



The Honorable Thomas J. Vilsack
Secretary
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington DC, 20250

August 17, 2023

RE: Organic Dairy Marketing Assistance Program Funds

Dear Secretary Vilsack,

The Organic Trade Association (OTA) appreciates USDA's ongoing dedication to the success of organic and thanks the Department for taking swift action to address the feedstuff crisis currently faced by organic dairy farmers. The industry applauds USDA's quick implementation of the new Organic Dairy Marketing Assistance Program (ODMAP) in response to global events outside the control of domestic dairy farmers.

Over the last two years, organic livestock farmers faced catastrophic economic challenges as the availability of organic feedstuffs declined dramatically, resulting in significant increases in feed costs. A perfect storm of trade disruptions, international conflicts, and acute drought conditions created a situation no farmer could have planned for or foreseen. The industry saw painful farm exits from organic livestock production and financial hardships at thousands of kitchen tables across our nation. ODMAP relief is crucial for the survival of hundreds of organic dairy farms in the United States. As the application period for ODMAP ends, we understand the industry utilization rate has not yet reached the anticipated levels. We believe the lower utilization rate can be attributed to a few factors:

- A significant percentage of organic dairy farms are plain communities who will not accept government assistance;
- Inherent challenges associated with new program roll outs and educating regional offices on rapidly implemented programs; and
- Inherent challenges in promoting and raising awareness of the program to farmers.

Due to the demonstrated need for support, we do think there are several revisions to the current program that should be taken by the USDA to further utilize the allocated money to support organic dairy farmers in need.

USDA should immediately increase ODMAP Payments to 100% of 2022 marketing costs.

ODMAP currently provides farmers with payments for 75% of 2022 marketing costs for up to 5 million pounds of milk. The payment should be immediately increased to 100% of estimated marketing costs, and all current ODMAP applicants should receive an automatic additional payment under this adjustment.

Revise calculations used to estimate average organic marketing costs to accurately reflect prices experienced by organic producers.

In the current model, FSA used the Agricultural Marketing Service (AMS) data from the Federal Milk Marketing Order (FMMO) regional model documentation¹ which estimates the relationship between each FMMO uniform milk price and the National Agriculture Statistics Service (NASS) all-milk price. The uniform price is the calculated minimum producer price announced monthly by each Federal Order for milk pooled within the respective Order. The all-milk price is the NASS announced price for approximately all the milk within a region and approximates the gross price paid to dairy farmers. Averaging the relationship estimates for each FMMO in the model yields an average of 0.94654. In other words, 94.654% of the NASS all-milk price could be attributed to the FMMO uniform price. Conversely, 5.346% could be attributed to marketing costs. Comparing monthly 2020-2022 all-milk price data, FSA determined an average of \$20.63 per CWT and multiplying that by 5.346 yielded approximately \$1.10 per hundredweight of the NASS all-milk price, on average, attributed to marketing costs.

We believe the following two revisions would update the current model to more accurately reflect the average organic marketing costs. **First, instead of straight averaging the relationship estimates for each FMMO, these relationship estimates should be weighted by the volume of milk marketed under each FMMO.** Each FMMO represents a different quantity of milk and by straight averaging them the relationship estimates are given equal weight even though some are a larger and smaller percentage of the overall volume of milk. This becomes an issue as the marketing costs per Federal Order vary, along with the volume of milk they represent. For example, in current ODMAP relief calculations Federal Order 5 is averaged at 10%; an equal weight with the 9 other Orders. In reality, Federal Order 5 only represents 4.2% of the volume. By contrast, Federal Order 1 is also weighted at 10%, but represents 20.8% of the volume. Utilizing volume weighted averaging would better reflect the marketing costs in a national average and therefore this model should be updated. We provide an example in appendix 1 to this letter on how the current calculation can be updated utilizing USDA AMS latest FMMO volume reporting.² In utilizing this reporting we calculate a more accurate percentage of marketing costs to be 6.913% (versus the 5.346% currently used).

Secondly, we believe the marketing costs should be taken from **the latest NASS data on organic milk pricing vs the NASS data on conventional pricing.** Utilizing the organic pricing data reported by the UDSA would be more accurate in reflecting organic marketing costs than utilizing conventional pricing data. The most recent organic milk pricing data can be derived

² Market Summary and Utilization 2022 Annual Report, <https://www.ams.usda.gov/sites/default/files/media/2022AnnualPriceandPoolReport.pdf>

from the 2021 NASS organic Survey which showed a national production value of \$1,632,652,318 for a national production volume of 5,196,491.771 CWT of milk. This results in an average organic price of \$31.42 per CWT (versus the conventional price average of \$20.63 per CWT offered in the Econometric Model Documentation).

By utilizing both the more accurate marketing percent of the NASS milk price and the NASS organic milk price data – **the estimated marketing costs per CWT for the ODMAP program should be \$2.17**. This number is calculated by multiplying the marketing costs of 6.913% against the Organic Milk price of \$31.42.

We believe these two changes are easy to fix and well justified with current USDA data. However, there are likely other flaws in the calculation of organic marketing costs as it is based on the underlying assumption that marketings costs are the same percentage of pricing for organic and conventional producers. For example, the calculation does not consider the difference in hauling costs and segregation costs between organic and conventional farms. Hauling costs are higher for organic producers due to their smaller size and need for multiple stops. We would like to continue conversations with USDA on more accurate cost models if the changes here fail to utilize the total monies intended to support organic dairy farmers.

