WHAT'S NEWS IN Organic

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Food vs. Fuel (ethanol): Who will produce our organic grains and oilseeds?

By Lynn Clarkson

North America's organic pioneers have succeeded in finding wonderful markets. Fueled by eager consumers, demand for organic products has grown at double digits for over a decade.

Unfortunately however, organic production of grains and oilseeds has not kept up with demand. With the recent growth in organic dairy and meat production, domestic supply seems to be falling increasingly short of demand and is getting tighter. As a result, prices are going up.

Grains (corn, wheat, oats, sorghum) and oilseeds (soybeans, canola, sunflowers) provide organic raw materials and ingredients for foods and feeds. Well over 50 percent of conventional corn and soybeans go into feed markets. As demand matures for organic dairy, poultry, beef and pork, a similar percentage will likely apply to organic production.

The projected conversion of conventional U.S. farmland to organic certification is not going well. To put it bluntly, the United States dedicates about 160,000,000 acres to producing conventional corn and soybeans, and less than 400,000 acres to producing certified organic corn and soybeans.

The organic community had hoped that more and more conventional acres would undergo transition. Some hoped more farmers would embrace organic values. Others hoped that more farmers would go organic to get prices that typically run twice those paid for conventional crops. But domestic farmers have been slow to convert

Photo: Dan Pratt

for a matrix of reasons:

- fear of the unknown
- reluctance to commit to limited access markets
- local social pressures
- the three-year transition period, and
- concern that organic is a fad.

Most recently, conversion has run head-on into the new U.S. energy policy.

The ethanol factor

The energy bill, not the farm bill, now drives U.S. agriculture. While growth in imports of food from China, India and other rapidly developing countries has contributed to moving the supply/demand balance, government-mandated, subsidized demand for corn ethanol is the gorilla in the market.

A few years ago, Congress mandated domestic use of 7.5 billion gallons of ethanol in fuel and fuel blends. More recently, the government doubled the mandate for "corn ethanol" to 15 billion gallons by 2016. That would consume roughly 5 billion bushels of corn, 38 percent of current U.S. corn production, as fuel ethanol. The addition of fuel demand to the traditional demand for food and fiber has already doubled the price of conventional corn, pushing it from $2.50 to over $5 a bushel. The corn price is poised to go even higher, with consequences to be felt throughout the food chains—conventional and organic.

Since other crops compete with corn for land, prices for almost all crops are doubling. Soybeans went from $5.50 to over $13 a bushel in the past year. In the first quarter of

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2008, that put the price for conventional soybeans higher than last year's price for organic soybeans. Pushed by the ethanol tsunami, prices for organic grains and oilseeds now run between two and three times the price of conventional. For both conventional and organic farmers, these markets offer fantastic, profit-making prices. This creates a crisis for the buyers, processors and consumers, both conventional and organic.

Buyers cannot escape this price pressure. U.S. energy policy impacts agriculture everywhere. Our crops compete in international markets. Our prices are international prices. Argentine farmers along the Parana River receive the same price as farmers along the Illinois River for either corn or soybeans. The U.S. corn fuel subsidy spreads throughout world agriculture and its markets, distorting resource allocation to the U.S. goal and timetable for renewable fuels.

Impact on organic

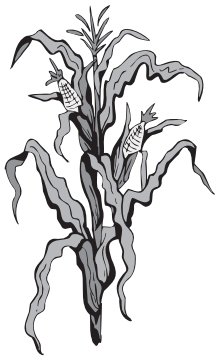
How do these ethanol-induced prices work against organic agriculture? Why are more U.S. farmers not converting to organic production to get super premium prices for their crops?

With conventional farmers now making more money than they ever thought possible, their decision calculus has switched even further away from organic conversion. Rather than thinking of optimizing income, many are thinking of optimizing convenience. Organic farming is not convenient. It takes more management time and skill, more individual responsibility, more trips across the field, and more attention to marketing than conventional farming. It offers less flexibility and less convenient market access. Making money in conventional agriculture is now just too easy to motivate U.S. farmers to consider the transition to organic.

Organic agriculture is proudly unsubsidized. Unfortunately, it competes with subsidized agriculture for production acres. In a world with the General Agreement on Treaties and Tariffs (GATT) and international forums pushing for lower agricultural subsidies, the U.S. energy program offers a new way of indirectly subsidizing corn. U.S. ethanol policy does not subsidize corn production directly. Instead, it subsidizes companies blending ethanol into fuel mixes and automobile companies offering flexible fuel chips. Of the $5 being paid in February 2008 for conventional corn, about $2 a bushel, or 40 percent of the market price, is subsidy. Without the corn ethanol program, the corn price would likely be closer to $3 a bushel. That would make it much easier to encourage farmers to convert to organic production.

