

HOLISTIC DAIRY FARMING OF SUPER FRESH GRASS MILK

Pep Talk to the Prograsstinators

Bill Dix and Stacy Hall hosted the July '06 Prograsstinators meeting in Marietta Ohio Thursday July 13 through Saturday. Following a days workshop with Andy teaching holistic decision making practices for considering agriculture operations, self proclaimed dairy evangelist Warren Taylor challenged the group to consider taking a holistic approach including responsibility for delivering their superior milk all the way to the consumer in its least processed, and freshest state, as follows:

When I moved to Ohio a dozen years ago, my knowledge of the Dairy Industry started with 6,000 gallon stainless steel tanker trucks arriving at the pasteurizing and bottling plant. Working for the worlds largest fluid milk processor, I knew processing through to the retail stores and customer. Only when I moved to Ohio and met Bill and Stacy did I begin to have contact with the cows. Over the years Bill and Stacy explained intensive pasture grazing principles, while I enjoyed their uniquely delicious milk. At the time, I understood their methods were preferable as more environmentally friendly while producing a more delicious component rich milk. In the last ten years science has progressed and we now understand this milk is more healthful, with its higher conjugated linoleic acid levels. We will continue to learn how much more healthful it is. I have tremendous respect for you grazers who are the pioneers of this movement, who often chose this path for ethical or even philosophical reasons. Now with rising petroleum and fertilizer costs, grazing methods are becoming even more economically and environmentally desirable.

Unfortunately, your milk is not properly valued, as it is lumped together with low component high volume confinement dairy milk from cows fed largely grain and conserved silage. After all, fluid milk is not valued by the American consumer, to the point that soda pop, and sometimes even bottled water, sell for comparable prices. Here we have nature's most perfect food, a naturally occurring fluid comparable only to blood in its nutritive capacity and composition, which is trying to compete with beverages whose packaging cost exceeds the ingredient cost. We must find a way to recognize the real value of fresh wholesome pasture grazed milk.

My father helped with the dairy product judging contest for 20 years. Bert, high individual on the Ohio State University team that won the national championship in 1952, was known for his discerning taster. He believed in the importance of providing customers the highest quality dairy products possible, especially fluid milk. In our home, milk was relished, guzzled by the gallons. When plastic milk jugs appeared in the early 1970's Bert helped organize a Paperboard Packaging Council ad campaign against plastic jugs based on light activated flavor degradation giving an inconsistent and compromised degraded product to the consumer. It was the dairy farmers, through their cooperatives, that jumped on the PPC and threatened to convert immediately to all plastic if they didn't stop suggesting that milk in plastic bottles was degraded milk. The dairy farmers, as expressed through their cooperatives, said that people would drink more milk if they took it home in gallon jugs with a handle and a screw top, light activated flavor be damned. Plastic jugs were certainly not the only cause, but the upward curve of plastic jug utilization mirrors the downward curve of per capita consumption. Plastic jugs were followed by higher heat treatments in pasteurizing, and extended distribution systems, which stretched fresh fluid milk shelf life from one week in the 1960's to three weeks by the 1990's. Processors were always looking for improved methods and silver bullets to extend pasteurized shelf life beyond three weeks. Ultra high temperature (UHT) sterilizing became more common. Thirty years ago we felt sorry for the majority of Europeans who drank their milk UHT sterilized. Today, it is what our children are commonly given at school. Is this progress? Back when Safeway Stores was being asked by the dairy equipment manufacturers to consider UHT processing, they had to laugh. Their rather large warehouses could only hold 1-2 days of milk supply. If the shelf life of the milk was extended by another 4 weeks, it would be necessary to build warehouses many times larger. For an example, look to H.P. Hood's Shenandoah UHT warehouse today.

As the decades passed and true fluid milk quality was gradually reduced by lower component high volume cows on grain diets in confinement, higher temperature heat treatments and extended shelf lives, per capita fluid milk consumption declined by 50%. The highest value milk product, Grade A fresh fluid milk, went from requiring 2/3 of America's milk to only 1/3. We went from being a high value fresh milk industry to being a low value commodity manufactured dairy product industry. While this can be explained by changing demographics and a variety of other influences, milk's reduced quality and taste and eroded consumer confidence in its safety and wholesomeness are also undeniable.

Unfortunately, the Federal Market Order System also conspired, consciously or not, to prevent dairy farmers who incurred greater costs producing a higher quality milk from receiving the full value of that higher quality milk even if used for Class 1 drinking milk. As long as any dairy farmer is within the Federal Market Order, or a State Market Order System such as California's, they only receive a nominal 1/3 utilization for Class 1 milk, while 2/3 of the benefit and higher value

of that milk is taxed from them and paid to subsidize mainly the larger confinement dairies which produce the most milk.

The Federal Market Order System was established in 1937 with three stated purposes. One was to assure an adequate supply of fresh Grade A fluid milk. At a time when much was not even Grade A, and transportation was difficult, this was a real problem.

A second purpose was to assure that farm income was comparable to a urban factory workers, so people would stay on the farms. Neither are now pertinent concerns. Class 1 milk is typically transported hundreds of miles, even a thousand miles routinely in some markets. Nearly all the milk produced in America is Grade A, and only 1/3 is used for fresh fluid milk. No one has really been concerned with availability or farm income in decades.

