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Organic Agriculture in the 2007 Farm Bill

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The Organic Foods Production Act of 1990 (OFPA), which set national standards for production and processing of food labeled as “organic” was a part of the 1990 Farm Bill. California had its own standards and administrative procedures well before the federal action, but the OFPA signaled that national standards would be forthcoming. The 2007 Farm Bill is likely to address further issues important for producers and consumers, especially research and development and additional support to facilitate the growth of the organic industry.

What Does “Organic” Mean

OFPA prohibits the use of synthetic substances, requires growers to develop an organic systems plan, and also requires certification by a USDA accredited certifier for producers grossing over \$5,000 per year in sales marketed as organic. OFPA further requires the Secretary of Agriculture to establish a National Organic Program within the Agricultural Marketing Service of USDA and the National Organic Standards Board as advisory to the Secretary.

OFPA also required the Secretary to promulgate regulations to carry out OFPA. The final rule was published in December 2000 after much public debate, over a decade after the passage of OFPA. The rules went into effect October 2002. The rules provided a four-tiered labeling system,

specifying products that could be labeled as “organic” and also degrees of “made with organic ingredients.”

As required by OFPA, the National Organic Standards Board makes recommendations to the Secretary to develop the National List of prohibited natural substances and allowed synthetics in organic production, handling and processing. The Board recommendations must be based on the following criteria: effect on human health and the ecosystem, toxicity, availability of gentler alternatives, probability of environmental contamination during manufacture, use, and disposal, and compatibility with sustainable agriculture. It follows that while the law and regulations are silent on the issue of whether or not organic food is healthier than conventional food, the objective of improving ecosystem health is clear.

Crop standards require a 3 year transition period during which no prohibited materials may be used in production, and prohibits the use of genetically engineered materials and sewage sludge. Livestock standards include raising animals for slaughter under organic management from the last third of gestation and no later than the second day of life for poultry. Animals must be fed 100 percent organic feed and may not be given hormones to promote growth or antibiotics. Withholding treatment from sick

*This AIC Farm Bill brief is one of a series that provides information on the 2007 Farm Bill of particular relevance for California. For more information and references to additional analysis please check www.aic.ucdavis.edu.

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animals is prohibited. Access to outdoors, including access to pasture for ruminants is required. Handling and processing standards require that all non-agricultural ingredients be included on the National List of allowed substances, must prevent commingling of organic and non-organic products and contact with prohibited substances.

Organic Production and Market Trends in California and the United States as a Whole

Organic food sales at retail in the United States have risen from \$3.6 billion in 1997 to \$13.8 billion in 2005 at a steady annual growth rate averaging 18.4 percent according to the Organic Trade Association's 2006 Manufacturer Survey. It is important to realize that organic represents only 2.5 percent of retail food sales, but that penetration has increased from .81 percent in 1997. It is the rapid and enduring rate of growth that has captured the attention and interest of mainstream producers, manufacturers, and retailers in an otherwise flat retail food market. Roughly 40 percent of organic food sales are fruits and vegetables and 80 percent of those are fresh produce. This food category, the mainstay of organic foods, continues to increase at 10 percent per year (Figure 1). The next largest category is dairy products, which doubled and then doubled again in the late 1990's and has now settled down to a rapid 15 percent annual growth rate. Processed products, including nondairy beverages make up another 40 percent of the total and grew at about 12 percent in 2005. Meat, fish, and poultry, the smallest food category, has shown the fastest growth rate in recent years and shows signs of continuing this rapid rate of expansion.

