
THE US ORGANIC INDUSTRY
Stewardship Practices and the Global
Challenge To Organic and Other
Production Systems

Dr. Gary M. Beil
MCIA

EUROFINS International Seminar
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Growth of the Organic Sector

- According to the Organic Trade Association (OTA), the U.S. organic industry reached \$16.7 billion in sales of organic foods in 2006
 - The sales of organic foods grew 20.9% in 2006, but represent only 2.8% of total U.S. food sales
 - Meat, fish and poultry jumped 29%, and dairy 25%
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Anticipated Growth in Organics

- OTA projects an overall annual growth rate through 2010 of 18%
- Non-food product sales projected to grow at an annual rate of:
 - Organic flowers 16%
 - Organic fiber and clothing 40%

Consumer Perceptions

- Nearly three-quarters of the U.S. population buy organic products at least occasionally
- 23% of U.S. consumers buy organic products at least on a weekly basis
- Consumers perceive organic foods to be better tasting, healthier, less processed, fresh, local and sustainable.

Consumer Make-up

- “Devoteds”
 - 27.8 million, 13% of primary grocery shoppers
 - Believe in health benefits, disproportionately female, less price sensitive
- “Temperates”
 - 54.2 million, 25% of primary grocery shoppers
 - Moderate organic attitudes, less emotionally involved, more price sensitive
- 75% of the organic market is made up by these two sectors, but only 38% of primary grocery shoppers

