

Organic

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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 1,250 producers, processors, distributors and retailers of organic foods, fibers, farm and garden supplies, and health and beauty products. OTA is your leading resource for information about this industry.

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A year after implementation: *Organic products gain momentum in the United States*



It has been a year since the national organic standards were fully implemented on Oct. 21, 2002. Although it is too soon to measure the long-term results, there are signs the organic sector is gaining momentum.

Certification agencies

Rather than reducing the number of certification agencies, national organic standards have encouraged additional companies to become accredited by the U.S. Department of Agriculture.

As of Oct. 15, 2003, the National Organic Program (NOP) had accredited 88 certification agencies. Of these, 53 were U.S.-based certifiers, with the remaining 35 companies from around the world. In addition, as of Oct. 29, there were 13 other certification agencies under review and 28 agencies in the information stage.

In the legislative arena, there is now a formal Organic Caucus in the House and an informal organic

working group in the Senate.

Wider picture

Although not directly linked to the national organic standards, other provisions are falling into place for organic players. Recognized as a viable form of agriculture, organic farms can now be covered under federal crop insurance. Cost-share provisions also are in place to help farmers defray the cost of certification.

Meanwhile, USDA's Economic Research Service is starting to collect organic production and price data. To help with such data collection, the 2002 Farm Census included two questions on organic agriculture (the number of certified organic crops harvested and the value of certified crops sold).

In addition, as a result of having national organic standards in place, the United States has been in serious negotiations with other countries concerning equivalency agreements that will facilitate the

international trade of organic products.

During the past year, there has been significant progress with the European Union. While the first year was spent chiefly trying to understand each other's organic regulations, negotiators now are working on actual wording for a possible agreement.

The national organic standards have also opened up the market for organic farmers and companies wishing to sell organic meat. As a result, the organic meat market is one of the fastest growing categories in the organic sector.

The market research firm Datamonitor, for instance, projects U.S. organic sales to reach \$30.7 billion by 2007, "driven largely by double-digit growth in the meat and meat products industry." Datamonitor projections show the U.S. organic market will have a five-year compound annual growth

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rate of 21.4 percent between 2002 and 2007, with organic meat sales expected to grow from \$547 million to \$3.86 billion in 2007.

Opportunities for retailers

As more and more manufacturers release certified organic products bearing the USDA Organic seal, retailers are becoming more excited about displaying and including them in their stores.

Overall, according to *Supermarket News* (Sept. 29, 2003), "Retailers like the National Organic Program. It's been good for business." *Supermarket News* reporter Roseanne Harper points out that the publicity surrounding implementation of national organic standards may actually be the factor that got more consumers interested in organic products. Retailers she interviewed also said that such standards have instilled consumer confidence.

Some stores, however, have struggled with whether to integrate or segregate organic products from their conventional counterparts.

Depending on the store and the location, some are actually setting up stores "within a store" to have an organic or natural section, while others are integrating products, such as putting organic pasta and ketchup on shelves along side conventional counterparts.

Meanwhile, stores like Wegman's Food Markets, Price Chopper Supermarkets, Kroger Co., and Albertson's are offering more organic selections. Some are introducing their own private label organic products.

There is also a trend for retailers to seek organic certification for their operations even though the national organic standards do not require them to do so. In addition, more organic foods are being offered in foodservice operations on campuses. Hamburg patties from Organic Valley farmers, for instance, are now offered at University of Wisconsin Housing Food Service cafeterias. Also, United Natural Foods, Inc., recently announced it is partnering with Sodexho USA to distribute organic products to Sodexho USA's 6,000 institutional foodservice facilities throughout the United States.

Entry of major companies

The entry of major companies to the organic marketplace, although sometimes cited as a negative, can also be interpreted as a positive sign of the legitimacy of organic products. And, because there are national organic standards in place, the big players have to abide by the same rules as the small players, which means a big player can't cut corners or capitalize on the organic claim without meeting strict requirements.

