REVIEW OF ECONOMIC IMPACTS OF ORGANIC PRODUCTION, PROCESSING, AND MARKETING OF ORGANIC AGRICULTURAL PRODUCTS

HEARING

BEFORE THE

SUBCOMMITTEE ON HORTICULTURE AND ORGANIC AGRICULTURE

OF THE

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C O N T E N T S

HEARING TO REVIEW ECONOMIC IMPACTS OF ORGANIC PRODUCTION, PROCESSING, AND MARKETING OF ORGANIC AGRICULTURAL PRODUCTS

WEDNESDAY, APRIL 18, 2007

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
SUBCOMMITTEE ON HORTICULTURE AND ORGANIC AGRICULTURE
Washington, DC.

The Subcommittee met, pursuant to call, at 10:00 a.m., in Room 1300 of the Longworth House Office Building, Hon. Dennis A. Cardoza [Chairman of the Subcommittee] presiding.

Members present: Representatives Cardoza, Etheridge, Davis, Gillibrand, Peterson (ex officio), Neugebauer, Kuhl, and McCarthy.

Staff present: Tyler Jameson, Keith Jones, Scott Kuschmider, Merrick Munday, John Riley, Sharon Rusnak, April Slayton, Debbie Smith, John Goldberg, Alise Kowalski, Pam Miller, and Jamie Weyer.

STATEMENT OF HON. DENNIS A. CARDOZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. CARDOZA. Good morning. This hearing of the Subcommittee on Horticulture and Organic Agriculture, to review economic impacts of organic production, processing and marketing of organic agricultural products, will come to order.

I want to thank you all for being here today, attending our hearing and taking time from your busy schedules to testify about the economic impacts of organics on agriculture. I want to acknowledge the absence of one witness from Mr. Conaway's district today. Mrs. La Rhea Pepper is unable to be here with us due to the passing of her husband, after a lengthy illness. The members of the Subcommittee extend our sympathy to Ms. Pepper and her family. In her absence, her oral testimony today will be read into the record by Mrs. Sandra Marquardt.

Ladies and gentlemen, this is a historic hearing. Today marks the first hearing on organic agriculture ever to be held in the House Agriculture Committee. I am proud to be chairing this Subcommittee as we engage, for the first, time organic producers, processors, and manufacturers, in a substantial discussion of the challenges and opportunities facing the industry. But I must also commend Chairman Peterson for his leadership in acknowledging the important role that organic agriculture has to play in ensuring a

prosperous U.S. farm sector by creating a Subcommittee to specifically monitor this industry as we write the 2007 Farm Bill.

In 2005, the U.S. organic market grew 17 percent to reach $14.6 billion in retail sales. Organic food's share of the total retail food sales has reached 2.5 percent. Certain non-food sectors show even more remarkable growth. Organic fiber sales have grown over 44 percent in the past year; organic flour sales, over 50 percent; and today, organic products are rapidly becoming mainstream staples in high-end restaurants, sports venues, university cafeterias, club stores and other mass-market retailers. This broad acceptance and perception of quality is a far cry from where organic was just 20 years ago. It was once the domain of ugly broccoli, dried up apples and wormy tomatoes. Today, the industry offers to the American consumer high-quality produce, innovative salad mixes, full lines of convenience foods and dairy items. The product diversity represented here today by producers and processors witness a testimony in and of itself. Organic has arrived in the hearts and minds of the American consumer.

Today, all the members at their daises are provided with cookies from the Late July organic company, and they were provided today by a witness on one our panels, Nicole Bernard Dawes, the President of Late July, who will be testifying later.

There are, however, significant challenges to maintaining the growth and reputation of the U.S. organic sector. The first and perhaps foremost challenge is ensuring the continued integrity of the USDA organic seal. Consumers look to the USDA's green and brown seal as their assurance of the highest quality in organic products. In order to maintain its well-deserved consumer confidence, the National Organic Program must be adequately staffed so that it can provide the industry with timely responses to its questions and calls for new standards to exercise the appropriate oversight of accredited certifying agents, and to engage in the proper enforcement of regulatory violations.

Furthermore, the rapid growth and demand for organic products in the United States has not gone unnoticed by other countries. Producers abroad are vying to meet the demand for organic products created by the U.S. consumer. I am extremely concerned that foreign imports, especially from those rising from agricultural giants like China, claim to be organic when they are failing to meet some basic standards for organic agriculture. The rapid increase in these so-called organic imports is further straining NOP's limited resources. As I am sure we will hear time and time again from the panel today, the integrity of the organic label is the most important, if not the only symbol, for consumer confidence. Any cracks in that system from products at home or abroad can cause significant damage to the industry and must be rectified immediately.

Finally, we in Congress must work to ensure that organic agriculture is better integrated into USDA as a whole. Technical assistance for organic producers, through USDA extension programs, is often sporadic and its availability is uneven among extension agents. Organic farmers can be penalized simply for being organic farmers when assessing crop insurance. And finally, we must ensure the sector receives the research it badly needs to continue its remarkable growth.

I look forward to hearing from the panels today and especially from one of my hometown constituents and dear friend, Mr. Manuel Vieira, from Livingston, California. With that, I now I yield to the Ranking Member, Mr. Neugebauer, the time for him to make his opening statement.

STATEMENT OF HON. RANDY NEUGEBAUER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. NEUGEBAUER. Well, thank you, Chairman Cardoza. And of course, this is my first time to be in these new facilities here and I might add that we have traded up.

Mr. CARDOZA. We have moved up in the world.

Mr. NEUGEBAUER. Thank you for calling today's hearing on organic agriculture. I didn't realize that this was the first time a Committee had heard that, and so it is an honor to be a part of this very historic day, as we talk about the expanding organic industry.

The National Organic Program is a successful voluntary marketing program, through standards that all producers and processors follow certification enforcement processes. Consumers know that when they purchase goods with the USDA organic seal, they are purchasing food that has been grown or raised in a certain manner. I emphasize that the NOP is a marketing program and it is voluntary, because I believe that these two features of the program have contributed to its success. For organic producers and processors, the demand for their products has been growing by nearly 20 percent a year. Entrepreneurs have realized this demand and have invested in supplying this growing market and they are receiving a price premium for their products. I understand that those in organic agriculture have a number of priorities for the 2007 Farm Bill, and I am interested in learning more from the industry on these proposals, given our limited resources and also given the fact that the marketplace has been good to the organic producers.

There is an appropriate USDA role when it comes to maintaining the standards and certification behind the USDA organic label. USDA has the responsibility to ensure that the label means what it says. There is also an appropriate role for research and extension, and organic producers also benefit from the research and conversation programs that are available to all farmers. However, I am cautious about increasing the role of USDA in the organic marketplace and in producers' decisions on whether or not to engage in organic agriculture.

I look forward to hearing more about your ideas for the 2007 Farm Bill and learning from the organic producers and processors here today about the growth and changes in the market for organic products. Thank you, Mr. Chairman.

Mr. CARDOZA. Thank you, Mr. Neugebauer. The chair would request other members to submit their opening statements for the record so that witnesses may begin their testimony and we ensure that there is ample time for your questions. We want to start with panel one and we would like to welcome you all to the table. We will start with Mrs. Caren Wilcox, Executive Director and CEO of the Organic Trade Association, from Greenfield, Massachusetts.

Welcome. Mr. Robert Marqusee, Director of the Department of Rural Economic Development, Woodbury County, Sioux City, Iowa. Thank you for being here, sir. Ms. Bea James, Category Leadership Program Manager, National Cooperative Grocers Association, St. Paul, Minnesota; and Mr. Mark Lipson, Policy Program Director of the Organic Farming Research Foundation, from Santa Cruz, California. Ms. Wilcox, please begin when you are ready. Each panelist will have five minutes. You are welcome to summarize your written testimony so that we can get to your questions as soon as possible.

STATEMENT OF CAREN WILCOX, EXECUTIVE DIRECTOR AND CEO, ORGANIC TRADE ASSOCIATION

Ms. WILCOX. Thank you, Mr. Chairman, good morning, and Ranking Member Neugebauer and members of the Subcommittee. I am Caren Wilcox, Executive Director of the Organic Trade Association, OTA for short, the 1600 member business association representing all aspects of the organic chain, including farming, processing, distribution and retailing of food, organic textiles and personal care products. Thank you for this historic hearing. We do agree with you that it is historic. It has been my great opportunity to lead the Organic Trade Association for the last year, following a long career in the private and public sectors, almost exclusively involved with food and agriculture.

You will hear today from several OTA members, who will talk about their individual experiences of going organic and how they have literally built their businesses often from the ground up. Perhaps the most important thing you will hear from many of them is the impact that organic agriculture has had, not only on their own wellbeing, but also on the economic growth of their communities.

Certified organic production and processing starts with a positive system of farming that maintains and replenishes soil fertility without the use of toxic and persistent pesticides and fertilizers. It includes a system of production from farm to fork, so that we may maintain the organic integrity that begins on the farm. Organic foods must be produced without the use of antibiotics, synthetic hormones, sewage sludge, irradiation, genetic engineering and other excluded practices; and cloning animals or using their products is considered inconsistent with organic practice. For products that use at least 95 percent organic ingredients, the USDA organic seal may be used on a voluntary basis. You will see it on the Late July products, and we included it in our testimony.

OTA studies the marketplace because USDA does not have the authority to do so comprehensively. And as the Chairman said, food and beverage sales were about $14.6 billion in 2005 and occupied about 2.5 percent of the retail marketplace. The fastest growing organic product categories include meat, dairy and condiments. Fruits and vegetables, many from California, Mr. Chairman, represent the largest dollar value category in the organic sector. Pet food was growing as a category even before the latest tragic recalls and it is growing even faster now.

Now, I do want to talk about farmland, which is not growing as fast in terms of certification. ERS tells us that .5 percent acreage of cropland and .5 percent of pastureland are certified organic

acres. The national standards were implemented in 2002, so we hope that additional acreage is now reaching certified organic status after its 3-year conversion. But it is clear, U.S. farmers are not keeping up with consumer demand for organic products in the United States, and the government does not collect import data on organic goods, but imports must be substantial. We want to enhance the ability of U.S. farmers to provide as much organic food, fiber and other organic products as possible for our country. To that end, we have four objectives in the farm bill: providing technical and conversion assistance and cost-share certification for farmers; we also need to overcome hurdles of data collection, including organic prices, markets, crops, farms, processors and crop loss experience. It is almost entirely absent now from the USDA's lexicon and this data is critical for organic growth, not only for its own sake, but because we need it for our crop insurance and banking needs. USDA is known across the world for research and you will hear a little bit more about that later, but we only get a tiny share. And finally, we need to be sure that USDA, in general, and the National Organic Program, specifically, have the resources to keep up with the dramatic growth that organic certification programs demand. Consumers need to have confidence in the label and USDA's attention to NOP will ensure that fact. We need your help with this.

Organic offers rural America's farmers, and its shoppers alike, a choice of wonderful products, while contributing to the protection of our land, air and water. Frankly, what we need is parity of resources to build sound infrastructure as we compete in the marketplace with conventional food and products of biotechnology. We look forward to working with the members of the Subcommittee and the Full Committee to achieve great results. That you for this opportunity.

[The prepared statement of Ms. Wilcox appears at the conclusion of the hearing:]

Mr. CARDOZA. Thank you, Ms. Wilcox. Next for the panel we have Mr. Robert Marqusee, Director of the Department of Rural Economic Development. Sir, welcome to our panel and please proceed with your testimony.

STATEMENT OF ROBERT B. MARQUSEE, DIRECTOR, DEPARTMENT OF RURAL ECONOMIC DEVELOPMENT

Mr. MARQUSEE. Thank you very much. My name is Robert Marqusee and I am the Director of Rural Economic Development for Woodbury County, Iowa, which is the Sioux City area. I want to thank the Chairman and the Ranking Member and the entire Committee for this awesome responsibility to communicate to this group and to the government the devastating effects of subsidized industrial farming and what those effects are on the rural landscape, and what we in Woodbury County have done by way of local policies promoting organic agriculture to counteract those impacts.

When I began my position in March of 2005 as Rural Economic Development Director, our rural communities were long in decline. The average loss of population in our rural non-bedroom communities was about 25 percent and the folks who remained in those communities were aging. This is typical of rural communities

throughout the State of Iowa, where the average age of the farmer is 55 to 60 years old, most of the land is cash-rented, 25 percent of the land is owned by individuals aged 75-plus, and farms are getting larger and larger, a 78 percent increase in farms exceeding 1,000 acres, pushing out the small to midsized farm operations. As the Des Moines Register concluded in a special 2-part report, the continued industrialization of farming will promote fewer owners of land, faster decline in rural populations, less income and a strain on the environment.

I quickly discovered that the reason for this sad state of affairs was twofold. Federal farm subsidies, in the advent of chemical farming, encouraged large corporate farms that produce less diversified crops with less labor, higher input and environmental costs, all of which shattered the previous local agricultural economies. A lot of money was flowing out of the county. The results of that policy have been the consolidation of farms and the elimination of next-generation farmer. In addition, I found that 10 percent of the farmers receive approximately 80 percent of the subsidies. Despite millions of subsidy dollars being paid to farmers, there was a net loss growing the directed corn and soybean. In other words, I found our rural communities in crisis and I expect at least half of our rural communities to disappear within the next 10 years. There is no debate as to the cause of this decline.

So Woodbury County enacted two policies, trying to reverse the fortunes of the rural communities. We needed to recreate the economic dependencies of producers, local markets, distribution and storage. Our only option was to counter the negative economic forces that was creating the problem. We passed the first policy in the Nation that provides a hundred percent real-property tax rebate to any farmer who converted from conventional to organic farming practices. Then we passed a mandatory local food purchase policy requiring the county to purchase locally-grown organic food for its jail, juvenile detention center, and work release program. We now have a local organic food restaurant, a market store, farmers market, a local foods broker and soon-to-be-announced regional foods brand. A neighboring county has enacted the Woodbury organics conversion policy and two others have indicated that they will adopt a similar policy this year.

A major problem has been in supply and this is really the crux of the matter. While the demand is high, our aging farmers are trapped in the subsidy treadmill. There are few young farmers left in these communities and most economic development activities focus on erecting ethanol plants. It should be noted that the rush to ethanol as a prime economic development tool does nothing but put industrial farming on steroids. The monetary incentives associated with high corn prices is to eliminate crop rotations, level scenic hills in search of more producing land, increases land prices, has higher input costs, most of the benefits going to the landowner and not the cash-rent farmer. As for the supply of organic products, it is hard to compete with a system of Federal and market supports so totally dedicated to industrial agriculture. The demand is there. Organic food is the only growing segment of the food industry, yet Federal policy does not promote, on equal footing, the organic food industry. Therefore the trade imbalance will continue to grow while

consumers demand the better organic choice. This situation simply does not make sense.

We in Woodbury County are doing everything we can to reverse the trends in our rural communities. However, without a significant modification of Federal farm policy, the picture of rural America will be bleaker and beyond repair in the very near future. I have submitted written testimony which contains a coherent detail of what I have said today and I request that it be accepted for the record. Thank you very much.

[The prepared statement of Mr. Marqusee appears at the conclusion of the hearing:]

Mr. CARDOZA. Thank you, sir. Your testimony will be included in the record.

Mr. MARQUSEE. Thank you.

Mr. CARDOZA. Next, we have Bea James from St. Paul, Minnesota. Welcome. Thank you very much for being here and please proceed with your testimony.

STATEMENT OF BEA JAMES, CATEGORY LEADERSHIP PROGRAM MANAGER, NATIONAL COOPERATIVE GROCERS ASSOCIATION

Ms. JAMES. Mr. Chairman and members of the Subcommittee, good morning. My name is Bea James and I want to thank you for giving me the opportunity to speak to you today. My testimony will provide a brief overview of the delicate integral working relationship between local organic farmers and retail cooperatives, as well as the thriving economic results produced by this relationship.

I have worked in the natural organic food industry for more than 20 years and have a variety of combined experience, including distribution, production and purchasing in mass market as well as co-op store formats. I currently manage the Category Leadership Program for the National Cooperative Grocers Association, NCGA. I also hold the retailer seat on the USDA National Organic Standards Board, although my comments today do not represent those of the NOSB. I am a member of the Minnesota Department of Agriculture Organic Advisory Task Force. Although I am not an economist, I would encourage you to read Bill McKibben's book Deep Economy. His book offers compelling economic facts about the current need to pursue prosperity in a more local direction, with communities producing more of their own food.

My point today is simple, so I will make it right off. The local organic farmer, as an individual and as a member of a larger community, has a positive impact on the thriving success of our communities, our economy and the integrity of organic agriculture. I am here before you today on behalf of the NCGA, a business services cooperation for natural food co-ops located throughout the United States, which include more than 130 independent co-op storefronts where you will find beautiful broccoli and not rotten tomatoes, fresh and beautiful, in 32 States, with combined annual sales of nearly $800 million.

Organic agriculture is undoubtedly a bright spot in agriculture today. Despite the difficulties in making the shift to organic farming, the rewards are great for those farmers who truly make the commitment to do so. But the rewards for organic farmers are de-

pendent on consumer acceptance and access to their product. And here is where the role of the NCGA starts. NCGA is working to provide markets for small, local sustainable and organic farmers. This partnership not only ensures consumers have a broad array of organic products available in their stores, but also makes sure that the infrastructure of this symbiotic relationship is contributing to a thriving community of economic growth and development.

In a general survey conducted by the NCGA, we learned that many of our co-ops are sourcing over 15 percent of their products from local producers. As a group, in the Minneapolis/St. Paul area, 12 co-ops alone have estimated that almost 19 percent of their retail sales come from local purchases. The NCGA works with thousands of local farmers and producers across North America and we are proud that our co-op members have a first-name working relationship with them and their families. I would like to share with you 1 of 3 economic success stories that I have submitted in my written testimony to illustrate the symbiotic relationship between farm and community.

In New Prague, Minnesota, the Minar's third-generation farm is thriving, but this would not have happened without the co-op partnership. The Minar family farm goes as far back as 1926 and 7 years ago the Minars decided to commit to sustainable agriculture and began selling their milk in glass jars to only 6 co-ops in the Twin Cities area. In 2004, they became USDA certified organic and today their Cedar Summit Farm products can be found in more than 90 retail outlets throughout the Midwest. As Dan Minar put it, "we would not be where we are today if it was not for the co-ops. Our sales started with them and our success is because of them." There are two other examples that I have submitted and I encourage you to please read them. There are hundreds of other examples that I could refer to. I hope that you value how these examples illustrate what is clearly a win-win-win situation for the farmer, the co-ops and the consumer.

Organic consumers have a strong philosophical desire to support local agriculture and value the quality and freshness they receive in doing so. Organic consumers also appreciate the smaller ecological footprint the distribution of local organic food makes, enjoy knowing organic farmers and value the connection their purchases given towards the food they are eating. The small, local organic farm adds to the integrity and value of the organic label by creating these hands-on experiences in their communities. If we are to maintain the hope and promise that organic agriculture has become, it is critical that we meet the consumer demand with ample supply and continued standards based in organic integrity. Simply put, we need more organic farms and continued government funding for expanding the organic sector in agriculture. The circle of life illustrated in my examples depends on it.

Attached to my written testimony is a summary of the NCGA and the National Organic Coalition 2007 Farm Bill priorities, on a wide range of issues and programs and I urge your strong consideration of these proposals. Mr. Chairman and members of the Subcommittee, I thank you and I encourage you to recognize that local organic farms are vital to the success of the communities we all live in.

In conclusion, my point today still remains, the local organic farmer, as an individual and as a member of a larger community, has a positive impact on the thriving success of our communities, our economy and the integrity of organic agriculture. Thank you.

[The prepared statement of Ms. James appears at the conclusion of the hearing:]

Mr. CARDOZA. Thank you very much. Next up on our panel is Mark Lipson from Santa Cruz, California. Mark has testified at one of my listening sessions in California previously and we welcome you to Washington, sir. Please proceed.

STATEMENT OF MARK LIPSON, POLICY PROGRAM DIRECTOR, ORGANIC FARMING RESEARCH FOUNDATION

Mr. LIPSON. Thank you very much, Mr. Chairman, and thank you, Mr. Ranking Member. My name is Mark Lipson and I represent the Organic Farming Research Foundation, which was founded in 1990 by organic farmers to promote the improvement and widespread adoption of organic farming practices.

The Nation's 10,000 certified organic farmers are the leading innovators of ecologically-based agriculture. Their entrepreneurship is the foundation of the economic success that organic foods and fiber are enjoying in the marketplace. These organic farmers are in every State and region of the country. They grow every type of crop and livestock that is produced in the United States. On behalf of these producers, I thank the leaderships of the Full Committee and the Subcommittee for this historic opportunity. We respectfully look forward to building the information record with you and doing our part to craft Federal policy that contributes to the wellbeing of all of the food and farming system in the United States.

Organic agriculture makes strong and unique contributions to all of the strategic goals for agriculture, productivity, conservation, rural development, health and safety and trade. Because of these multiple benefits, support for improving and expanding organic agriculture is one of the best investments that you can make with the limited resources available to you. The highest payoff target in this investment strategy is organic research and education. Organic agriculture is based on natural processes of soil fertility and ecological management of pests and diseases. Most agricultural technology is directed at simplifying the farm landscape. Organic systems require complexity and diversification. Successful organic management is information-intensive. There is no simple recipe but knowledge is always the key ingredient.

Lack of research and education in organic agriculture is inhibiting growth of this sector. There is an accelerating decline of the U.S. share in the rapidly growing domestic markets. Notably, this lack of research and education applies both to new and novice farmers making the transition, as well as veteran growers facing technical limits to their expansion. The lack of statistical data and current market information is hurting organic producers and inhibiting growth in several ways. Capital and credit be difficult to obtain because there isn't reliable data to back up business plans and budgets. Organic producers are currently charged a 5-percent surcharge on crop insurance premiums.

It is also notable that the regulatory program for the organic label is affected by the lack of research support. The National Organic Program within USDA/AMS is trying to solve some complex regulatory questions that were not fully anticipated in the 1990 law. All of these issues need but severely lack scientific data to inform the policy formulation. In producing, in marketing and in maintaining the integrity of the label, information is a limiting factor to growth and success.

Now, deliberate Federal investment in organic agriculture research and extension did not begin until 2001 and it remains miniscule. USDA's total spending for research, education and economics is about $2 billion a year. Less than one percent of that now is specifically directed at the needs of organic production. With these very small resources, there is excellent work being done in each of the USDA's research agencies, and in my written testimony, I have summarized some of this and I will be happy to talk about that more. Overall, these programs have succeeded at creating a good set of prototypes scattered around different parts of the country, good models, but we have only begun to address the backlog of basic and applied organic systems research.

OFRF has provided recommendations for policy targets and program objectives in the 2007 Farm Bill that are attached to our testimony. There are a variety of ways to meet these targets. We look forward to discussing these as the Committee proceeds to work on specific legislative proposals.

America wants organic foods and fiber. America wants organic family farms in the landscape. Beginning farmers want to participate in the organic market. Our country needs a diversity of approaches to the very serious challenges we face in dietary health, energy and environmental conversation and rural economic development. Relatively modest investments in scaling up organic agriculture can help provide solutions in all of these areas and provide a tremendous return to our land, our health and our economy. Thank you very much for the opportunity to testify today, and I do ask that I may revise and extend these comments in the written record with additional data.

[The prepared statement of Mr. Lipson appears at the conclusion of the hearing:]

Mr. CARDOZA. Thank you very much. You will be able to add to your testimony as we go forward. I just want to make a personal note that my wife is a family doctor. For several years now, she has moved the family into a more organic mode. In fact, we get a box of fresh fruits and vegetables delivered to our house every week, all organic, and it has helped my children, who shun fruits and vegetables of all kinds, to now appreciate it more, as we require them to finish the box before they can go on to other things.

We will now move on to questions and the chair would like to remind members that they will be recognized for questions in order of seniority, for members who were here at the start of the hearing. After that, members will be recognized in order of arrival, and I appreciate the members understanding. I would like to start. Well, at least let me acknowledge Chairman Peterson's arrival.

Mr. PETERSON. Well, Mr. Chairman, thank you for that and I want to thank you and the Ranking Member for your leadership.

And we are, you know, going to put some focus on this issue in this Committee and I think there are lots of opportunities here for folks in agriculture, especially young people, and so we appreciate your leadership and we appreciate you holding this hearing.

Mr. CARDOZA. Thank you, Mr. Peterson. I want to recognize that you have been an outstanding Chairman on how you have conducted the Committee so far this year and we look forward to big things in the farm bill, accomplishments that will largely be at your direction. One of them is this historic hearing today, where you have set up this Subcommittee and led us on a new path and we thank you for that.

I will kick off the questions, then I will turn it over to my colleague, Mr. Neugebauer, to ask a set of his own questions. I would like to start with Ms. Wilcox, in my first question. In your written testimony, ma'am, you highlight the difficulties with crop insurance for the organic industry. Could you expand on this issue?

Ms. WILCOX. Yes, Mr. Chairman. As my colleague Mark Lipson said and as we say in our written testimony, farmers have a very difficult time with crop insurance. Initially, they weren't permitted to get Federally covered crop insurance at all. And then there was a "remedy" for that, where they are now permitted to pay an extra five percent and be compensated at the conventional rate if they have a loss. So they have inputs that are more comprehensive than a conventional farmer would have and yet, if they have a loss, they do not get that compensation. There are also some problems in them being covered by the NAS Census, which impedes some of their disaster assistance, also. But just on the crop insurance issue, that is why we are very, very concentrated on trying to get good data. We are told that one of the reasons is that, of course, we need to have actuarial data in order to write an insurance product. And having worked at the Department, I do understand that the Department does have some criteria for that. I think we have a good chance, if we can get the data, to have a good analysis done in the Department, a quick one, that will permit crop insurance to be issued on a much more equitable basis, with parity toward the conventional and biotech community, which doesn't pay five percent and gets compensated for their loss.

Mr. CARDOZA. Thank you. As a follow up, again, in your written testimony you state that the 3-year transition period is essential to create a working organic farm, yet you acknowledge the difficulties new entrants face during the transition period. Is this a technical assistance issue? Is it a financial assistance issue? What are the challenges that you are facing?

Ms. WILCOX. Well, the farmers report to us and I think that Mark would probably want to comment on this, too. They report to us that the conversion process can be quite daunting. First of all, as you acknowledged, it is very difficult for them to find advisors, in terms of going to organic. The extension system is very uneven in that process. We have a couple of States where extension is very pro organic and they have a lot of good information. But we also have areas where extension has actually issued information that is contrary to organic. And so we have to find mentors for or farmers have to find mentors for themselves. They also do have financial challenges because of the banking system. Without actuarial data,

again, the bankers tend to say to that people that they may not be able to finance them as carefully. We actually have board members of OTA who are helping with the financing of their supplying farmers as they go through conversion. So there are a host of needs. A farmer has to look at the whole process before he goes and gets a certifier. He has got to have a business plan. He has got to have a credit plan. He has got to understand the marketplace, in terms of the products where he can really know that he will have a market. And all of that takes some technical assistance and advisory work.

Mr. CARDOZA. Thank you. Mr. Lipson, I want to follow up on your point in your testimony. You note that the National Organic Program, and I assume, the National Organic Standards Board, are wrestling with regulatory questions. More research could assist in forming these regulatory responses. Can you expand on that point?

Mr. LIPSON. Yes, sir. One example is the effort right now to develop regulations for pasture requirements for organic dairy animals. There is a great deal of difficulty that the program is having in figuring out how to define, in an enforceable way, what is adequate nutrition from pasture in order to write a regulation that meets the spirit and letter of the 1990 law. In order to do that, they are relying primarily on anecdotal information from the producers, who have a very sophisticated idea of how those requirements can be met. But in order for the regulatory program to put that into a legalistic framework, they are straining to find scientific data that backs them up and gives them a strong legal foundation for making those changes. Now there is good work in the research pipeline, now being done that could help with that, but it is coming very late in the process. There are other issues such as production of organic seed in order to meet a full enforcement of the organic seed requirement, a whole number of areas where there just isn't yet good scientific information that an agency typically would rely on in writing these regulations.

Mr. CARDOZA. Thank you. Thank you very much. I will now call on my colleague, the Ranking Member of the Committee, Mr. Neugebauer, for five minutes of questioning.

Mr. NEUGEBAUER. Well, thank you, Mr. Chairman. I guess first to Ms. Wilcox. There has been a great deal of discussion about technical assistance to producers during this transition period. While many organizations have advocated that the USDA should provide this technical assistance, I was wondering why this shouldn't come from the trade associations. Would they be better able to provide that? Could you kind of share that with me?

Ms. WILCOX. Well, we do think that the technical assistance should be multi-faceted and diverse, and OTA is actually preparing some opportunities that will help, we hope, with technical transition. But since we have a very large land grant system with extension and we have many NGOs out in the countryside that are familiar with the steps that need to be considered prior to going into transition, into conversion, we do believe that there is a role for USDA to play, either in direct technical assistance through extension, but also through contracting with various NGOs, who are not terribly prosperous in terms of trying to expand their operations but who have the knowledge that can be given to, for instance,

young farmers who really want to explore conversion but don't know about rotation of crops that they might want to pursue, some of the manure management that they may want to do, that they do have to do in terms of organic farming, some of the technical things that need to be done and we do believe that there is a role. As you well know, USDA gives a lot of technical advice about a lot of things and we think organics should have a little bit of a share.

Mr. NEUGEBAUER. This is really a question for the panel and maybe you could just kind of go down there. But obviously, one of the things that is important is the certification process and the enforcement process, if you are going to have a certification process and the enforcement. What is the general consensus right now of how that process is working, both from the certification side and the enforcement side? And Mr. Lipson, we will start down on your side and we will move to your right.

Mr. LIPSON. The Certification and Accreditation Program run by USDA is the standard for the world. There is no question about that. And the integrity that has been built is absolutely critical to the consumer demand, but the system is strained. It is being strained by the growth right now and the very understaffed condition of that program is a complete bottleneck for the rulemaking that everybody needs to have out in the open, in order to maintain that consumer confidence.

Mr. NEUGEBAUER. So is it the rules or is it just the ability to get certain products certified?

Mr. LIPSON. Well, it is both. There are parts of the standards that are incompletely implemented. The pasture and grazing requirements for dairy animals is probably the biggest one on the table right now. But there are other areas of the standards, aquaculture, honeybees, mushrooms, where there isn't even a standard, even a draft rule, yet in place. And so there are years worth of work stacked up that the National Organic Program simply does not have the staff to address in a timely way.

Mr. NEUGEBAUER. Okay. Ms. James?

Ms. JAMES. Currently the situation with the certification, from my point of view, is there is, number one, a demand in the industry for more organic products. There is a lack of those products being grown and produced, and the weight of having those items available relies on there being ample support in the certification part of the industry. And as new regulations become developed for these areas that need to have certification processes, such as pasture and aquaculture, the weight of that comes down on to the certification process. There is no other audit trail or process currently in place in order to make sure that organic products are truly organic. The certifier is the one who has the weight of a lot of that. And I know also that there is a shortage of certifiers to work for the certification agencies as well.

Mr. NEUGEBAUER. Mr. Marqusee?

Mr. MARQUSEE. The certification process for what we need in the county, actually, it is very helpful for the county, because the county doesn't have to do the enforcement. We just rely on the NOP and the certification. But what we did at Woodbury County was, from a local policy perspective and local foods policy perspective, is to allow transitional products to be sold within our local food systems

from the local food purchase plan and various other things that we have gotten. So we are trying to ease the transition costs for the 3-year period traditionally for crops by accepting those in the system initially for sale, but they have to be on the track for certification at the end of year 3. Under our organics conversion policy, if at the end of three years they are not certified, they have to hand back the taxes that they have been rebated. But I have nothing specific in terms of the actual certification process.

Mr. NEUGEBAUER. Thank you.

Ms. WILCOX. The certifiers, of course, are private or state entities and they operate as agents of USDA and USDA has a responsibility to accredit them and they have a process for that. But what we have to look at is that the NOP itself, the National Organic Program office has only about six people and that is all FTEs. That is not just professionals. And they don't have a full-time rule writer, for instance, so we have this backlog of rules. But the same people who have to be looking at the rules, also have to be looking at the accreditation process for the certifiers and they also need to be making sure that produce that is being produced offshore is done by accredited certifiers and that there is oversight there, and that any problems that emerge in the certification process, because we are all learning new things and there are new products that are asked to be certified, then any of those can be resolved and that all of the certifiers can be informed of any policy changes. So it is a very complex area and it is one that we are increasingly alarmed about because our industry is growing so fast and NOP is not able to keep up right now.

Mr. NEUGEBAUER. Thank you very much.

Mr. CARDOZA. Thank you, Mr. Neugebauer. Ladies and gentlemen, rank has its privileges and I will now recognize the Chairman of the Committee, Mr. Peterson, for questions.

Mr. PETERSON. Well, thank you, Mr. Chairman. I want to delve into this transition period a little more. You know, we have been having some conferences and meetings back in my district and it comes up about this transition period. You know, the industry is, as you say, growing faster than any other sector, so I am kind of trying to get a hand on just what the Chairman was talking about earlier. But these 3 years, what do you do with that land during those 3 years, does it just sit there or they are growing these crops during that period of time but they are just not certified, is that what the situation is?

Mr. MARQUSEE. Well, I would say that, typically, they will do a cover crop and try to get their land prepared for the crops later. They can grow crops during that period, but their yields will be significantly lower.

Mr. PETERSON. Right. And so this cover crop, if they are just doing that, that is not saleable, there is no income off of it. You have got, apparently, a program in your county to help this?

Mr. MARQUSEE. That is correct.

Mr. PETERSON. Yes. But there isn't any Federal help for this, right?

Mr. MARQUSEE. No, there isn't and the problem that we have had is struggling is because of the age of the farmer.

Mr. PETERSON. Yes.

Mr. MARQUSEE. It is pretty hard. We are trying to attract younger people back to our county.

Mr. PETERSON. Right. So what if we, for example, took the CSP program and we said that one of the things that we would do with that would be to have some kind of help to transition, would that be something you think would make sense?

Mr. MARQUSEE. I do, yes.

Mr. PETERSON. Would this cause a problem in making it too easy and we end up getting too many people in organic and collapse——

Mr. MARQUSEE. I guarantee you that won't——

Mr. PETERSON. That is not going to happen?

Mr. MARQUSEE. No.

Mr. PETERSON. We have got a bigger market out there, then. In that regard, the other thing that came up is as we were planning this conference that we had, and we have an organic dairy that was set up in my district and the guy at the meeting says he has a lot more market than hes got producers. Even though he is paying 25 bucks a hundred, he can't get enough people to transition. Another guy that is an organic beef herder, grass-fed beef, can't buy enough cattle to fill his market. I think to some extent it seems to me that in a dairy, a lot of these producers are 55, 60 years old. They are not going to convert unless they have a young son or daughter who wants to come back. So I am just trying to get my hands around what would be the best policy to try to move this along and you think technical assistance is a big part of this, as opposed to taking away these barriers or I guess it is a combination of both?

Mr. MARQUSEE. I think technical assistance is very important and I would mirror what has been said by Ms. Wilcox. We have created a network of existing organic farmers as mentors, but of course, that is a very difficult program because they are busy working on their farms, so they don't want to travel all over the place, but we have created that kind of resource for those who convert. I would like to indicate that we have had younger people moving into our county as a result of this policy. What the county could really use is local money to facilitate, identify and create markets, for instance, and that is precisely what we were doing. My job at the county level has been to find markets for those producers. So we have demand. You know, it is tremendous demand. The problem is that I just don't have supply and it is really hard for me to convince a 60-year-old farmer to start doing organics.

Mr. PETERSON. Yes. The other thing that I read about, and it was somewhat the focus of what we were looking at in my district, is local foods. Now how does local foods fit in with organic? Is there some kind of a differentiation here?

Mr. MARQUSEE. It is the same coin and then they are both complimentary.

Mr. PETERSON. But what I am getting is, is there some kind of effort going on to label things local as opposed to organic, you know?

Ms. JAMES. Actually, in the State of Minnesota, the Minnesota Department of Agriculture is currently looking at a way to label things as grown in Minnesota. One of the distinguishing differences between a locally-produced product and one that isn't, is the eco-

logical footprint that happens between the community, that it really is a very sustainable system when you have a local organic farm selling to an outlet, a farmers market or a small cooperative and then those consumers coming, and I know I mentioned that in my testimony, but I think it is really important to recognize that symbiotic relationship with the consumer experiencing that really adds to the value and integrity of the organic seal, because they have a firsthand experience with being able to meet that farmer and understand exactly how they benefit from purchasing those products.

Mr. PETERSON. Anybody else?

Mr. LIPSON. Mr. Chairman, the baseline for a robust, diversified, local food economy is going to have to be organic. The local environmental impacts, the interaction between the community and the farm, if we are going to keep building this movement for local food, having that production based on local inputs for fertility and a healthy environment, doing the pest management, that is just going to be the baseline of those kinds of systems.

Mr. PETERSON. Thank you. Thank you very much, Mr. Chairman.

Mr. CARDOZA. Thank you, Mr. Chairman. I would now like to recognize Mr. Robert Etheridge for five minutes of questioning. Thank you.

Mr. ETHERIDGE. Thank you, Mr. Chairman, and thank you for holding this hearing. Let me thank each of you for coming today. Ms. Wilcox, let me ask you a question, because you pointed out, in your written as well as in your oral testimony before the Committee, and almost all of you have touched on this, that this industry is the fastest growing segment of agriculture today, and one of the main recommendations for the farm bill is that technical assistance be made available for producers to convert to organic production. My question would be, how do you see this technical assistance working within the framework of current organic production? And I guess, why do you think it should be one of the highest priorities in the 2007 Farm Bill?

Ms. WILCOX. Well, Mr. Etheridge, obviously, we would like to increase the amount of organic production in the United States. We know the consumers are demanding a very high amount of organic in the marketplace and we want a lot more acreage to be here in the United States. I am not opposed to imports. About half of our food is imported now, but it would be much better for our environment and for our consumers if it was grown here. So then we have to look at what are the impediments to going to certification, and when we tried to look at that, we found that the actual facing about whether you will decide to try to go organic is a daunting kind of a task. People are asking themselves the question, what do I do in the three years, like the Chairman asked. What do I do about working without the pesticides that I have always worked with? How do I learn about managing pests, there is a perfectly good way to learn that, but it is a whole new way of farming than they may have been taught in ag school and certainly that they may have been taught by their neighbors or their parents. And so we do believe that there are certain things that need to be done, including looking at rotation requirements, soil preparation, the manure and the handling of animals, which is done in a much different way in organic. There are just a myriad of things that need

to be done or looked at before you decide to go ahead and convert your farm, because that is a big decision. And then there is a need for technical assistance and mentoring while you are doing that because, as my colleague here said, there can be a diminution of production during the three years. It is not as dramatic in some cases as has been portrayed by conventional agriculture, but there can be a diminution, because you are learning also about rotation and about growing several crops instead of one row crop, and you are learning about a lot of new things.

Mr. ETHERIDGE. How does the United States stack up internationally in terms of development of organic markets? Any data on that you are aware of?

Ms. WILCOX. The Department reported. They did a very good study, it is a couple of years old now, between the EU and the United States, and the EU, just in the 15, you know, original countries in the EU had about 5 times the amount of acreage converted in 2003, so I have no idea now what that number may be. And of course, we do know, although anecdotally, that other countries are responding to the organic demand in great numbers and there is a lot of conversion going on.

Mr. ETHERIDGE. Good. Thank you. Ms. James, you raised the concern of synthetic or non-organic products being used as substitutes in organic products because of lack of organic ingredients. Can you be a bit more specific on the issue, and can these organic ingredients be produced in the United States?

Ms. JAMES. Currently the National Organic Program Regulation 205.606, 605, 604, you will find a list—National list of allowed synthetic and nonsynthetic agricultural and nonagricultural products. At a current NOSB meeting that was held, there was a significant amount of agricultural products that were being petitioned—nonorganic agricultural products that were being petitioned to be listed on the National List. And in my opinion, I believe that if our organic farming situation in the United States was thriving and we had more government support for growing these agricultural products, we would not have to be listing things that should be able to be grown organically and be in organic products. Does that answer your question?

Mr. ETHERIDGE. Partially. I may come back to that later. Thank you, Mr. Chairman. I will yield back. I see my time has expired.

Mr. CARDOZA. Thank you, Mr. Etheridge. I would now like to call on Mr. Kuhl for five minutes of questions.

Mr. KUHL. Thank you, Mr. Chairman, and I thank all of the panel members for coming and testifying. A question for you, Ms. Wilcox, first. In my years of dealing with organic agriculture at the State level, I have noticed that the general population has a very difficult time really kind of differentiating the difference between organic and regular produce. I have noted that there has been some advertising in recent cases, particularly as it relates to dairy products, where there have been some organic producers advertising as being pesticide-free and/or antibiotic-free, and I am curious as to—I think that sends the wrong message, certainly, because, as you know, the Federal regulations require all products to be essentially pesticide-free and antibiotic-free, and I think that does a disservice to organic farming. I am curious as to what the

Organic Trade Association is doing to try to control what I would call non-misleading advertising practices within the organic industry?

