



The 2008 Farm Bill: How Organic Processors Can Help Harvest the Gains

By Zachariah Baker and Mark Lipson

After years of making their voices heard on Capitol Hill, this past June, organic farmers and processors secured the most organic-friendly Farm Bill ever. The Food, Conservation and Energy Act of 2008 (FCEA, aka, "the 2008 Farm Bill") passed following more than two years of intensive political contention, containing major wins for the organic industry. FCEA provides increased support for organic production and processing in several ways, ranging from sharing the cost for organic certification and transitioning to organic farming, to funding research and establishing new organic friendly crop insurance. It also provides financial incentives to reward conservation, energy efficiency and renewable energy efforts. Overall, the bill allocates \$112 million in direct, mandatory funding for organic programs, with additional authorization for more than \$100 million in discretionary appropriations over the life of the bill. Assistance to organic producers and processors from other programs could add hundreds of millions more. The mixture of direct and indirect assistance available in this Farm Bill for organic production and processing is a historic step forward for organic agriculture and manufacturing.

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Resources For More Information

For the latest updates on Farm Bill implementation, appropriations, and program opportunities, see:

Organic Farming Research Foundation
www.ofrf.org

Organic Trade Association
www.ota.com

National Organic Coalition
www.nationalorganiccoalition.org

Sustainable Agriculture Coalition
www.sustainableagriculturecoalition.org

Center for Rural Affairs
www.cfra.org

Natural Resources Conservation Service
www.nrcs.usda.gov

Direct Assistance for Organic Processors and Producers

Certification Cost Share Program. The most popular program among organic processors and producers, due to the unique direct financial assistance it provides, is the National Organic Certification Cost Share Program. In the 2008 Farm Bill, this program received almost a five-fold increase in mandatory funding, from \$5 million in the 2002 Farm Bill to \$22 million in FCEA (Section 10301). The annual maximum reimbursement was also increased from \$500 to \$750 per entity for up to 75 percent of annual certification costs. Processors and producers alike are eligible for this cost-share program and reimbursements for 2008 certification costs are now available. To find out if you qualify for this funding or for more details, contact your state department of agriculture. A database of state-by-state department of agriculture contact information can be found at: www.ams.usda.gov, under "I Want Information On"/State Organic Programs/State Contacts.

Business and Industry Loan Program. In addition to the direct subsidy for organic certification, processors can take advantage of newly authorized local food enterprise guaranteed loans under the Business and Industry Loan Program (Section 6015). Although not specific to organic foods, loans can be used to support and establish enterprises that process, distribute, aggregate, store and market foods produced either in-state or transported less than 400 miles. Existing organic processors looking to enhance their enterprises, or new processors looking to specialize in local food processing can benefit from this new provision. Like the National Organic Certification Cost Share Program, the authorization for local food enterprise guaranteed loans not only offers direct support to organic processors, but can help increase the availability of organic ingredients.

Rural Energy for America Program (REAP). This new program combines two renewable energy and energy efficiency programs from the 2002 Farm Bill, and then adds additional funding and provisions. Like the previous programs, REAP offers grants and loans for energy conservation and provides grants to agencies and groups to assist farmers with energy audits and assessments. The new Farm Bill, however, raises the amount of the maximum loan guarantee from \$10 million to \$25 million. The bill also raises the amount of the guaranteed loan from 50 percent of total eligible project costs to 75 percent, and increases the maximum combined amount of a grant and a loan guaranteed under REAP from 50 percent to 75 percent of total eligible project costs.

Also, a new provision reserves 20 percent of REAP funding for grants of less than \$20,000 until June 30 of each fiscal year. Farmers and processors located in rural areas are eligible for this funding, which can provide assistance with everything from installing solar panels and wind turbines, to helping replace inefficient, energy-sapping machines.



The new Rural Energy for America Program could help fund your renewable energy project.

