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'Organic' spurring healthy debate

Dairies come under fire for large-scale farms

By Alicia Wallace, For the Enterprise
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Fifteen years ago, Horizon Organic milk couldn't be found in conventional supermarkets.

Since then, the organic foods industry has skyrocketed. Sales hover at \$14 billion annually. Products no longer are relegated to shelves of health food stores.

And even though the industry's explosion has made it possible for good-for-you products to reach a wider audience, the growth hasn't come without pain.

With potential regulatory change as a backdrop, a public battle has erupted within the organic dairy sector, pitting consumer groups and family farm lobbyists against some of the industry's corporate newcomers and longtime veterans.

The U.S. Department of Agriculture is determining what role pasture plays in organic dairy farming. Some have recommended cows need to be out in the grassy fields — acting like they do in their natural environment — for at least four months of the year.

The sides argue not only about pasture access and treatment of animals, but also the role small- and large-scale farms play alongside each other in the industry.

USDA standards don't limit the size of farms, so outfits of all scales are allowed to participate in organic farming if they follow regulations.

The arguments and accusations have turned into boycotts, creating a potential risk to reputations and finances. At the center of the firestorm sit two regional companies: Dean Foods Co.'s WhiteWave division, which is based in Broomfield and oversees Horizon Organic milk, the nation's largest organic dairy; and Boulder-based Aurora Organic Dairy.

Critics say big farms violate organic standards. Companies such as Horizon and Aurora say they do not.

Pasture time for cows also has been a gray area.

The USDA ruling and the surrounding debates, some say, could push the organic dairy sector, and the overall organic industry, to better standards or into disarray.

Is 'access' enough?

The USDA is picking up a decade-old discussion on whether "access to pasture" standards are enough for organic dairy production.

During the past two months, the agency has solicited comments from industry members and consumers regarding whether the 4-year-old regulations should adopt suggestions from the National Organic Standards Board.

That board, appointed by the Secretary of Agriculture to create regulations for substances used in organic production, last year suggested livestock animals should graze during the growing season for at least 120 days a



Courtesy photo

A worker tends to a group of cows at Horizon Organic Dairy's facility in Paul, Idaho.

year, have pasture make up 30 percent of their food and be temporarily confined if bad weather or other hazards exist.

A grazing system is the basis of holistic animal management, said Mark Lipson, policy program director at the Organic Farming Research Foundation.

"It is fundamental to both the health and natural behavior of the animal, and to the overall health of the farms," Lipson said.

Both the wording and intent of the regulations are not clear enough, said Mark Kastel, co-founder of the Cornucopia, Wis.-based Cornucopia Institute, a nonprofit whose mission is "promoting economic justice for family-scale farming."

Cornucopia has been critical of larger dairies, specifically Aurora Organic Dairy and Horizon Organic Dairy. Horizon was started in 1991 by Paul Repetto and Mark Retzloff, who previously co-founded Alfalfa's Markets and Eden Foods. Marc Peperzak, who also was involved in Horizon's beginnings, founded Aurora Organic Dairy, of which Retzloff is now president.

Peperzak said the argument comes down to economics — scale allows for affordability. However, he said he is concerned economics might be driving some of the accusations against Aurora.

Some of the larger dairies keep cows off pasture for periods of time — citing age and pregnancy — and instead in a feed-lot environment, Kastel said. He said the regulation's "stage of production" clause was intended for young cows, or those just about to give birth.

"We want to see black and white on green," he said. "We don't want to see black and white on brown."

Horizon said all of its animals at its Paul, Idaho, dairy graze every day. Aurora said the non-lactating cows at its Platteville farm are on pasture constantly. Because of Platteville's layout, less than half of the lactating cows have the same type of access as the other cows, said Clark Driftmier, an Aurora spokesman.

To give cows more access on the 500-acre farm, Aurora said it is adding pasture and removing cows. It already has pulled about 600 cows off the farm, Driftmier said, bringing the number to 3,700 from 4,300.

Walt Cooley, associate editor for the Jerome, Idaho-based *Progressive Dairyman*, an industry publication, said the regulations could shape the future of the organic milk industry, dictating the size of farms.

"Creating a rule that would require a certain amount of pasture time would push producers to probably keep the size of the dairies at some kind of a capacity," he said. "It's not going to become an organic feed lot."

But the debate goes deeper than pasture, said Christopher Galen, a spokesman for the National Milk Producers Federation, an Arlington, Va.-based farm commodity organization representing dairy marketing cooperatives.

The issue of pasture "is the proxy for the larger argument about how large should an organic farm be," Galen said.

What does the market want?

Organic products have gained acceptance from companies, retailers and consumers in both the specialty and mainstream markets.

Natural grocers Austin, Texas-based Whole Foods Market Inc. and Boulder-based Wild Oats Markets Inc. had sales of \$4.7 billion and \$1.1 billion, respectively, last year. Organic produce and items such as organic Prego pasta sauce line the shelves of King Soopers; there's an expanded natural and organic section in Safeway's new Lifestyle stores; and Wal-Mart has pledged an increased focus on organic products.