Ms. WILCOX. Well, as you know, probably controlling members is just about as hard as controlling constituents, Mr. Kuhl, but we certainly do put out what we regard as factual and important marketing messaging that is truthful and complete. We try to make that available to our members so that they understand that sometimes misstatements are made, but we are not in a position to police their advertising. I don't review their advertising. When I was at Hershey Foods, I reviewed all of the advertising so I knew what was there. But we don't do that, so we have to rely on our members to comply with the law, which is an important thing in this country. We do have truth-in-advertising laws. In the area of antibiotics, I think it is important to realize that, in fact, while the phrase you described may raise a question for you, animals that are raised in the United States on an organic ranch or farm are not treated with antibiotics. And if, for humane reasons, they became so ill that they had to be treated with an antibiotic, they would be removed from the organic herd and placed into a conventional herd. So the organic dairy or organic farmer is absolutely not using antibiotics or synthetic hormones in their animals and that is in contrast many times to conventional.

Mr. KUHL. Yes. Is there some sort of advertising promotion that you send out to your members to suggest that they follow?

Ms. WILCOX. No.

Mr. KUHL. Okay.

Ms. WILCOX. No, at our annual meetings, we hold seminars for people to learn about marketing techniques and of course, we emphasize truth in advertising at those.

Mr. KUHL. Okay. And a question for the panel. I am disappointed that the Chairman had to leave, but as you all know, because I was looking for a commitment from him that there wouldn't be any kind of shrinking baseline for the farm bill overall, and that there would be increased kind of assets available, particularly as it relates to this Subcommittee. But I think most of us understand that there probably is going to be less money available and therefore we are going to have to prioritize requests from the ag community for specific kinds of things, and I am curious. If you had to pick 2 areas, each one of you, just 2 areas that this Subcommittee should kind of prioritize for the furtherance of organic agriculture, what would they be? We will start with Mr. Lipson.

Mr. LIPSON. Very clear, the research and extension are the limiting factors to growth. It has all of these secondary impacts that I have tried to outline. I think that is going to be the biggest payoff for investing resources.

Mr. KUHL. Okay. Ms. James?

Ms. JAMES. Organic conversion assistance and organic certification cost-share assistance.

Mr. KUHL. Okay.

Mr. MARQUSEE. I would say crop insurance is probably the biggest, and market development.

Mr. KUHL. Okay. And Ms. Wilcox?

Ms. WILCOX. Well, we need conversion, absolutely, and we also need data because it leads to all the other things that can help with conversion.

Mr. KUHL. Okay, thank you all.

Mr. CARDOZA. Thank you. Mr. McCarthy.

Mr. MCCARTHY. Thank you, Mr. Chairman. I appreciate you holding this hearing. In my district out in the California, I have seen organics grow, especially in the carrots and continuing in expanding. I was just listening to the last question about organic conversion, so my first question is, how much of organic product is exported right now? Is there any?

Ms. WILCOX. Yes, there is. I don't think that I have that number with me and I would be glad to provide it for you. OTA actually participates in the Market Access Program, the MAP export program, and there is a substantial but not a huge amount of product that is exported mostly to very high income, you won't be surprised, areas that would like to buy our processed organic product, and then there is some other production that is——

Mr. MCCARTHY. Because the reason I ask, I heard organic conversion the most and if we were to do something in the farm bill, many of those that grow organic now get a premium price. I am wondering if there is a program, if you are thinking of one on the conversion, if it should be a sliding scale in, should it be by different product, so not everybody switches within a certain market and the price comes down. Those that got in before conversion are somehow penalized because government helped another. Has anyone put any thought to, when say conversion, a program for conversion?

Mr. LIPSON. Mr. McCarthy, the strategy that we need is one that takes regionally resources in terms of research and extension and market development, looks at the specific opportunities that match markets to production capacities and puts together that puzzle in terms a diversified approach to conversion in an area. In California, there is obviously huge trade opportunities in the Pacific Rim. You know, we do have a long way to go towards fulfilling the domestic growth in demand, but there are very important opportunities in international trade as well and those can be matched up with production capacities, but it is going to be different in every region of the country, so what we need is a strategy like they are doing in Woodbury County. It takes all the pieces in terms of market development and technical information, local demand as well as export opportunities, to try to craft a strategy that way.

Mr. MCCARTHY. And so I understand the whole matrix you do, but would you pick all products and converge over by region and you would say which ones by market size?

Mr. LIPSON. Well, I think there is definitely, with more market analysis, we would have better information about how much room there is to grow in different areas. I mean——

Mr. MCCARTHY. So prior to do any conversion, the number one would be the data and the market analysis?

Mr. LIPSON. We need business plans, for sure, and you have got to have good data in order to be able to build those.

Ms. WILCOX. The OTA does do market surveys because USDA is not authorized at this time to do a comprehensive market survey,

and one of the questions we ask is if you could get more how many of you could market more product if you could get more certified ingredients? And over 50 percent of our respondents say that they would have a shortfall. And I think it is important for you to realize that, of course, you come from the strongest organic State, California. We have only achieved having reports of organic in all 50 States in the last year and we have, you know, as I said in my testimony, .5 percent of cropland and .5 percent of pastureland has been certified. While consumer demand this year, we believe, will be 3 percent or more, it will actually be 3 percent in the retail store. So consumer demand is going up like this and organic production is, frankly, in the United States, not going up like that.

Mr. MCCARTHY. Thank you, Mr. Chairman. No further questions.

Mr. CARDOZA. Okay. Mr. Etheridge, did you have a follow-up that you wanted——

Mr. ETHERIDGE. No.

Mr. CARDOZA. Okay. I think the members will have some follow-up questions and they will contact you individually to get those answers. Thank you very much for your testimony.

Mr. LIPSON. Thank you very much.

Mr. CARDOZA. Thank you. We would now like to invite to the dais the second panel. We would like to invite up today Mr. Manuel Vieira, Owner of A.V. Thomas Produce, from Livingston, California; Ms. Mary-Howell Martens from Lakeview Organic Grains in Penn Yan, New York; Mr. Scott Lively, President and CEO of Dakota Beef, from Howard, South Dakota; and Mr. Robert Pike, Vice President and General Manager of Braswell Foods and Glenwood Foods in Nashville, North Carolina. Welcome to all. Mr. Vieira, a special welcome to you, all the way from California. You have been a dear and old friend and you have done a fantastic job in growing your organic business, and please feel free to proceed with your testimony.

STATEMENT OF MANUEL VIEIRA, OWNER, A.V. THOMAS PRODUCE

Mr. VIEIRA. Thank you, Mr. Chairman. My name is Manuel Vieira. I am from Livingston, California, in Merced County, where I own my company, A.V. Thomas Produce. We grow, pack and ship organic yams and sweet potatoes. We started with 10 acres of organic sweet potatoes in 1988. Now we grow over 1500. We ship our organic product all over the United States, Canada and Europe. A.V. Thomas Produce has been in business since 1960.

I would like to start by first expressing my thanks to Chairman Cardoza and Ranking Member Neugebauer and the rest of the Subcommittee for your commitment and dedication to agriculture as a whole and especially to organic farming. I would also like to express thanks to our organic Subcommittee for holding this hearing so that all may have a better understanding on how truly important organic farming is for the future and the wellbeing of all.

Organic integrity, responsibilities and requirements are tested and inspected by our dual-certifiers, COFA, California Organic Farmers Association, and OCIA, Organic Crop Improvement Association. Each year our operation goes through a rigorous and intensive inspection at our farm and our processing and packing enti-

ties. Each field has a complete file of all the previous three years of activities. Each of our farms has a list of requirements to be met. These requirements are all enforced to the year. The rules and regulations of organic farming are set by certification and verification programs that we apply through our certification bodies. We are currently accredited through the USDA National Organic Program, NOP, certification program. We are also accredited by the European Union verification program, which allows us to export our sweet potatoes and yams to Europe.

The NOP was mandated by the Organic Food Production Act of 1990. This provided a uniform organic standard. The NOP accredited certifying agencies, such as COFA and OCIA, it confirms that the certifiers understand and is using the national standard and also confirms that the certifier can conduct business of certification properly.

Mr. Cardoza, I would like to conclude once again by thanking you and the members of the Subcommittee for the opportunity to share a little about our organic commitment. Thank you all.

[The prepared statement of Mr. Vieira appears at the conclusion of the hearing:]

Mr. CARDOZA. Thank you, Mr. Vieira. Next up we have Ms. Mary-Howell Martens from Penn Yan, New York. Welcome.

STATEMENT OF MARY-HOWELL R. MARTENS, LAKEVIEW ORGANIC GRAINS

Ms. MARTENS. Thank you very much, Mr. Chairman, thank you to Mr. Kuhl, he is my district representative, and to Mr. Etheridge, because I am a horticulture major from North Carolina State, so I have connections to several things.

I am going to go ahead and start with part of my testimony and it is a quote. "I wish you didn't have to do that." I was saying that to my husband as I was standing by the kitchen door, several months pregnant with my second child, watching my husband go out to battle the weeds, all dressed up in his white zoot suit, his Tyvek suit, heavy green gloves. He was out to fight the enemy. Me too, but what choice do we have? It was 1991, the first year after we had split up the farm partnership with Klaas' two brothers. It is not easy farming over 600 acres, just the two of us. Farm prices are never good, weather is always risky, but at least we had one advantage over most of our neighbors. Weed control was rarely a problem because Klaas was very good at planting herbicide combinations and fertilizers. In my job in the grape breeding program at the New York State Agricultural Experiment Station, I was responsible for planting the grape spray program for the breeding vineyards, and so Klaas and I had many romantic moments during our early marriage discussing the relative merits of this chemical and that chemical.

How do two people so apparently committed to the agribusiness ideal of American agriculture end up operating a large organic farm not very many years later? We truly believe that we were like many conventional farmers, using chemical fertilizers and pesticides simply because we thought there was no other way, but very concerned what it was doing to us, our family, our land, our environment and our community. We are now farming over 1400 acres

of certified organic crops, corn, soybeans, small grains, red kidney beans, cabbage, hay, and for every crop, there is a good, profitable organic market.

All three of our children are active on the farm. In addition to working on our farm, our son Peter, who is 18, has rented 250 acres of his own land is farming that organically and is earning good profit to buy farm equipment and pay for his college education. Our 15-year-old daughter Elizabeth, who is here today, has purchased heifers with her USDA/FSA youth loan and is transitioning them to organic and is learning a lot from those cows every day, things that she could learn no other way. Eleven-year-old Daniel works on the farm and helps on the farm in every way he can. All three children are proud to be involved in our farm and proud to be organic farmers.

In the mid 1990s, Klaas and I began grinding organic feed from our own grains, for several nearby dairy farmers. In 2001, our business had grown enough to justify purchasing the local feed mill and with the help of a USDA Rural Development grant, we converted it to a fully-organic feed mill that is now known as the Lakeview Organic Grain. This operation is now employing 7 full-time employees and 2 full-time truck drivers, and now serves over 300 organic animal farmers in New York and Pennsylvania. We also supply organic crop seeds and other organic inputs and a whole lot of information. I spend probably most of every day on the phone talking to people. We talk about resources. Well, a lot of people come to us and we help them with weed control, soil fertility management, animal management. We are now grinding more feed at our feed mill than Agway ever did when they ran it previous to us, and we are even grateful for some competition entering the business, because the pie is big enough for all of us.

We have learned that, while many outside the organic community may define us by what we don't do, we don't do pesticides, we don't do antibiotics, all that we were talking about earlier, we would rather define ourselves by what we do do, crop rotation, soil fertility, soil health management, managing our farm for health, soil health, plant health, animal health, so that intervention isn't needed, that we don't need to rely on outside inputs.

Where do we go from here? At this time in New York alone, there are over 600 certified organic farms, 125 in our district alone, more than 250 organic dairy farms and over 100,000 certified organic acres. The National Organic Program needs help. They do a fine job and we fully support them, but they are woefully understaffed and underfunded. We need help. We need to get them more money so that they can have at least—well, all organic funding should be at least the same percentage that organic agriculture has in the United States. We need more help for NRCS personnel so that they can do a better job of improving our farmland, informational services, like ATTRA and SARE, need more funding so that they can distribute useful information to researchers, to farmers, to extension agents. We need more help for transition farmers so that we have more supplies. We would buy more grain from New York if we had it, but there isn't enough.

In conclusion, I want to thank all of you for forming this Subcommittee and for listening to us today. Agriculture in the United

States is diverse, but organic is no longer a minor niche just for the counterculture or the extremely affluent. It is creating a lot of opportunities for many people, hope for many people, and that needs your help.

[The prepared statement of Ms. Martens appears at the conclusion of the hearing:]

Mr. CARDOZA. Thank you. Next, we have Mr. Scott Lively from South Dakota. Welcome, sir, and please proceed with your testimony.

STATEMENT OF SCOTT LIVELY, PRESIDENT AND CEO, DAKOTA BEEF, LLC

Mr. LIVELY. Thank you very much, Mr. Chairman and members of the Subcommittee. I want to thank you for holding this hearing. I have been very impressed so far with the level of questions. I kind of thought this would be huge educationally, from our point, and you guys are clearly well educated and asking great questions and I appreciate that. It shows how serious you are taking this. I know what a huge task you have with the farm bill and I appreciate this being such a serious section of it.

As you stated, my name is Scott Lively. I am the CEO and Chairman and the founder of Dakota Beef, LLC. I have been active member of the organic food industry for seven years. Exactly seven years ago this summer, I founded Dakota Beef, along with my wife, purely because she had her second child and took off on an organic zealot tangent and decided that our kids were going to consume nothing but organic dairy, fruits and vegetables forever and we went pretty much cold turkey overnight. I knew nothing about the industry nor did I really care much about it. I was a meat-eating, potato-eating guy from Chicago. Nevertheless we went out and bought 30 head of cattle in Seward, Illinois, we processed them locally, all at one time, and sold them door to door in Chicago restaurants out of the back of her Volvo, mostly white tablecloth and gourmet restaurants. Seven years later, we are clearly the largest organic certified beef company in the Nation. We are in all 48 States, with the exception of North and South Dakota. I don't understand why, being called Dakota Beef. And we ship hundreds of thousands of pounds of beef per month.

This market is clearly a consumer-driven market. It is affecting the economy in many ways. The small town in South Dakota where we are headquartered had roughly 1200 working adults, 65 of which now work for our beef plant, and we employ another 15 employees across the United States in 5 different States, in sales, marketing, research and development and whatnot.

Going back to this being a consumer-driven industry, I think a lot of people would like to pretend this industry didn't exist and that is more concentrated on that crunchy granola, whole food shopper. It clearly is not. As you guys have stated yourselves, this industry is growing at a dramatic rate. Seventy percent of the consumers in America report that they purchase organic products at least occasionally. This industry has grown consistently at 20 percent a year for the last 10 years. In my opinion, it is rapidly approaching a $40 billion industry over the next couple of years.

In my opinion, this symbol that the USDA/NOP has put out is clearly arguably the strongest process claim ever made in USDA history. It is a claim that has never, ever been made of how a product is processed, from the way it is raised, if a livestock or farm, the way it is handled, the way it is shipped to the facility that it is processed in, and what I would encourage you to look at is why consumers are purchasing this. What is causing this growth? What is causing the 20 percent a year? It is a perceived notion, in my opinion, that these consumers believe that when it has this symbol, which has become a brand in itself, that they perceive it is better for the environment, that it is better for their health, and that they perceive that it supports small, local farmers.

As you work on the 2007 Farm Bill, I encourage you to look at the following: continue to improve USDA oversight for the NOP. I think that a stricter standard is not necessarily the answer right now, and I certainly wouldn't encourage lightening the standard, but enforcing the current standard, enforcing the rules in the national list is clearly what needs to happen. Elevate the compliance and the assessment inspections, particularly around, but not limited to, imported organic agricultural products. I think that the paper trail on imported beef, particularly for my industry, is pretty thin and I think that when we are going out to these foreign countries and bringing in certified organic grass-fed beef or whatever it is, there just needs to be a little more oversight on that. We particularly focus on grain-fed choice-graded beef in the United States and there is nothing wrong with the imports, but it has got to be regulated and we have got to make sure that the consumer believes in this brand, that they believe in that symbol. The only way this is going to be done is stronger resources and funding to the USDA's NOP. I think last year the funding was about $2.1 million and I am speaking from memory and a guess, and that is to basically oversee an industry that is approaching $40 billion. Consumer confidence in this sector is a direct result of organic product integrity, which in turn is dependent on NOP oversight and enforcement.

I look forward to your questions and I really appreciate the time to address you.

[The prepared statement of Mr. Lively appears at the conclusion of the hearing:]

Mr. CARDOZA. Thank you. Next up we have Mr. Robert Pike from Nashville, North Carolina. Welcome, sir.

STATEMENT OF ROBERT PIKE, VICE PRESIDENT/GENERAL MANAGER, BRASWELL FOODS/GLENWOOD FOODS

Mr. PIKE. Thank you. Well, good morning, Mr. Chairman and Ranking Member and especially my congressman, Mr. Etheridge, that we have so enjoyed having him even to our facilities in Nash County.

Braswell Foods is a family-owned company that produces, processes and distributes eggs and feed in the Mid-Atlantic region. We are owned by Scott Braswell, who is the third-generation owner. The company's heritage can be dated back to 1834 to a small water-powered corn milling operation in Nash County, North Carolina. From that small beginning, the Braswell family has grown the company to one of the largest egg and feed producers in the Mid-

Atlantic region. Our current operations consist of 5 operating companies with over 150 employees, and contracts with 23 family-owned organic farming operations.

In 1996, Braswell acquired Glenwood Foods in Jetersville, Virginia. Glenwood Farms was an established egg producer and marketer to the Virginia region. Just prior to our acquisition, the previous owners had seen the need to start producing and marketing organic eggs. They were true pioneers, because this was before it was cool to be organic and long before the USDA certification requirements that prevented fraudulent marketing of organic products.

Beginning with a flock of 15,000 birds, our flock size now is approaching 400,000. These birds produce about 10 million dozen eggs per year under the brands of Eggland's Best and other branded labels that can be found in most of the retail natural food stores from Maine to Florida. We also export product to Canada and Bermuda. Braswell is a fully-integrated organic egg producer. We have our own feed milling, pullet growing, liquid egg product and distribution operations. All of our operations have been certified by QAI, Quality Assurance International, from day one. The Braswell family of companies enjoy a reputation, being one of the country's premier organic egg and feed providers with sales over $20 million per year.

Our feed-milling operation not only supplies feed to our own birds, but to other organic livestock operations. We purchase organic corn from 7,000 acres and soybeans from 6,000 acres of certified land. Most of the grain that we buy is from the Midwest, but we have also established buying programs to encourage grain farmers in our local area to convert to organic production by paying premiums for the grain during the transition period of 3 years, in exchange for the following 3 year's crops. We traditionally pay from 50 to 100 percent premiums for these crops over the regular commodity crops, with today's pricing of organic corn being anywhere from $10 to $12 a bushel and bean meal over $600 a ton.

It is a concern that the 2006 crop will not be enough to supply the demand until the new crop is available. One of our main suppliers of organic grains has told us that, because of the increased demand from organic livestock, there will be a major shortage in a large part of 2007 and into 2008. Producers will have to look for offshore supplies, such as China and Europe, to fill the gap. This shortage will limit our industry's growth.

Organic production has also had a great influence on our conventional operations. We have implemented many of the third-party certification principles in our food safety, animal welfare and environmental programs. Braswell is the first and only ISO 14001 certified egg company, which shows the continual commitment to produce the best products while striving to improve our environment.

As part of our rapidly growing organic community, we have seen many changes and challenges as we strive to serve the customers' demand for organic products. One key event that has helped committed organic producers, such as Braswell, was the implementation of the USDA certified organic program. For the most part, this program has leveled the playing field for fair competition and has

provided assurance to the consumer that organic products are what they say they are. This program has been government at its best, but it still needs Congress' support as demand for more certification of both domestic and foreign supplies increase. For example, China is making organic soybean meal available to us in North Carolina at 25 percent less value versus Midwest meal. As the U.S. demand increases and the U.S. farmer does not put more acres in to organic, supplies of organic products will be needed and more grain supplies will be needed to fill the gap from offshore. These suppliers will need to be held to the same high standards that our domestic suppliers are and USDA will need more resources to ensure the process.

Another area of concern and challenge is somewhat of a paradox, is the use of organic fertilizers, livestock waste, on our croplands while some of our environmentalist friends have targeted this practice as not good for the environment. Some even said that organic materials should be classified as "hazardous waste." As treated as other waste, it would fall under the Superfund law. If our laws prevent the use of this natural product, which has been used to grow crops since the beginning of time, the organic food industry would collapse.

The Braswell family would hope that if you have not tried some of our eggs, that you will in the future, and invite you to see our operations in North Carolina and Virginia and again, thank you for the privilege of being here today.

[The prepared statement of Mr. Pike appears at the conclusion of the hearing:]

Mr. CARDOZA. Thank you very much to our entire panel. I have to say that you are quite impressive, all of you, in both the scope and commitment of your endeavors. I am very impressed. I want to start the questioning with Mr. Vieira.

Sir, you are truly one of the American success stories in farming in organics. I think you arrived here in the United States in 1968 and have grown your business. I toured it recently. It is fantastic and so impressive, the commitment and the innovation that you have brought to the industry. My dad and grandfather used to be sweet potato growers, as you know, and they were pioneers in their time, but nothing compared to what you have done in your industry.

I was very interested in your testimony. You talk about the conversion process going to organics. I would like you to elaborate a little bit about that. And also what is entailed for your particular industry in converting to organics? Then I also would like you—you mentioned in your testimony that you also are certified for the EU to export to them and I would like to know what differences there currently exists between EU certification and USDA certification?

Mr. VIEIRA. Thank you, Mr. Chairman. First of all, it was not easy when, in 1988, our company decided to start planting organic yams and sweet potatoes. And as I said, we started in a very small scale, only 10 acres it and was a process of learning and getting beat once in a while. But every year, we had the commitment and we decided to keep going and we increased from one year to the other. And in 19 years we went from 10 acres to over 1500. One of the most difficult things is land. We have to have three years

of doing almost nothing. You can plant rye or you can leave it just open. We have to have a strong commitment for organic, as we did.

Like I said, the three years we have without anything or we rent most of our ground, so we have to have affidavits from neighbors, from the county, from anyone if this pasture, as you know, in our area is lot of land has been in just pasture that nothing has been doing for a long time around Livingston, Atwater, Stevenson and when we find the ground we would work it is like vision ground. And like I said, finding the proper ground, going into the process according to the laws, rules, regulations, is one of the most difficult things we have.

As far as the requirements to go to Europe, it is more or less the same as here. We have two independent entities that give a certification and when we present to them our history, what we have been doing for almost 20 years, we present every single document that they ask us, it has been no problem to ship to Europe. Because we have been having enough market in this country and Canada to ship our sweet potatoes, we are not so crazy to ship to Europe if we have the market here. But we ship a few to a few good clients.

Mr. CARDOZA. Thank you. Ms. Martens, one thing that you mentioned at some length was the fact that you used to spray herbicides and now you are not. I will tell you that I am an avid family gardener in my home and I am so interested to figure out how you can control those darn weeds without using herbicides. Could you elaborate a little bit on your technique? This is really not for the Committee's purposes, but for my personal purposes.

Ms. MARTENS. I would be happy to. Looking at weed control is probably our major challenge on a crop farm. We don't have the insects and diseases that would be in a vegetable farm, but weed control is a challenge, but it is not an impossible one. In fact, once you get your system, it is not that difficult. We separate it into two distinct categories; the cultural weed control, where by rotating your crops, enhancing soil health, soil fertility management, you really, truly limit and control the amount of weeds and the species of weeds that are present so that you can then go in with mechanical tools that are appropriate and do not require a great deal of labor or petroleum that are timed correctly for effective weed control.

On our row crops, if we can get in with what is called a coil tine harrow, which are thin wire tines that shake the ground, aerate it and allow for weed seedlings to desiccate, to dry out. If we can get in twice, once right around emergence and once right after emergence and then go in twice with a field cultivator or an in-row, between-row cultivator, four passes will do weed control sufficient to make our fields look as if they had been sprayed with herbicide. It isn't that difficult, it isn't rocket science. It is more timing and having the right tools and having your soil in good shape and having your crop rotations in good shape.

Mr. CARDOZA. Yes, I have a follow-up question. Do you have that rotten nut grass in your area? Because that is a blight in my area.

Ms. MARTENS. We do have nut sage, we did. One of the things we found that a lot of the rhizome weeds, like nut sage and crabgrass, that we expected to be problems when we went organic stopped being problems, mainly because of the microbial activity in

the soil. When you change your soil conditions, you change your weed populations and the things that you think are going to be a problem aren't necessarily.

Mr. CARDOZA. That is interesting. Thank you. I would like to talk to you more about that.

Ms. MARTENS. All right.

Mr. CARDOZA. I am going to ask a little indulgence. There is one question I would like to ask the entire panel. Can you comment on the effects of imports on your business and the sufficiency of oversight by USDA? I am concerned, frankly, that in some other countries we are simply not getting the oversight that protects the consumer. You all have built up such a high standard and high bar in our country. We do have high oversight here. And I am just afraid that the further you get from Washington or U.S. borders and as you get to other countries, we are simply seeing a lack of oversight in those areas.

For example, in some countries, application of water that is polluted from the rivers in that country are a huge concern to me where you wouldn't allow a pesticide but yet there might be pesticides or other chemicals in the water that is being applied to organic farms. Can you all speak to that? Do you have any knowledge of that? And what is the effect of imports on your industry and whether you believe that oversight is high enough, a high enough bar? I will start with Mr. Pike.

Mr. PIKE. Well, at this time, as I said in my testimony, we are being offered organic soybean meal out of China and after just recently adopting a little girl from China and seeing the vastness of that country, I can't imagine some of the certification efforts that has to go on there. But it is being offered. The certifiers are assuring us that the product is certified properly. There is a concern there, but more importantly it is limiting the growth of our own industry and our own farming community to be able to convert to organics. As in eggs, eggs are a fairly perishable item. There is not any pressure at this point in time.

Mr. CARDOZA. Thank you.

Mr. LIVELY. It is a great question and I am so glad you brought it up. I would say that the single biggest competitive issue facing the organic beef producer is foreign beef both economically and for the oversight and paper trail you are discussing. In the supply chain of livestock, you have got many layers. It is not just that a guy raises an animal, sells an animal, it gets processed. There is genetics. There is a cow-calfer that breeds and then your next step is to lay a background or spend some time with the animal until the animal is up to an age where it can be fed or finished on high protein grains to get that lush flavor we all like.

Each one of those steps in the organic agriculture for livestock has to be certified organic and watched. The field that the animal grazes in has got to be certified organic with soil samples, with the three year wait and whatnot, as well as any added feeds; corn, soy, flax, barley, wheat, whatever else is put in that animal's diet. I can't imagine that it is being managed or the oversight is—in my opinion, there is clearly not the same standard being held to the U.S. beef as there is to foreign beef and it is purely an opinion there.

But I can't imagine that an entire supply chain is being tracked along with the processing. Once it turns from a livestock product to a food product that is actually being handled, that process is being tracked and then it is put on some big cargo freighter and trucked over with here with diesels and call it sustainable meat. So my issue is that you are correct. I think the oversight on foreign beef could be a lot tighter, but my only information is anecdotal and opinion right now.

Mr. CARDOZA. Something that I think this Committee is going to have to really look at even more is exactly what you just talked about and something else that was talked about, and I don't want to divert from the question, I want to get back to the panelists, but I am very concerned that the organic label, as someone said previously, is also sort of a moniker for sustainable.

Mr. LIVELY. Yes.

Mr. CARDOZA. And I am not sure that all countries have the same view on this as we do and that we are employing sustainable practices.

Mr. LIVELY. If I could make one more point on that and I will pass in a second here, is that when we process an animal at Dakota Beef in Howard and that animal becomes a carcass and is now become a food product and the USDA gives the thumbs up that this is a sanitary, clean—and by the way, the USDA does a great job keeping, you know, food safe, clean and moving, but they are not overly educated on the organic standard. We spent our first year of production teaching our USDA inspector how to monitor us for organic rules and now he is great. He has done his own research.

But we spray that carcass with organic citric acid or hot water, things that are allowed. What foreign countries might use on a beef carcass, who knows what the allowed substances would be? How would you even track it? How would you know what the source of that product is? And that is, indeed, where all pathogens are removed and it is given the thumbs up; this is clean, move it into the cooler and start processing it.

Mr. CARDOZA. You have instructed us to instruct our staff to start looking at this right away. Thank you.

Ms. MARTENS. Just briefly. At our feed mill, we have a commitment to buy first, New York grown grain for feeding New York dairy cows. Because for two reasons. One is that we know the farmers growing them and so therefore we know what practices they are using and their integrity. But we also want the income, the wealth to stay in New York as best we can. This is community development, because the money that is generated in New York benefits not just agricultural businesses, but bounces around the community in many different ways.

If we cannot get what we need from New York, and we can't. New York doesn't grow anywhere near enough grain for our needs. Then we will go Midwest or western Canada, Ontario and then, as a last ditch source, we will go outside the country. We will be bringing in some sunflower meal in from South America later this year because there isn't enough. I feel that the integrity issue is a big one, but community development and keeping the benefits of organic farming here in the United States to benefit both the sup-

pliers and the users is very, very important. And so if we can put emphasis on that, we will not only solve the integrity and the traceability, but we will also help American farmers.

Mr. CARDOZA. Thank you. Mr. Vieira.

Mr. VIEIRA. Mr. Chairman, I think your question was a great one. The other day I saw, in our district, the city of Merced, California, a can of yams from China, which makes me very nervous. They were conventional, non-organic, but even conventional, I hope that those countries that grow any type of produce, it doesn't matter if it is organic or conventional, that they follow the same rules, strict rules and regulations as this country. Thank you, sir.

Mr. CARDOZA. Thank you. I will now turn it over to my Ranking Member, Mr. Neugebauer, for his question period.

Mr. NEUGEBAUER. Thank you, Mr. Chairman, and thank you for that last question. That was a very good question, very interesting response from our folks. This transition period that we have been talking about, I want to kind of explore that a little bit more. Is the three years, is that kind of a set-in-stone number and if it is, can you explain to me kind of what is going on there?

Ms. MARTENS. The rule says that there has to be 36 months between last prohibited material and harvest, so that is, in effect, three years. We have taken many acres through transition and we have never grown nothing for three years. And I think it is a really important point to say that you don't do nothing, you don't leave that land idle, you don't get no income off of it. You just have to use organic practices for those 36 months and you cannot sell the crop as organic. But you can grow conventional hay, you can grow conventional soybeans, which work very well under organic management; just can't use GMO varieties.

Many people that we work with have hay land, CRP land, other idle land coming out that can be organic immediately because nothing has been applied on them for the previous three years. They don't need to go through a three-year deliberate transition if nothing has been applied. So yes, it is three years, but there are many ways to do it where you don't lose income during that time nor do you lose a crop.

Mr. NEUGEBAUER. So would it be a fair assessment to say that the transition period, because it is three years, is not an impediment, necessarily, for if I am conventional farming, to move to organic farming, Mr. Lively?

Mr. LIVELY. I don't think it is an impediment, no. I think that there are a few factors and I am going to speak from the corn industry because I know cattle and corn is about the only two crops that I focus on. Typically, when someone is doing what is called the transition crop, during those three years they might experience a slight loss in yield because they are not using the chemical fertilizers and whatnot they are used to using. But it is a great training ground for them and a period for them to learn how to do organic agriculture.

I have never, and I have probably worked with certifications on over 60,000 acres of certified organic corn in South Dakota in the last year. I have never seen a producer lose money on a transition. I have seen him have less yield and have down years but never lose money and I have always seen the banks being willing to lend

against it. The struggle is getting the bank to understand the process once it is organic and hey, this is a much higher margin, more expensive crop with higher input cost.

But as Ms. Martens has mentioned, the idea of CRP land is becoming a phenomenal route for people wanting to get into the organic industry quicker. A lot of these are ranchers and farmers have huge tracts, quarters and quarters of CRP land and they are getting, you know, a nice annual fee for keeping it as CRP land. Maybe there is quite a bit of CRP land out there, I am not sure. I know how much there is in South and North Dakota. This land, if it has been treated according to CRP standards, would certify organically almost instantaneously.

Now granted, a lot of CRP land was put in that is not farmable, which defeats the whole purpose, in my opinion, but that land would certify overnight, quickly, and what we are really talking about is an affidavit and the producer is willing to sign his affidavit saying hey, listen, it has been three years. I have been solid. I have done a good job. Here is my backup and management proof. There are a lot of guys that could go organic much quicker than they think.

Another market for that transition corn would be the all-natural cattle industry. There is a significant difference between all-natural and 100 percent organic and we need to be very clear on that. The standards are clearly different. A lot of these all-natural producers would like to buy transition corn because they are basically buying what is organic corn for commodity prices during that time. So there are options for them and no, it is not sitting stagnant.

Mr. NEUGEBAUER. And you mentioned another important piece of that is the capital. Is there recognition in the capital markets, the lending markets, that this is, you know, a better opportunity economically for some of our producers and is the lending, farm lending industry, as a whole, fairly responsive to that?

Mr. LIVELY. I would say that has been slow in coming, but it is coming. There is a lot of private equity capital coming into the space. A lot of these hedge funds that are sitting on tons of cash and have nothing to do with it are getting into the space. A few progressive banks, such as the Bank of Oklahoma and Rabobank, are putting some time around this and seeing the value for what it is. But as a whole, I would say the bank industry has not jumped on board yet. They are still very much tied to the commodity industry.

Mr. NEUGEBAUER. Anybody else want to respond to that?

Ms. MARTENS. We have an organic farmers group that gets together during the winter for day-long meetings and pretty often, we have conventional farmers who are thinking about going organic bring their banker or their loan officer to the meetings so they can learn about organic farming and see what real organic farmers look like. And they usually go away feeling pretty comfortable with the whole situation because we don't look weird and we don't act weird. We act pretty responsible. And so it is an educational process, but bankers are generally fairly open to seeing successful farms because they see so many farms that are not successful, conventional ones.

Mr. NEUGEBAUER. Mr. Vieira.

Mr. VIEIRA. Another type of crop, sweet potatoes, in our area is like a nematode and worms. And because there is no chemical to use for organic, we have to have at least one, sometimes two years of what we call dry farming or oats or winter rye. No irrigation. In our area, usually, from April to October, we have no rain that we like. We don't want rain at the time, so because there is no needing that at the time, during that period of time, so the nematodes and the white worms go away. So there are reasons why we don't farm during those three years. One is the requirement, by the rules, and the other one is to benefit us because we could farm something, but if we do farm, we have to irrigate and we are going to keep those pests alive, which we don't want to. Thank you.

Mr. NEUGEBAUER. Thank you very much.

Mr. CARDOZA. Thank you, Mr. Neugebauer. Mr. Etheridge.

Mr. ETHERIDGE. Thank you, Mr. Chairman, and thank you for this hearing. Let me thank all of the panelists and especially my friend, Mr. Pike, from Nashville, North Carolina. And I have had a chance to tour their operation and I would tell you that, and this was several years ago, they do an outstanding job, they really do. Mr. Pike, let me ask you a question. You mentioned your concern that you had about the U.S. organic market becoming reliant on organic feedstock from abroad and each one of you discussed it a little bit, specifically China and given what has happened in recent days with feedstock for pets and even today they pull more product off the shelves.

My question is, and you had indicated that feedstock is about 25 percent less than domestic feedstock. In your opinion, does this call into question the quality standard for these products? You alluded to it. I am going to give you a chance to talk about it a little bit more. And finally, how can we be sure that these foreign grains are actually organic? And after you answer, I may give someone else a chance to comment because I have one more question for you.

Mr. PIKE. As Ms. Martens mentioned, we also prioritize our purchases in terms of local areas, branching out and of course, it would be the importation of product. Even at significant reduction in cost, we put that down on an as-needed basis. From the standpoint of quality, we test all of our ingredients for various and sundry protein, all the normal things and from what we have indicated, the quality has been at standard.

It has not been above and it has not been below, but it has been at standard and so from that standpoint in our formulations, we do make any adjustments for that. But in terms of guaranteeing that it was organic, we rely strictly on the certification agencies, which are approved by our certification agency as a reliable source of the whole process, that any organic soybean farmer in our case, would go through.

One of the things that I mentioned in my testimony, too, is the transition issue. That would also be a question of how they transition in these foreign markets and these are some of the things I would be interested in understanding.

Mr. ETHERIDGE. Let me have one follow-up with you and then I will ask some others to comment. What percentage of Braswell products are currently organic and in your opinion, are we still ex-

pecting to see this demand continue to grow as we have seen it over the last number of years?

Mr. PIKE. Yes. Currently our total organic production is roughly 30 percent of our total flock. In our feed milling operations, this represents close to 35 percent. We continue to see the growth. We supply feed to some broiler operations, as well as other egg operations. Our egg demand for branded egg products, as well as some of the house brands that you see in major grocery stores has continued to grow.

It has been phenomenal. It just continues to blow our socks off every year when we do our market projections and budgets. Our limiting factor today is our supply of organic grains to keep our animals fed. One day without organic feed and our birds are no longer organic and the investment that we have in our birds, which is double of conventional, goes away overnight.

Mr. ETHERIDGE. You indicated poultry operations and other operations in the area that are organic, other than egg operations?

Mr. PIKE. Yes, there are some broiler operations over near Siler City that are growing. They are looking to double their production this year, as well, because of the demand for the product.

Mr. ETHERIDGE. Just so everyone will know, the poultry operation in North Carolina is substantial. Ms. Martens, you mentioned in your testimony the difficulty organic producers face in obtaining bank loans and other sources of financing. Can you just share with us briefly the help you may have received from USDA's rural development in obtaining your additional loan in getting your feed mill up and running?

Ms. MARTENS. Well, we were very fortunate to get a rural development loan. It is a good program that stimulates rural development in that it requires that farmers or other managers work together in groups and develop ideas that will help the community, itself, into a business plan. We did get that. It was not a substantial amount of financing for the mill. Fortunately, we bought the mill at a time when the market was expanding, so we haven't needed a whole lot of financial assistance because we have had such a vastly expanding market simultaneously.

There is money available. The bankers we work with are very interested in the whole organic process and the opportunities and they have been very good to us, very good to work with and we will help other farmers get into contact with the same bankers. So I have not seen that to be a major impediment for most people if they can document that they are good farm managers. Because one thing I want to emphasize is it really takes a superior farmer to be an organic farmer.

It takes somebody who is willing to not just find organically approved substituted materials, but to really change their management style, become a lot more skilled at observation and decision making and timing. And so for a banker to be willing to extend credit, they have to see that the person does have those skills and has a good track record and a good possibility of being a skilled organic farmer.

Mr. ETHERIDGE. Thank you. You are attentive to detail. Let me thank each of you and I yield back.

Mr. CARDOZA. Thank you, Mr. Etheridge. Mr. Kuhl.

Mr. KUHL. Yes, Mr. Chairman. Just a quick question to the panel. We spent a lot of time on this transition period. Obviously, that is very important and seems like to expand the markets, we have got to do more there, from a Committee standpoint. What was the most difficult part of the transition for each one of you in your business? And keep in mind that I am interested in that aspect that we can be helpful with from a Committee standpoint.

Ms. MARTENS. I think the biggest impediment for transition is thinking that you can do it. It is a mental thing more than any kind of operational thing. Believing that it is possible and then finding other people that you can talk to and learn the tools and the techniques and have somebody there for support to say okay, yes, you do have a few weeds. That is not going to kill you, you are still going to get a good crop. So as far as you are concerned, we need strong organizational support for programs like SARE, like ATTRA. They are information, but they also fund programs that will help farmers to help other farmers.

We need a sense that there are other people in the area that are going to be helping them. So I think mentoring programs make a lot of sense if farmers can take time out of their busy schedule to do that. What I see is that just throwing money at organics isn't necessarily the solution. It has to be focused in ways where farmers who are wanting information can get that information and can put it to use. So when there are problems or mistakes or insecurities, there is someone there to talk to.

Mr. KUHL. Thank you.

Mr. LIVELY. I would say that, you know, the obstacles are there and the issues are there, but after seven years, it has just kind of become a cost of doing business. You deal with it. From my personal experience on the cattle side, we have one of the largest organic ranches in the Nation in eastern Oregon, about 155,000 acres; 90,000 of which is BLM land. This ranch covers two different counties and two different BLM districts. One district has been unbelievably cooperative about working with us in co-managing the land, not spraying, allowing us to do the weed control.

The other district has been somewhat impossible to deal with and telling us that they have absolutely no willingness at all and they are going to spray where they want to spray and it is their land, although we are stuck in a 99 year lease with them and we are trying to graze organic cattle there. So I would say that the challenges would be getting more cooperation from the other agencies, such as the BLM and I really do believe there is a huge opportunity in the CRP program. I think it is a very untapped resource where there is, I wouldn't use the word cheap, but available low-cost organic land.

Mr. KUHL. Mr. Pike.

Mr. PIKE. You know, one of the things that the Committee needs to understand is that organics is not only herbicide and pesticide issues. It also pertains to environmental as well as animal care guidelines and one of the things that took our company in making the transition from our normal cage laying operations was going to a free roaming mode of production. For our people, it was more of a mindset, accepting these whole new ways of doing things. In terms of our transition and our livestock, the three years doesn't

really apply, but it is a definite change in how we manage our birds. But, again, working back with the corn farmers and helping them and educating them is part of our process, as well.

Mr. VIEIRA. Sir, in the sweet potato and the yam industry, one of the most difficult things has been convincing the sweet potato costs of California or everybody involved in investing more money in developing new types of sweet potatoes like pox resistant or nematode resistant or white worm resistant. That has been one of the most difficult things. In our industry, we would like to have the help for research and new varieties and new types of sweet potatoes that can resist all the types of pests that we have in our soil in our area. Thank you, sir.