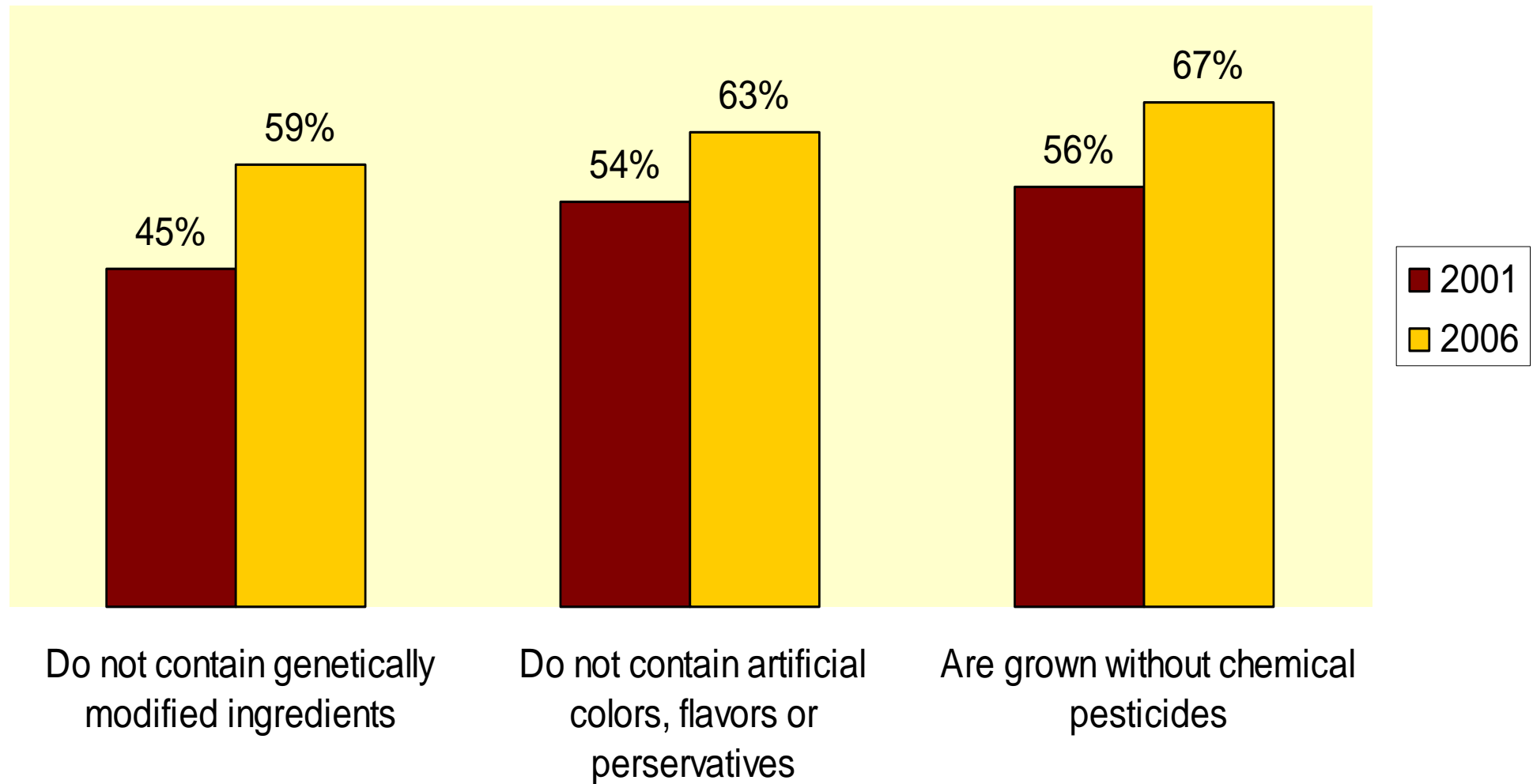
Consumer Make-up

- “Dabblers”
 - ❑ 41.9 million, 19% of primary grocery shoppers
 - ❑ Disproportionately male, non-committal, least health conscious
- “Reluctants”
 - ❑ 43% of primary grocery shoppers
 - ❑ Have some level of understanding of organic definitions, have not used organic products within the last year
