

American Dairy Producers: Going Organic

By Craig Collins

By the time Albert Straus had earned his degree in dairy science and returned to his family farm near the town of Marshall, on the shore of Tomales Bay in California's Marin County, he'd already acquired a deep regard, even reverence, for the land and the food it produced. His parents, Jewish immigrants who had escaped Europe after Hitler rose to power, established their dairy farm in 1941 with 23 Jersey cows, each named after a family member or close friend. Straus learned a love of farm work from his father, Bill, who worked tirelessly – happy, Albert has speculated, to have a place of his own in the world, where he knew he wouldn't have to run anymore. Straus' mother, Ellen, was a founder of the Marin Agricultural Land Trust, which protects 69 ranches and dairies covering 44,000 acres in Marin County.

In 1977, when Straus returned to Marshall with his university degree and a bigger share of responsibilities, he found the dairy industry undergoing a seismic shift: Dairies were getting bigger and more efficient, and the arcane system of federal price supports, which regulated the price of milk but not the volumes produced or processed, was making it difficult, if not impossible, for smaller family dairies to survive. According to the U.S. Department of Agriculture (USDA), there were 4.6 million dairy farms in the United States in 1940; that number has been consolidated to around 45,000. Many of these larger producers' efficiencies were achieved through methods Straus was reluctant to adopt: heavy use of chemical fertilizers, purchased feed, and, beginning in the early 1990s, the use of engineered hormones such as bovine somatotropin (bST).

For his parents, Straus said, the dairy business had never been about making a killing: "My father started the dairy in 1941 as a conventional dairy ... I think back then most people didn't even actually look at farms as a business. They looked at them as a way of life – because no way would you want a farm as a business. When I came back, the co-ops and the regional processors were selling milk at a price that didn't cover the cost of production. Feed and all these other costs kept going up and up year after year, and the price of milk essentially stayed stagnant for decades."

To practice better land stewardship, the Strauses had already stopped using herbicides. In the early 1980s, Straus went to



no-till farming to reduce soil erosion and cut fuel costs. By the end of the decade, he had completely eliminated the use of chemical fertilizers.

These practices didn't improve the market position for the Strauses' milk – if anything, they raised their production costs – and Straus reached the conclusion that if he wanted to continue farming, and to treat his land and animals the way he wanted them treated, a radical step was necessary: He announced he was converting the dairy farm to 100 percent organic production, the first organic dairy west of the Mississippi – and rather than try to hunt down buyers for its milk, the dairy would establish its own creamery. In February 1994, Straus Family Creamery became the first certified 100 percent organic creamery in the United States.

Hindsight has proved Straus to be prescient: In Marin County today, more than 80 percent of the dairies are certified organic, along with more than 75 percent of the dairies operating in its agricultural neighbor to the north, Sonoma County. But 21 years ago, his move was widely dismissed as risky, a one-man rebellion against the entrenched system of producing and marketing milk in the United States. He would price himself out of the market, his neighbors warned.

That was the whole point, said Straus: He'd had enough of that market. So he decided to create his own. Today, the retail price for Straus milk is nearly twice that of conventional milk, and his customers gladly pay it – and gladly pay a premium for the butter, sour cream, yogurt, and ice creams produced by



Opposite: Bottles of Straus cream top milk on the line. **Above:** Cows on pasture at the Straus Family Creamery in Marshall, California.

his creamery. “Organic production works to ensure economic viability to farmers,” he said, “because the price paid is intended to cover the true costs of producing high-quality products that sustain land, animals, and community.”

MORE THAN MILK: BUILDING A MARKET

A look at recent trends in the U.S. dairy market is enough to make anyone want to escape it: According to the USDA, Americans drink about 37 percent less milk today, on average, than they did in 1970. The reasons for this plummeting demand are complex, rooted in changing consumer preferences and socioeconomic factors, but the response by the dairy industry has been pretty simple: to produce more milk, more efficiently.

In “How the Milk Industry Went Sour, and What Every Business Can Learn From It,” an opinion piece published in *Forbes* magazine two years ago, Hank Cardello, a former food

industry executive, detailed a series of missteps by the dairy industry: From 1970 to 2006, while the number of U.S. dairy cows declined by a quarter, the milk output per cow more than doubled. By the 1980s, Americans were consuming more soft drinks than milk. One of the primary reasons consumers continued to choose milk – its perceived status as a healthier, more nutritious option – was weakened in the 1990s when advocates began to question its nutritional value and the use of hormones and antibiotics. The decline in demand for milk, Cardello wrote, “illustrates the dangers of focusing on just one highly commoditized product, ignoring market trends, and trying valiantly to sell what you make rather than to make what people want.”

What Straus and other organic dairy producers around the country have figured out is that when consumers choose their products, they’re choosing a set of values. Straus milk is unhomogenized, topped with a thick layer of cream, and sold in thick glass bottles with a \$2 deposit on each, allowing the creamery to average four to six uses per bottle. It may seem quaint to think consumers of organic milk are consciously lending support to Straus’ ethic of sustaining land, animals, and communities – but their money is plenty real.



Left: Chapel's Country Creamery, a dairy farm that produces artisan cheeses in Easton, Maryland, starts with fresh raw milk produced on the family's Grade A dairy farm. **Above:** Cows on Pleasantview Farm, an Ohio certified organic dairy farm.

