R&P Program Application Industry Overview

The Organic Trade Association and GRO Organic Core Committee hereby submit this proposal for the Generic Research and Promotion Order for Organic ("GRO Organic") pursuant to the Commodity Promotion, Research and Information Act of 1996.[1]

I. Industry Analysis

a. History

Organic agriculture began being defined and gaining support in the United States in the early 1970s. Organic standards were originally initiated through trade associations or private organizations, and were voluntary.[2] Some of the first voluntary organic certifications were created by the Rodale Press in California in 1972, which led to the creation of the California Certified Organic Farmers association in 1973,[3] and the Northeast Organic Farming Association in 1977.[4] States also started adopting organic certification standards in the late 1970s and early 1980s.[5] The certification standards were designed to support growing consumer demand for organic products and prevent fraud. The various organic certification standards, however, were not unified in defining what qualified as organic agriculture. The lack of a uniform definition resulted in consumer confusion as a result of labeling, and complications with trade in foreign markets. The need for a national standard to unify the industry and ensure that foods labeled as organic adhered to one set of strict guidelines resulted in Congress passing the Organic Foods and Production Act (OFPA) in 1990.

The OFPA authorized the U.S. Department of Agriculture (USDA) to develop national standards for the production and handling of organic products. In 1992 the first National Organic Standards Board (NOSB) was appointed and the National Organic Program (NOP) was established within the USDA. The first proposed rule implementing the OFPA was published in 1997. The rule did not completely follow the NOSB recommendation and drew considerable opposition – receiving more than 280,000 comments, more comments than the USDA had received in any previous proceeding.[6] This resulted in a revised rule addressing several of the controversial issues becoming final and going into effect in 2002.[7] The regulation required all

[1] 7 U.S.C. § 7411-7425.
[2] Carolyn Dimitri and Catherine Greene, *Recent Growth Patterns in the U.S. Organic Foods Market*, Economic Research Service, USDA (September 2002), p. 8, *available at*, http://www.ers.usda.gov/media/249063/aib777_1_.pdf.
[3] Brain Baker, *Brief History of Organic Farming and the National Organic Program*, Organic Materials Review Institute (2005), p 1, *available at* http://www.sarep.ucdavis.edu/sfr/organic/files-images/intro2.pdf.
[4] Grace Gershuny, *Conflicts over Organic Standards – Part 1, History of organic standard-setting and controversies*, Chelsea Green Publishing (September 23, 2010), *available at* http://chelseagreen.com/blogs/gracegershuny/2010/09/23/conflicts-over-organic-standards%E2%80%93-part-i-history-of-organic-standard-setting-and-controversies/.
[5] Brain Baker, *Brief History of Organic Farming and the National Organic Program*, Organic Materials Review Institute (2005), p 1, *available at* http://www.sarep.ucdavis.edu/sfr/organic/files-images/intro2.pdf.
[6] Certified California Organic Farming, *Our History*, (last accessed February 11, 2015), *available at* http://www.ccof.org/ccof/history.
[7] Ibid.

organic growers and handlers to be certified by state or private agencies/organizations to the new standard developed by USDA.[8]

b. Domestic Market

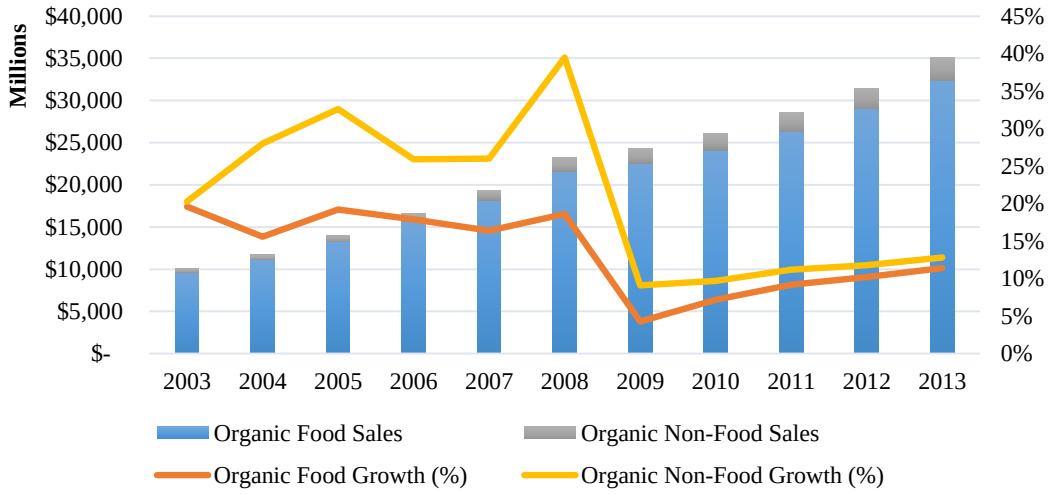
The organic sector has experienced significant growth over the last 20 years. Organically produced foods and non-food items started out as a niche market primarily sold in direct-to-consumer markets. Organic products, however, have moved from direct-to-consumer markets to conventional supermarkets due to double-digit growth in consumer demand every year since the 1990s.[9] Organic sales, both food and non-food, increased from $3.6 billion in 1997 to $39.1 billion in 2014. The growth from 2003 to 2013 is illustrated in Graph 1 below.[10]

