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Before the

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Chairman Leahy, Senator Chambliss, and members of the Committee, thank you for inviting me to appear before you today to reflect on the 20<sup>th</sup> anniversary of the Organic Foods Production Act (OFPA) and to highlight the U.S. Department of Agriculture's (USDA) current activities in support of organic agriculture.

To begin, I turn back the clock to November 16, 1989. On that day, Senator Leahy introduced S. 1986 at the end of the 101st Congress, and in doing so, laid the groundwork for the 1990 farm bill organic title. Speaking on the floor, the Senator explained to his colleagues the need for the legislation:

Organic certification standards should be national in scope, tough, and fully enforced. We need a program that distinguishes phony organic food – items with a natural image but uncertain production methods – from the real thing, born out of ingenious, non-chemical farming. We need a program that promotes this industry because the benefits of purchasing organically produced food extend beyond the dinner table to the support of farmers who protect the soil and water. (Congressional Record, Vol. 135, No. 161, S 15873)

As the farm bill began to take shape early in 1990 and Senator Leahy introduced a revised organic bill, S. 2830, 18 states had their own organic programs, each with its own standards and requirements. The National Association of State Departments of Agriculture and United Fresh Fruit and Vegetable Association both submitted resolutions to the Congress calling for national organic standards to, among other things, facilitate interstate commerce. The American Farm Bureau Federation called upon the Congress to pass national standards to provide market opportunities for farmers. A scare over the use of the pesticide Alar in apple production, led to what was described as the 1989 “panic for organic” when consumer demand for organic foods skyrocketed beyond supply and some dishonest brokers closed the gap by mislabeling product to make a quick buck. In urging Congress to protect consumers, the Center for Science in the Public Interest delivered a petition to this Committee calling for national organic standards signed by 136,000 citizens.

Against this backdrop the Committee acted, and Ranking Member Senator Lugar, as well as Senators Harkin, Conrad, Baucus, Cochran and McConnell joined Chairman Leahy in support of the Organic Foods Production Act of 1990. In other words, while I am honored by the invitation to reflect on the 20<sup>th</sup> anniversary of the OFPA, there are many in this room today who were there then, when this historic legislation was shaped by this Committee and who have, for many years, guided policy in this important and growing sector of American agriculture.

But my retelling of this time should not ignore the very real difficulties faced by Congress in achieving consensus on what is now the National Organic Program. Twenty years ago not everyone was in agreement on the need for national organic standards or on the wisdom of

supporting organic farming and handling. On the House side, for example, there were contentious moments. In the Committee-passed farm bill, the House Agriculture Committee took a cautious approach by including a provision directing USDA to conduct hearings and propose a standard for rulemaking rather than a full blown program. However, when the bill, HR 3950, was brought to the floor, freshman Congressman Peter DeFazio offered an amendment that closely matched the Senate's organic title. It passed by a vote of 234-187, and was one of only six recorded votes taken during the House farm bill debate.

As Deputy Secretary, I am responsible for helping Secretary Vilsack guide the broad portfolio of USDA programs, yet I maintain a keen interest in the challenges and opportunities presented by organic agriculture. I served as the professional staff member responsible for drafting the OFPA under the direction of Senator Leahy; Administrator of the USDA Agricultural Marketing Service (AMS), from 1999 to 2001 when the implementing regulations were put into place; and as a National Organic Standards Board member from 1995 to 1999. As I sit here today and join you in reflection, I look back and see that our national debate over organic agriculture has progressed, from an initial tone of conflict and confusion, to one of budding curiosity as to where this sector was headed, to the current dialogue centered on economic opportunity. I think we are on the right track.

### **Foundations of Federal Policy for Organic Agriculture**

OFPA was an initiative of the early organic production sector, prompted by initial economic success and growing consumer demand. The producers themselves were seeking two main things, an enforceable national standard and a place at the table for USDA's research and

marketing programs. The original proposed bill included both of these goals, but the final legislation only included the former. Integration of organic into USDA's research and marketing support systems came about later.

