



ORGANIC FARMING RESEARCH FOUNDATION

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STATEMENT OF MARK LIPSON

BEFORE THE

SUBCOMMITTEE ON HORTICULTURE AND ORGANIC AGRICULTURE U.S. HOUSE OF REPRESENTATIVES

APRIL 18, 2007, 10 AM, LONGWORTH HOUSE OFFICE BUILDING, ROOM 1300

“Overview of Federal Policy for Organic Agricultural Research and Development”

To the Honorable Members of the Committee:

On behalf of the Board of Directors of the Organic Farming Research Foundation, I thank Chairman Cardoza and Ranking Member Neugebauer for calling this hearing and for the invitation to testify. Thank you also to Chairman Peterson and Ranking Member Goodlatte for establishing specific subcommittee responsibility to address organic agriculture.

I, Mark Lipson submit this testimony on behalf of the Organic Farming Research Foundation (OFRF). OFRF is a nonprofit, charitable organization dedicated to the improvement and widespread adoption of organic farming practices. We sponsor research related to organic farming practices, disseminate research results, and educate the public and policy-makers about organic farming issues. I have worked for the Foundation since 1995 to cultivate federal policies encouraging organic farming.

OFRF is governed by a majority of certified organic producers from throughout the U.S. Since 1990 OFRF has awarded 240 grants for organic research and education totaling \$1.6 Million. These grants have leveraged millions more in other resources, and have been critical in establishing the emerging national capacity for organic agricultural science. Through our website (www.ofrf.org) and our print publications we provide the results of our research grants to every certified organic producer and all others free of charge. Our public policy program includes a series of national surveys of organic farmers, policy analysis, and stakeholder recommendations to Congress and USDA.

I have been an active partner in an organic vegetable operation, Molino Creek Farm, since 1983. In the late 1980s I worked on the overhaul of the California Organic Foods Act and I helped to instigate the federal Organic Foods Production Act.

For the nation's 10,000 organic farmers, this hearing is a historic juncture. This is the first time this Chamber has held a hearing dedicated to organic agriculture, and the first in either chamber since the Organic Foods Production Act (OFPA) was passed in 1990. We look forward to answering your questions, building the record with you, and taking federal policy for organic farming and ranching to a new level of intention and success.

We urge you to recommend that the other subcommittees dealing with research, conservation, livestock, and nutrition also seek input from organic stakeholders, as specific legislative proposals come under consideration.

Uniqueness of Organic Agriculture and Policy Needs

Organic agriculture has many unique facets, and the OFPA is likewise a unique statute. It embodies an ecological-systems approach to crop and livestock production and processing, and it prescribes a complex certification and labeling program which applies the force of the marketplace to realize this agro-ecological vision.

These attributes of uniqueness and complexity mean that many aspects of farming practice and corresponding federal policy remain rudimentary. We are still figuring out how to do it right, both in the field and within USDA, and both areas are running mostly on sheer determination and creativity. Despite these developmental challenges, organic agriculture, organic foods and the certified organic label are powerful success stories and they illustrate the power of the marketplace as a vehicle for change and innovation.

In assessing the state of federal organic agriculture policy, it is important to note that when the OFPA bill was first introduced, it included a Research title, but this was cut from final law. In retrospect this was highly unfortunate. Deliberate federal investment in organic research and extension did not begin until 2001, and remains miniscule. Lack of research has inhibited U.S. production, and thus there is an accelerating decline of U.S. share in rapidly growing domestic and international markets. This is the number one limiting factor that inhibits the growth of organic agriculture, in turn limiting the beneficial impacts for the rural economy and the environment.

Organic Market Growth vs. U.S. Production Capacity

For most product segments, U.S. organic production is developing and growing much slower than market sales. In turn, sales are not matching potential demand, as restricted U.S. supplies keep prices high and markets untapped. Potential growth of organic market will be stunted without removing blockages to domestic production. The global growth in organic demand will be met less and less by U.S. production. That means either a growing negative organic trade balance, or simply failing to meet consumers' needs. There are three main areas of obstacles.

#1 Problem: Research, Education and Development still Miniscule.

For farmers and ranchers who might take advantage of organic market demand and profits, all of our experience and direct grower surveys indicate that the biggest limiting factor is knowledge. Successful organic farming is management and information-intensive. It requires new knowledge simultaneously for both production and marketing. There is still a

widespread lack of all the essentials: formal research information, organized delivery of information and (crucially) organized guidance from established producers. Notably, this basic lack of research and extension capacity applies to both novices making the transition, and veteran growers facing technical limits to expansion.