- These two groups are 62% of the primary grocery shoppers

Top Reasons to Use Organics

	% Category Users
Better for me and my family	52
To promote overall health	51
To avoid additives, pesticides, toxins	50
They are less processed	43
Higher quality	41

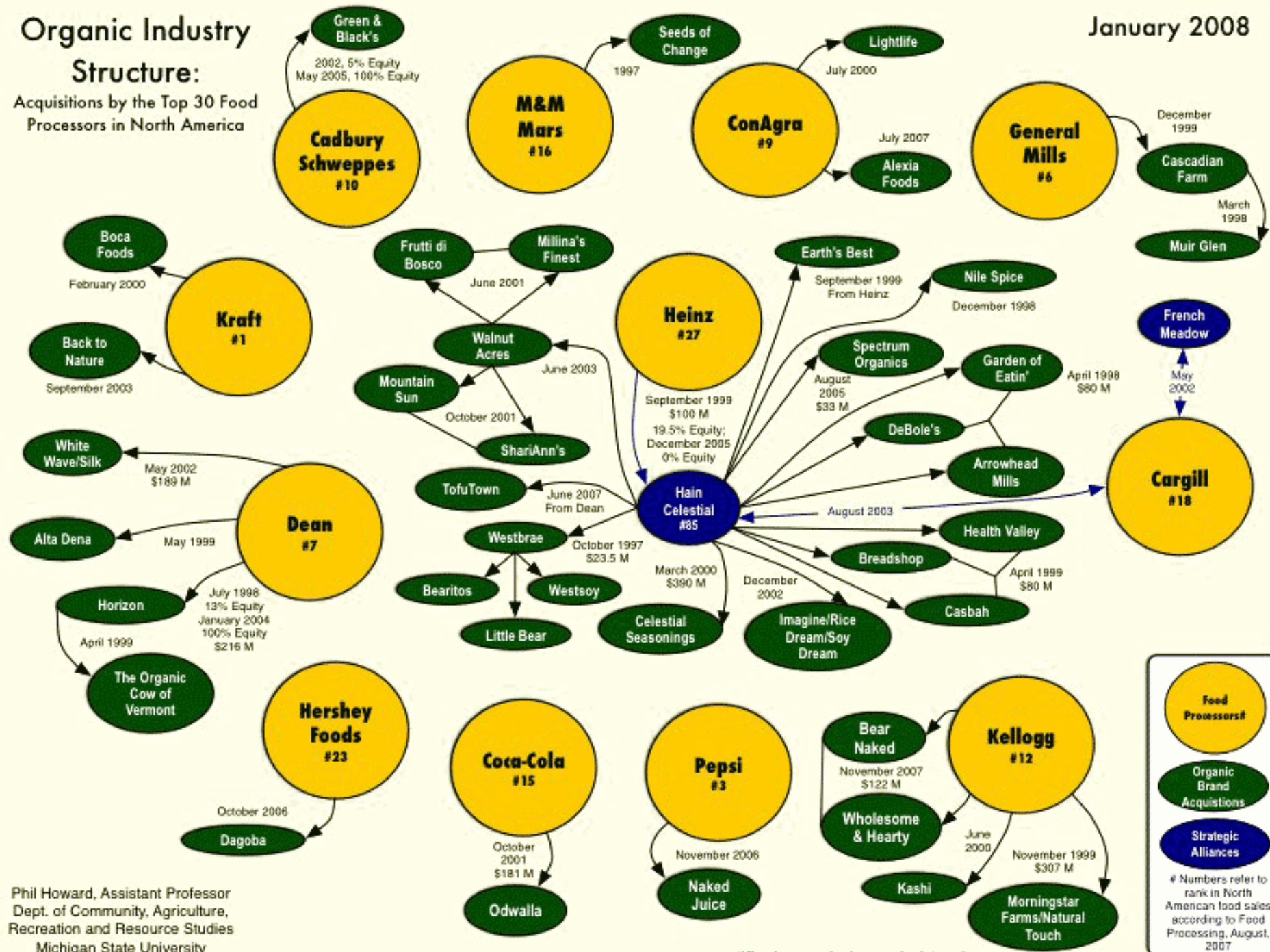
Percentage of primary grocery shoppers believing that organic foods and beverages:



