supported and encouraged the conversion.

A key element in the rise of the organic movement has been the explosive growth of organic dairying, with a national distribution and marketing system in place, and easily identifiable and acceptable consumer products. For the farmer, unlike conventional dairy, this infrastructure was built, and its growth fueled, by steady and sustainable farm-gate milk prices. However, this system is about to break.

While family-scale organic farmers and consumers have been focused on developing and implementing organic standards and the battle for a "certified organic label," another group has been watching and measuring how to grab their share of the pie. The factory-farming takeover of organic dairying is at hand. Consider:

- ➡ Organic factory dairies with 3000- to 6000-head operations have started or are being brought on-line in Colorado, California, Idaho, and Texas.
- ➡ These confinement dairies employ dry lots to meet pasture requirements—a clear violation of the spirit and intent of the organic pasture rule. The pasture rule is under formal review by the National Organic Program following the filing of several formal complaints concerning pasture practices at these factory dairies.
- ➡ Because these farms violate the underlying precepts of the organic law—fostering a healthy environment for livestock—they can be maintained only through unsustainable culling rates. A number of these operations have exploited loopholes to bring in non-organic replacement cattle.
- ➡ These factory dairies are contracting and/or working with some of the largest players in the milk processing/distribution biz to take their product to market, including Dean/Horizon and Wal-Mart.
- ➡ Besides the commonly recognized brands like Horizon, factory farm milk is poised to displace all of the organic milk for the growing number of retailers producing their own private-labeled products.

P.O. Box 126    Cornucopia, Wisconsin 54827    608-625-2042    866-861-2214 FAX    [www.cornucopia.org](http://www.cornucopia.org)

The industrialization of organics, and vertical integration, will do to smaller farmers what has happened to their conventional neighbors: squeeze profits and reduce marketing control, leverage, and power. And, most likely, it will put many of them out of business.

Fasten your seat belt folks, we're about to enter the ruthless realm of mainstream agricultural economics, where supply and demand alone dictates price. Forget about the virtues that have built the organic community—social justice, fairness, ecological sustainability and the true meaning of "organic."

...As you may know, even though there is one set of federal organic standards adopted by the USDA, different certifying agencies and dairy marketing organizations have interpreted certain aspects of these rules very differently.

Attached, you will find a series of survey questions. Our intent is to compile the responses from your firm and others involved with the marketing of organic dairy products into an objective resource and guide for consumers and wholesalers. As discussion grows in the organic community about different organic dairy production practices, we think this guide will help discerning consumers and wholesale buyers make better and informed judgments about comparative on-farm production practices. We intend to widely share and publicize the survey's results.

The Cornucopia Institute is an independent, not-for-profit policy research group based in America's Dairyland, Wisconsin. If you have any questions about the Institute or this project, please do not hesitate to contact us. We are hoping to have full participation by all brand-name marketers of organic dairy products in this survey. We have responses from about 80% of marketers to date and want to add your firm to this list.

Please let us know what we can do to help you execute this survey in a timely manner. Your responses will benefit the outcome of this project and the fuller understanding of organic dairying. Any firm(s) not participating will be indicated in the survey results, and that will likely taint the credibility of the organization(s).

To ensure their accuracy, we are requesting that the responses be signed and dated by the chief executive officer, company president, or owner.

Again, if you have any questions or need additional background information, please contact us. Thank you for your participation in this important project.

Sincerely yours,

Mark A. Kastel  
Senior Farm Policy Analyst

# APPENDIX 3: DAIRY BUYER'S GUIDE. ASSUMPTIONS/BASIS FOR RATINGS

**Points**                      **Production Aspect**

## 1. Market Area

## 2. Ownership Structure

100	Farmstead dairy (owned and operated by resident farm family)
90	Farmer-owned cooperative
80	Family-owned business with close ties/partnership with farmers
70	Corporate/investor owned with deep roots/ties with farmers
65	Stonyfield: unique governance policy with Hirshberg family
60	Investor-owned corporation
50	Investor-owned corporation with questionable track record
25	Any ownership with history as a "bad actor"
0	No answer