Direct Assistance to Support Farmers Producing Organically

In addition to the National Organic Certification Cost Share Program mentioned above, organic processors can help connect producers with several other support programs that are now available to them as a result of the 2008 Farm Bill. Most noteworthy is the availability of financial and technical assistance to help farmers transition to organic. Processors with long-range plans for developing domestic supplies of organic agricultural ingredients can leverage these programs to assist the growth and conversion of farm and ranch suppliers. This might include assisting growers with the application process, or simply publicizing the opportunity for conversion assistance to potential agricultural suppliers.

Another big win for organic farmers is an increase in incentives for conservation efforts. Successful organic production relies on the complex interaction of a number of conservation practices and in the past organic producers have received little assistance from the federal conservation programs in implementing these practices. Now, the 2008 Farm Bill rewards these practices, paving the way for access to the two largest working land conservation programs.

Environmental Quality Incentives Program (EQIP). An important item in the new Farm Bill is a provision in EQIP that provides assistance to organic producers looking to expand their operations by converting additional acres and/or producers looking at initial conversion to organic production (Section 2503). Under the program, producers converting acreage to organic production can receive unlimited technical assistance and up to \$20,000 per year to aid in transitioning to organic production, with a maximum of \$80,000 in any 6-year period.

This is also a huge win for organic processors, especially those looking to source domestically. Due to supply shortages, many processors have had to step up and put their own money on the line to help farmers transition to organic, but many companies don't have the funds to do this. Now, with information about this new funding in hand, organic processors of all sizes can approach farmers they wish to work with and help ease the farmer's conversion burden without having to invest their own capital.

Conservation Stewardship Program (CSP). In addition to the changes in EQIP, CSP has been streamlined, making it much more accessible. CSP was developed to protect and improve the environment for generations to come by providing technical and financial assistance to farmers to help them implement and manage conservation activities on agricultural land. This could include practices to improve soil, water and/or air quality or to increase biodiversity, as well as programs to sequester carbon or conserve water and energy. Many organic farmers are already implementing programs such as this but because of complicated "red tape," it was difficult to attain funding for their efforts. The 2008 Farm Bill helps streamline the application process for organic farmers who wish to include these sorts of conservation programs.

Conservation Reserve Program (CRP). The primary purpose of this program is to conserve and improve the soil, water, and wildlife resources by temporarily removing land from agricultural production. Now, 10 years after this program was started, land is coming out of contract and can be used for production again. Since no pesticides have been applied to this land for at least 10 years, there is a unique and exciting opportunity to easily transition the land to organic. With the new Farm Bill, this CRP includes a transition option to help encourage landowners to return some or all of the land to production under sustainable management practices. Under the provision, retired or retiring landowners receive a number of incentives to transfer land to beginning farmers and ranchers. At the same time, beginning farmers and ranchers who are in contract to receive CRP land from a retired or retiring land owner are allowed to implement conservation practices on the land and begin the organic certification process up to one year before the termination of the current landowner's CRP contract (Section 2111).

Now is the time for those in organic to be proactive; Organic Valley is a great example. In September of 2008, the co-op submitted a request under the Freedom of Information Act to receive the contacts of landowners whose CRP contracts were about to expire. Organic Valley sent out over 20,000 postcards to these landowners and has received over 500 responses, resulting in over 50,000 additional acres of land committed to organic production.

Indirect Assistance for Organic Processing and Production

There are also a number of other programs and provisions in the 2008 Farm Bill that are vital to the success of the organic processing industry. Each of these programs and provisions addresses issues that in the past have made many farmers hesitate to enter into the world of organic agriculture. For processors looking to encourage farmers to convert to organic to help alleviate supply needs, having some knowledge about these positive developments is essential.

Organic Agriculture Research and Extension Initiative (OREI). One major limiting factor in the growth of organic agriculture has always been the lack of scientific and producer knowledge about organic systems. This year's Farm Bill includes almost a five-fold increase in dedicated organic research funding, from \$15 million in the 2002 Farm Bill to \$78 million in the 2008 Farm Bill (Section 7206). This exponential increase in funding will help build the knowledge base necessary for the widespread adoption and improvement of organic systems.

