




I S S U E

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This newsletter is published by the Organic Trade Association, the North American trade association committed to the promotion of organic products in the marketplace, and the protection of the integrity of organic standards. Its membership includes more than 1,100 producers, processors, distributors and retailers of organic foods, fibers, farm and garden supplies, and health and beauty products. The OTA is your leading resource for information about this industry.

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Buying Organic: considering the real costs

Here is a seemingly simple question: Is it true that organic products cost more than their conventional counterparts?

The answer, however, is less simple. If the question addresses retail price, the answer is generally “Yes,” although it could be “No.” If it is in terms of real costs, the answer is “No.” And, value? That is another, more important, question.

Price

Generally, organic produce is often priced 20-25 percent higher at retail than conventional produce. But the differential may be twice as much, or only a few pennies.

“There are a lot of exceptions,” according to Bu Nygrens of Veritable Vegetable based in San Francisco, CA. Organic broccoli, for instance, recently has been abundant in California, leading to prices closer to that of conventionally grown.

In the Northeast, consumers find specific organically grown fruits and vegetables may be priced the same, or even lower, than their conventional counterparts during the peak of the local growing season.

Pricing is dependent on many factors. With produce, perishability

is key, and distribution costs also must be considered. Availability is another factor, as is demand. Prices vary according to region, and season.

In addition, consumers often are willing to pay a premium for specific organic fruits and vegetables, such as Heirloom varieties, because they are seeking specific flavor or other characteristics.

Real costs

Prices for organic foods and fiber reflect many of the same cost factors as conventional items in terms of growing, harvesting, transportation and storage. However, all of these factors are generally higher for organically produced goods.

There are numerous reasons why.

Organic farmers must meet stricter regulations governing all of these steps, so the process is often more labor- and management-intensive.

Because organic farmers do not use persistent or toxic pesticides, more labor is needed to deal with weeds in the field. Organic farming tends to be on a smaller scale, and thus farmers pay more per acre to produce, according to Dave DeCou of Organically Grown Company.

Because of their size, organic producers also face added distribution costs.

“It is more expensive if a truck has to make eight stops with a load, versus one stop. There may be many more pickups and deliveries with organic,” said DeCou.

For manufactured products, there often are not the economies of scale.

“The shelf life of many organic ingredients is different than for conventionally grown ingredients because preservatives aren’t added. This means a manufacturer handling organic products may have to run smaller batches because less is available at a time,” said Phil Margolis of Neshaminy Valley Natural Foods Distributor, Ltd.

Historically, organic farmers have not received federal subsidies or price supports for producing — or not growing — crops. Nor has there been much research backing from the U.S. Department of Agriculture (USDA) for organic production.

In the report “The Future Role of Pesticides in U.S. Agriculture,” a panel of experts from the National Research Council of the National Academy of Sciences noted that organic foods grew from a \$178-million market in 1980 to more than \$5.4 billion in 1998. However, the amount of USDA’s research budget dedicated to assisting organic farmers was no more than 0.1 percent.

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Ask Us About Organic!

By Katherine DiMatteo,
Executive Director,
Organic Trade Association (OTA)



Q: How can consumers with tight budgets still incorporate organic products in their daily lives?

A: Shoppers can use any of the following strategies to choose organic products that fit into their budgets:

1. Shop around. You might find better prices at the farmers' market on some items and at the natural foods store or supermarket on others. You might find that some organic items are very competitively priced.
2. Join a co-op, buying club, or community supported farm. You may be expected to volunteer as part of your membership, but you might also save money.
3. Choose the product you use most and make a commitment to purchase the organic version of that product every time. Add other organic items as often as you can.
4. Buy fresh organic produce in season; for out-of-season items, choose dried, frozen, or canned, or substitute another item.

If you have a question about any aspect of the organic industry, please call the Organic Trade Association's headquarters, (413) 774-7511.

Buying Organic: considering the real costs

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The biggest factor, however, according to DeCou, "is that conventional production is priced too cheaply. Conventional producers are going out of business. That's just not viable. If we're going to be compared to a system that is going bankrupt, there's something wrong. We have to have a fair price to survive."