With respect to the primary goal of national standards and enforcement of them, the organic sector was seeking to provide both a consistent guarantee to consumers and assurance that producers would operate with fair competition amongst themselves. The early 1980s had seen plenty of conflicting standards, specious "organic" claims, outright fraud, and resulting consumer mistrust. This was the primary basis for seeking the regulatory authority of the federal government.

The final piece of context I want to mention is the essentially market-based nature of federal policy for organic agriculture. The various rationales (economic improvement, environmental benefits, consumer-protection) have all been codified in a way that seeks to allow expression of these values through consumer choice. The federal role is primarily that of assuring consensus on a meaningful standard, enforcing a level playing-field, providing a fair share of governmental resources, and then letting the marketplace drive the scope of change and growth. That is the essence of OFPA and other related USDA activities in support of organic farmers and consumers.

### **Implementation of OFPA (1990-2008)**

OFPA is a unique statute and posed (still poses) special challenges for regulatory implementation. Among its novel attributes, no other agricultural standard had ever attempted to establish a process that would be applied to every type of production, in every region of the country, at every scale of operation. The challenge of providing effective regulatory language was daunting. As you know, it took quite some time.

Another very important aspect of the legislation is the special role created for the National Organic Standards Board. The NOSB was carefully chartered by Congress to facilitate both a valid consensus among very diverse stakeholders on the numerous questions of interpretation, as well as provide the special “gatekeeper” function with respect to substances that the Secretary would allow for use in organic production and processing.

The actual adoption of regulations implementing OFPA was itself a history-making process. The first Proposed Rule issued in 1997 generated 275,603 public comments, shattering the record for any USDA proposed rule before that, and more than any federal proposal except the regulation of tobacco by the FDA. The second proposed organic rule in 2000 garnered a “mere” 40,774 comments. This clearly demonstrated the intense public interest in this area of federal policy, and established the expectation of active public participation in all aspects of the National Organic Program. In fact, AMS’s pathbreaking use of the internet for public comments on the organic rule received a Secretary’s Honor Award, an innovation in government award from

Harvard, and an award from the Vice President for its success in increasing transparency and public engagement in decision making.

Once the Final Rule became effective October 1, 2002, new challenges had to be wrestled. A series of audits and reports has provided ample and explicit critique, and this Administration has tackled these issues head-on.

### **National Organic Program (NOP)**

USDA is committed to the integrity of the organic label. Organic farmers deserve a high-quality program that ensures a level playing field for farmers and supports consumer confidence in the organic label.

Several key actions were taken early in this Administration. First, in September 2009, Secretary Vilsack announced that the NOP would become an independent program area within AMS because of the increased visibility and emphasis on organic agriculture throughout the farming community, evolving consumer preferences, and the enhanced need for governmental oversight of this widely expanded program. The NOP leadership position was elevated to the Senior Executive Service level - giving the program and position the prominence in the government that they deserve. On October 1, 2009, Miles McEvoy assumed the NOP's Deputy Administrator position. Mr. McEvoy brings more than 20 years of experience to the position as he led the Washington State Department of Agriculture's Organic Food Program.

Second, we took steps to meet the long-overdue statutory requirement for peer review. The NOP is currently taking the preliminary steps to undergo an assessment process with the National Institute of Standards and Technology (NIST). This process will improve the quality of the program and enhance the program's ability to protect organic integrity as well as international quality standards for accreditation programs. *NOP has requested that NIST complete a document review of the NOP this fall.* We expect to implement corrective actions to address the findings of the NIST document review over the next year then undergo an onsite assessment to verify that the NOP meets international quality standards.

In addition to the NIST assessment, USDA's Office of Inspector General (OIG) announced in March 2010 the findings of their audit of the NOP. The 14 OIG recommendations provided valuable information and highlighted the necessity for the reforms USDA is in the process of implementing. Corrective action has been completed on 11 of the 14 recommendations. Corrective actions on the remaining 3 recommendations are underway and will be completed by the end of the year.

Effective enforcement is equally important to the credible operation of the organic program. Violations of the standards of the organic program can undermine consumer confidence in the organic label and negatively impact the demand for organic products raised in compliance with the standards of the program. Already this year the NOP has issued 4 civil penalties, more than all of the civil penalties issued during the first seven years of the program.

