

Organic and Value Added Agriculture: New Opportunities for WI Farmers



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Today's informed consumer

- “The consumer is saying, ‘I want to know the place it comes from. I want to be able to identify with it.’” (Fred Kirschenmann)



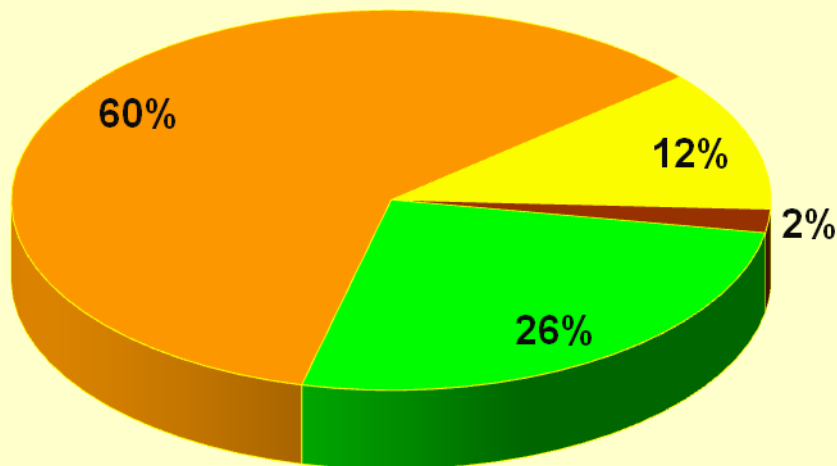
- “The food business is no longer about fast, convenient, and cheap. It’s about memory, romance and trust” (Rick Schneiders, Sysco CEO)

Trends in consumer priorities

*(results of a consumer survey of 600 people by
contextmarketing.com, 10/09)*

Response to question:

How much more are you willing to pay for food that is healthier, safer, or produced to a higher ethical standard?



■ Not willing to pay more
■ 1 to 10% more
■ 11 to 20% more
■ More than 20% more

- **70%** said that whether a company acts ethically has a bearing on their decision to buy.
- **42%** said that the products they purchase must always express their personal values.
- **36%** report lower price is not the main reason why they purchase a product.

Making food choices

Conventional

- No restrictions on practices.
- No marketing claims.

IPM/'Sustainable'

- Reduced pesticide use.
- Marketing claims:
 - Sustainable?
 - Natural?*
 - Environmentally Friendly?
 - Earth Friendly?
 - Others?

No regulated standards

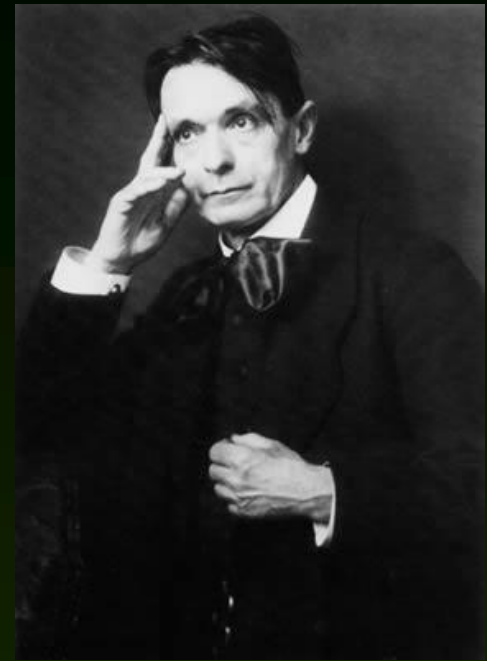
Organic

- Organic production system.
- No pesticides.
- No artificial fertilizers.
- No GMOs
- Marketing claim:
 - USDA Organic