And daily, other companies enter with new products. Archer Daniels Midland Co. and Campbell's Soup have each introduced their first

certified organic product. Even Ben and Jerry's Homemade Inc. is test-marketing a line of organic ice cream, while the 7-Eleven store chain has added organic chips and other organic offerings. Gift food marketing company Harry and David is offering a mixed medley of organic fruits for the December 2003 holiday season. And organic foods are part of the menu on Song™, Delta Air Lines' new air service.

Farmers' opportunities

For farmers who already were certified organic, the changes needed to comply with national organic standards have not been onerous. In fact, the standards may have eliminated competition from farmers who were claiming they were "organic," when in fact they weren't.

Farmers will also find there are manufacturing companies and restaurants that encourage small family farms to supply them with locally produced quality organic products. Meanwhile, Community Support Agriculture (CSA) ventures and farmers' markets are blossoming throughout the country.

Challenges ahead

Still, national organic standards for foods and beverages have made some industry players in segments other than food and beverages

(such as personal care, cosmetics and fiber) anxious and eager for clear labeling guidelines for their products.



Organic agricultural **ingredients** in these product categories are covered under the requirements of the rule, but the **end products** aren't. Anticipating this, the Organic Trade Association (OTA) has developed organic fiber processing standards, which are close to adoption by the industry. In addition, OTA has a Personal Care Task Force that is tackling some of the difficult questions still needing to be answered in this sector.

For some industry players and consumers, getting these issues resolved seems of utmost urgency. Realistically, however, it may take years to resolve these questions for other categories.

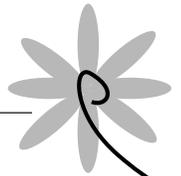
Looming perhaps in the not-too-distant future will be an issue tied to a congressional mandate made this year, sparked by Sen. Ted Stevens of Alaska, that directs USDA to draw up a standard allowing wild fish to be labeled as organic.

Conclusion

With the national rule in place, the organic sector has been able to provide a guarantee to consumers that organic products that are marketed using the new labeling in fact mean that specific practices were followed. And if products are mislabeled or companies or individuals break the rules, there are consequences.

With concerns about global security and measures to protect food safety, traceability is becoming a key word in the entire food industry. The organic sector is already proving that there is a way to trace food from farm to the table, and showing how to do it successfully. ❖

A World of News



Organic news

- Researchers at The Rodale Institute have unveiled findings from the institute's long-term Farming Systems Trial®, conducted for the past 23 years, reaffirming that organic farming practices can help battle the effects of global warming by absorbing and retaining carbon at significant levels in the soil.
- The Environmental Working Group and Stonyfield Farm have collaborated to produce a "Shopper's Guide to Pesticides in Produce" using EWG findings on pesticides on produce [www.foodnews.org/walletguide.php].
- Campbell Soup Co. has begun selling certified organic tomato juice in supermarkets nationwide.
- Gift food marketing company Harry and David offered a mixed medley of organic fruits in time for the holiday season.
- Findings from a Danish study published in the *Journal of Agricultural and Food Chemistry* (Vol. 51, No. 19, 2003, pp. 5671-5676) show organic vegetables have a higher concentration of natural antioxidants (flavonoids). The double-blind randomized, crossover study had two intervention periods, with test participants given organic food or conventional food for three weeks, and their blood and urine then tested.
- Organic foods are among the features offered on Song™ (flysong.com), Delta Air Lines' new air service.
- Organic hamburger patties from Organic Valley have replaced traditional quarter-pound patties in University of Wisconsin Housing Food Service cafeterias.
- United Natural Foods, Inc., is partnering with Sodexo USA to distribute natural and organic products to Sodexo USA's 6,000 institutional foodservice facilities.

Environmental news

- The World Health Organization has recommended that countries phase out the use of antibiotic growth promoters in animal feed.
- A German study of dust samples collected during two decades from a pig feeding operation revealed the presence of various antibiotics [*Environmental Health Perspectives*, October 2003, Vol. 111, No. 13].
- Connecticut, Massachusetts, New Jersey, and New York and a coalition led by the Natural Resources Defense Council filed lawsuits drawing attention to how the use of pesticides can adversely affect children. The lawsuits, filed Sept. 15, ask the court to force the U.S. Environmental Protection Agency (EPA) to comply with provisions in the 1996 Food Quality Protection

Act requiring a tenfold safety factor concerning pesticide levels for infants and children.

