

September 29, 2023

USDA/AMS/Dairy Program  
Order Formulation and Enforcement Division,  
Stop 0225-Room 2530-S,  
1400 Independence Avenue S.W.,  
Washington, DC 20250-0231

Subject: Testimony on proposals seeking to amend 11 Federal milk marketing orders (FMMOs).  
Agency/Docket Numbers: Doc. No. 23-J-0067; AMS-DA-23-0031 and Document Number: 2023-15496

Witness:

Joe Borgerding  
27308 Hwy 71  
Belgrade, MN 56312

Dear USDA,

My name is Joe Borgerding and since 1870, my family has farmed in Stearns County, Minnesota.

Farming has been our sole source of income.

My adult children are now the sixth generation hoping to do the same and raise their families on our farm. Besides my wife Toni and myself, we have 3 sons and a nephew working full time on our farm.

Our farm currently has 190 cows and 160 heifers and some steers. All of the milk and most of the livestock are marketed through our co-op, Organic Valley. We are able to grow all of our own feed and have extra crops to sell from the 1300 acres we manage. We have been USDA Certified Organic since 2004 and we use a diverse rotation and cover crops as a way to build our soils carbon levels and improve water quality on our farm.

We are a small business as defined by the Small Business Administration.

My family has a long history of working to improve the dairy industry in Minnesota. My great grandfather helped to form the first local co-op creamery to make butter in the early 1900's. Selling cream from cows grazing grass from hillsides generated far more income for farmers than when they grew grain which had to be sold through the monopolistic railroad and grain buyers of the time. Besides adding value to the milk and making it less perishable, it could now bring quality nourishment to more distant populations while at the same time support jobs in small rural towns. Since dairy cows can utilize lots of grass and forages, barren, eroding hillsides became green, lush and fertile again. The great northern prairies that had been home to the countless herds of American Bison, soon naturally became the so-called dairy-belt region.

Eventually, due to competition, technology and consolidation, many small town creameries had to close. As milk buyers, including co-ops, became more detached from the smaller remote farms, the procuring of milk became chaotic and rather disorganized. Milk and milk pricing needed to be standardized with at least two goals: first to ensure fresh milk could be made available to more people around the country, and secondly, to combat disorderly marketing of milk by dairy farmers. My understanding of all this was it was a strong reason for the establishment of the Federal Milk Market Orders (FMMOs) over 80 years ago. Trying to bring fairness and availability to all farmers and consumers is a tall order, and I wonder if this framework has outlived its usefulness and practicality.

I believe when the Orders started there were major problems in a lot of areas including transportation, sanitation, refrigeration, distribution, seasonal production as well as demand shifts and allocation of processing. Many things have changed regarding the challenges facing the dairy industry, like better transportation, refrigeration and marketing systems.

My dad and uncles had to watch as things like trans-fats and oleo-margarine captured butters market share, and so they turned to collective bargaining as a way to survive low milk prices. More value was achieved by making cheese as butter lost its value. I remember when Minnesota farmers had to sue the USDA to stop using Eau Claire, Wisconsin from being used as a basis for determining milk pricing for most of the country's milk.

It seemed ludicrous to me that distance from an efficient production area should be a factor, which made me think that we could likely afford to grow oranges in Minnesota based on our distance from Florida.

I have kept abreast of many of the FMMO changes over the past 45 years and regrettably I witnessed the tremendous loss of the efficient midwestern family dairy farms to areas that never paid FMMO class assessments.

Dairy has been my passion and besides managing our farm I am involved in the industry.

I served on the Board of Directors of Minnesota Milk Producers Association for 10 years, I was appointed in 2007 to the Dairy Profitability Advisory Committee established by the Governor of Minnesota, I have lobbied with the Dairy Policy Action Coalition in D.C. ahead of the 2014 Farm Bill and I sit on the Dairy Executive Committee for CROPP Cooperative.

My opinion after all that I have seen is that the original good intentions of Federal Orders are largely outdated and not relevant to today's challenges.

Eighty years ago, milk was not likely to be shuttled into different Orders to avoid assessments or to gain blending advantages because most processing was done locally and on small scale.

Modern markets today can more easily determine the best use of and potential value of each of the many components of milk and its valuable by-products. Dairy buyers have a better ability to adjust for location, demand changes and supply to contract for their needs so they can deliver what their customers want.

Many commodities such as hogs, cattle, corn and beans are all priced on the expected returns from the various products that can be derived from them, not on which Class or Order they happen to fit in to.

In 2004, we invested into CROPP Cooperative because of their commitment to underserved family-oriented farmers and they were marketing milk to a whole new type of consumer, an organic consumer.

As more and more consumers were looking for healthy options for their families, CROPP branded their products as Organic Valley, and went looking for farmers willing to produce milk to drastically different standards and become USDA Certified Organic.

For a host of reasons, Organic Valley has been able to attract millions of new consumers who were willing to pay an organic premium for dairy products of all kinds. This allowed Organic Valley to provide a stable market to many small, remote but high-quality family run small farms in 32 states. Many of these farms would not have been able to continue under the unstable pricing formulas of today and the dynamics of a consolidated marketplace dominated by bigger and bigger operations.

As time has gone by and our new organic market has matured some, I have come to find out that our small farms, through our co-op, are being assessed millions of dollars by the FMMO system.

That doesn't seem right as Organic Valley farmers operate under a quota system managing our own supply and are never going to flood the fluid milk market in this country. Since organic milk has to meet unique standards, conventional milk pooling is never going to be able to do a thing to balance us.

While Organic Valley does offer a higher pay price, I can tell you our members are really struggling to get by with the higher input costs needed to run an organic dairy. The reality for us is any increased FMMO costs to the co-op means that it has to come from somewhere and unfortunately that probably means it will come from the pay price I receive now, or from the organic pay price I could receive in the future.

Organic consumers reward our farmers for the extra work and expense to produce the product they want, but not enough that we can afford to help balance the system for those that produce huge volumes of milk with different standards that our consumers do not even want.

Many changes to the system will need to be made if it is to remain viable, but some changes should have been made a long time ago and one of those is organic milk needs to be treated differently because it is different.

I am very thankful for the opportunity to share some of my experience and my current thoughts on this important work being done to get the Orders updated.

Thank you for the opportunity to testify and I am open to any questions.