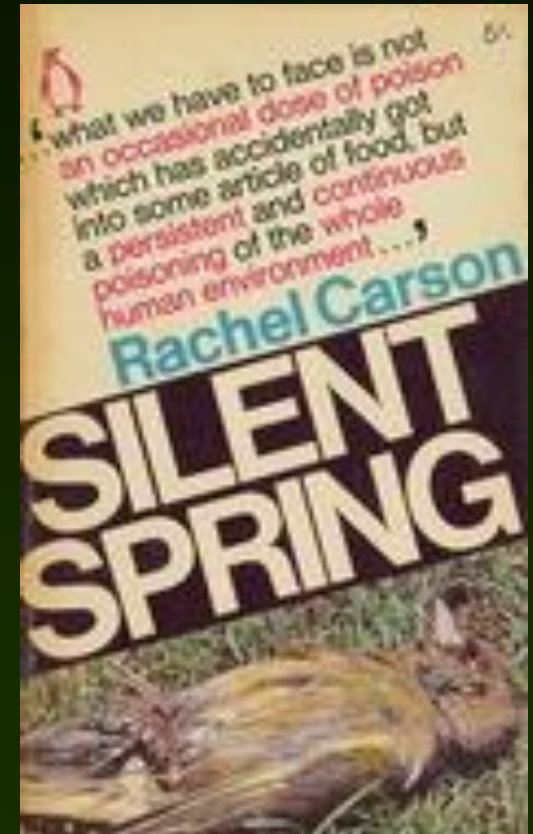
History of Organics

- Food has been produced 'organically' for most of human history.
- Organic farming is more than just the absence of synthetic inputs.
- Pioneers in Organic Agriculture
 - Rudolph Steiner developed biodynamic agriculture in 1924
 - Sir Albert Howard laid out the basics of organic farming in his 1940 book *An Agricultural Testament*.
 - J.I Rodale
 - Founded Organic Farming magazine in 1942
 - Founded The Rodale Institute in 1947 in Kutztown, PA.
 - The Rodale Institute continues to conduct research on organic systems:
www.rodaleinstitute.org



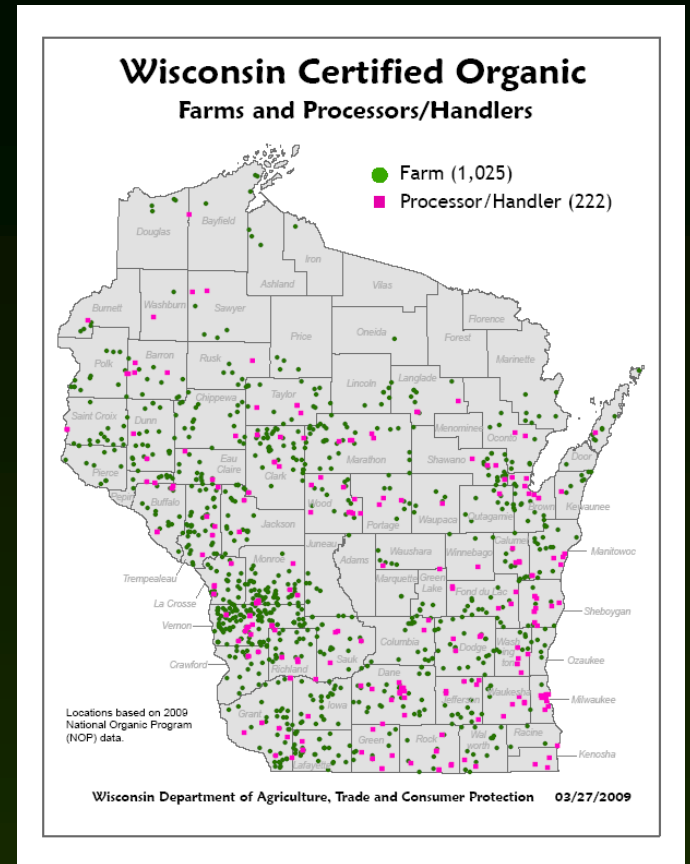
History of Organics: 1960s & '70s

- Evidence of environmental impacts of agriculture
 - Rachel Carson and Silent Spring (1962)
 - 1970s: Organic farmers begin to organize and establish a system of self-regulation.



Organics in Wisconsin

- 1970s: organic farming and gardening gain popularity.
 - 1979: California passes a law establishing a legal standard for organic farming.
 - Private, non-profit organizations form to certify organic farmers.
- Wisconsin history:
 - MOSA, Organic Valley, and MOSES all founded in the late 1980s.
 - Wisconsin has been a 'hotbed' of organic activity ever since.
- Wisconsin and California are still both leaders in organics.