Congress has played a crucial role in enhancing the NOP by increasing funding for the program. During early implementation of the rule (2002-2007), the program was funded at no more than \$2 million annually. For fiscal year 2009, Congress appropriated \$3.87 for the NOP and \$6.97 million for fiscal year 2010. These funds are being used to:

- Increase staff in order to conduct more surveillance of accredited certifying agents, both domestic and foreign, as well as to increase the program's capacity to investigate complaints and violations. Four additional staff were hired in 2009 in the Compliance and Enforcement Division and three additional staff were added this fiscal year.
- Increase enforcement activities here in the United States and monitor recognition agreements with foreign countries. The NOP conducted assessments in Egypt, Israel, Denmark and Ghana so far this year and has a team currently in China. AMS auditors have also conducted organic audits in Argentina, Italy, Germany, and Bolivia. Three additional auditors were hired this year to provide greater oversight of foreign organic operations.
- Strengthen the program's quality management system to meet international standards for accreditation programs.
- Publish an NOP Program Handbook to provide guidance for accredited certifying agents, state organic programs, organic producers and handlers so that organic standards are



consistently implemented. The first edition was published on September 2 and includes guidance on compost, certification, recordkeeping, and many other topics.

Finally, the NOP has recently increased its level of liaison with other Federal regulators, particularly the Federal Trade Commission, Food and Drug Administration, and Environmental Protection Agency, to ensure consistency and compatibility of regulatory practices in areas which cross agency lines.

### **Beyond the NOP: USDA-Wide Organic Agriculture Activities**

When the Final Rule was published in December of 2000, Secretary Glickman said that organic farmers need more than regulation, more than the NOP, and we discussed a series of initiatives to pursue. Thanks to the work of Congress in the 2008 Farm Bill and elsewhere, these are all now back on the agenda for this Administration. Three months ago, Mark Lipson left his organic farm to join the staff of Marketing and Regulatory Programs to help coordinate USDA-wide organic activities. Mark is another OFPA old-timer, as he was the farmer who first came to the Senate Agriculture Committee 21 years ago and convinced us that national legislation was necessary. Mark is assisted by an interagency group of staff who are discussing ways to better integrate organic agriculture needs throughout the Department.

The 2008 Farm Bill included a five-fold increase in mandatory funding for organic programs over funds mandated in the 2002 Farm Bill, and authorized additional funding for many of these programs. Most of the mandatory funds are for two existing organic programs—the organic research program and cost-share assistance program to help growers and handlers with organic

certification costs. The legislation also included new organic provisions on credit, trade, and crop insurance. I would like to discuss a few of these activities.

### ***Research***

The Committee's report on S. 2830 noted that while research and promotion for the organic sector should be delayed until there a fully operational certification system, "Additional research related to the production and marketing of organic products is very much needed." With the growth of both the organic industry and the regulatory system, the need for research and extension support is very pronounced.

One area that has particularly been in the spotlight is the question of consumer benefits. Two weeks ago, the August 30 issue of Time Magazine had a special section titled, "What's So Great About Organic Foods?" This question or similar variations is continually debated but these debates suffer from a lack of methodologically sound investigation and meaningful data. There are only a handful of comprehensive, peer-reviewed studies that contribute to these discussions and additional research is needed to fully understand the costs, benefits, and impacts of organic foods.

While this may not be the most *important* area for research, it seems to be the one that gets the most passionate discussion. It requires extremely complex science, both in terms of the food production variables and the complexities of human nutrition. We need to do more work in this area and we are. But there are numerous other compelling research and education needs as well.

Notably, during the period FY 2009 through FY 2012 the 2008 Farm Bill provided a total of \$78 million in CCC funds for the Organic Agriculture Research and Extension Initiative (OREI), administered by USDA's National Institute of Food and Agriculture. OREI seeks to solve critical organic agriculture issues, priorities, or problems through the integration of research and extension activities. The OREI is particularly interested in projects that emphasize research and outreach that assist farmers and ranchers with whole farm planning and ecosystem services, especially those relating to climate change. (I myself was a recipient of these research dollars when on the faculty at Tufts University, to explore organic livestock production issues.) In fiscal year 2009, 27 awards, totaling \$17.2 million, were awarded by OREI. For fiscal year 2010, \$19 million was available.

