

## The Market for Organic Dairy

Beginning Organic Farming  
Purdue University  
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## What is Organic Milk?

- Certified to comply with USDA National Organic Program
- Animals under continuous organic management for 1 year
- Replacement animals on organic management from the last third of gestation, or for 1 year before milking

## What does “Organic Management” mean for dairy operations?

- Feed and Forage
  - Certified organic feed (no chemical fertilizers, pesticides, herbicides, etc. for 36 months)
  - Access to organic pasture (30% DMI, 120 days???)
- Living Conditions
  - Access to outdoors, shade, direct sunlight
- Medicine and Health Care Practices
  - Prohibited: rbST, breeding hormones, antibiotics
  - Allowed: organic vitamins and minerals, AI
- Record Keeping
  - “sufficient to preserve the identity of all organically managed animals”

## Hurdles to Organic Dairy Certification

- Organic soil management
  - Steep learning curve
  - NOP only says what you *can't* do
- Sourcing organic feed
- Record-keeping
  - annual certification review
- Financial
  - Getting through the transition period
  - Buyer programs?

## Organic Dairy Markets: The Stylized Facts

- Organic markets have growth trajectory and potential
  - Manufacturers have money
  - Consumers have money
- Demand is outpacing supply
  - Farm premiums for organic milk (\$5/cwt)
- Additional costs of production
  - Cost of organic feed
  - Negative returns to organic dairy farms in Northeast
  - Better outlook for Indiana?

## Outlook for Organic Dairy: TBD

- Questions unanswered as market develops.
- How do premiums at retail translate to farm prices?
- How will premiums respond to growth in organic production?
  - Barriers to entry
- Availability/Prices for organic inputs
  - Feed, heifers
- Prices for corollary outputs
  - Heifers, dairy beef, crops

## Outlook for Organic Dairy, cont'd

- What's happening on the conventional market?
  - Recent strong milk prices ease the transition period
- Location
  - CROPP: Midwest benefits from availability of feed & pasture
  - Where are the processors
  - Critical mass—enough milk to make a route

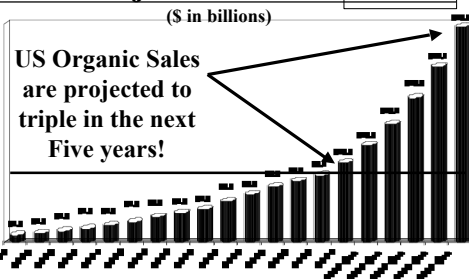
## More Resources

- Indiana Certified Organic, Cissy Bowman  
8364 SSR 39  
Clayton, IN 46118  
317-539-4317  
E-mail: [cvoof@iquest.net](mailto:cvoof@iquest.net)
- CROPP/Organic Valley, Lowell Rheinheimer  
message: 888-809-9297 x509  
mobile: 651-492-2184
- NOP [www.ams.usda.gov/nop/indexIE.htm](http://www.ams.usda.gov/nop/indexIE.htm)
- MOSES [www.mosesorganic.org/factsheets/dairychecklist.pdf](http://www.mosesorganic.org/factsheets/dairychecklist.pdf)
- ATTRA [www.attra.ncat.org](http://www.attra.ncat.org)

## More Resources

- Northeast Organic Dairy Producer's Alliance
  - <http://www.nodpa.com/>
- "The Organic Decision: Transitioning to Organic Dairy Production Workbook" developed by Cornell Cooperative Extension specialists in consultation with NODPA
  - To order a copy, please call Faye Butts at 607-254-7412 or email to [fsb1@cornell.edu](mailto:fsb1@cornell.edu). The cost is \$12 to cover printing and postage.