A third reason for the Federal Market Order System was orderly marketing. This was to prevent cutthroat practices and unfair treatment of farmers, since with minimum transportation distances farmers often had few alternatives as to where to sell their milk. Now, the Federal Market Order System has arguably morphed into an anti free market tool used by the large producer and processor organizations to reinforce their near nationwide monopoly in milk marketing and processing.

The organics industry has been a disappointment, still unable to grow as fast as demand, constrained by restrictive rules which force dairy farmers to freight costly, all too often mediocre and stale organic feeds. Although short on supply, the market is already fragmented with the typical Safeway Store carrying three brands of organic milk, all in gable top paperboard, most if not all UHT processed, in the \$3.39 – \$3.99 per half gallon price range. Organic is less than 5% of the market and not a financial choice for the vast majority of American families who buy commodity grocery store milk.

Our primary problem is the decline in fluid milk consumption. The solution is not loading sterilized milk with high fructose corn syrup and flavors, it is providing a truly delicious fresh product, which today is not even available for consumers to chose.

We need a more efficient and effective production, processing, distribution, and retailing model which will provide fresher and more wholesome milk to consumers at a lower cost. We believe that model is on-farm processing and packaging for delivery directly to large retail grocers distribution center, and/or local retail stores. We advocate for a premium fresh grass fed sustainably farmed milk, not necessarily organic, retailing in grocery stores in the \$2.00 - \$2.50 per half gallon price range. Efficiencies will exist compared to organic milk since the astronomical expense of organic feed is eliminated, along with the middleman mark up of a large national cooperative distributor and/or processor.

Since the local on-farm producer processor will be outside of the Federal or State Marketing Orders, they can enjoy the complete income of Class 1 utilization, without being penalized by turning 2/3 of that premium over to their competitor, the large commodity manufacturing milk producers and processors.

We propose a Same Day Dairy concept to provide this particularly wholesome and fresh milk directly for retail sale. We believe that the continuing decline in per capita fluid milk consumption will be reversed in any markets where such a product is economically available. Instead of a high dollar, low volume, niche milk, this is intended to compete directly with high volume low priced commodity grocery store milk. We believe that the large grocery store chains, such as Kroger and Safeway, will recognize the benefit of having this premium local milk to differentiate them from both Wal Mart, and Whole Foods. High priced certified organic food from around the globe is provided by Whole Foods. Wal Mart is the largest seller of organic milk, but it is nearly all UHT sterilized 55 day shelf life milk. Kroger and Safeway stand to gain considerably by attracting customers with a truly more delicious and wholesome locally produced milk at a cost closer to commodity store milk than to organic.

The niche market organic milks have been hamstrung by high production, distribution and transportation costs. UHT sterilization is a more expensive and energy hungry process with higher packaging costs.

Stalwart, wise, forward thinking grazers who have produced an outstanding product now need only to follow through with seeing that product reaches the customer as fresh and minimally processed as is practical. Everyone can argue whether chicken or egg comes first, but the pricing must enable mainstream high volume sales to also receive the economic efficiency of reduced per container distribution costs. Reaching a significant fluid milk market share is a key goal. This can only be done with attractive pricing and the ability to ramp up delivered production volumes promptly. The real added costs to produce and distribute this premium product are recognized by allowing the producer processor to enjoy the income of the sale, without being taxed and passing that tax directly to our commodity competition through Federal and State Market Orders.

It is important that the premium fresh milk producers stick together and work together, share resources and knowledge to contribute to each others success. We must see the other high value niche processors as our brothers and sisters in the premium milk movement, not as competition. Our competition is commodity HTST pasteurized grocery store milk.

We plan a national fresh Same Day Dairy organization to provide various support including initial surveys and financial evaluations, container, packaging, and regulatory related information, facility design and layout support, facility installation, and start-up, operator development and training, regular inspection

and preventative maintenance and on-demand emergency repair and troubleshooting support.

The three most expensive and complex items of equipment are the HTST pasteurizer, the separator, and the carton filler. We have designed a unique nominal 300-500 gallon per hour HTST system which fits in a 3' x 7' footprint, minimizing product hold up volume, and resultant CIP cleaning solution volumes. The separator and filler we are utilizing are both 30-40 year old equipment, completely refurbished for our local Snowville Creamery. We are organizing alternatives for both new modern small scale, or refurbished older small scale equipment for the next facilities.

We hope to have our local Meigs County Ohio Snowville Creamery operating on Bill and Stacy's intensively pasture grazed dairy farm yet this fall. If that product finds a ready market in the local Athens' Kroger store and the Pomeroy Foodland Market, we hope to proceed with additional pasture grazed dairy farmers around the State of Ohio, including some right here in this room, to provide product directly to your local grocery stores and regional distribution centers. We believe the equipment can be purchased, installed, and commissioned in 3-4 months following the order of buildings and major equipment. We believe that the financial breakeven point for this operation is 500-1,000 gallons per day for a pasteurized milk dairy, and 300-500 gallons per day for a raw milk dairy, where permitted.

If you are interested in discussing any of these ideas further, please contact:

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