STATEMENT OF
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REGARDING
ORGANIC AGRICULTURE

Chairman Harkin, Ranking Member Chambliss, and Members of Senate Agriculture Committee, my name is Lynn Clarkson. I appear before you on behalf of Clarkson Grain Co., Inc. Clarkson Grain supplies organic grains, oilseeds and ingredients for foods and feeds. Based in Illinois, we purchase organic corn and soybeans directly from farmers from Texas to Minnesota and from Pennsylvania to the Rockies.

We supply organic blue, white and yellow corn; whole soybeans, roasted or raw; soy oil; soy flours for foods and beverages; and soy lecithin. We maintain organic warehouses and processing facilities in Illinois, Iowa and Nebraska. While we buy open market crops, we typically contract with organic farmers prior to planting to produce and deliver what we want when we need it to support regional and national companies delivering an increasing array of high quality, organically certified consumer products. Our own products now find welcome commercial homes in organic tortillas, breakfast foods, cosmetics, baby food, salad dressings, chocolate, soy beverages and animal feeds. We serve certified organic clients throughout the US and Canada as well as parts of Asia and Western Europe.

I also appear before you as a trade member and a member of the Board of Directors of the Organic Trade Association's (OTA). OTA is the voice for the organic business community, and has had this role for over twenty-two years, since its founding in 1985. OTA's membership has grown more than eightfold since that time, and now encompasses approximately 1600 members across all parts of the supply chain including organic farming, processing, distribution, and the retail supply chain, for food, organic textiles and personal care products.

I appreciate the opportunity to provide this testimony about the business climate for organic production, its history, and where I believe the organic industry is headed. Organic agriculture forms the basis of a fast growing part of the agricultural economy, and offers hope to farms

and shoppers, while contributing to the improvement of our land, air and water resources.

Market driven growth - A History of Clarkson Grain: Clarkson Grain supports both conventional and organic agriculture. In the 1970s, 80s and early 90s, the company focused strictly on conventional agriculture. In the mid 90s our focus shifted toward organic methods.

In the early 90's Clarkson Grain supplied high quality food grade soybeans raised without pesticides to an international company serving soy food processors in Japan. That company asked one day if we could supply a container of "organic" soybeans. We agreed and then scurried to learn what "organic" meant. Several months later, we certified our food soy cleaning plant in Illinois as organic and did our best to bond with the small but growing band of organic farmers throughout the Midwest.

To our surprise, Japanese demand for organic food soybeans started growing rapidly. At that time, US organic soybean farmers found Japanese buyers paying prices running two to three times that offered for conventional soybeans. Unfortunately, required rotational crops, primarily corn and wheat, did not enjoy such strong organic demand and often went to conventional markets at no premium whatsoever. Then some significant market waves swept the country. Japanese demand for organic soybeans seemed to flag. Meanwhile the popularity of organic soymilk began to soar among Americans. More importantly, the USDA authorized an "organic" label for meats at the same time that demand for organic dairy products began to soar. This rapidly growing feed market boosted demand for not only organic soybeans but also for organic feed grains with corn leading the march and lots of wheat finding homes in the mix.

In 2002, USDA implemented the National Organic Standards, following many years of discussion of the regulation. The government and the organic community defined "organic" and brought the U.S. National Organic Program to life. That created the security and standardization needed to encourage major food, fiber and personal care companies to move into the organic market. Leading national companies had been watching consumer choice drive this new market at double-digit figures year after year. With the NOP in place, they began creating organic products matched by marketing infrastructure.

Today every organic soybean raised in the US has an enthusiastic market home at prices running two to three times the conventional price; every kernel of organic corn has an enthusiastic market home at prices running about twice that of conventional corn. With these and many other crops, demand has outpaced supply.

Organic In the U.S. Marketplace
In the United States, the buzz about organic has become a steady hum. Organic products are increasingly appearing in more and more new venues, from ballparks and university cafeterias to local restaurants, mainstream supermarkets, club stores, and mass-market retailers. At the same time, U.S. college curriculums are beginning to add more courses that focus on organic agriculture.

U.S. Organic Sales
The U.S. organic industry grew 17 percent overall to reach $14.6 billion in retail sales in 2005, according to The Organic Trade Association's 2006 Manufacturer Survey. Organic foods grew

16.2 percent in 2005 and accounted for $13.8 billion in sales. Organic foods' share of total retail food sales is up to 2.5 percent. The fastest growing food categories and their rates of growth over the previous year are organic meat (55.4 percent - from a very small sales base), organic sauces and condiments (24.2 percent) and dairy products (23.5 percent). The fastest-growing non-food categories are organic flowers (50 percent), pet food (46 percent), and fiber (44 percent).

Organic products can be found in grocery stores, cooperatives, specialty stores, farmer's markets, farm stands, online, in many restaurants, and many other outlets. Organic foods are increasingly sold in mainstream retail establishments, which together represent roughly 46 percent of sales. Large natural food chains, along with small natural food chains or independent natural groceries and health food stores, represented about 47 percent of organic food sales. About 4 percent of organic food is sold through farmer's markets. (Source: The Organic Trade Association (OTA) and Organic Trade Association's 2006 Manufacturer Survey)

While OTA is currently in the field with a new study according to the OTA 2006 survey, sales of organic foods were expected to reach nearly $16 billion by the end of 2006.

Nonfood organic products (personal care products, nutritional supplements, household cleaners, flowers, pet food, and clothing, bedding and other products from organic fibers such as flax, wool, and cotton) grew 32.5 percent, to total $744 million in U.S. sales in 2005.

Sixty-one percent of respondents to the OTA Survey said they display the USDA (U.S. Department of Agriculture) Organic seal on their products. Of the 39 percent not currently using the seal, 53 percent intend to use the USDA Organic seal in the future. Also, 55 percent of respondents reported that the USDA labeling and certification programs had increased their sales of organic products.

Because USDA does not yet do comprehensive market studies of organic sales, as it does for conventional U.S. agriculture, OTA performs this research on the industry for its members and the public.

Industry watchers agree that the organic industry is at a new tipping point. Never before has it experienced the degree of acceptance and interest from mainstream supermarkets and consumers. Many supermarkets, in fact, have added private label organic lines to their offerings.

Not only do natural food stores and all of the major mainstream retailers see organic as a growing category, but more and more mainstream manufacturers are adding organic products to their traditional brand lines. In addition, small product developers continue to create the new products of their dreams.

Such heightened interest in organic is driving demand for raw materials. In the OTA survey, fifty-two percent of respondents reported that a lack of dependable supply of organic raw materials has restricted their company from generating more sales of organic products. This highlights the need for additional measures to increase the supply of organic ingredients, and

the opportunities for U.S. farmers to supply those needs.

There are no up-to-date statistics available on U.S. imports or exports of organic products. These statistics are not broken out from overall conventional data by Customs or Commerce. The only figures are in a February 2005 USDA report, which estimated the United States imported $1 billion to $1.5 billion in organic products in 2002, and exported somewhere between $125 million and $250 million. However, in a Miami Herald article published Dec. 18, 2006, a spokesperson for the Center for Fair and Alternative Trade Studies at Colorado State University estimated organic exports to the United States from Latin America alone would reach approximately $250 million in 2006.

Consumer acceptance

Almost three-quarters (73 percent) of the U.S. population buy organic products at least occasionally, up from 55 percent in 2000, according to The Hartman Group. Core buyers, who buy organic products at least weekly, represent 23 percent of U.S. consumers, according to the report, Organic2006: Consumer Attitudes & Behavior, Five Years Later & Into the Future.

Meanwhile, The Natural Marketing Institute's (NMI's) 2005 Health and Wellness Trends study estimated 56 percent of consumers use organic products in varying frequencies across six product categories. Household penetration by category is as follows: fresh fruits and vegetables = 44%; packaged foods = 29%; dairy and milk = 24%; personal care = 21%; beverages (excluding milk) = 20%; and clothing/linens = 7%.

More and more consumers report trying additional categories of private label, natural and organic packaged foods, according to The Hartman Group. Consumers are seeking out these products at channels associated with middle-income shopping, such as Costco, Trader Joe's, Wal-Mart, and mainstream grocers.

What draws consumers to want to purchase these products and farmers to produce them?

Market Development: Strong, Steady Growth at Retail

Unlike the information that is developed almost on a daily basis for conventional agriculture, organic has had to quantify the market size and changes over time by compiling this consumer data privately, and unfortunately because this is not the normal market data compiled by USDA for conventional agriculture, this data may not be readily available to America's farmers, who could benefit the most by taking advantage of the opportunities revealed by the consumer data. We at OTA work to make it available to them however.

