

**Statement of Travis Forgues, Executive Vice President of Membership
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U.S. House Agriculture Committee

Hearing: A 2022 Review of the Farm Bill: Dairy Provisions

June 22, 2022

Good morning, Chairman Scott and Committee Members,

I have served as Executive Vice President of Membership for Organic Valley since 2013 and oversee all cooperative membership engagement which includes 167 staff that are responsible for dairy hauling and scheduling, farmer resources, field operations, data analytics, milk management and farmer payroll, feed, meat and produce programs as well as farmer governance and communications.

Before employment at the co-op, I was a farmer-member and the first organic dairy farmer to join the cooperative from Vermont. Between 1999 and 2013 as a farmer-member, I pioneered the co-op's young farmer leadership program, Generation Organic™ (Gen-O™), served on the co-op's board of directors and dairy executive committee, and was active in the Farmers in Marketing program.

Organic Valley | CROPP Cooperative was established in 1988 in southwestern Wisconsin with seven farmer-members. Today, with sales topping \$1.2 billion, the cooperative has nearly 1,800 farmer-members in 34 states and four countries. Focused predominately on organic dairy, the cooperative works with dozens of dairy processors nationwide to manufacture an array of Organic Valley branded products as well as bulk and ingredient commercial offerings. The cooperative maintains three dairy processing facilities in two states as well as two subsidiaries, a distribution company called Organic Logistics and a meat business called Organic Meat Company.

Organic Valley | CROPP Cooperative's mission is to create and operate a marketing cooperative that promotes regional farm diversity and economic stability by the means of organic agricultural methods and the sale of certified organic products. The average size herd on a CROPP Cooperative dairy farm is 78 cows.

State of Organic Dairy

The organic dairy sector witnessed a demand surge as the COVID-19 pandemic first gripped the nation. Consumer purchasing patterns shifted and according to the Organic Trade Association survey data¹, average annual category growth was around 5.5% for 2020 and 2021 when combined. That said, the most recent data shows growth is flat, but we at

¹ <https://ota.com/news/press-releases/22284>

Organic Valley continue to meet our sales expectations indicating some of those purchasing shifts to premium dairy are continuing.

While the co-op is cautiously optimistic about the demand for organic dairy, and in fact is bringing on 58 additional farms in the Northeast who will be shipping with us by August, we must note serious headwinds driven by inflation and international disputes threaten the organic dairy marketplace.

For context:

- Transportation costs to get goods to retail has increased by 36%
- Dairy processing costs are up 14% and climbing
- Organic corn, soy, and hay are up 30%, 55% and 48% respectively with some regional variation
- Farm pay prices for us have increased slightly and we are planning to expand the volume of milk we procure from membership 4% by the end of 2023

To mitigate some of these incurred costs, we have increased consumer prices for our branded products as much as 8 to 14% for some items. Some of these price increases are just hitting the marketplace now, so it's unclear how they will be received. These increases are meant to try to cover co-op operating expenses and are not nearly enough to move resources back to farms that are wrestling with high fuel and high feed costs.

The honest reality is the current environment is very daunting for many organic dairy farmers.

Dairy and Farm Program Review

For the next farm bill, we urge the Committee to focus on efforts to:

- 1) bring greater stability for small farms and their supply chain partners
- 2) strengthen dairy farm resilience

Dairy Business Innovation (DBI) Initiatives

Dairy farming and the dairy industry differ across the U.S. Crafting a national farm policy that spans those variances is a difficult, if not nearly impossible, proposition. One recent policy development in the last farm bill was the Dairy Business Innovation Initiative which seeks to address region-specific needs of the industry. Currently, there are four initiatives anchored in the states of Vermont, Wisconsin, Tennessee, and California. These initiatives convene farmers, industry partners, and academia to tackle production, processing, and marketing needs of dairy, specific to each individual initiative's coverage area.

We urge a reauthorization and expansion of the Dairy Business Innovation Initiative. Specific improvements include:

- Provide an authorization for appropriations of \$30 million each fiscal year
- Instruct USDA to ensure DBI's engage a broad range of stakeholders in programming, grant-making, and priority setting, and to hold an annual public

session to assess the previous year's outcomes and to solicit comments on how the funding of awards should be determined

- Review distribution of DBI funding across the four initiatives to understand the scale of results for relevant populations (dairy farmers and dairy processors) served
- Consider adjusting maximum award caps for DBI funded projects and allow minor construction costs, up to \$10,000, be eligible for program funding.