Organic Industry Structure:

Acquisitions by the Top 30 Food Processors in North America

January 2008

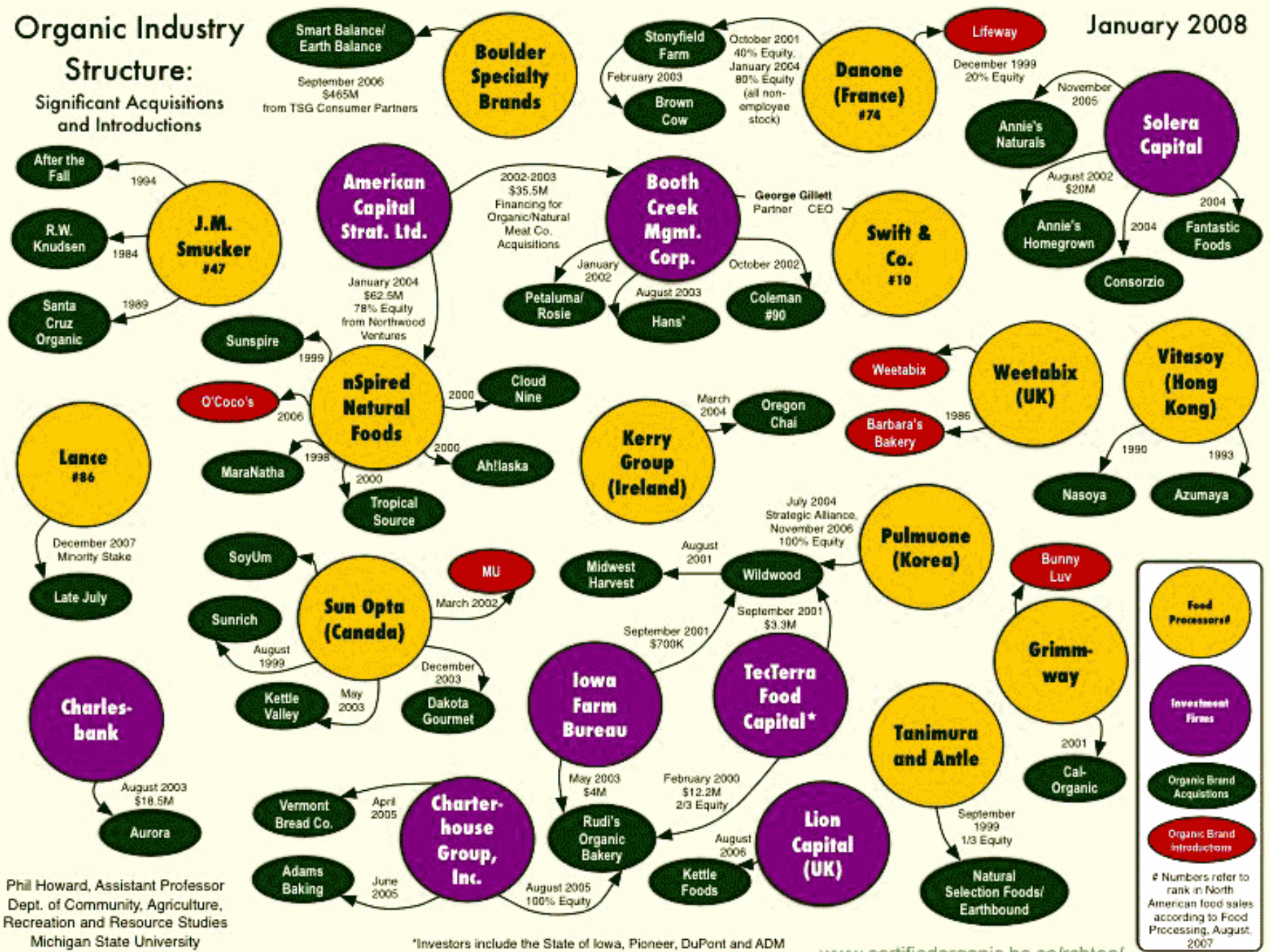


Phil Howard, Assistant Professor
 Dept. of Community, Agriculture,
 Recreation and Resource Studies
 Michigan State University

Organic Industry Structure:

Significant Acquisitions and Introductions

January 2008



Food Processor (Yellow circle)

Investment Firm (Purple circle)

Organic Brand Acquisitions (Green circle)

Organic Brand Introductions (Red circle)

Numbers refer to rank in North American food sales according to Food Processing, August, 2007

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*Investors include the State of Iowa, Pioneer, DuPont and ADM

www.certifiedorganic.bc.ca/rcbtoal/

Global Organic Marketplace

- 120 countries involved in organic agriculture
- 31 million hectares (76.5 million acres) are farmed organically
- 3X's the area reported in 2000
- Booming annual world consumer market of \$40 billion USD
- Organic agriculture represents less than 1% of all global agricultural production.

Global Organic Marketplace

- Government support of continued growth in the global organic marketplace is critical.
 - 2008 U.S. Farm Bill
 - Will major incentives for organic research and certification programs survive?
 - The EU has developed a European Action Plan for organic food and farming
 - In emerging economies, organic growth is limited due to access to good production technologies applicable to organic regimes
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GROWTH IN ORGANIC AGRICULTURE WILL CONTINUE!

ISSUES FACING AGRICULTURAL
PRODUCTION SYSTEMS ARE CHANGING

FROM

Can the world produce enough food?