Organic Production and Market Data Initiative. Similarly, lack of price information and other data specific to organic products has hindered the development of the organic sector. A provision included in the 2002 Farm Bill to address the issue had no money attached to it. In recent years, \$500,000 a year in discretionary funding has been provided to implement this provision, but the 2008 Farm Bill now provides \$5 million in mandatory funding for this initiative and authorizes additional discretionary funding as well (Section 10302). This will serve to jumpstart organic data collection efforts at the USDA, including a national survey of organic producers to follow up on the 2007 Census of Agriculture.

Organic Crop Insurance. Lastly, a number of farmers looking to transition to organic production have been deterred by the expensive and inadequate federal risk management options for organic farmers. Organic farmers are currently charged a 5 percent surcharge on federal crop insurance and are reimbursed at the lower conventional rate for their crop instead of the higher organic rate if they suffer a loss. The 2008 Farm Bill includes a provision that will address this differing treatment by requiring the removal or reduction of the surcharge based on the results of a study to be conducted. Procedures are being put in place to allow for reimbursement and crops will be added as data allows.

Spreading the Word and Sowing Seeds for Continued Farm Bill Success

There are several steps that can be taken right now and in the future that will significantly impact the organic industry and Farm Bill funding in years to come. One of the most important actions to take, besides looking into funding for your own company, is to talk to your suppliers and farmers. Make sure that your employees who are in contact with farmers are aware of the Farm Bill opportunities so that they can pass the word on. When you help organic farmers, you help the industry as a whole by creating a more efficient domestic supply chain.

"Every processor in this industry should be interested in telling farmers about the Farm Bill because we all need to help increase organic production. The consumer wants more homegrown organic. Everyone has a keen interest in the farmer knowing about these things and many of the farmers out there really have not heard the news," said Lynn Clarkson, president of Clarkson Grain, who has been actively involved with the 2008 Farm Bill. "This funding and developments such as organic crop insurance will help keep organic farmers that might have gone elsewhere, and attract those who otherwise might have not considered getting into organic."

Organic Valley has also been educating its farmers on the Farm Bill. Melissa Hughes, general counsel for Organic Valley, said the company is talking to farmers, but even more importantly, it is getting farmers involved in local workgroups, which are run by each county conservation department. "These are the groups that approve funding and someone needs to be there to represent organic and help inform the decision-makers about how organic farming works," she said.

As we go into the future, the same organic farmer and processor engagement and activism that made the 2008 Farm Bill gains possible will be needed to ensure that the benefits of these programs can be fully harvested for years to come. At press time, proposals were already swirling around to cut the funding for the Organic Agriculture Research and Extension Initiative and USDA had yet to release information on the implementation of these programs. Actions such as this will need to be carefully watched and scrutinized by the organic community. The new congress will also be faced with many pressures on the federal budget, and cuts to the organic research funding and other programs will be proposed. In other words, all of our gains have to be actively defended. This means being vigilant about the implementation process and diligent in protecting what we have won.

Beyond playing defense, however, we must also think about leveraging these wins and

gaining more ground. Central to this goal is ensuring that organic processors and producers make good use of the programs detailed above. Toward this end, the Sustainable Agriculture Coalition has created a Grassroots Guide to the 2008 Farm Bill, which provides detailed descriptions of the Farm Bill programs (organic and others) and how to access them. This guide can be used to encourage the producers you work with to take advantage of the new resources provided in the 2008 Farm Bill. The Organic Trade Association also recently hosted a conference on the Farm Bill and recordings of the sessions are available at www.ota.com.

All in all, the organic sector did very well in this farm bill and gained priceless political capital in the process. That capital needs to be nurtured and expanded by individuals, companies and associations by staying informed and taking action. In early 2009 the attention will be on the Congressional appropriations process to ensure that we keep the funding allocated in the Farm Bill. Stay tuned.

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OFRF is a nonprofit leader in grantmaking, policy, education and networking initiatives that support organic farmers' information needs while moving the public and policymakers toward greater investment in organic farming systems. For more information on the Farm Bill and more, visit www.ofrf.org.

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