Maintain the Dairy Margin Coverage (DMC) Program. Organic Valley supports the DMC as it is currently offered. We believe the two tiers and premiums levels are scaled appropriately, and the program is an option for producers who wish to mitigate risk when facing a margin condition of high feed costs and low milk price that would be especially traumatic for independent, family-scale dairy operations. While not a perfectly aligned tool for organic producers, who must graze cattle to meet organic diet requirements and are only tangentially impacted by national feed and milk prices, hundreds of our members are enrolled in the program.

We acknowledge the DMC only encompasses a feed-milk price margin dynamic and with inflationary pressures impacting most dairy farm inputs, the DMC is ill equipped to aid producers with other substantial variable costs.

A recent analysis, "U.S. Dairy Market and Policy Overview²" out of the University of Illinois, provided observations that small farms may receive less protection against declines in net returns compared to larger farms. Their summary observations are outlined below.

Summary Observations

Since the US began transitioning to a milk payment program from a milk price support program in the late 1990s, variability of milk price and net return has increased notably.

Analysis in this article suggests a program that bases dairy policy payments on the milk price-feed cost margin, such as the current DMC program, provides the most protection against decline in milk profitability for the largest dairy farms. Protection is notably less for dairy farms with less than 50 cows, with some slippage for dairy farms with 50-99 cows.

This finding prompts a policy equity issue: "Should dairy policy be fair across herd sizes?"

If policy deliberations conclude that this fairness issue should be addressed, a per cow payment for a policy specified, limited number of cows per dairy operation is a potential policy option.

² Zulauf, C., G. Schnitkey, K. Swanson and N. Paulson. "[US Dairy Market and Policy Overview](#)." *farmdoc daily* (11):158, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, November 22, 2021.

This policy option is in essence a policy addendum to DMC to mitigate an equity issue created by DMC without changing DMC.

It could be implemented by basing the per cow payment on the decline in net return not covered by the change in DMC's milk-feed margin for dairy operations with less than a given number of cows.

Payment could be restricted to herds with less than the given number of cows. However, such limits are usually difficult to effectively implement because farms rearrange their operation to qualify for payments. A per cow payment up to the given number of cows could thus be made to all dairy operations. Small dairy farms would however receive the greatest benefit since a larger share of their cows receive a payment.

Organic Valley would support Committee exploration of such a policy addendum to DMC that creates a threshold to trigger a per-cow payment at an established number of cows to address the other costs dairy farmers are incurring in the current environment and to ensure greater program equity for small farms.

Organic Valley also supports testimony provided by International Dairy Foods Association, and in particular the Healthy Fluid Milk Incentives Projects request. We have maintained an active membership in the trade association where dairy pricing, trade, and industry affairs are frequently discussed.

Dairy Resilience and Dairy Sustainability

As we all know, dairy farming is more than just cows and milk, and we believe U.S. Farm Policy must be intent on leveraging greater sustainability so agriculture can better absorb the shocks of weather, markets, and unforeseen conflicts – be it a pandemic or geo-political dispute. We must create a more resilient food system.

Farm policy concepts to maintain or enhance include:

Rural Energy for America Program

We should strive to get renewable energy on every dairy farm that wants it. Reforms should include:

- **Increase REAP funding to \$300 million per year** - Currently, REAP is at \$50 million per year but the program is historically oversubscribed
- **Increase cost-share** - REAP cost-shares only 25% of a renewable energy project's cost. This is dreadfully low compared to other USDA farm conservation and value-added programs. To serve more applicants and accelerate technology adoption, federal cost-share for grants should be increased to 50%
- **Invest in staff and outreach** - Reforms should provide specific direction and resources to USDA on staffing state RD offices with energy specialists. Coordination between other USDA agencies should be enhanced
- **Enhance programmatic elements to ensure family farmers and solar options receive fair recognition** - REAP applicants are judged in part by whether their

renewable energy system could replace 100% of a farm's energy use and whether it can pay for itself within 10 years. However, some utility companies impose net metering limits that discourage farmers from building systems big enough to meet those criteria. These scoring limitations must change since they are out of an applicant's control. An additional priority should be made to resource technologies and projects with strong net greenhouse gas emissions reductions.