The basic research and development part will take the most time to remedy, but rapid payoffs can be realized from increased information delivery and grower education. OFRF has issued recommendations for “Organic Research, Education and Development Policy Targets” and these are attached to this testimony. There are a number of ways to reach these policy targets, and we look forward to discussing these goals further with the Subcommittees.

#2 Problem: Market Infrastructures Missing or Penalizing Organic (Data, Credit and Risk Management).

Innovative growers willing to figure out the production challenges mostly on their own still face difficulty with obtaining capital and credit. They are currently charged a 5% penalty surcharge on crop insurance premiums. Both credit and insurance obstacles are directly related to the lack of data on organic production and market economics.

There are initial USDA agency activities starting to work on these problems. With moderate, sustained increases in resources and some specific policy changes, these obstacles can be substantially reduced in a few years.

#3 Inadequate Regulatory System and Weaknesses in Consumer Confidence.

Just as organic production is management-intensive, the organic label is regulatory-intensive. The USDA National Organic Program (NOP) in the Agriculture Marketing Service is not scaled or designed properly to oversee the organic sector in all its complexity and diversity, especially at the sustained high rates of growth. Significant aspects of the 1990 law are not yet fully implemented. This creates doubt for some consumers, and trust in the label is clearly vulnerable to the fragility and slow pace of the existing regulatory capacity. Inadequate resources for the USDA-AMS program create unnecessary costs in the certification system, which are passed on to growers and processors, and then to the market. Continuation of USDA’s small program for the certification cost-share program, as recommended in the Administration’s Farm Bill proposal, can keep these costs affordable for smaller businesses, but only if NOP functions much more effectively.

It is also notable that the regulatory program is affected by the lack of research support. NOP is trying to answer many complex regulatory questions (e.g, livestock care, grazing management, organic seed production) not fully anticipated in 1990 law. All of these issues need - but severely lack - scientific data to inform policy formulation.

These issues can and must be remedied within several years, or they will rise up in the ranking of obstacles. A bump up in NOP’s resources is extremely well justified by the economic stakes inherently at risk. In other words, moderate increases in NOP spending will result in much greater cost-effectiveness of this program.

Organic Research, Education and Development (O-RED) in Federal Policy

Research policy was first established by Congress in 1998 AREERA (delayed research title from 1997 Farm Bill). The bill's background language, "...takes note of the need for organic research and extension."

The first appropriations for organic research were proposed in the President's FY 2001 budget under authorization for Sec. 406 Integrated Programs. Congress appropriated \$2.1 Million for an Organic Transitions Research (ORG) program within CSREES starting in FY01, and this allocation has continued at slightly varying levels through FY07.

In the 2002 Farm Bill the Organic Research and Extension Initiative (OREI) (Sec. 1672B(e)) was established with \$15 million of Farm Bill spending over five years. USDA combined management of OREI and ORG under the Integrated Organic Program (IOP). This has been an excellent start-up, strongly oversubscribed with qualified proposals. The review panels have had good research expertise, reasonable producer expertise, and relatively weaker extension expertise. The first wave of projects is just reaching publication stage.

These early efforts do not yet have full efficiency of expenditure. Many of these grants are covering startup costs at Land Grant institutions, and there are steep learning curves for many sites to establish basic organic research capacity.

Scientific leadership for organic research and extension is a crucial issue. For the last two years CSREES has had an Interim Organic Program Leader position, with faculty on detail from the University community. This position has been focused on investigating the Agency's needs and opportunities in organic agriculture science. We recommend that the Subcommittee request information from the IOP managers on the program's portfolio of applicants and grant awards, and the findings of the Interim Program Leaders.

The USDA Agricultural Research Service has developed a small but significant organic research portfolio. A recent stakeholder workshop for the ARS Integrated Ag Systems program has produced a very promising action plan which we hope will receive strong support for implementation.

Elsewhere in the USDA's Research, Education and Economics, there is a small cadre of personnel producing excellent data on marketing and production economics. This work has a very small amount of support from direct appropriations and through grants from USDA's Risk Management Agency.

There is a very important portfolio of organic research and especially extension training that has been funded by the CSREES Sustainable Agriculture Research and Education (SARE) program.

Overall, these programs have succeeded at creating a good set of prototypes, on budgetary shoestrings, in scattered parts of the country. But after decades of official opposition to organic research and extension, we have only begun to address the backlog of basic and

applied organic systems research. Cumulative spending on organic R&E among all the REE agencies currently amounts to less than \$20 Million, and thus is not even 1% of total USDA spending in this area. Meanwhile the organic market is moving past 3% of total U.S. food sales and still rising at double-digit rates.