The organic food segment makes up the overwhelming majority of organic sales – $36 billion in 2014, or 92 percent of total organic sales.[11] Organic food sales saw a 11 percent increase from 2012 to 2013 and an 11 percent increase from 2013 to 2014.[12] Fruits and vegetables continue to be the largest segment of organic food sales, comprising 36 percent of total organic food sales; followed by dairy at 15.2 percent; packaged and prepared foods at 14.7 percent; beverages at 12.3 percent; breads and grains at 11.7 percent; snack foods at 5.4 percent; condiments at 2.6 percent; and meat, poultry, and fish at 2.1 percent.[13]

The organic non-food segment grew 14 percent in 2014 to reach $3.1 billion in total sales.[14] Organic non-food sales, which represent 8% of all organic product sales, and show faster growth in recent years than the organic food segment.[15] The market for organic products, both food and non-food, is expected to continue to expand at similar rates for the foreseeable future.

[8] Catherine Greene, Carolyn Dimitri, Biing-Hwan Lin, William McBride, Lydia Oberholtzer, and Travis Smith, *Emerging Issues in the U.S. Organic Industry*, Economic Research Service, USDA (June 2009), p. 2, *available at* http://www.ers.usda.gov/media/155923/eib55_1_.pdf.
[9] Catherine Greene, *Organic Agriculture*, Economic Research Service, USDA (last modified April 07, 2014), see *Overview*, *available at* http://www.ers.usda.gov/topics/natural-resources-environment/organic-agriculture.aspx.
[10] Organic Trade Association, *2015 Organic Industry Survey* (conducted 2/10/2015 – 4/3/2015), see p. 10.
[11] Organic Trade Association, *2014 Organic Industry Survey* (conducted 2/10/2015 – 4/3/2015), see p. 10.
[12] Organic Trade Association, *2014 Organic Industry Survey* (conducted 2/10/2015 – 4/3/2015), see p. 10.
[13] Organic Trade Association, *2014 Organic Industry Survey* (conducted 2/10/2015 – 4/3/2015), see p. 38.
[14] Organic Trade Association, *2014 Organic Industry Survey* (conducted 2/10/2015 – 4/3/2015), see p. 10.
[15] Organic Trade Association, *2014 Organic Industry Survey* (conducted 2/10/2015 – 4/3/2015), see p. 10.

Graph 1: Total U.S. Organic Sales and Growth, 2003-2013



Source: Organic Trade Association's 2014 Organic Industry Survey conducted 1/27/2014 – 4/5/2014.

Organic foods continue to receive a price premium over their conventional counterparts, though the price premium fluctuates significantly depending upon the commodity. Organic produce and milk receive some of the highest price premiums over their conventional counterparts. These categories are also the top organic food sales categories.[16] For the majority of organic produce, the price premium represents less than a 30 percent price differential. Milk, on the other hand, has been documented receiving a price premium anywhere from 60 to 109 percent.[17]

Studies show that the vast majority of American consumers purchase organic food products, with a Consumer Reports survey showing that 84 percent of American consumers purchase organic food. The frequency at which they purchase organic food products, however, varies significantly. Of those surveyed, 18 percent purchase organic food every week. Another 18 percent purchase organic food two to three times a month, while nine percent said they purchase organic food once a month. Thirty-nine percent said they purchased organic food rarely and 15 percent said they never purchase organic food. One percent said they didn't know or were unsure. Almost half of the 84 percent who buy organic foods, do so rarely.[18]

[16] Catherine Greene, *Organic Agriculture*, Economic Research Service, USDA (last modified April 07, 2014), see *Organic Market Overview*, *available at* http://www.ers.usda.gov/topics/natural-resources-environment/organic-agriculture/organic-market-overview.aspx.

[17] Catherine Greene, *Organic Agriculture*, Economic Research Service, USDA (last modified April 07, 2014), see *Organic Market Overview*, *available at* http://www.ers.usda.gov/topics/natural-resources-environment/organic-agriculture/organic-market-overview.aspx.

[18] National Research Center, *Organic Food Labels Survey*, Consumer Reports (March 2014), p.. 3, *available at* http://www.greenerchoices.org/pdf/CR2014OrganicFoodLabelsSurvey.pdf.

c. Domestic Production

Organic production has also experienced double-digit growth since the 1990s.[19] The U.S. had under a million acres of certified organic farmland in 1990. This number doubled between 1990 and 2002, and doubled again between 2002 and 2005. Between 2005 and 2011, the amount of organic pasture and rangeland fluctuated, but certified organic cropland expanded by close to 80 percent. Organic livestock experienced even faster growth during the same time period. In 2011, there were roughly 5.4 million acres of certified organic farmland – with 3.1 million acres of cropland and 2.3 million acres of rangeland/pasture.[20] Despite the growth in certified organic farmland, certified organic farmland remains below one percent of the total farmland acreage in the U.S.

