

February 23, 2023

Vermont Senate Committee on Agriculture
Vermont State House
115 State Street – Room 28
Montpelier, VT 50633

RE: Vermont Organic Dairy Industry – testimony provided.

Dear Chairman Bobby Star and Committee members,

Thank you for inviting our cooperative to provide testimony on the organic dairy industry. My name is Travis Forgues and I am the Executive Vice President of Membership for Organic Valley. As many of you know I was also an organic dairy farmer in Vermont for 14 years and continue to maintain strong family and community ties to the state.

Organic Valley works with 95 dairy farmers in Vermont which represents about 17 percent of all dairy farms in the state.

Regarding market conditions the landscape is similar to the characterization we provided in December to the Task Force to Revitalize the Vermont Dairy Industry, conditions remain challenging on-farm with high feed costs and other inflationary pressures on many farm inputs.

We have seen some increased attrition in the cooperative, and in Vermont, both in volume of milk and farm numbers. This should be balanced with the fact that over the last 3 years we had a trend where attrition was far below our normal rate in the membership, at somepoint a correction was expected. We have also seen year-over-year milk production down given feed and general farm expenses. Farmers are more aggressively culling animals as well as feeding more cost-effective yet less productive milk producing rations.

Milk prices for our co-op members have remained steady with a slight increase provided for 2023. According to our internal data we are also seeing farmers are more and more attuned to seasonal and quality premiums for the milk they produce.

On the market side, inflationary pressures are impacting all businesses and also consumers. Our processing and transportation costs are up at least 40 percent. We have already taken 3 price increases to the market in the last 22 months but are acutely realizing the retail marketplace is topped out.

Aggregated industry market research shows retail prices for conventional dairy grew as much as 12.8%, while organic dairy grew only 7%; the story in cheese is similarly consistent with conventional dairy growing 6.9% and organic cheese only 2.8%. This affirms the reality that shoppers are price sensitive and currently unwilling to accept additional price increases for premium organic dairy products.

Despite these headwinds the cooperative ended 2022 at close to break even.

In order to ensure the cooperative does not violate antitrust regulations or reveal proprietary sensitive business information we are not at liberty to share additional pay price information or operational line items of expense such as hauling costs or marketing fees.

What we can share is that as the Committee deliberates on how to support the organic dairy industry many farmers in the state are facing very economically challenging times. This has prompted the co-op to help lead a joint federal effort to secure \$100 million for the new USDA Organic Dairy Market Assistance Program. While these resources for organic dairy farmers are expected to be released in late summer we also acknowledge they are unlikely to make farmers whole and financial hardship and stress will remain.

Our cooperative recognizes the state of Vermont is deliberating on additional resources for organic dairy farmers, we generally support any state, regional, or federal relief that might be provided to any farmers facing economic hardship. Ensuring we sustain a population of skilled organic farmers is a top priority for the co-op.

As we look to the future the cooperative is optimistic that feed costs will moderate, and we've already seen that some, but that other efforts like USDA's Organic Transition Initiative will be successful and increase the domestic production base of organic feedstuff.

As we look to the marketplace, growth opportunities do exist for the coop and include:

- readjusting of contracts and pricing to reflect the new normal in costs.
- increased interest in high-value dairy products like organic infant formula ingredients.
- expanded distribution and gaining better product placement in retail.
- strategic consumer campaigns that connect people to the origins of their food – that consumers purchasing habits align with their values to support small organic family farms who care for the earth and animals.

We appreciated the state legislature's attention to the well-being of organic dairy farmers in Vermont. Please feel free to reach out to our cooperative and myself if there is any questions today or in the future.