- A Natural Resources Defense Council report, *What's On Tap? Grading Drinking Water in U.S. Cities*, shows that drinking water in many cities in the United States is contaminated with pesticides, arsenic, lead, fuels and pathogens.
- Extremely elevated concentrations of polybrominated diphenyl ethers are found in the breast milk of U.S. nursing mothers, according to a study published in the Aug. 13, 2003, online edition of *Environmental Health Perspectives*.
- Glyphosate, used in Monsanto's Roundup weed killer, has been linked to increased levels of toxic fungal molds (fusarium) in food crops. A four-year study at the Semi-Arid Prairie Agricultural Research Centre in Saskatchewan, Canada, found that wheat treated with glyphosate appeared to have higher fusarium levels than wheat fields where no glyphosate had been used. Soybean research by soil scientist Robert Kremer at the University of Missouri has shown that glyphosate seems to stimulate fusarium in the plants' roots.
- The European Union in October refused to re-register the herbicide atrazine.
- Research at the Center for Children's Environmental Health Research at the University of California, Berkeley, has shown that approximately 15 percent of the women studied may have experienced cumulative exposure to organophosphate pesticides that exceeded safe levels [*Environmental Health Perspectives*, Vol. 111, No. 13, October 2003].

Quote of Note

"Organic agriculture isn't going back to the past. It is taking all of the wisdom farmers have gathered and combining it together. Organic farmers are trying to emulate the natural systems and protect our natural resources, so that there is good soil for future farming, that there is good water, that there is biodiversity, and that we are partnering with nature, for the future."

-Katherine DiMatteo,
OTA's Executive
Director,
during OTA's
Organic for Kids
roundtable discussion
Sept. 23, 2003.
<http://www.ota.com/news/otamakesnews.html>

Consumer trends

- Consumers read labels, and many are willing to pay more for dairy products marketed as organic or all natural, a study at the University of Wisconsin-Madison led by Jeremy Foltz has shown.

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Check out The O'Mama Report (www.theorganicreport.org), OTA's online resource for consumers.

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- *The 2003 National Report: Consumer Attitudes About Nutrition*, sponsored by the United Soybean Board, found that 45 percent of those surveyed said they regularly purchase organic food products [www.talksoy.com].
- Organic products, including those beyond food and beverages, are among the Natural Marketing Institute's "Top 10 Trends of 2004."

International News

- Czech Republic—Sales of organic food have grown 25 to 30 percent each year for the past three years. At the end of 2002, the country had 235,000 organic hectares, representing 5.5 percent of all land farmed.
- Denmark—Data from the latest ConsumerScan consumer panel conducted by the market research firm GRP showed sales of organic products represented 5.6 percent of the total food purchased during the first half of 2003 (www.organicTS.com).
- Germany—The University of Kassel is establishing a chair for organic farming to oversee research and development in this field (www.organicTS.com).
- India—The Ministry of Agriculture announced that a National Institute of Organic Farming would be operational by the end of October (www.organicTS.com).

Eye on genetic engineering (GE)

- Judges in the European Union in September upheld Italy's right to ban imports of GE corn based on the precautionary principle.
- U.S. consumers' knowledge of GE foods remains low, a survey by the Pew Initiative on Food and Biotechnology reveals. Although a survey in 2001 showed 44 percent of those polled had a great deal of, or some, knowledge about GE foods, that number dropped to 34 percent in the latest survey.
- A study sponsored by a coalition of indigenous and farmer groups in Mexico has found that contamination of Mexico's corn by GE varieties is more widespread than previously reported. Findings showed GE material in native corn in 33 communities.
- The Brazilian state of Parana approved a law banning the import, planting and sale of GE organisms after the Brazilian government issued a provisional decree allowing farmers already in possession of GE soybeans to plant and market them.
- Results of GE trials in the United Kingdom showed fewer bees and butterflies were present in fields planted to rapeseed and sugar beets genetically engineered to be herbicide tolerant than in fields planted with their conventionally grown counterparts, the Royal Society has disclosed.