It is important to note here that organic agriculture and processing incorporates practices and avoids substances commonly perceived to contribute adversely to the environment and to health. The National Organic Program is a marketing program overseen by USDA and is not marketed as a health program, but over the long debate about the impact of such substances as persistent pesticides and herbicides, hormones, anti-biotics as well as other health oriented debates, many consumers have identified a preference to avoid these substances in their food, textiles and personal care products. This preference is revealed when organic consumers are studied by social scientists.

We would also like to call to the Subcommittee's attention the fact that organic food products like all food products in the United States must meet the requirements of national, state and local food safety laws.

U.S. Consumers

Shoppers who chose organic products cross all demographic, geographic, and economic boundaries. There is no typical organic consumer anymore. What is clear is that more shoppers are choosing more organic products in more places, and the market for organic products continues its strong steady growth. According to Organic 2006, a report prepared by the Hartman Group, an independent market research firm, shoppers typically enter the organic category by beginning with fresh fruits and vegetables, and other products that help them avoid pesticides and hormones. As they become more involved in the category, they add more products, with fiber products and personal care products often being among the last they adopt.

Those most devoted to organic consumption reportedly have a high concern for personal and planetary health. They are interested in fair trade, prefer their foods to be either U.S. or locally grown and grown on farms that practice sustainable agriculture. They want to relate to the companies from which they purchase and look for those who are committed to their communities and to corporate social responsibility.

Who Are Organic Users?

The Natural Marketing Institute (NMI) has identified three distinct organic consumer segments: "Devoteds?" (27.8 million adults or 13 percent of primary grocery shoppers) are the most integrated, health-seeking organic users and have fully incorporated organic products into their lifestyles. "Temperates?" (54.2 million adults or 25 percent of primary grocery shoppers) are attitudinally disposed toward health in general and towards organic in particular, but are attempting to fit organic usage into their existing lifestyle, rather than changing their lifestyle. Dabblers? (41.9 million adults or 19 percent of primary grocery shoppers) are disproportionately male and non-committal, sprinkling a bit of organic usage into their lifestyle. Their usage appears to be more about participating in a trend than other concerns. Thus, according to NMI, well over 50% of consumers have used organic products in the past year to one degree or another. (Excerpted from an article by Maryellen Molyneaux, The Natural Marketing Institute, published in the September 2006 issue of The Organic Report)

According to another researcher, The Hartman Group, as reflected in their study, Organic 2006 Consumer Attitudes & Behavior, Five Years Later & Into the Future, almost three-quarters (73%) of the U.S. population buys organic products at least occasionally, and almost one-quarter (23%) of U.S. consumers buy organic products on a regular (at least weekly) basis. Furthermore, "compared with 2000, more consumers are purchasing organic products on a weekly (9% in 2000 vs. 14% today) and occasional basis (34% in 2000 vs. 44% today).

Hartman also reports strong interest in organic products among Hispanic and Asian American consumers.

How are U.S. Farmers Meeting This Demand From Consumers?

Production statistics

As you will note in later testimony the National Organic Standards have only been in place

since late 2002. Of course, much organic land was in production at that time, but without a national market with a certified label, some farmers were not interested in becoming organic. In addition, it takes three or more years to convert land previously treated as conventional to be certified to produce organic food and fiber.

We raise these factors to point out that not only has much data not been collected by USDA, much production was not there to be measured until the national rule was instituted.

Organic production is growing in the United States, but not at a rate to meet the consumer demand outlined above.

According to the latest available statistics for U.S. organic production released in December 2006 by USDA's Economic Research Service (ERS), there were - at least - 8,445 certified organic farm operations in the United States in 2005, up from 8,035 certified organic farms in 2003. The 2005 operations represented slightly more than 4 million acres under organic management, up from 3 million acres in 2004 and nearly 2.2 million acres in 2003. For the first time, all 50 U.S. states had some certified organic farmland.

Pointing out that farmers face a number of hurdles when considering converting to organic production, ERS cited high managerial costs and risks in shifting to a new way of farming, limited knowledge of organic farming systems, lack of marketing and infrastructure, and inability to capture marketing economies.

Nevertheless ERS also reports "many U.S. producers are embracing organic farming in order to lower input costs, conserve nonrenewable resources, capture high-value markets, and boost farm income."

ERS data for 2005 showed 1,722,565 acres in organic cropland (about 0.51 percent of all U.S. cropland) and an additional 2,281,408 acres in pasture and rangeland (about 0.5 percent of all U.S. pasture). Organic cropland in 2005 was up from 1,451,601 acres in 2003, while organic pasture grew substantially from the 745,273 acres recorded for 2003.

Livestock numbers in 2005 were up substantially from 2003, reflecting the growing demand for organic milk and meat in the United States. The number of organically raised milk cows grew from 74,435 in 2003 to 86,032 in 2005. The number of organic beef cattle grew from 27,285 in 2003 to 70,219 in 2005. In addition the number of organic hogs and pigs grew from 6,564 in 2003 to 10,018 in 2005. Total livestock (which included young stock and sheep) was up to 229,788 in 2005, from 124,346 in 2003. Total organic poultry--including layer hens, broilers and turkeys--reached 13,373,270 in 2005, from 8,780,152 in 2003. According to ERS, nearly one percent of dairy cows and 0.6 percent of layer hens in the United States in 2005 were managed using certified organic practices.

Despite surging retail sales, growth in organic farm acreage in the United States is not keeping the same pace, creating a disparity between the amount of U.S. farm acreage devoted to organic production and the consumption of organic finished goods. While we do not know how much, we do know that part of the market demand for organic goods is being filled from imported agricultural products. (OTA certainly understands this situation and also acknowledges that

there are many products that cannot be grown in the United States and which consumers want to acquire as organic - coffee, cocoa, certain fruits etc.) However, in many cases U.S. farmers are missing an opportunity, and the U.S. is not reaping the full environmental benefits of organic production.

The "USDA Organic" Label/Seal
The Committee Members have all seen the "USDA Organic" seal on products. The USDA enforces the seal standards. Products made from 95 percent to 100 percent organic ingredients are labeled according to the organic standards as "100% Organic" or "Organic" for the 95% category.

Products that contain at least 70 percent organic ingredients and are handled according to the organic regulations can use the phrase "made with organic . . ." on the front label, and then list up to three organic ingredients or food groups such as vegetables or grains.

These are the labels that consumers use to identify U.S. organic produced products and ingredients. These are the labels that need strong standards and enforcement behind them to retain consumer confidence.

Highlights of the regulations follow. For complete details, and the most up-to-date regulations, see www.ams.usda.gov/nop.

Overview: What is Organic?
Now we want to describe to you the philosophy, law, practices and standards behind organic production in the United States.

Organic refers to the way agricultural products are grown and processed. It includes a system of production, processing, distribution and sales that assures consumers that the products maintain the organic integrity that begins on the farm.

Building healthy soil is the foundation of organic agriculture. Organic production is based on a system of farming that maintains and replenishes soil fertility without the use of toxic and persistent pesticides and fertilizers. Organic production views farms as part of the ecology with each component of the farm system affecting all other parts of the system.

Organically produced foods also must be produced without the use of antibiotics, synthetic hormones, genetic engineering and other excluded practices, sewage sludge, or irradiation. Cloning animals or using their products is considered inconsistent with organic practices. Organic foods are minimally processed without artificial ingredients or preservatives to maintain the integrity of the food. They may use a few synthetic ingredients from a carefully reviewed and approved list including such items as Vitamin C, and baking powder.

The following definition of "organic" was passed by the National Organic Standards Board (NOSB) at its April 1995 meeting in Orlando, FL. This board, comprised of citizens appointed by the U.S. Secretary of Agriculture, advises the Secretary on issues concerning organic

production and takes an active role in examining materials and methods for their acceptability in every part of the organic system of production. Within the NOSB definition of organic are key statements that show that sustainability, especially how a healthy environment relates to human health, is the very foundation of organic agriculture

"Organic agriculture is an ecological production management system that promotes and enhances biodiversity, biological cycles and soil biological activity. It is based on minimal use of off-farm inputs and on management practices that restore, maintain and enhance ecological harmony.

'Organic' is a labeling term that denotes products produced under the authority of the Organic Foods Production Act. The principal guidelines for organic production are to use materials and practices that enhance the ecological balance of natural systems and that integrate the parts of the farming system into an ecological whole.

Organic agriculture practices cannot ensure that products are completely free of residues; however, methods are used to minimize pollution from air, soil and water.

Organic food handlers, processors and retailers adhere to standards that maintain the integrity of organic agricultural products. The primary goal of organic agriculture is to optimize the health and productivity of interdependent communities of soil life, plants, animals and people."

These statements are the framework for stringent standards put in place to certify that specific practices are used to produce and process organic agricultural ingredients used for food and non-food purposes.

Regulating a Philosophy: Codifying Certification and Accreditation
Use of the word organic to describe farm products is regulated in the United States, thanks to enabling legislation passed by Congress in 1990 and the National Organic Program regulations, which were implemented in October 2002.