Statewide, the industry is estimated at \$4 billion, the bulk of which is made up by Boulder-area companies, according to Boulder-based Compass Natural Marketing.

The organic industry's third fastest-growing sector — behind meat and sauces/condiments — is dairy, which saw sales increase 23.6 percent in 2005, according to the Organic Trade Association. That boom is expected to continue at a 20 percent rate this year, the association said.

Demand continues to outpace supply, as some grocers sometimes haven't been able to stock some private-label

or branded milk because of shortages. If that 20 percent year-over-year growth continues during the next five years, Horizon estimates 168,000 cows and 458,000 acres will be needed to both fulfill demand and provide milk at a lower cost.

Driftmier said large- and small-scale operations can co-exist, noting how Aurora's organic feed is provided by 120 family farms.

Horizon said its two company-owned farms — the Paul, Idaho, dairy and its 500-cow Maryland dairy — make up 20 percent of its milk supply. The other 80 percent, it said, comes from 340 family farms. Three of those farms have more than 1,000 cows and the rest have fewer than 500. The smallest weighs in at 12 cows.

Horizon said it also is in the process of transitioning 200 more farms through its Horizon Organic Producer Education program, something it expects to fund with \$15 million to \$20 million during the next five years.

While the organic regulations don't dictate farm size, size does matter, said Cornucopia's Kastel.

Milking thousands of cows three times a day and juggling them between parlor and pasture, he said, does not fit with his vision of organics. He also criticized Horizon and Aurora farms for not raising their cows from birth, instead bringing in 1-year-old heifers.

On family farms, cows "are names, not numbers," Kastel said. "There's an intimate relationship between the cows and the land and the people."

Cornucopia's arguments — which came in forms of news releases, public speeches and its "Maintaining The Integrity Of Organic Milk" report — spurred a backlash against Horizon and Aurora from others in the industry, including the Boulder Co-op Market, which pulled the Horizon brand earlier this year.

The 650,000-member Organic Consumers Association also boycotted Horizon, calling it an industrial-scale dairy feedlot that had little or no access to pasture.

Consumers pay the higher premiums for organic dairy because they feel that it was produced on a family farm or more ethically raised, said Craig Minowa, the association's environmental scientist.

Minowa said the existence and emergence of larger farms and corporations in organic dairy dilutes the market and puts smaller-scale farmers at a disadvantage.

They're "stepping into an industry that used to be made up of mom-and-pop businesses," he said. "The standards were built for a certain scale of the economy. I don't think anybody anticipated this kind of growth."

The debate has made its way to Wall Street, with analysts speculating in research notes about potential impacts on sales to companies, including Horizon.

The criticism and Wall Street concern have kept Horizon and Aurora busy making public appearances and issuing statements.

"Clearly the misinformation that's been spread about Horizon has hurt our reputation — more reputation than our business at this point," said Joe Scalzo, WhiteWave Foods' president. "We're being very aggressive about communicating who we are, what the real facts are and where potentially (consumers have) been misled."

The debate: Evolution

Dean Foods is spending \$10 million on a new farm in Idaho. Horizon plans to divide the Paul dairy herd so 2,200 to 2,400 milking cows will be at each site. Beginning in September, something else will change as well — the farm will start raising the cows from birth, Raff said.

"Every time you go out and buy cattle, you're bringing their problems to your farm," he said.

Horizon's direction and vision were acceptable for Whole Foods, said Margaret Wittenberg, the grocer's vice president of global communications and quality standards, who recently toured the farm with other executives.

Wittenberg also toured Aurora's farm, which she called "unacceptable." She would not elaborate. Driftmier said he does not know why she is commenting on Aurora's dairy when the Boulder-based firm is not a customer of the grocer.

In terms of Horizon, Wittenberg said Whole Foods gave its stores the thumbs up, telling them they can sell Horizon products if they have the shelf space, she said.

Wild Oats has been in close contact with suppliers and is pleased with the strides taken by farmers to enhance their farms, company spokeswoman Sonja Tuitele said.

Needing consensus

The pasture debate is a critical growing pain for the industry, said Steve Demos, who founded WhiteWave Inc. — maker of Silk soy milk — in 1977. Twenty-five years later, the company was acquired by Dean Foods, which eventually combined it, Horizon Organic and Dean's National Brand Group into its own division. Demos led that division until spring 2005, when he resigned.

He has spent the past year traveling the world.

"I'm sure the debate has grown in the year I have been gone, and has now developed into 'sides,'" wrote Demos, who e-mailed from Africa. "This is probably the saddest part. The organic community needs to address and resolve these issue and the ... vetting of the issue should be thorough.

"I also feel the vetting should be done behind closed doors without individual egos and agendas present and when consensus agreement is reached the industry should put forth its recommendations."

Amidst the discussions, the rulemaking and the debate, industry members should not lose sight of what the green and white "USDA Organic" seal means, said George Siemon, chief executive officer of the Organic Valley cooperative, a La Farge, Wis.-based cooperative of farmers that includes 570 dairy farmers.

"The integrity of the label is the important issue," he said. "Organics is an integrity-based market. Organic is an integrity-based label. If people don't have trust in that label, it's going to affect us all."

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