USDA's Agricultural Research Service (ARS) undertakes organic agriculture research in order to help the organic industry overcome the challenges they face related to productivity, profitability, environmental stewardship, and energy efficiency. In FY2010, ARS will invest \$17.2 million in research that directly addresses organic agriculture challenges. Another \$41.0 million of ARS research is compatible with organic farming systems, but is not directed towards specific organic research objectives.

Examples of accomplishments from ARS's organic agriculture research projects include:

- Demonstrating how organic systems can help reduce global climate change by increasing the amount of carbon in the soil.
- Exploring novel cover crop mixtures of legumes and cereals to reduce losses of nitrogen to ground and surface water.

- Improving cover cropping practices that improve organic weed management.
- Discovering non-chemical disease controls for organic and conventional potato systems,
- Discovering organic treatments for deworming livestock,
- Reducing weed control costs for organic vegetable producers.

USDA's Economic Research Service (ERS) develops a broad range of economic research and analysis on organic agriculture and organic activities. ERS examines consumer demand and prices in specific markets, including the produce, livestock, egg, and poultry and dairy sectors. Historical farm-gate and wholesale organic prices and price premiums for selected fruits, vegetables, livestock and eggs are made available by ERS. Recent articles and reports examine trends in organic produce, egg and poultry markets, as well as the socioeconomic characteristics of organic milk and produce consumers.

As a follow-on to the 2007 Census of Agriculture, the National Agricultural Statistics Service (NASS) conducted USDA's first in-depth survey of organic farming in the United States. NASS collected 2008 data from operators of farms that were either USDA certified organic, in transition, or were exempt from certification (i.e., under \$5,000 in sales). With an outstanding 87 percent response rate, the data were collected in 2009 and published in February 2010. This is a landmark document giving the most complete and accurate picture to date of the U.S. organic production sector. Some highlights:

- The Survey counted 14,540 organic farms (10,903 certified and 3,637 exempt). Every state in the U.S. was represented.
- 4.1 million acres were reported in organic production (1.6 million harvested cropland, 1.8 million pasture/rangeland), and 195,000 acres were in transition to organic status.

- Average 2008 sales for organic farms responding to the Survey was \$217,675 (compared to the 2007 Agriculture Census average for all farms of \$134,807).
- Average production expenses were \$171,978 per organic farm, for an average net cash income of \$45,697 (compared to all farms 2007 average expenses of \$109,359 and net cash income of \$25,448).

### *Conservation*

Organic provisions were included in the 2008 Farm Bill's Conservation Title for the first time, and were aimed at helping producers with the transition to organic farming systems. The Organic Transition Support provision from the 2008 Farm Bill made conservation practices related to organic production and transition eligible for Environmental Quality Incentives Program (EQIP) payments, subject to a \$20,000 annual limit and an \$80,000 cap over a 6-year period. In 2009, USDA's Natural Resources Conservation Service (NRCS) implemented the EQIP Organic Initiative as a pilot program obligating over \$36 million in financial assistance through nearly 1,500 contracts with certified and transitioning organic farmers in 49 States. Over 300,000 acres of farmland are enrolled under these contracts. As there continues to be strong support for this initiative from organic producers and groups, \$50 million was allocated nationwide for the EQIP Organic Initiative in fiscal year 2010.

The 2008 Farm Bill also charged NRCS with establishing a transparent means by which producers may initiate organic certification while participating in a Conservation Stewardship Program (CSP) contract. To carry out this charge, NRCS developed and distributed a document titled "The Conservation Stewardship Program's Contribution to Organic Transitioning,"

explaining how CSP can be used by farmers during the organic transitioning process. NRCS developed five CSP enhancement activities especially for organic crop production;

- Continuous No Till Organic System;
- Transition to Organic Grazing System;
- Use of Non-Chemical Methods to Kill Cover Crops;
- Transition to Organic Cropping System; and
- Integrated Pest Management for Organic Farming

While the first CSP sign up has not quite concluded, here are some preliminary results:

- Preapproved applications have been received from 150 producers interested in transitioning to organic cropping or grazing systems on 289,000 acres.
- Preapproved applications have been received from 226 organic producer interested in improving their Integrated Pest Management plans on 430,844 acres.