Following the establishment of several voluntary and state standards for organic production, the stage was set for U.S. National Organic Standards. The U.S. Congress adopted the Organic Foods Production Act (OFPA) in 1990 as part of the 1990 Farm Bill. This action was followed by over a decade of public input and discussion, which resulted in a National Organic Program final rule published by the U.S. Department of Agriculture (USDA) in December 2000 and implemented in October 2002. This rule was, at the time, the most commented upon rule in USDA history.

Organic production is practiced worldwide. Products sold as organic in the United States must meet or exceed the U.S. regulations for organic production no matter where those products are grown and processed.

Organic Foods Production Act of 1990
The Organic Foods Production Act's (OFPA) purpose was to establish national standards for the production and handling of foods labeled as "organic."

Previous efforts to create private and State agencies' certified organic practices did not establish national uniformity in standards. Therefore there was no guarantee that "organic" meant the same thing from state to state, or even locally from certifier to certifier. In some key states, such as California, organic certification was not required, and many states had no laws at all about organic production and labeling.

Producers and consumers wanted national standards for organic products to avoid this confusion in the marketplace and to protect against mislabeling or fraud. The organic business community, along with consumers and environmentalists pushed for this ground-breaking enabling legislation.

OFPA established the National Organic Program (NOP) now located within the Agricultural Marketing Service at USDA; The National Organic Standards Board; mandatory certification; accreditation of certifiers; labeling categories; and many of the principles that would later comprise the regulations. Like many pieces of legislation, OFPA was not perfect, but it did represent regulations that were both workable and innovative.

OFPA allows for state standards that are more restrictive than the federal standards, but they must be approved by the USDA. In addition, states cannot discriminate against out-of-state products that meet the federal standards.

The National Organic Standards Board (NOSB)

Under OFPA, a National Organic Standards Board (NOSB) was created to advise the Secretary of Agriculture in setting the standards on which the USDA's National Organic Program is based. The NOSB wanted their recommendations to be based on industry consensus. They asked for and received an unprecedented amount of public input from farmers, businesses and consumers during every step of their decision-making process. After considering the recommendations of the NOSB, the Secretary has final authority in determining the regulations.

Appointments to the NOSB are made by the Secretary of Agriculture for five year terms, and must include: four farmers, two handlers/processors, one retailer, one scientist (with expertise in toxicology, ecology or biochemistry), three consumer/public interest advocates, and three environmentalists.

In addition to making recommendations on the national standards, the NOSB is authorized to convene Technical Advisory Panels to advise on materials to be included on a National List of materials allowed for use in organic production.

National Organic Program Implementation

After more than a decade of public discussion, consensus-building, two rounds of public comment which generated a record-breaking number of public comments for the USDA, national organic standards were implemented in October 2002.

The standards detail the organic certification process, how certifiers are accredited, what methods and materials are allowed and prohibited in organic farming and processing. The standards are comprehensive in that they cover farming methods for every type of farm product--fresh fruits and vegetables, grains, eggs, poultry, beef, dairy, cotton, wool, oils,

flowers, and anything else that can be grown on a land-based farm. The processing of all food and beverage products is covered as well. When the rules were implemented, it was expected that there would be changes and additions as additional sectors of the organic market developed, such as organic cotton products, personal care products, pet foods, and any other products that might include components that could be grown on organic farms. Although the organic business community has grown tremendously, in many ways it is still a very nascent sector, and, as innovations occur, there will be a need for the regulations to evolve as well.

Fortunately, the regulations were designed to evolve as the industry grows. For example, there are sunset provisions to reexamine materials allowed and prohibited in organic production, so that as more environmentally sound materials become available, the use of less environmentally sound materials can be phased out.

Some key elements of the U.S. organic regulations include annual inspections of organic farms and food processing facilities to ensure they are following the regulations; farms must not have used any prohibited materials for at least 3 years before crops can be sold as organic; livestock must have access to the outdoors; dairy cows must have organic feed for at least one year before milk can be sold as organic and poultry and beef cattle must have only organic feed. The use of genetically engineered seeds and growth hormones is prohibited, as is the use of sewage sludge as fertilizer, and irradiation. Cloned animals and their progeny are not compatible with organic production, either.

Because soil rehabilitation and development is at the core of organic farm production, there are provisions and practices to enhance soil, as well as to protect the soil.

The organic standards are the only place where animal manure is overseen as an input to agriculture. The U.S. regulations for organic production impose strict requirements for the use of animal manure if it is used on the farm. The regulations require that raw animal manure must be composted unless it is applied to land used for a crop not intended for human consumption; or is incorporated into the soil not less than 120 days prior to the harvest of a product whose edible portion has direct contact with soil; or is incorporated into the soil not less than 90 days prior to the harvest of a product whose edible portion does not have direct contact with the soil surface or soil particles. See 7 CFR 205.203 (c)(1) and (2).

The requirements for making compost are regulated as well, and are designed to encourage soil health while minimizing risks to human health or the environment. The National Organic Program Rule's defines compost (7 CFR 205.2) as follows:
Compost: The product of a managed process through which microorganisms break down plant and animal materials into more available forms suitable for application to the soil. Compost must be produced through a process that combines plant and animal materials with an initial Carbon: Nitrogen ratio of between 25:1 and 40:1. Producers using an in-vessel or static aerated pile system must maintain the composting materials at a temperature between 131 deg. F and 170 deg. F for 3 days. Producers using a windrow system must maintain the composting materials at a temperature between 131 deg. F and 170 deg. F for 15 days, during which time, the materials must be turned a minimum of five times.

The organic process does not stop at the farm gate. The standards cover all aspects of farming

for all kinds of farm products, and covers processing and handling of food and beverage products after they leave the farm, which makes these standards far-reaching and complex to characterize simply.

For food and beverage products, the regulations cover both growing and processing, and every business that produces more than $5000 of organic foods must be certified in order to sell the product as "organic". Farms that sell less than $5000 worth of organic goods, and sell only direct to consumers or direct to retail establishments do not need to be certified, but they must follow all other aspects of the organic regulations in order to call the products organic. Growers falling under this "Small Farm Exemption" may not use the term "certified organic" when marketing their crops, and may market through direct sales only (i.e. farm stands, farmers' markets, or direct sales to a retailer). At present, distributors and retailers are not required to be certified, although they may voluntarily become certified.

Organic Labeling, Processing, and Handling
Standards for the processing, handling and labeling of organic food and beverage products cover all steps in the process from receiving organic raw materials, acceptable processing aids and ingredients, appropriate packaging materials and labeling, to cleaning methods, waste disposal and pest management at processing facilities.

The following highlights address some of the questions most frequently asked about the organic processing, handling & labeling standards.

Standards Behind the Labeling of Organic Products
A product must either be one hundred percent (100%) organic ingredients to be labeled as such or it must have at least ninety-five percent (95%) of the ingredients in a processed product organically produced and the processor must be a certified organic handler in order for the finished product to be labeled as "USDA Organic". The five percent (5%) non-organic ingredient criteria is determined by the total weight of the finished product, not including salt or water. Water used in organic processing must meet all requirements of the Safe Drinking Water Act.

Special provisions allow labeling to state that a product contains organic ingredients. Products with more than seventy percent (70%) organic ingredients may display this information on the front label; those with less than seventy percent (70%) organic ingredients must display this information in the ingredient listing panel.
Some examples: A label which reads "Organic Vegetable Soup" would be stating that ninety-five percent of the total ingredients of that soup (by weight) are certified as organic. Alternately, a soup label might read "Vegetable Soup" and include the phrase "Made with Organic Vegetables" on the front panel, indicating that the primary ingredients are organic and make up more than seventy percent of the total ingredients by weight. Another label might read simply "Vegetable Soup" and include the word "organic" to identify specific items in the ingredient-listing panel -- as in "Potatoes, carrots and organic kidney beans."

Consumers can look for the "USDA Organic" seal or other approved labeling, and for the name of the certifier on the label of the products they consider for purchase. Products labeled "100% Organic" and carrying the "USDA Organic" seal are just that - they contain all

organically produced ingredients. Products that are made from at least 95% organic ingredients, and have remaining ingredients that are approved for use in organic products may also carry the "USDA Organic" seal, although the use of the seal is not required. In addition, products that contain at least 70% organic ingredients may label those on the ingredient listing. Producers and processors voluntarily use these labels, and may use organic ingredients without being required to label them.

For more information from USDA on labeling and other issues go to http://www.ams.usda.gov/nop/Consumers/brochure.html.

Organic Crop Production Standards

Organically produced crops must be grown on land which has been free of prohibited substances for three years prior to harvest. Crops grown on land which is "in conversion" to organic (during the first three years after switching from conventional farming, for instance) cannot be labeled as organic. Neither OFPA nor the regulations make any provision for a USDA-sanctioned "transitional organic" label. (Such labels do exist in other countries for production under the standards of those countries - not U.S. standards.)