Organic production has grown not only when measured in terms of acreage, but also when measured by the number of certified organic operations. When the USDA first started certifying organic operations under the NOP, there were just over 7,000 certified organic operations. Data released by USDA in April 2015 showed that the number of U.S. certified organic operations increased by more than five percent from 2013 through 2014, to reach 19,474 businesses. The farmgate value of all organic product sales in 2011 was approximately $3.5 billion.[21]

Organic production costs vary by commodity and location. U.S. organic farms on average have higher sales, higher production expenses, and higher operating profits than the average for all U.S. farms.[22]

d. Geographic Distribution

As of 2011 there were certified organic operations in every state. The Western states accounted for over half of the certified organic acreage in the U.S. (55 percent), followed by the Midwest (23 percent), Southwest (11 percent), Northeast (9 percent), and Southeast (2 percent) (see Graph 2). California is the individual state with the highest overall certified organic acreage, accounting for approximately 18 percent of all the certified organic acreage in the U.S. California contains roughly 13 percent of all the certified organic acres in cropland in the U.S.; followed closely by Oregon with 11 percent.[23] Wyoming has the largest amount of certified organic acres in pasture and rangeland at 25 percent of the total U.S. acreage, with California

[19] Catherine Greene, Carolyn Dimitri, Biing-Hwan Lin, William McBride, Lydia Oberholtzer, and Travis Smith, *Emerging Issues in the U.S. Organic Industry*, Economic Research Service, USDA (June 2009), p. 3, *available at* http://www.ers.usda.gov/media/155923/eib55_1_.pdf.

[20] Catherine Greene, *Organic Production*, Economic Research Service, USDA (last modified September 27, 2013), see Documentation, *available at http://ers.usda.gov/data-products/organic-production/documentation.aspx*.

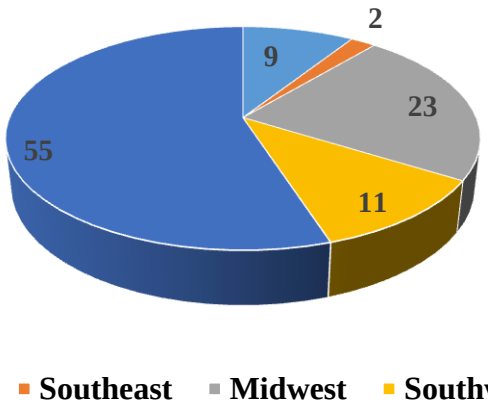
[21] National Agricultural Statistics Service, *2011 Certified Organic Production Survey*, U.S. Department of Agriculture (October 2012), p. 7, *available at http://usda.mannlib.cornell.edu/usda/current/OrganicProduction/OrganicProduction-10-04-2012.pdf*.

[22] National Agricultural Statistics Service, *The 2008 Organic Production Survey*, U.S. Department of Agriculture (2008), p.83, available at http://www.agcensus.usda.gov/Publications/2007/Online_Highlights/Organics/organics_1_12.pdf.

[23] Catherine Greene, *Organic Production*, Economic Research Service, USDA (last modified September 27, 2013), see Overview – Table 4, *available at http://ers.usda.gov/data-products/organic-production.aspx.*

following closely with 24 percent. Of the Eastern states, New York has the most certified organic cropland acreage with 5 percent.[24]

Graph 2: Certified Organic Farmland by Region, 2011 (in percentage)



Source: USDA, Economic Research Service, based on information from USDA-accredited State and private organic certifiers.

The year 2000 was a milestone for the organic industry – for the first time, more organic food was purchased in conventional supermarkets than in any other venue.[25] Today, 93 percent of organic sales take place in conventional and natural food supermarkets and chains.[26] Organic foods are currently available in three out of four traditional grocery stores and about 20,000 natural food stores across the U.S.[27] The remaining seven percent of organic food sales occur in farmers' markets, foodservice, and marketing channels other than retail stores. The dramatic increase in conventional store participation in organic sales is not due to any decrease of direct-to-consumer markets. Farmers' markets, to the contrary, have grown steadily from 1,755 markets in 1994 to 8,144 in 2013.[28] According to a USDA survey, demand for organic products was strong or moderate in most of the farmers' markets surveyed. In addition, the market managers believed that more organic farmers were needed to meet consumer demand.[29]