The strong growth in dairy and meat catego-

ries points to a parallel increase in demand for organic livestock feeds. Nonetheless, organic grain crops represent less than 0.5 percent of U.S. cropland in grains, compared to 5 percent of vegetable cropland and 2.5 percent of fruits and nuts cropland (Table 1). California represents 59 percent of all U.S. organic vegetable acreage and 58 percent of U.S. organic fruit and nut acreage. This compares to 41 percent of total vegetable acreage and 62 percent of total fruit and nut acreage. Hence, California plays a larger role in organic vegetable production than it does in all vegetable production, but a slightly smaller role in organic fruit and nut production than it does in total production. About 7 percent of all California vegetable production is organic and 2 percent of fruit acreage is organic. Not surprisingly, California has more organic growers (about 20 percent of the national total) and the most certified organic cropland (about 13 percent of the national total) (Table 2). California also has the third highest amount of acres in organic pasture, about 5 percent of the US total.

Organic Agriculture in the 2002 Farm Bill

The 2002 Farm Bill included several new organic initiatives under the Research Title. It authorized three million dollars per year in new mandatory appropriations for 6 years. Projects focused on organic issues are eligible for the more general federal research support, but the specific focus on organic issues for a small share of total USDA research funding was designed to increase the total emphasis on organic agriculture. The organic funding attracted much attention from researchers and the percentage of applicants funded was less than half that of other USDA competitive grants programs.

The Research Title also included initiatives to ensure the collection of data "on the produc-

tion and marketing of organic agricultural products” as part of the ongoing baseline of data collection regarding agricultural production and marketing.” The USDA currently collects organic price data regularly as the San Francisco and Boston wholesale markets. The USDA also collects data on acreage in organic production and market trends and the 2002 Agricultural Census included questions about organic production for the first time.

Under the Trade title of the 2002 Farm Bill, organically produced products qualified for value-added market development grants for the first time. The Conservation title specifically mentioned organic farming as a practice that qualified for assistance for the first time. Further, the Conservation Security Program provided payments to farmers for adopting practices common to organic farming systems, although organic farming was not recognized specifically. In addition, adoption of some organic farming practices were eligible for payments under the Environmental Quality Improvement Program.

Finally, five million dollars was provided under the Miscellaneous Title for a cost share program for organic certification. These direct incentive payments were set at a maximum per farmer or handler of \$500 or 75 percent of total certification costs, whichever was lower. All funds were spent in the first few years, initially available only in the 15 states deemed to be underserved by USDA programs, but eventually reaching all 50 states. The 2002 Farm Bill also exempted “a person who produces and markets on 100 percent organic products” from assessment payments under commodity promotion law.

Organic Agriculture in the 2007 Farm Bill

Organic agriculture has attracted several proposals for the 2007 Farm Bill. The proposal from the

Administration established a benchmark and may be considered as an example of organic issues that are likely to be addressed. The Administration’s 2007 Farm Bill Proposal mentions organic agriculture in the Conservation Title under the Environmental Quality Incentives Program, in the Trade Title under the Market Access Program and in the Research Title. The ideas introduced under these titles are repeated and expanded upon in the USDA’s Organic Farming Initiatives included under the Miscellaneous Provisions. In the USDA proposal, total direct funding specifically for organic agriculture totals \$61 million. The majority of this, \$50 million or \$5 million per year over 10 years, is for an increase in the program to pay part of the costs of organic certification, with an increased maximum of \$750 per recipient. The Initiatives recommend an additional \$10 million in mandatory research funding in organic agriculture to focus on environmental and conservation impacts of organic agriculture and seed variety development. The remaining \$1 million in reauthorized funding is for market and production data collection and publication. None of these funding areas are new initiatives; rather they are continued, renewed, or expanded funding of 2002 Farm Bill programs.

In addition to these direct funding recommendations, the USDA proposal recommends eligibility for EQIP funding on a “broad range of land uses including organically farmed land.” Also the expansion of the mandatory funding for the Market Access Program would allow organic agriculture to compete for funds to increase the organic export market.