Mr. KUHL. Thank you. All right, Mr. Chairman, I yield back.

Mr. CARDOZA. Thank you. Clearly, this is a panel of innovators and pioneers. You have all mentioned research at one point or another and that is something that this Committee has consistently heard from panelists across the spectrum, conventional and organic farmers. We are going to be doing a hearing on a bill about specialty crops that most of the members of this panel are co-signers on and it will be done in Mr. Holden's Subcommittee, but it will include all these concerns for research.

And the commitment of this Committee has been as we go forward and write the farm bill, that we are certainly going to be very sensitive to making sure that whatever we write in every section of the bill also applies to organic producers, so you will, for the first time, be included in all aspects of the bill. Thank you so much for your testimony. You have done a great job today. I would like to call up the third panel at this time.

Today we have, as I said previously, Ms. Sandra Marquardt, President of On the Mark Public Relations, Silver Spring, Maryland on behalf of Ms. La Rhea Pepper, President of the Organic Essentials, Inc. of O'Donnell, Texas. We have Mr. Lynn Clarkson, President of the Clarkson Grain Company from Cerro Gordo, Illinois. We have Mr. Rich Ghilarducci, President and CEO of the Humboldt Creamery in Fortuna, California and we have Ms. Nicole Bernard Dawes, President and COO of Late July snacks from Hyannis, Massachusetts. I want to thank you again for the snacks. I have been munching them all morning and it is probably going to effectively be my lunch today, so thank you for the sustenance here.

I also want to mention that, as you can note, a number of the panel and Committee members have had to transition to other meetings. That in no way should discourage your comments because they will all review and get transcripts of this hearing and I will make sure to pass on your comments to them. You comments are very important to this Committee. Unfortunately, members in the Congress have to multi-task and when you get near the lunch hour, we have several meetings that sort of trigger that second round of meetings they have to attend to, so I apologize for the lack of members, but they will, in fact, review your testimony. And would you please start, Ms. Marquardt?

STATEMENT OF SANDRA MARQUARDT, PRESIDENT, ON THE MARK PUBLIC RELATIONS, ON BEHALF OF MS. LA RHEA PEPPER, PRESIDENT, ORGANIC ESSENTIALS, INC.

Ms. MARQUARDT. Good morning, Mr. Chairman. It has been a wonderful, wonderful hearing. Thank you very much for hosting it. My name is Sandra Marquardt and I thank you for allowing me to testify on behalf of La Rhea Pepper, who wishes she could be here but cannot. I will be talking about the burgeoning organic fiber sector and by that, I am referring to organic cotton, such as this, the organic wool, organic silk and really, any natural fiber that is grown in an organic manner. I will do my best to represent La Rhea Pepper, but she will be coming here to Washington, D.C. this summer and maybe you two can chat directly.

Mr. CARDOZA. Absolutely.

Ms. MARQUARDT. Thank you. So La Rhea Pepper is the CEO of Organic Essentials in O'Donnell, Texas. Organic Essentials manufactures organic cotton personal care products, such as cotton balls and swabs and cotton rounds and until recently, feminine hygiene products. She is also an organic cotton grower farming 1100 acres of organic cotton near Lubbock, Texas. Given La Rhea and her husband Terry's concern about the extensive use of pesticides on the approximately 3.5 million acres of cotton around them, the Peppers became certified organic farmers in 1991 and were certified by the Texas Department of Agriculture.

In 1993 they and a handful of other family farmers created the Texas Organic Cotton Marketing Cooperative, which is also called TOCMC. And TOCMC has since expanded to 30 family farmers growing 8,000 acres of organic cotton and this has enabled the high plains of Texas to become the number one organic production area in the United States and one of the top 4 production areas for organic cotton in the world. TOCMC created Organic Essentials in 1996 to market value added products using a short, staple length fiber that otherwise falls outside of the spinning qualifications for yarn, et cetera, and which was otherwise sold at low prices on the conventional market. These products are now available everywhere from Whole Foods to places like CVS and even Wal-Mart.

In the late 1990s, La Rhea joined the Organic Trade Association's board of directors where she spearheaded the effort to create cutting edge standards for the processing, such as dyeing and printing, finishing of organic fiber products. This would enable a product to be considered organic from field to finished product. In 2002 La Rhea helped co-found a non-profit organization called the Organic Exchange, which is based in California, in Oakland, and it facilitates expansion of the global organic fiber industry.

Now, expansion is really what we have seen. Globally, sales of organic cotton products increased an average of 35 percent annually to $583 million in 2005 and these sales are anticipated to skyrocket to $2.5 billion by the end of next year, reflecting an average income or an average annual growth rate of 116 percent, which is unprecedented in the conventional sector, that is for sure.

Companies using organic fiber today include such well known brands as Nike, Patagonia, Nordstrom, again, Wal-Mart, as well as more than 1200 small and medium size brands, retailers and well-known designers such as Paul McCartney's daughter, Stella. The

irony is that as we have heard before, for a number of other crops, organic crops, there isn't enough organic cotton to go around for the number of brands that want to use it. Another irony, the United States used to be tied with Turkey as the largest organic cotton production area in the world, but the growth today is happening in Turkey, India and China; everywhere else but the United States.

Now why is this incredible growth opportunity bypassing the United States? Well, U.S. farmers face barriers such as a five percent higher insurance premium for the same coverage. Again, we talked about that earlier. And new organic cotton growers face having their crops decertified is sprayed by conventional insecticides as part of the Boll Weevil Eradication Program. Lastly, while we thank Cotton Incorporated for it annual financial survey support of OTA's organic cotton acreage survey, we asked that it provide the same kind of support for technical research, education and promotion of organic cotton.

Mr. Chairman, I thank you again for your interest in organic production and we look forward to working with you in any way possible to help grow the organic fiber market. Thank you again.

[The prepared statement of Ms. Pepper appears at the conclusion of the hearing:]

Mr. CARDOZA. Thank you. Mr. Clarkson.

STATEMENT OF LYNN CLARKSON, PRESIDENT, CLARKSON GRAIN COMPANY, INC.

Mr. CLARKSON. Mr. Chairman, I would like to introduce myself as Lynn Clarkson, President of Clarkson Grain Company in Illinois. I would like to thank you and your Committee for your delightful interest in organic and I would like to encourage that.

My company works with farmers throughout the United States, mostly in grains and oils, oil seeds, which means we are operative between the Alleghenies and the Rockies and from the Gulf of Mexico to the Canadian border. We work with corns, white, yellow and blue; soybeans and wheat, but primarily corns and wheat. Those are the farmers who are at the foundation level of the growth in meats and dairy products. Those are also the farmers who almost all have products that have to go through a conversion process. They are not selling directly to consumers. They are selling inputs to other parts of the industry.

Almost every panelist here has underlined the major challenge as a supply challenge. Our industry has done a phenomenal job in finding demand. To satisfy demand, we have to have supply and we are not doing so well here. I would like to give my version of Economics 101 for organic agriculture. When I left my office yesterday, we were paying approximately $3.50 a bushel for conventional corn delivered to central Illinois.

At the same time, we were paying over $7 a bushel for organic corn at the farm, almost anywhere in the Midwest. We were paying approximately $7.50 for conventional soybean delivered into central Illinois and probably a minimum $14 a bushel for any organic soybean. The soybean doesn't even have to have a lot of self-respect to garner the $14. We will take almost any quality at that level and we are lucky to get it.

Now, prices don't mean a lot without a consideration of yield. And many pundits have suggested that the organic farmer can't raise yields competitive with his conventional neighbor. Approximately 158 replicated studies by Iowa State University would indicate that on the average, organic farmers should expect between 90 and 95 percent of the yield of his conventional neighbor.

What are his costs? His costs are no higher than his conventional neighbor. So what does that mean for the net effect on his finances? They are significantly better. They are so much better that the best organic farmers in their pursuit of land are offering premiums to land owners of $20 to $50 an acre to allow them to rent land and convert it to organic.

So if what I said is true, why are we having difficulty in finding farmers willing to convert? Why are we having difficulty in finding additional land? There is a host of reasons varying from simple to complex and many of those reasons go to stepping into the unknown. Others have asked for help through extension to remove some of the risks of going into the unknown. There is a new level of selling not to the neighborhood elevator. We frequently have to sell to companies located hundreds of miles away.

Also in the organic world there are not a lot of elevators dedicated so your buyers will expect you to hold your crop on the farm until the buyer needs it. That is an inconvenience factor. There are several inconvenience factors. And then we step up to today's reality where we have ethanol changing the face of rural America. We are now paying more for conventional corn than we were for organic corn a year and a half ago. We have essentially doubled the price of conventional corn.

With the conventional farmers now making or looking at the potential of profits down the road, the highest in their lives, we are finding extreme difficulty in convincing anyone to do anything that is inconvenient. Even though the net return to the farm might be between 50 and 100 percent higher, there are inconvenience factors here. So one of the unintended consequences of the U.S. ethanol policy is a restriction on what we can do in the organic world.

There are infrastructure issues, too, and I would like to leave you with one thought about blue corn. I hope that you have enjoyed a blue corn chip at someplace in your diet. And you and I both know it is corn, but there is one large organization that doesn't claim it is corn. That is the USDA. A blue corn farmer technically cannot seal his crop because it is not considered to be corn. Now why isn't it corn? Because USDA relies on GIPSA, the grain inspection, stockyards and packers administration, to define corn. If they don't define it, it is not corn. To add insult to injury, under current grading rules of the USDA, blue corn is 100 percent damaged because the blue color suggests mold.

So there are some things that could be done fairly cheaply here to adjust the bureaucracy to some of the nuances of our world. Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Clarkson appears at the conclusion of the hearing:]

Mr. CARDOZA. Thank you. Go ahead, sir.

STATEMENT OF RICH GHILARDUCCI, PRESIDENT AND CEO, HUMBOLDT CREAMERY

Mr. GHILARDUCCI. Good morning, Chairman Cardoza and members of the Subcommittee. My name is Rich Ghilarducci and I am President/CEO of Humboldt Creamery Association, a dairy cooperative owned by over 50 dairy families located along the north coast of California. With the milk that our dairy families produce, our processing facilities, which are member owned, manufacture both organic and conventional ice cream, fluid milk and powdered milk products. Today we employ over 250 people and our products are sold in all 50 States and international markets.

Humboldt Creamery Association's organic program started in 2001 with three dairy families representing less than 5 percent of our milk supply. Today, organic milk production represents 60 percent of our milk supply from 30 dairy families. I would like to thank the Subcommittee for the opportunity to testify in this groundbreaking hearing about organic agriculture, which is an important topic for our members, our region and consumers throughout the United States.

Humboldt Creamery Association was founded in 1929. We are the oldest dairy cooperative in the State of California. Most, if not all, of our 50 member/owner families are direct descendants of the 152 founding members of the cooperative. In the last few years, some members of the Humboldt Creamery Association were forced to leave the dairy business because it was no longer financially feasible to maintain their family dairies.

It is especially disappointing to know that this decision was often made when the dairy was to be transitioned from one generation to the next. Not only for Humboldt Creamery Association, but throughout the United States, succession is one of the leading factors in the declining number of family farms. However, during the same period of time, something very positive happened within our cooperative. Over 25 of our family farms transitioned from conventional dairy operations to organic dairy operations. In 2006 alone, 15 of our member-owned dairies converted to certified organic.

A cornerstone of organic dairy management is pasture grazing, which our members do throughout most of the year except for during the most inclement weather. Another is a natural preventative approach to livestock healthcare, as opposed to the use of antibiotics and other synthetic treatments. These techniques of pasture and livestock management have been the method of dairying in our region for generations. So for many of the cooperative families, organic certification is a validation of a dairy in practice. It has been their daily routine for many years.

We request that this Subcommittee recognize the enormous opportunity that organic agriculture offers family farmers throughout the United States to once again fill a role that has been vanishing, that of the entrepreneurial family farm which contributes to the United States economy. In order to do this, infrastructure must be supported by the United States Congress to ensure the industry's growth.

Humboldt Creamery Association believes there are two key topics that need to be supported by this Subcommittee; increased funding for the USDA National Organic Program and financial support for

technical assistance in transition from conventional to organic. The USDA Organic seal is recognized by consumers to mean strict production and environmental standards, are behind every product labeled organic. It is up to the USDA to ensure the credibility of the organic label. Funding and staffing at the USDA National Organic Program must keep pace with the growing marketplace.

Making the transition from conventional to organic dairying can be cumbersome to a dairy farmer. It requires specific knowledge of growing organic crops to feed their dairy animals, as well as specialized livestock management techniques. In order to ease this transition and help farmers with the change, Humboldt Creamery urges the Subcommittee to support authorization for educational programs and technical training in organic production.

The SARE, the ATTRA programs have been successful in this area in the past. EQUIP has also been successful. More ambitious organic transition programs, at least in dairy, should be carefully scrutinized by this Committee to ensure that they will not disrupt the orderly development of the organic milk supply and allow economics to dictate supply. For Humboldt Creamery Association, the growing organic dairy market has provided an exciting, viable opportunity for future generations.

In conclusion, I want to thank Chairman Cardoza and the House Subcommittee and I am a firm believer in the United States organic industry and the important role that the USDA plays in the integrity of the industry. I would be pleased to answer any questions.

[The prepared statement of Mr. Ghilarducci appears at the conclusion of the hearing:]

Mr. CARDOZA. Thank you very much, sir. Ms. Dawes.

STATEMENT OF NICOLE BERNARD DAWES, PRESIDENT AND COO, LATE JULY SNACKS

Ms. BERNARD DAWES. Chairman Cardoza, Ranking Member Neugebauer and members of the Subcommittee, I want to thank you for inviting me to this historic hearing.

My name is Nicole Bernard Dawes and I am the President and COO of Late July Organic Snacks. Our factory and company headquarters are located on Cape Cod in Massachusetts and on any given day, we have three generations at our family business, including my father, who is my business partner and here today, and at least one of my young children is regularly at the office with us. We employ 30 people and manufacture exclusively USDA Certified Organic products. Our products are available in all 50 States, as well as internationally, and we are working on expanding our export program.

Since our founding in 2003, we have grown over 40 percent annually and our current run rate has us at over $7 million in annual sales. This is the third national food company started by my family. The first was Cape Cod Potato Chips and the second was Chatham Village Foods. I am here today to discuss the incredible opportunity this new industry represents, the challenges that we face, how organic products benefit our country and specific ways that Congress can help us.

I have spent my entire life in the food business; first as a child at my mother's natural food store in the 1970s and later at my parents' businesses and now at Late July Organic Snacks. I believe our nation is at a major turning point with our food supply and this Congress has an incredible opportunity to change, for the better, the future of our food supply by becoming advocates for organic agriculture.

Recent events have underscored to people the need to care about where their food comes from, what is in it and the impact their buying choices have on the food chain. Parents are checking ingredients before they pack their kids' lunch and this generation of kids are learning to ask questions about their food. The National Organic Program created a level playing field, enabling companies like Late July to compete equally against much larger companies. It established a rigid set of standards that gave our industry credibility in the marketplace.

Now everybody carrying the USDA seal is in the same boat. We are all subject to the same strict standards. I believe that organic agriculture is the gold standard for the food business. It offers family farms an economically viable alternative, produces innovation and most importantly, provides an opportunity for businesses and individuals to put environmental stewardship into action.

For all these reasons, organic production is a worthwhile endeavor for food entrepreneurs like myself and not coincidentally, it is also the fastest growing segment of the food industry. But there are challenges. For us, namely, cost. At Late July, our ingredients can be up to 10 times the price of one of our conventional competitors and supply shortages are at the root of that. We also have to spend significantly for research and development. And while we try to keep our prices competitive with the conventional brands, we do still have to charge more.

We are also finding that some channels, like school lunch programs, would like to offer more organic products but can't afford the higher costs. We are also facing confusion with all-natural or conventional in the marketplace. Higher costs are acceptable to shoppers as long as they know and understand what the USDA Organic seal stands for, but we are finding, as we branch out into more and more mainstream accounts, the USDA Organic seal and its meaning needs a significant amount of explaining.

Late July and companies like ours are major customers for organic commodities and we need to broaden our customer base in order to grow the industry. But we need to do this while maintaining the same strict standards that we have so our industry never loses the credibility we have worked so hard to build. Why does all this matter? Organic agriculture reduces the amount of persistent pesticides in our country's air and groundwater. Organic farmers don't use petrochemical based fertilizers and have a lower carbon footprint per pound.

So much today is said about reducing our impact on the environment and making better food choices, but as individuals, it is hard to know where to start. Organic products are a gateway. That is why organic farming is such an important practice to encourage in the U.S., something you can do when you are shopping for your food and when you are making Congressional policy decisions.

As a child of the 1970s natural food movement, I was teased for the contents of my lunchbox. My mother would pack carob coated rice cakes and miso soup and it was products like these that created the old stereotype that organic products don't taste very good. The National Organic Program was the real impetus we needed to create the kind of organic products I could only dream about as a child. And while it has been a groundbreaking initiative, it still needs much support.

I am here to ask for: increased funding for the National Organic Program so it can be fully implemented, effectively enforced and better understood; the removal of export barriers and oversight on imports; assistance in getting organic programs to school lunch programs; support for the Organic Trade Association's recommendations. Finally and most importantly, I ask you to take a position in favor of organic agriculture.

I reiterate that we are on the verge of a major turning point in our food supply and this Congress has a real opportunity to make a difference. Thank you so much for this honor.

[The prepared statement of Ms. Bernard Dawes appears at the conclusion of the hearing:]

Mr. CARDOZA. Thank you very much. I have less questions and I have a couple answers in statements that I want to present. First of all, Mr. Clarkson, I was fascinated with your story about the blue corn not being recognized as corn. I do enjoy blue corn tortillas and chips. I think it is emblematic of how we oftentimes have a disconnect from the real world to USDA and how come we can't bridge that gap more readily than we do sometimes is frustrating to both farmers and to members of Congress. I am going to ask my staff to prepare a letter from this Committee to USDA to ask that this particular issue be resolved forthwith and hopefully we will have some impact. If not, please feel free to contact us soon.

Mr. Ghilarducci, I hope I haven't butchered your name too badly. I have a history of butchering names.

Mr. GHILARDUCCI. Been worse.

Mr. CARDOZA. You mentioned, as Ms. Dawes does and others today, that funding for the USDA program for timely answers and timely issues is critically important and I think you have really hit on something that we are going to have to pursue and hopefully the work that we are going to do in this farm bill will have some impact on that, but I am going to have a conversation again with Ms. DeLauro, who is the Chairwoman of the Ag Appropriations Subcommittee here in the House. I know she is incredibly supportive of organics in general. Even though she comes from more of an urban setting than a rural setting, she is a fabulous champion for agriculture in so many ways and really works very hard to make sure that we do the right thing in this area of the Appropriations Committee. We will be communicating with her either through letter or private communication to try and see that we get organics fully funded in this farm cycle and so that is another area that we will pursue.

Finally, Ms. Dawes, you mentioned the importance of the organic seal as part of your testimony and I will tell you that is something of incredible concern to me as we go forward. Making sure that seal that you have worked so hard to build maintains its value and only

a few bad actors or a few violations could really destroy something that you have worked so hard to build up and the value of that. And I think it is going to be one of the top priorities of this Committee to continue to do oversight in this area, whether it be in international imports and whether or not they meet the same standards or whether or not there are a few bad actors in the industry that could harm or damage the work that you have so diligently put in.

I just want to make one final observation before I ask my colleague, Ms. Gillibrand, if she would like to ask some questions. I have been incredibly impressed with the entrepreneurial spirit, with the commitment and frankly, the successful nature that the folks who have testified in all three panels today have exhibited. I am very impressed with that and I encourage you; you don't need much encouragement from Congress, but you have done it of your own spirit and your own hard work. It reminds me of that kind of spirit that my grandparents had when they came to this country and farmed the land in a natural way. It was just the way they knew, was to not use pesticides or things, but they just did it mainly because that was what they could afford and that was what they knew from the old country. And I see that same kind of spirit in so many of you and it makes me feel good about the future of agriculture.

Ms. Gillibrand, it is all yours.

Ms. GILLIBRAND. Thank you, Mr. Chairman. Thank you all for coming. I really appreciate your dedication and your commitment to organic farming. I come from a district in upstate New York and we have a lot of organic farming, a lot of agriculture, a great history in agriculture and I am very worried about the future of agriculture in this country.

I am very worried about our dairy farms, which are dying because the price of milk is too low and the price of gas is too high and the price of feed is too high and they are really having a tough time sustaining their business. So I want to focus a bit on some of the challenges that you have, to hear a little bit more about them.

Ms. Dawes, you talked about trade being an impacting effect. You said there are problems with the export laws and the import laws. Can you elaborate on the effects they have on you and what laws you would want changed and how?

Ms. DAWES. Certainly. I will say, at our two previous businesses, Cape Cod Potato Chips and Chatham Village Foods, exports represented a significant portion of our revenue. But at Late July at the moment, our primary exports are to Canada and a few spotty locations around the world. There are some inconsistencies between the NOP rules and in other organic rules in, say, the EU which makes it very difficult for us to produce products that meet both standards.

We are working on that now, but we are a small family business and to have to spend, you know, significantly to research how to do what we do here in another country and also, you know, all the other costs that are associated with that, I mean, despite the huge opportunity it represents, it is something that, while we would like to do it right now, I think we are probably still a few years away from really benefiting from it.

On the import side, really, the oversight on the imports is, from my perspective, just critically important to maintaining the integrity of our industry. People have to feel that every single organic product that they buy is filled with ingredients that maintain our strict NOP standards.

Ms. GILLIBRAND. So it is your sense that in the imports markets that our oversight is insufficient, that there is not enough testing of other brands that come in or what type of oversight would you like to see more of?

Ms. DAWES. I think that it is just so new and as the market is growing so fast, we need to make sure that we maintain that strict oversight and that strict oversight is communicated to the public.

Ms. GILLIBRAND. Okay. And then on the export side, what regulations are too expensive or difficult for you to meet that the European Union requires?

Ms. DAWES. We are having trouble right now finding a dairy ingredient that we can use in our products to sell in the European Union. All of our dairy ingredients are from some of the best dairy farms in this country. But there are some differences in the regulations between our production practices and the EU production practices that make it impossible for us to market those ingredients in Europe right now.

Ms. GILLIBRAND. What production practices?

Ms. DAWES. I think a dairy producer would probably be more qualified to talk about that.

Ms. GILLIBRAND. Is it that dairy is not organic?

Ms. DAWES. No, no. Absolutely not. The dairy meets all of our strict organic; it is more on the processing side.

Ms. GILLIBRAND. Okay. Okay, that is helpful. Have any of you been non-organic and moved towards organic, or have you all started your farms as organic farms?

Mr. GHILARDUCCI. For our members, dairy members, initially they were all conventional dairies and I shouldn't say all of them. Which is kind of a breath of fresh air. Three of our members are first generation farmers that actually started in the dairy industry and that is something very unique, to see people enter the industry and the only way they have been able to do that is through organics. But all of our dairies, the others besides those three, have converted from conventional to organic.

Ms. GILLIBRAND. What kind of support or ideas do you have for us, as legislators, to facilitate a farmer to move from regular farming to organic farming, because I know that is a very, very costly effort, and what kind of legislative changes or supports would you see would be valuable to facilitate that if a farmer chooses to become an organic farmer?

Mr. GHILARDUCCI. For us in the dairy sector, what I see is education is the most important thing, through the ATTRA program or the SARE program. And when I say that it is obvious there is an initial up-front cost, but if we can work with them to become efficient in their new practices of organic dairying long-term, that is what is sustainable for their businesses. And I would also caution, as far as direct payments for conversion. I think the marketplace has taken care of that and recent history has shown, in the dairy sector, that has worked adequately to convert dairies.

Mr. CLARKSON. Might I offer you a couple comments in response to some of your questions? Many of the U.S. feed producers, corn, soybean, soybean meal, technically meet all European standards, but they don't file as if they meet them. You can't use Chilean nitrate for fertilizer under the European rules; under the U.S. rules, you can. So we have to get an affidavit from the farmer saying that he doesn't. I don't know if you have ever tried to chase a farmer down to get him to sign a document. It is difficult.

Ms. GILLIBRAND. I can imagine.

Mr. CLARKSON. It is extremely difficult. I want to second my colleague's comments about the service of ATTRA and others in providing information. Much of the difficulty is in helping people step into the unknown. It is not a system they are used to and in conventional farming, you can lay off responsibility of third party quite easily. You write a big check and that party takes care of the nutrition and the weed and pest control.

In the organic world, the farmer has to do it himself. There are no third parties there today; 10 years from now there may be. But there is more individual responsibility. And what I would ask you for help in, my company exports to Japan, Taiwan, Korea, western Europe, sometimes South America and Canada. The biggest difficulties we deal with in sending an organic product aren't strictly about organics. It is about GMO contamination.

The Koreans, for instance, have the tightest standard in the world, I might say an absurd standard. It is 0. And 0 is a long, long way. The testing is done when containers or shipments arrive in Korea. I would like to see some negotiation so we can test and decide whether it is acceptable or rejectable before we invest in international freight. So that is a conversation I would like to see moved to a conclusion.

Ms. GILLIBRAND. Thank you.

Mr. CARDOZA. Thank you. I want to thank everyone for your time and for your extremely thoughtful testimony on the state of organic agriculture in the United States. This hearing was long overdue, as organics have become an increasingly powerful force in agriculture and one that truly deserves our full attention and respect. Again, I must give credit to Chairman Peterson for not only creating this Subcommittee for specific oversight responsibility over organics, but for also recognizing the value of including more stakeholders in writing the farm bill than in previous years.

We heard from a number of people in the organic industry today from nearly every region of the country, representing nearly all the major organic commodities. There are certainly challenges that organic agriculture is facing, including lack of research and adequate crop insurance, highland values and countless other challenges. However, it seems clear that despite these obstacles, organic agriculture is growing with leaps and bounds, providing high-quality products for a demanding consumer.

But there is more work for this Subcommittee to do, clearly. First and foremost, we must maintain the integrity of the organic seal we just spoke about. Without this seal, the unparalleled confidence it brings, consumers cannot differentiate between the products that have met our most stringent standards and those that are only claiming to do so.

This is especially important for the imports of organic products. I am extremely concerned that small fissures in the confidence of organic products from foreign countries can and will have a disastrous effect on the domestic organic industry if we are not careful. Furthermore, we must look closely at the transition procedures for moving from conventional to organic agriculture and how these rules and regulations are working in the real world and out in the field.

Also, there is obviously a need for more research dollars for organic agriculture to identify better farming methods and plant resistant stocks. However, as we move into the 2007 Farm Bill, we face a number of these challenges, not the least of which is finding ways to pay for new and expanded programs for organics, for specialty crops, for bio-energy and other sectors of agriculture that have not been well-represented in previous farm bills.

I urge you all to be careful in evaluating your asks. So are we are going to have to be fiscally responsible and as we move forward, we have to look for ways to maximize every dollar the Federal government expends. I say that in every committee that I serve on. I say it in all areas. Frankly, we are far to stretch, with our Federal budget, to be able to do all the things that we want to do and we are going to have to be very strategic in what we ask for.

This hearing was an important first step in that process and I truly thank you all for your obvious commitment to organic agriculture. I look forward to working with you as we continue our farm bill discussions and beyond, as we bring organics fully into the fold of Federal programs and the Federal agricultural community. I am very pleased that you all were here today. Thank you very much. Under the rules of this Committee, the record of today's hearing will remain open for 10 days to receive additional material and supplementary written responses from witnesses to any question posed by a member of the panel. This hearing of the Horticulture and Organic Agriculture Subcommittee is hereby adjourned.

[Whereupon, at 12:45 p.m., the Subcommittee was adjourned.]

Subcommittee on Horticulture and Organic Agriculture
Review of economic impacts of production, processing, and marketing of organic agricultural products.

Wednesday April 18, 2007

OPENING STATEMENT
Chairman Dennis Cardoza

Thank you all for attending this hearing and taking time from your very busy schedules to testify today about the economic impacts of production, processing, and marketing of organic agricultural products.

I want to acknowledge the absence of one witness from Mr. Conaway's district today. Mrs. LaRhea Pepper is unable to be here with us due to the passing of her husband after a lengthy illness. The members of the subcommittee extend our sympathy to Mrs. Pepper and her family. In her absence, her oral testimony today will be read into the record by Ms. Sandra Marquardt.

This is a historic hearing. Today marks the first hearing on organic agriculture ever held by the House Committee on Agriculture. I am proud to be chairing this subcommittee as we engage, for the first time, organic producers, processors and manufacturers in a substantial discussion of the challenges and opportunities facing the industry.

But I must also commend Chairman Peterson for his leadership in acknowledging the important role that organic agriculture has to play in ensuring a prosperous U.S. farm sector by creating a Subcommittee to specifically monitor this industry as we write the 2007 Farm Bill.

In 2005, the U.S. organic market grew 17 percent to reach $14.6 billion in retail sales. Organic food's share of total retail food sales has reached 2.5 percent. Certain non-food sectors show even more remarkable growth.

Organic fiber sales have grown over 44 percent, in the past year organic flower sales over 50 percent.

Today organic products are rapidly becoming mainstream staples in high-end restaurants, sports venues, university cafeterias, club stores and other mass-market retailers. This broad acceptance and perception of quality is far cry from where organic food was 20 years ago. It once was the domain of ugly broccoli, dried-up apples, and wormy tomatoes.

Today the industry offers to the American consumer high-quality produce, innovative salad mixes and full lines of convenience foods and dairy items. The product diversity represented by today's producer and processor witnesses is a testimony in and of itself: Organic has arrived in the hearts and minds of the American consumer.

There are, however, significant challenges to maintaining the growth and reputation of the U.S. organic sector. The first, and perhaps foremost, challenge is ensuring the continued integrity of the USDA organic seal. Consumers look the USDA's green and brown seal as their assurance of the highest quality in organic products. In order to maintain its well-deserved consumer confidence, the National Organic Program must be adequately staffed so that it can provide the industry with timely responses to its questions and calls for new standards, to exercise appropriate oversight of accredited certifying agents and to engage in proper enforcement of regulatory violations.

Furthermore, the rapid growth in demand for organic products in the U.S. has not gone unnoticed by other countries. Producers abroad are vying to meet the demand for organic products created by the U.S. consumer. I am extremely concerned that foreign imports, especially those from rising agricultural giants like China, claim to be organic when they are failing to meet basic standards for organic agriculture. The rapid increase in these so-called organic imports is further straining the NOP's limited resources. As I am sure we will hear time and again from the panels today—the integrity of the organic label is the most important, if not the only, symbol for consumer confidence. Any cracks in that system from products at home or abroad, can cause significant damage to the industry and must be rectified immediately.

Finally, we in Congress must work to ensure that organic agriculture is better integrated within USDA as a whole. Technical assistance for organic producers through USDA extension programs is often sporadic and its availability uneven among extension agents. Organic farmers can be penalized for simply being organic farmers when accessing crop insurance. And finally, we must ensure the sector receives the research it vitally needs to continue its remarkable growth.

I look forward to hearing from the panels today and especially from one of my constituents—Mr. Manuel Vierra.

With that, I now yield time to Ranking Member Neugebauer for his opening statement.

Agriculture Committee Republicans
Bob Goodlatte
Ranking Republican
1305 Longworth House Office Building
Washington, DC 20515, (202) 225-0029
www.agriculture.house.gov/republicans

Opening Statement of Ranking Member Randy Neugebauer
Subcommittee on Horticulture and Organic Agriculture
Hearing on organic agriculture
April 18, 2007

Chairman Cardoza, thank you for calling today's hearing on organic agriculture. It has been some time since the Agriculture Committee has held a hearing on this issue, so it will be helpful for the Subcommittee to get a status report from the expanding organic industry.

The National Organic Program is a successful voluntary marketing program. Through standards that all producers and processors follow and a certification and enforcement process, consumers know that when they purchase products with the USDA organic seal, they are purchasing food that has been grown or raised in a certain manner.

I emphasize that the NOP is a marketing program and that it is voluntary because I believe these two features of the program have contributed to its success.

For organic producers and processors, the demand for their products has been growing by nearly 20 percent per year. Entrepreneurs have realized this demand and have invested in supplying this growing market --- and they are receiving a price premium for their products.

I understand that those in organic agriculture have a number of priorities for the 2007 Farm Bill. I am interested in learning more from the industry on these proposals given our limited resources and also given the fact that the marketplace has been good to organic producers.

There is an appropriate USDA role when it comes to maintaining the standards and certification behind the USDA organic label. USDA has a responsibility to ensure that the label means what it says. There is also an appropriate role for research and extension, and organic producers also benefit from research and conservation programs that are available to all farmers. However, I'm cautious about increasing the role of USDA in the organic marketplace and in producers' decisions whether or not to engage in organic agriculture.

I look forward to hearing more about your ideas for the 2007 Farm Bill and learning from the organic producers and processors here today about the growth and changes in the market for organic products.

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Opening Statement of
Agriculture Committee Chairman Collin C. Peterson
House Committee on Agriculture
Subcommittee on Horticulture and Organic Agriculture

Public Hearing to review economic impacts of organic production, processing, and marketing of organic agricultural products
April 18, 2007

Thank you, Chairman Cardoza for recognizing me to speak and for holding this hearing today. I also want to thank all of the witnesses for testifying here today.

This is a historic hearing that you are holding today, Chairman Cardoza. As I understand it, this is the first hearing that the Agriculture Committee has ever held that is focused entirely on organic agriculture. We have a distinguished group of witnesses with us here today, and I am sure that this will not be the last hearing this committee will hold on the issues related to organic agriculture.

The market for organic food and fiber is substantial and growing. The American people are looking and asking for more organic products, and as a result, we are seeing organic products on grocery store shelves nationwide. That is why I thought it was important to include organic

agriculture in the subcommittee structure of the Committee when we reorganized earlier this year.

One of my primary goals for farm policy is to expand economic activity in our rural communities. The growing organic industry is an area of great promise for farmers and ranchers who choose to pursue it, and it offers a good opportunity for young and beginning farmers to make a good living from the land. Organic agriculture isn't right for everyone, but it is a growing part of our farm economy that we must recognize and encourage.

I am looking forward to hearing from the witnesses here today about the opportunities and challenges facing farmers involved in organic agriculture. I am interested to hear about the challenges facing the industry and what government may be able to do to break down the barriers that may exist for practicing organic producers and those who might be interested in transitioning into organic production.

Chairman Cardoza, thank you again for holding this hearing today on this very important issue, and I look forward to the testimony from our witnesses.

Opening Statement of Bob Goodlatte
Subcommittee on Horticulture and Organic Agriculture
Hearing on organic agriculture
April 18, 2007

Thank you, Mr. Chairman. I appreciate you calling this hearing today.

As we will hear, organic agriculture represents one of the largest growth markets in agriculture today. What is today a $15 billion industry was barely a blip on the radar screen when I was first elected to Congress in 1992.

Organic agriculture represents to me an ideal marketing scenario. In this model, consumer research has helped producers identify a viable marketing opportunity. With the assistance of the Federal government in establishing consistent, enforceable standards, those producers have, **on a voluntary basis,** been able to fill this market niche – and I am happy to say that they have made money doing so.

I want to emphasize that producer participation in organic agriculture is completely voluntary – AND IT WORKS.

I highlight this because as we begin work on the farm bill, this Subcommittee will be asked on many fronts to intervene in markets by adopting or continuing policies which interfere with producers' ability to take advantage of marketing opportunities. Whether we are talking about labeling for production practices like organic, or the country of origin of farm products, producers must maintain the option of participating based on their own analysis of costs and benefits.

With regard to organic specifically, I fully support the right of producers to enter or exit this market, just as I support them taking advantage of any other marketing opportunity that suits them. Likewise, since the USDA organic label represents to consumers a certification by the Federal government, I support efforts to intensify USDA's oversight and enforcement activities.

As we begin the discussion of what we can do to further support organic agriculture in the next farm bill, I believe that the Federal government has a responsibility to assist organic producers through research and extension, just as we do for conventional producers.

I recognize that organic producers have other farm bill proposals for direct financial assistance. I am curious about the details of these proposals, how these proposals will improve the long term economic outlook of organic agriculture, and where the funds would come from to pay for these proposals.

Thank you again Mr. Chairman. I look forward to the testimony of today's witnesses.

- Written Testimony for the Hearing on Economic Impacts of Production, Processing, and Marketing Organic Agriculture Products, 4/18/07
- To: Honorable Members of the Subcommittee on Horticulture and Organic Agriculture

Hello,

We live in Southwestern Wisconsin, and grow a variety of organic vegetables, medicinal and culinary herbs as well as small grains. Our farm has been certified organic since 1989. We till approximately 12 acres and sell to retail, wholesale and manufacturing markets. We also have a large earth-bermed solar greenhouse and sell organic vegetable and flower transplants in the spring. Our 20 beehives are managed organically, but we do not have a full 2 mile forage zone free of prohibited substances to sell our honey as organic. We are also organic inspectors, working for a variety of certification agencies, and I also work for MOSES (Midwest Organic and Sustainable Education Service).

Over the years, we have seen organic grow from a small niche to a powerhouse of great economic importance in our community. Organic Valley (largest organic cooperative in the U.S.) is approximately 30 miles from where we live. We have seen first hand how organic management practices have improved both the environment and the economic viability of many small and mid-sized farms in our region, with vibrant rural economies with strong infrastructure maintained to serve this farm community. Numerous feed mills, seed stores, and veterinary services are present to maintain this organic farming base, and these small and mid-sized businesses have also found organic to be an important part in maintaining their economic viability.

While this sounds very rosy, there are still many areas that could be improved, as well as taking this successful model and expanding it throughout the Upper Midwest and United States. I answer an organic farmer hotline as part of my job with MOSES, and the vast majority of the 40-50 calls I get per week are from producers who need more information on organic production techniques, as well as how to be better network within the organic community to find either products or markets. Organic farmers are challenged by lack of good research and educational opportunities to aid them in a successful transition to organic as well as maintaining and improving their current organic operations. Since I am well connected in the organic community, you would think if anyone could find various types of information, it would be me, but this is not the case. Organic production and marketing information is scattered to non-existent. Local sources of information such as Extension, FSA, and NRCS, while beginning to learn about organics, do not currently have background in both the requirements of the organic regulations as well as the various tools that can be used to manage a successful organic operation. There are also many nonorganic producers who would be very interested in learning more about organic production methods that could help their operation become more environmentally and economically sustainable. The opportunities to aid these farmers does not exist due to lack of funding for programs to do both research and disseminate information.

Fully funding the organic certification cost share program would aid small and mid-sized farms to gain access to the organic market, as well as bring them into the organic community where they can begin to network with other organic farmers. Full funding of the Conservation Security Program would benefit all farmers who are stewarding their land and protecting our vital natural resources. Providing funding for organic research (both university and farmer based programs) would enhance the long term viability of organics. This funding is essential since we rely both on the wisdom of the past and discovery of new methods that mimic and enhance natural systems in order to improve our organic production tools. Lastly, without funding for a variety of educational opportunities, both for professional development of agricultural educators as well as direct farmer to farmer mentoring and networking programs, this research and current knowledge will not be able to reach the many individuals who could benefit from it.

The many benefits of organic agriculture are undeniable and should be strongly supported by both Congress and the USDA.

Thank you for the opportunity to give this written testimony.

Harriet Behar and Aaron Brin
Sweet Earth Farm
43299 Patton Road
Gays Mills, WI 54631
608-872-2487
harriet@countryspeed.com

April 27, 2007

TO: Honorable Members of the Subcommittee on Horticulture and Organic Agriculture:

RE: Written Testimony for the Hearing on Economic Impacts of Production, Processing, and Marketing Organic Agriculture Products, 4/18/07

I am establishing an organic tree fruit orchard, primarily apples, and a fermented (or 'hard') cider business in southwest Wisconsin, near Mineral Point. (I am in Ron Kind's District.) I also run a network of organic tree fruit growers in the Midwest.

One of the major needs that I have as a grower and that my Network members face is a lack of research-based information to help us profitably produce tree fruits in the humid climate with wide temperature extremes of the Midwest. That lack of information is why 20 growers formed this Network three years ago. We share information among each other and encourage research to improve organic production and marketing of tree fruits in the Midwest. The numbers of growers involved has swelled from 20 to 230 on our list-serv and almost 350 who receive our newsletter in three short years. This is evidence of the strong interest in the Midwest alone in organic tree fruit production.

I (and my Network) wish to see more funding for organic research and outreach on tree fruits. It is marvelous that there is a research program at the USDA directed toward organic farming needs, (i.e., the Integrated Organic Program, (IOP)). However, it is severely under-funded relative to a backlog of needs and the market share that organic food is today. I was on the 2007 IOP review panel as a grower to recommend projects for funding. It was hard to leave what we classified as "high priority" projects, on the table, simply due to a lack of funding. The IOP funds less than half the number of projects other CSREES competitive grant programs usually fund. And I know of land-grant university researchers and nonprofits that simply do not apply because the chances of getting funded are so slim.

I do not seek payments to continue to transition my crop land and management skills to organic. What I do seek is the information to do such. Publicly funded research-based information fairly helps all farmers. Making information available to all contrasts to transition payments or other payments that some farmers get and others do not. Let the market and people's concern for the natural environment and how our food is produced continue to drive the organic food and farming system. But we need information to farm organically efficiently and profitably. To transition to organic should not be like walking a plank blind-folded, hoping you do not fall off at the end and drown in a sea of pest management problems.

