

PROCESS-BASED PRIVATE STANDARDS

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SUSTAINABLE STRATEGIES

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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:

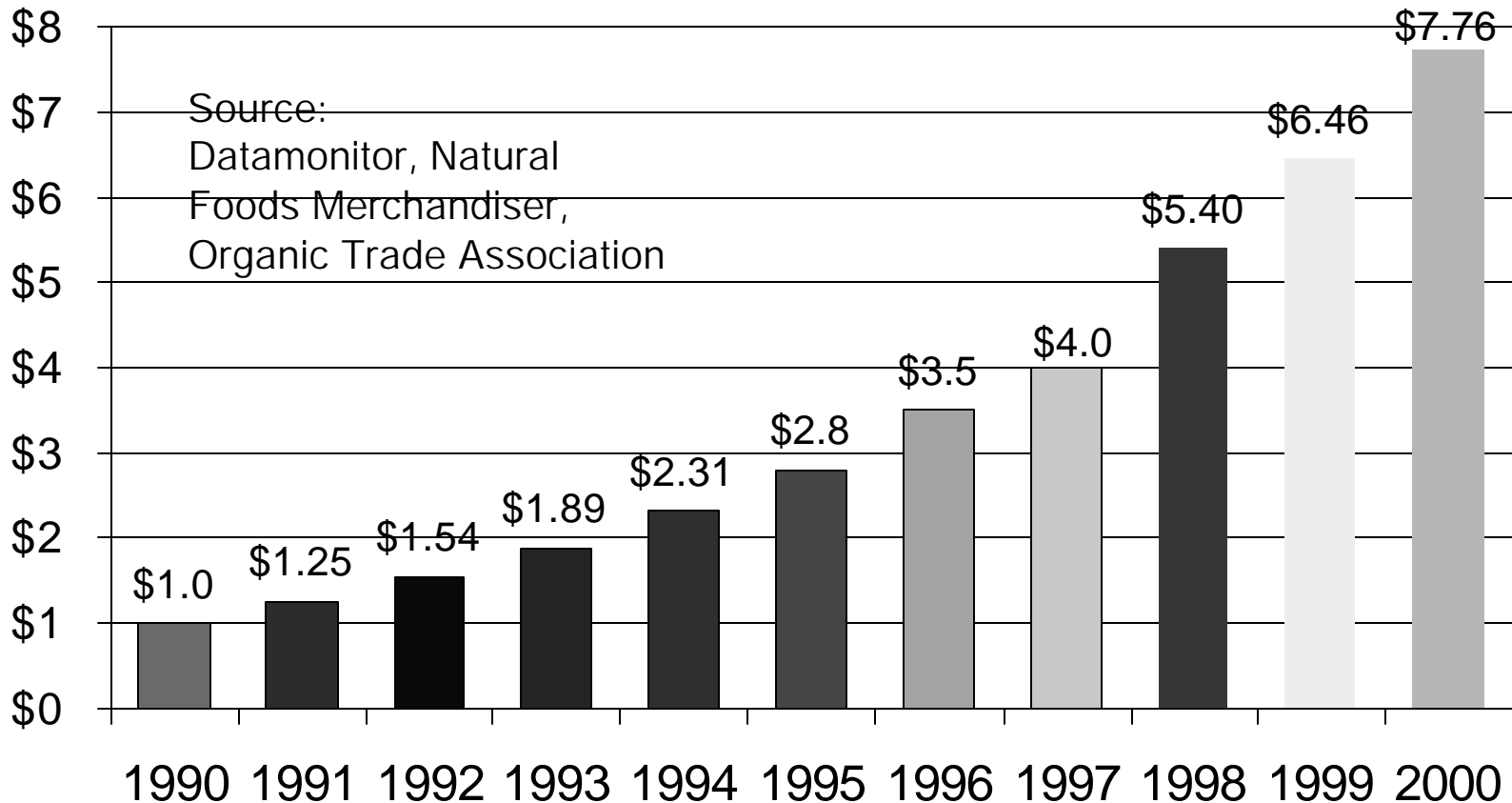
10% of sales in Europe

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



Slide courtesy Organic Trade Association



A BETTER WAY TO GROW

Major US Companies Buying Organic Firms

<u><i>Organic Company</i></u>	<u><i>Owned By</i></u>
Cascadian Farms / Small Planet Foods	General Mills
Hain / Celestial Seasonings	Heinz (20%)
Seeds of Change	M&M Mars
Knudsen	Smuckers

Future of the U.S. Organic Industry

Sales	<u>2000</u>	<u>2003</u>	<u>2005</u>
US \$ (BB \$)	7.8	13.5	20
% of Food	1%	2%	3%

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
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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**
 - EU
 - Japan
 - 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**

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