The USDA National Organic Program

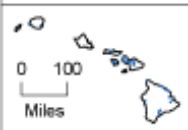
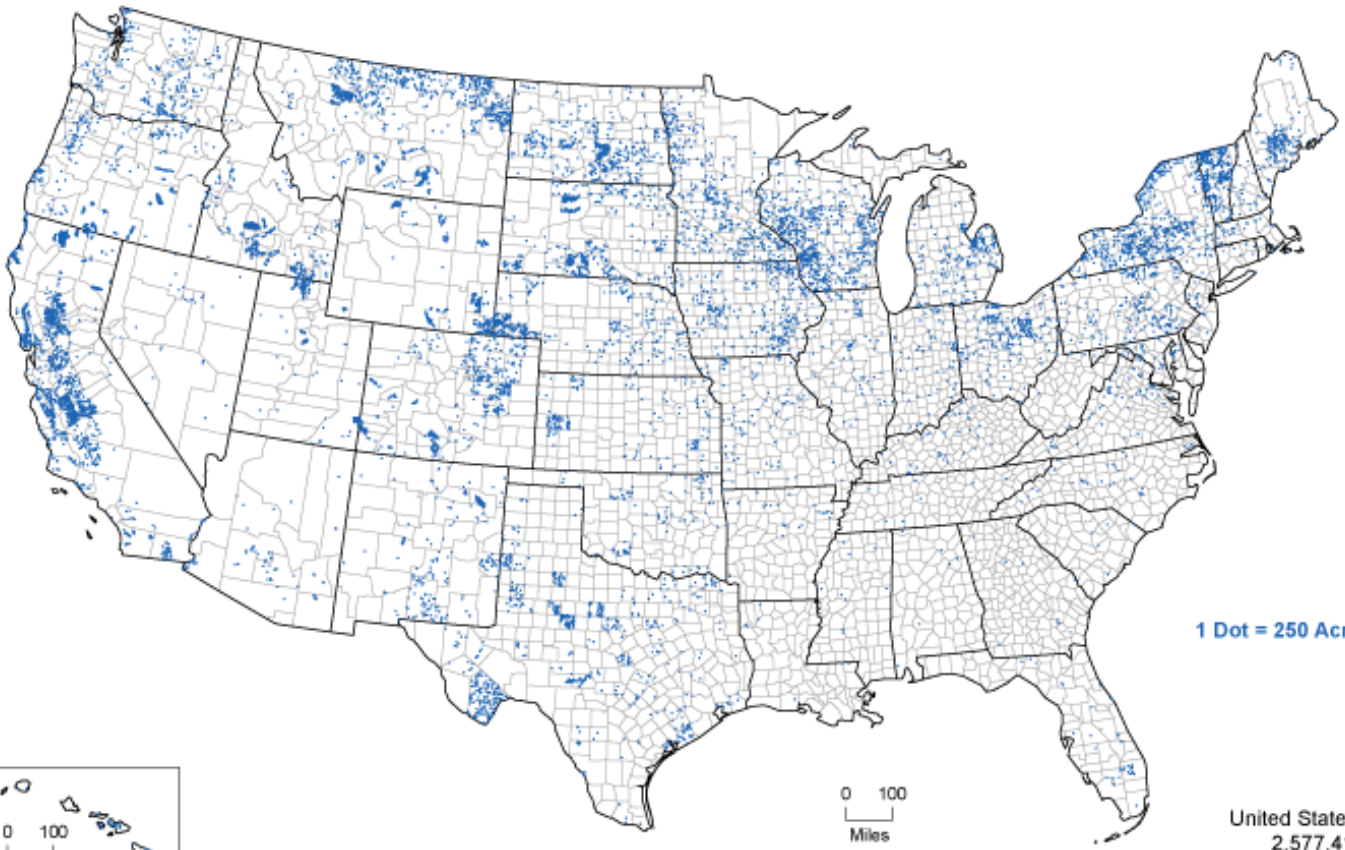


- 1990 Federal Organic Foods Production Act passed.
- 2002: National standard established.
- The USDA National Organic Program sets the standards for organic agriculture.
- The National Organic Standard sets out organic production and processing practices.
- All farms and processors are inspected annually.
- Although it is a marketing claim, the standard certifies the production system, NOT the product.

What's being produced and where?