The standards cover organic agricultural methods and materials in great detail, including managing soil fertility, restrictions on when and how manure may be applied to crops, crop rotation, and composting. Use of municipal solid waste and sewage sludge are prohibited, as are the use of genetic engineering, and irradiation.

Prevention is considered a grower's first approach to pest management, but the Act establishes a National List of acceptable and prohibited materials, which includes pest control treatments as well as other agricultural inputs such as fertilizers and seed treatments. Many organic farmers study life cycles of known pests and manage to time their crops to avoid certain pests.

All agricultural inputs are evaluated as to their long-term affect on the environment -- not simply on whether they are synthetic or natural.

Organic Livestock Production

Standards for organic livestock production are meant to assure both an organic product to the consumer and living conditions for farm animals that limit stress and promote good health. They address substances used in health care and feeding, as well as herd or flock management and housing.

"Livestock" includes cattle, sheep, goats, swine, poultry, domesticated game and horses raised for slaughter or used as draft animals. Regardless of whether they are raised as breeding stock, as dairy animals, or for slaughter, all livestock is covered, although the regulations for each type may vary.

Because the livestock market was less developed when the regulations were developed, this is one area of the regulations where refinements, including adequate public input and discussion, are expected. Some of the areas that need attention include the definition of pasture, and how much is required to meet the standards, how to bring new animals into the organic system, and

how to include aquatic species in the regulations designed for land-based agriculture.

The following highlights address some of the questions most frequently asked about the NOSB recommendations for organic livestock standards.

Feeding Organic Livestock
Quite simply, organic livestock must be fed organic feed. Growth promoters and hormones, and plastic pellets for roughage in feed are prohibited.

Housing and Health Care for Organic Livestock
Healthy living conditions and attentive care are considered first steps in the prevention of illness. Therefore, animals must not be overcrowded, and must be allowed periodic access to the outdoors and direct sunlight. Antibiotics are not used to treat organically raised animals in the United States, and if, for humane reasons, an animal must be treated with an antibiotic then it is removed to a conventional herd, and not returned to organic status.

Recordkeeping for Organic Livestock
Records must be kept on all feeding and health care practices for each animal or flock, and there must be a verifiable audit trail to trace any animal or flock back to the farm.

Other General Standards
Packaging Materials
Organic products cannot be packaged in materials, storage containers or bins that contain synthetic fungicides, preservatives or fumigants. The reuse of containers which have been in contact with any prohibited substance is not allowed.

Imported Products
Imported products described as organic must meet the U.S. regulations in order to be sold in the United States.

Organic Certification
Certification is important to the National Organic Program. It assures that organic growers and handlers are, in fact, adhering to the law. The certification process focuses on the methods and materials used in production. There are three main requirements:
1. The methods and materials used in production must meet organic standards.
2. There must be clear and ongoing documentation of these methods and materials.
3. There must be a paper trail to trace a product back to its production site, in order to verify the methods and materials used in its production.

Who Must Be Certified
Almost everyone who wants to sell products labeled as "organic" must be certified. This includes producers of organic livestock, food and fiber crops, and "handlers" of organic products. (Only very small farmers who sell less than $5000 worth of products per year do not need to be formally certified, but must still follow all regulatory steps for organic production. They also are restricted to only sell directly to a consumer via farm stands or farmer's markets.)

How The Certification Process Works

A grower or handler seeking organic certification submits an Organic Farm Plan or an Organic Handling Plan to a USDA-accredited private or state certification program.

A "handler" is any operation that "receives, processes, packages, or stores agricultural products." Some examples: a processing company that buys organic tomatoes and makes canned spaghetti sauce; or any distributor who "substantially transforms, repacks or relabels organic agricultural products." This last distinction is meant to exclude brokering, warehousing or trucking operations that merely store or move finished processed products from place to place without altering them in any way.

The Organic Plan must detail all current growing or handling methods and any materials which will be used. The Plan also covers future intentions and improvements to all areas of production.

Five years of records must be kept of all management practices and materials used in organic production.

In addition to assessing the Organic Plan, the certification agency performs annual on-site inspections of each farm or handling operation participating in its program. Certification is then either awarded or denied. User fees are collected from each grower or handler to cover the cost of the certification program.

Allowance for a Split Operation

The regulations do allow for only part of a farm or handling operation to be certified. The organic and conventional parts of the operation must be kept separate -- whether by physical boundaries and buffer zones, in the case of a farm, or by proper cleaning and management of facilities and machinery, in the case of a handler. Separate records must be kept for each part of a split operation.

Accreditation of Certifying Agents

Only USDA-accredited agencies can act as certifiers. Certifying agencies can be either state or private, but they must have expertise in organic farming and handling techniques. They must be able to fully implement all aspects of the certification program, including hiring an adequate number of inspectors to carry out on-site inspections. Accreditation may be granted by the USDA for a period not to exceed five years, and may be renewed. User fees are collected from each certifying agency to cover the cost of the accreditation program. Certifying agents must keep ten-year records of all of their activities. The USDA also conducts on-site audits of records. The USDA can suspend accreditation if a certifier is not in compliance.

It is important to note that USDA does accredit certifiers who operate outside U.S. borders to certify organic products that will be exported to the United States and will bear the USDA Organic seal.

Conflict of Interest

Any employee of a certifying agency who has a commercial interest -- including consultancy -- in a farm or other operation being considered for certification must be isolated from the

decision-making process. Payment (other than certification fees), gifts or favors of any kind cannot be accepted from businesses being certified.

Enforcement and Penalties
Mislabeling and False Statements: Any person who knowingly mislabels a product as organic can be fined a maximum of $11,000 and may be disbarred from the Organic Program for five years. Persons who make false statements to the Secretary of Agriculture, a state official or a certifying agent are subject to penalties under Federal law, and may be disbarred from the program for five years.

Violations by Certifying Agencies: A certifying agency that violates the provisions of the program or falsely or negligently certifies any operation shall lose accreditation and shall not be eligible for re-accreditation for three years.

The National List
As described above national organic standards set out the methods, practices and substances used in producing and handling crops, livestock and processed agricultural products. The standards include a National List of Allowed and Prohibited Substances, which includes approved synthetic and natural, and prohibited non-synthetic, substances. See http://www.ota.com/listbackground05.html for more details.

A uniform "National List" of materials was mandated by Congress as part of the Organic Foods Production Act of 1990 (OFPA). Its purpose is to make clear which materials can and cannot be used in organic production, processing and handling in the United States.

In order to call a product organic, the ingredients must come from an organic farm. In addition, any processing of those ingredients must meet the conditions in the national organic regulations. In general, the national organic regulations allow the use of natural materials and prohibit the use of synthetics in food production. There are a few exceptions, however.

What Is the National List?
The National List of Allowed and Prohibited Substances is the list of exceptions to the general requirement that natural materials are allowed and synthetic materials are prohibited. In other words, the National List is a list of prohibited natural materials (such as arsenic), and allowed synthetics (such as baking powder, one form of pectin and Vitamin C). Even though a synthetic may be allowed for one purpose that does not mean that it is allowed for every possible use, so manufacturers need to pay careful attention to the usage restrictions mentioned in the regulations.

Who Defines the National List?
The National Organic Standards Board (NOSB), a group of fifteen citizens appointed to advise the Secretary of Agriculture, is responsible for recommending to the Secretary which materials will be on the list. The Secretary makes the final determination. A Techni¬cal Advisory Panel (TAP) gathers and evaluates the scientific data and makes recommendations to the board based on seven review criteria:
1) Effect on human health.

2) Effect on the farm ecosystem.
3) Toxicity and mode of action.
4) Availability of gentler alternatives.
5) Probability of environmental contamination during manufacture, use and disposal.
6) Potential for interactions with other materials used.
7) Overall compatibility with a system of sustainable agriculture.

In 1995, the NOSB completed a massive review of the materials in use by organic producers, and those recommendations became the base for the National List. The procedure is ongoing, as new materials are reviewed for inclusion or prohibition. Any business or person can petition for a materials review.

In addition to the list above the national organic standards require that synthetic processing aids must meet the following:

1. It cannot be produced from a natural source and there are no organic ingredients available;
2. Its manufacture, use, and disposal do not have adverse effects on the environment and are done in a manner compatible with organic handling as described in section 6513 of the OFPA;
3. The nutritional quality of the food is maintained and the material itself or its breakdown products do not have adverse effects on human health as defined by applicable Federal regulations.
4. Its primary purpose is not as a preservative, nor is it used only to recreate/improve flavors, colors, textures, or nutritive value lost during processing except in the latter case as required by law.
5. It is Generally Recognized as Safe (GRAS) by FDA when used in accordance with Good Manufacturing Practices (GMP) and contains no residues of heavy metals or other contaminants in excess of FDA tolerances.
6. Its use is compatible with the principles of organic handling.
7. There is no other way to produce a similar product without its use and it is used in the minimum quantity required to achieve the process.