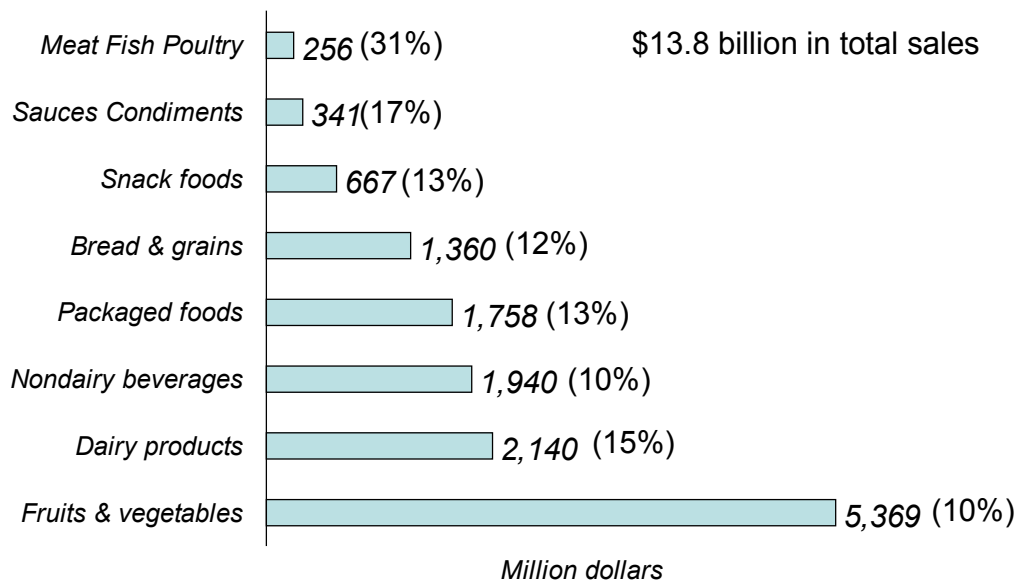
Overall, the organic community was pleased with the inclusion of organic agriculture in the 2002 and is working to expand the funding in the areas pioneered in the last Farm Bill. In particular, organic interest groups are seeking funding for research and extension activities directed specifically at organic agriculture. Specific recommendations have been made by the Organic

Farming Research Foundation. These include an increase in the already growing level of commitment of the USDA's Agricultural Research Service to organic research, an increase in information for organic growers developed by the USDA's Integrated Pest Management Centers, and the formation of a National Research Initiative on organic plant and animal breeding. The Organic Trade Association echoes the recommendation for increased funding for organic research, data

collection, and incentives payments. They also recommend that all organic growers be exempted from commodity program assessments, not just 100 percent organic growers.

Organic agriculture has been growing in California and is more important here than in any other state. California consumers and producers therefore have a stake in assuring their interests are served in the 2007 Farm Bill.

Figure 1. US Retail Sales of Organic Food and Percent Growth - 2005



Numbers in parentheses are 2005 annual percent growth

Source: Organic Trade Association's 2006 Manufacturer Survey

Table 1. Certified Organic as a share of Total Acreage and California share by crop, 2005

Item	Share of U.S. Organic cropland in U.S. total	Share of California Organic cropland in California total	CA organic/US organic	CA total cropland/ US cropland
	Percent	Percent	Percent	Percent
Total cropland:	0.60%	2.60%	12.90%	2.80%
Grains--				
Corn for grain	0.20%	0.20%	0.80%	0.70%
Wheat	0.50%	1.10%	2.20%	1.00%
Oats	1.10%	1.00%	6.00%	6.40%
Barley	1.00%	4.20%	10.60%	2.60%
Sorghum	0.10%	7.50%	32.40%	0.40%
Rice	0.80%	3.20%	63.10%	15.60%
Millet	2.50%		0.00%	0.00%
Rye	0.60%		1.20%	0.00%
Beans--				
Soybeans	0.20%		0.00%	0.00%
Dry beans	0.60%	0.70%	4.30%	4.00%
Dry peas & lentils	3.10%		0.00%	0.00%
Hay and silage--				
All types	0.70%	1.30%	5.00%	2.50%
Vegetables--				
Tomatoes	1.60%	2.10%	94.60%	74.40%
Lettuce	3.70%	4.60%	95.00%	76.70%
Carrots	5.80%	7.60%	94.30%	71.90%
All vegetables	4.70%	6.80%	59.20%	40.80%
Fruits--				
Tree nuts	1.70%	1.20%	66.70%	95.60%
Citrus	1.10%	2.50%	60.70%	26.70%
Apples	3.40%	13.60%	26.60%	6.60%
Grapes	2.40%	2.40%	85.50%	85.60%
All fruit	2.50%	2.30%	58.30%	62.40%
Other cropland--				
Cotton	0.10%	0.00%	0.80%	4.60%
Peanuts	0.70%		0.00%	0.00%
Potatoes	0.60%	8.00%	52.10%	3.90%