## Total US: Organic Sales Projected Growth



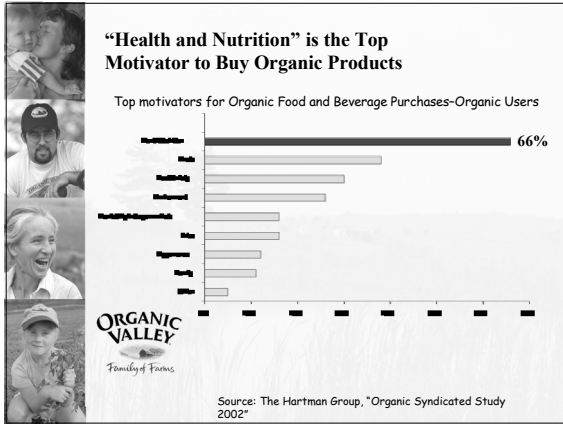
Source: Datamonitor; NMI & OV Analysts

## Organic Dairy

- Growth in Organic Dairy Demand
  - \$1.4 billion in retail sales (2003)
  - Demand growing at 21%/year in recent years
  - 13 percent of organic food sales
  - Still a small part of the U.S. dairy sector
    - 2.8% of fluid milk consumption
    - <1% of U.S. milk production

## Demand for Organic Foods: What are Consumers Paying For?

- Perceived benefits
  - More nutritious food
  - Safer food
  - Improved environmental stewardship
  - Animal welfare
  - "Family farms"
- Evidence on Willingness-to-Pay for organic milk
  - Consumers willing to pay
    - \$1.50/gal. for rbST-free
    - Additional \$1.50/gal. for organic
  - Organic consumers unresponsive to price changes



### Typical Organic Price Premiums

- Wide variation in organic price premiums
- Tend to be higher for vegetables and dairy than grains
  - Fruits, Vegetables, ex. romaine lettuce, cherry tomatoes: 100%
  - Milk: 60%
  - Corn, soybeans, wheat, oats: 50%

Source: [www.ers.usda.gov/Briefing/Organic/Questions/orgqa6.htm](http://www.ers.usda.gov/Briefing/Organic/Questions/orgqa6.htm) 3/15/05

### U.S. Certified Organic Livestock, 2001

Beef cows	15,197
Milk cows	48,677
Hogs & pigs	3,135
Sheep & lambs	4,207
<b>Total cows, pigs and sheep</b>	<b>72,209</b>
Layer hens	1,611,662
Broilers	3,286,456
Turkeys	98,653
<b>Total chicken and poultry</b>	<b>5,014,015</b>

Source: Greene and Kremen, USDA-ERS, AIB No. 780

### U.S. Certified Organic Livestock, 2003

Beef cows	27,285
Milk cows	74,435
Hogs & pigs	6,564
Sheep & lambs	4,561
<b>Total cows, pigs and sheep</b>	<b>124,346</b>
Layer hens	1,591,181
Broilers	6,301,014
Turkeys	217,353
<b>Total chicken and poultry</b>	<b>8,780,154</b>

Source: "U.S. Organic Agriculture in the U.S., 1992-2003," [www.ers.usda.gov/Data/Organic/index.htm](http://www.ers.usda.gov/Data/Organic/index.htm)

### IN Certified Organic Livestock, 2001

- Layer hens (Eggs): 52,600
- No beef cows, milk cows, hogs, or sheep/lamb

Source: Greene and Kremen, USDA-ERS, AIB No. 780

### IN Certified Organic Livestock, 2003

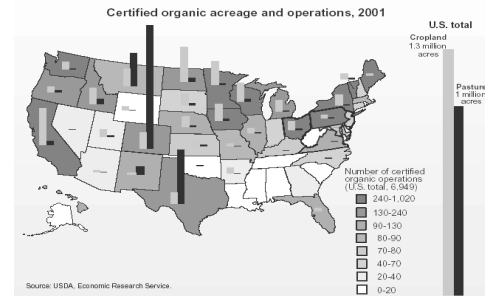
- Other poultry: 33,000
- No beef cows, milk cows, hogs, or sheep/lamb

Source: "U.S. Organic Agriculture in the U.S., 1992-2003," [www.ers.usda.gov/Data/Organic/index.htm](http://www.ers.usda.gov/Data/Organic/index.htm)

## IN, 2005: Lots Has Changed!

- Certifiers say all categories of organic operations are increasing in Indiana
  - Organic dairy and livestock operations
    - Amish dairies in Lagrange
  - Many transitional dairy operations, some poultry
  - Traders Point, Smith Dairy (Richmond)
  - Active interest from Organic Valley, others?

## U.S. organic cropland and pasture, 2001



## U.S. organic cropland and pasture, 2003

