



ORGANIC FARMING RESEARCH FOUNDATION

FARM BILL UPDATE

April 28, 2008

Farm Bill Completion Looks Possible; Wins for Organic Ag in Sight!

Last week, the future of the 2007 Farm Bill felt very uncertain as House and Senate negotiators seemed unable to work out differences on several key provisions. The White House called for a year or longer extension of the current law while threatening a veto of the bill if it included tax increases or lacked commodity payment cuts. After several previous extensions to the current law, another one-week extension passed last Friday, making the new deadline May 2, 2008.

In recent days, Farm Bill conference leaders have been meeting behind closed doors and it appears that they have finally been able to come to agreement on most of the outstanding issues preventing final passage. There are a few issues that remain unresolved, and if Congressional staff is unable to work them out, they will go before the Farm Bill conference committee members this week.

Because there are a few sections of the Farm Bill that remain unfinished, the agreements worked out so far remain tentative. Among the almost-final provisions there are several gains for organic agriculture. Over the next four years these would include:

- \$80 million in mandatory funding for the Organic Agriculture Research and Extension Initiative;
- \$5 million for the Organic Production and Market Data Initiative;
- \$22 million for the Organic Certification Cost Share Program;
- listing of classical plant and animal breeding as a research priority for the newly named Agriculture and Food Research Initiative;
- integration of organic practices into the Conservation Stewardship Program, and streamlining of the application process for organic growers; and
- prioritization of organic farming practices under various provisions of the bill, e.g., conservation loan programs for beginning farmers and ranchers.

A few of our other priorities have gotten some, but not all of what we were asking for. Regarding crop insurance for organic farmers, we were advocating for removal of the 5% surcharge for organic growers and an increase of the payout from the lower conventional price to the organic price. Instead, the tentative agreement requires USDA to investigate these practices to determine if they are necessary. Also, language creating an organic conversion program as part of the Environmental Quality Incentives Program is included, but the detailed provisions have not yet been determined. The Conservation Title is

funded at \$4 billion, including \$1.1 billion in increased funding for the Conservation Stewardship Program. This is less than the amount we were hoping for, but will allow for 80 million new acres to be enrolled into the program by 2012.

Overall, it appears that the Farm Bill will have many modest increases for organic and sustainable agriculture, but not without some losses. While detailed language for the Commodity Title has not yet been finalized, it is unlikely that it will include extensive reform.

OFRF is continuing to advocate for our policy priorities throughout the final stretch of the Farm Bill negotiations. The following text describes OFRF's platform for the current Farm Bill, with a detailed description (*in bold italics*) of where our goals stand after passage of the House and Senate versions of the bill. The chart on the last page compares Senate and House organic Farm Bill provisions with OFRF's goals for the Conference Committee.

1. Organic Agriculture Research

Organic food is the fastest growing sector of the food retail market, with consumption of organic food growing by more than 17% a year. Organic food represents about 3.5% of the total US retail food marketplace and that number is expanding. Domestic organic agriculture and production is not growing nearly fast enough to keep up with the increasing demand, and more organic products and supplies are being sought from overseas. In OFRF's view, the single largest obstacle to increased domestic production is the lack of organic agriculture research and education for farmers, particularly research on how to grow specific crops in different parts of the country. Converting to organic farming practices requires a comprehensive overhaul of farm operations as well as sales and marketing, which is a very daunting and expensive risk for most farmers to take on, especially without information and technical assistance.

To help address these concerns, **OFRF is advocating for a significant increase in support for organic agriculture research and education**, with the following specific provisions:

**\$25 million per year for the Organic Research and Extension Initiative (OREI)*

OREI is USDA's premier competitive grants program for organic agriculture research and education. The 2002 Farm Bill funded this program at \$3 million per year. This funding is woefully inadequate to meet the current demand for organic research and education – between 2004–2006, less than 15%, or roughly 1 out of 7 fundable organic agriculture proposals submitted for federal research dollars were able to be funded due to the limited money available.

**Expansion of the Organic Production and Market Data Initiative*

This provision, included in the 2002 Farm Bill without specific funding, requires USDA data collection agencies to collect and publish data specific to the organic sector. This information will help farmers plan their production, access markets, and apply for crop

insurance. However, due to limited funding, efforts to collect this data have been piecemeal.

**Agricultural Research Service (ARS) Fair Share Funding for Organic Systems Research*
The ARS is USDA's chief scientific research agency. In 2007, about 1.5% (\$15.4 million) of the total ARS budget was spent directly on organic agriculture research. In contrast, organic's percentage of the retail market is nearly 3.5%. OFRF is advocating for ARS spending on organic agriculture research to match and grow with organic's share of the US retail food market.