Acres Used for Organic Production: 2007

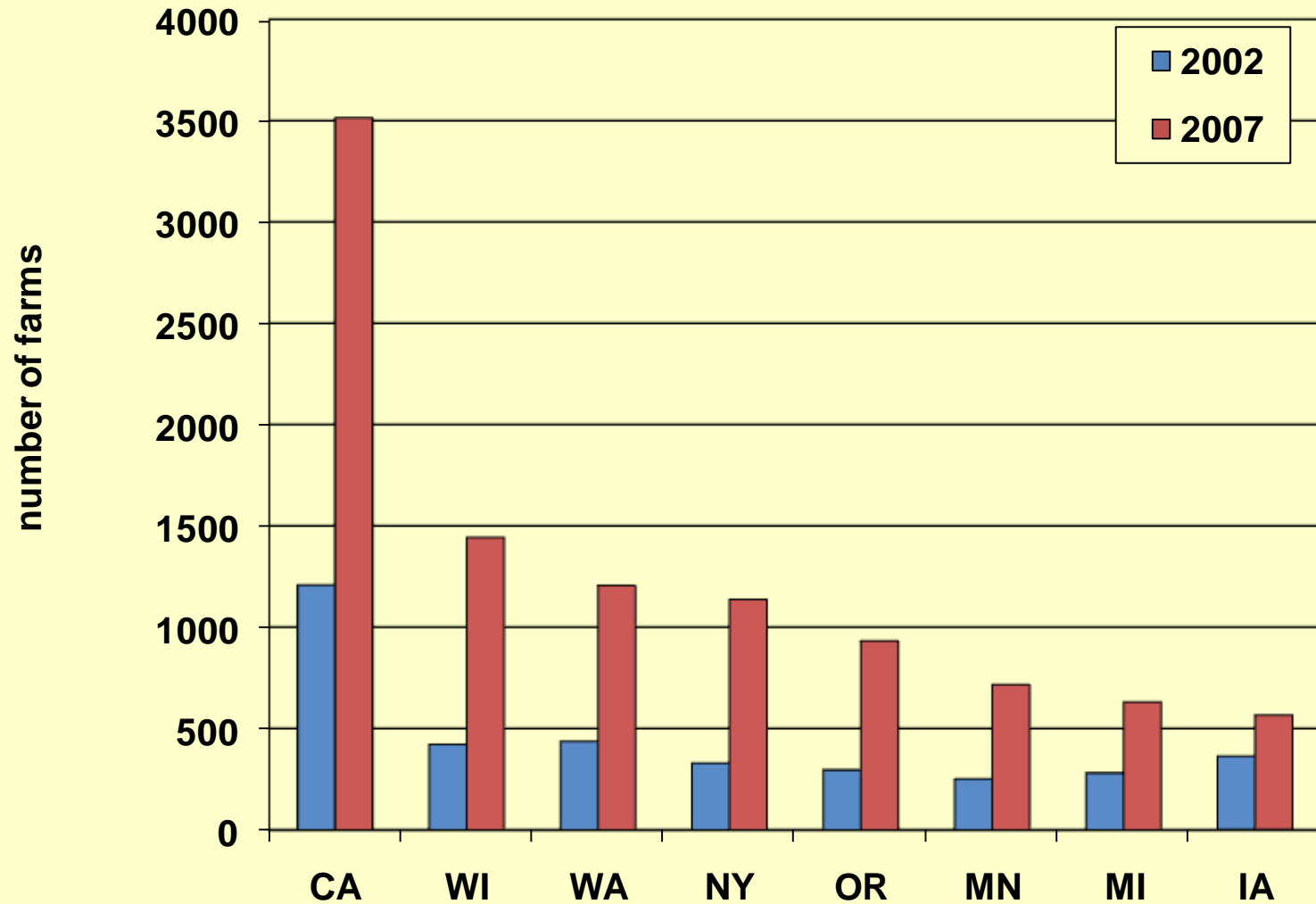


07-M097
U.S. Department of Agriculture, National Agricultural Statistics Service

United States Total
2,577,418

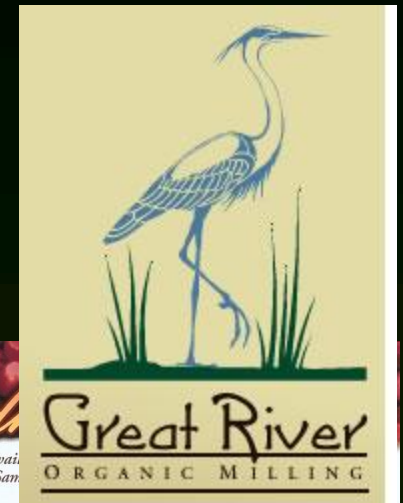
Wisconsin is a major player in organics

US Census 2002 & 2007



Growth areas in Wisconsin Organics: Food Processors, Handlers, & Suppliers

- Wisconsin has 226 processors and handlers certified to produce organic products (2009).
- This is a 70% increase over 2005.
- The list includes:
 - 61 Dairy processors
 - 26 Ag input suppliers
 - 21 Fruit and vegetable processors and handlers
 - 20 Other types of companies
 - 18 Beverage companies
 - 16 Meat and egg processors
 - 13 Food ingredient manufacturers
 - 11 Bread and Grain products
 - 10 Nutrition and Personal Care products



Sandra
Available
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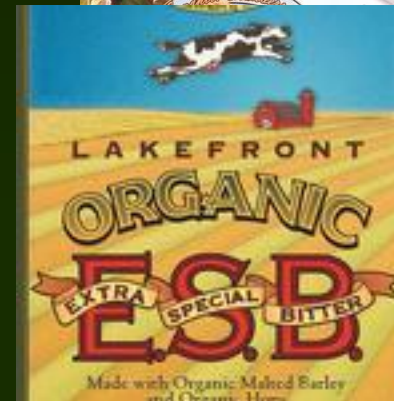
We invite you to taste the difference in Quality.

100% Organic

Our Cranberries are grown using only natural, healthy and earth friendly methods.