[24] Catherine Greene, *Organic Production*, Economic Research Service, USDA (last modified September 27, 2013), see Overview – Table 4, *available at http://ers.usda.gov/data-products/organic-production.aspx.*
[25] Carolyn Dimitri and Catherine Greene, *Recent Growth Patterns in the U.S. Organic Foods Market*, Economic Research Service, USDA (September 2002), p. 1, *available at*, http://www.ers.usda.gov/media/249063/aib777_1_.pdf.
[26] Catherine Greene, *Organic Agriculture*, Economic Research Service, USDA (last modified April 07, 2014), see *Organic Market Overview*, *available at* http://www.ers.usda.gov/topics/natural-resources-environment/organic-agriculture/organic-market-overview.aspx.
[27] Ibid.
[28] Ibid.
[29] Ibid.

e. International Trade

As global demand for organic products increases, USDA-certified organic products are satisfying export opportunities around the world. Canada, the European Union, Japan, and Korea lead global demand for organic products outside of the United States. Industry-supported organic equivalency arrangements are in place for each of these regions, making increased international trade more feasible and cost-efficient for U.S. organic producers. In fact, global demand for USDA-certified organic products is currently not met in most international markets; often a result of domestic supply constraints, rather than consumer unwillingness to pay for high quality imported U.S. goods. Export numbers to these regions and other countries around the world indicate that USDA organic products are trending across the globe.

According to surveys performed by the Organic Trade Association, U.S. organic exports for 2014 are estimated at $2.2 billion, up nearly half a billion dollars from 2009.[30] Strong growth in U.S. organic exports has continued to increase year after year since data were first reported in 2006.[31] As such, organic products sales growth continues to outpace comparable conventional food items. For example in 2012, organic products sales grew at about 10 percent while conventional counterparts only grew 4 percent. Consumers, especially in Canada, Europe, East Asia, and the Middle East, are demanding more and more products bearing the USDA organic seal. With consistent demand from the world's top economies, international sales opportunities for U.S. organic exports are trending, and extremely likely to increase.

The international market, however, bears similarities to the U.S. industry before the establishment of a national standard. This is because of a lack of an international standard for organic foods. In order to help promote international trade in organic foods without having to develop an international standard, governments negotiate organic equivalency arrangements. Organic equivalency arrangements allow for two or more countries to accept what the other certifies as organic without having to merge the two standards. The U.S. currently has organic equivalence arrangements with Canada, the European Union, Japan, the Republic of Korea, and Taiwan.[32] The arrangement with Taiwan only allows U.S. organic foods to be marketed in Taiwan but does not allow Taiwanese organic products to be marketed in the U.S. The goal of organic equivalence arrangements is to reduce trade barriers by eliminating a redundant certification process for exports that have already been certified as organic in the originating country.

Until 2011, it was not possible to track imports and exports of organic products using HTS codes. Organic products did not have unique HTS codes that separately coded organic products, distinct from their conventional counterparts. The U.S. International Trade Commission (ITC) released the first HTS codes for organic products in 2011. Since then, the Organic Trade Association has been working with ITC, and the other agencies involved with

[30] Organic Trade Association Unified Export Strategy Survey 2015.
[31] Organic Trade Association 2005-2013 Industry Survey
[32] National Organic Program, *Information for International Trade Partners*, USDA (Last Modified June 30, 2014), *available at* http://www.ams.usda.gov/AMSv1.0/ams.fetchTemplateData.do?template=TemplateJ&navID=InternationalTradePartnersNOPACAs&rightNav1=InternationalTradePartnersNOPACAs&topNav=&leftNav=NationalOrganicProgram&page=NOPInternationalAgreements&resultType=&acct=nopgeninfo.

issuing HTS codes, to increase the number of unique HTS codes for organic products. To date, there are 76 unique import and export codes for organic products. Since new HTS codes are constantly being added, it can be difficult to compare trade data from year to year using the HTS codes.[33] Until there are HTS codes for all organic products, monitoring trade statistics by their HTS codes gives only a partial view of the volume of organic products imported and exported.

Despite the limitations in monitoring organic trade by HTS codes, it is worth noting what is currently being tracked via HTS codes. For the products tracked, U.S. organic exports measured approximately $553 million, and organic imports measured just under $1.3 billion in 2014.[34] The top organic imports in 2014 in value were coffee, soybeans, bananas, olive oil, wine, honey, almonds, avocados, corn, and apples.. Organic imports arrived from nearly 100 countries in 2014, with Mexico ($132.2 million), Italy ($128 million), Peru ($99.5 million), India ($88.1 million), Spain ($77.3 million), Brazil ($72.2 million), China ($64.9 million), Canada ($53.8 million), Argentina ($51.7 million), and Indonesia ($50.8 million) topping the list. The top ten countries accounted for approximately 65 percent of the valus of organic imports in 2014. The U.S. exported organic products to over 80 countries. The overwhelming majority of U.S. exports go to its NAFTA partners, Canada and Mexico (78 percent). The primary export markets for U.S. organic products in 2013 were Canada ($264 million), Mexico ($167 million), Japan ($27 million), Taiwan ($16 million), Australia ($12 million), United Kingdom ($9.5 million), Hong Kong ($7.7 million), United Arab Emirates ($7.7 million), South Korea ($4.7 million), and Singapore ($3.6 million). The top organic exports were apples, lettuce, grapes, spinach, strawberries, carrots, cauliflower, coffee, tomato sauce, and pears.[35]

f. Global Market

According to the latest data on organic farming and sales released in February at BioFach, the global organic market in 2013 reached $72 billion, led by the U.S. market with sales of $35.1 billion. Germany was next, with $8.6 billion, followed by France, with $5 billion. China, who reported official market statistics for the first time, logged in with $2.73 billion in sales.[36]

