



# ORGANIC VALLEY CROPP COOPERATIVE

Shawna Nelson, EVP of Membership

Chris Dahl, Dairy Payroll and Handling Manager

Adam Warthesen, Senior Director of Government & Industry Affairs



- Established 1988
- \$1.2 billion in sales annually
- 32 states
- 1,600 farmer-owners
- 920 employees

### Dairy – farm

- 262,000 pickups
- 38 haulers
- 34,000 loads
- 90 delivery locations

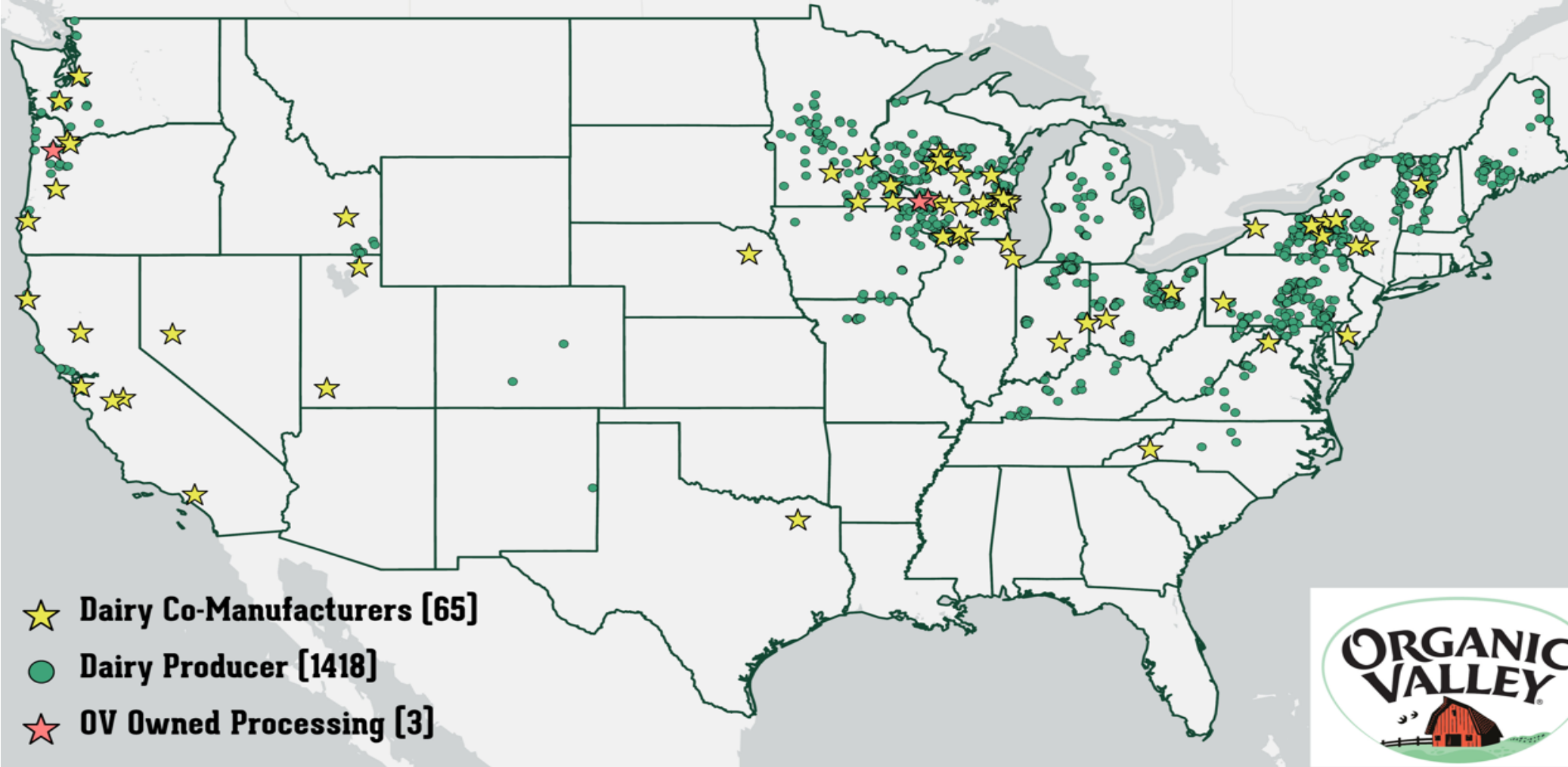
DAIRY 

EGG 

PRODUCE 

GROWER 

# Organic Valley

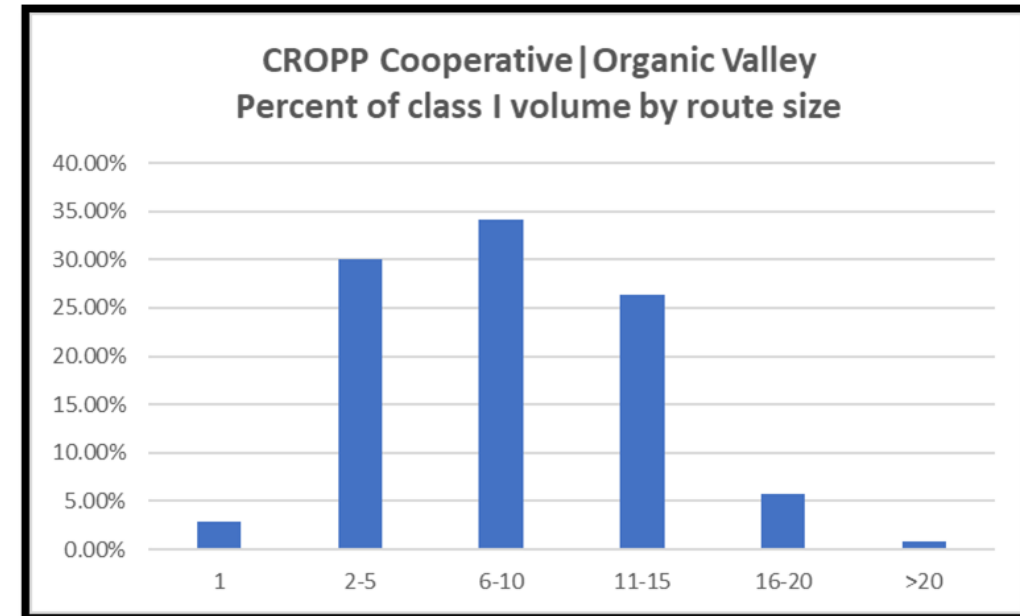






# NATURE OF MEMBER-OWNERS

- USDA Certified Organic
- 99.6% small dairy – Small Business Administration
- Owned and operated with family focus
- Culturally diverse
  - Communities
  - Approach to dairy





# ORGANIC VALLEY OPERATIONS – PROCESSING FACILITIES





# FEDERAL MILK MARKETING ORDER RELATIONSHIP

Order	Farmer	Processing	Fluid
1	✓	✓	✓
5			
7	✓	✓	
30	✓	✓	✓
32	✓	✓	
33	✓	✓	✓
51	✓	✓	✓
124	✓	✓	✓
		✓	



# ORGANIC DAIRY & THE FMMO SYSTEM

- Organic milk highly indexed in Class I
- Organic milk under indexed in Class III
- Organic pay price current and historically above regulated uniform minimum prices
- Long-term membership agreements
- FMMO pool milk is not substitutable for organic milk

Organic & FMMO Total Milk Utilization by Class				
	I	II	III	IV
Organic	55%	20%	15%	10%
FMMO Total	27%	9%	54%	10%

<sup>11</sup> As estimated by MIG expert Sally Keefe.