ATTRA of the NCAT has done a tremendous job to gather and make available existing information on organic farming. Please reinstate and increase their funding.

The information needed is not input substitutes for synthetic inputs, but an understanding of how what has become compartmentalized into soil fertility, weed management, insect pest management and disease management interrelate to each other. In an organic orchard, these are all integrated. How you manage the 'orchard floor' affects directly the health of the soil, diseases

(particularly the most important one, apple scab), competition from weeds, and insects, both pests and beneficials. Yet we do not understand the details of how this all works. That is where major funding to understand systems is needed. That is where government funding plays a crucial role.

The other project to generate needed information that I have tried twice unsuccessfully to get funded is the cost to produce apples organically in our region. I dug for the information when working on our business plans for the orchard and the fermented cider. It is not there. Yet I and others plow ahead hoping that it all turns out profitably. We need enterprise budgets so that we move forward in an informed manner. Craig Chase at Iowa State University has shown that enterprise budgets are not expensive to produce. There are very strong markets for our raw fruits and value-added products, but we do not know at what costs and prices can those enterprises be profitable and sustainable.

Continuing the organic cost-share program is critical to helping small and mid-sized organic farming operations to enter and stay in organic production. Without it, ironically the very farmers on which organic farming was developed and nurtured are becoming overwhelmed by the new costs of certification. These were nearly all family-scale operations. And those who wish to get in, including myself, will find certification as they just start to sell product a major financial hurdle.

In my orchard and hard cider business in a rural, southwestern Wisconsin I am creating jobs. I work full-time on my orchard and have one part-time employee before I have even have fruit to harvest. Organic production of tree fruits is very labor intensive. I plan to employ in my orchard two full-time people and in my cidery at least two and gradually more as we scale up to a 20,000-gallon cidery. I am also providing a product that is novel, diversifies the agriculture in my area and benefits the natural environment over the conventional row-crop production that dominated our 60-acres of cropland.

I appreciate your attention to my testimony.

Sincerely,

Deirdre Birmingham, owner-operator
Somerset Orchard and Farm
7258 Kelly Rd.
Mineral Point, WI 53565

April 18, 2008 Organic Hearing Statement for the Record

James R. Brushaber
4943 Dundas Rd
Beaverton, Michigan 48612
989-435-2367

For the organic growers this is of the up-most importance. The end product, quality, chemical free, a supplier of healthy high mineral content is not available to the consumer in any other form other than organic. The taste is as natural as one would ever find. The end product is a retarder of many diseases and if you use organic foods the chances of a long, healthy life will be your reward. Also the chances of disease that one will acquire from a chemical produced product will be nil to none. For example look at all of the older generation farmers that we look up to. 80 to 90 years of an age is the norm and I have an uncle that is going on 102 shortly with a sharp mind and carried a driver's license at 101 and drove better that most on the road today. My mother is going on 91 and this is proof that what we eat today is not healthy for the body and with the availability of organic products being availability we should all do our up most to encourage and promote this direction.

To the Staff of the Subcommittee on Horticulture and Organic Agriculture

"Written Testimony for the Hearing on Economic Impacts of Production, Processing, and Marketing Organic Agriculture Products, 4/18/07."

ATT: "Honorable Members of the Subcommittee on Horticulture and Organic Agriculture:"

From: Butterfield Organic Growers, 1429 Upper City Road, Pittsfield, New Hampshire 03263 (Merrimack County)

Our Operation:

We are a small family run business located in a rural area of fading agriculture. The land has been certified organic since 1997 and we use mostly hand tools and hard sweat in our operation in order to save on fuel costs. Our greenhouse is not heated but is used to help extend our short growing season. We are a growing zone 5a. There are a variety of products grown here including perennial fruits, vegetables, flower and herb plants. We specialize in garlic-5 types, Egyptian onions, blue spruce trees and black raspberry plants along with seasonal organic produce sold at a local farmers market which I founded and started over 10 years ago as a direct retail outlet. We also have a farm website which has brought in more small order business in the last 3 years than the local market and only because I publish it myself can I afford to have it. (I learned by having to do winter computer work) We have had to sell some farmland.

The Community:

Our local in town community is divided among rich and poor but many of our customers who come to the market use the Farmers Market WIC coupons (for low income folks) and make it a weekly habit to shop for fresh, locally grown produce. They also have a chance to interact and socialize with other people. I see the retired and elderly really enjoy that immensely along with the vegetables and fresh breads that they purchase.

Economic Challenges:

1. High property taxes-they have almost tripled in 15 years.
2. High workman's comp wages and payroll taxes-they are so high that many farmers cannot have seasonal employees or illegally pay them "under the table".
3. High fuel costs-Our heating oil, propane and fuel costs have doubled.
4. Fees we pay-we pay a certified organic renewal fee yearly, whereas conventional growers do not have a yearly renewal fee or inspection and can use whatever legal chemicals and growth inhibitors are available. For example there is the ever-popular Atrazine (a weed inhibitor for corn) commonly used in corn production, which has been known to contaminate the water in wells and streams. An abutting

farmer was using it and it goes down stream into our farm. It pollutes wells, streams and rivers. Do I pollute their soil and water? No!

How you can help organic growers:

1. The paper work to apply and renew is astounding! We do get a reimbursement check for 75% of our costs but it should be taken right off the upfront costs! (In Germany organic farmers are paid-not have to pay to grow organically. The government saves money as the costs to clean up the environment and the pollution from soil, air and water is much worse from conventional farmers.)
2. Send us the marketing material for free as part of our fees such as the USDA organic logos and signage.
3. Stop patenting seeds and plants and allowing organic crops to be contaminated by wind from genetically engineered crops. Have all genetically engineering growers make public their usage and map all locations.
4. Help us with getting farmer grants. It is a full time project writing and submitting a grant only to have it refused. I have written two and realize the political arena in the grant giving process and the politics involved are not conducive to my getting one! I am not into red tape nor do I have high friends in the "agricultural offices". I know a few people on a person level, my organic state inspector, and some of her co-workers in the agricultural office at the state level. We are working from sun-up to sun down now and have only time in the winter to do politicking and work other jobs as 80% of farmers, including myself have to have an off farm job to make ends meet. It is hard to find a temporary job in winter and explain how it has to end in spring and the employer has to find someone else. I've been doing it for 12 years.

   5.Take global warming seriously and realize how hard it is to grow crops in this crazy weather with floods, temperature extremes and fire and windstorms. It is only going to get worse.

Sincerely,

Brenda A. Butterfield
BUTTERFIELD ORGANIC GROWERS
1429 Upper City Road
Pittsfield, NH 03263
(603) 435-7260

E-mail: brenda@organic-growers.com

Website: www.organic-growers.com/bfarm

Written Testimony for the Hearing on Economic Impacts of Production, Processing, and Marketing Organic Agriculture Products, 4/18/07.

Dear Honorable Members of the Subcommittee on Horticulture and Organic Agriculture,

Although I am a professional researcher at a Land Grant University, I write to you today as a consumer, former organic farmer and most of all, a husband, father and American. While I may draw on my expertise as an employee of Michigan State University, please understand that all views expressed in this message are my own and do not represent the University or any of its divisions.

I believe organic agriculture is absolutely vital to the future of our state's and nation's food and agriculture system. It has been widely described as the fastest growing part of the agricultural economy. The success of organic farmers is a true American success story.

Research has shown that organic agriculture brings a wide variety of social, economic and environmental benefits to rural communities (see, e.g., http://www.wto.org/english/forums_e/ngo_e/ccc_organic_agric_e.pdf). It also is a key component of a growing movement that is bringing new meaning, in the form of citizenship and community, to our food system. Yet I believe organic agriculture has received too little attention from our public research and government institutions.

I therefore encourage you to invest in organic agriculture, bringing research dollars and other resources to bear. II believe research in both the production/biological science and economic/social science aspects can broaden the vast benefits organic agriculture has already wrought If organic has done this well with scant attention form our public institutions, I am certain it will truly thrive with adequate investment, leading to reinvigoration our of food system and rural communities.

My final suggestions are twofold. Please do all you can to:
(1) ensure the NOP standards remain strong in spite of the threat they face to weaken and dilute them. My research and that of other scholars has shown that consumers want strong, meaningful rules.
(2). ensure the viability of small and medium scale family farmers, the backbone of our food system. Many of them were truly the pioneers of organic agriculture, yet they are increasingly imperiled by a food system geared against them. I encourage you to fund research that creates opportunity and create and enforce laws that foster fair competition.

Thank you very much for your time. Please do not hesitate to contact me with any questions or comments on my testimony

Sincerely
David S. Conner, Ph.D.
2697 Heather Drive
East Lansing, MI 48823

Written Testimony for the Hearing on Economic Impacts of Production, Processing, and Marketing Organic Agriculture Products, 4/18/07.

Honorable Members of the Subcommittee on Horticulture and Organic Agriculture,

My name is Atina Diffley. My husband and I operate the Gardens of Eagan Organic Vegetable Farm in Farmington, MN, which has been producing certified organic produce for the local Twin Cities market since 1973. We market directly to Twin Cities natural food stores and co-ops, and conventional grocers.

The changes that we have seen in the organic market and in organic production since 1973 are huge. Markets were not developed; now we have had 16-21 percent annual growth in sales from 1997-2004.[1] High growth is forecasted to continue. Consumers did not know what organic meant; now 54% have tried organic foods[2]. We did not have reciprocity on standards between states. Now we have a Federal National Organic Program.

When we started there were no Universities with organic education or research programs. We had little support developing healthy, high yielding organic systems for our farm. We started with systems we learned from old-timer neighbors who had farmed without chemicals before the world wars. While we were able to use these systems to grow food without chemicals they were not highly developed systems. They lacked the research information we needed to build soils and obtain equivalent yields without chemical in-puts. Educators and extension agents who advised farmers did not have the organic experience nor the information to be able to assist us. Developing our successful organic system over these decades has required a great deal of experimentation, observation, risk-taking, communicating with other organic farmers and consumer education.

It is important to understand that organic farming is a completely different paradigm. It is not just input substitution. Organic systems are based on creating ecosystems of biological diversity and soil health. Since organic systems are knowledge and management based systems, without research, success can be evasive. We need well-staffed, qualified research universities to deepen our understanding of organic

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[1] Organic Trade Association: http://www.ota.com
[2] Whole Foods Market® Organic Trend Survey, October 14, 2003

ecosystems. We need extensive seed and breed development aimed at the goal of serving local and organic production needs. For beginning and conventional farmers wishing to transition to organic production, adequate research and education will make the difference between the long and difficult experimental process which we experienced and an informed short path to successful production and quality product for this high demand market.

Organic farming has different research needs then conventional and it is not applicable to simply apply conventional research information and developed products to organic systems. Recent research at the Rodale Institute is a good example of different types of research needs. USDA soil microbiologist David Douds is studying mycorrhizae fungi. He has found that some crop species have increased yields of 50% when rotations include winter cover crops which provide year round hosts to this highly beneficial fungi. Rodale is presently studying how farmers can best produce these fungi on their own farms for low cost, non-toxic, soil building fertility. This type of research helps not only organic farmers but also any farmer wishing to reduce chemical fertilizer inputs. This type of research also benefits all Americans by helping to protect our air and water. We need MUCH more of this type of research.

I am very excited when I think of how rapidly organic systems will advance when we have more research to study and develop biologically based agriculture. When we have seed varieties developed specifically for organic systems instead of the few untreated varieties available to us from conventional development; when we have better understandings of nutrient cycling, microbial life and the effects of agricultural practices on it.

Now that we have developed a soil building system for our farm, we find that our yields and cosmetic quality are equivalent to our conventional neighbors in an average year and we have higher yield and better quality in a stressful year. This is because our soil building system increases soil biological life and organic matter while also protecting against erosion and reducing nutrient leaching. Our experience has been confirmed by research at the Rodale institute, which has had similar results in research on organic vs. conventional commodity crop production.

Another important issue to recognize at this time of global warming concerns is: Organic farming IS an alternative energy system.

In healthy organic systems, the majority of the energy to feed the plants comes from soil building practices rather than fossil fuel based fertilizers. The Rodale Institute conventional/organic field trials document that organic systems use 1/3 less fossil fuel, largely because of the massive amount of energy required to synthesize nitrogen fertilizer. The other really exciting energy related research finding is that organic systems carbon sequester 15-28% more carbon. Because soil organic matter is primarily carbon, increases in soil organic matter levels directly correlate with carbon sequestration. While conventional farming typically depletes soil organic matter, organic farming builds it through the use of compost and cover crops. That translates into more than 1000 lbs of captured carbon (or about 3,670 lbs of CO2) per acre-foot per year, or 1- 320 acre farm taking the carbon from 117 cars out of the air — and that's not even counting the reductions in CO2 emissions represented by the organic systems' lower energy requirements.[3]

As water issues become increasingly pressing, organic systems will be increasingly valuable. It has been shown in USDA funded research that organic systems drastically reducing nitrate leaching. [4] Other research findings show lower water requirements and better performance in drought conditions.

It is absolutely crucial that we develop the organic research and educational systems to make the how-to knowledge of these highly beneficial organic systems available to any farmer who wishes to learn them and in the process to every American resident who wishes to support and consume domestically produced organic food.

Please, support funding for organic research, seed and breed development, organic cost-share funding and full funding and implementation of the Conservation Security Program.

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[3] http://www.newfarm.org/depts/NFfield_trials/1003/carbonsequest_print.shtml
Dr. Paul Reed Hepperly
The Rodale Institute
paul.hepperly@rodaleinst.org

[4] http://www.csrees.usda.gov/newsroom/research/nitrogen_organic.html

Thank you for your consideration of this crucial matter,

Atina Diffley
Gardens of Eagan Organic Farm
25498 Highview Ave.
Farmington, MN. 55024
atinagoe@frontiernet.net

Written Testimony for April 18 Organic Hearing

I live near Rutledge MO. Our farm has been certified organic for many years. Recently the market has become more competitive. The cost share program has been a significant help in our endeavor to stay organic and to contribute to the local economy.

Sincerely,

Stanley J. Hildebrand

"Written Testimony for the Hearing on Economic Impacts of Production, Processing and Marketing Organic Agricultural Products, 4/18/07"

Honorable Members of the Subcommittee on Horticulture and Organic Agriculture,

I live in Missouri's northeast corner of the state, a mile and a half overlooking the Mississippi River. Blue Heron Orchard is an organic orchard with 5 acres in apple trees of about 13 varieties. I also grow a market garden of mixed vegetables and fruits on 3 acres that I sell locally. I also have a state inspected processing kitchen that is also approved for creation of organic based food, most all of which is made from our own inputs. Products include: apple cider, apple cider vinegar, pure apple syrup (Pomona's Ambrosia™), apple butter, fire roasted peppers, dried apples and apples.

I have received two SARE (Sustainable Agricultural Resource Education) grants. The first was in 1995 for "Sustainable Plum Curculio Control in Apple Orchards", and the most recent, 2007, "Site-Specific Apple Insect Control Through a Web-Based Application". I have also received (now defunct) a Missouri Sustainable Agricultural Demonstration Award in 2002: "Fresh Apple Cold Storage with Sustainable Materials: Native Lumber and Straw Bales".

I consider my farm a reservoir both for learning and a refuge that allows the kind of purity that is so often projected. The difference here is that this farm is open to the public... not just on a label. Our focus is education and sharing our experience through workshops, open houses, sales and presentations related to grant awards. I also contribute my time to John Wood Community College's (Quincy, Illinois) Horticulture Committee.

Challenges continue to hamper the consumption of organic food in low economic or economically challenged communities. The lure of 'cheap' or processed food, non-local in origin, is often detrimental to the consumption of high quality fare and discourages the expansion farmers wanting or willing to grow. Also, the overall health of the community is compromised.

A major aspect of food awareness needs to be made in our schools. Junk food in schools, soft drink machines, children arriving in school without a decent breakfast, and the low quality of school lunches will hardly serve what will become 'our future'. Here is where our success needs to be found, as farmers and as a society.

Dan Kelly /Blue Heron Orchard
32974 220th St.
Canton, MO 63435

ORGANIC FARMING RESEARCH FOUNDATION

April 28, 2007

Extension of Statement by Mark Lipson

Hearing Record of April 18, 2007
on "Organic Production & Processing Economic Impacts"

Before the House Agriculture Subcommittee
on Horticulture and Organic Agriculture

Dear Chairman Cardoza, Ranking Member Neugebauer and Honorable Members of the Subcommittee,

On behalf of all organic farmers, and the Organic Farming Research Foundation Board of Directors I express our great appreciation for this historical opening of the House record. You have received an excellent initial set of statements on a uniquely innovative and successful sector of the U.S. agro-economy.

We hope and expect that this is only the beginning of the Committee's explorations of these issues. Organic agriculture and the U.S. organic label pose some very complex problems and opportunities. As the Committee Members' questions indicated at the hearing, it will be challenging to achieve positive and cost-effective legislative effects on the growth and improvement of organic agriculture. We look forward to assisting this process. We hope that you will be able to conduct some organic farm visits and field hearings during the 110th Congress, and hear directly from more organic producers and processors.

Organic production and processing hold great potential for high returns on public investments in research and education, statistical data, regulatory excellence, conservation payments and other applications of federal policy. Yet the current levels of these investments for organic agriculture is very minimal relative to the size and growth rate of the organic market. Fortunately, a cost-effective multiplication of resources will still only require relatively modest total investment.

As farmers, we believe that improved organic crop and livestock systems are critical for the health of our planet's land, water and biological life-support. That these essential resources need healing is beyond any dispute. Pollinators, hypoxic waterways, and rural community health all require agriculture to return to a net-positive ecological impact. Our goal is to help fulfill that mission in every type of agriculture through the economic success of numerous, diversified organic producers and processors.

P.O. Box 440 Santa Cruz, California 95061 tel: 831-426-6606 fax: 831-426-6670 e-mail: research@ofrf.org web: www.ofrf.org

All independent farmers are entrepreneurs and we understand that the marketplace is an essential element of positive change in our society. The success of the organic label proves this dramatically. Yet the multiple inherent benefits of organic systems cannot be scaled up by the force of market demand alone. Technical understanding of organic systems and their management is still rudimentary, and only a trickle of university research is underway in the U.S. This gap will severely limit the growth of U.S. organic production and processing.

Sustainable organic methods and technology develop best in the public domain. USDA's agencies and the scientific community have begun to create new research and education capacities for organic systems, or at least placeholders for these capacities. Advanced organic farms and their operators are available as resources, as a seedbed for growing the economic, environmental and social benefits that organic American farms can contribute. We hope you will consider a deliberate legislative strategy to cultivate and apply this emerging information capital.

Under separate cover, we are providing several OFRF publications which have measured the organic production sector and organic research activity over the last 10 years. We hope this reference material will be useful. We urge the Subcommittee to request a full current portfolio of USDA organic data, and reports on current agency activities. While the agencies' capacities are mostly very minimal, there is an emerging body of informative work in various areas. As legislative proposals move forward, this Subcommittee and the other Agriculture Subcommittees could make good use of the agencies' information.

For the record, Organic Farming Research Foundation is an organizational member of the Sustainable Agriculture Coalition, the National Campaign for Sustainable Agriculture and the California Coalition for Food and Farming, and OFRF is an Associate Member of the Organic Trade Association.

Thank you again for your consideration of our views and recommendations.

Mark Lipson
Policy Program Director
Organic Farming Research Foundation
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www.ofrf.org

(Cc: Chairman Peterson, Ranking Member Goodlatte and Honorable Members of the Agriculture Committee)

Written Testimony for the Hearing on Economic Impacts of Production, Processing, and Marketing Organic Agriculture Products, 4/18/07."

(short and simple) We farm organically and we have 80 acres of ground. It is simple -The money in the farm bill ends up everywhere but in the farmers pocket. The "big farmers" and big companies are the only ones who benefit from the farm bill, so eliminate the financial support for them and the games they play.

Organic farming is a win - win for everyone ! The food is not full of bad stuff, the farmer is not working with chemicals, the enviornement wins, and healthy soil makes healthy livestock that makes healthy people.

Tons of people would like to farm just 40 acres - we hear it all of the time. "I want to do what you are doing."

The farm bill could have the power to put the small farmer back on the land and help him make a respectable living/salary doing it.

Walter & Joyce Lubbert

Walter II & Joyce Lubbert
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Written Testimony for the Hearing on Economic Impacts of Production, Processing, and Marketing Organic Agriculture Products, 4/18/07.

Honorable Members of the Subcommittee on Horticulture and Organic Agriculture:

Our organic farm, Boja Farm, is just out side of Yellowstone Park in arid Montana. We are between Billings Montana and Cody Wyoming and look right at Yellowstone Park. Our farm is partly irrigated with irrigation water which originates out of Yellowstone Park. We are a certified organic Herb and Hard Neck garlic farm. We not only grow fresh herbs and garlic we also have fresh berries and an apple orchard.

We are the only certified organic farm in Carbon County Montana. We not only market our fresh herbs, garlic and fruit to local co-ops and farmers markets we also produce a value added product line called On Thyme Gourmet which is an international award winning Fresh Herbed Products company, the only product line like it throughout the world. We are also one of a very few certified organic herbs farms that everything is grown outside. Most herbs are grown in greenhouses. This gives our herbs a very dynamic flavor making us very unique. We are an alternative crop that is very unique and are working to help local farmers look at alternative crops. We are also sustainable and environmentally sound.

Boja Farm provides organic produce to the local community through restaurants and farmers markets along with our fresh herbed products.

A number of challenges we have are

1. Cost of organic certification is quit high for the rate of return,

2. Marketing for our On Thyme Gourmet products, they are very unique and would help improve the economy of the community if we can grow much larger allowing other farms to grow alternative crops and create new jobs.

3. Because we hand do everything would be nice to afford additional personal to help in harvesting and processing.
Because we are not only an organic farm but also a value added product if we had assistance to help in our organic certification and marketing cost we could not only increase the production of our fresh herbed product

through additional growers but our product would also increase the value of other agricultural products such as beef, pork, lamb, grains, produce such as peas, carrots, potatoes etc. Our product has the possibility of a huge economic impact for the whole state of Montana and the country. We have been exploring international markets with great interest.

4. Transitional assistance would help local farmers to transition to organic so they could grow organic alternative crops.

In summary if we had assistance to help with not only organic certification but marketing we could have a great impact on local communities through alternative crops for farmers, value added products and increased employment in depressed areas.

Bonnie Martinell
CEO
On Thyme Gourmet Inc
Co-owner of Boja Farm
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Bridger, Mt 59014
406-664-3010 Fax 406.664.3016
www.onthymegourmet.net

Honorable Members of the Subcommittee on Horticulture and Organic Agriculture,

My following comments are for the "Written testimony for the Hearing on Economic Impacts of Production, Processing and Marketing Organic Agriculture Products." As a Certified Organic grower since 1989 my Kyle, Texas farm has been featured in many local newspapers, tv segments and I have been very active in promoting organic agriculture through gardening clubs as a speaker,

Through all of these avenues of media the Central Texas region is well versed in Organic Farming. I raise vegetables, peaches, pears and pecans on my 5 acre farm. All of my crops are now sold through my CSA network of families only. For nearly 16 years I sold only at the local farmers markets with travel being round trip of less than 35 miles. They worked great then with recent urban sprawl threatening my farm I have now gone with only city residents of Kyle as my CSA customers.

With rampant urban sprawl and a comment by the president of Kyle's Chamber of Commerce who said" the best thing for area farmers to do is sell their land and move to west Texas to continue their lifestyle." Made me realize that small farmers are being forced out of what was rural areas and city governments want more tax land by virtue of new houses. So with no farmland available since speculative developers have bought all farmland very few new farmers will ever get into farming.

We need land protection for the small scale farmers(governments studies show farmland size is going down in size), grant money for creative and collaborative farming with the local Certified Organic grower, as a recipient of taking part in a SSAWG grant I was helped by promoting selling of my produce through the internet. Now all of my CSA customers are online and almost all communication is done that way. Thanks!

Sincerely
Tim P. Miller
Millberg Farm Certified Organic

WRITTEN TESTIMONY FOR THE HEARING ON ECONOMIC IMPACTS OF PRODUCTION, PROCESSING, AND MARKETING ORGANIC AGRICULTURE PRODUCTS, 4/18/07

DAVID L. ROGERS, FARM POLICY ADVISOR
NORTHEAST ORGANIC FARMING ASSOCIATION OF VERMONT

Impacts of Organic Dairy Farming in Vermont

To the Honorable Members of the Subcommittee on Horticulture and Organic Agriculture,

On behalf of the Northeast Organic Farming Association of Vermont and its 1000+ member farmers, gardeners and consumers, I would like to thank Chairman Cardoza and Ranking Member Neugebauer for an opportunity to submit testimony on opportunities and challenges associated with organic dairy farming in Vermont.

The Northeast Organic Farming Association of Vermont (NOFA-VT) was founded in 1971 and is one of the oldest non-profit organic farming associations in the nation. We are the parent company of Vermont Organic Farmers, LLC, Vermont's only USDA-NOP accredited certifying agent. In addition to our other programs, NOFA-VT's Dairy and Livestock Technical Assistance Program is recognized nationally as a leader in providing direct on-farm technical assistance, technical information and education to organic dairy farmers. In this work we work closely with the Vermont Agency of Agriculture, Food and Markets; USDA's Natural Resources Conservation Service and Farm Services Agency, and many other state, regional and national organizations.

Vermont's family dairy farms are the historic anchor to the vitality and character of the state's agricultural economy, rural businesses, communities and working landscapes. In recent years, intractable market forces have led to an accelerated decline in the number of our family dairy farms. This is of great concern to all Vermonters.

At the same time, however, the number of organic dairy farms in our state has increased dramatically: in 1994 Vermont had 3 certified dairy farms; by the end of 2007 we will have over 200 – 18% of all dairy farms in the state. (Vermont and Maine lead the nation in the percentage of organic dairy farms.) Organic dairy farming is widely viewed as a "bright spot" in our agricultural economy and is providing new opportunities for farm families and others to develop and manage successful, sustainable farms and food-related enterprises.

A recent report of an ongoing economic research study, "Profitability and Transitional Analysis of Northeast Organic Dairy Farms", highlights important opportunities, as well as challenges, associated with organic dairy farming. The study was conducted by NOFA-VT, the University of Vermont and the University of Maine and was funded, in

part, by the USDA Integrated Organic Program. The study's findings are discussed in the April 25, 2007 issue of Hoard's Dairyman magazine, "*Is Organic Dairy Farming a Cash Cow*?", and in NOFA-VT's Dairy and Livestock Technical Assistance Program Newsletter, Spring '07, "*Economics of Organic Dairy Production in the Northeast*". (The text of the latter is appended to this statement.)

Briefly, this study of 2005 farm records examined a number of income, expense and profitability parameters on 44 organic dairy farms in Vermont and Maine (average herd size: 56 cows). Among other conclusions, the study found that profitability on organic dairy farms increased over 18% from the year before. Organic dairy farms had higher net farm revenue and were more profitable than conventional dairy farms of comparable size, though high costs of organic grains and hired labor were significant constraints to profitability on many organic farms. The authors note that farm gate prices for organic milk were significantly higher in 2006 over 2005 prices in the study, while conventional milk prices were significantly lower. These changes will be reflected in the study's analysis of 2006 farm profitability and, though undetermined at present, should document increasing profitability of organic dairy farms over comparable conventional farms.

In addition to its economic findings, the study found that 85% of organic dairy farmers indicated that they were "very satisfied" with their switch to organic production. None were dissatisfied. This positive outlook bodes well for the future of Vermont's organic dairy industry, especially in attracting new farmers to our state. Indeed, NOFA-VT is aware of a number of individuals and farm families who chose to become dairy farmers largely because of the opportunity to farm organically.

This combination of improving profitability, the opportunity to make a living on a family-scale farm and widely perceived "quality of life" factors is driving the development and expansion of organic dairy farming Vermont and elsewhere.

Significant barriers to the success of organic dairy farmers, alluded to by the authors, are challenges associated with the management of organic pasture systems and organic forage crop production, as well as effective use of organic herd health products and practices. Organic dairy farmers require new knowledge, skills and technical understanding that require time and experience to master. (A number of the organic farmers in the study are relatively new to organic dairy production.) Compounding these challenges is the relative dearth of scientific and technical research that addresses these and many other important and unique aspects and problems associated with organic dairy production systems.

The growth of organic dairy farming in Vermont, and in many other states, has yielded significant economic, social and environmental benefits for Vermont's farmers, communities and people. Its continued development offers considerable hope that our agricultural heritage of family-scale farming and diverse working landscapes will remain strong in the future.

The full realization of organic agriculture's benefits, in Vermont and elsewhere, will require significant and continuing public support in the development of new knowledge, technologies, and markets specific to organic agriculture. Considerable investments in education, training, organic transition and technical support programs for organic farmers are needed. It is, therefore, critical that robust new policies and programs to support organic agriculture be included in the 2007 Farm Bill.

Thank you for the opportunity to provide this statement to the Subcommittee.

Respectfully,

David L. Rogers
Farm Policy Advisor
Northeast Organic Farming Association of Vermont
39 Bridge Street
Richmond, Vermont 05477

Appended document

NORTHEAST ORGANIC FARMING ASSOCIATION OF VERMONT

Dairy and Livestock Technical Assistance Program Newsletter
Spring 2007

Economics of Organic Dairy Production in the Northeast

Lisa McCrory, NOFA-VT and Bob Parsons, University of Vermont

The organic dairy industry, still very much in its infancy, has been growing steadily in the Northeast since 1994. Vermont had 3 certified dairy farms in 1994 and today there are 126 certified farms with another 80 to complete their transition by June of this year. Organic milk, sold from the farm gate, is in its 13th year of existence in Vermont, and most of the farms shipping organic milk today have been doing so for less than 5 years. Understanding the costs of production on an organic dairy farm has been a challenge because many of the farms shipping organic milk are still making investments in the infrastructure of their farm while others are still working out the kinks and getting used to a new style of management. Nonetheless, collecting information on the costs of producing organic milk is needed. This information can assist those producers considering the transition to organic, will help the loan officers decide if they are going to support a farmer's interest in transitioning, and will help maintain a sustainable pay price for organic milk.

In 2004, a 2-year study was initiated to determine the profitability of organic dairy farms. University of Vermont Extension, University of Maine Extension, NOFA-VT and the Maine Organic Milk Producers (MOMP) have been working together to collect the numbers and survey information. To supplement the economic findings, technical articles will be written covering subjects on organic dairy transition costs, growing high quality forages, growing small grains, successful farm management systems and more.

The Findings

To date, two years of economic data have been collected (2004 & 2005) and additional funds have been raised to collect two more years of economic information (2006 & 2007).

There were 30 farms participating in the 2004 production numbers; 13 from Vermont and 17 from Maine. Results showed that the `average' organic dairy farm milked 48 cows, sold 689,000 pounds of milk and received an average of $22.97/hundredweight for milk sold. Premiums for components and quality provided a $7.16/cwt spread between the lowest ($19.88) and highest ($27.04) pay price. The farms averaged a net cash income of $21,898 after taking depreciation and accrual adjustments into account.

The 2nd year of a study (2005) has found that profitability is up 18.8% from the previous year. There were 44 farms participating in year 2; 26 from Vermont and 18 from Maine. The farms for 2005 averaged 56 cows, sold 740,098 lbs of milk, were paid an average of $24.94 per cwt. As compared to the 1st year of the study for 2004, the farms averaged 8 more cows, sold more milk per farm, and received an additional $1.97 per cwt. In contrast to the first year of the study, milk production per cow was down by nearly 1500 lbs. This was attributed to the wider variations of the farms in the study for this year. The farms averaged a net cash income of $33,409 per farm after taking depreciation and accrual adjustments into account.

Both years of the study have shown that feed, labor, and supplies/repairs are the leading cost categories. Feed expense was actually down a bit, from $1003 per cow in 2004 to $936 per cow in 2005. Supplies and repairs, labor and depreciation were up slightly.

The difference in pay price from one year to the next was due to a dramatic increase in pay price to the producers during the third quarter of the 2005 year. Preliminary results of the 2004 numbers came out a few months earlier. Producers had reputable study results available to prove that the pay price of $21.50/cwt was stale and producers needed more money for their organic milk

On the bottom line

Looking at some of these figures from another perspective, the total production cost per cwt was $24.58 and net return per cow was $579. Overall, the net income per cow was down a bit from 2004 and was nearly $250 lower than a similar study in 1999. Since then we have seen a rise in organic milk prices but a greater rise in farm expenses.

When looking at the difference in Maine and Vermont organic dairy farms, there was no statistical difference between the farms in the two states. Vermont farms were a bit more profitable but tended to have lower depreciation costs. Therefore the study is not slanted by a difference between the two states.

In conclusion, profitability was up 18.8% from 2004, primarily from higher organic milk prices. But the organic dairy sector is not as profitable as it was in 1999 due to faster rising production costs. There is a great variability between farms indicating that management is still the key ingredient for farm profitability.

What does the future offer? Organic dairy can be expected to be more profitable in 2006 as preliminary figures predict milk prices rose above $27 per cwt with quality premiums. Producers with higher components were paid nearly $30 per cwt. On the conventional side, we can expect 2006 to average closer $14 per cwt, nearly $2 lower than 2005. This explains why more than 80 farms are currently transitioning to organic dairy production this year.

NOFA-VT staff and UVM Extension staff are collecting 2006 income and expense information now; if you are interested in participating in this study, please let us know. More information will be forthcoming in the near future as we examine various aspects of the study.

For more info, contact Bob Parsons, University of Vermont, 802-656-2109, bob.parsons@uvm.edu

Recognition goes to the following individuals for making this study possible:

Glenn Rogers, Dennis Kauppila, and Qingbin Wang from the University of Vermont
Rick Kersbergen, Timothy J. Dalton, and Lisa Bragg, from the University of Maine
Maine Organic Milk Producers (MOMP)
Lisa McCrory, Nat Bacon and Willie Gibson, Northeast Organic Farming Association of Vermont

Organic TRADE ASSOCIATION

April 27, 2007

Representative Dennis Cardoza, Chairman
Subcommittee on Horticulture and Organic
House Agriculture Committee
1301 Longworth House Office Building
Washington, D.C., 20515

Dear Mr. Chairman:

Thank you for the opportunity to testify before the first-ever informational hearing on organic agriculture. The Organic Trade Association appreciates your leadership of the Subcommittee on Horticulture and Organic as well as your personal interest in organic agriculture and production. As you know, there is an unprecedented opportunity for organic agriculture in the 2007 Farm Bill. OTA looks forward to working with you and your staff on this critical piece of legislation.

I want to take this opportunity to respond to two questions asked by members of the subcommittee during the hearing on April 18.

1) Rep. McCarthy asked about the amount of organic product exported. As I testified at the hearing the U.S. Department of Agriculture does not maintain up-to-date information about marketing or trade, related to organic products. The most recent import and export data is from a February 2005 USDA report, U.S. Market Profile for Organic Food Products, which estimated that in 2002 the United States imported $1 billion to $1.5 billion in organic products and exported between $125 million and $250 million.

   Clearly, this lack of information puts organic producers and processors at a disadvantage in the domestic and international marketplaces. I look forward to working with you to close this information gap for organic.

   We do have some information regarding the activities that OTA undertakes in cooperation with the Market Access Program (MAP). In 2006 following a show in Germany (Biofach) we had an estimate of $3,880,000 in sales from the show. Products shown included fresh produce, processed products, grains and a few organic supplements.

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Canadian Office: 323 Chapel Street, Ottawa, On K1N 7Z2 • (613) 787-2003
Washington, DC Office: • (202) 338-2900

2) Rep. Gillibrand asked Nicole Bernard Dawes of Late July Snacks about difficulties entering the European Union (EU) market. Ms. Dawes asked OTA to provide you with this information.

- There is no equivalency agreement between the United States and European Union. Therefore, although companies, like Late July Snacks, go to great lengths and expense to earn the USDA seal through the National Organic Program, that achievement in the United States does not translate to EU certification.

- Dairy Ingredients: Ms. Dawes mentioned that snacks containing cheese seemed to pose a special problem. Late July Snacks has not found anything that is out of compliance with the EU standards, but every dairy processor dealt with is unwilling to pursue the additional certification due to previous domestic supply shortages as discussed in OTA's testimony and other testimony.

OTA would add to this discussion that one of the differences between standards in the U.S. and the EU is in the treatment of organic livestock practices. We do not know if that could contribute to minor differences that discourage producers from pursuing the export of dairy products to the EU, especially when the U.S. consumer can absorb the organic product processed in the United States.

A copy of this correspondence will be sent to Reps. McCarthy and Gillibrand. And, again, Mr. Chairman, thank you for the opportunity to be a part of this historic hearing.

Sincerely,

Caren Wilcox

Caren Wilcox
Executive Director & CEO
Organic Trade Association

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Statement of

Caren Wilcox, Executive Director & CEO

Organic Trade Association

Before the U.S. House of Representatives
Agriculture Committee's
Horticulture and Organic Agriculture Subcommittee
April 18, 2007

Mr. Chairman, Ranking member, and Members of the Subcommittee, I am Caren Wilcox, Executive Director of the Organic Trade Association (OTA), the membership-based business association for organic agriculture and products in North America. I am here today speaking on behalf of the Organic Trade Association (OTA). We believe that this is the first informational hearing on organic issues ever conducted by a Congressional committee. Thank you.

OTA is the voice for the organic business community, and has had this role for over twenty-two years, since its founding in 1985. Since that time, OTA membership has grown more than eightfold, and now encompasses approximately 1600 members across all parts of the organic farming, processing, distribution, and retailing supply chain, for food, organic textiles and personal care products.

We appreciate the opportunity to provide this testimony about the business climate for organic production, its history, and where OTA believes we are headed. Organic agriculture forms the basis of a fast growing part of the agricultural economy, and offers hope to farms and shoppers alike, while contributing to the improvement of our land, air and water resources.

OTA also appreciates the fact that the subcommittee extended an invitation to so many individuals steeped in the organic tradition and practices to testify about their individual experiences with organic production, transition, marketing and sales. As any executive of a trade association will tell you, there is nothing like hearing from the individuals who directly make their livings in the production and sale of goods. Many farm businesses involved with organic production have started with a vision of changing agriculture for the better, and have grown over the years to become well-known products. You will hear from several farmers and business people today who represent that vision. And you will hear today that organic production is a life experience requiring attention to our environment, each crop or animal, and the integrity of growing and distributing the product through to the consumer.

Today I would like to tell you something about the current exciting growth in the organic marketplace, and the laws, regulations and practices that underlie that success. OTA provides private monitoring of the growth, and has been involved with passage of the laws and regulations for decades. At the end of this testimony I will cover some of the issues we believe need to have attention so that organic can continue to grow for consumers and for the benefit of the environment.

Organic In the U.S. Marketplace

In the United States, the buzz about organic has become a steady hum. Organic products are increasingly appearing in more and more new venues, from ballparks and university cafeterias to local restaurants, mainstream supermarkets, club stores, and mass-market retailers. At the same time, U.S. college curriculums are beginning to add more courses that focus on organic agriculture.

U.S. Organic Sales

The U.S. organic industry grew 17 percent overall to reach $14.6 billion in retail sales in 2005, according to *The Organic Trade Association's 2006 Manufacturer Survey*. Organic foods grew 16.2 percent in 2005 and accounted for $13.8 billion in sales. Organic foods' share of total retail food sales is up to 2.5 percent. The fastest growing food categories and their rates of growth over the previous year are organic meat (55.4 percent – from a very small sales base), organic sauces and condiments (24.2 percent) and dairy products (23.5 percent). The fastest-growing non-food categories are organic flowers (50 percent), pet food (46 percent), and fiber (44 percent).

Organic products can be found in grocery stores, cooperatives, specialty stores, farmer's markets, farm stands, online, in many restaurants, and many other outlets. Organic foods are increasingly sold in mainstream retail establishments, which together represent roughly 46 percent of sales. Large natural food chains, along with small natural food chains or independent natural groceries and health food stores, represented about 47 percent of organic food sales. About 4 percent of organic food is sold through farmer's markets. (Source: The Organic Trade Association (OTA) and *Organic Trade Association's 2006 Manufacturer Survey*)

While OTA is currently in the field with a new study according to the OTA 2006 survey, sales of organic foods were expected to reach nearly $16 billion by the end of 2006.

Nonfood organic products (personal care products, nutritional supplements, household cleaners, flowers, pet food, and clothing, bedding and other products from organic fibers such as flax, wool, and cotton) grew 32.5 percent, to total $744 million in U.S. sales in 2005.

Sixty-one percent of respondents to the OTA Survey said they display the USDA (U.S. Department of Agriculture) Organic seal on their products. Of the 39 percent not currently using the seal, 53 percent intend to use the USDA Organic seal in the future. Also, 55 percent of respondents reported that the USDA labeling and certification programs had increased their sales of organic products.

Because USDA does not yet do comprehensive market studies of organic sales, as it does for conventional U.S. agriculture, OTA performs this research on the industry for its members and the public.

Industry watchers agree that the organic industry is at a new tipping point. Never before has it experienced the degree of acceptance and interest from mainstream supermarkets and consumers. Many supermarkets, in fact, have added private label organic lines to their offerings.

Not only do natural food stores and all of the major mainstream retailers see organic as a growing category, but more and more mainstream manufacturers are adding organic products to their traditional brand lines. In addition, small product developers continue to create the new products of their dreams.