Other organic provisions contained in the Conservation Title include: the Technical Assistance on Organic Conservation Practices program which ensures that conservation practices and resource mitigation measures designed specifically for organic farming systems are available and are reflected in USDA's conservation practice standards; and the Organic Transition Incentives for Beginning Farmers provision, under the Conservation Reserve Program (CRP), which provides special treatment of CRP land transitioning from retiring farmers or ranchers to beginning or socially disadvantaged farmers or ranchers. Most noteworthy, beginning 1 year prior to the CRP contract termination date, a new farmer or rancher would be allowed to make land improvements and begin the organic certification process.

### *Cost-Share*

USDA administers two organic certification cost share programs. Each program provides cost share assistance, through participating States, to organic producers and/or organic handlers.

Recipients must receive initial certification or continuation of certification from a USDA accredited certifying agent. Program participants may be reimbursed for up to 75 percent of their organic certification costs, not to exceed \$750 per year.

Authorized by the Federal Crop Insurance Act in 2001, the Agricultural Management Assistance (AMA) Program authorizes, among other purposes, cost share assistance to producers of organic agricultural products in 16 states (Connecticut, Delaware, Hawaii, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming.) For fiscal year 2010, approximately \$1.5 million is available to the states through the AMA Program.

The second program, the National Organic Certification Cost Share Program, authorizes cost share assistance to producers and handlers of organic agricultural products in all States and U.S. Territories. In the 2008 Farm Bill, Congress allocated on a one-time basis \$22 million in CCC funds for this program. To prevent double payments, producers participating in the AMA program are not eligible to participate in the producer portion of the National program. Through the end of fiscal year 2009, approximately \$9 million has been obligated by the program. For fiscal year 2010, \$4.9 million is available to the states.

### *Trade*

Consumer demand for organic foods is expected to continue growing rapidly in the U.S. and other major markets, and the competition for these markets is likely to increase considerably. Industry estimates of the value of organic exports were \$1.7 billion in 2009.

The U.S. does not have consistent data on organic trade because organic product codes have not yet been added to the U.S. and international harmonized system of trade codes. However, USDA is working diligently with the U.S. International Trade Commission (ITC) to remedy this situation. The issue will be on the ITC's fall agenda. The Foreign Agricultural Service (FAS) works to improve foreign market access for U.S. products, build new markets, improve the competitive position of U.S. agriculture in the global marketplace, and provide food aid and technical assistance to foreign countries. Through FAS' Office of Trade Programs, the organic industry receives Market Access Program (MAP) funds to assist in marketing U.S. organic products overseas. The organic industry has used MAP funds in their major markets around the world, including Canada, Europe, Japan and Korea, to promote U.S. organic products.

FAS' Office of Scientific Technical Affairs supports the organic industry by providing assistance in resolving trade issues that affect the organic industry including labeling, certification, and market access. During fiscal year 2009, as a consequence of the supporting efforts of AMS and FAS, organic equivalence determinations with Taiwan and Canada were established. In March 2009, Taiwan officially recognized the U.S. organic system as equivalent to the Taiwanese organic regulations following active engagement by AMS and FAS. Recognition of NOP in Taiwan has kept the Taiwanese market open to an estimated \$50 million in annual U.S. organic exports. Similarly, in 2007, USDA began engaging Canadian officials as they began



development of organic standards, with the aim of reaching an equivalence agreement. FAS performed technical analysis of the differences in the regulations and initiated negotiations that were lead by the Office of the United States Trade Representative (USTR) and NOP. After 18 months of negotiations, the United States and Canada signed a determinations of equivalence on June 17, 2009. Canada is by far the largest export market for U.S. organic products, with exports estimated at \$1.4 billion annually.