He added, "When prices drop too much, organic farmers might have to cut out some of steps needed to nurture the soil. If that happens, their operations are not going to be sustainable in the long run. Organic farmers need to price their products so that they can make this investment. Otherwise, organic will no longer be able to continue to provide the quality on which the industry was built."

A question of value

Since 1984, the price value of food purchased in a typical grocery cart has increased 2.8 percent, yet the farmer's share decreased by 37 percent, according to Mark Mulcahy of Organic Options. In 1956, Americans spent about 18.6 percent of their income on food, versus about 9 percent today.

According to USDA's Economic Research Service (ERS), "The farmer's share of each food dollar has dropped steadily, from 41 cents in 1950 to only 20 cents in 1998." Conventional dairy farmers receive only 34 cents for each dollar a consumer spends on milk, according to Farm Aid.

"Consumers have been kept in the dark as to the real cost of growing food conventionally, and how harmful this system is to farmers, both environmentally and financially," said Mulcahy.

There is mounting evidence that if all the indirect costs of conventional agricultural production over time—clean-up costs related to pesticides in water and soil, loss of soil due

to erosion, medical costs to society due to farm worker exposure to toxic and persistent pesticides—were factored in to the price of goods, organic products would cost the same or, more likely, be cheaper.

The Institute for Market Transformation to Sustainability (MTS) is encouraging companies to consider life cycle assessments — looking at the environmental impact, from raw material production and extraction, through transportation, manufacturing, final use, reuse and disposal—of the products they use. MTS is working with Cargill Dow to consider developing an organic corn supply for corn-based plastic, versus petroleum-based plastic.

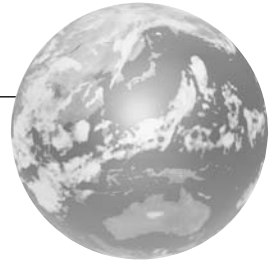
"Plastic from conventionally grown corn environmentally is not better than petroleum-based plastic because of the pesticide and fertilizer used in growing the corn," said Mike Italiano, an officer in MTS. A life cycle analysis shows pesticide and herbicide manufacturing and use "require a great deal of energy, and generate much hazardous waste, which can result in ground and surface water contamination."

Benefits of organic products, meanwhile, include improving environmental health, from building the soil and lessening or eliminating chemical inputs, to fostering natural habitats and promoting biodiversity.

"It is important to convey to consumers that they strengthen that market through their pocketbooks. People in America are taught they can get everything they want, and at the cheapest price possible. We are not taught the cost of our decisions. We need to consider the value of the food we eat," said Italiano.

Mulcahy offers the following advice: "Be willing to pay a fair price for organic food, a price that reflects the real cost of growing nutritious food in a sustainable way." ❖

A World of News



OTA news briefs

- > OTA and the International Federation of Organic Agricultural Movements (IFOAM) have signed a memorandum of understanding to integrate OTA's American Organic Standards (AOS) into IFOAM's international organic guarantee system. A major aim of the agreement is to achieve mutual recognition globally among certifiers of organic agriculture.
- > William R. Knudsen, consultant for Smucker Quality Beverages, has been re-elected president of OTA. Other officers are: Bu Nygrens, Veritable Vegetable, vice president — USA; Debra Boyle, Pro Organics Marketing, vice president — Canada; Joe Smillie, Quality Assurance International, secretary; and Gene Kahn, Small Planet Foods, treasurer. Board members re-elected included Boyle, Kahn, Smillie and Nancy Hirshberg of Stonyfield Farm, with Phil Margolis of Neshaminy Valley Natural Foods Distributor appointed for a first term.
- > OTA members have adopted a revised Code of Ethics. Among other provisions, the code requires members to obtain organic certification for any products sold as organic, and specifies that products marketed will be labeled truthfully and accurately.
- > OTA's *Organic Fiber Shoppers Survey* conducted by the Hartman Group is available for purchase. Price: \$550 for OTA members, \$675 for nonmembers.
- > HealthyEverything.com has received OTA's annual "Big O" Award recognizing excellence in organic produce, fiber, or grocery merchandising.
- > ABC News' 20/20 Reporter John Stossel made an unprecedented apology during the 20/20 broadcast Aug. 11 for his Feb. 4 show attacking organic food, also rebroadcast on July 7. Stossel admitted that ABC News had no test results for pesticide residues on produce and that tests for bacteria were, in fact, for generic *E. coli*, and not for pathogenic *E. coli*. In an Aug. 21 letter to OTA Executive Director Katherine DiMatteo, Kerry Smith Marash, vice president of Editorial Quality at ABC News, wrote: "I want to repeat that ABC News is deeply sorry about including the error in both the original report and its rebroadcast. We apologize to organic farmers, to the OTA, and to all our viewers. We look forward to