100% Organic
Fresh Cranberries

Midwest Organic Services Association



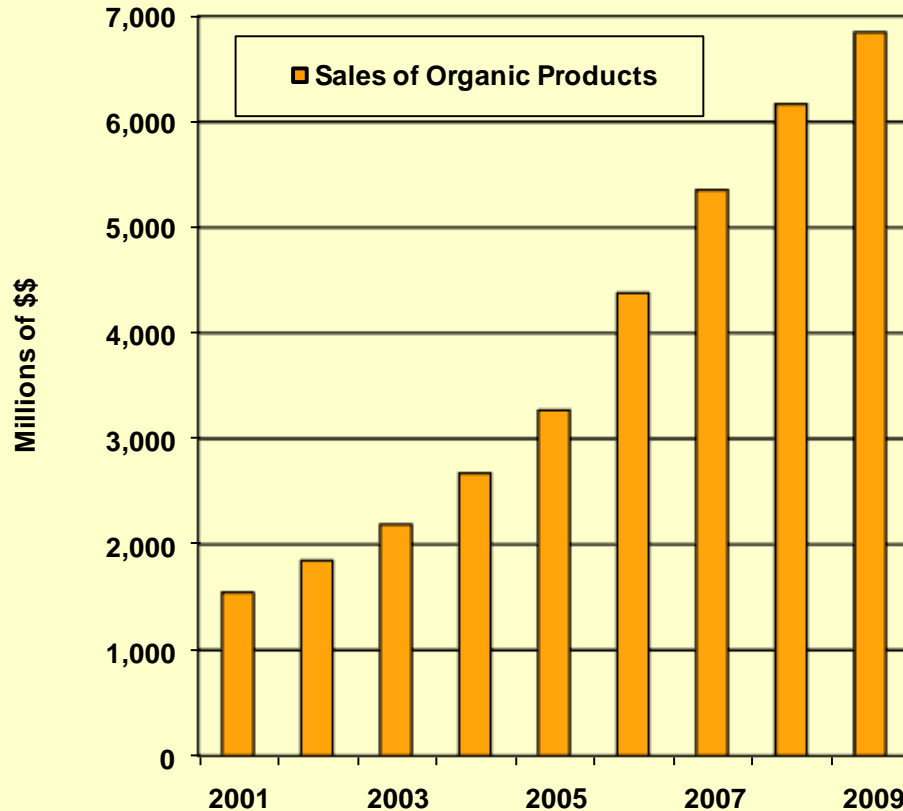
Organics and other Ecolabels

- Organic Seal is the only ecolabel enforced by federal law.
- Certification by accredited third-party certifiers, inspected annually.



Sales Growth of Organic Products*

(Mintel International Group 2009)



- **>20% growth/year until 2008**
- **11% growth in 2009**
- **6% growth estimated for 2010.**
- **Still under 4% of total food sales.**
- **Uncertain future growth.**
- **It is predicted that growth will pick up as the economic downturn recedes.**