- Enable program components like Reserve Fund and REAP Rebate to leverage clean technology deployment
- **Expand REAP access and equity** - Consider creating set-asides (5 to 10%) of total yearly funds or institute more favorable cost-share terms for Black, Indigenous, and people of color farmers/business owners as well as beginning farmers and ranchers
- **Recalibrate thresholds for the smaller project funding pool** - Increase the maximum award request in the smaller project funding pool from \$20,000 and under to \$40,000 and under. A simple adjustment for inflation since the program's start would validate an increase and reflect the overall needs of farmers and rural businesses in this category of need

Grass-based Farming Systems

Grass-based livestock systems create a landscape that, when properly managed, is environmentally friendly and can be more resilient to major weather events. Within organic dairy, grazing is required as part of the regulation but complementary support to maximize grazing efficacy is severely lacking. The right recipe of public and private signals can help farmers succeed at incorporating more grass-based production on their farms, be it organic or non-organic. Finding the appropriate public policy incentives and economic footing for this system deserves greater attention. Policy options should include:

- Expand the Grazing Lands Conservation Initiative with \$50 million per year in mandatory farm bill funding. The federal farm bill's Grazing Lands Conservation Initiative (GLCI) once functioned as a powerful tool that enabled states to effectively deliver tailored education and technical assistance to farmers wanting to graze more effectively. GLCI is a specific allocation to USDA's NRCS that, in turn, is offered to state grazing networks, consortiums, extension services, and conservation entities that are providing hands-on grazing support.
- GLCI was resourced for over a decade, reaching \$27 million by 2008, but over the last 14 years it has only received minor funding. With climate challenges and growing interest demonstrated by producers and consumers for animal products from grass-based systems, the time is now to unleash this once popular and effective effort by rebirthing GLCI at \$50 million a year. Successful transitions to management intensive rotational grazing (MIRG) are characterized by mentorship, education, and resources. A study in Alabama revealed educational events had a positive impact on farmers cultivating appropriate grass types, adopting MIRG and

associated technology, and increase their household income. The study emphasized the need for small farm outreach through education and technical support.³

- Prioritize NRCS Financial Assistance to expand the infrastructure for grass-based livestock systems. The federal farm bill also includes substantial funding for working lands conservation, including grazing, through the Environmental Quality Incentives Program (EQIP) and the Conservation Stewardship Program (CSP). In fact, in the most recent iteration of the farm bill (2018), Congress specifically directed NRCS to make higher incentive payments (a 50% bonus) for advanced grazing management, including MIRG, within the CSP.

NRCS with instruction from Congress can further support sustainable grazing by directing that:

- Half of EQIP funding, offered annually to support animal agriculture, be dedicated to grazing infrastructure and management.
 - A wider range of advanced grazing enhancements be added to CSP with robust payment levels.
 - CSP payments for the annual management of previously adopted conservation measures pay at cropland rates whenever cropland is used for pasture.
 - Restore the CSP funding that was cut in 2018.
- Enhance Risk Management Agency products for grazing systems that are underutilized. The USDA Risk Management Agency (RMA) launched the Pasture, Rangeland, Forage (PRF) Pilot Insurance Program in 2017. The program exists to insure farmers against drought by calculating forage losses based on lack of precipitation per grid area. To date, the program has been under advertised and underutilized.⁴ USDA should further invest in risk management by creating greater incentives for PRF enrollment and increasing accessibility and awareness of the program.

RMA should consider cooperative agreements with organizations and agencies to elevate PRF. Incentives might also be offered to crop insurance agents to encourage them to more actively seek clients.

USDA should also expand and make permanent the June 1, 2021, RMA action that provides farmers who planted cover crops during the 2021 crop year with a \$5 per acre insurance premium discount.⁵ Moreover, given the even greater climate mitigation potential of carefully managed grass-based agriculture, a similar or even greater premium discount should be offered for PRF policies.

³ Karki, Lila and Uma Karki. "Impact of an Educational Program on a Year-Round Forage Production and Grazing Management System in Alabama." *Professional Agricultural Workers Journal*. 7(1):49-64. 2019. <https://ageconsearch.umn.edu/record/301211/>

⁴ "Pasture, Rangeland, Forage Pilot Insurance Program." Risk Management Agency. USDA. Aug 2017.