How Is The National List Structured?

The National List is part of the national organic regulations available at www.ams.usda.gov/nop, and is divided into six parts. (Examples used here are as illustrations only. See the regulations for complete details.)

Synthetic substances allowed for use in organic crop production (section 205.601). Some examples include: sticky traps and newspapers for mulch.

Non-synthetic substances prohibited for use in organic crop production (section 205.602) some examples include: arsenic, tobacco dust, and ash from burning manure.

Synthetic substances allowed for use in organic livestock production (section 205.603). Some examples include: aspirin, chlorine for disinfecting equipment and sanitizing facilities, glycerin.

Non-synthetic substances prohibited for use in organic livestock production (section 205.604). Only one substance is listed as of Dec. 2004: strychnine.

Nonagricultural (non-organic) substances allowed as ingredients in or on processed products labeled as "organic" or "made with organic (specified ingredients or food group(s))." (Section

205.605). This section of the regulations is further divided into "Non-synthetics allowed" and "Synthetics allowed." Some examples of non-synthetics allowed include dairy cultures, potassium chloride, carnauba wax, yeast. Some examples of synthetics allowed include ascorbic acid (Vitamin C), carbon dioxide, lecithin, tocopherols (Vitamin E).
Non-organically produced agricultural products allowed as ingredients in or on processed products labeled as "organic" or "made with organic (specified ingredients or food group (s))." (Section 205.606) This section lists materials that may be used if an organic version is not commercially available. The list includes: cornstarch (native), gums (water extracted only; arabic, guar, locust bean, and carob bean), kelp for use only as a thickener and dietary supplement, unbleached lecithin, and high-methoxy pectin. As a result of a recent clarification of the Rule, the National Organic Standards Board has recently recommended the list be updated to include a number of agricultural products, including colors.

These lists contain the relatively few exceptions to the basic understanding within the organic industry that organically grown and handled foods are produced with solely organic materials. This may seem like an unusual structure. However, it avoids the problem of trying to list every natural material organic growers might use.

Why Are There Exceptions?
Organic production systems encourage a healthy environment with as few inputs as possible. The NOSB recommends that cultural, biological and other management tools be sought to replace material inputs -- whether synthetic or natural.

Congress, in passing the Organic Foods Production Act, recognized that it will take time for organic producers and handlers to achieve the long term goals expressed in the Act. The National List was meant to reflect realistic organic practices, and to take into account current obstacles to ideal organic production. Therefore, some synthetics are allowed if the review process shows that they are:
1. Not harmful to human health or the environment;
2. Necessary to production because of unavailability of natural products;
3. Consistent with organic ideals.
Likewise, the law provides for prohibition of natural materials that may be harmful to human health or the environment, and inconsistent with organic ideals.

Why Are There Non-Organic Ingredients in Some Organic Food?
If you were to make organic cookies at home you would naturally use organic flour, sugar, oil, eggs, raisins, etc. But what about the baking powder and baking soda? Because they are non-agricultural products, neither of these ingredients meets the definition of organic. Processors of many kinds of organic foods face the same dilemma. In addi¬tion, nutritional fortification is sometimes required by regulation or professional guidelines, but not available in natural form.

Thus the NOSB recommends that the National List include synthetic processing aids and natural products such as minerals that are not agricultural. For the finished food to be called "organic," these ingredients may not comprise more than 5% of the total product, by weight. For the finished product to be called "made with organic (specified food or food group(s))),"

these ingredients may not comprise more than 30% of the product total by weight. Products that are composed of wholly organic ingredients may be identified as 100% organic.

National Standards Bolster Public Confidence

Now that the national standards are in effect, all agricultural products labeled "organic" must be in compliance with the U.S. organic law. The word "organic" on U.S. products means that the ingredients and production methods have been verified by an accredited certification agency as meeting or exceeding USDA standards for organic production. In short, consumers have the assurance that products labeled as "organic" adhere to the standards set forth by USDA.

New standards for emerging industries are also under development for products such as fiber and textile processing, pet food, aquaculture, as well as personal care products, and other non-food products, OTA works on these issues as well as providing guidance on good organic retail practices.

Just as the initial standards development and regulations were generated at the urging of those in the organic business community, new standards development will also spring from further innovations in that community as well. There is work going forward to develop consensus standards taking into account all parts of the supply chain, and what will work for all parties involved. Since organic production is an interconnected system, this broad point of view is necessary to workable stringent standards, and is a good way to balance the desire for perfection with what is practical.

Research

In the years since passage of OFPA there have been consistent calls for parity in research efforts for organic at a level that would provide a fair share as contrasted with the hundreds of millions devoted to research on conventional and biotechnology agriculture. However, most of the research has been defined and carried out via private sources and by organic farmers and processors themselves. That is gradually changing.

Although research money for projects centering on organic agriculture still is quite limited, there are some programs available. For instance, in September, USDA announced it was awarding slightly more than $4.6 million in research grants administered through its Integrated Organic Program and Cooperative State Research, Education and Extension Service (CSREES) to address organic agricultural issues and priorities, including global competitiveness.

The ten grants to universities in 12 states will focus on two areas: improving the competitiveness of organic producers, and assisting producers and processors who have already adopted organic standards to grow and market high quality organic agricultural products.

In addition, several universities have announced they are stepping up educational programs concerning organic agriculture. For example, the University of Florida at Gainesville established a new organic agriculture undergraduate degree program, beginning with the Fall 2006 term. The new major was created as a result of growing student interest in such a program. The university has offered various organic classes since 1990, and has had a minor

program of study in organic agriculture for the past two years.

Colorado State University and Washington State University both began offering similar programs during the Fall 2006 semester. In addition, Michigan State University has said it will start a one-year certificate program in organic farming in January 2007. In addition, beginning in the Spring 2007 semester, Delaware Valley College in Doylestown, PA, will offer a course entitled "Organic Crop Science." The course will provide working knowledge and hands-on experience for those interested in careers in certification, production and marketing. An organic dairy has been established at the University of New Hampshire for research and teaching purposes.

Meanwhile, the University of Nebraska at Lincoln has announced that one of its four plots to be used by researchers to study production challenges on organic farms has been certified by the Organic Crop Improvement Association International. The certified land at the High Plains Agricultural Lab near Sidney will be used to grow organic wheat, peas, forage and other crops.

Current Challenges to Organic Agriculture and Production
Organic agriculture and production has managed to provide almost 3% of the U.S. retail food supply largely by its own efforts to develop voluntary standards, support state and then a federal standard for organic agriculture and products, develop methods, academic knowledge and technologies that have built the success of organic. This has been accomplished with very little help from the federal government. Certainly none similar in quantity and quality to that provided to other parts of agriculture.

The question is should this continue as almost a solely private sector effort, raising important competitive questions about the disadvantages to organic farmers and processors who need to compete in the marketplace without parity against conventional and biotechnology based agriculture? OTA believes the answer to that question is, "No." Organic agriculture and its processors should not be disadvantaged against their neighbors in access to and use of technical assistance, capital, research, marketing and insurance. We should not have to struggle for data collection distinctions so that we - and the Congress - can understand the organic marketplace.

Over the past decade the Organic Trade Association has consistently supported the implementation of the National Organic Program. Having consistent market standards and a program to enforce regulations stabilizes the market place, stimulates market development and facilitates future expansion of organic agriculture and the products it generates. The increasing pressure of the market demand for organic products, both nationally and internationally, necessitates improved government encouragement for organic production and labeling, and programs that facilitate conversion to organic production.

Now that organic agriculture has achieved growth into the billions of dollars of sales, and widespread consumer acceptance, there are excellent reasons for Congress to help organic agriculture to move to another level of performance.

First, U.S. organic agriculture is not the only place that farmers are turning to growing organic. While the U.S. is the fastest growing market for organic, the European Union is not far behind

in growth. And farmers in many countries are moving to fill that demand on both "developed" continents.

At the same time there are increasing efforts to identify ecological steps that will reduce air emissions that contribute to advancing carbon dioxide levels in the atmosphere. The organic process reduces the use of petroleum based pesticides and fertilizers, and at the same time organic soils absorb carbon dioxide at the estimated rate on some farms of 3,670 pounds per acre.

By increasing organic farming in the United States consumers will be provided with domestically grown, and in many cases local products, emissions are reduced and water quality is also greatly improved.

Challenges to the National Organic Program

Furthermore, because the capability to certify to the National Organic Program (NOP) is available around the world it is important to keep that program strong and capable to keep up with the needs of certified products that are growing in double-digit percentages per year, and are projected to do so for the next several years. To best protect the integrity of the organic label that consumers have come to trust, NOP needs to be able to accredit and have inspection oversight resources both domestically and internationally. Congress' support of these oversight and inspection functions of the NOP goes a long way toward meeting the needs of organic shoppers at home.