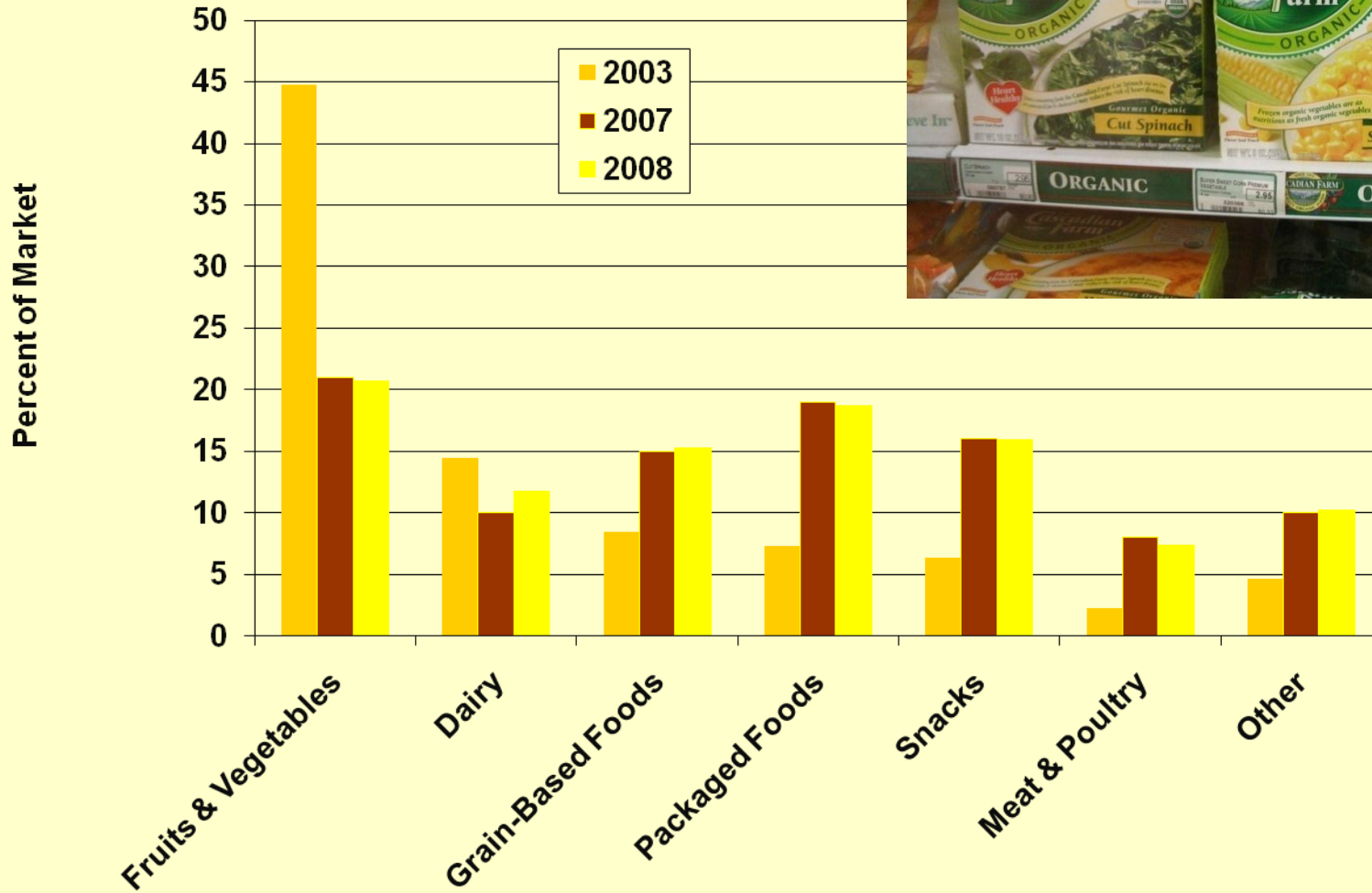
*Excluding Walmart

Consumer Trends:

Reasons why people buy organic foods

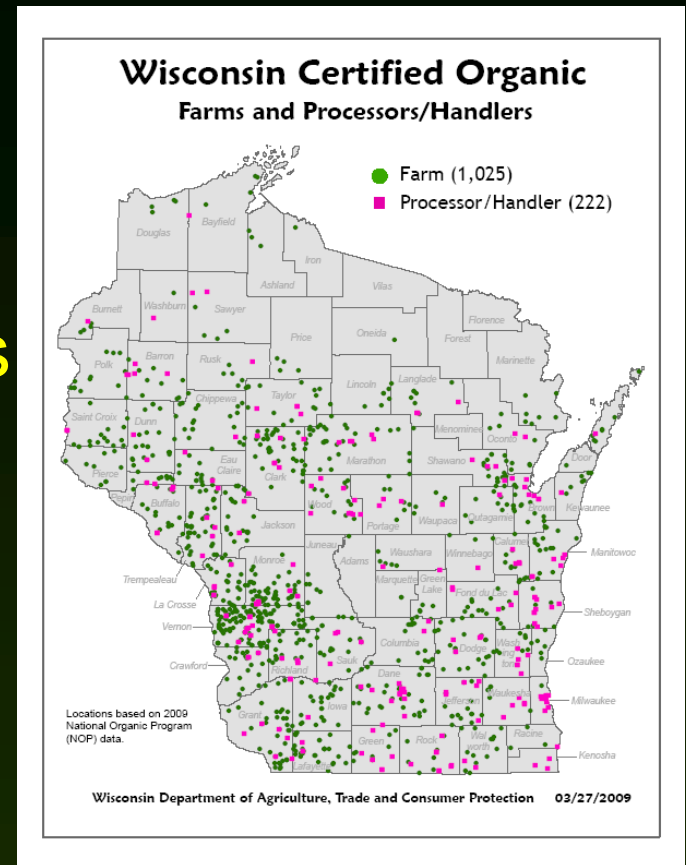
- >57% percent of consumer have tried organic foods and beverages.
- Over 70% of families with children buy organic products (OTA).
- Perceived values of organic and sustainably produced foods:
 - 60% feel it's better for the environment
 - 57% feel they are helping small and local farmers
 - 54% feel it is better for their health
 - 42% feel they're getting better quality
 - 32% feel organic products taste better

The Organic Market: What foods are selling?



Wisconsin rankings

- 2nd in number of organic farms
- 1st in organic dairy farms
- 1st in organic egg producers
- 1st in organic beef farms
- 1st in organic cranberry sales
- 2nd in organic potato farms
- 3rd in organic vegetable farms
- Total acreage: 195,600
- Total farmgate sales: \$132 million



Why do farmers 'go organic'?