<https://www.rma.usda.gov/Fact-Sheets/National-Fact-Sheets/Pasture-Rangeland-Forage-Pilot-Insurance-Program>

⁵ Pandemic Cover Crop Program." Risk Management Agency. USDA. Jun 2021. <https://www.rma.usda.gov/en/Fact-Sheets/National-Fact-Sheets/Pandemic-Cover-Crop-Program>

- Launch a \$100 million national research initiative to enable adaptive grazing systems in the U.S. The next farm bill should look to establish a cross-cutting research initiative for adaptive grazing systems within the USDA Research, Education, and Economics mission area. With the use of National Institute of Food and Agriculture (NIFA) competitive grants, primary research at the Agriculture Research Service, and cooperative agreements with nonprofit and community organizations with relevant expertise, the nation can:
 - Expand the body of grazing knowledge and learning opportunities for farmers, ranchers, and those assisting producers
 - Leverage technology adoption for more effective pasture management.
 - Optimize forage types for specific livestock, locations, and environmental stresses.
 - Seek ways to better quantify carbon sequestration and the climate science of grass-based systems along with the value of other stacked conservation benefits
 - Enhance farmer and rancher profitability and the reporting of market trends for grass-fed meat and dairy products

- Establish enforceable USDA animal-raising claim standards for grass-fed to govern the labeling of all meat and dairy products. Fraudulent or misleading product labels and claims cost farmers who are following strict standards tremendously in lost sales and income. USDA's Food Safety Inspection Service should work cooperatively with the USDA's Agricultural Marketing Service (AMS) to establish strong, clear standards and auditing and verification procedures, including the option of third-party certification.

Standardize the accounting and verification of carbon reductions measures in agriculture

Policy and oversight are needed to level set-carbon markets in agriculture so commodity and product claims on carbon reductions are reliable and transparent. Along with other stakeholders, we continue to believe a normalized science-based accounting for carbon capture and reduced GHG emissions is paramount. Congress should instruct USDA to advance this positioning.

Maximize regenerative farming approaches

Regenerative agriculture solutions are *already* embedded in federal farm conservation programs and should be scaled up through existing pathways within the upcoming farm bill.

The following practices should be prioritized for funding and are useful to organic dairy operations:

- Cover Crops
- Crop Rotation
- Organic Amendments

- Conservation Tillage
- Livestock Integration & Prescribed Grazing
- Manure Collection and Storage Improvements
- Agroforestry
- Compost Application

Beyond the aforementioned practices, we recognize there is a large gap in technical assistance to meet the needs of organic dairy farmers across production systems, scales, and geographic regions. We recommend maintaining the Conservation Innovation Grants and Regional Conservation Partnership Program as well as making permanent the new USDA programming for organic transition that was announced June 1, 2022 as part of the “Framework for Shoring Up the Food Supply Chain and Transforming the Food System to Be Fairer, More Competitive, More Resilient⁶”.

In addition, Congress should evaluate existing state programs like the Alternative Manure Management Program being used by dairy farms in California to modernize and retrofit manure handling systems that benefit the local and global environment. Creating a federal version of the California program would be of great benefit to small dairy farms and climate-smart agriculture.

Organic Agriculture Specific Dairy Features

Organic Valley applauds the USDA for publishing the Origin of Livestock final rule in March 2022. The long-awaited final rule clarifies the expectation for how operations source and transition dairy animals for organic milk production. This rulemaking was in process for seven years and regrettably created competitive harm among industry participants during that period of time. It underscores a more systemic challenge in USDA’s ability to update organic practice standards to reflect industry and consumer expectations of certified organic.

Organic Valley strongly supports the Continuous Improvement and Accountability in Organic Standards Act (HR 2918). The bill puts in place an improved federal process by requiring USDA to:

- Issue and Organic Improvement Action Plan
- Develop a framework to advance standards updates when affirmative recommendations are made by the National Organic Standards Board
- Conduct specific review of certifier’s actions regarding the interpretation and implementation of new standards; and requires an annual report to Congress on the National Organic Program action plan and activities in rulemaking and standards development

⁶ <https://www.usda.gov/media/press-releases/2022/06/01/usda-announces-framework-shoring-food-supply-chain-and-transforming#:~:text=WASHINGTON%2C%20June%201%2C%202022%20%2D,small%20and%20mid%2Dsize%20producers.>

Additionally, we support maintaining the National Institute of Food and Agriculture, Organic Research and Extension Initiative baseline funding of at least \$50 million annually in next farm bill, and would encourage you to increase this to \$100 million annually over time. This program has resourced numerous organic dairy research projects at land grant universities throughout the nation. Lastly, the co-op supports all efforts to simplify and streamline both the National Organic Certification Cost Share Program, and the Organic and Transitional Education and Certification Program administered by USDA.

Thank you for the opportunity to provide both oral and written testimony for the "A 2022 Review of the Farm Bill: Dairy Provisions." I welcome any additional questions or follow-up from Committee members as you take on the monumental task of developing the next farm bill.