OTA also requests a revision to the current cap of relief payments. A more accurate calculation of the cap would better respond to the challenges the program seeks to resolve. To conform with the intent of CCC money utilized for this program, USDA has chosen to cap payments for marketing costs at 5 million pounds of milk for each dairy operation to prioritize support for small organic dairies. However, the 5-million-pound cap leaves many small dairies without adequate relief. In 13 CFR 121, the SBA assigned dairy farms a revenue up to \$3,750,000 per year to be considered small (NAICS Code 112120)*. USDA and the National Organic Program already have a precedent for using this size determination for an allowed variance within the 2022 Origin of Livestock final rule.

Using the average price per hundredweight of organic milk - \$31.42 per CWT - we calculate the maximum size for small organic dairy farm per the SBA definition to be 119,388 CWT annually. Therefore, the maximum payment under ODMAP should be adjusted to cover marketing costs for up to 11.94 million pounds of milk.

- i. **The estimated marketing cost of \$2.17 CWT should be available for up to 11.94 million pounds of milk per operation.** This payout calculation is supported by USDA's organic dairy data, FMMO prices weighted by volume, and the SBA definition of a small dairy. This calculation will ensure maximum benefit to organic dairy farmers without exhausting available ODMAP funds.

Upon publishing these changes to the ODMAP program, the USDA should both automatically increase payments to all current applicants and reopen the application process for more producers to apply. When the application is reopened, USDA should make additional efforts to educate both FSA regional offices and organic dairy farmers of this opportunity. OTA applauds FSA's effort to date to notify all organic farmers on the availability of funds and terms of

eligibility. However, some farmers were still unaware of the relief opportunity even after USDA promotional efforts. A second extension of the program accompanied by additional farmer outreach and FSA education could significantly increase ODMAP participation and ensure the success of the ODMAP program.

In closing, we encourage the USDA to take the following actions:

- Automatically increase payout to all previous applicants the difference from 75% to 100% of current calculated marketing costs;
- Adjust the estimated marketing costs to better reflect organic marketing costs and the size of small organic dairies;
- Automatically increase payout to all previous applicants based on the difference between the new maximum volume of milk covered and the new marketing cost calculation;
- Reopen the application period for new applications; and
- Make additional and continuous educational communications to dairy producers and FSA offices during the application period.

OTA appreciates all the hard work USDA has performed in developing and launching the ODMAP program and this opportunity to provide feedback on how best to utilize monies designated to support organic dairy farmers. OTA requests a meeting to discuss these proposals and to understand the current applicant and funding levels after the close of the current application window. OTA looks forward to partnering with USDA to ensure organic dairy production in the United States remains solvent and thriving.

Sincerely,



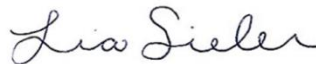
Tom Chapman
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Appendix 1

Revised Calculation of % Marketing Costs

Federal Orders	original parameter estimate used by USDA	lbs per region*	% lbs of total	parameter estimate weighted
FO 1	91.2%	26881.6	20.8%	19.0%
FO 5	96.7%	5420.5	4.2%	4.1%
FO 6	92.5%	2482.9	1.9%	1.8%
FO 7	101.1%	3912.7	3.0%	3.1%
FO 30	91.9%	31837.4	24.6%	22.6%
FO 32	90.3%	15637.7	12.1%	10.9%
FO 33	93.7%	16796	13.0%	12.2%
FO 124	94.5%	7582.9	5.9%	5.5%
FO 126	95.4%	13713.9	10.6%	10.1%
FO 131	99.3%	4909.6	3.8%	3.8%
Straight Average				Weighted Average
% FMMO/NASS differential	94.7%			93.1%
% Marketing Costs	5.3%			6.9%

*Source: Table 6 - 2020 receipts of producer milk

<https://www.ams.usda.gov/sites/default/files/media/2022AnnualPriceandPoolReport.pdf>

Revised Calculation of Organic Milk Price*

Program	Year	Period	Geo Level	State	Commodity	Data Item	Domain	Domain Category	Value	CV (%)
CENSUS	2021	YEAR	NATIONAL	US TOTAL	MILK	MILK, ORGANIC - SALES, MEASURED IN \$	ORGANIC STATUS	ORGANIC STATUS: (NOP USDA CERTIFIED)	\$1,632,652,418	14.4
CENSUS	2021	YEAR	NATIONAL	US TOTAL	MILK	MILK, ORGANIC - SALES, MEASURED IN LB	ORGANIC STATUS	ORGANIC STATUS: (NOP USDA CERTIFIED)	5,196,491,771	14.2
Average Organic Milk Price per lb									\$0.3142	
Average Organic Milk Price per CWT									\$31.42	

*Source: NASS 2021 Organic Census: <https://quickstats.nass.usda.gov/results/3AA9AF76-961D-3745-950E-89F7D7812605>

Revised Calculation of Organic Milk Price

$$\$31.42/\text{CWT} * 6.9\% = \$2.17/\text{CWT}$$

Small Business Size*

$$\$3,750,000 \div \$0.3142/\text{lb} = 11.94 \text{ million lbs}$$

Source: <https://www.ecfr.gov/current/title-13/chapter-I/part-121#121.201>