Such heightened interest in organic is driving demand for raw materials. In the OTA survey, fifty-two percent of respondents reported that a lack of dependable supply of organic raw materials has restricted their company from generating more sales of organic products. This highlights the need for additional measures to increase the supply of organic ingredients, and the opportunities for U.S. farmers to supply those needs.

There are no up-to-date statistics available on U.S. imports or exports of organic products. These statistics are not broken out from overall conventional data by Customs or Commerce. The only figures are in a February 2005 USDA report, which estimated the United States imported $1 billion to $1.5 billion in organic products in 2002, and exported somewhere between $125 million and $250 million. However, in a *Miami Herald* article published Dec. 18, 2006, a spokesperson for the Center for Fair and Alternative Trade Studies at Colorado State University estimated organic exports to the United States from Latin America alone would reach approximately $250 million in 2006.

Consumer acceptance

Almost three-quarters (73 percent) of the U.S. population buy organic products at least occasionally, up from 55 percent in 2000, according to The Hartman Group. Core buyers, who buy organic products at least weekly, represent 23 percent of U.S. consumers, according to the report, *Organic2006: Consumer Attitudes & Behavior, Five Years Later & Into the Future.*

Meanwhile, The Natural Marketing Institute's (NMI's) *2005 Health and Wellness Trends* study estimated 56 percent of consumers use organic products in varying frequencies across six product categories. Household penetration by category is as follows: fresh fruits and vegetables = 44%; packaged foods = 29%; dairy and milk = 24%; personal care = 21%; beverages (excluding milk) = 20%; and clothing/linens = 7%.

More and more consumers report trying additional categories of private label, natural and organic packaged foods, according to The Hartman Group. Consumers are seeking out these products at channels associated with middle-income shopping, such as Costco, Trader Joe's, Wal-Mart, and mainstream grocers.

What draws consumers to want to purchase these products and farmers to produce them?

Market Development: Strong, Steady Growth at Retail

Unlike the information that is developed almost on a daily basis for conventional agriculture, organic has had to quantify the market size and changes over time by compiling this consumer data privately, and unfortunately because this is not the normal market data compiled by USDA for conventional agriculture, this data may not be readily available to America's farmers, who could benefit the most by taking advantage of the opportunities revealed by the consumer data. We at OTA work to make it available to them however.

It is important to note here that organic agriculture and processing incorporates practices and avoids substances commonly perceived to contribute adversely to the environment and to health. The National Organic Program is a marketing program overseen by USDA and is not marketed as a health program, but over the long debate about the impact of such substances as persistent pesticides and herbicides, hormones, anti-biotics as well as other health oriented debates, many consumers have identified a preference to avoid these substances in their food, textiles and personal care products. This preference is revealed when organic consumers are studied by social scientists.

We would also like to call to the Subcommittee's attention the fact that organic food products like all food products in the United States must meet the requirements of national, state and local food safety laws.

U.S. Consumers
Shoppers who chose organic products cross all demographic, geographic, and economic boundaries. There is no typical organic consumer anymore. What is clear is that more shoppers are choosing more organic products in more places, and the market for organic products continues it strong steady growth. According to *Organic 2006*, a report prepared by the Hartman Group, an independent market research firm, shoppers typically enter the organic category by beginning with fresh fruits and vegetables, and other products that help them avoid pesticides and hormones. As they become more involved in the category, they add more products, with fiber products and personal care products often being among the last they adopt.

Those most devoted to organic consumption reportedly have a high concern for personal and planetary health. They are interested in fair trade, prefer their foods to be either U.S. or locally grown and grown on farms that practice sustainable agriculture. They want to relate to the companies from which they purchase and look for those who are committed to their communities and to corporate social responsibility.

Who Are Organic Users?
The Natural Marketing Institute (NMI) has identified three distinct organic consumer segments: "Devoteds™" (27.8 million adults or 13 percent of primary grocery shoppers) are the most integrated and health seeking organic users and have fully incorporated organic products into their lifestyles. "Temperates™" (54.2 million adults or 25 percent of primary grocery shoppers) are attitudinally disposed toward health in general and towards organic in particular, but are attempting to fit organic usage into their existing lifestyle, rather than changing their lifestyle. Dabblers™ (41.9 million adults or 19 percent of primary grocery shoppers) a disproportionately male group that is non-committal, sprinkling a bit of organic usage into their lifestyle, and their usage appears to be more about participating in a trend than other concerns. Thus, according to NMI well over 50% of consumers have used organic products in the past year to one degree or another. (Excerpted from an article by Maryellen Molyneaux, The Natural Marketing Institute, published in the September 2006 issue of *The Organic Report*)

According to another researcher, The Hartman Group, as reflected in their study, *Organic 2006 Consumer Attitudes & Behavior, Five Years Later & Into the Future*, almost three-quarters (73%) of the U.S. population buys organic products at least occasionally, and almost one-quarter (23%) of U.S. consumers buy organic products on a regular (at least weekly) basis.

Furthermore, "compared with 2000, more consumers are purchasing organic products on a weekly (9% in 2000 vs. 14% today) and occasional basis (34% in 2000 vs. 44% today).

Hartman also reports strong interest in organic products among Hispanic and Asian American consumers.

How are U.S. Farmers Meeting This Demand From Consumers?

Production statistics

As you will note in later testimony the National Organic Standards have only been in place since late 2002. Of course, much organic land was in production at that time, but without a national market with a certified label, some farmers were not interested in becoming organic. In addition, it takes three or more years to convert land previously treated as conventional to be certified to produce organic food and fiber.

We raise these factors to point out that not only has much data not been collected by USDA, much production was not there to be measured until the national rule was instituted.

Organic is growing in the United States, but not at a rate to meet the consumer demand outlined above.

According to the latest available statistics for U.S. organic production released in December 2006 by USDA's Economic Research Service (ERS), there were - at least - 8,445 certified organic farm operations in the United States in 2005, up from 8,035 certified organic farms in 2003. The 2005 operations represented slightly more than 4 million acres under organic management, up from 3 million acres in 2004 and nearly 2.2 million acres in 2003. For the first time, all 50 U.S. states had some certified organic farmland.

Pointing out that farmers face a number of hurdles when considering converting to organic production, ERS cited high managerial costs and risks in shifting to a new way of farming, limited knowledge of organic farming systems, lack of marketing and infrastructure, and inability to capture marketing economies.

Nevertheless ERS also reports that "many U.S. producers are embracing organic farming in order to lower input costs, conserve nonrenewable resource, capture high-value markets, and boost farm income."

ERS data for 2005 showed 1,722,565 acres in organic cropland (about 0.51 percent of all U.S. cropland) and an additional 2,281,408 acres in pasture and rangeland (about 0.5 percent of all U.S. pasture). Organic cropland in 2005 was up from 1,451,601 acres in 2003, while organic pasture grew substantially from the 745,273 acres recorded for 2003.

Livestock numbers in 2005 were up substantially from 2003, reflecting the growing demand for organic milk and meat in the United States. The number of organically raised milk cows grew from 74,435 in 2003 to 86,032 in 2005. The number of organic beef cattle grew from 27,285 in 2003 to 70,219 in 2005. In addition the number of organic hogs and pigs grew from 6,564 in 2003 to 10,018 in 2005. Total livestock (which included young stock and sheep) was up to

229,788 in 2005, from 124,346 in 2003. Total organic poultry—including layer hens, broilers and turkeys—reached 13,373,270 in 2005, from 8,780,152 in 2003. According to ERS, nearly one percent of dairy cows and 0.6 percent of layer hens in the United States in 2005 were managed using certified organic practices.

Despite surging retail sales, growth in organic farm acreage in the United States is not keeping the same pace, creating a disparity between the amount of U.S. farm acreage devoted to organic production and the consumption of organic finished goods. While we do not know how much, we do know that part of the market demand for organic goods is being filled from imported agricultural products. (OTA certainly understands this situation and also acknowledges that there are many products that cannot be grown in the United States and which consumers want to acquire as organic – coffee, cocoa, certain fruits etc.) However, in many cases U.S. farmers are missing an opportunity, and the U.S. is not reaping the full environmental benefits of organic production.

The "USDA Organic" Label/Seal

The Subcommittee Members have all seen the "USDA Organic" seal on products. The standards for those seals are enforced by USDA and products that are made from 95 percent to 100 percent organic ingredients and are labeled according to the organic standards are as "100% Organic" or "Organic" for the 95% category.

Products that contain at least 70 percent organic ingredients and are handled according to the organic regulations can use the phrase "made with organic. . ." on the front label, and then list up to three organic ingredients or food groups such as vegetables or grains.

These are the labels that consumers use to identify U.S. organic produced products and ingredients. And these are the labels that need strong standards and enforcement behind them to retain consumer confidence.

Highlights of the regulations follow. For complete details, and the most up-to-date regulations, see www.ams.usda.gov/nop.

Overview: What is Organic?

Now we want to describe to you the philosophy, law, practices and standards behind organic production in the United States.

Organic refers to the way agricultural products are grown and processed. It includes a system of production, processing, distribution and sales that assures consumers that the products maintain the organic integrity that begins on the farm.

Building healthy soil is the foundation of organic agriculture. Organic production is based on a system of farming that maintains and replenishes soil fertility without the use of toxic and persistent pesticides and fertilizers. Organic production views farms as part of the ecology, and each component of the farm system affects all other parts of the system.

Organically produced foods also must be produced without the use of antibiotics, synthetic hormones, genetic engineering and other excluded practices, sewage sludge, or irradiation. Cloning animals or using their products is considered inconsistent with organic practices. Organic foods are minimally processed without artificial ingredients or preservatives to maintain the integrity of the food, and with a carefully reviewed and approved list of a few synthetic ingredients such as baking soda, baking powder, and chlorine.

The following definition of "organic" was passed by the National Organic Standards Board (NOSB) at its April 1995 meeting in Orlando, FL. This board, comprised of citizens appointed by the U.S. Secretary of Agriculture, advises the Secretary on issues concerning organic production, and takes an active role in examining materials and methods for their acceptability in every part of the organic system of production. Within the NOSB definition of organic are key statements which show that sustainability, especially how a healthy environment relates to human health, is the very foundation of organic agriculture

> "Organic agriculture is an ecological production management system that promotes and enhances biodiversity, biological cycles and soil biological activity. It is based on minimal use of off-farm inputs and on management practices that restore, maintain and enhance ecological harmony.
>
> 'Organic' is a labeling term that denotes products produced under the authority of the Organic Foods Production Act. The principal guidelines for organic production are to use materials and practices that enhance the ecological balance of natural systems and that integrate the parts of the farming system into an ecological whole.
>
> Organic agriculture practices cannot ensure that products are completely free of residues; however, methods are used to minimize pollution from air, soil and water.
>
> Organic food handlers, processors and retailers adhere to standards that maintain the integrity of organic agricultural products. The primary goal of organic agriculture is to optimize the health and productivity of interdependent communities of soil life, plants, animals and people."

These statements are the framework for stringent standards put in place to certify that specific practices are used to produce and process organic agricultural ingredients used for food and non-food purposes.

Regulating a Philosophy: Codifying Certification and Accreditation

Use of the word organic to describe farm products is regulated in the United States, thanks to enabling legislation passed by Congress in 1990 and the National Organic Program regulations, which were implemented in October 2002.

Following the establishment of several voluntary and state standards for organic production, the stage was set for U.S. National Organic Standards, and the U.S. Congress adopted the Organic Foods Production Act (OFPA) in 1990 as part of the 1990 Farm Bill. This action was followed by over a decade of public input and discussion, which resulted in a National Organic Program final rule published by the U.S. Department of Agriculture (USDA) in December 2000 and implemented in October 2002. This rule was, at the time, the most commented upon rule in USDA history.

Organic production is practiced worldwide, and products sold as organic in the United States must meet or exceed the U.S. regulations for organic production no matter where those products are grown and processed.

Organic Foods Production Act of 1990

The Organic Foods Production Act's (OFPA) purpose was to establish national standards for the production and handling of foods labeled as "organic."

Previous efforts to create private and State agencies certified organic practices did not establish national uniformity in standards and therefore there was no guarantee that "organic" meant the same thing from state to state, or even locally from certifier to certifier. In some key states, such as California, organic certification was not required, and many states had no laws at all about organic production and labeling.

National standards for organic products were desired by both producers and consumers to clear up this confusion in the marketplace and to protect against mislabeling or fraud, so the organic business community, along with consumers and environmentalists pushed for this ground-breaking enabling legislation.

OFPA established the National Organic Program (NOP) now located within the Agricultural Marketing Service at USDA; The National Organic Standards Board; mandatory certification; accreditation of certifiers; labeling categories; and many of the principles that would later comprise the regulations. Like many pieces of legislation, OFPA was not perfect, but it did represent regulations that were both workable and innovative.

OFPA allows for state standards that are more restrictive than the federal standards, but they must be approved by the USDA. In addition, states cannot discriminate against out-of-state products that meet the federal standards.

The National Organic Standards Board

Under OFPA, a National Organic Standards Board (NOSB) was created to advise the Secretary of Agriculture in setting the standards on which the USDA's National Organic Program is based. The NOSB wanted their recommendations to be based on industry consensus. They

asked for and received an unprecedented amount of public input from farmers, businesses and consumers during every step of their decision-making process. After considering the recommendations of the NOSB, the Secretary has final authority in determining the regulations.

Appointments to the NOSB are made by the Secretary of Agriculture for five year terms, and must include: four farmers, two handlers/processors, one retailer, one scientist (with expertise in toxicology, ecology or biochemistry), three consumer/public interest advocates, and three environmentalists.

In addition to making recommendations on the national standards, the NOSB is authorized to convene Technical Advisory Panels to advise on materials to be included on a National List of materials allowed for use in organic production.

National Organic Program Implementation
After more than a decade of public discussion, consensus-building, two rounds of public comment which generated a record-breaking number of public comments for the USDA, national organic standards were implemented in October 2002.

The standards detail the organic certification process, how certifiers are accredited, what methods and materials are allowed and prohibited in organic farming and processing. The standards are comprehensive in that they cover farming methods for every type of farm product—fresh fruits and vegetables, grains, eggs, poultry, beef, dairy, cotton, wool, oils, flowers, and anything else that can be grown on a land-based farm. The processing of all food and beverage products is covered as well. When the rules were implemented, it was expected that there would be changes and additions as additional sectors of the organic market developed, such as organic cotton products, personal care products, pet foods, and any other products that might include components that could be grown on organic farms. Although the organic business community has grown tremendously, in many ways it is still a very nascent sector, and, as innovations occur, there will be a need for the regulations to evolve as well.

Fortunately, the regulations were set up to evolve as the industry grows. For example, there are sunset provisions to reexamine materials allowed and prohibited in organic production, so that as more environmentally sound materials become available, the use of less environmentally sound materials can be phased out.

Some key elements of the U.S. organic regulations include annual inspections of organic farms and food processing facilities to ensure they are following the regulations; farms must not have used any prohibited materials for at least 3 years before crops can be sold as organic; livestock must have access to the outdoors; dairy cows must have organic feed for at least one year before milk can be sold as organic and poultry and beef cattle must have only organic feed. The use of genetically engineered seeds and growth hormones is prohibited, as is the use of sewage sludge as fertilizer, and irradiation. Cloned animals and their progeny are not compatible with organic production, either.

Because soil rehabilitation and development is at the core of organic farm production, there are provisions and practices to enhance soil, as well as to protect the soil.

The organic standards are the only place where animal manure is overseen as an input to agriculture. The U.S. regulations for organic production impose strict requirements for the use of animal manure if it is used on the farm. The regulations require that raw animal manure must be composted unless it is applied to land used for a crop not intended for human consumption; or is incorporated into the soil not less than 120 days prior to the harvest of a product whose edible portion has direct contact with soil; or is incorporated into the soil not less than 90 days prior to the harvest of a product whose edible portion does not have direct contact with the soil surface or soil particles. See 7 CFR 205.203 (c)(1) and (2).

The requirements for making compost are regulated as well, and are designed to encourage soil health while minimizing risks to human health or the environment. The National Organic Program Rule's defines compost (7 CFR 205.2) as follows:

> **Compost**: The product of a managed process through which microorganisms break down plant and animal materials into more available forms suitable for application to the soil. Compost must be produced through a process that combines plant and animal materials with an initial Carbon:Nitrogen ratio of between 25:1 and 40:1. Producers using an in-vessel or static aerated pile system must maintain the composting materials at a temperature between 131 deg. F and 170 deg. F for 3 days. Producers using a windrow system must maintain the composting materials at a temperature between 131 deg. F and 170 deg. F for 15 days, during which time, the materials must be turned a minimum of five times.

The organic process does not stop at the farm gate. The standards cover all aspects of farming for all kinds of farm products, and covers processing and handling of food and beverage products after they leave the farm, which makes these standards far-reaching and complex to characterize simply.

For food and beverage products, the regulations cover both growing and processing, and every business that produces more than $5000 of organic foods must be certified in order to sell the product as "organic". Farms that sell less than $5000 worth of organic goods, and sell only direct to consumers or direct to retail establishments do not need to be certified, but they must follow all other aspects of the organic regulations in order to call the products organic. Growers falling under this "Small Farm Exemption" may not use the term "certified organic" when marketing their crops, and may market through direct sales only (i.e. farm stands, farmers' markets, or direct sales to a retailer). At present, distributors and retailers are not required to be certified, although they may voluntarily become certified.

Organic Labeling, Processing, and Handling

Standards for the processing, handling and labeling of organic food and beverage products cover all steps in the process from receiving organic raw materials, acceptable processing aids and ingredients, appropriate packaging materials and labeling, to cleaning methods, waste disposal and pest management at processing facilities.

The following highlights address some of the questions most frequently asked about the organic processing, handling & labeling standards.

Standards Behind the Labeling of Organic Products
A product must either be one hundred percent (100%) organic ingredients to be labeled as such or it must have at least ninety-five percent (95%) of the ingredients in a processed product must be organically produced and the processor must be a certified organic handler in order for the finished product to be labeled as "USDA Organic". The five percent (5%) non-organic ingredient criteria is determined by the total weight of the finished product, not including salt or water. Water used in organic processing must meet all requirements of the Safe Drinking Water Act.

Special provisions allow labeling to state that a product **contains organic ingredients.** Products with **more than seventy percent (70%)** organic ingredients may display this information on the front label; those with **less than seventy percent (70%)** organic ingredients must display this information in the ingredient listing panel.

Some examples: A label which reads "Organic Vegetable Soup" would be stating that ninety-five percent of the **total ingredients** of that soup (by weight) are certified as organic. Alternately, a soup label might read "Vegetable Soup" and include the phrase "Made with Organic Vegetables" on the front panel, indicating that the primary ingredients are organic and make up more than seventy percent of the total ingredients by weight. Another label might read simply "Vegetable Soup" and include the word "organic" to identify specific items in the ingredient listing panel — as in "Potatoes, carrots and organic kidney beans."

Consumers can look for the "USDA Organic" seal or other approved labeling, and for the name of the certifier on the label of the products they consider for purchase. Products labeled "100% Organic" and carrying the "USDA Organic" seal are just that – they contain all organically produced ingredients. Products that are made from at least 95% organic ingredients, and have remaining ingredients that are approved for use in organic products may also carry the "USDA Organic" seal, although the use of the seal is not required. In addition, products that contain at least 70% organic ingredients may label those on the ingredient listing. Producers and processors voluntarily use these labels, and may use organic ingredients without being required to label them.

For more information from USDA on labeling and other issues go to http://www.ams.usda.gov/nop/Consumers/brochure.html.

Organic Crop Production Standards
Organically produced crops must be grown on land which has been free of prohibited substances for **three years prior to harvest**. Crops grown on land which is "in conversion" to organic (during the first three years after switching from conventional farming, for instance) cannot be labeled as organic. Neither OFPA nor the regulations make any provision for a USDA-sanctioned "transitional organic" label. (Such labels do exist in other countries for production under the standards of those countries – not U.S. standards.)

The standards cover organic agricultural methods and materials in great detail, including managing soil fertility, restrictions on when and how manure may be applied to crops, crop

rotation, and composting. Use of municipal solid waste and sewage sludge are prohibited, as are the use of genetic engineering, and irradiation.

Prevention is considered a grower's first approach to **pest management**, but the Act establishes a *National List* of acceptable and prohibited materials, which includes pest control treatments as well as other agricultural inputs such as fertilizers and seed treatments. Many organic farmers study life cycles of known pests and manage to time their crops to avoid certain pests.

All agricultural inputs are evaluated as to their long-term affect on the environment — not simply on whether they are synthetic or natural.

Organic Livestock Production
Standards for organic livestock production are meant to assure both an organic product to the consumer and living conditions for farm animals which limit stress and promote good health. They address substances used in health care and feeding, as well as herd or flock management and housing.

"Livestock" includes cattle, sheep, goats, swine, poultry, domesticated game and horses raised for slaughter or used as draft animals. Regardless of whether they are raised as breeding stock, as dairy animals, or for slaughter, all livestock is covered, although the regulations for each type may vary.

Because the livestock market was less developed when the regulations were developed, this is one area of the regulations where refinements, including adequate public input and discussion, are expected. Some of the areas that need attention include the definition of pasture, and how much is required to meet the standards, how to bring new animals into the organic system, and how to include aquatic species in the regulations designed for land-based agriculture.

The following highlights address some of the questions most frequently asked about the NOSB recommendations for organic livestock standards.

Feeding Organic Livestock
Quite simply, organic livestock must be fed organic feed. Growth promoters and hormones, and plastic pellets for roughage in feed are prohibited.

Housing and Health Care for Organic Livestock
Healthy living conditions and attentive care are considered first steps in the prevention of illness. Therefore, animals must not be overcrowded, and must be allowed periodic access to the outdoors and direct sunlight. Antibiotics are not used to treat organically raised animals in the United States, and if, for humane reasons, an animal must be treated with an antibiotic then it is removed to a conventional herd, and not returned to organic status.

Recordkeeping for Organic Livestock
Records must be kept on all feeding and health care practices for each animal or flock, and there must be a **verifiable audit trail** to trace any animal or flock back to the farm.

Other General Standards

Packaging Materials

Organic products can not be packaged in materials, storage containers or bins that contain synthetic fungicides, preservatives or fumigants. The reuse of containers which have been in contact with any prohibited substance is not allowed.

Imported Products

Imported products described as organic must meet the U.S. regulations in order to be sold in the United States.

Organic Certification

Certification is important to the National Organic Program. It assures that organic growers and handlers are, in fact, adhering to the law. The certification process focuses on *the methods and materials used in production.* There are three main requirements:

1. The methods and materials used in production must meet organic standards.
2. There must be clear and ongoing documentation of these methods and materials.
3. There must be a paper trail to trace a product back to its production site, in order to verify the methods and materials used in its production.

Who Must Be Certified

Almost everyone who wants to sell products labeled as "organic" must be certified. This includes producers of organic livestock, food and fiber crops, and "handlers" of organic products. (Only very small farmers who sell less than $5000 worth of products per year do not need to be formally certified, but must still follow all regulatory steps for organic production. They also are restricted to only sell directly to a consumer via farm stands or farmer's markets.)

How The Certification Process Works

A grower or handler seeking organic certification submits an **Organic Farm Plan** or an **Organic Handling Plan** to a USDA-accredited private or state certification program.

A **"handler"** is any operation that "receives, processes, packages, or stores agricultural products." Some examples: a processing company that buys organic tomatoes and makes canned spaghetti sauce; or any distributor who "substantially transforms, repacks or relabels organic agricultural products." This last distinction is meant to exclude brokering, warehousing or trucking operations that merely store or move finished processed products from place to place without altering them in any way.

The Organic Plan must detail all current growing or handling methods and any materials which will be used. The Plan also covers future intentions and improvements to all areas of production.

Five years of records must be kept of all management practices and materials used in organic production.

In addition to assessing the Organic Plan, the certification agency performs **annual on-site inspections** of each farm or handling operation participating in its program. Certification is then either awarded or denied. User fees are collected from each grower or handler to cover the cost

of the certification program.

Allowance for a Split Operation
The regulations do allow for only part of a farm or handling operation to be certified. The organic and conventional parts of the operation **must be kept separate** — whether by physical boundaries and buffer zones, in the case of a farm, or by proper cleaning and management of facilities and machinery, in the case of a handler. **Separate records** must be kept for each part of a split operation.

Accreditation of Certifying Agents
Only USDA-accredited agencies can act as certifiers. Certifying agencies can be either state or private, but they must have expertise in organic farming and handling techniques. They must be able to fully implement all aspects of the certification program, including hiring an adequate number of inspectors to carry out on-site inspections. Accreditation may be granted by the USDA for a period **not to exceed five years**, and may be renewed. **User fees** are collected from each certifying agency to cover the cost of the accreditation program. Certifying agents must keep ten-year records of all of their activities. The USDA also conducts **on-site audits** of records. The USDA can **suspend accreditation** if a certifier is not in compliance.

It is important to note that USDA does accredit certifiers who operate outside U.S. borders to certify organic products that will be exported to the United States and will bear the USDA Organic seal.

Conflict of Interest
Any employee of a certifying agency who has a **commercial interest** — including consultancy — in a farm or other operation being considered for certification must be isolated from the decision-making process. Payment (other than certification fees), gifts or favors of any kind cannot be accepted from businesses being certified.

Enforcement and Penalties
Mislabeling and False Statements: Any person who **knowingly mislabels** a product as organic can be fined a maximum of $11,000 and may be disbarred from the Organic Program for five years. Persons who make **false statements** to the Secretary of Agriculture, a state official or a certifying agent are subject to penalties under Federal law, and may be disbarred from the program for five years.

Violations by Certifying Agencies: A certifying agency that violates the provisions of the program or falsely or negligently certifies any operation shall lose accreditation and shall not be eligible for re-accreditation for three years.

The National List

As described above national organic standards set out the methods, practices and substances used in producing and handling crops, livestock and processed agricultural products. The standards include a National List of Allowed and Prohibited Substances, which includes approved synthetic and natural, and prohibited non-synthetic, substances. See http://www.ota.com/listbackground05.html for more details.

A uniform "National List" of materials was mandated by Congress as part of the Organic Foods Production Act of 1990 (OFPA). Its purpose is to make clear which materials can and cannot be used in organic production, processing and handling in the United States.

In order to call a product organic, the ingredients must come from an organic farm. In addition, any processing of those ingredients must meet the conditions in the national organic regulations. In general, the national organic regulations allow the use of natural materials and prohibit the use of synthetics in food production. There are a few exceptions, however.

What Is the National List?
The National List of Allowed and Prohibited Substances is the list of exceptions to the general requirement that natural materials are allowed and synthetic materials are prohibited. In other words, the National List is a list of prohibited natural materials (such as arsenic), and allowed synthetics (such as baking powder, one form of pectin and Vitamin C). Even though a synthetic may be allowed for one purpose that does not mean that it is allowed for every possible use, so manufacturers need to pay careful attention to the usage restrictions mentioned in the regulations.

Who Defines the National List?
The National Organic Standards Board (NOSB), a group of fifteen citizens appointed to advise the Secretary of Agriculture, is responsible for recommending to the Secretary which materials will be on the list. The Secretary makes the final determination. A Technical Advisory Panel (TAP) gathers and evaluates the scientific data and makes recommendations to the board based on seven review criteria:

1) Effect on human health.
2) Effect on the farm ecosystem.
3) Toxicity and mode of action.
4) Availability of gentler alternatives.
5) Probability of environmental contamination during manufacture, use and disposal.
6) Potential for interactions with other materials used.
7) Overall compatibility with a system of sustainable agriculture.

In 1995, the NOSB completed a massive review of the materials in use by organic producers, and those recommendations became the base for the National List. The procedure is ongoing, as new materials are reviewed for inclusion or prohibition. Any business or person can petition for a materials review.

In addition to the list above the national organic standards require that synthetic processing aids must meet the following:

1) It cannot be produced from a natural source and there are no organic ingredients available;
2) Its manufacture, use, and disposal do not have adverse effects on the environment and are done in a manner compatible with organic handling as described in section 6513 of the OFPA;
3) The nutritional quality of the food is maintained and the material itself or its

breakdown products do not have adverse effects on human health as defined by applicable Federal regulations.

4) Its primary purpose is not as a preservative, nor is it used only to recreate/improve flavors, colors, textures, or nutritive value lost during processing except in the latter case as required by law.
5) It is Generally Recognized as Safe (GRAS) by FDA when used in accordance with Good Manufacturing Practices (GMP) and contains no residues of heavy metals or other contaminants in excess of FDA tolerances.
6) Its use is compatible with the principles of organic handling.
7) There is no other way to produce a similar product without its use and it is used in the minimum quantity required to achieve the process.

How Is The National List structured?

The National List is part of the national organic regulations available at www.ams.usda.gov/nop, and is divided into six parts. (Examples used here are as illustrations only. See the regulations for complete details.)

1) Synthetic substances allowed for use in organic crop production (section 205.601). Some examples include: sticky traps and newspapers for mulch.
2) Non-synthetic substances prohibited for use in organic crop production (section 205.602) Some examples include: arsenic, tobacco dust, and ash from burning manure.
3) Synthetic substances allowed for use in organic livestock production (section 205.603). Some examples include: aspirin, chlorine for disinfecting equipment and sanitizing facilities, glycerin.
4) Non-synthetic substances prohibited for use in organic livestock production (section 205.604). Only one substance is listed as of Dec. 2004: strychnine.
5) Nonagricultural (non-organic) substances allowed as ingredients in or on processed products labeled as "organic" or "made with organic (specified ingredients or food group(s))." (Section 205.605). This section of the regulations is further divided into "Non-synthetics allowed" and "Synthetics allowed." Some examples of non-synthetics allowed include dairy cultures, potassium chloride, carnauba wax, yeast. Some examples of synthetics allowed include ascorbic acid (Vitamin C), carbon dioxide, lecithin, tocopherols (Vitamin E).
6) Non-organically produced agricultural products allowed as ingredients in or on processed products labeled as "organic" or "made with organic (specified ingredients or food group(s))." (section 205.606) This section lists materials which may be used if an organic version is not commercially available. The list includes: cornstarch (native), gums (water extracted only; arabic, guar, locust bean, and carob bean), kelp for use only as a thickener and dietary supplement, unbleached lecithin, and high-methoxy pectin. As a result of a recent clarification of the Rule, the National Organic Standards Board has recently recommended the list be updated to include a number of agricultural products, including colors.

These lists contain the relatively few exceptions to the basic understanding within the organic industry that organically grown and handled foods are produced with solely organic materials. This may seem like an unusual structure. However, it avoids the problem of trying to list every

natural material organic growers might use.

Why Are There Exceptions?
Organic production systems encourage a healthy environment with as few inputs as possible. The NOSB recommends that cultural, biological and other management tools be sought to replace material inputs — whether synthetic or natural.

Congress, in passing the Organic Foods Production Act, recognized that it will take time for organic producers and handlers to achieve the long term goals expressed in the Act. The National List was meant to reflect realistic organic practices, and to take into account current obstacles to ideal organic production. Therefore, some synthetics are allowed if the review process shows that they are:

- Not harmful to human health or the environment;
- Necessary to production because of unavailability of natural products;
- Consistent with organic ideals.

Likewise, the law provides for prohibition of natural materials that may be harmful to human health or the environment, and inconsistent with organic ideals.

Why Are There Non-Organic Ingredients in Some Organic Food?
If you were to make organic cookies at home you would naturally use organic flour, sugar, oil, eggs, raisins, etc. But what about the baking powder and baking soda? Because they are non-agricultural products, neither of these ingredients meets the definition of organic. Processors of many kinds of organic foods face the same dilemma. In addition, nutritional fortification is sometimes required by regulation or professional guidelines, but not available in natural form.

Thus the NOSB recommends that the National List include synthetic processing aids and natural products such as minerals that are not agricultural. For the finished food to be called "organic," these ingredients may not comprise more than 5% of the total product, by weight. For the finished product to be called "made with organic (specified food or food group(s))," these ingredients may not comprise more than 30% of the product total by weight. Products that are composed of wholly organic ingredients may be identified as 100% organic.

National Standards Bolster Public Confidence

Now that the national standards are in effect, all agricultural products labeled "organic" must be in compliance with the U.S. organic law. The word "organic" on U.S. products means that the ingredients and production methods have been verified by an accredited certification agency as meeting or exceeding USDA standards for organic production. In short, consumers have the assurance that products labeled as "organic" adhere to the standards set forth by USDA.

New standards for emerging industries are also under development for products such as fiber and textile processing, pet food, aquaculture, as well as personal care products, and other non-food products, OTA works on these issues as well as providing guidance on good organic retail practices.

Just as the initial standards development and regulations were generated at the urging of those in the organic business community, new standards development will also spring from further

innovations in that community as well. There is work going forward to develop consensus standards taking into account all parts of the supply chain, and what will work for all parties involved. Since organic production is an interconnected system, this broad point of view is necessary to workable stringent standards, and is a good way to balance the desire for perfection with what is practical.

Research

In the years since passage of OFPA there have been consistent calls for parity in research efforts for organic at a level that would provide a fair share as contrasted with the hundreds of millions devoted to research on conventional and biotechnology agriculture. However, most of the research has been defined and carried out via private sources and by organic farmers and processors themselves. That is gradually changing.

Although research money for projects centering on organic agriculture still is quite limited, there are some programs available. For instance, in September, USDA announced it was awarding slightly more than $4.6 million in research grants administered through its Integrated Organic Program and Cooperative State Research, Education and Extension Service (CSREES) to address organic agricultural issues and priorities, including global competitiveness.

The ten grants to universities in 12 states will focus on two areas: improving the competitiveness of organic producers, and assisting producers and processors who have already adopted organic standards to grow and market high quality organic agricultural products.

In addition, several universities have announced they are stepping up educational programs concerning organic agriculture. For example, the University of Florida at Gainesville established a new organic agriculture undergraduate degree program, beginning with the Fall 2006 term. The new major was created as a result of growing student interest in such a program. The university has offered various organic classes since 1990, and has had a minor program of study in organic agriculture for the past two years.

Colorado State University and Washington State University both began offering similar programs during the Fall 2006 semester. In addition, Michigan State University has said it will start a one-year certificate program in organic farming in January 2007. In addition, beginning in the Spring 2007 semester, Delaware Valley College in Doylestown, PA, will offer a course entitled "Organic Crop Science." The course will provide working knowledge and hands-on experience for those interested in careers in certification, production and marketing. An organic dairy has been established at the University of New Hampshire for research and teaching purposes.

Meanwhile, the University of Nebraska at Lincoln has announced that one of its four plots to be used by researchers to study production challenges on organic farms has been certified by the Organic Crop Improvement Association International. The certified land at the High Plains Agricultural Lab near Sidney will be used to grow organic wheat, peas, forage and other crops.

Current Challenges to Organic Agriculture and Production

Organic agriculture and production has managed to provide almost 3% of the U.S. retail food

supply largely by its own efforts to develop voluntary standards, support state and then a federal standard for organic agriculture and products, develop methods, academic knowledge and technologies that have built the success of organic. This has been accomplished with very little help from the federal government. Certainly none similar in quantity and quality to that provided to other parts of agriculture.

The question is should this continue as almost a solely private sector effort, raising important competitive questions about the disadvantages to organic farmers and processors who need to compete in the marketplace without parity against conventional and biotechnology based agriculture? OTA believes the answer to that question is, "No." Organic agriculture and its processors should not be disadvantaged against their neighbors in access to and use of technical assistance, capital, research, marketing and insurance. We should not have to struggle for data collection distinctions so that we – and the Congress - can understand the organic marketplace.

Over the past decade the Organic Trade Association has consistently supported the implementation of the National Organic Program. Having consistent market standards and a program to enforce regulations stabilizes the market place, stimulates market development and facilitates future expansion of organic agriculture and the products it generates. The increasing pressure of the market demand for organic products, both nationally and internationally, necessitates improved government encouragement for organic production and labeling, and programs that facilitate conversion to organic production.

Now that organic agriculture has achieved growth into the billions of dollars of sales, and widespread consumer acceptance there are excellent reasons for Congress to help organic agriculture to move to another level of performance.

First, U.S. organic agriculture is not the only place that farmers are turning to growing organic. While the U.S. is the fastest growing market for organic, the European Union is not far behind in growth. And farmers in many countries are moving to fill that demand on both "developed" continents.

At the same time there are increasing efforts to identify ecological steps that will reduce air emissions that contribute to advancing carbon dioxide levels in the atmosphere. The organic process reduces the use of petroleum based pesticides and fertilizers, and at the same time organic soils absorb carbon dioxide at the estimated rate on some farms of 3,670 pounds per acre.

By increasing organic farming in the United States consumers will be provided with domestically grown, and in many cases local products, emissions are reduced and water quality is also greatly improved.

Challenges to the National Organic Program

Furthermore, because the capability to certify to the National Organic Program (NOP) is available around the world it is important to keep that program strong and capable to keep up with the needs of certified products that are growing in double digit percentages per year, and are projected to do so for the next several years. To best protect the integrity of the organic

label that consumers have come to trust, NOP needs to be able to accredit and have inspection oversight resources both domestically and internationally. Congress' support of these oversight and inspection functions of the NOP goes a long way toward meeting the needs of organic shoppers at home.

As of Oct. 31, 2006, there were 95 agencies accredited by USDA to certify farms, processing and handling operations as meeting national organic standards. Of those, 55 were based in the United States, and the remaining 40 certifying agencies were from other parts of the world.

During 2006, USDA's Agricultural Marketing Service determined that the organic assessment program of Israel's Ministry of Agriculture and Rural Development, Plant Production, and Inspection Services conform to the organic standards overseen by USDA's National Organic Program. As a result, certification organizations recognized by the Israel Ministry do not need to be accredited directly by USDA but can certify operations as meeting NOP standards.

Organic assessment programs of other foreign governments recognized by USDA include New Zealand, the United Kingdom, Quebec, Denmark, British Columbia, India, and the Standards Council of Canada.

As these recognition programs expand NOP will need to be able to assure consumers that they are continuously well run, and at the same time they need to directly accredit certifiers to perform these functions in countries that are not recognized. So far no equivalency agreements have been reached between the United States and any other country with its own organic certification program.

The NOP and New Standards Development

Much discussion during 2006 centered on U.S. organic dairy operations and the possible need to spell out more clearly pasture requirements and the process for converting a dairy herd to gain organic certification and to supply replacement animals. As a first step, the National Organic Program (NOP) during 2006 issued an advanced noticed of proposed rulemaking for pasture requirements, but this issue is still unresolved.

In addition to a proposed rule on pasture requirements and regulations concerning dairy animal replacement, NOP in October 2006 said it was focusing on a handful of other priorities. These include:

- Addressing the five-year sunset rule, requiring all materials listed on the National List of Accepted and Prohibited Materials in 2002 be reviewed in order to be retained on the list, or be removed by June 2007.
- Moving forward with Section 606 petition review and rule changes covering materials, including refining the definition of "agricultural" and "non-agricultural" substances.
- Renewing accreditation of certifying agents.
- Continuing to improve its quality systems management.
- Publishing guidance on commercial availability, grower group certification and inspection issues, and identifying certifiers of final handlers on labels.

Potential Remedies in the 2007 Farm Bill

In its recommendations relative to the Farm Bill, OTA is seeking to ensure that organic farmers have access to all resources available to other farmers through USDA. For example, there currently is little federal data or market research available about organic farms.

With little or no government support for being organic, little knowledgeable technical assistance or research it is difficult to encourage U.S. growers to convert to organic farming, particularly with the hurdles of the three-year conversion period. For those growing organic livestock, there is the high cost of organic feed, which often costs three to four times as much as conventional grain.

Organic farmers report various impediments to converting more land to organic.

- Access to technical assistance is rare and usually only available from other organic farmers;
- Access to capital is often denied via the traditional agricultural banking systems because data is not collected separately for organic production and therefore credit granting agencies lack access to data based credit reports usually available to conventional farmers for the use of their bankers.
- Access to crop insurance was finally made available, but at a disadvantageous rate: organic farmers pay a 5% additional premium and in the event of a crop loss they only receive compensation at a conventional price level for their organic crop. Again this is attributed by crop insurers and RMA to the fact that actuarial data is not available to insurers.
- The three year transition period is considered essential to create a working organic farm system through establishing effective crop rotations and rebuilding soil fertility, including allowing a reduction in activity in longer-lived formerly applied toxics and petroleum based pesticides and herbicides. However, this process is a challenge for a farmer also newly dealing with rotation of crops and other organic learning challenges.
- Organic farmers who are growing crops that are covered by Marketing Orders are also disadvantaged. Unless their farm is 100% organic, they are responsible to pay into the marketing order, but these orders rarely if ever pay special attention to marketing organic products. (Many farms are only partially organic, or are in transition, and therefore are not 100% organic.)

Some steps are underway within the organic business community and at the state, county and local levels to enhance the ability of farmers to choose to go organic successfully. Many processor members of OTA report privately encouraging conversion/transition of land in order to acquire more organic product in the United States. However, since these businesses are also in need of capital themselves this private system is strained and certainly cannot provide growth at the rate that might be expected were parity access to USDA resources granted to them.

There are other efforts going forward at the state and local levels. In some states specific experts are assigned to work on developing organic production using both state and any federal resources they can identify.

As you will hear in the testimony, during 2005 officials in Woodbury County in Iowa adopted a policy to offer tax incentives to farmers who switch from conventional to organic production. Woodbury County Supervisors voted to provide property tax rebates for those converting from conventional to organic farming practices. Under its "Organics Conversion Policy," the county now grants property tax rebates of up to $50,000 each year for five years for farms that convert from farming techniques using pesticides to organic farming practices that comply with USDA's National Organic Program.

