

## OFARM Position Statement on a study of the potential for organic commodity futures trading

The organic food system was never meant to be a food system modeled after the conventional industrial model. The potential of utilizing futures trading goes totally against the over-all philosophy of the organic food production system. Diversity of crops and owner operators is one of the bed rock principles in organic systems. Moving to futures trading goes completely against this philosophy. Keeping and maintaining producers as the best and first determiners of their destiny has to be at the forefront of any price discovery mechanism in organics. And in the end this price discovery must begin at the farm level so the price discovery itself reflects every aspect of a food system beginning with the seed being planted in the soil.

OFARM subscribes to these basic principles:

1. We would like to see the energy put forward with this project to focus on additional options already shown to be viable and working in organic markets (i.e. the idea of pooled marketing advantages for organic producers) and other possibilities rather than just towards a price discovery model that has not been a great benefit to the many in agriculture production.
2. Any market needs to consider the final end user, namely consumers. From our observations this study goes in the opposite direction of the growing local foods initiative and the philosophy of connecting producers to consumers which studies have shown time and again consumers want.
3. In today's world prices begin to hinge on world economies and global events and significant volatility is almost inherent. Diminishing this exposure to volatility should be the goal, but as we have seen in the oil and other commodity markets this is not necessarily the case.
4. Inventory discipline on the part of both producers and the industry will be the only real salvation to lessen price fluctuation and begin to guarantee long term, reliable sources of product for every sector in the commerce equation.
5. History tells us that regulation of price discovery mechanisms such as the CBOT and the CME are only as good as the political will of the people in charge.
6. The higher risk environment in organics just does not lend itself to a stable price discovery system separated from the producers themselves. Price discovery needs to begin at the farm gate.

7. We think a piece of this work, if it goes forward, must focus on the ratio of cost to benefit for the producers. In our opinion the producer would be short changed quite easily and quite quickly based on other futures markets currently in operation.
8. The proposed market could be exposed to derivatives which have the potential to be a real horror story for producers. To eliminate this, any market mechanism should require the buyer to take physical delivery of the product and the seller to actually sell it.
9. There is little or no risk to speculators in any market. A thin market leads to a thin market.
10. A market such as you are proposing cannot and will not function properly without adequate and diligent regulation by an outside third party such as the Commodity Futures Trading Commission (CFTC).

OFARM Target Price System currently in place for almost a decade is based on these key principles:

1. The full recovery of all actual production inputs including those unique to the production, storage, handling and marketing of organically grown products.
2. A return to labor and management that provides family income at levels that allow for the full involvement and adequate compensation of all members of this partnership in the operation of an organic production unit. This compensation must extend to education, training and transition to a future generation of organic farmers.
3. Return to investment that provides for the opportunity for the acquisition and ownership of the land and related infrastructure required for organic food
4. Income enhancement to provide support for the social and economic viability of the community.
5. Organic premium for production of healthy, wholesome food in an environmentally responsible manner.

WE remain true to our MISSION STATEMENT: To coordinate efforts of producer marketing groups to benefit and sustain organic producers.

Founders of OFARM in the beginning stated in the Preamble to OFARM's By-laws:

We, the organizers and members of the Organic Farmers' Agency for Relationship Marketing ("OFARM Association"), believe that organic agriculture must be disciplined in inventory, management, and marketing. We further believe that the general management practices commonly in use by Certified Organic Producers provide a viable and healthy

alternative within our American food and fiber production system while simultaneously enhancing environmental considerations sustainable through generations of annual production cycles.

We recognize that, in order to maintain this sustainable management system of production, the raw food product produced must move into the food marketing system at a value and volume that is commensurate with the producer investments required to establish and maintain a viable production unit. Market price levels must include a reasonable return for labor, management and financial investment. We further recognize that this value must reflect the costs inherent in maintaining the social and environmental infrastructures of our total food production system for succeeding generations. Therefore, we resolve to unite and stand together for economic justice in the market place. To this end, we pledge to each other cooperation in our efforts to inventory, manage and market the fruits of our labors by defining and maintaining our just share of the wealth in our American food production system.