Two million organic producers—a new high—were reported worldwide in 2013. The countries with the largest numbers of producers were India, Uganda, and Mexico. Meanwhile, a total of 106.5 million acres were organic at the end of 2013, up almost 14.8 million acres compared to the previous year. In Oceania, organic land increased by 42 percent, mainly due to rangeland areas shifting to organic production in Australia. Australia has the largest organic

[33] Organic Trade Association, *Trade Data*, (last updated February 5, 2015), *available at* http://ota.com/what-ota-does/global-market-opportunities/trade-data.
[34] Department of Commerce, U.S. Census Bureau; Foreign Trade Statistics; USDA-FAS Trade Database, http://apps.fas.usda.gov/gats/default.aspx.
[35] Department of Commerce, U.S. Census Bureau; Foreign Trade Statistics; USDA-FAS Trade Database, http://apps.fas.usda.gov/gats/default.aspx.
[36] Helga Willer and Julia Lernoud (Eds.), *The World of Organic Agriculture: Statistics and Emerging Trends 2015*, FiBL-IFOAM Report. Research Institute of Organic Agriculture (FiBL), Frick, and IFOAM – Organic International, Bonn, see p. 24 – Summary, *available at https://www.fibl.org/fileadmin/documents/shop/1663-organic-world-2015.pdf*.

agricultural area (42.5 million acres, with 97 percent used as grazing), followed by Argentina (7.9 million acres) and the U.S. (5.4 million acres).[37]

II. Program Justification

a. What research and marketing problems exist?

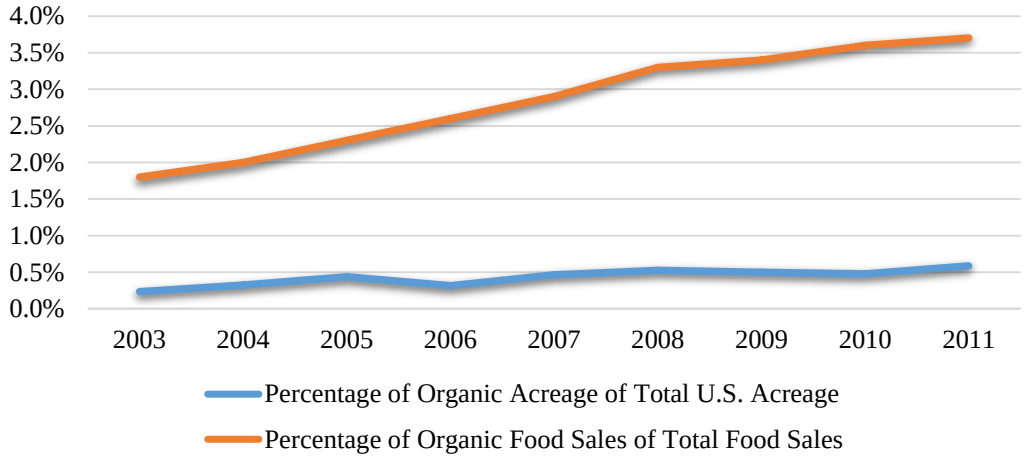
The American organic industry is relatively young, with a national standard set forth by the U.S. Department of Agriculture (USDA) in 2002. Despite the newness of the industry, it has experienced rapid growth with organic sales increasing by double digits annually in recent years. U.S. organic sales exceeded $39 billion in 2014.[38] The rapid growth of the U.S. organic industry has given rise to unique challenges that need to be addressed in order for the industry to sustain and continue its current growth. The GRO Organic Program would help to address such challenges as domestic supply shortages, viable pest management options, and market confusion.

(i) Supply shortages

Supply shortages in the U.S. organic industry is one of the greatest challenges facing the industry today. Despite the continued growth in organic production, organic handlers are not able to keep up with demand, which has grown at an even faster rate than production. According to a 2004 USDA Economic Research Service (ERS) report, "44 percent of organic handlers reported short supplies of needed ingredients or products" and "13 percent were unable to meet market demand for at least one of their organic products that year."[39] In addition, 52 percent of organic companies said that "a lack of dependable supply of organic raw materials has restricted their company from generating more sales of organic products." Organic food sales currently make up four percent of total food sales, while acreage devoted to organic agriculture is less than one percent of total U.S. cropland (see Graph 3).