Other considerations

Foreign producers increasingly are helping to satisfy U.S. demand for organic crops. China supports extensive organic production, and recently moved to limit the use of food and feed crops for fuel production. Investors and entrepreneurs have discovered Eastern Europe and former Soviet states as an investment target for organic production. Although Brazil and Argentina are responding to the same ethanol tsunami that is sweeping the United States, they offer potentially significant organic production and instant certification for land not currently under conventional production.



Meanwhile, the United States supports millions of acres of land in its conservation reserve. That reserve could be opened. But much of the conservation reserve is not suitable for row crop production. Nor is it likely than many of the owners of such land would opt for organic production.

Soaring input costs for conventional farmers might encourage some to convert to organic agriculture with fewer and lower cost inputs. To raise corn, conventional Midwestern farmers typically add 180 to 200 pounds of nitrogen to each acre. The price of synthetic nitrogen has gone from less than 20 cents a pound just a few years ago to over 60 cents a pound this spring. Some economists think such input cost pressures will move more conventional farmers to convert to organic production. Others appear much less sanguine.

Meanwhile, some within the industry are troubled that various processors and retailers have joined the organic community for economic rather than 'green' reasons. They see restricted supply of organic crops as an opportunity to return to fundamentals and get rid of profiteers. On the other hand, many consumers want more, not less, organic products to be available. That's the good side of the organic equation.

Supply remains a daunting problem, however, and one that won't go away with the current clamor for ethanol. ❖

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Global organic farming continues to grow

Nearly 30.4 million hectares were managed organically by more than 700,000 farms in 138 countries in 2006, according to The World of Organic Agriculture: Statistics & Emerging Trends 2008 report released in February by the International Federation of Organic Agriculture Movements (IFOAM), The Foundation Ecology & Agriculture (SÖL), and the Research Institute of Organic Agriculture (FiBL).

That figure represents 0.65 percent of the total agricultural land of the countries covered by the survey.

As in previous years, Australia led with the most organic land (12.3 million hectares), followed by China (2.3 million hectares) and Argentina (2.2 million hectares). The United States was fourth, with 1.6 million hectares in 2005.

Organic Monitor has estimated international sales reached $38.6 billion in 2006, double that in 2000. ❖

A World of News

Organic News

- Hilton Hotels has launched an organic and sustainable food sourcing policy at some of its operations. The new Eat Naturally catering program at Hilton and Doubletree Hotels in Southern California focuses on offering fresh, local, organic and sustainable food choices.
- Shangri-La Hotel and Resort in Bonita Springs, FL, has achieved organic certification for its 8.1 acres of property and is undergoing the organic certification process for its hotel restaurant. Included on the property is an organic garden.
- Safeway, Inc., has formed partnerships to sell its "O Organics" line of organic foods and beverages in Asia and South America and has arranged with distributor Sysco Corp. to sell the products to foodservice outlets. Since its launch in 2006, the line has grown to 300 items.
- Roundy's launched an ad campaign touting the quality of its private-label lines, including the Roundy's Organic and Roundy's Select lines.
- Raley's Supermarkets in February unveiled its Full Circle label of organic and natural products. About 70 percent of the 120 products are organic.
- With Whole Foods Market discontinuing the Wild Oats line of organic products, Price Chopper supermarkets will now offer Full Circle products, distributed by Topco Associates.
- Aurora Organic Dairy is undertaking a major initiative to measure and reduce its carbon footprint across its products' lifecycle, from cattle feed to cartons in retail dairy cases. The newly established Aurora Organic Dairy Foundation is providing more than $320,000 to fund a long-term research partnership with the Center for Sustainable Systems, University of Michigan's School of Natural Resources and Environment, to conduct lifecycle and sustainability research at Aurora Organic Dairy's facilities.
- Organic Valley Family of Farms has donated $50,000 to the University of Wisconsin School for Beginning Dairy and Livestock Farmers through its Farmers Advocating for Organics Fund.
- New York Agricultural Land Trust, a non-profit organization dedicated to protecting land for the future of farming in New York, has received contributions from Organic Valley and Byrne Dairy to support the development of its communication and outreach plan.
- ConAgra Foods has acquired Watts Brothers, the largest organic dairy in Washington and also a major supplier to Horizon Organic. The farm includes a vegetable processing facility, refrigerated warehouse, packaging facility, and the dairy operation.
- Green for Good, Inc., has launched an online community, www.greenforgood.com, to encourage individuals and businesses to incorporate 'green' steps in day-to-day living and operations.
- Elzinga & Hoeksema Greenhouses in Kalamazoo, MI, has received organic certification for its four-acre greenhouse that will supply a wide variety of organic vegetable and herb plants to Meijer grocery stores.
- According to a 2007 survey by Daniele Giovannucci and the Costa Rica-based Sustainable Markets Intelligence Center, the United States imported approximately 65 million pounds of organic coffee, valued at approximately $617 million, in 2006. Global sales of organic coffee reached 67,000 metric tons (MT)—more than 147 million pounds—in 2006.
- Rosas Farms in Sparr, FL, has been selected to receive a U.S. Chamber of Commerce Blue Ribbon Small Business Award.

