New Directions in U.S. Organic Policy

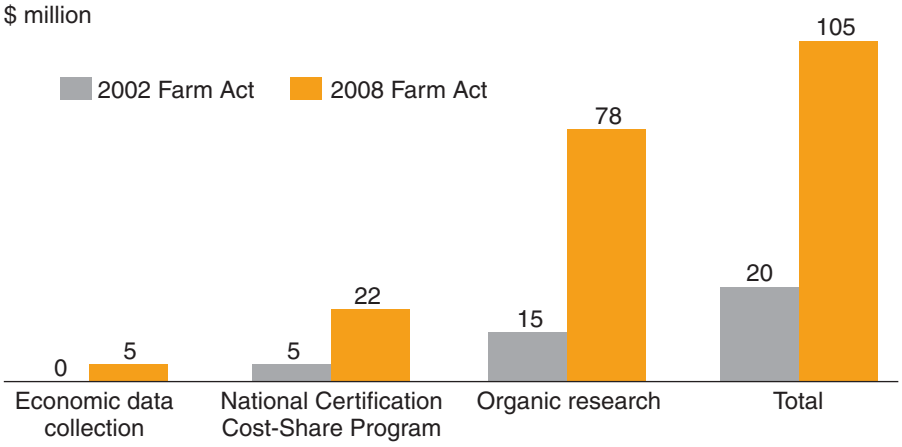
Until recently, Federal organic policy was oriented toward using market support mechanisms to facilitate the growth in the U.S. organic sector. In the Food, Conservation, and Energy Act of 2008 (2008 Farm Act), U.S. Federal organic policy changed course with provisions that provide financial support to farmers to convert to organic production. Under the Organic Transition Support provision in the Environmental Quality Incentives Program, conservation practices related to organic production and the transition to organic production are eligible for payments, subject to a $20,000 annual limit and an $80,000 cap over a 6-year period to persons or legal entities.

The 2008 Farm Act also increased mandatory funds for a national certification cost-share program and a data initiative and boosted mandatory organic research funds five-fold from levels mandated in the 2002 Act, specifying two new research priorities (fig. 9). One is to study the conservation and environmental outcomes of organic practices. Although experimental trials have found enhanced soil fertility, higher biodiversity, lower energy use, and increased retention of carbon and nitrogen in organic plots compared with conventional plots, this funding will support more comprehensive research. The potential of organic farming to capture atmospheric carbon and store it in the soil was specifically mentioned in the conference report of the 2008 Farm Act as an example of organic research that needs support.

The other new priority of the organic research initiative is to develop new and improved seed varieties for use in organic production systems. Interest in organic seed variety development was heightened after USDA banned the use of seeds treated with fungicides and the use of genetically modified organism seeds, when national organic standards were implemented in October 2002 (Sooby et al., 2007).

The 2008 Farm Act includes a number of other provisions to facilitate growth in the U.S. organic sector, including technical assistance on organic

Figure 9
Government spending on organic agriculture is up five-fold from 2002



Source: Office of Budget and Policy Analysis budget summary data (2002) and Congressional Budget Office (2008).

conservation practices; the inclusion of organic commodities in a cost-share funding program to expand export markets for U.S. agricultural products; a provision to give priority to qualified beginning and socially disadvantaged producers, owners, or tenants who use the loans to convert to sustainable or organic agricultural production systems; funding to expand data collection on organic production and marketing; support for USDA's regulatory program; and a provision to contract for studies of improvement in organic production insurance coverage.

About the Data

Since the late 1990s, USDA's Economic Research Service has initiated a number of studies to better understand and characterize the U.S. organic sector.

U.S. certified organic acreage and livestock—ERS has produced reports based on data from State and private certification groups since the late 1990s to calculate the extent of certified organic farmland acreage and livestock in the United States. Estimates currently show the change in U.S. organic acreage and livestock numbers from 1997 to 2005, by State, for over 40 commodities. Nearly 50 USDA-accredited organic certifiers were operating in the U.S. in 2005, and provided the estimates.

U.S. certified organic handler practices—ERS conducted the first nationwide survey of practices in the U.S. organic handling sector in 2004. Organic manufacturers, processors, distributors, and other organic intermediaries were surveyed about their procurement and contracting of organic products and ingredients. Data are available on 9 commodity groups, such as fruits and nuts, and 45 commodities. The procurement data include information from 1,038 facilities; the contracts data include information from 686 facilities that use contracts.

Characteristics of U.S. organic consumers—ERS has conducted several studies of organic produce consumers using Nielsen Homescan data, which are retail scanner data scanned at home by a nationally representative panel of consumers. These studies used samples of Nielsen Homescan data for the early and mid-2000s containing more than 8,000 households purchasing produce; households reported their purchases of produce sold as random weight or with the Uniform Product Code (UPC) at retail outlets for home consumption. These data were used to determine the socio-demographic characteristics of organic consumers, what they buy, how much they spend, and the price premiums they pay for organic produce. The ERS organic milk study used the full Homescan panel of 41,000 households in 2004, and drew data from the households that bought milk—38,375 households.

Organic production costs and returns—USDA's 2005 Agricultural Resource Management Survey (ARMS) included a subsample of organic dairies and collected detailed information about the production practices and costs on dairy farms in 24 States representing over 90 percent of national milk production. In 2006, information about the production practices and costs of soybean growers in 19 States (representing over 97 percent of U.S. planted soybean acres) was collected. A set of estimates is now available from these surveys that presents costs and returns by region and size of operation for all dairy and soybean producers, and for conventional and organic producers. Estimates for regions and producer size groups with sufficient sample for statistical reliability are also available. ERS also has research on organic agriculture under way using data from the 2007 ARMS survey (which included a subsample of organic apple producers) and will survey organic wheat producers as part of the 2009 ARMS survey.