[37] Ibid.
[38] Catherine Greene, *Organic Agriculture*, Economic Research Service, USDA (last modified April 07, 2014), see *Overview*, *available at* http://www.ers.usda.gov/topics/natural-resources-environment/organic-agriculture.aspx. *See also* OTA's 2015 Organic Industry Survey.
[39] Catherine Greene, Carolyn Dimitri, Biing-Hwan Lin, William McBride, Lydia Oberholtzer, and Travis Smith, *Emerging Issues in the U.S. Organic Industry*, Economic Research Service, USDA (June 2009), p. iii, *available at* http://www.ers.usda.gov/media/155923/eib55_1_.pdf.

Graph 3: Organic Acreage vs Sales



Note: 2009 organic acreage was calculated from the average of 2008 and 2010.
Source: USDA, Economic Research Service, based on information from USDA-accredited State and private organic certifiers and Organic Trade Association's 2014 Organic Industry Survey conducted 1/27/2014 – 4/5/2014.

There is a three year transition period to convert conventional farmland into organic farmland. During the transition period, the farm must adhere to all organic practices, but it is not allowed to use the organic seal on products grown on that land during transition. The transition period can be challenging, because the farm internalizes the increased production cost of an organic farm without receiving the price premium and, depending of the size and existing practices of the farm, may need to make dramatic changes to farming techniques. There are several USDA programs (e.g. Environmental Quality Incentives Program (EQIP), National Institute of Food and Agriculture (NIFA), and Natural Resources Conservation Service (NRCS)) that are designed to assist farms in the transition process, but offer only limited support. In order to increase organic production to keep up with demand, more is needed to assist farmers as they transition to organic agriculture. Programs educating farmers on the certification process, the organic label, and organic farming techniques will help encourage farmers to transition to organic and help them during the transitional period.

There has been increasing news coverage of the organic supply shortage. *Bloomberg* recently wrote about the lack of organic farmers and low supplies of organic feed grain that is restraining organic dairy production across the U.S. and causing "severe shortages in the organic dairy aisle."[40] The lack of domestic organic barley farmers, in addition to weather problems, is forcing brewers to increase prices and import more expensive foreign organic barley as reported in *USA Today*.[41] *Maine's Public Broadcast News* reported that one of the reasons behind the supply shortage was the lack of farmers willing to transition to organic due to the cost to

[40] Lydia Mulvany, *Grocery Stores Are Running Out of Organic Milk*, Bloomberg Business (February 9, 2015), *available at* http://www.bloomberg.com/news/articles/2015-02-10/not-only-hipsters-cry-when-u-s-grocers-run-out-of-organic-milk.
[41] Tony Kiss, *Barley Shortages has Craft Beer Makers Foaming*, USA Today (February 3, 2015), *available at* http://www.usatoday.com/story/money/business/2015/02/03/beer-barley-shortage/22792533/.

transition and other factors.[42] *Agri-Pulse* also reported the struggle to meet demand that food manufacturers are facing because not enough farmers are transitioning to organic due to "various financial and regulatory hurdles."[43] Demand for organic eggs is up, but there are not enough U.S. farmers growing organic soybeans and organic corn to feed the organic chickens making organic egg producers cut back on production or buy expensive foreign organic feed as reported by *NPR*.[44]

The organic industry has identified a growing need to close the gap between U.S. organic production and the demand for organic products. The lack of farmers willing and able to transition to organic has led organic processors and handlers to look abroad to fulfill their orders. Organic milk producers must turn to imports to source enough organic feed for their cattle.[45] The amount of foreign-grown organic products imported into the U.S. demonstrates a need for growth in U.S. organic – which would be supported by a USDA-sanctioned organic research and promotion board.

(ii) Viable pest management

Conventional and organic farmers face similar challenges in finding the right combination of tools to help protect their products from pests. Just as in conventional farming, organic farming faces very real and imminent threats from invasive species and other types of pests. There was a supply shortage of organic apples across the U.S. in April 2014 due to insect problems and some acreage reduction.[46] Organic farmers, however, face an even harder battle in developing an effective program of pest management. Not only do organic farmers have to find the right combinations of techniques and substances, the pool of available substances is limited. Organic farmers are limited to the substances that are approved in the National List of Allowed and Prohibited Substances (National List), which includes limited approved pest management strategies.

The National Organic Standards Board (NOSB) maintains the National List. The NOSB reviews every substance on the list every five years. The NOSB also reviews petitions from individuals and organizations to add, remove, or change a listed substance and makes recommendations based on those petitions to the USDA twice a year.[47] The list has been fine-tuned several times since its creation in 2002. Several substances that were once allowed are now prohibited in an effort to improve the list and limit the number of synthetic substances

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[42] Jennifer Mitchell, *Organic Milk Scarce on Maine Store Shelves as Demand Outstrips Supply*, MPBN News (January 15, 2015), *available at* http://news.mpbn.net/post/organic-milk-scarce-maine-store-shelves-demand-outstrips-supply.

[43] Aarian Marshall, *Organic Farmers Struggle with Recruiting – and Supply*, Agri-Pulse (June 4, 2014), *available at* http://www.agri-pulse.com/Organic-farmers-struggle-with-recruiting-and-supply-06042014.asp.