Consumer demand for organic milk and value-added products such as organic yogurt and ice cream, mirroring demand for organic produce of all kinds, has continued a steady climb. The USDA's 2014 Organic Survey estimated that sales from organic farms have increased 72 percent since 2008, and the Organic Trade Association, an industry lobbying group, claims the organic dairy sector's 2014 sales were \$5.46 billion, an 11 percent increase over the previous year and the biggest percentage increase for that category in six years.

Despite these gains, of course, most of the U.S. dairy market remains unchanged. When Straus went organic, there were about 3,000 organic milk cows in the United States; today there are more than 250,000, according to the USDA – but this is still only about 3 percent of all U.S. dairy cows. While it's a growing market, there's a good reason for the inertia: Becoming organic isn't easy. To earn organic certification, a dairy farm's land must be without banned chemicals – pesticides, herbicides, and synthetic fertilizers – for three years. The cows must then undergo a year without hormones, antibiotics, or synthetic feeds – and remain free of these chemicals for the remainder of their lives. These changes cost money, but for Straus, they were relatively easy; he'd already made most of them by the time he'd made his decision to go organic.

Another obstacle to becoming organic is the size and reach of the existing market. Charging twice as much as

conventional producers can only work if you're able to reach enough consumers willing to pay that price. Again, Straus had a built-in advantage: His creamery is a relatively small, regional business, with an affluent and environmentally conscious Northern California clientele. While unique, it has several analogues around the country – but an increasing number of organic producers have opted to simply sell their milk to large processors, such as Horizon Organic®, Stonyfield®, or Aurora Organic Dairy, and others have joined forces in regional or national cooperatives.

The largest organic dairy cooperative in the United States, Organic Valley, was launched by a handful of family farmers in southwestern Wisconsin who joined forces in 1988 to market organic produce, and soon realized the demand for organic dairy products. Today, it's a cooperative of 1,779 farm families from New England to California, who combine their resources and processing capabilities to produce milk, cheese, butter, eggs, juices, meats, produce, and soy beverages under the Organic Valley label. Each of these families is an equity-sharing member of the cooperative. They periodically elect a national board of directors and voice their opinions through regional executive committees.

While the cooperative is a national entity, Organic Valley spokesperson Sasha Bernstein said the markets remain regional. "The milk we're drinking in the Bay Area comes from Petaluma or other regional farms," she said. "We're not getting milk from Wisconsin."

Aside from the obvious benefit of expanded market access and profit sharing, Organic Valley members enjoy other forms of mutual support: technical and other assistance with production, certification, farm planning, supplemental feed sourcing, veterinary consultation, and more. In summer 2015, when many of the drought-stricken Western members had trouble raising enough pasture and forage for their cows, the cooperative stepped in to offer a premium price – a dollar or two more per hundredweight (100 pounds, the basic wholesale unit of milk in the United States) – to help these farmers absorb the associated costs.



A concrete watering trough utilized in grazing pasture on a northeast Ohio organic farm.

Such fellowship has proven invaluable to organic producers, but Straus points out that the regional structure of the organic dairy market has built-in stability. “Essentially the only way that small-scale family dairy farms can survive,” he said, “is to be certified organic, because the conventional business is so volatile. You can’t really farm with all that volatility and run a business ... I think the agricultural system in this country, the way the pricing system has worked for the last 50, 60, 70 years, has not allowed for family farms to profit as a business and be passed on to the next generation.”

BREAKING DOWN MARKET BARRIERS

For many conventional producers, significant barriers to the organic market persist, but a network of resources is growing around them to help with the transition. In New York state, where milk is the leading agricultural product, former dairyman A. Fay Benson helped to establish the Organic Dairy Initiative at Cornell University in 2004. Benson had been one of the first New York dairymen to go organic, in 1997. “It was a struggle to compete against the large, efficient dairies,” he said. When most of the large producers began using bST in the 1990s to become even more efficient, he opted out. “I didn’t want to be a part of

it. So I either had to get out or do something different. And the consumers were really what drove my choice.”

Low demand isn’t a problem for the New York organic dairy market, Benson said; there’s currently a shortage of organic milk, and he and his colleagues have put together a webinar designed to help guide farmers through the transition. “When milk prices are good, the farmers aren’t interested in transitioning to organic,” he said. “And now that the conventional prices of milk have dropped, we’ve had a big influx of people starting their transition.”

Benson said probably the biggest obstacles to this transition remain the up-front costs and individuals’ fears of changing established practices. “The transition can be financially painful,” he said, “because you’re usually operating at a lower production level while you’re starting to learn a new style of farming. It’s not terribly different, but your inputs are different, and you’re still receiving a conventional price and with lower production.” An increasing number of small dairy farmers, however, are measuring one pain against another.

“It’s not until they’re really uncomfortable where they’re at,” Benson said, “that they’re willing to take the chance to try a new market.”

Straus thinks that for many family dairy farms, it may be a last chance. He started his creamery to save his own farm, he said, but that mission has evolved: “Our mission now is to sustain organic dairy farms in Marin and Sonoma County and help revitalize the rural community,” he said. “The people who thought I was crazy 21 years ago are certified organic now. Or they’re not in business.” ■