## 3. Milk Supply

100	Farmstead dairy
95	Farmstead dairy, buys additional milk from neighbors
90	Cooperative/small corporation/multiple farms (from own patrons)
85	50% or more from own patrons plus a highly rated supplier
70	Purchases some outside milk from highly rated suppliers
60	Purchases subcontracted out without direct control
50	Purchases some percentage of milk from "open market"
0–30	Purchases some percentage of milk from confinement dairies (points depend on percentage)
0	No answer

## 4. Disclosure/Farm Contact Information for Verification

100	Full disclosure
0–90	Partial disclosure (points depend on number of questions fully answered)

## 5/6. Farm Certifier

Ratings (0–100) for certifiers are based on the history and integrity of the certifying organization and its history of approving certification of farms that are suspected of creating/exploiting loopholes in the current regulations.

CCOF	California Certified Organic Farmers
COFA	California Organic Farmers Association
GOA	Global Organic Alliance
ICO	Indiana Certified Organic
IDALS	Iowa Dept of Agriculture and Land Stewardship
Integrity	Integrity Certified International
MOSA	Midwest Organic Service Association

NOFA-VT	Northeast Organic Farming Association—Vermont
OC	One Cert
OEFFA	Ohio Ecological Food and Farm Association
OTCO	Oregon Tilth
PCO	Pennsylvania Certified Organic
QAI	Quality Assurance International
Stellar	Stellar Certification Services (Demeter)
VOF	Vermont Organic Farmers

## 7. Pasture Provided

Rating 0–100 is based on the following criteria:

Policies requiring pasture in addition to USDA regulations

Enforcement/oversight

Amount of acreage available per cow on the firm's largest farms

Average days cows are on pasture per year

Permissible exemptions

## 8. Cull rate

Rating is based on the health and longevity of a farm's cattle, taking into account the farm's slaughter rate/cull rate.

100	Annual cull rate under 10%
90	Annual cull rate under 30%
50	Limited information supplied

## 9. Management History of Replacement Animals (Calves and Heifers)

100	Closed herd (no purchases of outside animals)
95	Organic cows purchased for growth only—not replacement
90	All replacement animals managed organically from last third of gestation
75	Organic cows purchased based on commercial availability
50	Conventional animals purchased
10	Calves sold at birth, conventional cattle bought for replacements
5	Calves shifted off to contractors who raise them with conventional feed/drugs for first year of life, then shift them back to organic production
0	No answer

## 10. Antibiotic Use on Young Cattle

100	All antibiotic use prohibited
75	Not regulated by firm (default to USDA standards)
50	Antibiotic use allowed during first year of life
25	Commercial replacement cattle purchased (antibiotic use unknown)
5	Calves are sold, to take advantage of loophole, and managed conventionally for first year of life
0	No answer

## 11. Hormone Usage

It should be noted that hormones for increasing milk production (genetically engineered bovine growth hormone—rBGH or rBST—are prohibited in organic dairy production. Some farms choose to use therapeutic hormones during reproduction (oxytocin).

- 100 No hormones used on farm
- 50 Hormones used therapeutically
- 0 No answer

## 12. Farm Support/Oversight/Supervision

Characteristically, farmstead producers are with their cows every day and personally supervise the production of the dairy products. In the words of one such farmer, “We live here.” Some organizations have a dedicated field staff, or the owner visits with the organic farmers regularly.

- 100 Farmstead dairies (owner farms/lives on-site)
- 90 Cooperative/corporation that sets standards and has a staff that visits farms regularly
- 75 Depends on third party for supervision
- 5 No direct supervision/no personal relationship with farm
- 0 No answer

## 13. Procurement of Outside Ingredients

- 100 100% of dairy products come from within the organization (full control)
- 90 Outside purchases are from other highly rated dairy organizations
- 50 Dairy ingredients purchased from a number of different vendors, with less direct control
- 25 Purchases from anonymous suppliers (“open market”)
- 0–25 Purchases ingredients from confinement factory farms (points depend on percentage) or imports
- 0 No answer

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PROMOTING ECONOMIC JUSTICE  
FOR FAMILY-SCALE FARMING.

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