PROCESS-BASED PRIVATE STANDARDS

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“Organic” is the Fastest Growing Global Market

Year 2000:

U.K.  -  3% of acreage, $450 million USD, Growing at 40-56% annually

Europe  -  Overall growth at 24%

By Year 2010:

10% of sales in Europe
The U.S. Organic Market 2002

The Fastest Growing Segment of U.S. Food Sales with More than 20% Growth Per Year for Over A Decade
Growth of the Organic Industry

Sales in billions

Source:
Datamonitor, Natural Foods Merchandiser,
Organic Trade Association

Slide courtesy Organic Trade Association
### Major US Companies Buying Organic Firms

<table>
<thead>
<tr>
<th>Organic Company</th>
<th>Owned By</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cascadian Farms / Small Planet Foods</td>
<td>General Mills</td>
</tr>
<tr>
<td>Hain / Celestial Seasonings</td>
<td>Heinz (20%)</td>
</tr>
<tr>
<td>Seeds of Change</td>
<td>M&amp;M Mars</td>
</tr>
<tr>
<td>Knudsen</td>
<td>Smuckers</td>
</tr>
</tbody>
</table>
# Future of the U.S. Organic Industry

<table>
<thead>
<tr>
<th>Sales</th>
<th>2000</th>
<th>2003</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>US $ (BB $)</td>
<td>7.8</td>
<td>13.5</td>
<td>20</td>
</tr>
<tr>
<td>% of Food</td>
<td>1%</td>
<td>2%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Estimates by Wolf & Associates, Inc.
U.S. NOP ORGANIC RULE

1990 - OFPA Federal Law
1990-2000 - NOSB Meetings and Two Public Drafts
Dec. 20, 2000 - Final Rule
Apr. 21, 2001 - 1st Accredited Certifier List
Oct. 21, 2001 - Full Enforcement

All food products labeled “organic” in the U.S. must be certified by USDA accredited Certifiers and comply with 7 CFR 205.
US and EU ORGANIC PROGRAMS

US NOP and EU 2092/91
Similarities and Differences
SHARED VALUES

✓ 3rd Party Certification
✓ Audit Trails
✓ Annual Inspections
✓ Accreditation
✓ Materials Lists
✓ Defined Conversion Periods
✓ Sustainable Farm Plan
DIFFERENCES

Cultural
US  -  Similar language and cultures
EU  -  Different languages and cultures

Political
US  -  Federal law supercede state laws
EU  -  15 sovereign State governments;
       -  Derogation by member States
CROPS

Agriculture Conversion Period

US  -  3 years, no exceptions

EU  -  Generally 2 years annuals,
      3 years perennials;
      - Some exceptions
CROPS

Manure Restrictions

US  - Compost if within 120 days of harvest

EU  - From organic farms - Load limits
LIVESTOCK - CONVERSION PERIOD

Slaughter Stock

US  -  From last third of gestation
EU  -  Species specific

Milk Production

US  -  12 months
EU  -  6 months
LIVESTOCK

Organic Feedstuffs

US - 100% required
EU - 30 - 60% In-Conversion allowed

Healthcare

US - No antibiotics or hormones
EU - Treatments allowed up to 3x per year
PROCESSING

US  -  Detailed handling regulations

EU  -  Compliance verified by certifier
LABELING

Organic

US - 95%
EU - 95%

“Made With”

US changed to 70% - now same as EU
CALCULATING PERCENTAGES

Example: Salt and Water

US - Do not count in %

EU - Count as non-agricultural ingredients
MATERIALS

US  -  Naturals allowed unless prohibited
     -  Synthetics prohibited unless allowed

EU  -  Generally must be listed
ACCREDITATION

US - Federal authority
EU - Accreditation bodies / Peer review
PER SHIPMENT
TRANSACTION CERTIFICATES

US  - Umbrella certification authorizes shipping

EU  - Required after July, 2002
ACCESS TO MARKETS

US  -  Federal authority -
     Access to all states.

EU  -  15 sovereign States
International Landscape

• Global Access to US thru NOP Accredited Certifiers

• Trade Policies and Objectives
  • Grains/Oil Seeds
  • Fruits, Vegetables and Processed Foods

• WTO Disputes Impact Food

• Global Health Issues Impact Trade
ORGANIC TRADE NEGOTIATIONS

- US National Organic Program (NOP)
- US Politics
  - Trade Promoting Administration
  - US Trade Policy
  - Staff Rotations
  - War
  - Natural Disasters
  - Political Distractions
European Union

- EU Organic Plan for the Future
- New Leadership in EU
- Third Country Recognition
Canada

- Largest Trading Partner
- Often Overlooked
- Similar Cultures
- NOP Accredited
- Organic Rule in Development
- NAFTA Opportunities
Increased Global Competition

- Double Edged Sword
  - EU Balkan Ascension
  - South America
  - Canada
  - Mexico
  - Pacific Rim -
    - Australia
    - Japan
    - China
Tightening Enforcement

- GMO’s
  - GMO’s challenge Organic in Global Markets
    o EU
    o Japan
    o Korea

- Food Security

- US Bioterrorism Act
  - Global Responses
CHALLENGES

As a Growing Industry, US Organic Production Faces Some Unique Challenges

- Access to Markets
- Supply Constraints
- Added Costs
- Court Decision
Outlook

GLOBAL CHALLENGES

- Competition
- Traceability
- Heightened Enforcement
- Bioterrorism
Outlook

GLOBAL OPPORTUNITIES

- Expanding Markets
- NA Security and Prosperity Initiative
- Trade Agreements
- Innovation and Entrepreneurship