<sup>12</sup> [USDA AMS, Market Summary and Utilization Annual Report, February 14, 2023](#)



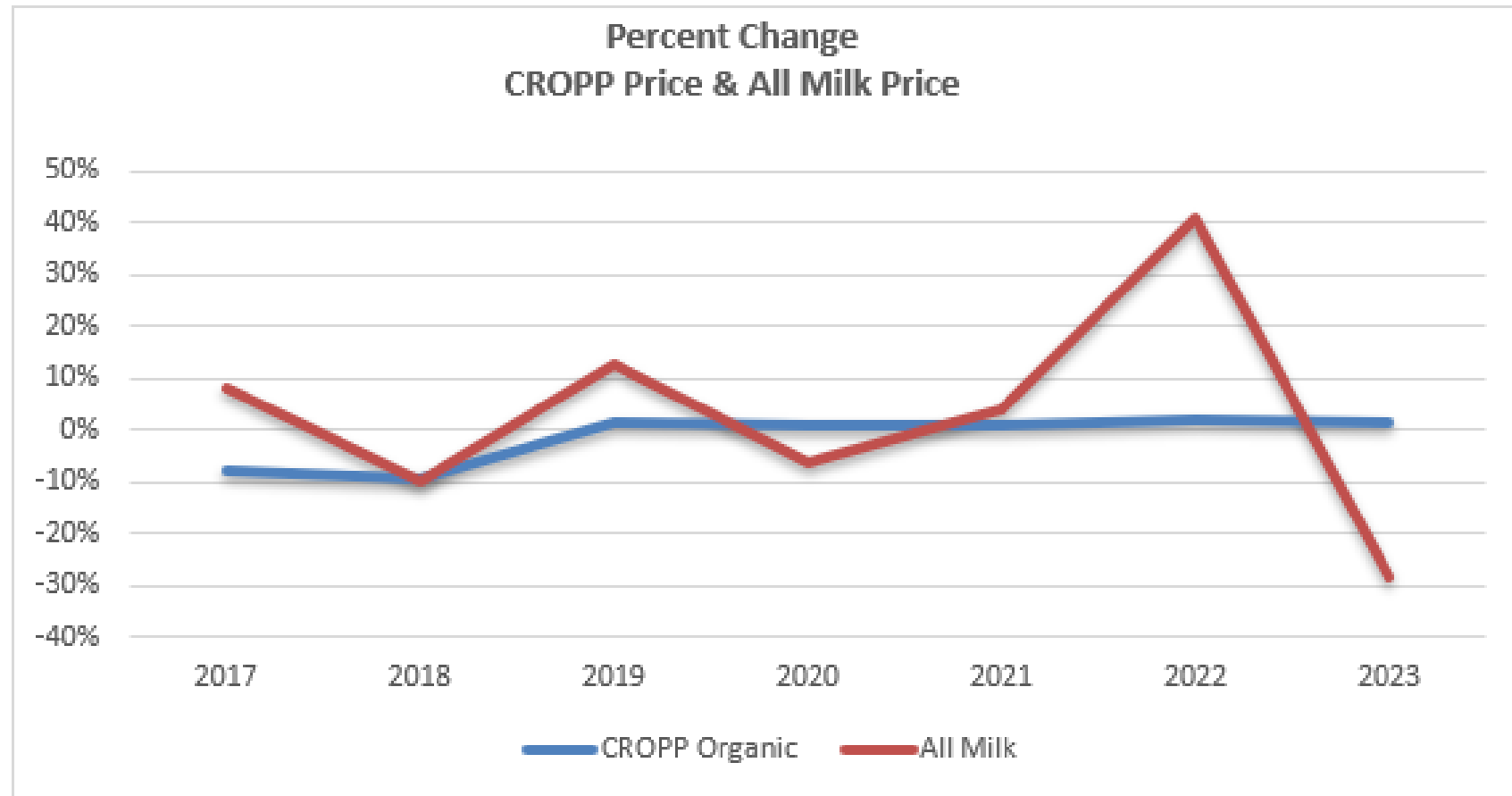


# ORGANIC PRICING – DETACHED FROM FMMOS

- Organic Valley farmer pay price is set annually:
  - Needs of the farmer membership
  - Ability of the co-op to meet sales targets and manage inventories
  - Cost of goods and co-op operations
- FMMO minimum class/producer uniform prices are not a direct factor in monthly organic pay price
- FMMO rules and requirements indirectly impact our farm gate organic milk price
  - Represent a persistent negative obligation
  - Take money from OV|CROPP's owner-members
  - Co-op pooling obligations ultimately go to non-organic producers (co-op sees no aggregate benefit)