Sources: National Agricultural Statistics Service, USDA, www.nass.usda.gov and USDA, Economic Research Service, based on information from USDA-accredited State and private organic certifiers.

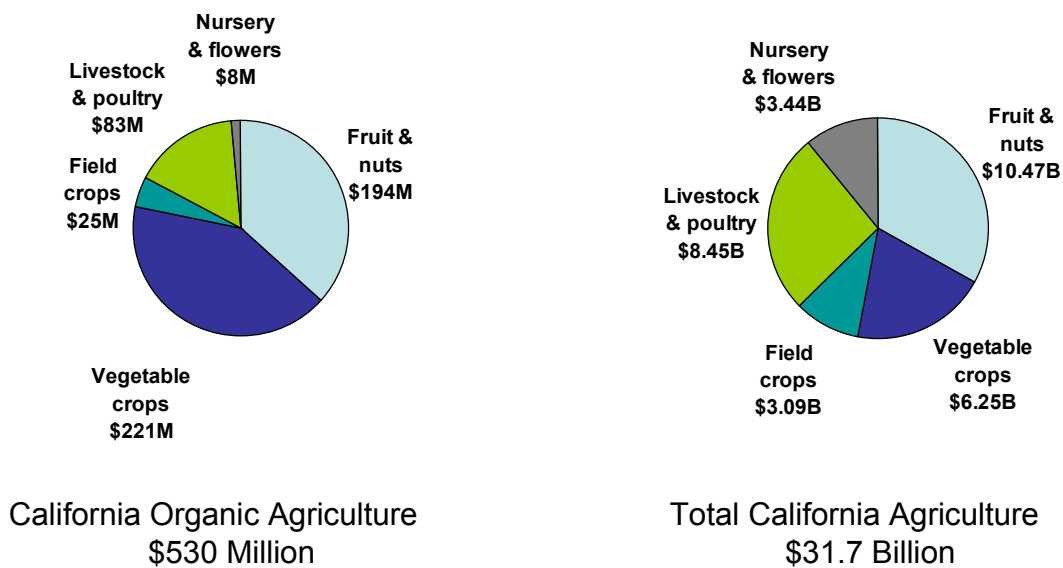
Table 2. Top 10 States by Number of Certified Organic Operations, Certified Organic Cropland, and Certified Organic Pastureland, 2005 1

Number of certified operations			Cropland acres			Pasture acres		
California	1,738	20%	California	222,557	13%	Alaska	1,460,000	63%
Wisconsin	580	7%	North Dakota	143,322	8%	Texas	241,353	10%
Washington	527	6%	Montana	126,450	7%	California	124,026	5%
Iowa	453	5%	Minnesota	116,813	7%	Montana	103,433	4%
Minnesota	433	5%	Wisconsin	91,030	5%	Wyoming	66,290	3%
New York	427	5%	Texas	87,124	5%	Colorado	60,766	3%
Vermont	366	4%	Idaho	81,220	5%	North Dakota	37,811	2%
Oregon	317	4%	Kansas	80,180	5%	Wisconsin	31,308	1%
US Total	8,493	100%	US Total	1,723,271	100%	US total	2,331,158	100%

Source: USDA, ERS

1/ California producers about half of all organic production by value of output.

Figure 2. California Organic and Total Gross Cash Receipts 2005



Source: USDA, Economic Research Service. www.ers.usda.gov