As of Oct. 31, 2006, there were 95 agencies accredited by USDA to certify farms, processing and handling operations as meeting national organic standards. Of those, 55 were based in the United States, and the remaining 40 certifying agencies were from other parts of the world.

During 2006, USDA's Agricultural Marketing Service determined that the organic assessment program of Israel's Ministry of Agriculture and Rural Development, Plant Production, and Inspection Services conform to the organic standards overseen by USDA's National Organic Program. As a result, certification organizations recognized by the Israel Ministry do not need to be accredited directly by USDA but can certify operations as meeting NOP standards.

Organic assessment programs of other foreign governments recognized by USDA include New Zealand, the United Kingdom, Quebec, Denmark, British Columbia, India, and the Standards Council of Canada.

As these recognition programs expand NOP will need to be able to assure consumers that they are continuously well run, and at the same time they need to directly accredit certifiers to perform these functions in countries that are not recognized. So far no equivalency agreements have been reached between the United States and any other country with its own organic certification program.

The NOP and New Standards Development

Much discussion during 2006 centered on U.S. organic dairy operations and the possible need to spell out more clearly pasture requirements and the process for converting a dairy herd to gain organic certification and to supply replacement animals. As a first step, the National

Organic Program (NOP) during 2006 issued an advanced noticed of proposed rulemaking for pasture requirements, but this issue is still unresolved.

In addition to a proposed rule on pasture requirements and regulations concerning dairy animal replacement, NOP in October 2006 said it was focusing on a handful of other priorities. These include:
? Addressing the five-year sunset rule, requiring all materials listed on the National List of Accepted and Prohibited Materials in 2002 be reviewed in order to be retained on the list, or be removed by June 2007.
? Moving forward with Section 606 petition review and rule changes covering materials, including refining the definition of "agricultural" and "non-agricultural" substances.
? Renewing accreditation of certifying agents.
? Continuing to improve its quality systems management.
? Publishing guidance on commercial availability, grower group certification and inspection issues, and identifying certifiers of final handlers on labels.

Potential Remedies in the 2007 Farm Bill
In its recommendations relative to the Farm Bill, OTA is seeking to ensure that organic farmers have access to all resources available to other farmers through USDA. For example, there currently is little federal data or market research available about organic farms.

With little or no government support for being organic, little knowledgeable technical assistance or research it is difficult to encourage U.S. growers to convert to organic farming, particularly with the hurdles of the three-year conversion period. For those growing organic livestock, there is the high cost of organic feed, which often costs three to four times as much as conventional grain.

Organic farmers report various impediments to converting more land to organic.
? Access to technical assistance is rare and usually only available from other organic farmers;
? Access to capital is often denied via the traditional agricultural banking systems because data is not collected separately for organic production and therefore credit granting agencies lack access to data based credit reports usually available to conventional farmers for the use of their bankers.
? Access to crop insurance was finally made available, but at a disadvantageous rate: organic farmers pay a 5% additional premium and in the event of a crop loss they only receive compensation at a conventional price level for their organic crop. Again this is attributed by crop insurers and RMA to the fact that actuarial data is not available to insurers.
? The three-year transition period is considered essential to create a working organic farm system through establishing effective crop rotations and rebuilding soil fertility, including allowing a reduction in activity in longer-lived formerly applied toxics and petroleum based pesticides and herbicides. However, this process is a challenge for a farmer also newly dealing with rotation of crops and other organic learning challenges.
? Organic farmers who are growing crops that are covered by Marketing Orders are also disadvantaged. Unless their farm is 100% organic, they are responsible to pay into the marketing order, but these orders rarely if ever pay special attention to marketing organic

products. (Many farms are only partially organic, or are in transition, and therefore are not 100% organic.)

Some steps are underway within the organic business community and at the state, county and local levels to enhance the ability of farmers to choose to go organic successfully. Many processor members of OTA report privately encouraging conversion/transition of land in order to acquire more organic product in the United States. However, since these businesses are also in need of capital themselves this private system is strained and certainly cannot provide growth at the rate that might be expected were parity access to USDA resources granted to them.

There are other efforts going forward at the state and local levels. In some states specific experts are assigned to work on developing organic production using both state and any federal resources they can identify.

As you will hear in the testimony, during 2005 officials in Woodbury County in Iowa adopted a policy to offer tax incentives to farmers who switch from conventional to organic production. Woodbury County Supervisors voted to provide property tax rebates for those converting from conventional to organic farming practices. Under its "Organics Conversion Policy," the county now grants property tax rebates of up to $50,000 each year for five years for farms that convert from farming techniques using pesticides to organic farming practices that comply with USDA's National Organic Program.

During 2006, officials in Cherokee County, Iowa, voted to offer farmers property tax incentives to convert to organic farming practices in a policy similar to the one enacted in Woodbury County.

OTA has publicized these local efforts to provide them as a model for local and county governments across America.

Meanwhile, on a national level, other programs are being undertaken to encourage more farmers to choose organic practices, and to help provide resources so that they may do so. For instance, organic-oriented programs received slightly more than $2 million of the $25 million allocated for U.S. Department of Agriculture's Risk Management Agency (RMA) partnership agreement funding in fiscal year 2005. This included $555,000 for community outreach and assistance agreements, $19,264 for small sessions programs, and $1,461,841 for research and development agreements. A few states are using EQIP to ease conversion to organic practices by providing specific equipment for the effort.

A Memorandum of Understanding is in existence between RMA and AMS to start studies of price studies for some organic products.

These data collection efforts are way overdue and comprehensive economic, pricing and commercial information that is gathered on a regular basis for conventional agricultural products and processed goods needs to be gathered for organic insurance eligibility, for eligibility for loans, and for disaster payments. Data is also needed in order for farmers to know which crops to plant in a nationally competitive environment, to develop marketing plans

and to provide information to processors.

A Farm To Table Strategy for the 2007 Farm Bill
To remedy as many of these disadvantages OTA has developed a Farm to Table strategy for organic in the 2007 Farm Bill. The OTA plan focuses on four priorities:

Specifically, OTA is recommending that Congress provide USDA with authority and funds to:

1) Foster conversion/transition to organic agriculture and trade by providing technical assistance to aid in converting farm systems from conventional to organic production. Farmers need help formulating business plans, marketing and credit plans as they shift into organic production. Converting farm systems from conventional to organic takes three years. Farmers working to become organic also require technical assistance to guide them through the often daunting certification process. In addition, farmers need transition aid for a limited period of time, and cost share funding for certification.

Conventional farmers turn to USDA for in-depth market and production data, which helps them determine what to plant and how much to plant. Such resources do not exist for organic crops. USDA does not even produce a specific list of organic farming and processing operations, or detailed organic crop reports - greatly impeding the business of organic agriculture. OTA wants USDA to close these serious information gaps.

2) Eliminate Hurdles to Organic Agriculture and Trade by creating appropriate risk management tools and developing an organic export policy and strategy. Organic producers who now have crop insurance and incur losses only receive payments for their losses equal to conventional prices for crops -- rather than the higher level of prices that organic products command. The reason for this is a lack of actuarial data on crop prices received by organic producers. Why? USDA does not collect much pricing information on organic products. Therefore, the crop insurance companies will not pay above conventional prices for losses. While this is changing, it is important for RMA to use collected data to enable an insurance product to be developed promptly to help organic farmers. OTA wants to fix that.

3) Initiate and Fund Organic Agriculture and Economic Research. USDA is respected around the world as a leader in agriculture research. Yet, very few of these resources are applied to organic agriculture. OTA proposes integrating organic agriculture into the three main areas of USDA research: agronomy, economics and demographics, and marketing.

4) Maintain and Enhance Current Agency Programs so that the National Organic Program (NOP) can keep pace with the growing organic sector. We are lucky that the NOP staff is dedicated and hard-working. However there is not enough staff to write the new rules, and to review an ever-expanding worldwide certification system. Reportedly, AMS only has two compliance officers specializing in organic agriculture. Organic accreditation and certification is a world-wide program; they need a world-wide staff. And, funding an international travel budget would be a good start.

Private and Public Efforts to Grow the Market

OTA's membership directory, The Organic Pages Online, is a fully searchable directory on the web (www.theorganicpages.com) with comprehensive indexing and twice monthly updates. It is a virtual organic marketplace, connecting buyers and sellers of organic products and services, from farm to retail. OTA also publishes an online Export Directory for international buyers interested in purchasing U.S. Organic Products.

Of course, the All Things Organic? Conference and Trade Show (www.organicexpo.com) is the premier venue for introducing new organic products, meeting business partners from around the world, and celebrating the successes and challenges facing the organic business community.

