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# Dairy/Organic

## Q&A: Outlook for farming is changing

By MITCH LIES  
For the Capital Press



Karla Chambers

CORVALLIS, Ore. — Growing up on an Eastern Oregon farm, Karla Chambers, a former director on the Federal Reserve Bank of San Francisco, saw what it was like to work hard and have little, in the form of economic gain, to show for it.

That experience, coupled with her university studies in economics and her experience as co-owner and vice president of Stahlbush Island Farms, a successful, vertically integrated operation, provides her with a unique perspective on the history and future of agriculture.

Chambers shared that perspective in a recent interview. Her answers have been edited for length.

**Question:** How did your upbringing shape where you are today?

**Answer:** I grew up on a farm that has been in my family for 130 years. For the first three generations, we were probably creating profits to where young people wanted to come back to the farm. But I think the last two generations, most young farm kids didn't want to come back to the farm. And I was one of them.

Growing up it looked to me like we worked remarkably hard, and that somebody, somewhere — probably somewhere in Chicago — was setting the price of soft white wheat or the price of cattle, and we had very little control of that. We did all the work, but we had little control of the pricing of our products.

I also remember thinking as a kid that this looked like a lot of work, but I never remember seeing the marketing side. You sell these semi loads of wheat, but you have no idea where this pricing came from. I decided I wanted to know the business side better.

**Q:** On Stahlbush Island Farms you and your husband, Bill, obviously have built a very successful agricultural business. How did this operation evolve?

**A:** Bill and I knew very early on that we needed to collapse all the operations — the farming, processing and marketing — to bring more of our profits back to the farm and the land. We didn't know how we were going to do that, but that was a very early goal of the farm.

We also felt that we wanted to create a working environment that would attract talent and young people and bring great young minds back into these farming operations, and it strikes me that the only way you do that is through opportunity.

One of the absolutely coolest things for Bill and me is to have a daughter and son who have chosen to go back into the farming operation.

**Q:** You grow and process a diversity of organic fruits and

vegetables on Stahlbush Island. How do you determine what to produce?

**A:** We listen to literally thousands and thousands of customers at food shows in an effort to stay in concert with consumer trends.

**Q:** What are you seeing in terms of consumer trends in coming years?

**A:** The consumer is changing at a remarkable pace of eating healthier; eating more fruits and vegetables; more beans and legumes. Non GMO is very important to the consumer today. Gluten free is something we hear a lot of at these food shows.

I would say we are going to look back at this period of time and see that the consumer has driven a remarkable revolutionary change to our food markets.

Twenty years ago, when we were going to the first organic food shows, there were 3,500 people there. Today there are 70,000 and 80,000 people there. And it is a \$35 billion and growing industry. That is not a niche. That is a fundamental shift in the demand curve for organic and natural foods.

Keeping up with that shift, keeping up with that demand, is vital to staying current and economically relevant in an industry that is continually evolving.

And part of that is bringing talent back into agriculture. We've lost two generations of young people with that farm management experience. We need to find that talent that is willing to relearn that and help rebuild those skills.

## Retail companies expand dairy antitrust litigation

### New lawsuit accuses herd retirement program of manipulation

By MATEUSZ PERKOWSKI  
Capital Press



Mateusz Perkowski/Capital Press

Two retail companies are accusing a national dairy organization of manipulating milk prices, opening a new front in litigation over a herd retirement program.

Piggly Wiggly Midwest, a grocery chain, and Kinney Drugs, a pharmacy chain, have filed an antitrust complaint against the National Milk Producers Federation and associated dairy cooperatives.

The lawsuit claims that NMPF's "Cooperatives Working Together" program repeatedly paid farmers to send their herds to slaughter between 2003 and 2010, thereby reducing milk output and inflating prices for dairy products.

The plaintiffs characterize the program as an unlawful anti-competitive "conspiracy" and have requested class action status that would allow other direct dairy purchasers to join in the lawsuit to seek compensation.

NMPF has been battling similar allegations for the past four years, but that class action case was brought on behalf of consumers rather than retailers.

Chris Galen, senior vice president of communications for NMPF, said the group could not yet comment on the latest complaint.

"We just learned of this litigation and we're still consulting with our attorneys," he said.