O-RED must be scaled up, not only to meet market needs, but because of the potential contributions organic food and farming can make to our multiple challenges of dietary health, energy conservation, and rural economic development.

We need a diversity of approaches to solving these problems, and modestly increased federal investments in organic R&E can deliver very good returns for our economies (local to international), the American environment, the quality of food in our schools, and the survival of our small-scale farms.

Thank you for the opportunity to testify today. We will be extending our written submission to the record with additional data.



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Organic Agriculture Research Policy Targets in the 2007 Farm and Food Bill

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Recommendations for Coordinated Organic Agricultural Research, Extension, Education, Economics and Development (“O-RED”)

Synopsis: A coordinated strategy for scaling-up organic agricultural research, outreach and development should provide a mixture of funding methods and programs to gradually achieve an overall “fair share” spending total of approximately \$120 million/year. Critical program priorities are identified as components of this integrated approach.

- **Integrated legislative approach.** 2007 marks 10 years since Congress first recognized organic agricultural research in policy language. Organic research and extension is still emerging very slowly, in a piecemeal fashion within USDA-REE agencies. 2007 Farm & Food Bill legislation should define a coordinated strategy to move forward deliberately from this rudimentary state. With public resources generally declining for agriculture science, increasing demand for organic research and education must be met with maximum fiscal efficiency. In addition, with multiple proposals for major restructuring of USDA-REE agencies and land-grant university formula funding, organic research outcomes may easily get lost in the shuffle. Legislative policy should address the needs and opportunities of organic agriculture as a whole, taking an integrated approach to policy goals and funding levels. Appropriate configuration of agency roles and objectives should follow logically from the overall policy targets, within whatever new institutional structures are devised.
- **Overarching “Fair Share Goals” policy language:** Current USDA-REE agency resources applied specifically to organic agriculture total about 0.6% (\$12 Million) annually, well behind current (2007) market share of 3% (of total U.S. food retail). U.S. organic consumer demand continues to double every 3-4 years. Established trends will take organic “market share” to nearly 10% by FY2012. Due in part to the dearth of research and development funding, domestic organic production is not adequate to meet current demand. As U.S. producers fall further behind the growing requirements for organic supplies, the balance of trade in organic goods will continue to worsen. An increased rate of growth for U.S. organic production –to achieve a “fair share” of the demand for U.S. organic producers -- requires a coordinated approach to research, extension and development, and an overall funding baseline that gradually approaches a “fair share” of USDA-REE resources by FY 2012.
- **Total coordinated “O-RED” funding baselines:** Assuming a rough constant baseline of \$2 Billion for USDA-REE agencies (or successors), organic REE fair-

share funding *ought* to range from \$60 Million in FY08, reaching close to \$200 Million in FY2012. We suggest an overall policy target of \$120 Million annually, rising significantly from current funding but gradually to match increasing capacities.

- **Mixture of funding and program approaches:** USDA-REE agencies and land-grant universities need a minimum funding threshold to build capacity in organic agriculture. However, agencies and institutions vary widely in their readiness to effectively utilize increased funding. We recommend a mixed approach that allows for gradual increase of resources, subject to institutional capacity and performance. Accordingly, the overall policy target should be split approximately in thirds:
 - Mandatory allocations (\$40 Million annually).
 - Additional discretionary authorizations (up to \$40 Million annually).
 - Utilization of all USDA REE and Rural/Community Development competitive programs for appropriate organic research, outreach and development objectives, as capacity and merit are demonstrated (gradually reaching up to \$40 Million).

- **Critical Program Objectives for Organic Research, Extension, Education, Economics and Development:**
 - Establish permanent scientific and administrative leadership positions to manage USDA-REE agency activities in organic agriculture, and to coordinate with other USDA branches.
 - Significant scale-up of the existing successful CSREES competitive organic grants program (the Integrated Organic Program).
 - Establish long-term core capacities within each region of USDA-ARS, including information management infrastructure at the National Agriculture Library (ARS-AFSIC).
 - Provide capacity for state and multi-state organic extension services, especially targeted to new and socially disadvantaged producers.
 - Enhance the organic data collection program efforts.
 - Train Natural Resource Conservation Service personnel and Technical Service Providers in organic principles and practices, for integrating organic and transitioning operations into NRCS conservation programs.

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