During 2006, officials in Cherokee County, Iowa, voted to offer farmers property tax incentives to convert to organic farming practices in a policy similar to the one enacted in Woodbury County.

OTA has publicized these local efforts to provide them as a model for local and county governments across America.

Meanwhile, on a national level, other programs are being undertaken to encourage more farmers to choose organic practices, and to help provide resources so that they may do so. For instance, organic-oriented programs received slightly more than $2 million of the $25 million allocated for U.S. Department of Agriculture's Risk Management Agency (RMA) partnership agreement funding in fiscal year 2005. This included $555,000 for community outreach and assistance agreements, $19,264 for small sessions programs, and $1,461,841 for research and development agreements. A few states are using EQIP to ease conversion to organic practices by providing specific equipment for the effort.

A Memorandum of Understanding is in existence between RMA and AMS to start studies of price studies for some organic products.

These data collection efforts are way overdue and comprehensive economic, pricing and commercial information that is gathered on a regular basis for conventional agricultural products and processed goods needs to be gathered for organic insurance eligibility, for eligibility for loans, and for disaster payments. Data is also needed in order for farmers to know which crops to plant in a nationally competitive environment, to develop marketing plans and to provide information to processors.

A Farm To Table Strategy for the 2007 Farm Bill

To remedy as many of these disadvantages OTA has developed a Farm to Table strategy for organic in the 2007 Farm Bill. The OTA plan focuses on four priorities:

Specifically, OTA is recommending that Congress provide USDA with authority and funds to:
1) Foster conversion/transition to organic agriculture and trade by providing **technical assistance** to aid in converting farm systems from conventional to organic production. Farmers need help formulating business plans, marketing and credit plans as they shift into organic production. Converting farm systems from conventional to organic takes three years. Farmers working to become organic also require technical assistance to guide them through the often daunting certification process. In addition, farmers need transition aid for a limited period of time, and cost share funding for certification.

Conventional farmers turn to USDA for in-depth market and production data, which helps them determine what to plant and how much to plant. Such resources do not exist for organic crops. USDA does not even produce a specific list of organic farming and processing operations, or detailed organic crop reports – greatly impeding the business of organic agriculture. OTA wants USDA to close these serious information gaps.

2) **Eliminate Hurdles to Organic Agriculture and Trade** by creating appropriate risk management tools and developing an organic export policy and strategy. Organic producers who now have crop insurance and incur losses only receive payments for their losses equal to conventional prices for crops -- rather than the higher level of prices that organic products command. The reason for this is a lack of actuarial data on crop prices received by organic producers. Why? USDA does not collect much pricing information on organic products. Therefore, the crop insurance companies will not pay above conventional prices for losses. While this is changing, it is important for RMA to use collected data to enable an insurance product to be developed promptly to help organic farmers. OTA wants to fix that.

3) **Initiate and Fund Organic Agriculture and Economic Research.** USDA is respected around the world as a leader in agriculture research. Yet, very few of these resources are applied to organic agriculture. OTA proposes integrating organic agriculture into the three main areas of USDA research: agronomy, economics and demographics, and marketing.

4) **Maintain and Enhance Current Agency Programs** so that the National Organic Program (NOP) can keep pace with the growing organic sector. We are lucky that the NOP staff is dedicated and hard-working. However there is not enough staff to write the new rules, and to review an ever expanding worldwide certification system. Reportedly, AMS only has two compliance officers specializing in organic agriculture. Organic accreditation and certification is a world-wide program; they need a world-wide staff. And, funding an international travel budget would be a good start.

Private and Public Efforts to Grow the Market

OTA's membership directory, *The Organic Pages Online*, is a fully searchable directory on the web (www.theorganicpages.com) with comprehensive indexing and twice monthly updates. It is a virtual organic marketplace, connecting buyers and sellers of organic products and services, from farm to retail. OTA also publishes an online Export Directory for international buyers interested in purchasing U.S. Organic Products.

Of course, the All Things Organic™ Conference and Trade Show (www.organicexpo.com) is the premier venue for introducing new organic products, meeting business partners from around the world, and celebrating the successes and challenges facing the organic business community.

OTA also runs the Organic Export Program, an international marketing program and public/private effort funded through the Market Access Program (MAP) of the Foreign Agricultural Service of USDA with industry help. Its goal is to promote U.S. organic products to the worldwide market. It cooperates with regional and state promotion agencies to ensure

that the newest products are shown worldwide. Examples of programs include:

- Organic pavilions at international trade shows
- Opportunities for international buyers to meet in the United States with organic suppliers
- Exporter educational programs
- U. S. organic market educational pieces for foreign buyers, including a booklet and video on buying U.S. organic products. The booklet is available for viewing at www.usorganicproducts.com.
- OTA's Organic Export Directory Online (www.usorganicproducts.com)

Activities listed and those planned are joint strategic efforts between OTA and industry representatives selected from across the United States.

What Lies Ahead?

As part of its 20th anniversary celebrations in 2005, OTA asked industry visionaries and researchers to look forward 20 years to the year 2025, and what might be likely to happen with organic agriculture and products. The results of this informal poll demonstrate the potential organic agriculture has to bring improvement to our lives.

The following are a few of the predictions and expectations:

- The organic industry can be expected to continue to grow and thrive at a sturdy rate over the next 20 years, but at a slower pace than the current 17 to 20 percent average annual growth in sales.
- The average consumer household in 2025 will buy organic products on a regular basis. These will include food items as well as organic clothing, household cleaning products, and personal care items.
- Increased sales in restaurants can be expected.
- Increases in organic sales and acceptance will result in increased U.S. organic acreage, as well as supplies from overseas.
- Younger shoppers will continue to be interested in organic foods, particularly as Gen Xers pass down their belief systems. Ethnic shoppers, including Asian Americans and Hispanic Americans, will continue to be more likely to buy organic products in proportion to their representation in the general population.
- Government support of organic agriculture will be crucial to maintain the industry's growth potential. The U.S. government will need to support farmers in their transition to organic production, and to enforce the standards to minimize consumer confusion.

What Types of Organic Foods Will Be Most Popular?

In 2025, organic meat, dairy products, alcohol, and "stage of life" foods (those consumed during pregnancy, nursing, infancy, puberty, and senior years) will be most popular, according to survey respondents. Because hectic lifestyles will continue to be the norm, convenience, ready-to-eat and prepared foods will proliferate. Survey respondents also predicted growing interest in organic items that mimic conventional food brands and in organic products perceived by consumers as providing health benefits.

Predicted Challenges Ahead
Among the challenges ahead are consumer confusion about definitions around the organic labels, unbalanced governmental support and promotion of conventional farming methods at the expense of organic agriculture, competition for land with energy generating acreage, and the acceptance of the value of organic packaged products versus perishables in the marketplace.

On To An Even Brighter Future

We look forward to working with the Subcommittee to build a healthy future for organic agriculture and processing. Through both strong consumer and government support in parity with other agriculture, the organic industry can continue to thrive and grow in the innovative and unique way that's all its own.

Today, millions of consumers purchase organic products regularly, and their choice is based largely on the success of the organic industry's and USDA's ability to promote and guarantee the integrity of the organic label. When buying organic products, consumers are showing support for organic farmers and practices that help build healthy soil and a healthier environment for the planet. Let's build organic together. Thank you.

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4) *Organic 2006: Consumer Attitudes & Behavior Five Years Later & Into The Future*, The Hartman Group.
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6) Catherine Greene, U.S. Department of Agriculture's Economic Research Service, "U.S. Organic Agriculture in the U.S., 1992-2005," December 2006, www.ers.usda.gov/Data/Organic/index.htm.
7) U.S. Department of Agriculture's National Organic Program web site (www.ams.usda.gov/nop).
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Glossary of Terms and Abbreviations

Accreditation A determination made by the Secretary that authorizes a private, foreign, or State entity to conduct certification activities as a certifying agent under this part. This process is used by USDA to ensure that each certifying agent is competent, independent of financial concern in the operations it certifies, and maintaining the legal standard for organic production.

AMS/TMD The Agricultural Marketing Service, Transportation and Marketing Division of the USDA. The National Organic Program falls within this division.

Botanicals Pesticides derived from plants. These may be quite high in natural toxicity or may upset the predator-prey balance. Therefore their use is restricted.

Buffer zone An area located between a certified production operation or portion of a production operation and an adjacent land area that is not maintained under organic management. A buffer zone must be sufficient in size or other features (e.g., windbreaks or a diversion ditch) to prevent the possibility of unintended contact by prohibited substances applied to adjacent land areas with an area that is part of a certified operation.

Certification A determination made by a certifying agent that a production or handling operation is in compliance with the Act and the regulations in the National Organic Program rule, which is documented by a certificate of organic operation. Certification always includes on-site inspection of the production operation.

Certifying agent (or agency) Any entity accredited by the Secretary as a certifying agent for the purpose of certifying a production or handling operation as a certified production or handling operation. A certifying agent may not have any financial or personal interest in the producer.

Compost The carefully managed process in which crop or animal residues and other vegetable by-products are digested by microbial action, defined in the NOP Rule as "The product of a managed process through which microorganisms break down plant and animal materials into more available forms suitable for application to the soil. Compost must be produced through a process that combines plant and animal materials with an initial C:N ratio of between 25:1 and 40:1. Producers using an in-vessel or static aerated pile system must maintain the composting materials at a temperature between 131F and 170F for 3 days. Producers using a windrow system must maintain the composting materials at a temperature between 131 F and 170 F for 15 days, during which time, the materials must be turned a minimum of five times."

Cover crop A crop grown on idle land for soil conservation purposes, not for sale.

Cultural methods Mechanical and management techniques that contribute to pest control. These may include early planting or harvesting, variety selection, plant spacing, companion planting, clean-up of crop debris. Defined in the NOP Rule as methods used to enhance crop health and prevent weed, pest, or disease problems without the use of substances; examples

include the selection of appropriate varieties and planting sites; proper timing and density of plantings; irrigation; and extending a growing season by manipulating the microclimate with green houses, cold frames, or wind breaks.

Green manure A crop grown for its fertilizer and soil conditioning value. Green manure crops are plowed or tilled into the soil, not harvested.

Handler Any operation (or part of one) that "receives, processes, packages, or stores agricultural products." Includes food processors and distributors who "substantially alter" organic agricultural products. Defined in the NOP Rule as any person engaged in the business of handling agricultural products, including producers who handle crops or livestock of their own production, except such term shall not include final retailers of agricultural products that do not process agricultural products.

Inspector A person independent from the certifying agent's decision-making process who visits the grower, processor or handler being certified. The inspector interviews the producer, observes all areas of production, and reviews record-keeping for completeness and accuracy. Defined in the NOP Rule as any person retained or used by a certifying agent to conduct inspections of certification applicants or certified production or handling operations.

Micronutrients Nutrients required by food crops in small amounts. For example: boron, zinc, iron and manganese.

Natural From a plant, animal or mineral source which has not been altered except by chopping, grinding, separating, drying, freezing, heating, or fermentation.

NOP The National Organic Program. The NOP and its office were established to implement the Organic Foods Production Act of 1990. It uses state and private agencies to administer some of its programmatic responsibilities such as certification, with the NOP/USDA being accreditation and rule oversight. This term is often used to refer to the organic regulations as well.

NOSB National Organic Standards Board. A USDA advisory board established to help develop the organic standards. Also responsible for convening Technical Advisory Panels (TAPs) to evaluate materials for the *National List*. Appointments are made by the Secretary of Agriculture.

Off Farm Inputs Materials such as fertilizers or pest control treatments which are bought from outside sources to be used in growing crops. (To contrast, many growers produce some "inputs", such as compost, on-farm.)

OFPA The Organic Foods Production Act. This act, which was Title XXI of the 1990 Farm Bill, mandated the establishing of national standards for the production and handling of foods labeled as "organic."

Organic Farm or Handling Plan A written document which sets forth the producer's current methods, future intentions, and plan for improvement in all areas of production. Defined in the NOP Rule as a plan of management of an organic production or handling operation that has been agreed to by the producer or handler and the certifying agent and that includes written plans concerning all aspects of agricultural production or handling described in the Act [OFPA] and the regulations in subpart C [of the NOP rule].

OTA Organic Trade Association. An umbrella organization for the organic industry. Includes organic growers, processors, distributors, suppliers, brokers, retailers, certifiers, and non-profit organizations and individuals from the U.S. and Canada. The OTA offers information services, educational resources, legislative representation, government liaison, and promotional programs to its members. Learn more at www.ota.com.

Pesticide/fertilizer drift Pesticides or fertilizers applied to neighboring land which are carried by wind or water to an organic field.

Synthetics Defined in the NOP Rule as a substance that is formulated or manufactured by a chemical process or by a process that chemically changes a substance extracted from naturally occurring plant, animal, or mineral sources, except that such term shall not apply to substances created by naturally occurring biological processes.

TAP Technical Advisory Panel. A panel of experts convened by the NOSB to evaluate scientific data on materials being considered for the *National List.*

Transition A time period in which a farm or other operation moves toward organic certification by improving soil fertility, eliminating use of prohibited materials, and developing and implementing an organic plan. (It is important to note that this is not a legal term in the United States, and there are no products that can be officially identified as "transitional organic")

What is the Organic Trade Association?

The Organic Trade Association (OTA) is the membership-based business association for the organic industry in North America. OTA's mission is to promote and protect organic trade to benefit the environment, farmers, the public, and the economy. OTA envisions organic products becoming a significant part of everyday life, enhancing people's lives and the environment. OTA has grown to represent about 1600 members in North America. Since its inception, the association has been a key player in shaping both the regulatory and market environment for organic products.

The OTA was established in 1985 as the Organic Foods Production Association of North America (OFPANA). In 1994, OFPANA changed its name to the Organic Trade Association (OTA) to more accurately reflect the association's mission to include all types of organic products—food and non-food alike.

OTA works with Congress, USDA, certifiers, the NOSB, and, of course, its members to see that the implementation of the rule maintains the integrity of the organic industry. Over time, OTA expects the rule to evolve and the standards to become more refined, just as organic standards have evolved to reflect best practices over the past several decades. OTA also advocates for federal resources to allow USDA to work to the best of its ability in maintaining strict and consistent national standards and a tough but fair enforcement program, and to provide organic producers with the same advantages enjoyed by conventional producers.

OTA draws together all segments of the organic business community to share information, create standards of excellence and promote organic products. Like the organic business community at large, OTA's membership is highly diverse. There are sole proprietor businesses, publicly held companies, and every possible structure in between.

A very small number of OTA's members – like Whole Foods, Wild Oats, Hain-Celestial or United Natural Foods -- have grown from tiny start-ups and are now publicly traded. Others have been purchased by traditional food companies. And, now our members are purchasing each other; this spring Whole Foods announced a merger with Wild Oats.

But the majority of Organic Trade Association members are still small or very small businesses - 60% of whom declare annual revenues from organic sales of less than $100,000. By and large, these companies were founded by men and women for whom organic is more than a business plan -- it's what they believe.

Unlike many trade associations, OTA's board of directors is elected by the membership. A list of current board members is attached.

Promoting and Protecting Organic

OTA's activities include education, policy development, and business development and marketing. OTA is the founder of the All Things Organic™ Conference and Trade Show, the largest business-to-business trade show and conference in North America focusing exclusively on organic products and organic trade issues.

In addition, OTA informs members about best practices, and offers fact sheets about many topics about organic and production on its web site, www.ota.com.

Public Policy Development

OTA is a leader in advocating and protecting organic standards so that consumers can have confidence in certified organic products, and so they will be as predictable as possible for farmers and processors. With input from its diverse membership, OTA continues to develop and refine organic standards for emerging product areas. OTA serves as the industry monitor of government agencies, takes positions on legislation that affects organic agriculture and products, and represents the industry to regulators, elected-officials, and international bodies. OTA strives to foster constant improvement in public policies, and business practices, concerning organic agriculture and production.

Because of its history and membership, the Organic Trade Association is uniquely qualified to comment on organic standards and regulation. Many of the members of the OTA are the creators of the organic industry and the first consensus organic standards, and organic certification procedures. OTA's members have built the market identity for organic. From the very first discussion of federal standards for organic production and labeling, the Association has been actively involved. As the organic business community works in partnership with the federal government, we ask that our creation, our contract with our customers, be treated respectfully.

4/2007

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DEPARTMENT OF RURAL ECONOMIC DEVELOPMENT

WOODBURY COUNTY, IOWA

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STATEMENT OF ROBERT B. MARQUSEE
BEFORE THE
SUBCOMMITTEE ON HORTICULTURE AND ORGANIC AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES
APRIL 18, 2007 – 10:00 AM - LONGWORTH HOUSE OFFICE BUILDING – RM 1300

Economic Development Impacts of Organic Production & Processing

To the Honorable Committee:

The future of our agricultural land, rural communities, the nation's economic vitality, and the health of our citizens are at stake with the considerations that are before you today. As Director of Rural Economic Development for Woodbury County, State of Iowa, I can testify that federal farm subsidies over many decades, together with the development of petroleum-based chemical farming techniques, have had the unintended consequence of gutting rural communities of their economic life. The continued industrialization of farming will certainly have the impacts predicted by the Des Moines Register: fewer owners of land, faster decline in rural population, less income in rural areas, and more strain on the environment. (Des Moines Register, July 17 and July 24, 2005).

A portrait of our current rural landscape would require an additional preliminary factual backdrop: fifty percent of Iowa's farmland will transfer ownership in the next ten years; twenty-five percent of Iowa farmland is presently owned by individuals who are age 75 and older; the average age of an Iowa farmer is over 55; and the great majority of working farmers are farming on a cash-rent basis (i.e., are not landowners). In other words, America's heartland is in a tenuous and tumultuous situation that requires the immediate attention of our policy-makers.

Woodbury County, Iowa has enacted two key local policies to confront the causes of rural decline and reverse the fortunes of small to mid-sized family farms within its jurisdiction:

- The Organics Conversion Policy: June 28, 2005: Provides 100% real property tax rebate for five years to anyone who converts from conventional to organic farming practices; and
- Local Food Purchase Policy: January 10, 2006: County required to purchase locally grown organic food when available for County Jail, Juvenile Detention Center, and Work Release Program.

The remainder of this Statement shall provide the factual support and rationale behind the Woodbury County policies and their applicability to national policy-making considerations now before this subcommittee.

Historically, rural communities were initially founded on agricultural production from nearby small family farms. Economies were highly localized. Rural schools were established to educate the large number of children that were born to these families – quality teachers usually came from farm families. There was significant diversity of crops and livestock that was produced on these farms; most farms having biologically diverse and dependent production of both crops and livestock. At its peak, barns, silos, grain elevators, school busses, and county fairs were indicators of a thriving rural economy. That happy reality has since left the landscape, and Woodbury County's experience is not unlike that found in most, if not all, rural communities in America's heartland:

- Sales of Livestock & Livestock Products: 1969: $358M vs. 2003: $80M
  A 78 percent decline in sales over 35 years.
- Sales of Crops & Livestock: From 1998-2003: $145M loss from crops & livestock.
- Farms & Average Farm Sizes (Farms/Acreage): 1975: 1,930/268 vs. 2004: 1,140/387
  78% Increase in Number of Farms 1000 Acres+ over the same period.
- Average annual loss to Woodbury County farmers (over last 10 year period): $24M
  (Statistics Provided By: Ken, Meter, Crossroads Resource Center, & U.S. Census)

Similarly, population in rural communities has decreased since the early 1980s. If a community is not located near a major highway, or an urban area, the population has decreased by an average of 25%, and the residents remaining in those communities are aging. Thus, it is inevitable that many of these communities will cease to exist over the next 10 to 20 years (i.e., some are presently near extinction in Woodbury County).

Let us now review the extent of Federal farm subsidies and the role they have played in creating the described circumstances in rural America. The U.S. Government has paid out, between 1995-2004, $274,353,383,635 in farm subsidies for a variety of specific crops; $54,879,723, 492 just for corn and soybean subsidies. Wheat subsidies have amounted to $19,834,815,250 over the same period. The fact is 10% of farmers receive between 72% and 80% of all subsidies paid by the Federal Government. Therefore, most farmers are actually losing money since the cost of growing the products is more than the return it brings on the commodity exchange. Most farm families must obtain a job outside the farm to make ends meet. The economic pressure is to consolidate farms to provide large economies of scale necessary to reap razor thin margins on high volume production – after considering all Federal farm subsidy options. Thus, farms get bigger (and get better playing the subsidy game), while small farm operations are quickly vanishing from the rural scene.

By necessity, subsidy programs are having a major impact on those rural areas involved in producing crops that are subsidized. A few examples may be provided: Pottawattamie County, Iowa farmers received $37,294,007 in subsides just in 2005, Monona County, Iowa farmers received $160,268,816 over a ten year period, Woodbury County, Iowa farmers received an average of $23,000,000 in farm subsidies each year over a ten year period. The two crops that are the subject of these subsidies: corn and soybean.

The historic effect of the subsidies has been to create a "non-localized" cheap food system in the United States, as follows: money flows from the Federal Government to farmers to grow crops at a loss (cost of production is greater than the price paid). Large outside agricultural interests buys the raw product at a low price; they make the lion's share of profit on finished food products. In effect: the Federal Government provides indirect subsidy of large corporate agricultural interests. The impacts are not only economic, but also may have adverse health effects on the general population. For example, it is now cheaper to add high fructose corn syrup as sweeteners to many foods rather than use the more expensive raw cane sugar.

Non-local agriculture interests also have a financial stake in the production techniques employed on these new larger farms. Farmers are pressured to use high-cost inputs such as patented seed, use of petroleum-based herbicides and fertilizers, and the like. The result of these farming techniques is to produce as high a yield as possible without the need of significant labor inputs. However, there is pressure to buy expensive equipment and incur debt to finance these large farming operations. These input costs, together with the increased value of the land, make it next to impossible for young beginning farmers to enter into this industrial food system.

The rural picture now consists of large farm interests, cash renting to a relatively few working farmers, and producing a crop that is specifically designated and supported by the Federal Government. The cost of inputs, and the bulk of profits on finished food products, goes to those who live outside the area that is producing the raw ingredients. Meanwhile, because of the expanding consumer demand for organically or naturally raised foods, we are importing a large percentage of these high-margin foods from foreign producers.

In summary, primary focus on industrial farming operations has created the following situation in rural America: encouragement of larger corporate farms, producing less diversified crops, with less labor, higher input and environmental costs, fewer rural residents, with most of the profits going to outside "non-local" business interests.

There is another major impact that our modern agricultural system has had on mindset of those who are involved in economic development at the state and local levels: they tend to see economic development in terms of involving only industrial, commercial, or residential growth as a legitimate object of focus. The loss of small family farms does not enter the equation in their efforts for business retention. The financial assistance these groups provide is based on wage/benefit criteria (e.g., how many jobs are being created at what wage scale).

State and local governments provide economic "incentives" (e.g., tax abatements, infrastructure costs, or outright payments in cash) in their efforts to recruit outside businesses to move into their area. Retaining small farming operations is not in their radar for business retention efforts. Rural economic development efforts at the state and local level are fixated on transforming once thriving agricultural centers into "call centers" or "service areas" that do not conform to the very reason for community's existence. In other words, state and local economic development practices do not address the causes of rural economic decline.

The disparity in mindset may be witnessed by a couple common examples: recently the State of Iowa provided $535K in benefits to add between four to nine jobs for expansion of a bio-diesel facility. Many counties in Iowa have provided millions of dollars in tax abatement to would-be ethanol producers. It is not unheard of for a county to provide 15-20 year 100% tax abatements in order to land one of these facilities. David Swenson, economist at Iowa State University, calculated 70 cents for every gallon of ethanol is subsidized in one form or another (including federal, state, and local subsidies). On just one typical 100 million gallon facility, this equals $70M in subsidies – most of which is provided to non-local interests (e.g., blenders). The public generally is not well informed of the costs associated with these subsidies.

Economic development efforts lately focus on establishing ethanol production facilities. The rise in ethanol production, and resulting increase in corn prices, does nothing to resolve the issues related to industrial farming. To the contrary, while alternative fuel development is vital, the push for ethanol will further strengthen industrial farming practices with the same negative impacts on the rural environment. Balance is needed in agricultural practices: the wholesale drive to ethanol will entice conventional farmers to end standard crop rotations (i.e., use more chemicals), farm CRP lands, and encourage further farm consolidations. While subsidy payments may be decreased, the price of corn (and land) is still driven by non-local policy decisions promoting ethanol energy.

The combined effect of federal and state policies and practices produces the following results: local farms rely on large economies of scale/small margin practices, while economic development organizations focus on recruiting wage-based employment opportunities from outside the area, providing little incentive for entrepreneurship, with the resulting loss of rural population and farm labor. The combined system provides no incentive for small farms and promotes loss of farm related jobs. Meanwhile, outside interests reap the bulk of the profit, receive financial incentives, and dictate standards of production to local wage-based workers.
To respond to the forces causing economic havoc in the rural communities, Woodbury County, Iowa has enacted policies that address the need for a multi-faceted approach to rural economic development. There is not one silver bullet policy that will make our rural communities thrive once again. The economic dependencies of producer, markets, distribution, storage, and transportation have to be recreated and supported through a network of mentors, financial assistance, and market tools that have since been all but obliterated by reason of the current industrial system. Luckily, the general public is increasingly demanding high-quality healthful food – and preferably food from a local producer. What follows are the economic policies and practices enacted by one county in Iowa, Woodbury County, to reverse the fortunes of small and mid-sized farming operations and, as a consequence, reviving the economy of its rural communities.

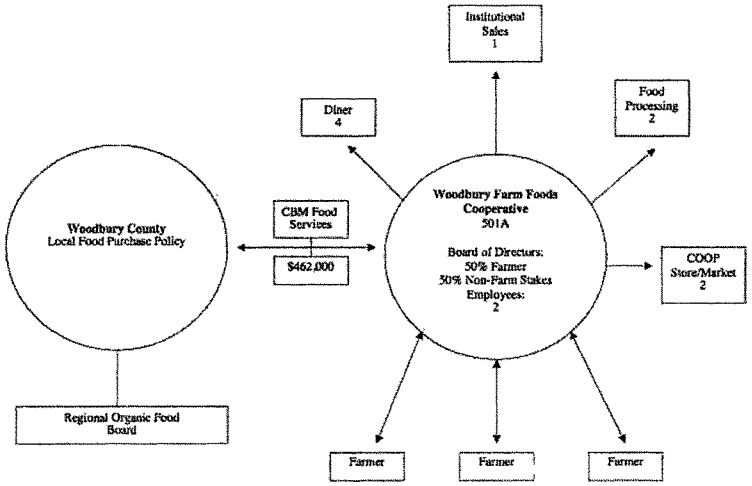
Woodbury County, Iowa has taken direct steps to address the root causes of rural decline by first passing the "Organics Conversion Policy". The policy provides a 100% rebate of real property taxes associated with land that has been converted from conventional farming to organic farming. The rebate will be provided for 5 years to anyone that converts to organic farming techniques that comply with the USDA National Organic Program Standards and Guidelines (NOP). An application for the rebate is required and must set forth a description of the land converted, planned markets for products during organic transition and after certification, planned conservation techniques, and other relevant information necessary to promote success of the applicant. Certification is required after the third year (for crops) of conversion; failure to obtain certification, or reversion to conventional farming at any time during that 5 years, will require a return to the county of all tax benefits received under the policy. The policy provides up to a total of $50,000 per year for five years in a tax rebate pool for all participants; the total potential cost to the county over a five-year period is $250,000. The policy is but one incentive to those seeking to establish an agri-business in Woodbury County; other programs provide benefits to a producer or processor who add to the job base in Woodbury County.

The Policy provides incentives for young farmers to engage in high-margin organic farming businesses on smaller farm acreages, supporting small family farm operations - thus encouraging the re-emergence of local agri-based economies. The policy was the only logical way to address the production side of agriculture as an object of economic development - and it had to be enacted at the local governmental level since there is no other financial assistance for small farm agricultural production.

Organic producers receive higher margins in a market that is growing by approximately 20% a year. Since lower acreage organic farming can be lucrative (as compared with federally subsidized commodity farming), and since organic farming is localized and is viable, the only real option open to the county was to promote organic agriculture by offering a rebate of real property taxes for those desiring to convert to organic farming. There are few tools available to a county that wants to revive its rural communities; offering a direct grant is the most obvious tool. Grants can only be provided for programs that benefit the entire community of taxpayers. It is rational, therefore, that the promotion of higher incomes to more family farmers (which will revive rural communities), and the development of local small to mid-sized processing facilities, is in the overall county's best interest.

The economic benefits to a county from organic farming has been documented by Luanne Lohr, Department of Agriculture and Applied Economics, University of Georgia, in her study, "Benefits of U.S. Organic Agriculture", dated November 2002. An upcoming study by David Swenson, of Iowa State University, also confirms that there are significant benefits to a county that promotes organic agriculture as a means of economic development.

As stated earlier, the county needed to take a multi-faceted approach to the revival of small to mid-sized farms – one tool was to develop an initial local market for locally produced food. On January 10, 2006, Woodbury County enacted its mandatory Local Food Purchase Policy. This policy mandates that when the county was obligated to procure food for its jail, juvenile detention center, and work release program, the county's food service contractor would be required to buy locally grown organic food when available. The policy provides that all local food purchases must be procured from a single source local foods broker. These provisions were used to jump start a demand cycle for locally grown foods and encourage its production. The plan is set forth in the graphic provided below:



The object of the policy and plan is to create a sustainable local food system providing multiple outlets for locally grown food – including even a national market for a newly developed food brand. The positive results of this plan can be judged by the following developments within the community:

- Western Iowa Tech Community College (WIT) now provides courses in organic farming
- Woodbury County provided 15 acres of farmland to be used by WIT as an organic farm lab
- A relationship with Whole Foods Market of Omaha has been established for local products
- A local foods broker has been established as a single point supplier for about 50 producers

- A local organic food restaurant has been established and is rated a top restaurant in the area
- A local foods education center has been established
- An "Organic Farmer Network" of mentoring has been established
- The "Annual Organic Growers Conference" has drawn farmers from around the globe
- Woodbury County is working with the Siouxland Chamber of Commerce to field business opportunities related to organic food processing from around the U.S.
- The neighboring county of Cherokee has enacted a similar Organics Conversion Policy
- Two other neighboring counties are now considering passage of a similar policy
- Woodbury County has enacted its unique Northwest Iowa Farm/Farmer Exchange Board
- Woodbury County Department of Planning & Zoning is working on farm preservation through innovative policies addressing transfer of development rights and density rules
- Woodbury County is developing a local food brand that will act as catalyst for commercial production with local and national distribution
- A regional "Local Organic Foods Marketing Group" is forming between Woodbury, Cherokee, Monona, and Plymouth Counties in Iowa
- Organic farm tours have provided numerous groups from around the nation with insight and support for the organic farming option and its role in economic development
- The organic local foods restaurant, broker, and food market now employs 14 people – compared with just volunteer workers 2 years ago.
- A local bakery, that now offers an organic biscotti cookie product, has increased its employee count from 3 to 10.

The potential of income from local food sales is significant. Woodbury County residents purchase approximately $203,000,000 of food a year. The goal is to supply 10% of these purchases from local suppliers over the next 10 years. Plans are in the making to begin "Farm to School", "Farm to Hospital", and "Farm to Restaurant" sales once local supply is increased to meet that demand.

There are substantial barriers to obtaining a larger supply of locally grown food. Aging conventional farmers are extremely hesitant to undertake a change in farming practices, especially when they can hedge their bets with federal subsidy dollars, have the availability of crop insurance, and have a commodities market. Furthermore, "marketing" of products from a small farm requires a significant time commitment and marketing savy. Since most federal dollars are bound to the conventional food system, organic farming is seen as an "alternative" that is not on equal par with large economics of scale farming. If the Federal Government continues to perceive organic farming in this light, Americans can expect to see a shrinking indigenous food supply, while international agricultural trade deficits continue to mount.

Of particular note, public awareness of food safety is on the rise. Organic agriculture, and support of local food systems, is critical for assuring a safe local food supply in times of possible contamination that may occur in more centralized behemoth food systems. Local food systems reduce the use of petroleum to transport the food to its final destination, and organic farming practices are less petroleum dependent - the environment and consumers are better served.

There are significant reliable resources to support the proposition that it would be in the national interest, both from an economic and public health perspective, to create a more indigenous and expansive organic and local food policy at the federal level. A multi-faceted approach to the development of local organic food production would increase supply, and would provide higher margins to farmers necessary to support smaller farm operations. New brands of quality, high-margin, food would be born that would contribute to local character, community, and recognition on the international trade market.

Woodbury County, Iowa can only do so much from the local perspective – a county alone cannot fight against a tsunami of national policy that works to eliminate the bedrock of American values, the small farm, and the traditional rural way of life. United States lawmakers should embrace diversity in agricultural policy, recognize those policies that diminish that diversity, and promote the health, safety, and welfare of its population through a comprehensive local organic food development policy. There are means and appropriations available to accomplish an economic boom to rural America – if only the need be recognized.

Thank you very much for this opportunity to speak before this honorable committee.

Robert B. Marqusee

TESTIMONY OF
BEA JAMES,
NATIONAL COOPERATIVE GROCERS ASSOCIATION,
BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON SPECIALTY CROPS AND ORGANIC PROGRAMS
HEARING ON
ORGANIC AGRICULTURE AND RURAL DEVELOPMENT
APRIL 18, 2007
WASHINGTON, D.C.

Mr. Chairman and members of the subcommittee, good morning. My name is Bea James, and I want to thank you for giving me the opportunity to speak to you about the economic impact of organic production and processing. My testimony will provide an overview of the delicate, integral working relationship between local organic farmers and the retail cooperatives, as well as the thriving economic results produced by this relationship.

I have worked in the natural and organic food industry for more than 20 years and have a variety of combined experience, including distribution, production and purchasing in mass market and co-op store formats. I currently manage the Category Leadership program for the National Cooperative Grocers Association (NCGA). I also hold the retailer seat on the USDA National Organic Standards Board (NOSB), although my comments today do not represent those of the NOSB.

I also am a member of the Minnesota Department of Agriculture Organic Advisory Task Force, and chaired the Food Market Institute Organic and Natural Board for more than two years, and serve on the Organic Trade Association Retailer Task Force.

Although I am not an economist, I would encourage you to read Bill McKibben's book, *Deep Economy*. McKibben is a scholar in residence at Middlebury College (Middlebury, Vt.), and on the Green Institute Advisory Board. His book offers compelling economic facts about the current need to pursue prosperity in a more local direction with cities, suburbs and regions producing more of their own food.

My point today is simple:

- The local organic farmer, as an individual – and as a member of a larger community – has a positive impact on the thriving success of our communities, our economy and the integrity of organic agriculture.

I am here before you today on behalf of the National Cooperative Grocers Association (NCGA), a business services cooperative for natural food co-ops located throughout the United States, which includes more than 130 independent co-op storefronts in 32 states with combined annual sales of nearly $800 million.

NCGA is also a founding member of the National Organic Coalition (NOC) -- a national alliance of organizations working to provide a "Washington voice" for members involved in organic agriculture. The coalition operates under the central principle that protecting the stringency and integrity of national organic standards is necessary.

Organic agriculture is undoubtedly a bright spot in agriculture today. Many farmers have made the conversion to organic with hopes for a better return on their labor and investment.

This conversion is not an easy process, nor should it be. Organic agriculture is not merely a list of "dos" and "don'ts" that must be followed. It is a broader commitment to a system of production that uses nature as an ally to be fostered, not an enemy to be eradicated.

Despite the difficulties in making this shift, the rewards are great for those farmers, who truly make the commitment to do so…But the rewards for organic farmers are dependent on consumer acceptance and access to their product. And there's where the role of NCGA starts.

NCGA is working to provide markets for small, local sustainable and organic farmers. This partnership not only ensures consumers have a broad array of organic products available in their stores, but also makes sure the infrastructure of this symbiotic relationship is contributing to a thriving community of economic growth and development.

In a general survey conducted by the NCGA, we learned many of our co-ops are sourcing over 15 percent of their products from local producers. And as a group, the 12 Minneapolis/St. Paul area co-ops alone have estimated that almost 19 percent of their retail sales are from local purchases.

The NCGA works with thousands of local farmers and producers across North America, and we are proud that our co-op members have a first-name working relationship with them and their families. I would like to share with you three economic success stories to illustrate the symbiotic relationship between farm and community.

In New Prague, Minnesota, Dan Minar's third-generation farm is thriving, but this would not have happened without the co-op partnership. The Minar family farm goes as far back as 1926. Seven years ago the Minars decided to commit to sustainable agriculture and began selling their milk in glass jars to six co-ops in the Twin Cities area. In 2004, they became USDA-certified organic and today their Cedar Summit Farms products can be found in more than 90 retail outlets throughout the Midwest. As Dan Minar put it, "we would not be where we are today if it was not for the co-ops. Our sales started with them, and are successful because of them."

On the West coast, Judy and Paul Fuller operate Sweet Creek Foods, which produces pickles, fruit spreads and salsas for co-ops in Washington, Oregon and California. They started as a small, organic farm delivering pickles to just a few co-ops in Oregon. In 2004, the Fullers realized they needed help obtaining the supply of produce needed to process their products. The Fullers now support their neighboring rural, organic farms by purchasing from nine other families, who operate farms ranging from 20-50 acres.

Now, the Fullers provide unique and wholesome organic products to eight co-ops in Oregon, six in Washington and two in California. "We could buy organic strawberries from China and save a significant amount of money," said Paul Fuller, "but we believe in sustainability, and want to support our local organic farms. Our products are not only organic and local. They are sold locally at co-ops that are our neighbors. Many resources are saved in our method of production. We believe in that."

On the East coast, John and Joy Primmer have operated Windstone Farms since 1989. They started out with just a quarter of an acre growing a few vegetables for Wild Oats Co-op in Williamstown, Mass., Long story short, Wild Oats Co-op encouraged the Primmers to become certified organic, which they did. Over the years, the co-op met with them each winter to assess what sold as well as to discuss ideas for other products they might consider growing for the co-op.

Eighteen years later, the co-op purchases essentially all of the produce the Primmers can grow. Windstone Farms has expanded its tilled acreage to 21 acres, is getting more money for the crops they grow, and spends very little time or money on marketing.

These examples illustrate what is clearly a win-win-win situation for the farmers, the co-ops and their customers.

Organic consumers have a strong philosophical desire to support local agriculture, and value the quality and freshness they receive in doing so. Organic consumers also appreciate the smaller ecological footprint the distribution of local organic food makes, enjoy knowing organic farmers, and value the connection their purchases give towards the food they are eating. The small local organic farm adds to the integrity and value of the organic label by creating these hands-on experiences for their communities.

Current organic standards are strict and they should be. Organic standards should not be a stagnant standard, but should involve continuous quality improvement as our technology and understanding evolves. In some cases, synthetic products are used in organic production and processing. However, for each synthetic product or ingredient that is permitted, there should be a rigorous process underway to find ways of meeting that need with an organic product or ingredient.

Currently, the USDA National Organic Program National List allows synthetic substances and nonorganically produced agricultural products as ingredients in or on processed products labeled as "organic" or "made with organic," and there are currently 58 processing materials under consideration for the National List. Clearly the outpouring of petitioned nonorganic items could be avoided if there was improved supply of organic products in our industry. The organic standard should not be diluted with additional nonorganic agricultural materials or synthetics. Consumers expect organics having roots and meaning, according to the Organic Foods Production Act of 1990.

If we are to maintain the hope and promise that organic agriculture has become, it is critical that we meet consumer demand with ample supply and continued standards based in organic integrity. Simply put, we need more organic farms and continued government funding for expanding the organic sector in agriculture.

I appreciate the opportunity to provide testimony on this important topic. Through our work with the National Organic Coalition (NOC), we are very focused on the 2007 farm bill process, and look forward to working with this Subcommittee as you move forward in writing the bill this summer. Attached to my written testimony is a summary of our farm bill priorities on a wide range of issues and programs, and I urge your strong consideration of these proposals.

Mr. Chairman, and members of the Subcommittee, I thank you and encourage you to recognize that local organic farms are vital to the success of the communities we all live in. In conclusion my point today remains:

- The local organic farmer, as an individual, and as a member of a larger community, has a positive impact on the thriving success of our communities, our economy and the integrity of organic agriculture.

National Organic Coalition

2007 Farm Bill Recommendations

1. Organic Certification Cost Share Reauthorization

For many organic producers and handlers, the annual cost of organic certification is burdensome. The current program to help defray these costs should be reauthorized and updated to reflect increased costs and funding needs.

- Mandatory funding of $25 million for the 5-year life of the Farm Bill
- Increase annual cost-share eligibility from $500 to $750 per operation
- Standardize reporting requirements for USDA and States to allow for better program analysis

2. Conservation Security Program

The Conservation Security Program was authorized by the 2002 Farm Bill to provide on-going financial assistance to reward farmers for implementation of conservation practices on their farms. However, the program has been significantly curtailed by spending limitations imposed through the annual appropriations process. In addition, changes need to be made to make it easier for organic producers to participate in the program.

- Support full funding as a national "entitlement" program, with mandatory funding, to be available in all watersheds
- Create easy "crosswalk" between organic certification and CSP, so that a producer's certified organic farm plan can also provide eligibility for higher tiers of CSP benefits.

3. Organic Conversion Assistance

The process for farmers to convert to organic takes three years. During this conversion process, farmers incur the higher costs associated with organic production but do not receive the higher price premiums that come with final organic certification. In addition, financial assistance is needed for nonprofit organizations around the country to provide technical assistance to farmers in the organic transition process.