OTA also runs the Organic Export Program, an international marketing program and public/ private effort funded through the Market Access Program (MAP) of the Foreign Agricultural Service of USDA with industry help. Its goal is to promote U.S. organic products to the worldwide market. It cooperates with regional and state promotion agencies to ensure that the newest products are shown worldwide. Examples of programs include:
? Organic pavilions at international trade shows
? Opportunities for international buyers to meet in the United States with organic suppliers
? Exporter educational programs
? U. S. organic market educational pieces for foreign buyers, including a booklet and video on buying U.S. organic products. The booklet is available for viewing at www.usorganicproducts.com.
? OTA's Organic Export Directory Online (www.usorganicproducts.com)

Activities listed and those planned are joint strategic efforts between OTA and industry representatives selected from across the United States.

What Lies Ahead?
As part of its 20th anniversary celebrations in 2005, OTA asked industry visionaries and researchers to look forward 20 years to the year 2025, and what might be likely to happen with organic agriculture and products. The results of this informal poll demonstrate the potential organic agriculture has to bring improvement to our lives.

The following are a few of the predictions and expectations:
? The organic industry can be expected to continue to grow and thrive at a sturdy rate over the next 20 years, but at a slower pace than the current 17 to 20 percent average annual growth in sales.
? The average consumer household in 2025 will buy organic products on a regular basis. These will include food items as well as organic clothing, household cleaning products, and personal care items.
? Increased sales in restaurants can be expected.
? Increases in organic sales and acceptance will result in increased U.S. organic acreage, as well as supplies from overseas.
? Younger shoppers will continue to be interested in organic foods, particularly as Gen Xers pass down their belief systems. Ethnic shoppers, including Asian Americans and Hispanic Americans, will continue to be more likely to buy organic products in proportion to their

representation in the general population.
? Government support of organic agriculture will be crucial to maintain the industry's growth potential. The U.S. government will need to support farmers in their transition to organic production, and to enforce the standards to minimize consumer confusion.

What Types of Organic Foods Will Be Most Popular?
In 2025, organic meat, dairy products, alcohol, and "stage of life" foods (those consumed during pregnancy, nursing, infancy, puberty, and senior years) will be most popular, according to survey respondents. Because hectic lifestyles will continue to be the norm, convenience, ready-to-eat and prepared foods will proliferate. Survey respondents also predicted growing interest in organic items that mimic conventional food brands and in organic products perceived by consumers as providing health benefits.

Predicted Challenges Ahead
Among the challenges ahead are consumer confusion about definitions around the organic labels, unbalanced governmental support and promotion of conventional farming methods at the expense of organic agriculture, competition for land with energy generating acreage, and the acceptance of the value of organic packaged products versus perishables in the marketplace.

Conversion to organic lags demand: Consumers pay higher prices to get foods, fibers and personal care products raised without synthetic chemicals according to the rules of organic certification. They pay more to get the supply chain to deliver what they want raised the way they want it. Some wish to avoid chemical residues; some, to avoid hormones. Many understand that the farmers' back yard is their backyard and want to leave the farm as free as possible of petrochemicals and the water untainted by chemical residues. Whatever their reasons, these buyers are not seeking the cheapest agricultural products. They seek preferred qualities. The seriousness of that demand makes organics the fastest growing, legal, unsubsidized sector of US agriculture. Even with sensational crop prices, that demand is troubled by an increasing shortfall in the supply of organic raw materials.

? The organic dairy industry is thought to be facing demand growth of over 40% per year with supply seriously limited by an inability to find sufficient organic feed materials. With a serious shortage of organic corn, dairy farmers are now scrambling with mixed success to find whatever organic substitutes will work.
? U.S. demand for organic soy foods and feeds is growing so rapidly that processors probably consume twice as many organic soybeans as are produced in the U.S. Despite excellent prices and an abundance of land and great farmers, these U.S. processors find themselves importing organic soybeans from countries such as China, Brazil, Paraguay, Bolivia and Argentina.
? Processors of foods and personal care products are seeking organic ingredients needed to support an "organic" market label. The ingredient supply businesses supporting such processors are scrambling to find enough raw materials to meet demand, searching for new processing techniques to avoid materials and process aids that would compromise an "organic" claim.

Why are supplies so tight when demand is booming? Why are more agricultural resources not moving from conventional to organic production? Why are more conventional row crop farmers not converting to organic production? The reasons range from simple to complex and

cover lots of territory.

? As has been stated before, it generally takes three years to transition land to organic certification.
? You can't sell your crop on every corner and may find yourself dealing with buyers located in distant states.
? You cannot deliver at any time you choose. Buyers generally expect you to store your crop on farm until they need it.
? Accustomed to the convenience of chemicals, you will need to learn new operating protocols. Where a conventional farmer can easily contract with a third party to take responsibility for feeding and protecting his crop, the organic farmer generally assumes all the responsibility himself. As the organic community develops, I would expect third parties to offer organic farmers the same supporting services as they do conventional farmers. At the moment those services are not available. Lack of service support increases production risks and farm management burdens.
? Organic farming takes more detailed management and attention than conventional farming.
? Despite sensational organic prices, the rural community still encourages conventional conformity. Few farmers relish the thought of being criticized at the "tables of wisdom" found in coffee houses throughout rural America.
? There is unknown risk in moving into unknown territory.
? Lack of methods of minimizing price risk.
? Lack of infrastructure support by government:
? Weaker crop insurance
? Less research and development
? Less extension support
? Application of commodity rules that do not respect niche nuances
? Agriculture programs that support maximum yield instead of maximum value
? Warehouse rules that require hedged positions for crops that lack futures markets and cannot be hedged.
? Strong government support in the form of subsidies for the "ethanol tsunami" now sweeping the land

Infrastructure hurdles: Permit me to offer an example from Clarkson Grain's own experience with organic blue corn. Blue corn makes a wonderful, nutty flavored tortilla chip as well as a great presentation. Most companies making blue chips use organic blue corn, corn that brings farmers prices well above $8/bushel. Unfortunately for blue corn farmers wishing to participate in various USDA programs, the USDA does not recognize "blue corn" as corn. Government programs such as those of the Commodity Credit Corporation officially rely on the Grain Inspection, Packers and Stockyards Administration (GIPSA) within the USDA to define "corn". GIPSA recognizes white and yellow corn but NOT blue corn. To add a touch of insult to injury, USDA grade standards regard the finest blue corn as 100% damaged because blue color is deemed damage. Consequently the organic blue corn farmer can find himself locked out of various USDA programs although he is operating without subsidy and doing what we would like to see farmers doing - being a good entrepreneur.

The "ethanol tsunami" - Organic agriculture is free market, entrepreneurial, unbacked by

"organic" subsidies. It is the model for what many Americans claim to support. At the moment, organic agriculture faces tremendous competition from the huge subsidies being poured into the use of corn for making "ethanol". Our biofuel policies are rapidly rearranging the face of agriculture, diminishing the role of the open market and discouraging positive responses by farmers to unsubsidized market signals. Ethanol demand has essentially doubled the price of corn in the past year, pushing conventional prices above $4/bu (currently somewhat lower) and creating competition for land that is raising the price for almost all crops. Unsubsidized organic agriculture now has to compete for resources with "ethanol corn" and the modern American gold rush to produce more and more corn. With conventional farmers enjoying the prospect of the highest profits they have ever seen, there is less incentive to trade "convenience" for the huge premiums and higher net incomes being offered by the organic market.

Today, U.S. demand for organic grains and oilseeds could easily support a doubling of organic production acres. Organic prices generally double conventional prices and offer higher net farm incomes than those available to conventional farmers. Despite buyer preference for domestic organic production, it is the foreign farmer who seems to be responding to the U.S. demand. Who would have projected that soybeans, organic soybeans, would flow into the U.S. from China, Brazil, Argentina, Bolivia and Paraguay. Such foreign farmers seem poised to take a significantly higher percentage of the U.S. market for organic raw materials. When and if the "corn" bubble bursts, those foreign suppliers will have ridden the organic learning curve and bonded with organic buyers in ways that will disadvantage U.S. farmers.

On To An Even Brighter Future

I, and OTA, look forward to working with this distinguished committee to build a healthy future for organic agriculture and processing. Through both strong consumer and government support in parity with other agriculture, the organic industry can continue to thrive and grow in the innovative and unique way that's all its own.

Today, millions of consumers purchase organic products regularly. Their choice is based largely on the success of the organic industry's and USDA's ability to promote and guarantee the integrity of the organic label. When buying organic products, consumers are showing support for organic farmers and practices that help build healthy soil and a healthier environment for the planet. Let's build organic together. Thank you.

Reports Cited:

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7) U.S. Department of Agriculture's National Organic Program web site (www.ams.usda.gov/nop).
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Glossary of Terms and Abbreviations

Accreditation: A determination made by the Secretary that authorizes a private, foreign, or State entity to conduct certification activities as a certifying agent under this part. This process is used by USDA to ensure that each certifying agent is competent, independent of financial concern in the operations it certifies, and maintaining the legal standard for organic production.