Update

The Senate Farm Bill currently provides \$16 million per year in mandatory funding for OREI, totaling \$80 million over five years, while the House provides \$5 million per year in mandatory funding and an authorization of up to \$25 million per year. The Organic Production and Market Data Initiatives has funding of \$5 million in the Senate version and \$3 million in the House version over the life of the bill to help USDA catch up on its organic data collection. Both versions of the bill also include "Sense of Congress" fair-share language that urges USDA-ARS spending to match and grow with organic's share of the US retail food market.

Aside from OFRF's top priorities, the following other organic measures are currently included in the Research Title of the Senate Farm Bill. The Specialty Crops Research Initiative includes the purpose of "optimizing organic specialty crop production." Language was also included that prioritizes classical plant and animal breeding for organic farming within the National Research Initiative. The Beginning Farmer and Rancher Development Program, (a USDA competitive grants program that supports training for beginning farmers and ranchers) includes language that incorporates transition to organic farming into the programs eligible to receive competitive grants. Also, language is included that will establish a National Farm Management Center at based at one of the land grant universities, and requests proposals from land grant universities and colleges. Universities must have data on organic commodities if they want to be considered as a possible host for the "National Farm Management Center."

2. Conservation Programs

The Farm Bill has several programs intended to support a variety of measures for maintaining and improving water, soil, and air quality. Among them are two programs that may include provisions impacting organic farmers in the 2007 Farm Bill. One program, formerly called the Conservation Security Program (and included in the Senate Bill as part of the Comprehensive Stewardship Incentives Program) pays farmers for implementing practices that protect and conserve natural resources. The Environmental Quality Incentives Program is another conservation program that, for the first time, may include provisions that benefit organic farmers. **OFRF supports increasing funding of the Conservation Stewardship Program by \$2 billion over the life of the Farm Bill and integrating organic practices into the program.**

Update

The House Farm Bill cuts nearly \$5 billion out of the program and postpones any new enrollments in the program until 2012. The Senate Farm Bill provides CSP with an increase of \$2 billion over the life of the Farm Bill. Both bills provide better integration of organic farming practices into the program by giving organic growers enhanced consideration in the application and ranking process. In addition, a “crosswalk” was created between the organic certification and CSP application processes which will streamline the application processes and thus allow easier access for organic farmers applying to CSP.

The House bill also includes \$5 million per year, under the Environmental Quality Incentive Program, for Conservation Innovation Grants that serve organic producers. This language was not included in the Senate bill.

3. Organic Certification Cost Share Program

The National Organic Certification Cost Share Program (created by the 2002 Farm Bill) helps organic farmers defray the cost of organic certification by up to 75%, with payments to farmers not exceeding \$500 per year. As the cost of certification can be a hardship on small-scale farmers, the Organic Certification Cost Share Program particularly benefits them. **OFRF advocates mandatory funding of \$25 million over five years for the Organic Certification Cost Share Program and supports the increase in the payment cap to \$750.**

Update

Both the Senate and House Farm Bills allocate \$22 Million over five years to the Organic Certification Cost Share Program with an increase in the payment limit to \$750. The Senate bill imposes new reporting requirements on states to detail how the cost-share funding is spent as well. Both bills also provide an additional pool of \$1 million per year for Organic Certification Cost Share under the Agriculture Management Assistance program, which provides additional cost share assistance to states considered to be “underserved by the Farm Bill.” The House bill adds Hawaii and Virginia to the list of 15 states while the Senate bill adds Idaho as a participating state.

4. Risk Management (Crop Insurance Program)

The Federal Crop Insurance Program, which insures farmers if a disaster damages their crops, has a discriminatory practice of charging organic growers a 5% surcharge on crop insurance premiums (based on the assumption that organic practices are riskier than conventional farming practices) and paying farmers at the lower conventional crop price if they experience a crop loss. **OFRF advocates for removing the 5% surcharge for organic farmers and increasing pay-out amounts to farmers to the organic crop price for lost crops.**

Update

The House Farm Bill directs the Federal Crop Insurance Corporation to review the current policies for insurance for organic crops and the risks of organic systems compared to non-organic systems, and requires reduction or elimination of the 5% surcharge unless the review demonstrates that organic farming systems are consistently riskier. The Senate Farm Bill prohibits the 5% surcharge unless it can be proven warranted on a crop by crop basis. Both bills include language that requires development and implementation of procedures to allow for pay-outs to organic farmers at the organic price.