Quote of Note

"Americans are already buying more environmentally friendly products, choosing more sustainably produced meat, eggs and dairy...and it has escaped no one's notice that the organic food market is growing fast. These all represent products that are more expensive but of higher quality."

—Mark Bittman, columnist, *The New York Times*, Jan. 27, 2008

Consumer Trends

- Consumers are willing to pay more for 'green' environmentally friendly products, according to a recent MamboTrack™ study of 1,000 consumers by Mambo Sprouts Marketing. In the study, seven in ten consumers were willing to pay up to 20 percent more for environmentally friendly products. In addition, 56 percent of consumers identified the selection of healthy organic products and 49 percent the availability of organic produce as key factors in where to shop. Consumers were most likely to choose organic produce (60 percent), dairy products (54 percent) and child and baby food products (50 percent).
- A study by Information Resources, Inc., found U.S. consumers are increasingly becoming concerned over social and environmental implications when choosing packaged food and beverage brands. About 40 percent of the 22,000 shoppers polled indicated they look for products grown or produced to meet organic standards.

Research updates

- **More antioxidants**: Organic lemonade contains ten times more eriocitrin (an antioxidant) than a glass of its conventional counterpart, according to a new study by Washington State University supported by The Organic Center. The study was the first-ever assessment of the bioavailability of three chiral flavonoids—hesperetin, naringenin and eriocitrin—found in citrus fruits and juices. Organic lime juice had three times the level of eriocitrin compared to conventional lime juice. The findings are published in *Biopharmaceutics & Drug Disposition*, Vol. 29, pp. 63-82, September 2007.
- **Antibiotic resistance**: Industrial poultry workers are 32 times

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more likely to carry *E. coli* bacteria resistant to the antibiotic gentamicin than others outside the poultry industry, according to a study conducted by researchers at Johns Hopkins Bloomberg School of Public Heath. The results, published in the December 2007 edition of *Environmental Health Perspectives*, are consistent with findings in Europe showing conventional poultry farmers and workers are at risk of exposure to drug-resistant *E. coli* bacteria. Researchers noted that as food animal production has shifted from the independent farmer to large-scale industrialized operations, the use of antimicrobials in feeds intended to stimulate growth has increased. Currently 16 different antimicrobial drugs are approved for use in U.S. conventional poultry production, with gentamicin the most widely used. Such antibiotics are not allowed for use in organic agriculture.

- **Organic or not**: Research findings published Jan. 4, 2008, online in the *Journal of Environmental Quality* show the use of nitrogen isotopic discrimination can be used to determine if non-organic synthetic fertilizers were used on sweet pepper plants. The research was conducted by scientists from the Instituto Murciano de Investigación y Desarrollo Agrario y Alimentario jointly with the Instituto de Agrobiotechnología in Spain.
- **Dietary exposure to pesticides**: Building on two earlier experiments, a study by researchers at Emory University and the National Center for Health at the Centers for Disease Control and Prevention, published in the Jan. 15 online version of *Environmental Health Perspectives*, showed that substituting organic fresh fruits and vegetables for their conventional counterparts reduced metabolite residues of pesticides in children's urine. In the study, 23 children ages 3-11 who only consumed conventional diets were recruited for a one-year study. When the children were given organic produce for five consecutive days in the summer and fall sampling seasons, median urinary metabolite concentrations fell to non-detected or close to non-detected levels for malathion and chlorpyrifos. Researchers also observed overall organophosphorus (OP) pesticide urinary metabolite concentrations rose in the winter months when more fresh imported conventional produce was consumed. Researchers concluded that dietary intake of OP pesticides represents the major source of exposure in young children.
- **Neurodevelopment disorders**: A scientific consensus statement on environmental agents associated with neurodevelopmental disorders developed by the Collaborative on Health and the Environment's Learning and Development Disabilities Initiative has concluded that scientific evidence indicates environmental contaminants are an important cause of learning and development disabilities (LDDs). Those signing the consensus statement wrote, "Given the serious consequences of LDDs, a precautionary approach is warranted to protect the most vulnerable of our society." ❖

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