AMS/TMD: The Agricultural Marketing Service, Transportation and Marketing Division of the USDA. The National Organic Program falls within this division.

Botanicals: Pesticides derived from plants. These may be quite high in natural toxicity or may upset the predator-prey balance. Therefore their use is restricted.

Buffer zone: An area located between a certified production operation or portion of a production operation and an adjacent land area that is not maintained under organic management. A buffer zone must be sufficient in size or other features (e.g., windbreaks or a diversion ditch) to prevent the possibility of unintended contact by prohibited substances applied to adjacent land areas with an area that is part of a certified operation.

Certification: A determination made by a certifying agent that a production or handling operation is in compliance with the Act and the regulations in the National Organic Program rule, which is documented by a certificate of organic operation. Certification always includes on-site inspection of the production operation.

Certifying agent (or agency): Any entity accredited by the Secretary as a certifying agent for the purpose of certifying a production or handling operation as a certified production or handling operation. A certifying agent may not have any financial or personal interest in the producer.

Compost: The carefully managed process in which crop or animal residues and other vegetable by-products are digested by microbial action, defined in the NOP Rule as "The product of a managed process through which microorganisms break down plant and animal materials into more available forms suitable for application to the soil. Compost must be produced through a process that combines plant and animal materials with an initial C:N ratio of between 25:1 and 40:1. Producers using an in-vessel or static aerated pile system must maintain the composting materials at a temperature between 131F and 170F for 3 days. Producers using a windrow

system must maintain the composting materials at a temperature between 131 F and 170 F for 15 days, during which time, the materials must be turned a minimum of five times."

Cover crop: A crop grown on idle land for soil conservation purposes, not for sale.

Cultural methods: Mechanical and management techniques that contribute to pest control. These may include early planting or harvesting, variety selection; plant spacing, companion planting, clean-up of crop debris. Defined in the NOP Rule as methods used to enhance crop health and prevent weed, pest, or disease problems without the use of substances; examples include the selection of appropriate varieties and planting sites; proper timing and density of plantings; irrigation; and extending a growing season by manipulating the microclimate with green houses, cold frames, or wind breaks.

Green manure: A crop grown for its fertilizer and soil conditioning value. Green manure crops are plowed or tilled into the soil, not harvested.

Handler: Any operation (or part of one) that "receives, processes, packages, or stores agricultural products." Includes food processors and distributors who "substantially alter" organic agricultural products. Defined in the NOP Rule as any person engaged in the business of handling agricultural products, including producers who handle crops or livestock of their own production, except such term shall not include final retailers of agricultural products that do not process agricultural products.

Inspector: A person independent from the certifying agent's decision-making process who visits the grower, processor or handler being certified. The inspector interviews the producer, observes all areas of production, and reviews record-keeping for completeness and accuracy. Defined in the NOP Rule as any person retained or used by a certifying agent to conduct inspections of certification applicants or certified production or handling operations.

Micronutrients: Nutrients required by food crops in small amounts. For example: boron, zinc, iron and manganese.

Natural: From a plant, animal or mineral source which has not been altered except by chopping, grinding, separating, drying, freezing, heating, or fermentation.

NOP: The National Organic Program. The NOP and its office were established to implement the Organic Foods Production Act of 1990. It uses state and private agencies to administer some of its programmatic responsibilities such as certification, with the NOP/USDA being accreditation and rule oversight. This term is often used to refer to the organic regulations as well.

NOSB: National Organic Standards Board. A USDA advisory board established to help develop the organic standards. Also responsible for convening Technical Advisory Panels

(TAPs) to evaluate materials for the National List. Appointments are made by the Secretary of Agriculture.

Off Farm Inputs: Materials such as fertilizers or pest control treatments which are bought from outside sources to be used in growing crops. (To contrast, many growers produce some "inputs", such as compost, on-farm.)

OFPA: The Organic Foods Production Act. This act, which was Title XXI of the 1990 Farm Bill, mandated the establishing of national standards for the production and handling of foods labeled as "organic."

Organic Farm or Handling Plan: A written document that sets forth the producer's current methods, future intentions, and plan for improvement in all areas of production. Defined in the NOP Rule as a plan of management of an organic production or handling operation that has been agreed to by the producer or handler and the certifying agent and that includes written plans concerning all aspects of agricultural production or handling described in the Act [OFPA] and the regulations in subpart C [of the NOP rule].

OTA: Organic Trade Association. An umbrella organization for the organic industry. Includes organic growers, processors, distributors, suppliers, brokers, retailers, certifiers, and non-profit organizations and individuals from the U.S. and Canada. The OTA offers information services, educational resources, legislative representation, government liaison, and promotional programs to its members. Learn more at www.ota.com.

Pesticide/fertilizer drift: Pesticides or fertilizers applied to neighboring land which are carried by wind or water to an organic field.

Synthetics: Defined in the NOP Rule as a substance that is formulated or manufactured by a chemical process or by a process that chemically changes a substance extracted from naturally occurring plant, animal, or mineral sources, except that such term shall not apply to substances created by naturally occurring biological processes.

TAP: Technical Advisory Panel. A panel of experts convened by the NOSB to evaluate scientific data on materials being considered for the National List.

Transition: A time period in which a farm or other operation moves toward organic certification by improving soil fertility, eliminating use of prohibited materials, and developing and implementing an organic plan. (It is important to note that this is not a legal term in the United States, and there are no products that can be officially identified as "transitional organic")

What is the Organic Trade Association?

The Organic Trade Association (OTA) is the membership-based business association for the organic industry in North America. OTA's mission is to promote and protect organic trade to benefit the environment, farmers, the public, and the economy. OTA envisions organic products becoming a significant part of everyday life, enhancing people's lives and the

environment. OTA has grown to represent about 1600 members in North America. Since its inception, the association has been a key player in shaping both the regulatory and market environment for organic products.

The OTA was established in 1985 as the Organic Foods Production Association of North America (OFPANA). In 1994, OFPANA changed its name to the Organic Trade Association (OTA) to more accurately reflect the association's mission to include all types of organic products--food and non-food alike.

OTA works with Congress, USDA, certifiers, the NOSB, and, of course, its members to see that the implementation of the rule maintains the integrity of the organic industry. Over time, OTA expects the rule to evolve and the standards to become more refined, just as organic standards have evolved to reflect best practices over the past several decades. OTA also advocates for federal resources to allow USDA to work to the best of its ability in maintaining strict and consistent national standards and a tough but fair enforcement program, and to provide organic producers with the same advantages enjoyed by conventional producers.

OTA draws together all segments of the organic business community to share information, create standards of excellence and promote organic products. Like the organic business community at large, OTA's membership is highly diverse. There are sole proprietor businesses, publicly held companies, and every possible structure in between.

A very small number of OTA's members - like Whole Foods, Wild Oats, Hain-Celestial or United Natural Foods -- have grown from tiny start-ups and are now publicly traded. Others have been purchased by traditional food companies. And, now our members are purchasing each other; this spring Whole Foods announced a merger with Wild Oats.

But the majority of Organic Trade Association members are still small or very small businesses - 60% of whom declare annual revenues from organic sales of less than $100,000. By and large, these companies were founded by men and women for whom organic is more than a business plan -- it's what they believe.

Promoting and Protecting Organic

OTA's activities include education, policy development, and business development and marketing. OTA is the founder of the All Things Organic? Conference and Trade Show, the largest business-to-business trade show and conference in North America focusing exclusively on organic products and organic trade issues.

In addition, OTA informs members about best practices, and offers fact sheets about many topics about organic and production on its web site, www.ota.com.

Public Policy Development

OTA is a leader in advocating and protecting organic standards so that consumers can have

confidence in certified organic products, and so they will be as predictable as possible for farmers and processors. With input from its diverse membership, OTA continues to develop and refine organic standards for emerging product areas. OTA serves as the industry monitor of government agencies, takes positions on legislation that affects organic agriculture and products, and represents the industry to regulators, elected-officials, and international bodies. OTA strives to foster constant improvement in public policies, and business practices, concerning organic agriculture and production.

Leadership

OTA is governed by a board of directors that is elected by the membership. A list of current board members is attached. The Board hires an Executive Director and CEO to operate the association throughout North America. The association maintains offices in Greenfield, Massachusetts, Washington, DC and Ottawa, Canada. The Executive Director & CEO is Caren Wilcox.

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Because of its history and membership, the Organic Trade Association is uniquely qualified to comment on organic standards and regulations. Many of the members of the OTA are the creators of the organic industry and the first consensus organic standards, and organic certification procedures. OTA's members have built the market identity for organic. From the very first discussion of federal standards for organic production and labeling, the Association has been actively involved. As the organic business community works in partnership with the federal government, we ask that our creation, our contract with our customers, be treated respectfully.

For more information about the Organic Trade Association go to www.ota.com.