[44] Dan Charles, *Chickens That Lay Organic Eggs Eat Imported Food, And It's Pricey*, NPR (February 27, 2014), *available at* http://www.npr.org/blogs/thesalt/2014/02/26/283112526/chickens-laying-organic-eggs-eat-imported-food-and-its-pricey.

[45] Mark Peters, *A Gap in Organic Food Chain*, The Wall Street Journal (July 14, 2013), *available at* http://www.wsj.com/articles/SB10001424127887324867904578594171667940126.

[46] Dan Wheat, *Organic Apples May Run Out Sooner Than Usual*, Capital Press (April 8, 2014), *available at* http://www.capitalpress.com/Organic/20140408/organic-apples-may-run-out-sooner-than-usual.

[47] National Organic Program, *About the National List*, Agricultural Marketing Service, USDA (last modified on February 24, 2015), *available at* http://www.ams.usda.gov/AMSv1.0/NOPPetitionedSubstancesDatabase.

allowed in organic production. With the removal of certain substances, organic farmers must reevaluate how to manage particular pests with what remains available to them.

The transition of organic apples and pears from antibiotic to non-antibiotic fire blight management tools is one example of changing pest management strategies that the GRO Organic Program could help organic producers develop. Antibiotic fire blight management tools were phased out of organic production in late 2014. There is research being done on non-antibiotic fire blight management tools with approved substances, but the final results have not been released. Once the final results are released, it will be some time until they can be translated into actual farming practices.[48] This gap can leave organic farmers unprotected against some very serious pests. Additional funding for research (via a research and promotion board) could help farmers during these gaps, and could anticipate changes to the list so that alternative farming techniques can already be in place when a substance is phased out.

Most current funding for organic research is devoted to researching prohibited substances. There is a lack of funding for research devoted to helping organic farmers develop practices for current and possible future pest management issues, such as citrus greening. There is no strategy, either conventional or organic, that has proven to be 100 percent effective at treating or preventing the spread of citrus greening. Application of synthetic pesticides, however, has been mandated as an eradication method in California without any organic alternative, leaving organic growers in a predicament.[49] Organic citrus growers need viable alternatives to the synthetic pesticides used in the conventional treatment of citrus greening and other pest issues. The Organic Agriculture Research and Extension Initiative (OREI), which is administered by the National Institute of Food and Agriculture, helps organic farmers develop pest management strategies, but the funding is limited, not exclusive to pest management, and requires recipients to contribute matching funds or in-kind support.[50] More funding is needed to research better and more effective pest management techniques and applications for organic agriculture – and that could be accomplished through GRO Organic.

Moreover, it is important to note that many federal research grant dollars are only available to projects that can promise matching funds – and GRO Organic could serve as a source of such funds, increasing access to federal dollars and increasing the reach of every dollar allocated to research.

(iii) Market confusion

According to Consumer Reports, 84 percent of U.S. consumers buy organic foods sometimes, and 45% buy them at least once a month, but there's a disparity between what the

[48] Harold Ostenson and David Granatstein, *Critical Issue Report: Fire Blight Control Programs in Organic Fruit*, The Organic Center (November 2013), see page 4.
[49] The Organic Center, *Organic Solutions for Citrus Greening* (last modified June 24, 2014), *available at* http://organic-center.org/citrus-research/savecitrus/.
[50] National Institute of Food and Agriculture, *Organic Agriculture Research and Extension Initiative: 2014 Request for Applications*, see p. 14, *available at* *http://www.nifa.usda.gov/funding/rfas/pdfs/14_OREI.pdf*.

seal means and what consumers think it means.[51] The Natural Marketing Institute issued a report stating that most consumers "don't know what the characteristics or regulations of organics are, they are unclear about the benefits, or they easily confuse it with natural."[52] The number of labels in the market today contributes to consumer confusion. Much like how the market was prior to a federal standard, there is confusion among the varying labels. One of the driving forces to developing a federal standard was the problem that the conflicting standards pose to consumers. Today, there is an ever increasing number of labels that may be used on packaging (e.g. Natural, Local, non-GMO, etc.).

A number of articles from major news agencies emphasize the problem of consumer confusion facing the market today. *ABC News* released an article on how several labels in the market, including "natural," mislead consumers about what is actually in their products.[53] *Forbes* covered a report showing the organic label to be one of the most confusing labels in the market due to the rapid growth in organic demand and not enough public education on the label.[54] *The New York Times* showed that more choices on food labels has increased the confusion about what all of the labels mean.[55]

The vast majority of surveyed shoppers expect standards for "natural" to be comparable to "organic." And yet, "natural" foods fall significantly short of consumer expectations, and unlike "organic," "natural" isn't required to be verified. For example, to be labeled "natural" meat, the only requirement is that nothing artificial was added to the cut of meat. For other foods, the claim is essentially meaningless.

