June 16, 2015

As Chair of the Board of Dairy Farmers of Ontario (DFO), I am taking this opportunity to provide an update on Ontario’s organic milk production.

The majority of organic raw milk in Ontario is used for fluid table milks and creams, with a portion also going to yogurts and cottage cheese. The demand for organic fluid table milks is highest from September to April and tends to decrease in the warmer late spring and summer months.

We have seen the demand for organic milk for fluid table milks exceeding the available supply, particularly from Sunday to Thursday. When this occurs the amount of available milk needs to be prorated among Ontario dairy processors. This is also true for the demand for organic milk for yogurt as it must be prorated for processor orders.

To address this increase in demand, in the period March 2014 to August 2014, the provincial P5 Pool (Prince Edward Island, Nova Scotia, New Brunswick, Quebec, and Ontario) issued extra production incentive days to organic producers. Compounding the shortage in supply-demand was the fact that in the Fall 2014, three organic producers switched to the conventional milk market which resulted in a decrease in organic milk production, and the demand for organic milk exceeded the available supply.

In response to the decrease in the organic milk supply, the P5 issued additional incentive days for the period December 2014 to March 2015, and then extended the incentive days until February 2016.

It has been suggested that DFO has been syphoning milk away from one processor in favour of others. This is not accurate. DFO first allocates available organic milk among processors filling the fluid market demand, followed by yogurt, then cheese, etc.

The following are some additional measures DFO has undertaken to stimulate further organic production.

**Quota Increases**

To address milk shortages, DFO has taken several steps to implement measures to increase milk production. All Ontario producers have received quota increases totalling 6.5% since April 2014.

**Milk Price Increases**

In December 2014, following consultations with organic producers and processors, DFO announced an increase in the premiums paid for organic milk, effective February 2015. In addition, DFO announced that the $0.04 administration fee, that had been collected for the recruitment and mentoring of organic dairy
producers, would be directly paid to organic producers, effective June 1, 2015. These changes were made to provide greater compensation directly to organic producers to cover higher organic grain costs.

DFO staff also changed the organic transportation rate from a flat fee of $4.00 per hl to the actual cost which is currently trending below $4.00 per hl.

**New OrganicEntrant Program**

To increase organic milk supply, DFO is planning to bring forward positions from the 2016 New Entrant Quota Assistance Program for use by organic applicants in 2015. With this approach, it is the hope that new producers can start milk production within 16 months to meet the growing demand.

**Organic Producer Advisory Committee**

In order to have a greater appreciation of some of the more unique challenges organic producers face, DFO’s Board has instructed staff to develop the Terms of Reference for the newly created *Organic Producer Advisory Committee* to DFO whose members will be organic producers from across Ontario. The mandate will be for producer issues only and not processor related concerns. It is DFO’s intention to rely on this Advisory Committee for advice on organic producer policies and milk pricing. The role of the Advisory Committee will be similar in nature to the Dairy Producer Committees.

**Organic Processor Allocation Policy**

As was published, DFO has been in the process of developing organic milk allocation models for Ontario in consultation with the Ontario Dairy Council (ODC) since January. The ODC represents dairy processors in Ontario, including, for instance, Organic Meadow and Saputo. DFO staff presented two models to the ODC on June 2, 2015, and is expecting a response by the end of June 2015.

**Media and Producer Inquiries**

Since April 2015, when DFO received notice from Organic Meadow that it had filed a “*Notice of Intention to Make a Proposal under the Bankruptcy and Insolvency Act*”, there have been significant media reports and producer questions regarding Organic Meadow’s viability. It is DFO’s policy not to comment on an individual processor’s business affairs. However, I have taken this opportunity to express that DFO has been actively engaged in working with all of the organic stakeholders in an effort to grow this important market.

The Board is keenly aware of some organic producers’ concerns and, while it may not be able to address them all, we are certainly working towards finding a solution to grow the organic supply to meet the growing demand.

While this process takes time, we are optimistic these steps will strengthen the industry and grow the markets. We thank you for your commitment to the organic market.

Ralph Dietrich
Chair of the Board
Dairy Farmers of Ontario