### ***Market News***

The 2008 Farm Bill allocated \$5 million in CCC funds, to be available until expended, for the collection of organic agriculture production, pricing, and marketing data. The data are included and published in the ongoing baseline of data collection regarding agricultural production and marketing. For example, AMS Market News issued last year its first organic market report on dairy products and continues to add a wide range of horticultural items to its daily reports for shipping point for domestic or point of entry for imported organic products. AMS has also added a “Portal community” specific to organic interests to the Market News Portal. By the end of FY 2009, AMS Market News had expanded the daily reporting of organic commodities to include 234 items.

### ***Crop Insurance***

The 2008 Farm Bill required the Federal Crop Insurance Corporation (FCIC) to study ways to improve crop insurance coverage for organic production with respect to price elections and premium rates. The Risk Management Agency (RMA) commissioned two studies that were completed this year and recently released which provide recommendations and a framework for

the development of additional price elections that better reflect the actual prices received for certain organic crops. Based on the results of these studies, RMA is issuing organic price elections for the 2011 crop year for cotton, corn, soybeans, and processing tomatoes.

RMA also commissioned an analysis of the loss experience for organic crops and conventional crops produced in the same counties during the same crop years. RMA is currently evaluating those recommendations and the effect they may have on the crop insurance program and organic producers. As a result of the study and initial analysis, RMA announced that farmers who grow certain organic crops no longer will pay a 5% surcharge on their crop insurance premiums.

Finally, in order to ensure that organic producers and crop insurance agents are aware and take advantage of the new organic provisions, RMA will send regional announcements prior to key sales closing dates. The agency is also funding education and outreach activities for organic producers. These are significant steps and they illustrate a real policy success, fulfilling Congress' directives in the 2008 Farm Bill.

### **The Organic Market Today**

In 1990, organic was an exotic item in the average grocery store. As the Committee Report on S. 2830 noted, "...consumers find little to no organic food in the major shops around the country." Total U.S. retail sales were then estimated at less than \$1 billion.

Times have certainly changed. For 2010, retail sales of organic food are forecast to be approximately \$27 billion. Two thirds of U.S. consumers buy organic foods at least

occasionally, and 28 percent buy organic products weekly. Surveys show that consumers of organic foods are diverse in income level and race/ethnicity. Nearly 90 percent of all retail food outlets stock organically produced items, from the national warehouse chains to convenience stores. Organic foods and organic farming are becoming mainstream and part of Main Street. Underpinning this growth are the national standards established by Congress, the USDA seal, and the hard work of many people to ensure the integrity of the organic label.

### **Conclusion**

In conclusion, I'd like to note my strong personal view that the growth in demand for products of organic agriculture reflects the desire of consumers to have more information about their food, where it comes from, and how it is produced. This exciting trend is good for both consumers and our country's farmers and ranchers. At a time when fewer and fewer of us actively participate in the difficult and dangerous work of agriculture, strengthening the link between consumers and the farmers and ranchers they depend on deepens our appreciation and understanding of the contributions of our hardworking farm families. The demand for organic products helps provide established farmers with important markets, and can be a vital path to profitability for beginning farmers. And, improving our awareness of food and where it comes from can help empower consumers to make healthy choices, an important objective given the recent rise in childhood obesity rates.

This thirst for knowledge is one of the key drivers for our "Know Your Farmer, Know Your Food" initiative. USDA is trying to help consumers understand where the food on their plate comes from, and the demands that are made on our producers in order to supply it.

Upon reflection, I believe we have lived up to Chairman Leahy's charge to the Congress issued more than two decades ago. We have national standards that are tough and we are increasing oversight and enforcement to improve the integrity of the National Organic Program. We are integrating organic throughout USDA to, as he said, promote this industry and support farmers. In closing I would like to thank Chairman Leahy and this Committee for all you have done for this vibrant and growing sector of American agriculture.

Again, thank you for the opportunity to discuss the numerous USDA programs and activities underway to promote and enhance organic agriculture. I would be happy to answer any questions.