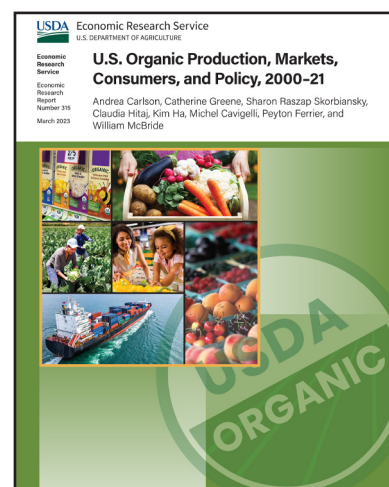


U.S. Organic Production, Markets, Consumers, and Policy, 2000-21

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What Is the Issue?

The U.S. Department of Agriculture (USDA) envisions a key role for organic farming in meeting global and domestic food needs, enhancing farm profitability, and increasing agricultural sustainability. Organic food and agriculture became a federally regulated industry in the United States in 2000 when USDA published the final rule to implement the Organic Foods Production Act of 1990 (OFPA). Under the final rule (7 CFR § 205), USDA began implementing national organic standards for production and certification and established the National Organic Program (NOP) to provide ongoing regulatory oversight. In the two decades since USDA published national organic rules, a broad organic consumer base has emerged in the United States. Increasing U.S. consumer demand, along with price premiums for organic food, has driven an increase in U.S. organic production since 2000, and an extensive organic industry sector has also emerged.



What Did the Study Find?

Trends in U.S. organic policy initiatives and research investments since 2000:

- Over the past two decades, USDA's Agricultural Marketing Service (AMS) has published rules creating pasture standards for dairy cows (2010), proposed expanded regulatory oversight to importers, brokers, and traders of certified organic products (2020), and proposed additional rulemaking for livestock and poultry operations (2021).
- The 2002 Farm Act funded the National Organic Certification Cost Share Program to help producers pay for USDA organic certification, with current funding at \$24 million over the 5-year period from 2019 to 2023. Funding levels varied between \$7 million and \$60 million per funding period, although certification costs have trended up since 2014, and cost share per certification has dropped.
- Policy changes since 2000 have widened producers' access to and use of USDA farm assistance programs.

ERS is a primary source of economic research and analysis from the U.S. Department of Agriculture, providing timely information on economic and policy issues related to agriculture, food, the environment, and rural America.

- Organic products were first introduced into the international trade data in 2011. The number of organic import and export codes is small compared with overall tracked codes but continue to expand. The focus of private agricultural research has largely been on products not used in organic systems. The 2002 Farm Act introduced the Organic Agriculture Research and Extension Initiative (OREI) and gradually increased funding to \$20 million annually in fiscal year 2020—with a sharp annual increase to \$50 million set for fiscal year 2023. OREI seeks to solve critical organic agriculture issues, priorities, and problems through the integration of research, education, and extension activities.
- U.S. organic grain and oilseed producers indicate crop yields are among their top concerns. While research efforts to address yield and other organic production challenges were limited in 2000, recent research findings from long-term cropping system trials suggest greater organic yields are possible.

Trends in U.S. organic production and commodity markets since 2000:

- U.S. organic farm sales have increased from an estimated (inflation adjusted to 2021 dollars) \$609 million in 2002 to nearly \$11 billion in 2021. While organic acreage was still only 1 percent of U.S. farmland in 2019, organic farm sales accounted for almost 3 percent of U.S. farm receipts, reflecting the high-value sector focus and the price premiums for commodities. U.S. organic farms continue to have higher production costs than the average of all U.S. farms but also higher average total sales and net cash income.
- As in 2000, fruits, vegetables, dairy, eggs, and other high-value commodities make a larger share of organic production when compared with conventional systems. While the Pacific and northeast crop regions have consistently led as the top organic producers in terms of sales since 2000, organic farming expanded in almost every State between 2012 and 2019.

Consumer characteristics and trends in U.S. organic market share and sales since 2000:

- After adjusting for inflation to 2021 dollars, U.S. retail sales of organic food rose more than five times between 2000 and 2020—to nearly \$56 billion—and continues to grow at a faster pace than overall food market sales.
- Since 2000, when natural food stores—stores that only sell certified organic products or a mixture of organic and products marketed as “natural”—dominated organic food sales, the food industry has broadened organic food access across food marketing channels, expanded the use of lower cost private label brands, and developed new product lines based on ethnic and international food preferences. By 2020, traditional stores—including the expanded organic offerings of club and warehouse stores—accounted for over half of organic sales. Internet sales are an emerging market for organic food.
- Fruits and vegetables have led the U.S. organic food market for over two decades. USDA’s Economic Research Service (ERS) estimates show a rapid increase in the organic retail share of popular produce items between 2008 and 2018. Snack foods, meat, poultry, and fish are among the smallest grocery retail categories in organic sales but are also the fastest growing.
- Recent studies show that organic shoppers cut across all types of consumer demographics.
- Research suggests organic consumers are primarily motivated by a desire to avoid pesticide residue and antibiotics in their food and to support more environmentally friendly agriculture, along with a belief that organic food is more nutritious.

How Was the Study Conducted?

The report relies heavily on data from USDA, including USDA, National Agricultural Statistics Service’s Agricultural Resource Management Survey (ARMS), Organic Certifier Surveys, National Organic Certifier and Producer surveys, Census of Agriculture surveys, organic market news reports from USDA, Agricultural Marketing Service, international trade data, and administrative data. Private data sources are also used, including retail food scanner data purchased from the market research company Information Resources, Inc. (IRI), and organic sales data from the Nutrition Business Journal. Many of USDA’s organic data sources are fragmentary and do not use a consistent methodology, which has limited trend analysis.