- Create a National Organic Conversion and Stewardship Incentives Program within the Natural Resources Conservation Service (NRCS) to provide financial assistance to farmers for the adoption of advanced conservation practices as part of the process of converting to organic production, with mandatory funding of $50 million annually
- Half of the funding provided for the Organic Conversion Program should be used for technical and education assistance
- Authorize the creation of a National Organic Technical Committee to provide advice to NRCS on the implementation of the Organic Conversion Program

4. Seeds and Breeds for the 21st Century

In recent decades, public resources for classical plant and animal breeding have dwindled, while resources have shifted toward genomics and biotechnology, with a focus on a limited set of major crops and breeds. This shift has significantly curtailed the public access to plant and animal germplasm, and limited the diversity of seed variety and animal breed development. This problem is

particularly acute for organic and sustainable farmers, who seek access to germplasm well suited to their unique cropping systems and their local environment. Without renewed funding in this arena, the public capacity for plant and animal breeding will disappear.

- Amend the National Research Initiative (NRI) to list "classical plant and animal breeding" as one of the priorities for competitive research grants, and modify term limitations for NRI research grants to reflect longer-term nature of breeding programs.
- Reauthorize the ARS National Genetic Resource Program and increase support for the collection, preservation and evaluation of germplasm collections. Direct ARS to accelerate long-term research in this arena.
- Enact a successor to the Initiative for Future Agriculture and Food Systems, and include classical plant and animal breeding as a priority.

5. Competitive Markets in Organic

For years, organic farming has been a bright spot of opportunity for family farmers seeking a fair price for their products. However, as organic food processing firms and retail chains consolidate and dominate markets, farmers' leverage to negotiate fair prices and fair contract terms is in jeopardy. The Agricultural Fair Practices Act was enacted in 1967 to prohibit processors and handlers from retaliating against producers who join producer cooperatives or associations in an effort to gain more market power. Yet loopholes in the law have made it difficult for USDA to enforce the statute, and changes are needed to make to make it a more effective bargaining statute:

- Amend the Agricultural Fair Practices Act to close loopholes which have made it difficult to enforce, and add provisions to require processors to bargain in good faith with associations of producers, including organic producer associations, instead of leaving producers to negotiate price and contract terms unilaterally with large corporate buyers.

6. Organic Research

USDA research programs have not kept pace with the growth of organic agriculture in the marketplace. Although organic currently represents about 3 percent of total U.S. food retail market, the share of USDA research targeted to organic agriculture and marketing only represents about 0.6 percent annually ($12 million). In order to adequately meet the public research and data needs of the rapidly growing organic sector, the 2007 Farm Bill should reauthorize valuable organic research programs at higher funding levels, and make sure that existing USDA research and data collection efforts are expanded to include organic-specific activities

- Combine existing CSREES organic research programs into one Integrated Organic Program (IOP), with combined mandatory funding of $15 million annually. This would include the existing Organic Farming Research and Extension Initiative, which was authorized through the 2002 Farm Bill with $3 million in annual mandatory funding, and Organic Transition Program, which has received about $1.9 million in annual discretionary funding.
- A permanent National Program Leader for Organic Agriculture should be created at the Agriculture Research Service (ARS), with at least $25 million annually to be dedicated to organic-specific research, to be increased commensurate with the relative growth in the organic sector. Also, the National Agriculture Library should strengthen its efforts to disseminate organic research results.
- The 2002 Farm Bill included the Organic Production and Marketing Data Initiative to require USDA data collection agencies to collect and publish segregated organic data. While some efforts are underway within ERS, AMS and NASS to collect and publish such data, these efforts must be expanded to meet the needs of organic producers, processors and consumers.

- Amend the National Research Initiative to require competitive grants to be used to foster classical plant and animal breeding (see "Seeds and Breeds" section above).

7. GMO Liability

USDA's organic regulations only prohibit the *intentional use* of any genetically engineered technology in growing, handling or processing an organic crop or product. However, shipments of organic products may be rejected should any genetically engineered material be detected. This has resulted in financial losses because of product becoming "contaminated" by wind-drifted pollen and other avenues that are not under the producers' control, with farmers and processors increasingly bearing the cost of expensive testing and detection.

- Establish a liability regime so that farmers suffering economic and other losses from contamination with genetically engineered material can recoup their losses from the manufacturers of genetically engineered seeds.

8. Crop Insurance Equity

Currently organic producers are required to pay a 5 percent surcharge on their crop insurance rates. In addition, organic producers are often reimbursed for losses based on conventional prices, without recognition of the higher value of their organic products. These inequities for organic producers should be rectified.

For More Information Contact:
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3/07

ORGANIC FARMING RESEARCH FOUNDATION

Mark Lipson, Policy Program Director, 831-426-6606, mark@ofrf.org

STATEMENT OF MARK LIPSON
BEFORE THE
SUBCOMMTTEE ON HORTICULTURE AND ORGANIC AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES
APRIL 18, 2007, 10 AM, LONGWORTH HOUSE OFFICE BUILDING, ROOM 1300

"Overview of Federal Policy for Organic Agricultural Research and Development"

To the Honorable Members of the Committee:

On behalf of the Board of Directors of the Organic Farming Research Foundation, I thank Chairman Cardoza and Ranking Member Neugebauer for calling this hearing and for the invitation to testify. Thank you also to Chairman Peterson and Ranking Member Goodlatte for establishing specific subcommittee responsibility to address organic agriculture.

I, Mark Lipson submit this testimony on behalf of the Organic Farming Research Foundation (OFRF). OFRF is a non-profit, charitable organization dedicated to the improvement and widespread adoption of organic farming practices. We sponsor research related to organic farming practices, disseminate research results, and educate the public and policy-makers about organic farming issues. I have worked for the Foundation since 1995 to cultivate federal policies encouraging organic farming.

OFRF is governed by a majority of certified organic producers from throughout the U.S. Since 1990 OFRF has awarded 240 grants for organic research and education totaling $1.6 Million. These grants have leveraged millions more in other resources, and have been critical in establishing the emerging national capacity for organic agricultural science. Through our website (www.ofrf.org) and our print publications we provide the results of our research grants to every certified organic producer and all others free of charge. Our public policy program includes a series of national surveys of organic farmers, policy analysis, and stakeholder recommendations to Congress and USDA.

I have been an active partner in an organic vegetable operation, Molino Creek Farm, since 1983. In the late 1980s I worked on the overhaul of the California Organic Foods Act and I helped to instigate federal OFPA.

For the nation's 10,000 organic farmers, this hearing is a historic juncture. This is the first time this Chamber has held a hearing dedicated to organic agriculture, and the first in either chamber since the Organic Foods Production Act (OFPA) was passed in 1990. We look forward to answering your questions, building the record with you, and taking federal policy for organic farming and ranching to a new level of intention and success.

We urge that you to recommend to that the other subcommittees dealing with research, conservation, livestock, and nutrition also seek input from organic stakeholders, as specific legislative proposals come under consideration.

Uniqueness of Organic Agriculture and Policy Needs

Organic agriculture has many unique facets, and the OFPA is likewise a unique statute. It embodies an ecological-systems approach to crop and livestock production and processing, and it prescribes a complex certification and labeling program which applies the force of the marketplace to realize this agro-ecological vision.

This attributes of uniqueness and complexity mean that many aspects of farming practice and corresponding federal policy remain rudimentary. We are still figuring out how to do it right, both in the field and within USDA, and both areas are running mostly on sheer determination and creativity. Despite these developmental challenges, organic agriculture, organic foods and the certified organic label are powerful success stories and they illustrate the power of the marketplace as a vehicle for change and innovation.

In assessing the state of federal organic agriculture policy, it is important to note that when the OFPA bill was first introduced it included a Research title, but this was cut from final law. In retrospect this was highly unfortunate. Deliberate federal investment in organic research and extension did not begin until 2001, and remains miniscule. Lack of research has inhibited U.S. production, and thus there is an accelerating decline of U.S. share in rapidly growing domestic and international markets. This is the number one limiting factor that inhibits the growth of organic agriculture, in turn limiting the beneficial impacts for the rural economy and the environment.

Organic Market Growth vs. U.S. Production Capacity

For most product segments, U.S. organic production is developing and growing much slower than market sales. In turn, sales are not matching potential demand, as restricted U.S. supplies keep prices high and markets untapped. Potential growth of organic market will be stunted without removing blockages to domestic production. The global growth in organic demand will be met less and less by U.S. production. That means either a growing negative organic trade balance, or simply failing to meet consumers' needs. There are three main areas of obstacles.

#1 Problem: Research, Education and Development still Miniscule.

For farmers and ranchers who might take advantage of organic market demand and profits, all of our experience and direct grower surveys indicate that the biggest limiting factor is knowledge. Successful organic farming is management and information-intensive. It requires new knowledge simultaneously for both production and marketing. There is still a widespread

lack of all the essentials: formal research information, organized delivery of information and (crucially) organized guidance from established producers. Notably, this basic lack of research and extension capacity applies to both novices making the transition, and veteran growers facing technical limits to expansion.

The basic research and development part will take the most time to remedy, but rapid payoffs can be realized from increased information delivery and grower education. OFRF has issued recommendations for "Organic Research, Education and Development Policy Targets" and these are attached to this testimony. There are a number of ways to reach these policy targets, and we look forward to discussing these goals further with the Subcommittees.

#2 Problem: Market Infrastructures Missing or Penalizing Organic (Data, Credit and Risk Management). Innovative growers willing to figure out the production challenges mostly on their own still face difficulty with obtaining capital and credit. They are currently charged a 5% penalty surcharge on crop insurance premiums. Both credit and insurance obstacles are directly related to the lack of data on organic production and market economics.

There are initial USDA agency activities starting to work on these problems. With moderate, sustained increases in resources and some specific policy changes these obstacles can be substantially reduced in a few years.

#3 Inadequate Regulatory System and Weaknesses in Consumer Confidence.
Just as organic production is management-intensive, the organic label is regulatory-intensive. The USDA National Organic Program in the Agriculture Marketing Service is not scaled or designed properly to oversee the organic sector in all its complexity and diversity, especially at the sustained high rates of growth. Significant aspects of the 1990 law are not yet fully implemented. This creates doubt for some consumers and trust in the label is clearly vulnerable to the fragility and slow pace of the existing regulatory capacity. Inadequate resources for the USDA-AMS program create unnecessary costs in the certification system, which are passed on to growers and processors, and then to the market. Continuation of USDA's small program for the certification cost-share program, as recommended in the Administration's Farm Bill proposal, can keep these costs affordable for smaller businesses, but only if NOP functions much more effectively.

It is also notable that the regulatory program is affected by the lack of research support. NOP is trying to answer many complex regulatory questions (e.g, livestock care, grazing management, organic seed production) not fully anticipated in 1990 law. All of these issues need - but severely lack - scientific data to inform policy formulation.

These issues can and must be remedied within several years, or it will rise up in the ranking of obstacles. A bump up in NOP's resources is extremely well justified by the economic stakes inherently at risk. In other words, moderate increases in NOP spending will result in much greater cost-effectiveness of this program.

Organic Research, Education and Development (O-RED) in Federal Policy

Research policy was first established by Congress in 1998 AREERA (delayed research title from 1997 Farm Bill). The bill's background language, "..takes note of the need for organic research and extension."

The first appropriations for organic research were proposed in the President's FY 2001 budget under authorization for Sec. 406 Integrated Programs and Congress appropriated $2.1 Million for an Organic Transitions Research (ORG) program within CSREES starting in FY01, and this allocation has continued at slightly varying levels through FY07.

In the 2002 Farm Bill the Organic Research and Extension Initiative (OREI) (Sec. 1672B(e)) was established with $15 Million of Farm Bill spending over 5 yrs. USDA combined management of OREI and ORG under the Integrated Organic Program (IOP). This has been an excellent start-up, strongly oversubscribed with qualified proposals. The review panels have had good research expertise, reasonable producer expertise, relatively weaker on extension expertise. The first wave of projects is just reaching publication stage.

These early efforts do not yet full efficiency of expenditure. Many of these grants are covering startup costs at Land Grant institutions, and there are steep learning curves for many sites to establish basic organic research capacity.

Scientific leadership for organic research and extension is a crucial issue. For the last two years CSREES has had an Interim Organic Program Leader position, with faculty on detail from the University community. This position has been focused on investigating the Agency's needs and opportunities in organic agriculture science. We recommend that the Subcommittee request information from the IOP managers on the program's portfolio of applicants and grant awards, and the findings of the Interim Program Leaders.

The USDA Agricultural Research Service has developed a small but significant organic research portfolio. A recent stakeholder workshop for the ARS Integrated Ag Systems program has produced a very promising action plan which we hope will receive strong support for implementation.

Elsewhere in the USDA's Research, Education and Economics, there is a small cadre of personnel producing excellent data on marketing and production economics. This work has a very small amount of support from direct appropriations and through grants from USDA's Risk Management Agency.

There is a very important portfolio of organic research and especially extension training that has been funded by the CSREES Sustainable Agriculture Research and Education (SARE) program.

Overall, these programs have succeeded at creating a good set of prototypes, on shoestrings, in scattered parts of the country. But after decades of official opposition to organic research and extension, we have only begun to address the backlog of basic and applied organic systems research. Cumulative spending on organic R&E among all the REE agencies

currently amounts to less than $20 Million, and thus is not even 1% of total USDA spending in this area. Meanwhile the organic market is moving past 3% of total U.S. food sales and still rising at double-digit rates.

O-RED must be scaled up, not only to meet market needs, but because of the potential contributions organic food and farming can make to our multiple challenges of dietary health, energy, and rural economic development.

We need a diversity of approaches to solving these problems, and modestly increased federal investments in organic R&E can deliver very good returns for our economies (local to international), the American environment, the quality of food in our schools, and the survival of our small-scale farms.

Thank you for the opportunity to testify today. We will be extending our written submission to the record with additional data.

ORGANIC FARMING RESEARCH FOUNDATION

Organic Agriculture Research Policy Targets in the 2007 Farm and Food Bill

Recommendations for Coordinated Organic Agricultural Research, Extension, Education, Economics and Development ("O-RED")

Synopsis: A coordinated strategy for scaling-up organic agricultural research, outreach and development should provide a mixture of funding methods and programs to gradually achieve an overall "fair share" spending total of approximately $120 million/year. Critical program priorities are identified as components of this integrated approach.

- **Integrated legislative approach**. 2007 marks 10 years since Congress first recognized organic agricultural research in policy language. Organic research and extension is still emerging very slowly, in a piecemeal fashion within USDA-REE agencies. 2007 Farm & Food Bill legislation should define a coordinated strategy to move forward deliberately from this rudimentary state. With public resources generally declining for agriculture science, increasing demand for organic research and education must be met with maximum fiscal efficiency. In addition, with multiple proposals for major restructuring of USDA-REE agencies and land-grant university formula funding, organic research outcomes may easily get lost in the shuffle. Legislative policy should address the needs and opportunities of organic agriculture as a whole, taking an integrated approach to policy goals and funding levels. Appropriate configuration of agency roles and objectives should follow logically from the overall policy targets, within whatever new institutional structures are devised.

- **Overarching "Fair Share Goals" policy language**: Current USDA-REE agency resources applied specifically to organic agriculture total about 0.6% ($12 Million) annually, well behind current (2007) market share of 3% (of total U.S. food retail). U.S. organic consumer demand continues to double every 3-4 years. Established trends will take organic "market share" to nearly 10% by FY2012. Due in part to the dearth of research and development funding, domestic organic production is not adequate to meet current demand. As U.S. producers fall further behind the growing requirements for organic supplies, the balance of trade in organic goods will continue to worsen. An increased rate of growth for U.S. organic production –to achieve a "fair share" of the demand for U.S. organic producers -- requires a coordinated approach to research, extension and development, and an overall funding baseline that gradually approaches a "fair share" of USDA-REE resources by FY 2012.

- **Total coordinated "O-RED" funding baselines**: Assuming a rough constant baseline of $2 Billion for USDA-REE agencies (or successors), organic REE fair-

share funding *ought* to range from $60 Million in FY08, reaching close to $200 Million in FY2012. We suggest an overall policy target of $120 Million annually, rising significantly from current funding but gradually to match increasing capacities.

- **Mixture of funding and program approaches**: USDA-REE agencies and land-grant universities need a minimum funding threshold to build capacity in organic agriculture. However, agencies and institutions vary widely in their readiness to effectively utilize increased funding. We recommend a mixed approach that allows for gradual increase of resources, subject to institutional capacity and performance. Accordingly, the overall policy target should be split approximately in thirds:

  - o Mandatory allocations ($40 Million annually).
  - o Additional discretionary authorizations (up to $40 Million annually).
  - o Utilization of all USDA REE and Rural/Community Development competitive programs for appropriate organic research, outreach and development objectives, as capacity and merit are demonstrated (gradually reaching up to $40 Million).

- **Critical Program Objectives for Organic Research, Extension, Education, Economics and Development**:

  - o Establish permanent scientific and administrative leadership positions to manage USDA-REE agency activities in organic agriculture, and to coordinate with other USDA branches.
  - o Significant scale-up of the existing successful CSREES competitive organic grants program (the Integrated Organic Program).
  - o Establish long-term core capacities within each region of USDA-ARS, including information management infrastructure at the National Agriculture Library (ARS-AFSIC).
  - o Provide capacity for state and multi-state organic extension services, especially targeted to new and socially disadvantaged producers.
  - o Enhance the organic data collection program efforts.
  - o Train Natural Resource Conservation Service personnel and Technical Service Providers in organic principles and practices, for integrating organic and transitioning operations into NRCS conservation programs.

3/1/07

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TESTIMONY OF
MANUEL EDUARDO VIEIRA
A.V. THOMAS PRODUCE
LIVINGSTON, CALIFORNIA

FOR THE COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON
HORTICULTURE AND ORGANIC AGRICULTURE
Hearing on Economic Development Impacts of Organic Production and Processing

U.S. HOUSE OF REPRESENTITIVES

APRIL 18, 2007

Chairman Cardoza and Members of the Subcommittee:

My name is Manuel Eduardo Vieira. I live in Livingston, California where I own A.V. Thomas Produce. We are growers, packers and shippers of organic yams and sweet potatoes. We started with 10 acres of organic in 1988 and now grow over 1500 acres of organic yams and sweet potatoes. We ship our organic product all over the United States, Canada, Mexico and Europe. A.V. Thomas Produce has been in business since 1960.

I would like to start by first expressing my thanks to Chairman Cardoza and Ranking Member Neugebauer and the rest of the Subcommittee for your commitment and dedication to agriculture as a whole and especially to organic farming as of recent. I would also like to express thanks of our organic community for holding this hearing so that all may have a better understanding on how truly important organic farming and sustainability is for the future and well being of all.

History:

California's Central San Joaquin Valley is long known for its prime weather and growing conditions for many fruits and vegetables. The dry, sandy soils, mild weather in the spring and hot, dry summers in Livingston, California are all necessary and crucial elements in the farming production of quality sweet potatoes and yams.

A.V. Thomas Produce is in our 47th year of growing, packing, marketing and shipping California sweet potatoes and yams. The story of A.V. Thomas Produce began in 1920

when my Uncle, Antonio Vieira Tomas, emigrated from the Azores Islands to the United States, and settled in Livingston, California. In 1960 he began packing conventional sweet potatoes in a small packing shed. I was also an emigrant of the Azores Islands and completed a degree in Business Administration in Rio de Janeiro, Brazil. In 1972, I joined my uncle. Over the next few years I spent many hours listening and learning how to grow and market sweet potatoes. In 1977 my uncle offered me the opportunity to buy A.V. Thomas Produce.

The next 12 years I spent learning how to improve our farming techniques and how to grow our sales. What was also growing was the amount of synthetic chemicals and fertilizers we were putting into the ground. As I traveled the country to meet with customers, I met a lot of wonderful people. Many of our conversations seemed to eventually lead to how we were continuing to wrongly impact our earth. This is where my idea of starting an organic program within our company started and by 1988 we were farming 10 acres of organic ground.

We are now dual-certified organic by California Organic Farmer's Association (COFA) and Organic Crop Improvement Association (OCIA). Today we are growing over 1500 acres in organic yams and sweet potatoes. 2007 marks the first year that we are 100% organic in farming acreage. We have our own seed program and are dedicated to the continuation of providing healthy organic food.

A.V. Thomas Produce employs 150 to over 600 people in our community throughout the year. We are very involved with fundraisers and providing sponsorships to the many organizations that are in and around our area. We are also members of important organizations such as The California Sweet Potato Council, Organic Trade Association (OTA), Organic Farmer's Research Foundation (OFRF) and ATTRA- National Sustainable Agriculture Information Service.

Challenges:

Economically, we are being directly impacted as organic sweet potato farmers. One of our major challenges that we face is the cost related to farming, production and transportation. Another challenge that we face is the need for more crop-specific research.

Organic farming has come a long way since 1988, when we first started our small program. We have seen tremendous advances in the whole organic process. With this change also come increased costs associated with every facet of the operation. The cost of land is one of our major challenges. Most of the land that we farm is rented. Owners of this land want top dollar for their property. Many times we have to rent land and transition it into organic where we might farm it for 1 or 2 years after the initial 3-year conversion into organic period. What this means for us is a lot of time invested into many acres where the process has to keep repeating itself. In rare instances do we have the opportunity to control the rented land for more than 5-6 years. The problem is

that we don't have much of a choice because land around our area is becoming so expensive. The average farmer cannot buy land to farm and expect to make a living. The land that is prime for growing sweet potatoes now has to compete with the local housing market and new university that is transitioning into our area over the next 5 years.

The cost of organically approved fertilizers, nutrients and other import inputs are substantially more than their conventional counterparts. We put a lot of money into our fertilization program in order to adhere to the strict requirements put forth by the National Organic Program (NOP). It is a vicious circle that we face. With increased costs come the need for bigger yields, but in order to get bigger yields we must invest a lot of money into a responsive fertilization program.

The cost of fuel in our organic operation, as you know, is also rising. Not only do our operational costs jump through the roof with increased fuel prices, but so to do our shipping costs because the trucking companies are also suffering. We use fuel in our service trucks, irrigation pumps and tractors. We ship our product daily to the major distribution centers and markets in California.

The cost of irrigation water in our area has been another challenge. Pumping large amounts of water into our fields requires the use of a lot of energy. We depend on water that is provided through reservoirs and a complex canal system to be delivered to our organic fields. Along with this water comes rising fees from our local county irrigation districts.

Lastly, there is a tremendous need for organic research with sweet potato varieties. We currently have University of California, Davis working with the California Sweet Potato Council to provide minimal research and plant stock on conventional Sweet Potatoes. The Council receives money from each of the shippers; depending on how many acres they farm. This money is used by U.C. Davis to create new varieties that are pest and disease resistant. U.C. Davis also provides limited virus-free plant for our purchase. We currently have no source for research on organic sweet potatoes.

I would like to see more money devoted to research in creating virus-free and pest resistant varieties of sweet potatoes for organic farmers in California. This type of technology is available for conventional product, but has yet to see its way into the specialized sector of organic farming. This would allow us to not be at the mercy of pest damage. It would also save money in planting costs and labor costs associated with pest management and losses associated with sweet potatoes that cannot be marketed due to pest damage.

I would like to conclude by once again thanking Chairman Cardoza and Members of the Subcommittee for the opportunity to share with you a little about my company, and some of the important economic issues that we face. We realize the many challenges that congress faces during these important times and are pleased that we the people have a voice and that these issues are being addressed.

Manuel Eduardo Vieira
President
A.V. Thomas Produce

Testimony – US House of Representatives,
Subcommittee on Organic Agriculture and Horticulture
April 18, 2007

Mary-Howell R. Martens

"I wish you didn't have to do that!" I was standing by the kitchen door, several months pregnant with our second child, as I watched my husband, Klaas, leave the house dressed for battle in his white Tyvek 'zoot suit' and special heavy green plastic gloves, ready to attack and subdue the Enemy - the weeds.

"Me too, but what choice do we have?" It was 1991, the first year after we split up the farm partnership with Klaas' two brothers. It was not easy farming over 600 acres, just the two of us. Farm prices are never good, weather is always risky, but at least we had one advantage over many of our neighbors. Weed control was rarely a problem since Klaas was very good at planning herbicide combinations and schedules. In my job in the grape breeding program at the New York State Agricultural Experiment Station, I was also responsible for planning the vineyard spray program, so Klaas and I spent numerous romantic hours of our courtship discussing the relative merits of this chemical and that.

How do two people so apparently committed to the agribusiness ideal of American farming end up operating a large organic farm, not very many years later? We truly believe that we were like many conventional farmers, using the chemical fertilizers and pesticides simply because we saw no other alternatives, but very concerned about what it might be doing to us, our family, our land, and our environment. We farmed conventionally because we had been told so often that it was the only way to survive in agriculture today.

One evening later in 1991, we read a small classified advertisement in a regional farm paper, looking for organic wheat. Immediately Klaas was on the telephone and we were excited - was there really a market for organic field crops? Could it be done? We quickly decided that we would try this new challenge. If there was a way to grow crops organically, we were going to figure it out!

Now, 15 years later, we are farming 1400 acres of certified organic crops – corn, soybeans, spelt, barley, oats, wheat, triticale, red kidney beans, cabbage, hay – and for every crop, there is a strong, profitable organic market. Our 3 children are all active participants on our farm – in addition to working on our farm, 18 year old Peter has rented 250 acres of his own organic land and is earning enough profit to purchase farm machinery and pay for his college education. Fifteen-year-old Elizabeth has purchased heifers with a USDA FSA youth loan, and is transitioning them to organic for her FFA proficiency project, and she is learning much from these animals everyday. Eleven-year-old Daniel helps on the farm wherever he is needed, and all three children are proud to be involved in our farm and proud to be organic farmers.

When we first started farming organically, there were a handful of organic grain farmers

in New York and one organic flour mill. The farmers were limited in their markets and more often than not they sold their grain as conventional because there were few opportunities. Our Land Grant University, Cornell had few research programs relevant to organic farmers, so we had to meet our informational needs by ourselves.

As the number of organic farmers has grown, so have the infrastructure and the markets. Several conventional grain cleaning facilities became certified and started buying and processing soybeans, spelt and other small grains. One farmer built a pole barn, bought a seed cleaner and started cleaning seed. A conventional soybean expeller saw an opportunity, became certified and started producing organic soybean meal and soy oil. Other farmers became salespeople for the products we use. There are now at least 4 certified organic soybean cleaning plants, an organic soybean roaster, an organic soybean expeller, an organic flour mill, an organic buckwheat processor, an organic nut butter plant, several organic milk processors, an organic tofu maker, an organic slaughterhouse, organic vegetable processors, and a organic large spelt de-huller, all in New York state, with more grain processing operations coming in the near future.

In the mid-1990's, Klaas and I began grinding organic animal feed on-farm for several New York organic dairy farmers. In 2001, we had enough volume and customers to justify purchasing the Penn Yan Agway feed mill, scheduled for closure, and with the help of a USDA Rural development grant, we converted it into a fully organic feed mill now known as Lakeview Organic Grain LLC. This operation, now employing 7 full-time employees and 2 full-time truck drivers, serves over 300 organic dairy, poultry, pig, and goat farmers in New York and Pennsylvania, cooperates closely with several other midsize feed mills in the area, and supplies organic crop seeds and other supplies to farmers throughout the Northeast. We purchase organic grains from many farmers in New York, Pennsylvania, Maryland, the Midwest, Canada and even South America, we work with brokers like Clarkson Grain, all to maintain an adequate supply of grain to meet the rapidly growing organic feed demand. We are now grinding more fresh organic feed at Lakeview than Agway ever did in this facility, and the demand just continues to grow – we are even grateful that now we have some competition in the New York organic feed business, the pie is big enough for us all!

Transition is a frustrating period for many people and without the examples of other organic farmers who are successful and supportive, like many people, we might have concluded that organic farming could not work. We are active in a local group of organic farmers, called New York Certified Organic, which provides an inclusive haven of educational programs, support and information for both new and experienced organic farmers in our area. Frequent meetings offer opportunities for us to share and learn from each. We work closely with the researchers from Cornell University, grateful for the facility they provide for our meetings at the NY Ag Experiment Station in Geneva and for their very active interest in organically applicable research. Cornell has hired new faculty members with organic interests, initiated new research programs, and their support of New York organic farming continues to grow. Cornell researchers have sought and received funding for organic agricultural research whenever there has been applicable Federal funding available. Many of us provide organic land for Cornell field

trials, participate in research projects, and serve on Cornell and Cooperative Extension advisory committees.

Over the past 15 years, we have seen organic farming provide a strong, viable alternative for many Northeast farms with profitable prices, successful agronomic practices and a supportive community of farmers and buyers.

We have watched many farmers and their families move from frustration, financial uncertainty and discouragement to real hope, satisfaction and pride, seeing that their farms can succeed, that farming can again be fun, and that cooperation with their neighbors is more productive than competition.

We have delighted in many many weed-free, high yielding fields of organic crops, pastures of healthy high-producing organic cows, all without pesticides and antibiotics, because organic farming does work, it works very well, reliably producing highly productive, high quality food and feed.

We have smiled as non-farmers in our town stop us to express their pride in the growing number of organic farms in our area, because they know that they too benefit, environmentally and economically, from this change in the local agriculture. Organic food is a demand-driven market, and if we American farmers do not supply the demand, the market will be filled with imported organic food. By supplying this market domestically, there is a definite multiplier effect – the money stays in the community and it benefits many businesses, not just agricultural ones.

We have witnessed the effect that our business alone has had on our local rural community, creating new well-paying, interesting jobs and new sales opportunities for other area vendors, machinery dealers, trucking companies, banks, hardware stores, utilities, and of course other farmers. The ripples are spreading wide from this one stone thrown into the small pond of Penn Yan, NY and there are organic stones like ours throughout the United States having similar profound impacts!

Where do we go from here? At this time in New York alone, there are over 600 certified organic farms, more than 250 organic dairy farms alone, representing over 100,000 acres of certified organic farmland. As you can see, organics really does contribute significantly to the agricultural income of our state.

The National Organic Program, which does a fine and dedicated job and which we fully support, needs increased funding so they can fairly and stringently implement the program, thereby assuring a high level of integrity and reliability for consumers, farmers, processors and certifiers. At this time, the NOP is extremely underfunded and understaffed. The organic sector has grown by an average of 20% per year for over ten years, yet the NOP still functions with the same budget ($1.2 million) and the same number of staff (8) that they had when formed. The NOP has been expected to keep pace with the growth of organic products in the entire country, the whole world actually, with no increase in resources. The NOP share of the USDA budget should represent at least

the same percentage that organic does out of all American agriculture, adjusting each year to keep pace with the annual growth rate that organics has recently experienced.

We also need more funding for agronomic research, so that we can better incorporate cutting-edge science, superior tools and techniques, and a holistic understanding of how to 'do" organic farming better. We need funding for NRCS personnel and projects to improve farmland, to make it more productive, stable and to really be an environmental asset to the community. We need reliable funding for informational services like ATTRA and SARE, which directly benefit farmers, Extension and University researchers. We need Risk Management and educational assistance to help farms through transition, so we can significantly increase the supply of organic grain to better meet the growing demand.

In conclusion, I want to personally thank all of you for taking the time and the interest to form this subcommittee and to listen to us. Agriculture in the United States is diverse, but organic agriculture is no longer simply an inconsequential niche for the counter-culture or the very affluent. The tools and techniques we are learning on our organic farms now, especially in regards to soil health and soil fertility management, will be critical in bringing sustainability and stability to our food system as our energy supplies change. The profitability of small to mid-size organic farms today is key to developing a group of enthusiastic, skilled, and intellectually curious young people, eager to farm and produce food for this country. The growth of diverse and profitable local agricultural systems is essential to maintaining our healthy rural communities.

Organic agriculture can – and does – all of that. We look forward to working with you to further these goals.

Testimony of Scott Lively
Before the Subcommittee on Horticulture and Organic Agriculture
Committee on Agriculture, U.S. House of Representatives
Wednesday, April 18, 2007

Good morning, Mr. Chairman and Members of the Subcommittee. I am Scott Lively, President and CEO of Dakota Beef, LLC.

First and foremost, thank you for inviting Dakota Beef to participate in this important discussion about the future of a growing sector of the economy. As an established participant in this dynamic industry, we are pleased to lend our assistance as you work toward the further development of sound fiscal and policy strategies.

Dakota Defined

Over the past 7 years, Dakota Beef has worked diligently to become a leading provider of U.S. produced, handled and certified 100% organic beef. These efforts have been guided by increasing consumer demand with a focus on the development of high quality products raised on U.S. soil by local producers. The result is that we, at Dakota Beef, are proud defenders of the organic industry as a whole and all of its vast implications for both consumer and producer. We are dedicated to promoting the sustainability and overall well-being of our farmers, employees and the rural communities in which they live. Dakota Beef works hard to continue to grow the organic market while striving to uphold the integrity of the organic label through stringent production and handling models.

Industry in Brief

As national policy makers and members of the D.C. political community you know, arguably better than most, that there are "numbers" and then there are "numbers." You

can play with statistics and you can discuss margins for error but there are some things that we cannot dispute. Dakota Beef and others within the industry would argue that you cannot ignore the significance of these numbers:

- 70% of consumers purchase organic products at least occasionally[1].
- Consistent market growth over the past 10 years is close to 20% per year[2].
- Rapidly approaching a $40 billion industry[2].

There are additional statistics of particular relevance that will surely be highlighted by other individuals through their testimony, but those previously mentioned suggest the importance of this industry to the larger agricultural sector of the U.S. economy.

At Dakota Beef, of certain interest is the reported **55 percent growth rate of the organic meat** category[3]. Market trends suggest that we can expect the growth rate of organic meat to exceed 70 percent for 2007. Clearly the organic market is growing and changing at a rapid pace. As such, new and additional resources are needed to meet consumer demand and effectively provide a foundation for increased commerce.

On the grand scale, of the nearly **70 percent of American consumers** purchasing organic products (2), they are doing so because:

- It is better for the environment (58 percent).
- It is better for their health (54 percent).
- It is better for supporting small and local farmers (57 percent)[4].

These consumer perceptions, in part, stem from the early and ongoing grassroots efforts of industry pioneers and stakeholders. For those familiar with the National Organic Program, it can be effectively argued that the National Organic Program represents one of the strongest process claims in USDA history. The Program standards,

including the production and handling substances used, are verified by third party USDA accredited certifiers at least annually. The execution of this review and certification process ensures product integrity and provides the very foundation upon which consumer confidence so clearly relies.

As consumer interest continues to foster industry growth at the exceptional pace of nearly **20 percent per year**[2], we begin to see a transition in the distribution of organic goods. According to *The North American Market for Organic Meat Products*, "Organic Monitor" findings from a survey by *Supermarket News* showed 61 percent of consumers who purchase natural and organic foods buy them in supermarkets.

This is a significant shift from the historical purchase of organic foods at small independent retailers. This shift is presenting new supply side and distribution demands that must be met and which will require the commitment of additional USDA resources for oversight and possibly more importantly, for enforcement.

Given the data presenting current growth and potential within the organic industry, it can be supposed that in order to uphold product integrity and maintain consumer confidence additional support must be afforded to the industry via national channels. Based upon our direct experience within the industry, we recognize three significant areas that when addressed will play a defining role in assuring the ongoing success of organic agriculture in this country:

1. Continued and improved USDA oversight of the National Organic Program.
2. Increased organic agriculture and economic research.
3. Elevated compliance assessments and oversight, including but not limited to, unannounced inspections for imported organic agricultural products.

Continued and Improved USDA Oversight of the National Organic Program

Since the full implementation of the National Organic Program on October 21st, 2002 the USDA NOP staff has provided a respectable level of oversight and training. We are grateful for their dedication and expertise. However, the limited available resources for the staff threaten the future growth and success of the organic industry. As consumer interest continues to increase at such rapid pace, product demand follows. The outcome is simple - demand for organic products is exceeding supply in most cases, resulting in a greater potential for fraudulent behavior to become more prevalent. Consumer confidence in certified organic products is a direct result of organic product integrity which, in turn, is dependent upon National Organic Program oversight and enforcement. In order for USDA to coordinate their efforts with other agencies and provide sound oversight, additional funding must be allocated in the 2007 Farm Bill. Significant outreach and education has occurred in the organic industry to prepare for continued market growth. Much of this has been initiated and funded by industry stakeholders. In order to maintain a healthy market; one in which consumers, farmers and potential stakeholders are confident, the organic industry must have an elevated financial and resource commitment from Congress and the USDA.

Increased Organic Agriculture and Economic Research

As organic products enter mainstream retail venues, new consumers are beginning to purchase more organic products thus creating additional product and supply side demands. This promising reality presents ongoing challenges for organic agriculture and economic research. American farmers noting these market opportunities are in need of

consistent and thorough resources regarding the requirements of National Organic Program production.

Land grant universities are just beginning to enter the organic research arena. Organic production and handling educational opportunities, while improving, currently fall far short of keeping pace with market growth and future farmer interest. Additional funding is critical to ensure that land grant institutions and other organizations further existing research and have an opportunity for future research, education and outreach.

Elevated Compliance, Assessments and Oversight, Including, but Not Limited to, Unannounced Inspections for Imported Organic Agricultural Products

We live and work in a global marketplace. Consequently, the organic industry is rapidly expanding its presence in the international marketplace. Consumers and farmers alike are concerned with regard to those organic agricultural products that are currently sourced from other developed and developing countries in order to meet U.S. consumer demand. In fact, some stakeholders have been forced to incur additional costs to accurately and comprehensively verify that their organic ingredients and/or finished products meet the requirements of the National Organic Program. This disrupts trade, unnecessarily burdens stakeholders and inflicts doubt on consumers. Additional resources and funding must be made available to rectify this unfortunate reality.

A Future Defined in Part by the Past

As an organic industry stakeholder we are constantly seeking the means to ensure a sound future for the organic industry. We are not alone. Others, including the Organic Trade Association, have put pen to paper and determined proper funding levels for the dynamic organic industry. We understand the total amount of funding requested to be

near $150 million. Recognizing the level of commitment and effort necessary to ensure sound strategies and efficient use of funds, we support this funding request.

The pioneers of the organic industry have, in many cases, dedicated their lives to the development of a sound national standard. The continued oversight and enforcement of this strong national standard is paramount. The 101st Congress worked diligently to complete the Organic Foods Production Act of 1990 (OFPA); the statute which enabled the implementation of the National Organic Program Regulation. The OFPA states three purposes:

1. To establish national standards governing the marketing of certain agricultural products as organically produced.
2. To assure consumers that organically produced products meet a consistent standard.
3. To facilitate interstate commerce in fresh and processed food that is organically produced[5].

A purpose of OFPA is "assuring consumers that organically produced products meet a consistent standard." This purpose is perhaps even more important in today's global organic marketplace than ever before. We respectfully suggest that you employ this creed as you seek to safely facilitate the answer derived from a most appropriate question: "What revolutionary changes are in store for agriculture in the foreseeable future? We will likely see continued specialization and growth in the areas of sustainable agriculture, organic farming, niche farming, and direct marketing[6]."

Closing Remarks

Once again, thank you for the opportunity to be a part of this very important public process. We look forward to working with you as you continue to determine the means by which to support the organic industry. Your work sends a clear message to the

organic farmers, their families and their communities as we all strive to provide sound and truthful choices for organic consumers. Should you desire Dakota Beef to serve as an ongoing participant in this important dialogue, we can provide additional resources and time.

References:

1. The Hartman Group's report, Organic Food & Beverage Trends 2004: Lifestyles, Language and Category Adoption.

2. OTA's 2006 Manufacturers Survey

3. OTA's 2006 Manufacturers Survey

4. 2004 Whole Foods Market® Organic Foods Trend Tracker.

5. OFPA and SENATE AND HOUSE REPORTS ON OFPA. Report 101-357, pages 1174-1175.

6. USDA, National Agricultural Statistic Services, National Crop Projects, Trends in U.S. Agriculture

Robert Pike
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Braswell Foods/Glenwood Foods
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Testimony before the United States House of Representatives
Agriculture Subcommittee on Horticulture and Organic Agriculture
4/18/07

Good Morning. Thank you for the opportunity to speak to you about organic egg and feed production. My name is Bob Pike and I am the General Manager of Braswell Foods family of companies.

Braswell Foods is a family owned company that produces, processes, and distributes eggs and feed in the mid Atlantic region. We are owned by Scott Braswell, who is the third generation. The company's heritage can be dated back to 1834 to a small water powered corn milling operation in Nash County North Carolina.

From that small beginning, the Braswell Family has grown the company to one of the largest egg and feed producers in the mid Atlantic region. Our current operations consist of 5 operating companies with over 150 employees and contracts with 23 family owned organic farming operations.

In 1996 Braswell acquired Glenwood Foods in Jetersville Virginia, which was an established egg producer and market to the Virginia region. Just prior to our acquisition, the previous owners had seen the need to start producing and marketing organic eggs. They were true pioneers because this was before it was cool to be organic and long before the USDA certification requirements that prevented fraudulent marketing of organic products.

Beginning with a flock of 15,000 birds, our flock size is approaching 400,000 birds producing 10,000,000 dozen eggs per year under the Eggland's Best and other branded labels that can be found in most

retail and natural food stores from Maine to Florida. We also export product into Canada and Bermuda. Braswell is a fully integrated organic egg producer with our own feed milling, pullet growing, liquid egg product and distribution operations. All of our operations have been certified by QAI (Quality Assurance International) from day one. The Braswell Family of companies enjoy a reputation of being one of the country's premier organic egg and feed providers with sales of over $20,000,000 per year.