5. Organic Conversion Supports

The rate of conversion of conventional U.S. farms and production operations to organic practices is lagging well behind the increasing demand for most organic products (dairy may be an exception). There are numerous obstacles for producers who wish to make the transition, including unfair crop insurance policies (see above), the increased cost of organic production methods, the cost of renting land, and the severe lack of research and education about organic practices.

OFRF first and foremost supports funding for technical assistance and education for transitioning farmers. Training and support for transitional producers is essential to ensure that conversions actually succeed. Without this, any financial assistance for conversion could be ineffective. **OFRF supports a conversion program that allocates at least 50% of funding to technical assistance and education, and allows for USDA to channel technical assistance funding to established non-profit groups and agencies with experience in training transitioning producers.**

Update

The House Farm Bill includes a stand-alone organic conversion program that provides cost share and incentive payments, as well as technical and educational assistance to growers who want to convert to organic farming systems. The House Bill requires 50% of funds to be spent on technical and educational assistance. Incentive payments to farmers are capped at \$10,000 per year for no more than 3 years, with limits of \$50 per acre for cropland and \$25 per acre for grazing land. This program has up to \$50 million in authorized funding over the life of the bill. The House version of the bill also gives priority to USDA real estate loans for land that will be converted to organic systems.

In the Senate Farm Bill, organic conversion supports are established within the Environmental Quality Incentives Program (one of the Farm Bill Conservation Programs) but with no specific funding levels and no language specifying what percentage of funding would go towards technical assistance. Incentive payments to farmers are limited to \$20,000 per year for no more than 4 years. The Senate Bill includes similar language to the House bill regarding prioritization of real estate loans for lands that will be converted to organic systems.

**SUMMARY OF FARM BILL STATUS AS BILL MOVES TO CONFERENCE
3/26/08**

ITEM	FINAL HOUSE FARM BILL	FINAL SENATE FARM BILL	OFRF RECOMMENDATION FOR CONFERENCE
Organic Agriculture Research	\$5 million/yr. in mandatory funding; plus, up to \$25 million/yr. in discretionary funds for OREI; language urging a fair share of USDA -ARS research budget for organic.	\$16 million/yr. in mandatory funding for OREI; language urging a fair share of USDA -ARS research budget for organic.	At least \$16 million/yr. in mandatory funds for Organic Agriculture Research Extension Initiative (OREI); fair share of USDA Ag Research towards organic.
Data Collection	\$3 million mandatory funding over five years.	\$5 million mandatory funding over five years.	\$5 million in mandatory funding for 2002 Organic Production and Market Data Initiative.
Conservation Programs Integration	\$5 million/year for EQIP grants for “outreach” to organic producers. New policies making CSP more organic-friendly, but CSP funding cut by \$4 billion.	New policies making CSP more organic-friendly; CSP receives \$2 billion in additional funding.	Full funding for CSP and language allowing organic farming practices to qualify for CSP payments. \$5 million/year for EQIP grants for organic producers.
Organic Certification Cost-Share	\$22 million over five years in mandatory funding; reimbursement cap increased to \$750. Additional \$1 million/yr. split among 17 states under the Ag Mgt. Assistance Program.	\$22 million over five years in mandatory funding; reimbursement cap increased to \$750. Additional \$1 million/yr. split among 16 states under the Ag Mgt. Assistance Program.	\$22 million mandatory funds over five years, increase reimbursement cap to \$750.
Risk Management (Crop Insurance Program)	Require USDA to evaluate and alter Crop Ins. policies. Requires USDA to collect data on organic production risks.	Surcharge prohibited unless proven warranted for individual organic crops; requires development and implementation of procedures to allow for reimbursement of loss at organic prices.	Removal of 5% organic surcharge; allow for payments based on organic prices rather than conventional prices.
Organic Conversion Support	Organic Conversion Assistance program created; at least 50% of funding for technical and educational assistance; discretionary funding of \$50 million over the life of the farm bill. USDA real estate loans that prioritize land being converted to organic.	Organic Conversion Assistance program created under EQIP; no specific funding set-aside for program; no specific percentage of funding set aside for technical assistance. USDA real estate loans that prioritize land being converted to organic.	Organic conversion program as part of EQIP for farmers funded at \$50 million/yr.; 50% financial assistance, 50% technical assistance and business advising. Inclusion of USDA real estate loans that prioritize lands being converted to organic.