Survey of 1003 respondents

Reason listed	% of respondents
Land Stewardship	99.5%
Chemical avoidance for family health	98.7%
Chemical avoidance for environmental health	100%

From: Walz, National Organic Farmer's Survey, 2004

Why do farmers 'go organic'?

Survey of 1003 respondents

- Organic Price Premiums (99.4%)
- Reduce input costs (96.2%)
- Maintain economic sustainability (97.6%)

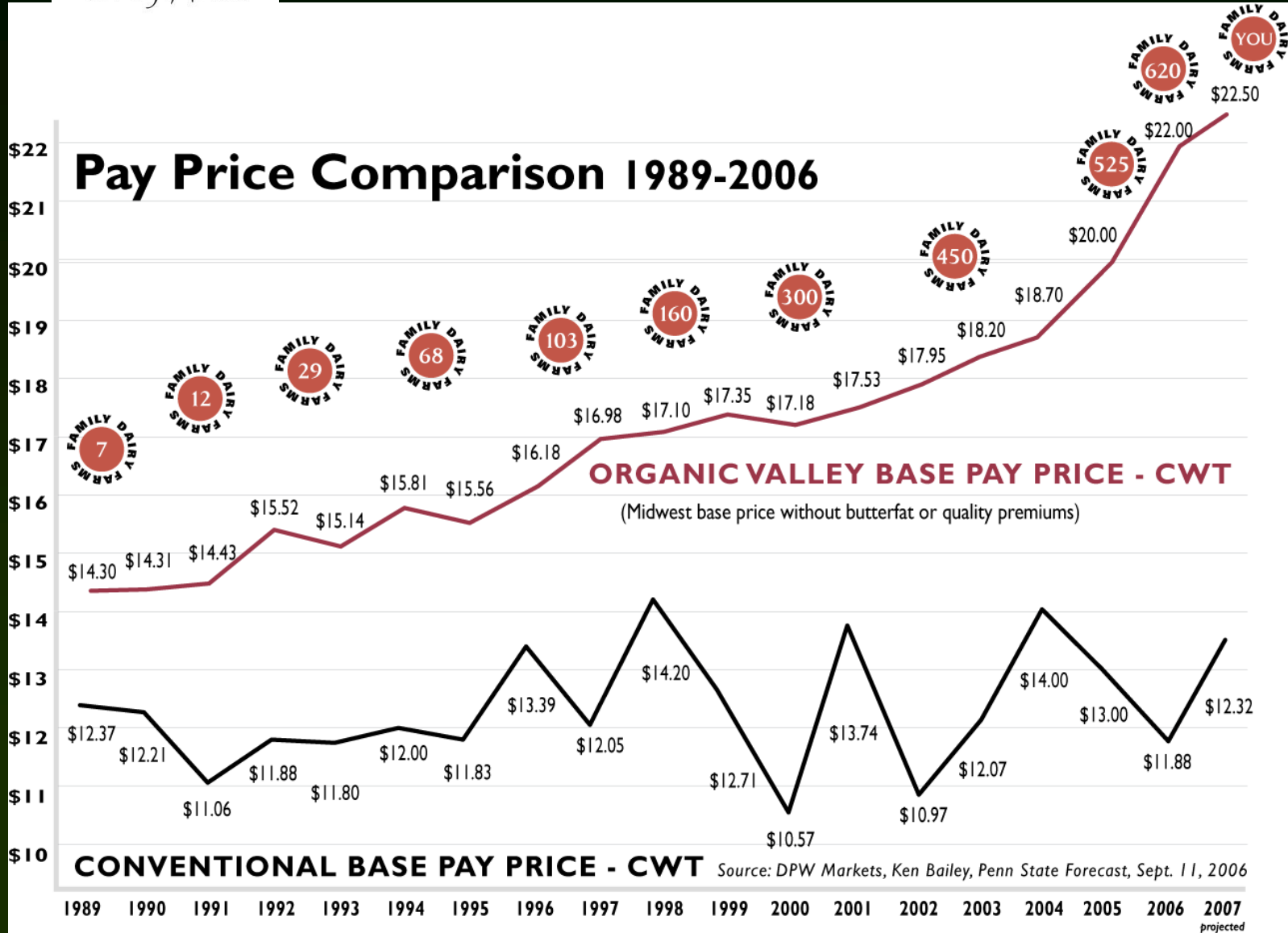
Comparison of current conventional and organic prices (Fall 2010)

Commodity	Organic	Conventional
Corn (bu)	\$6.25	\$5.38
Soybeans (bu)	\$16.75	\$12.63
Milk (cwt)	\$25.85	\$15.44

From: Walz, National Organic Farmer's Survey, 2004



Organic pay prices tend to be higher and more stable



Why do farmers 'go organic'?