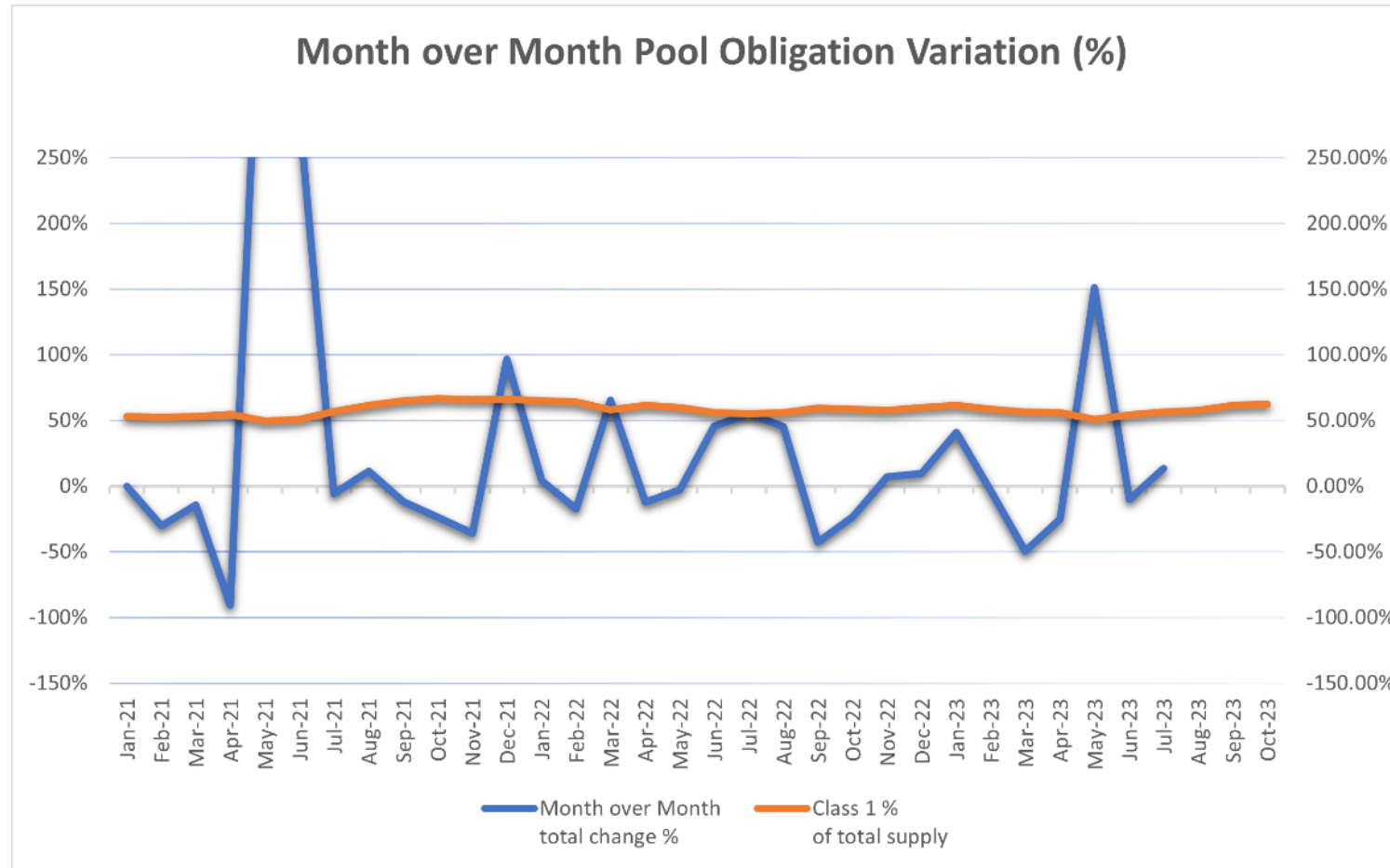


# WE PROVIDED A STABLE PAY PRICE





# FMMO POOL OBLIGATIONS – SUBSTANTIAL AND HIGHLY VARIABLE





# ORGANIC EXEMPTION – SHOULD BE HEARD

Organic dairy remains in an untenable position



MIG's proposal was within the scope of hearing notice

"...USDA is providing the opportunity for interested parties to submit additional proposals regarding potential amendments to the current pricing provisions applicable to all FMMOs."