According to NMPF, the herd retirements were protected by the Capper-Volstead Act, which provides farm cooper-

Cows feed on hay in this Capital Press file photo. Litigation over a herd retirement program recently expanded with two retailers claiming antitrust violations.

atives with some exemptions from antitrust liability.

Since the original antitrust lawsuit was filed in 2011, NMPF has continued defending the program despite suffering two significant legal setbacks.

The organization asked U.S. District Judge Jeffrey White to dismiss the case on the grounds that USDA and not the federal court has jurisdiction over the controversy.

In 2012, White rejected that argument as well as the claim that plaintiffs were barred from filing the lawsuit by the statute of limitations.

Last year, the judge dealt NMPF another blow by certifying the consumer case as a class action — a step that often exposes defendants to greater financial losses and thus creates pressure to settle.

A jury trial in the consumer case is scheduled for February 2016.

It's likely that NMPF will again ask the judge to throw out the case before it goes to trial, based on the theory the cooperatives are protected by Capper-Volstead, said Peter Carstensen, a law professor specializing in agricultural an-

trust at the University of Wisconsin Law School.

If the judge agrees that NMPF is shielded by that law, it would effectively end the case and foreclose the plaintiffs from filing a similar lawsuit, he said.

"You won't be able to come back and have another crack at it," Carstensen said.

As for the new retailer lawsuit, it could be an attempt by other attorneys to join the dispute in the hope of eventually winning a share of the fees, he said.

The latest complaint could also be strategically aimed at expanding the class of plaintiffs, Carstensen said. "It's possible this is a way of adding another component to the litigation."

Aside from milk, similar lawsuits have targeted volume-control systems for potatoes, eggs and mushrooms in recent years, he said.

Given the legal uncertainty about such programs and their vulnerability to litigation, other farm sectors will likely think twice about trying to limit production, Carstensen said. "My advice would be, 'Don't do it.'"

## CDFA raises its cap on whey value

By CAROL RYAN DUMAS  
Capital Press

California Ag Secretary Karen Ross has raised the value of whey in the pricing formula for Class 4b milk headed for cheese vats from \$0.75 per hundredweight of milk to \$2.005 per hundredweight.

The increase will be in place for a year, from Aug. 1 through July 31, 2016. Had it been in place from April 2010 to March 2015, it would have resulted in a five-year monthly increase of \$1.01 to the 4b price and \$0.46 to the pool price, according to California Department of Food and Agriculture.

Producers have been pushing for a substantial change in the whey valuation for some time, saying the 4b price lags the price of Class III milk in federal milk marketing orders. They are also supporting the establishment of a federal order for California to replace the state order.

Ross' July 17 decision follows a June 3 hearing on the matter stemming from her concern that current conditions might warrant pricing adjustments.

The temporary cap is less

than the \$4 proposed for a two-year period by producers and more than the \$1.25 proposed for a six-month period by processors.

It is also higher than the \$1.55 cap recommended by the hearing panel for a one-year period.

The increase to the cap isn't the biggest focal point of the decisions, said Rob Vandeneuvel, manager of the Milk Producers Council, which joined with California Dairy Campaign and Western United Dairywomen to propose the \$4 cap.

The decision recognizes a significant change in realizing the 4b price is not in alignment with Class III, he said.

A monthly Class 4b price \$2 to \$2.50 below Class III has been commonplace, with the average from 2010 to June of this year trailing \$1.81 for a total of \$1.83 billion, he said.

If the change had been in place in June, it would have increased the 4b price \$0.69 per hundredweight and narrowed the 4b/Class III gap to \$0.48, he said.

While the increase is temporary, it will provide much needed relief for dairy farmers.

In addition to raising the cap, Ross proportionally increased each bracket within the sliding scale for whey value, he said.

"Today's decision recognizes the fact we need to be closer in line with federal orders, but it's only a short-term increase," said Lynne McBride, executive director of California Dairy Campaign.

Producers welcome the increase, but it is long overdue and unfortunately comes too late for many dairy farmers, she said.

The income that was lost due to the huge discrepancy in prices drove dairy farmers out of business and together with the unprecedented drought is causing some to wonder if they have a future in California, she said.

Those losses were cumulative and the substantial underpayment has put dairy producers in jeopardy, she said.

Dairy farmers delivered the message time after time in hearings since 2010 and were never heard. They are encouraged that Ross finally recognizes the huge disparity, she said.

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