Our feed milling operations not only supplies feed to our own birds but to other organic livestock operations. We purchase organic corn from 7,000 acres and soybeans from 6,000 acres of certified land. Most of the grain that we buy is from the mid west. We have established buying programs to encourage grain farmers in our local area to convert to organic production by paying premiums for their grain during the transition period of three years in exchange for the following three years crops.

We traditionally pay from 50 to 100% premiums for these crops over regular commodity crops; with today's pricing for Organic Corn being over $9.00 per bushel and bean meal over $600 per ton.

Organic production has also had a great influence on our conventional operations. We have implemented many of the third party certification principles in our food safety, animal welfare, and environmental programs. Brawell is the first and only ISO 14001 certified egg company which shows the continued commitment to produce the best products while striving to improve our environment.

As a part of the rapid growing organic community, we have seen many changes and challenges as we strive to serve the customers demand for organic products. One key event that has helped committed organic producers such as Braswell was the implementation of the USDA certified organic program. For the most part this program has leveled the playing field for fair competition and has provided assurance to the consumer that organic products are what they say they are.

This program has been government at its best but still needs Congress's support as the demand for more certification both domestic and foreign suppliers increase. For example, China is making Organic Soybean

meal available to our North Carolina feed mill at a price that is 25% less than we are paying for Midwest meal. As the US demand increases and if the US farmer does not put in more acres of organic grains, supplies of organic products will be needed to fill the gap from off shore sources. These sources will need to be held to the same high standards that our domestic suppliers are and USDA will need more resources to do this.

Another area of concern and challenge and some what of a paradox is the use of organic fertilizers (livestock waste) on our crop lands while some of environmentalist friends have targeted this practice as not good for the environment. Some even have said that this organic material should be classified as "Hazard Waste" and treated as other waste that would fall under the Superfund law. If our laws prevent the use of this natural product which has been used to grow crops since the beginning of time, the organic food industry would collapse.

The Braswell family would hope that if you have not tried some of our eggs that you will in the future and invite you to see our operations in North Carolina and Virginia. Thank you for the privilege to appear before you this day.

TESTIMONY OF LA RHEA PEPPER

PRESIDENT, ORGANIC ESSENTIALS

BEFORE THE

HOUSE AGRICULTURE COMMITTEE, SUBCOMMITTEE ON HORTICULTURE AND ORGANIC AGRICULTURE

WEDNESDAY, APRIL 18, 2007

Good morning, Mr. Chairman, and members of the Subcommittee. My name is La Rhea Pepper and I am the CEO of Organic Essentials in O'Donnell, Texas. Organic Essentials manufactures organic cotton personal care products such as cotton balls, swabs, and rounds. Until our recent sale of part of our business, Organic Essentials was also the U.S.'s leading manufacturer of organic cotton feminine hygiene products.

I am also an organic cotton farmer. My husband, Terry, and I farm 1,100 acres of organic cotton near Lubbock, Texas.

As such, I am very familiar with both the production and processing of organic cotton and related products.

Many people are surprised when they hear about organic cotton. They know about organic food, but apparel, home textiles and personal hygiene products? You can't eat them, so why make them? So I'd like to step back a bit and tell you about what organic cotton is, why it is so important to the global environment, and how rapidly the market for organic fiber products (note that other organic fibers are also available including organic wool, organic linen, and organic silk).

How did my husband and I get into organic cotton production? Frankly, we couldn't help ourselves. Stewardship of the land is my heritage and part of my legacy.

By way of background, family farming in the early 1900's and through the 1960's brought health, wealth and prosperity to America. There was a time when the farm supported the family.

When my grandfather started farming in the 1920's, he bought everything he needed for $1200. Over the years he sold the cotton he grew for about 50 cents a pound. When my father started farming in the 1950's, the situation had started to change. He had to pay $4,500 for one tractor and a cultivator and planter and sold his cotton for 35 to 50 cents. In 1979, Terry and I started farming and were able to buy one used tractor for $37,000 and sold cotton for 47 cents. Today, if we could buy a new tractor, it would cost over $100,000 and conventional cotton is selling at

53 cents per pound. The reality is that the cost of cotton production has increased significantly while the return has actually gone down despite the technological advances.

In the 1980's, our family had to have someone working off the farm in order to bring in enough income. This was a reality with many other families as well. Times were changing and we needed to change as well. But we didn't just leave one foot on the farm – we started looking into how to diversify the farm itself.

Given our commitment to being stewards of the land, and our concern about the extensive use of pesticides on the 3.4 million acres of conventional cotton all around us in the Lubbock area, we became certified organic farmers in 1991. Organic production is based on a system of farming that maintains and replenishes soil fertility without the use of toxic and persistent pesticides and fertilizers and genetically modified seeds. Our organic cotton is certified by the Texas Department of Agriculture.

Since 1992, we have worked with other farmers in our area to establish a market and educate consumers, brands and mills about the value of organic agriculture and its products.

In 1993, we and a handful other family farmers came together to form the Texas Organic Cotton Marketing Cooperative, or TOCMC ("TOKMAK"). Collectively, we grew about 1,000 acres of organic cotton that first year, with a yield of 400 bales (roughly 200,000 pounds). Since then, TOCMC has expanded to 30 family farmers growing 8,000 acres of organic cotton in addition to 12,000 acres of organic corn, soybeans, and sesame planted as part of the crop rotation which is required by law to build the soil and reduce pest risks brought about from field after field of the same crop (monocropping). Planting other crops also enables us in our effort to remain diversified for economic reasons.

The High Plains of Texas has since become the largest organic cotton growing region in the United States and one of the largest organic cotton growing regions in the world.

From the beginning of the cooperative, TOCMC has sold our cotton for 75 cents to $1.25 cents a pound based on quality and quantity. We do not consider the higher price for organic a "premium," but instead a fair return on the cost and the investment we have made in our crop. We have openly communicated with our customers, letting them know we're not profiting- we are covering our costs which include greater labor costs and greater risks than in conventional cotton production.

We also work hard to educate brands about the value of organic cotton production– in order to be sustainable, agriculture must be economically viable. Part of the sustainability equation has been that the farm must be economically

viable or it simply cannot operate! One of the ways we educate brands is by holding annual Fall Field Days on our farms.

The photo below shows representatives from companies including Nike, Patagonia, Sportif and The Timberland Company attending these tours and learning about organic cotton production.

My husband, Terry, fourth from the left in the top row above, and showing organic cotton seeds to representatives of Mountain Equipment Coop, Nike and Sportif in the photo below (with another TOCMC organic cotton grower Betty Bingham), loved to talk with the brands and was proud that the organic cotton we and the other hardworking members of TOCMC were growing was making their way into apparel, home textiles and personal care products sold across the nation and around the world.

Unfortunately, Terry has since developed a very aggressive form of brain cancer which is why I cannot be with you today and why he may not be with us tomorrow.

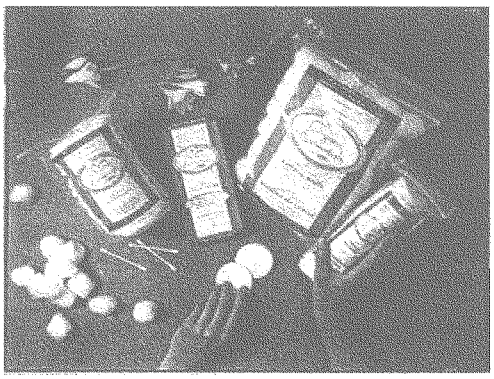
Still others in our organic community may well be affected soon as well – our neurosurgeon told us last week he is diagnosing new cases of brain tumors every week in the Lubbock, Texas area.

I note that according to the U.S. Department of Agriculture (USDA), fifty five million pounds of pesticides were sprayed on the approximately 12.4 million acres of conventional cotton grown in the U.S. in 2005 (the most recent data available). This amounts to approximately 5.8 pounds per acre treated, ranking cotton *third* behind corn (162,424,000 pounds) and soybeans (77,203,000 pounds) in total amount of pesticides sprayed in the U.S.[1]

While we cannot prove that Terry's cancer stems from the millions of pounds of pesticides used on cotton and other crops around us, we do believe the federal government should be seriously investing in alternative agricultural systems that are healthy for farmers, farm families and communities across the country.

Not only would expanded organic cotton production help manufacturers meet their need for organic cotton, but it will also help the nation reach its goals of reducing air and ground and surface water pollution while improving soil quality for future generations.

One of the unique attributes of the organic farmers that make up TOCMC is that they are forward thinking and visionary. One of the first initiatives they undertook was to develop the company "Organic Essentials" in 1996 to create value-added products including feminine hygiene products, cotton balls, swabs, and rounds (for make up removal) to use the 10% of short staple (length) cotton fiber that falls outside of the spinning qualifications and which we formerly had to sell at low prices on the conventional market.



[1] http://usda.mannlib.cornell.edu/usda/nass/AgriChemUsFC/2000s/2006/AgriChemUsFC-05-17-2006.pdf

By creating these products, we:

1- Ensure diversification. We wanted to have a finished product in the marketplace so we could control sales from fiber to the finished product, and
2- Educate consumers about the benefits of organic cotton. Products hold a lot of visual real estate on a store shelf making it a wonderful venue for educating the public.

I am proud to tell the Subcommittee that these products are now available nationwide in venues ranging from natural food stores such as Whole Foods and Trader Joe's to CVS and Wal-Mart.

In the late 1990's, I joined the Organic Trade Association's (OTA) Fiber Council Steering Committee and then the OTA Board where I shepherded the effort to create standards that would govern the *processing* of organic cotton and other fibers. The goal was to enable manufacturers to create finished garments and home textiles that could be considered "organic" from field to finished product. OTA finalized its Organic Fiber Processing Standards in 2003 and they have since been incorporated into the new Global Organic Textile Standards or "GOTS" (http://www.imo.ch/imo_services_textile_gots_en.html) just agreed to by trade and certification organizations from Japan to the U.S. and Europe. As such, there are now new and strong international voluntary guidelines governing the processing of organic fiber products that cover all stages of textile processing, from post-harvest handling, to:

- Wet processing (bleaching, dyeing and printing)
- Fabrication
- Product assembly
- Storage and transportation, and
- Labeling of finished products.

That project in motion, the next step was to unite apparel and home textile companies not only in the U.S. but around the world so as to steer the organic fiber sector forward in a collaborative, coherent fashion. In 2002, I helped co-found a non-profit organization, the Organic Exchange, the goal of which was to facilitate expansion of the global organic cotton fiber supply by working closely with farmers, leading brands and retailers and their business partners to develop organic cotton programs.

Organic Exchange has helped facilitate the use of organic cotton by holding over 15 organic cotton conferences and trainings in supply chain centers, including China, India, the Netherlands, Paraguay (this very day!), Peru, Tanzania, Thailand, Turkey, the United Kingdom and the United States. This year, we will

also hold a regional training in South Africa and our annual conference in Monterey, CA to which you are all invited (www.organicexchange.org).

As a result of the efforts of both the Organic Trade Association and the Organic Exchange, use of organically grown cotton by retail titans, fashion designers and small and medium size companies has resulted in a dramatic growth in global retail sales of products containing organic cotton.

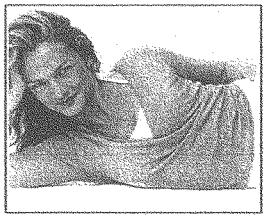
According to the OTA, sales of U.S. and Canadian organic fiber products jumped *40* percent in 2005, amounting to a $160 million.

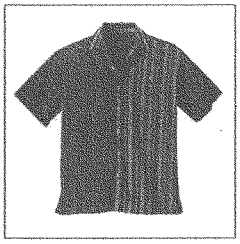
Furthermore, according to an OE report, in the four-year period of 2001 to 2005, *global* organic cotton product sales increased an estimated 35 percent annually, from $245 million in 2001 to $583 million in 2005. OE projects global organic cotton product sales to skyrocket to $2.6 *billion* by the end of 2008, reflecting a *116 percent average annual growth rate.*

According to the report, the five brands using the most organic cotton globally in 2005 were (in order by quantity): Nike (Oregon), Coop Switzerland and Patagonia (California), Otto (Germany), and Sam's Club/Wal-mart (Arkansas).

The names of companies using organic fiber today read like a Who's Who in the apparel and home textiles industry: American Apparel (California), Eileen Fisher (New York), Gaiam (Colorado), GAP (California), Hanna Andersson (Oregon), H&M (Sweden), IKEA (Sweden), Indigenous Designs (California), Loomstate (New York), Maggie's Organics (Michigan), Marks & Spencer (United Kingdom), Monoprix (France), Mountain Equipment Co-operative (Canada), Nordstrom (Washington), Norm Thompson/Sahalie (Oregon), Of the Earth (Oregon), Organic Essentials (Texas), People Tree (United Kingdom), Prana (California), REI (Washington), Sportif USA (Nevada), The Timberland Company (New Hampshire), Under the Canopy (Florida), Whole Foods (Texas) and Woolworths South Africa.

Organic Exchange also identified more than 1,200 small and medium sized brands and retailers offering organic cotton products in North American, European and Asian consumer markets in 2005. Examples of some of the wonderful organic cotton apparel available for children, women and men are below (L-R, children's - Hanna Andersson; women's - Eileen Fisher; men's - Patagonia).





In addition, designers such as Rogan Gregory, Katharine Hamnett and Stella McCartney have included organic cotton garments in their collections, while rock star Bono and his wife Ali Hewson, use organic cotton in their Edun brand co-created with Gregory and launched in 2005.

Sales locations include not only boutiques and specialty stores, but also department stores such as Nordstrom's, natural food independent grocery stores such as Whole Foods, the Internet, catalogs, and even "Big Box" stores.

The tide is turning. More and more consumers, once they learn about the impacts of conventional production systems, want to support products that protect the highest quality of life. And unlike in the organic food industry, where many manufacturers only got involved as a result of consumer pressure, it is the CEO's, designers and product developers of small to massive companies that are driving the increased use of organic fibers.

All together, brands and retailers incorporated an estimated 19,945,200 pounds (or 42,552 bales) of organic cotton fiber into the products they offered to consumers in 2005 from the 2004 harvest. We will have 2006 data this summer.

Organic cotton production and fiber sales to manufacturers also grew during the 2001-2005 time period. Organically grown fiber production increased from 14,285,938 pounds in the 2000-01 harvest to 68,380,699 pounds projected for the 2005-06 harvest, reflecting an average annual growth rate of 76%. Organic cotton was grown in 22 countries in 2004-05, led by Turkey (40 percent), India (25 percent), the United States (7.7 percent – grown in Texas, California, New Mexico and Missouri) and China (7.3 percent). In 2005-06, these four countries are expected to grow 79% of the global organic fiber crop.

Manufacturer demand for organic cotton fiber increased an estimated 93% per year during this time period.

The irony? There isn't enough organic cotton available today for the number of brands that want to use it.

Another irony? The United States (led by Texas) used to be tied with Turkey as the largest organic cotton production area in the world. But quite frankly, the U.S.'s ranking has slipped and the growth in acreage today is happening in Turkey, India and China. Quite frankly, everywhere *but* the U.S.

Why is this incredible "growth" opportunity passing by the U.S.? We face barriers such as:

1. Insurance Policies:
Organic farmers pay a 5% higher multi-peril insurance premium for the same coverage as conventional growers, which are based on conventional cotton prices.

Organic producers need an optional organic coverage level reflecting the higher value of the organic crops.

2. Risk for newcomers of having their crops decertified if sprayed by the Boll Weevil Eradication Program:
Many of the farms where organic cotton is being grown in Texas and Missouri are in Boll Weevil Eradication Zones. As most of the current TOCMC member farmer families were already certified organic before the eradication program was implemented, under the program's regulations they would be compensated if their organic crops were treated. However, until the boll weevil is determined *fully* eradicated, new farmers in the area wishing to get into organic production would not receive compensation for their monetary losses if their crops are treated with the conventional pesticides that are prohibited in organic agriculture.

We were told it would take 4 years and now, almost a decade later the eradication program is still there – instead of declaring the boll weevil "eradicated," the Boll Weevil Eradication Foundation is saying that these zones are only "functionally" eradicated.

Interestingly, while millions of pounds of insecticides are sprayed on the fields all around us, our organic crops have survived the Boll Weevil threat without any of those chemicals.

3. Very limited research and support for organic production practices.
One of the reasons organic cotton production is expanding overseas is that the cotton is still hand-picked. We need to come up with products that meet organic standards but work with the domestic, more industrialized, methods of production. Organic Trade Association surveys over the years have consistently found that organic farmers are calling for weed and insect management products that can help control pests while meeting the organic restrictions.

4. Lack of support by existing national cotton groups.
Virtually every "upland" (vs. pima) cotton farmer in the U.S. must pay Cotton Board assessments on the cotton they market. (Organic farmers are exempted if their farm operations are 100% organic; however, most farmers in TOCMC have mixed organic and conventional operations so have continued to pay the assessment.) The Cotton Board collects these funds, the majority of which are then passed on to Cotton Incorporated whose role it is to provide research and promotional support for "upland" cotton."

The production of organic cotton is creating a positive opportunity for U.S. farmers and could have an even greater impact. However, several times and as recently as just last Fall, those of us in the organic cotton community, Organic Exchange and OTA have had to bring to the USDA's attention the fact that Cotton Incorporated *is actively denigrating* organic cotton production, even though its role

is to promote a particular variety of cotton - upland cotton – *regardless of the method of production.*

We hope Congress and USDA will ask Cotton Inc. to stay fast to its mandate and provide research and promotional support for all upland cotton production practices *equally*. This would include providing research and promotional dollars to help organic cotton production expand in the U.S.

I note that this need for support from the commodity boards is not only for organic cotton. USDA needs to work with *all* the commodity boards to ensure they provide equal research and promotional opportunities to all growers regardless of production method.

Another positive component that would support organic production practices would be to allow certified organic producers to automatically qualify for Tier 3 under the Conservation Security Program.

Lastly, in addition to helping with the specific obstacles we outlined above, we ask you to support OTA's requests to:

1 – Foster the transition to organic agriculture and trade
2 – Eliminate hurdles to organic agriculture and trade
3 – Initiate and fund organic agriculture and economic research, and
4 – Maintain and enhance current agency programs.

Mr. Chairman, I would like to thank you for your interest in supporting and promoting organic agriculture in the United States. Organic farmers are looking forward to having the tools and opportunities that will allow us to take advantage of this growing marketplace. To do so will allow us to provide a healthy, sustainable farming system that has positive impacts not only for the environment, but for all of us that are working and living in these rural communities.

I hope you and the others on the House Agriculture Committee will do anything and everything you can do support and expand organic production in the U.S. in the years to come. We will look forward to working with you in any way possible to help you reach our mutual goals.

Thank you.

Statement of

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Before

The US House of Representatives'
Agriculture Committee's
Subcommittee on Horticulture and Organic Agriculture
April 18, 2007
Room 1301 Longworth House Office Building

Regarding

Organic Agriculture

Chairman Cardoza, Ranking Member Neugebauer and members of the Subcommittee, I appreciate your support for our growing organic community. It is a pleasure to have the opportunity to speak with government policy makers in position to influence the welfare of this very dynamic sector of American agriculture.

Introduction – Clarkson Grain: I appear before you on behalf of Clarkson Grain Co., Inc. Clarkson Grain supplies organic grains, oilseeds and ingredients for foods and feeds. Based in Illinois, we purchase organic corn and soybeans directly from farmers from Texas to Minnesota and from Pennsylvania to the Rockies. We supply organic blue, white and yellow corn; whole soybeans, roasted or raw; soy oil; soy flours for foods and beverages; and soy lecithin. We maintain organic warehouses and processing facilities in Illinois, Iowa and Nebraska. While we buy open market crops, we typically contract with organic farmers prior to planting to produce and deliver what we want when we need it to support regional and national companies delivering an increasing array of high quality, organically certified consumer products. Our own products now find welcome commercial homes in tortillas, breakfast foods, cosmetics, baby food, salad dressings, chocolate, soy beverages and animal feeds. We serve certified organic clients throughout the US and Canada as well as parts of Asia and Western Europe.

Market driven growth – History: Clarkson Grain supports both conventional and organic agriculture. In the 1970s, 80s and early 90s, the company focused strictly on conventional agriculture. In the mid 90s our focus shifted toward organics.

In the early 90's Clarkson Grain supplied high quality food grade soybeans raised without pesticides to an international company serving soy food processors in Japan. That company asked one day if we could supply a container of "organic" soybeans. We agreed and then scurried to learn what "organic" meant. Several months later, we certified our food soy cleaning plant in Illinois as organic and did our best to bond with the small but growing band of organic farmers throughout the Midwest. To our surprise, Japanese demand for organic food soybeans started growing rapidly. At that time, US organic soybean farmers found Japanese buyers paying prices running two to three times that offered for conventional soybeans. Unfortunately, required rotational crops, primarily corn and wheat, did not enjoy such strong organic demand and often went to conventional markets at no premium whatsoever. Then some significant market waves swept the country. Japanese demand for organic soybeans seemed to flag. Meanwhile the popularity of organic soymilk began to soar among Americans. More importantly, the USDA authorized an "organic" label for meats at the same time that demand for organic dairy products began to soar. This rapidly growing feed market boosted demand for not only organic soybeans but also for organic feed grains with corn leading the march and lots of wheat finding homes in the mix. Shortly thereafter, the government and the organic community defined "organic" and brought the US' National Organic Program to life. That created the security needed to encourage major food, fiber and personal care companies to move into the organic market. Leading national companies had been watching consumer choice drive this new market at double digit figures year after year. With the NOP in place, they began creating organic products matched by marketing infrastructure. Today every organic soybean raised in the US has an enthusiastic market home at prices running two to three times the conventional price; every kernel of organic corn has an enthusiastic market home at prices running about twice that of conventional corn. With these and many other crops, demand has outpaced supply.

Organic Farm Econ 101: On Friday morning, April 13, Clarkson Grain bid about $3.50 per bushel for conventional corn and $7.20 for conventional soybeans delivered central Illinois. At the same time, we bid $6.50 bu for certified organic feed corn and $14/bu for organic feed soybeans – picked up on the farm, essentially twice the conventional price. According to replicated studies by Dr. Delate at Iowa State, organic corn yields can be expected to run 90 to 92% of conventional yields; organic soybean yields, 94% of conventional. The biggest challenge in producing good organic corn lies in providing sufficient nitrogen and defending the crop against insects and molds. The biggest challenge in producing good organic soybeans lies in controlling weeds and grass. Good organic farmers using manure and the latest technological advances in agricultural equipment meet those challenges with a cost per acre of no more than their conventional neighbors. Some of the happiest row crop farmers in the US regularly produce over 200 bushels of organic corn per acre and gross well over $1000 per acre. They do so without contaminating the environment. So, if organic prices run generally twice conventional prices, if organic crops yield very

close to conventional crops and if organic operating costs are no higher than conventional costs, why are farmers not rushing to convert conventional land to organic production?

Supply challenges

Conversion to organic lags demand: Consumers pay higher prices to get foods, fibers and personal care products raised without synthetic chemicals according to the rules of organic certification. They pay more to get the supply chain to deliver what they want raised the way they want it. Some wish to avoid chemical residues; some, to avoid hormones. Many understand that the farmers' back yard is their backyard and want to leave the farm as free as possible of petrochemicals and the water untainted by chemical residues. Whatever their reasons, these buyers are not seeking the cheapest agricultural products. They seek preferred qualities. The seriousness of that demand makes organics the fastest growing, legal, unsubsidized sector of US agriculture. Even with sensational crop prices, that demand is troubled by an increasing shortfall in the supply of organic raw materials.

- The organic dairy industry is thought to be facing demand growth of over 40% per year with supply seriously limited by an inability to find sufficient organic feed materials. With a serious shortage of organic corn, dairy farmers are now scrambling with mixed success to find whatever organic substitutes will work.
- US demand for organic soy foods and feeds is growing so rapidly that processors probably consume twice as many organic soybeans as are produced in the US. Despite excellent prices and an abundance of land and great farmers, these US processors find themselves importing organic soybeans from countries such as China, Brazil, Paraguay, Bolivia and Argentina.
- Processors of foods and personal care products are seeking organic ingredients needed to support an "organic" market label. The ingredient supply businesses supporting such processors are scrambling to find enough raw materials to meet demand, searching for new processing techniques to avoid materials and process aids that would compromise an "organic" claim.

Why are supplies so tight when demand is booming? Why are more agricultural resources not moving from conventional to organic production? Why are more conventional row crop farmers not converting to organic production? The reasons range from simple to complex and cover lots of territory.

- It generally takes three years to transition land to organic certification.
- You can't sell your crop on every corner and may find yourself dealing with buyers located in distant states.
- You cannot deliver at any time you choose. Buyers generally expect you to store your crop on farm until they need it.

- Accustomed to the convenience of chemicals, you will need to learn new operating protocols. Where a conventional farmer can easily contract with a third party to take responsibility for feeding and protecting his crop, the organic farmer generally assumes all the responsibility himself. As the organic community develops, I would expect third parties to offer organic farmers the same supporting services as they do conventional farmers. At the moment those services are not available. Lack of service support increases production risks and farm management burdens.
- Organic farming takes more detailed management and attention than conventional farming.
- Despite sensational organic prices, the rural community still encourages conventional conformity. Few farmers relish the thought of being criticized at the "tables of wisdom" found in coffee houses throughout rural America.
- There is unknown risk in moving into unknown territory.
- Lack of methods of minimizing price risk.
- Lack of infrastructure support by government:
    - Weaker crop insurance
    - Less research and development
    - Less extension support
    - Application of commodity rules that do not respect niche nuances
    - Ag programs that support maximum yield instead of maximum value
    - Warehouse rules that require hedged positions for crops that lack futures markets and cannot be hedged.
- Strong government support in the form of subsidies for the "ethanol tsunami" now sweeping the land

Infrastructure hurdles: Permit me to offer an example from Clarkson Grain's own experience with organic blue corn. Blue corn makes a wonderful, nutty flavored tortilla chip as well as a great presentation. Most companies making blue chips use organic blue corn, corn that brings farmers prices well above $8/bushel. Unfortunately for blue corn farmers wishing to participate in various USDA programs, the USDA does not recognize "blue corn" as corn. Government programs such as those of the Commodity Credit Corporation officially rely on the Grain Inspection, Packers and Stockyards Administration (GIPSA) within the USDA to define "corn". GIPSA recognizes white and yellow corn but NOT blue corn. To add a touch of insult to injury, USDA grade standards regard the finest blue corn as 100% damage because blue color is deemed damage. Consequently the organic blue corn farmer can find himself locked out of various USDA programs although he is operating without subsidy and doing what we would like to see farmers doing – being a good entrepreneur.

The "ethanol tsunami": Organic agriculture is free market, entrepreneurial, unbacked by subsidies. It is the model for what many Americans claim to support. At the moment, organic agriculture faces tremendous competition from the huge subsidies being poured into the use of corn for making "ethanol". Our biofuel policies are rapidly rearranging the face of agriculture, diminishing the role of the

open market and discouraging positive responses by farmers to unsubsidized market signals. Ethanol demand has essentially doubled the price of corn in the past year, pushing conventional prices above $4/bu (currently somewhat lower) and creating competition for land that is raising the price for almost all crops. Unsubsidized organic agriculture now has to compete for resources with "ethanol corn" and the modern American gold rush to produce more and more corn. With conventional farmers enjoying the prospect of the highest profits they have ever seen, there is less incentive to trade "convenience" for the huge premiums and higher net incomes being offered by the organic market.

Today, US demand for organic grains and oilseeds could easily support a doubling of organic production acres. Organic prices generally double conventional prices and offer higher net farm incomes than those available to conventional farmers. Despite buyer preference for domestic organic production, it is the foreign farmer who seems to be responding to the US demand. Who would have projected that soybeans, organic soybeans, would flow into the US from China, Brazil, Argentina, Bolivia and Paraguay. Such foreign farmers seem poised to take a significantly higher percentage of the US market for organic raw materials. When and if the "corn" bubble bursts, those foreign suppliers will have ridden the organic learning curve and bonded with organic buyers in ways that will disadvantage US farmers.

Recommendation: The Organic Trade Association and its allies within the organic community have developed and placed before you a series of well thought recommendations for consideration and inclusion in the next farm bill. Those recommendations build upon current USDA programs and support increased organic production and trade. They impact everyone's congressional district. They do not ask you to oppose any path to the marketplace. They ask you to support market choice, give balanced support to organic production and protect the integrity of organic certification on which the consumer relies. That plan would welcome your support.

Mr. Chairman, I conclude my comments. I thank the committee for the opportunity to present and would be glad to join my fellow panelists in answering whatever questions you may offer.

STATEMENT BY RICH GHILARDUCCI
PRESIDENT/CEO OF HUMBOLDT CREAMERY
Before the
SUBCOMMITTEE ON HORTICULTURE AND ORGANIC AGRICULTURE
APRIL 18, 2007

Good morning Chairman Cardoza and members of the Subcommittee. My name is Rich Ghilarducci. I am the President/CEO of Humboldt Creamery Association; a dairy cooperative owned by over 50 dairy families located along the North Coast of California. With the milk that our dairy families produce, our processing facilities which are member/owned, manufacture both organic and conventional Ice Cream, Fluid Milk and Powdered Milk products. Today we employ over 250 people and our products are sold in all 50 states and international markets. Humboldt Creamery Association's organic program started in 2001 with 3 dairy families, representing less then 5% of our milk supply. Today organic milk production represents 60% of our milk supply coming from 30 dairy families.

I'd like to thank the subcommittee for the opportunity to testify in this groundbreaking hearing about organic agriculture, which is an important topic for our members, our region, and consumers throughout the United States.

Humboldt Creamery Association was founded in 1929. We are the oldest dairy cooperative in California. Most, if not all, of the 50 member/owner families are direct descendants of the 152 founding members of the cooperative. Dairying is a way of life for these families. These families dairy because they love to, and that is a reflection of their culture. However like other dairy families throughout the United States, they find it has become increasingly difficult to stay in business. Over the years, the economic pressure of conventional dairy markets has devalued milk to where in 2006 the price for conventional milk was equivalent to the price dairymen received in 1960.

In the last few years, some members of the Humboldt Creamery Association were forced to leave the dairy industry because it was no longer financially feasible to maintain their family dairies. It is especially disappointing to know that this decision was often made when the dairy was to be transitioned from one generation to the next. Not only for Humboldt Creamery Association, but throughout the United States, succession is one of the leading factors in the declining number of family farms.

However, during this same period of time, something very positive also happened. Over 25 of our family farms transitioned from conventional dairy operations to organic dairy operations. In 2006 alone, 15 of our member/owned dairies converted to certified organic. Although the economics of organic milk production were an important factor for many who chose to make the transition, it was not the only motivating factor for the Humboldt Creamery dairymen. The principles of pasture-based dairying which have been practiced for over 70 years within our region were conducive to USDA organic regulations.

A cornerstone of organic dairy management is pasture grazing which our members do throughout most of the year, except for during the most inclement weather. Another is a natural preventative approach to livestock healthcare as opposed to the use of antibiotics and other synthetic treatments. These techniques of pasture and livestock management have been the method of dairying in our region for generations, so for many of the cooperative families, organic certification is a validation of a dairying practice that has been their daily routine for many years.

Organic agriculture is agriculture in its purest form, and Humboldt Creamery Association is proud that organic dairy has become such a substantial portion of our business. We request that this subcommittee recognize the enormous opportunity that organic agriculture offers family farmers throughout the United States to once again fill a roll that has been vanishing – that of the entrepreneurial family farm which contributes to the United States economy. In order to do this, infrastructure must be supported by the United States Congress to ensure the industry's growth.

Humboldt Creamery Association believes there are some key topics that need to be supported by this subcommittee: increased funding for the USDA National Organic Program and financial support for technical assistance in transition from conventional to organic.

In the United States, we are privileged to have the infrastructure in place to govern the national and international production and distribution of organic products. The USDA Organic Seal is recognized by consumers to mean strict production and environmental standards are behind every product labeled organic.

It is up to the USDA to ensure the credibility of the organic label. Funding and staffing at the USDA National Organic Program (NOP) must keep pace with the growing marketplace. Credibility in enforcement of the organic standard is critical to everyone in the organic supply chain – from farmers to consumers. That requires resources and Humboldt Creamery supports full funding for USDA programs to accomplish these most important functions. The NOP is doing it's best to keep up, but it's clear that they are struggling. The NOP is under-funded and lacking in sufficient resources to audit, enforce and review existing regulations, much less to develop new standards. It would be a shame if consumers lose confidence in the USDA seal because of lack of enforcement, which would result in a negative impact on family farms.

Making the transition from conventional to organic dairying can be cumbersome to a dairy farmer. It requires specific knowledge of growing organic crops to feed their dairy animals, as well as specialized livestock management techniques. In order to ease this transition and help farmers with the change, Humboldt Creamery urges the subcommittee to support authorization for educational programs and technical training in organic production. The SARE and ATTRA programs have been successful in this area in the past. In addition organic pasture requirements can increase the need for fencing, watering capabilities and animal travel lanes. This additional cost burden can be eased through organic-specific cost-share programs authorized under EQUIP. More

ambitious organic transition programs, at least in dairy, should be carefully scrutinized by this committee to ensure they will not disrupt the orderly development of the organic milk supply and allow market economics to dictate supply.

I have witnessed first hand the benefits of technical training in organic production since Humboldt Creamery Association has hosted for the past 4 years the largest organic dairy producer's conference in the industry. This year over 250 dairymen and women attended from throughout the United States to learn about herd health, pasture management and USDA regulations.

For Humboldt Creamery Association, the growing organic dairy market has provided an exciting, viable opportunity for future generations. Consumers appear to have an insatiable appetite for organic dairy products; dairy products are the second fasting growing segment of organic consumables. This growing demand is a clear indication that consumers care about the same things we do; milk that is free of synthetic hormones, cows that are treated humanely, grazing on agriculture land that preserves our natural environment. For years before the development of the USDA seal, Humboldt Creamery dairymen have practiced sustainable agricultural because of their concern for the environment. The environmental practices inherent in organic dairy management are one way that our members can meet the increasing environmental regulations on dairy production from State and Federal Agencies.

For our dairy producers, organic dairying can strike the right balance between healthy soil, healthy pasture and healthy livestock – all of which contribute to dairy products that are produced without the use of antibiotics, pesticides and artificial growth hormones. They take this responsibility very seriously.

In conclusion, I want to thank Chairman Cardoza and the House Subcommittee on Horticulture and Organic Agriculture for hearing my testimony. I am a firm believer in the United States Organic industry and the important role that the USDA plays in the integrity of the industry. I would be pleased to answer any questions.

TESTIMONY OF
NICOLE BERNARD DAWES
LATE JULY ORGANIC SNACKS
HYANNIS, MASSACHUSETTS

FOR THE COMMITTEE ON AGRICULTURE
SUBCOMMITEE ON
HORTICULTURE AND ORGANIC AGRICULTURE
HEARING ON THE ECONOMIC DEVELOPMENT
IMPACTS OF ORGANIC PRODUCTION AND PROCESSING

U.S. HOUSE OF REPRESENTATIVES

APRIL 18, 2007

Chairman Cardoza and Members of the Subcommittee, my name is Nicole Bernard Dawes and I am the president and COO of Late July Organic Snacks. Our factory and company headquarters are located on Cape Cod in Massachusetts. On any given day we have three generations at work, including my father who is my business partner and my children who are regularly at the office with us. We employ 30 people and manufacture exclusively USDA certified organic products. Our products are available in all 50 states as well as internationally. Since our founding in 2003 we've grown over 40% annually and our current run rate is over $7 million dollars in annual sales.

First, I want to thank you for the formation of this very important subcommittee and for inviting me to tell our story. I'm here today, drawing on the experience of our family-owned business, to discuss:

- The incredible opportunity this new industry represents for businesses like ours,
- The problems we face in the marketplace,
- How organic products benefit our country,
- And specific ways Congress can help the organic food industry by:

- o Increasing support and funding for the National Organic Program,
- o Making it a priority to remove barriers for export of organic products,
- o Supporting the Organic Trade Association's comprehensive "farm to fork" recommendations for the Farm Bill,
- o And taking a position in favor of organic agriculture.

1. The Opportunity

I have spent my entire life in the food business, first as a child at my mother's natural food store in the 1970s, later at my parent's business, Cape Cod Potato Chips, and now at Late July Organic Snacks. I believe our nation is at a major turning point with our food supply. This congress has an incredible opportunity to change for the better the future of our food supply by becoming advocates for organic agriculture.

Recent events have underscored to people the need to care where their food comes from, what's in it and the impact of their buying choices on the food chain. Parents are checking ingredients twice before they send their kids to school with products that contain trans fats, highly refined sugar and food grown with dangerous pesticides. Additionally, kids are

learning to ask the right questions about their food. This generation will be among the most informed about and interested in the food chain.

The National Organic Program created a level playing field for companies like Late July to enter the organic industry. It established a rigid set of standards for organic farming and processing that gave our industry credibility in the marketplace. Everyone carrying the USDA seal is in the same boat. We are all subject to the same strict standards. We are all subject to higher premiums for our ingredients.

We're doing this because we believe that organic agriculture should be the new standard for the food business. We believe this because it offers small family farms an economically viable alternative, produces some of the most forward thinking innovation in the food business and most importantly, it provides an opportunity for businesses to put environmental stewardship into action and an easy way for individuals to make food choices that will have positive impact today and for the future.

2. Problems

At Late July our ingredients can be up to 10 times the price of one of our conventional competitors. We also have to spend significantly for research and development because conventional processing methods don't always work for organic ingredients. For most of our new products, we are introducing something that has never been done before. We spend a lot of time and resources to find ingredients that meet the standards even though this information is already collected by the National Organic Program. While we try to keep our prices competitive with conventional brands we still have to charge more. For example, our peanut butter sandwich crackers sell for 99¢ versus conventional sandwich crackers that sell for 49¢ or less.

This is acceptable to shoppers as long as they know, understand and care about the USDA organic seal, but we are finding as we branch out beyond strictly natural food stores the USDA organic seal and its meaning needs a significant amount of explaining. These new customers are confused about what it means to be organic. We find some of our conventional competitors have found a way to imply similar benefits to organic by using misleading seals on the front of their packaging adding to the confusion. This confusion combined with our higher prices means we have to make a significant investment to explain organic in order to succeed in the conventional channel.

And success in this channel is critical for future of the organic industry. If our products can sell in mainstream stores like convenience and similar, then there is limitless potential for our industry. Late July and companies like ours are the major customers for organic commodities and we need to broaden our customer base in order to grow the industry. We need to do this while maintaining the same strict standards so that our industry never loses that credibility we have worked so hard to build.

Why Organic Matters

Organic agriculture reduces the amount of persistent pesticides and toxins in our country's air and groundwater. Organic farmers also don't use petro-chemical based fertilizers and have a lower carbon footprint per pound of food produced thereby reducing greenhouse gases. Additionally, it has given many small family farms a new way to compete.

So much is said today about raising our eco-consciousness, reducing our impact on the environment and making better food choices, but as individuals it's hard to know where to start. Organic products are a gateway. When I shop I try to remember each choice I make impacts my children and family, as well as

the environment. That's why at Late July our mission is to make products that are better tasting, better for you and better for the planet. Our organic sandwich crackers and cookies are easily recognizable products and represent a simple introduction to the world of organic food.

Everyone who purchases our products, and the wide variety of other organic products available today, contributes to the reduction of toxic and persistent pesticides that kill birds, small mammals and other beneficial insects such as bees. Sustainable farming and production practices have long lasting effects, effects that last for generations. That's why organic farming is such an important practice to encourage in the U.S. - something you can do when you are shopping for your food and when you are making Congressional policy decisions.

How Congress Can Help

As a child of the 1970s natural food movement, I was teased quite a bit for the contents of my lunch box. My mother would pack foods like carob coated rice cakes and miso soup, which none of my friends understood or cared to try. It was products like these that created the stereotype that organic products don't taste very good. This wasn't really the case then and couldn't be further from the truth today. I knew then there had

to be a more appetizing way to introduce a wholesome alternative to my friends. The National Organic Program was the real impetus we needed to create the organic products I could only dream about as a child. The National Organic Program has been a groundbreaking initiative but, as all new legislative programs, still needs your support through:

- Increased funding for the National Organic Program.
    - o This industry is fast growing and needs the National Organic Program to be fully implemented, effectively enforced and better understood.
    - o Public education about the National Organic Program and the environmental benefits of organic food production is essential.
    - o Also, funding for the establishment of a national database of National Organic Program certified ingredients using the data already collected by the program.
    - o Setting the removal of export barriers as a priority.
- Supporting the Organic Trade Association's comprehensive "farm to fork" recommendations for the Farm Bill as your blueprint for building the infrastructure to appropriately support U.S. organic agriculture and businesses.
- Taking a position in favor of organic agriculture to help make a positive impact on the food chain for generations.

Closing Remarks

I am most grateful for this opportunity, for the time and effort of this subcommittee and the focus you are placing on organic agriculture. I reiterate that we are on the verge of another major turning point in our nation's food supply and this congress has an opportunity to make a significant difference by supporting the new organic industry and the National Organic Program. I would like to end by wishing everyone a Happy Earth Day this weekend and hope you'll spend it enjoying some organic snacks.

Kind Regards,

Nicole Bernard Dawes
President, COO
Late July Organic Snacks