Ad hoc decision to limit scope to amendments directly impacting uniform pricing formula

Demonstrates lack of flexibility

Will of majority, suppresses objections of minority

174 organic dairy farmers and organic dairy companies call for greater action



# CLASS I DIFFERENTIALS – PROPOSAL 20

Rationale for base Class I differentials should be examined



Grade A



Balancing Cost



Incentive Service



# PROPOSAL 19 CLASS I DIFFERENTIALS

- No matter what USDA does not change how we move milk
- No matter what USDA does Class I differentials remain burden we cannot mitigate

**Table 2**  
**OV|CROPP Fluid Network Class I Differential Comparison**

Fluid Plant, City	County	State	Current	Model Minimum	Model Average	#19	#19 – Current	#19 – Model Avg.
Safeway, San Leandro	Alameda	CA	\$1.80	\$2.00	\$2.05	\$2.90	\$1.10	\$0.85
DFA Alta Dena N, Col	Los Angeles	CA	\$2.10	\$2.20	\$2.25	\$3.00	\$0.90	\$0.75
DFA Bev. Sol; Richmond	Wayne	IN	\$2.00	\$3.40	\$3.60	\$3.70	\$1.70	\$0.10
DFA Bev. Sol; St. Paul	Ramsey	MN	\$1.70	\$2.70	\$2.75	\$3.00	\$1.30	\$0.25
Mountainside, Roxbury	Delaware	NY	\$2.70	\$4.20	\$4.35	\$4.40	\$1.70	\$0.05
Saputo, Delhi	Delaware	NY	\$2.70	\$4.20	\$4.35	\$4.40	\$1.70	\$0.05
Byrne Dewitt, E Syracuse	Onondaga	NY	\$2.50	\$3.90	\$4.00	\$4.20	\$1.70	\$0.20
Meijer, Tipp City	Miami	OH	\$2.00	\$3.50	\$3.65	\$3.70	\$1.70	\$0.05
Alpenrose, Portland	Multnomah	OR	\$1.90	\$2.30	\$2.35	\$3.00	\$1.10	\$0.65
DFA WQF, Cedar City	Iron	UT	\$1.60	\$2.40	\$2.55	\$2.55	\$0.95	\$0.00
HP Hood, Barre	Washington	VT	\$2.60	\$4.30	\$4.45	\$4.35	\$1.75	-\$0.10
HP Hood, Winchester	Winchester City	VA	\$2.80	\$4.30	\$4.50	\$4.50	\$1.70	\$0.00
Smith Bros, Kent	Mercer	WA	\$1.90	\$2.40	\$2.40	\$3.00	\$1.10	\$0.60

Source: Hearing Exhibit 443 (MIG 64C)



# POSITIONS ON OTHER PROPOSALS

- Support: Proposal 8, 9, 14, and 15.
- Oppose: Proposals 1, 2, 13, 16, 17, 18, 19, and 21.
  
- Worst case scenario
  - 40% increase in pooling obligations
  - Multi million-dollar increase
  - Exacerbates degree of month-to-month swings and associated financial risks
  
- Undermines the vitality of our co-op and its organic promise



# CONCLUSION

- Organic Valley believes in a vibrant and diverse dairy economy.
- Organic Valley believes innovation should be applauded and fostered.
- Organic Valley believes Proposal 20 starts addressing inequity unintentionally built into the FMMO system.
- Organic Valley believes USDA should hear the proposal to exempt organic dairy from pooling obligations.