Survey of 1003 respondents

Reason listed	% of respondents
Quality of product (998)	99.5%
Challenging, interesting, intellectually appealing (978)	97.5%
Like the results—good farming practices (1000)	99.7%
Ecological principles (987)	98.4%

From: Walz, National Organic Farmer's Survey, 2004

Getting Started



- Prohibitions
 - Synthetic Pesticides
 - Synthetic Fertilizers
 - GMOs
 - Antibiotics and conventional medicines
 - OMRI: Organic Materials Review Institute
- Timelines
 - Land: 3 years organic management
 - Livestock: 1 year organic feed and management
 - Pasture requirement

Organic Certification



- Organic system plan for your farm
 - 3 years of records prior to certification
 - No pesticides
 - No artificial fertilizers
 - No GMOs
 - Lots of records to keep
- How to certify:
 - Private Certification agencies in WI
 - Fees on sliding scale
 - <\$5000 in annual sales exempted from certifying, but still subject to audit!

National Organic Program website: www.ams.usda.gov/nop

The Organic Production Tool Box

Fertility	composted manure, plowed down cover crops, or natural fertilizers
Pests	physical barriers, natural pest deterrents and mechanical means, resistant varieties
Diseases	crop rotation, planting timing, plant spacing and pruning, resistant varieties
Weeds	physical barriers, tillage and hoeing, flame weeding, cover crops
Livestock	Focus on good health and prevention: fresh air, pasture, not pushing production, allowing the animals to carry out their natural behaviors.

Sustainable Practices

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Agency Support for organics



Research and Extension

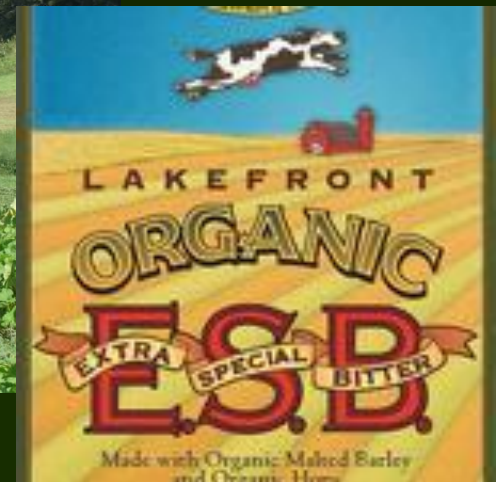


- **USDA Organic Research and Extension Initiative (\$19 million/year)**

- STRATEGIES OF PASTURE SUPPLEMENTATION ON ORGANIC AND CONVENTIONAL GRAZING DAIRIES: ASSESSMENT OF ECONOMIC, PRODUCTION AND ENVIRONMENTAL OUTCOMES 2010
Cabrera, V. E. UNIV OF WISCONSIN (**GRANT AMT:** \$574,621)
- CROP PLANT NUTRITION AND INSECT RESPONSE IN ORGANIC FIELD CROP PRODUCTION: LINKING FARMER OBSERVATION TO UNIVERSITY RESEARCH AND EXTENSION 2010
Cullen, E. M. UNIV OF WISCONSIN (**GRANT AMT:** \$658,735)
- ORGANIC CERTIFIED SEED POTATO PRODUCTION IN THE MIDWEST 2009
Charkowski, A. UNIV OF WISCONSIN (**GRANT AMT:** \$541,172)
- **eOrganic** (http://www.extension.org/organic_production)

Organic Certification Cost Share

- \$22 million allocated in the 2008 Farm Bill for 5 years. All certified farmers, processors, and handlers in good standing are eligible for reimbursement each year.
- Pays 75% of certification costs up to \$750.
- Administered by DATCP through an agreement with USDA NOP.



NRCS EQIP Organic Initiative



- EQIP Organic Initiative goals are:
 - To provide technical and financial support for implementation of practices to assist organic farmers in reaching their conservation goals.
 - To encourage organic farmers who may not have much experience working with USDA to access assistance and financial support.

NRCS EQIP Organic Initiative

- Special practices/incentives
 - Includes cost sharing for hiring assistance for two planning processes.
 - Development of Organic Transition Plans
 - Development of Organic System Plans
 - Longer sign-up period: November 9-March 4, 2011 (*regular sign-up ends January 14*)
 - Applications ranked in a statewide pool instead of at the local level.

NRCS EQIP Organic Initiative

- Producers are required to develop and carry out an Organic System Plan.
- Producers must be transitioning to organic certification or be in compliance with their existing organic certification.
- Assistance limitations
 - \$20,000 per year
 - \$80,000 over a 6-year period.
- Visit your local USDA Service Center for application information.



Questions, comments?