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ORGANIC MILK DEBATE ; Dairies dispute 'organic' values; Ex-hippie farmers contest practices of big producers

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Mark Retzloff is considered a visionary in the booming organic industry.

But his latest venture, an expansive dairy at the base of the Rocky Mountains, is causing a rift in the small circle of entrepreneurs -- one-time hippies and anti-war protesters-turned- business magnates -- who created the organic milk business from scratch a little more than a decade ago.

Retzloff is president and chief organic officer of Aurora Organic Dairy, a year-and-a-half-old company that operates with 5,300 cows on a sloping plain about 40 miles north of Denver and has a new milk bottling plant right beside it.

What makes Retzloff's organic dairy, and a half dozen others like it, so controversial is a provision buried in the federal code that requires that organic livestock have "access to pasture." Some argue that the pasture rule dictates that the cows spend their days munching grass in open fields, rather than being fed organic grain in pens as they are at Aurora Organic.

The issue underscores a much broader debate about the mission of the organic industry as it expands beyond its modest, granola roots into a multibillion-dollar business that has attracted investors with less altruistic goals.

Some leaders in the organic milk business contend a core value of the industry is to support family farmers. Organic dairy farming often is touted as a way for dairy farmers to survive--and even thrive--at a time when small family farms are being forced out of business by megadairies with thousands of cows.

"We need to be an alternative to the 100-year trend of eliminating farmers," said Gary Hirshberg, chief executive officer of Stonyfield Farm yogurt, noting that organic farmers are paid substantially more for their milk than conventional dairy farmers. "By keeping people in agriculture, you are much more certain of the [product] quality and the care of the animals."

Retzloff and some others counter that, while supporting family farms is important, so too is converting as much land as possible to organic--to preserve the environment--and making organic milk more affordable for American consumers. A gallon of organic milk typically costs about \$5; a gallon of regular milk about \$3.50.

Steve Demos, who oversees Horizon Organic and Silk soy milk for Dean Foods, said that unless the organic industry tries to accommodate consumer demand, "you'll have an elitist industry selling niche products at three times what the average person can afford."

Demos, who founded White Wave, the company that first produced Silk soy milk, said his strategy is to support family farms while promoting higher standards for larger, corporate-style operations like those run by Horizon and Aurora Organic.

Meeting 'organic' criteria

By law, only products that meet specific federal criteria can be labeled "organic," and the National Organic Standards Board, appointed by the federal secretary of agriculture, determines those standards. Organic dairy cows, for instance, must eat grain that isn't genetically modified or treated with pesticides or fertilizers, and the herds cannot be given growth hormones or antibiotics.

Furthermore, "the producer must provide access to the outdoors, shade, shelter, exercise areas, fresh air, and direct sunlight suitable to the species, its stage of production, the climate and the environment," according to the rules. "This requirement includes access to pasture for ruminant animals."

The dispute over what constitutes an organic cow is rooted in a decision Retzliff made a decade ago, when as an executive and co-founder of Horizon Organic he converted a conventional megadairy in Idaho into the first large-scale organic dairy. And it has pitted some of the earliest pioneers in the organic industry against one another.

Pushing for strict enforcement of the pasture rule are Hirshberg, a staunch environmentalist who was making windmills and solar-powered aquariums before he joined Stonyfield Farm in 1983, and George Siemon, chief executive officer of Organic Valley, an organic dairy cooperative.

Siemon started an organic farm in 1977 as part of the back-to-the-land movement that eschewed consumerism and was the first to sell organic milk on a commercial basis starting in 1988.

Their primary opponents are Retzliff, who opened an organic cooperative in 1968 while a student and anti-war protester at the University of Michigan, and Demos, who after traveling in India and meditating, began making tofu in a bucket in 1977 and delivering it to local stores.

The pasture debate has intensified in recent years as the organic industry has taken off, attracting the interest of major corporations and venture capitalists.

Heinz now sells organic ketchup, Tyson markets organic chicken and Dean Foods owns Horizon Organic.

Organic food sales have increased each year since 1997 by 17- to 21-percent, while total U.S. food sales during this period have grown by 2- to 4-percent, according to the Organic Trade Association.

In 2003, organic food sales increased by 20 percent to \$10.8 billion. Sales of organic milk and cream in 2003 rose by 20 percent and are expected to grow at 17 percent annually through 2008, the association reported.

The result of the rapid growth has been more questions about what it means to be legitimately organic, particularly when it comes to livestock.

There has been a debate about what "access to pasture" means for organic chicken producers, and some Alaska fishermen are now pushing for a definition of organic fish.

"This is no longer a niche," said Hirshberg, who recently launched Stonyfield Farm's line of organic milk. "As the stakes increase, the debate gets tougher."

Mark Kastel, the director of the Cornucopia Institute, a farm policy think tank, said a dairy farm shouldn't qualify as organic simply because its owners "cram organic feed down the throats of [their] high-producing cattle."

"A factory farm is a factory farm," Kastel said, using the term critics employ for massive industrial-style farms.

Siemon, who was one of the founders of Organic Valley, said the rules are clear but the USDA isn't being tough enough in enforcing them. Organic Valley is a cooperative of 665 organic farms.

"Clearly these people aren't doing pasture as they should be," he said, adding that the issue isn't as much about size as standards. "We feel like they are violating the rules. . . . You can't have these animals on a little piece of land and call it pasture."

Siemon's vision of what an organic farm should be comes to life about 30 miles northwest of Madison, Wis., where John Kiefer and his girlfriend, Carrie Branovan, live on a restored, 100-year-old dairy farm in the Wisconsin River valley.

Contrasting operations

Kiefer, a 47-year-old with a ponytail and salt-and-pepper beard, ran Honest John's Repair before buying the abandoned farm and 20 cows in 1990. He now has 71 cows—including one named "Layla" after the Eric Clapton song—that he leads across a road and through the woods twice a day to hills covered with red clover and orchard grass.

"The cows are so healthy," Kiefer said on a brilliant day in November as the cows lolled in the grass and bald eagles soared overhead. "Look at them: they are laying down, chewing cud, hanging out. They love it.

"Organic Valley is the hope for the small family farmer, it really is," he said, adding that the cows are able to graze 10 months out of the year.

Aurora Organic Dairy in Colorado doesn't look much like Kiefer's farm, but it doesn't look much like a huge conventional dairy farm either. Rather than a large confinement building and a lagoon filled with manure, Aurora dairy has large, clean pens and sheds covered with fresh straw for its cows. The manure is used in nearby fields as fertilizer.

Aurora, which produces private-label milk for national grocery chains and natural foods stores, purchases wind-generated electricity and is converting its diesel engines to bio-fuel. Cows are bred the old-fashioned way, using bulls, rather than by artificial insemination.

Retzloff, 56, takes offense at the notion that his farm isn't really organic because it doesn't operate like most organic farms in the Northeast and Midwest. He said his cows are always outside, but they can't feed off pasture grasses because there simply isn't enough rain in the area to support it.

"It's not how large you are, it's how you made it large," said Retzloff, noting that 50,000 acres of crops are used to feed his cows.

He is planning to open a second, 4,700-cow organic dairy in Texas next year. "Our reason for doing it is we'd like to see agriculture change. If we're really going to change agriculture, we have to do it on all scales."