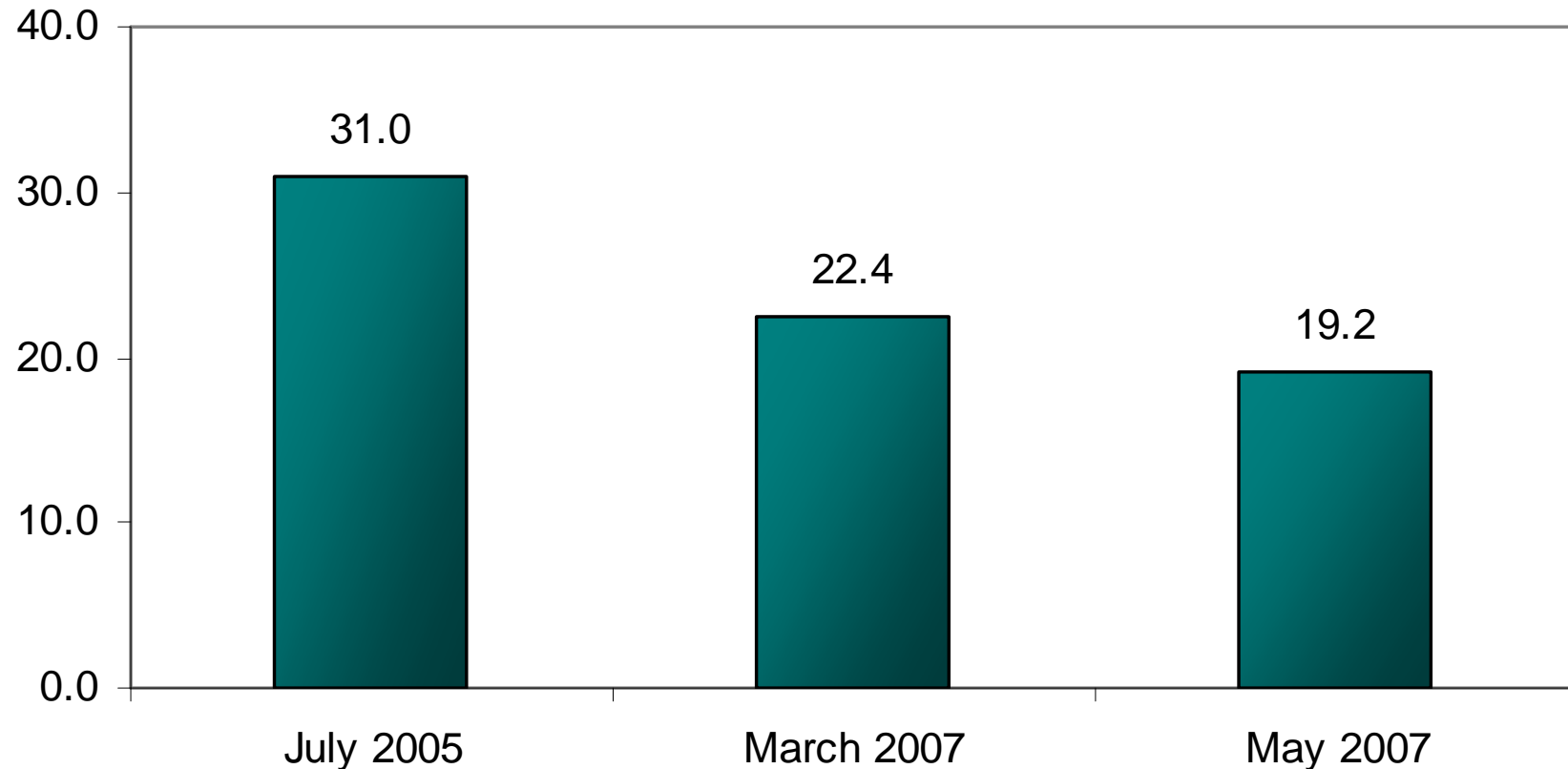
TO

Is the food we eat safe?

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- Summary of Issues
 - New GM Products
 - Co-Existence – GM vs. Organic
 - Identify Preservation / Traceability Issues
 - Quality Production and Verification Systems
 - Local vs. Global Product Sourcing
 - Stewardship
 - Food Safety
-

Consumer Confidence That Our Food Supply is Safe



Source: Dennis Degeneffe, "Tracking Consumer Perceptions of Bioterrorism and Food Safety Risks."

STEWARDSHIP

- Wikipedia definition:

STEWARDSHIP is personal responsibility for taking care of another person's property or financial affairs.

Trait Stewardship

(Google -- 84,000 sites)

EXAMPLE

“Monsanto is committed to enhancing grower productivity as well as supporting product stewardship by bringing new seed technologies to Market. This commitment requires shared responsibility between Monsanto and our licensed growers.”

Trait Stewardship

Example

BIO's Policy *Biotechnology Industry Organization*

“Excellence Through Stewardship”

To help ensure the continued adoption of agricultural biotechnology globally and to continue to have products of agricultural technology bring value to the marketplace, BIO supports actions that facilitate the flow of goods in commerce and minimize trade disruptions.