dealing with you and the OTA in a constructive fashion in the future."

Environmental brief

- > An epidemiological study by Paul Lichtenstein, Karolinska Institute in Stockholm, Sweden, indicates that environmental factors, such as chemical pollutants and unhealthy lifestyles, have a greater impact on the likelihood of contracting cancer than hereditary genetic factors. The study, "Environmental and Heritable Factors in the Causation of Cancer," was published in the July 13, 2000, *New England Journal of Medicine*.

Agronomic briefs

- > A Chinese experiment has verified that crop diversity fights disease. The study conducted in the Yunnan Province of China found that planting a mixture of two different varieties of rice greatly increased yields and reduced the incidence of blast, a major fungal disease. In fact, farmers were able to stop using fungicides to control the disease within two years. Results were published in the Aug. 17 issue of *Nature*.
- > More government-sponsored research and incentives are needed to spur the development and use of alternative pesticides or new pesticides that pose fewer risks to humans and the environment, according to "The Future Role of Pesticides in U.S. Agriculture" from the National Research Council, National Academy of Sciences (Phone: 800-624-6242).

Other briefs

- > The Canadian House of Commons Standing Committee on Environment and Sustainable Development has released a report, "Pesticides, Marking the Right Choice, for the Protection of Human Health and the Environment." Urging consumers to wash fruits and vegetables thoroughly to remove pesticide residues, the committee noted, "As many as 16 separate pesticide applications may be made on apples each year to combat the apple scab. Where possible, organic products should be chosen."
- > Minneapolis has adopted a resolution urging city departments and agencies to include certified organic foods as an option in contract negotiations. ✦

Quote of Note

"Government officials and environmentalists — along with scientists, some farmers and even a few fertilizer salesmen — are trying to reduce fertilizer pollution by prodding the Midwest's \$98 billion agricultural industry for sweeping changes in the way it grows crops. But the nitrogen connection won't be broken easily....'The agricultural community is in denial that they're a part of the problem,' says L.D. McMullen, director of the Des Moines Waterworks, which draws its supply from the Mississippi Basin's most fertilizer-polluted river, the Raccoon."

The Sun
(Baltimore, MD),
Sept. 25, 2000
[part of a 5-page series
on "Nitrogen's Deadly
Harvest," written by
Heather Dewar
and Tom Horton]



Buying Organic:
considering the real costs
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Final Rule: only days away?

The U.S. Department of Agriculture (USDA) is slated to issue its final rule implementing national standards for the U.S. organic industry any day now.

Once the rule is in effect, only products that have been produced following these standards will be able to be labeled as “organic” in the United States. The goals are to provide consistency for certified organic products in the United States, and, consequently, to help U.S. organic products compete in the international market.

Up to this point, dozens of state and private agencies have certified operations using slightly differing standards, and certification has not been required in every state. Both consumers and producers of organic products have sought national standards to clear up confusion in the marketplace and to protect against mislabeling or fraud.

The word “organic” on U.S. products will mean 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 will have the assurance that products labeled “organic” have adhered to the standards set forth by USDA. ❖



Remember to contact the Organic Trade Association (413-774-7511; info@ota.com) to receive an update once the final rule is published. For background information about national organic standards, check out the Organic Trade Association's web site (www.ota.com).

Questions about organic? Visit OTA at www.ota.com.