Stewardship Policy of May 21, 2007

Organic Foods Stewardship

(Google -- 119,000 sites)

EXAMPLE

Carolina Farm Stewardship Association's

mission is to promote local and organic agriculture in the Carolinas by inspiring education and organizing farmers and consumers. CFSA envisions a regional food system that is good for the farmer, the consumer and the environment.

GOOD STEWARDSHIP PRACTICES

The Global Challenge to Food Production Systems

1. The use and application of technology
 2. The ability to manage the risks associated with food production
 3. The application of Quality Management Systems
 4. Harmonization of regulatory requirements
 5. Assurance of dependable safe food supplies
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GOOD STEWARDSHIP PRACTICES

The Global Challenge to Food Production Systems

Ability to supply adequate levels of safe food products to meet consumer demands

Good News – Demand will continue to increase!

Bad News – According to a recent Organic Trade Association survey, 55% of those responding believed that the ability to generate more sales of organic product will be limited due to a lack of dependable supply

GOOD STEWARDSHIP PRACTICES

The Global Challenge to Food Production Systems

Ability to supply adequate levels of safe food products to meet consumer demands

Producers reticence to give up biotech products to enter into organic regimes

- ❑ RR soybeans
- ❑ BT corn
- ❑ Stacked technologies

Producers find Organic rules / standards daunting

GOOD STEWARDSHIP PRACTICES

The Global Challenge to Food Production Systems

Ability to supply adequate levels of safe food products to meet consumer demands

IMPACT OF HIGH COMMODITY PRICES

e.g. \$5/bu corn and \$12.50/bu soybeans

Reduces the incentive to:

- Commit acres to transition for organic production
 - Commit to the added costs for IP systems
 - Added handling and segregation requirements
 - Increase certification / verification requirements
-

GOOD STEWARDSHIP PRACTICES

The Global Challenge to Food Production Systems

Ability to supply adequate levels of safe food products to meet consumer demands

GLOBAL ORGANIC REGULATORY ISSUES

- Over 60 different sets of government regulations for organic production with little or no harmonization or acceptance between governments
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GOOD STEWARDSHIP PRACTICES

The Global Challenge to Food Production Systems

Ability to supply adequate levels of safe food products to meet consumer demands

GLOBAL ORGANIC REGULATORY ISSUES

- Currently, only the USDA/NOP certification standards are recognized in the U.S.
 - Recognition agreements with 8 countries
 - Recognition agreements are not reciprocal
 - Harmonization of rules/standards is essential to facilitate the movement of organic product on a global scale
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GOOD STEWARDSHIP PRACTICES

The Global Challenge to Food Production Systems

Ability to supply adequate levels of safe food products to meet consumer demands

A KEY ISSUE!

- In the U.S. (and elsewhere) there is no viable price discovery system for organic raw products
 - Difficult to determine how much product is available
 - Organic producers are unwilling to contract for production
 - Inland and containerized ocean freight is very difficult.
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GOOD STEWARDSHIP PRACTICES

The Global Challenge to Food Production Systems

AVAILABLE SUPPORTING SERVICES

MCIA/AOSCA Programs

1. Organic certification
 - Production, wild harvest, handlers
 - Livestock
2. Seed Certification and other custom inspection and quality assurance services
3. AOSCA Quality Plus Management Standard
 - Identity Preserved Certification Programs
4. Japan Positive List certification program

GOOD STEWARDSHIP PRACTICES

The Global Challenge to Food Production Systems

AVAILABLE SUPPORTING SERVICES

MCIA/AOSCA Programs

5. IRM (Insect Resistance Management) audits
 6. CCX (Carbon Credit Exchange) verification inspections
 7. Source ID for native plants
 8. Forage & Mulch certification as noxious weed free
-

GOOD STEWARDSHIP PRACTICES

The Global Challenge to Food Production Systems

AVAILABLE SUPPORTING SERVICES

MCIA/AOSCA Programs

9. Bio-safety inspections and audits
 10. Various ISO 65 and 9000/2001 auditing programs
 11. Grain Channeling audits
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