In addition, researchers surveyed consumers across the U.S. and Canada and discovered that 17 percent of the people they spoke with incorrectly believed that foods labelled "organic" were also grown locally. Another 23% falsely believe that local produce is grown organically.[56] Consumers also do not understand that organic products are produced without genetically modified organisms (GMOs). This creates a unique labeling question as to whether a handler should include both the organic seal and a non-GMO label to communicate to consumers that the product is non-GMO, even though the organic seal alone would be sufficient.[57]

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[51] National Research Center, *Organic Food Labels Survey*, Consumer Reports (March 2014), p. 3, *available at* http://www.greenerchoices.org/pdf/CR2014OrganicFoodLabelsSurvey.pdf.

[52] Natural Marketing Institute, *2015 Growing the Organic Industry, Strategies for Brand Success* (February 2015), *available at http://www.nmisolutions.com/index.php/research-reports/health-a-wellness-reports/2015-growing-the-organic-industry-strategies-for-brand-success.*

[53] David Kerley, *'Natural' vs 'Organic': How Food Labels Deceive*, ABC News (February 17, 2014), *available at* http://abcnews.go.com/blogs/lifestyle/2014/02/natural-vs-organic-how-food-labels-deceive/.

[54] Beth Hoffman, *'Organic' One of the Most Confusing Labels, Report Says*, Forbes (July 17, 20143), *available at* http://www.forbes.com/sites/bethhoffman/2013/07/17/organic-causes-confusion/.

[55] Kim Severson, *More Choice, and More Confusion, in a Quest for Healthy Eating*, The New York Times (September 8, 2012), *available at* http://www.nytimes.com/2012/09/09/us/would-be-healthy-eaters-face-confusion-of-choices.html?pagewanted=all.

[56] For more information see: Hannah Goldberg, *People Still Don't Know the Difference Between "Organic" and "Local"*, Time (July 11, 2014), *available at http://time.com/2970505/organic-misconception-local/.*

[57] For more information see: Stephanie Strom, *Many G.M.O.-Free Labels, Little Clarity Over Rules*, The New York Times (January 30, 2015), *available at* http://www.nytimes.com/2015/01/31/business/gmo-labels-for-food-are-in-high-demand-but-provide-little-certainty.html?ref=topics&_r=0.

The only standard with a clear definition is the USDA organic label. The USDA organic label on foods is meaningful and meets consumer expectations – as long as it is explained to consumers. It is backed by federal regulations which encourage sustainable farming practices and restrict the use of synthetic substances in farming and processing - GMOs, synthetic fertilizers and sewage sludge are prohibited. The label is verified through annual third-party inspections by USDA-accredited certifying agencies.

New organic families - those who only began purchasing organic products in the past two years - consistently account for between thirty and forty percent of American families. In 2014, 34 percent fell into this category.[58] This means that for organic to succeed in the long term, the industry must continually invest in educating consumers who are new to organic on what the label means. Through a research and promotion program, the organic industry will educate those who are unaware of the benefits of organic products, as well as clear up confusion among consumers regarding what it means for food to be "organic" – as compared to unregulated "natural" products and other eco-claims in the marketplace. These other non-organic claims confuse the everyday consumer and there is a strong need for a clear, unified message across the entire industry to relay the organic message. The NOP does a great job at ensuring the organic standard maintains its level of integrity. It has emerged as a strict regulator and enforcement arm for the organic industry – but it will never fill the role of educator, marketer, or promoter.

The GRO Organic Program proposes an assessment rate of one-tenth of one percent of net organic sales. ("Net Organic Sales" is defined as total gross sales of organic products minus the cost of certified organic ingredients, feed, and inputs used in the production of organic products.)[59] The assessment is anticipated to generate over $35 million for the GRO Organic Board.[60] This assessment is vital to the long-term success of the industry so that the resources of the diverse organic community can be pooled together to solve the problems faced at the farmgate, in the research labs and test fields, and in the minds of the consumers.

It is important to note that promotion and education can increase consumer appreciation of products in the marketplace, in addition to the traditional role of increasing demand. Increased consumer understanding of the benefits of organic will lead to increased appreciation for the value of organic products, even among those who are already organic consumers.

b. <u>What alternatives were considered and why were they rejected?</u>

The Organic Trade Association and the GRO Organic Core Committee considered several possible options in lieu of a research and promotion program including the following: a voluntary trade association promotion program; a federal marketing order or agreement (pursuant to the Agricultural Marketing Agreement Act of 1937, as amended)[61]; and encouraging

[58] The Organic Trade Association, *2014 U.S. Families' Organic Attitudes and Beliefs Study* (April 2014), available at https://ota.com/what-ota-does/market-analysis/consumer-attitudes-and-beliefs-study.
[59] United for More Organic, *Organic Check-off Preamble (Version 3.0)*, Organic Trade Association (Last accessed February 4, 2015), *available at* http://www.unitedformoreorganic.com/research-promotion-program/organic-research-and-promotion-program-preamble/.
[60] This is based upon data from the 2012 U.S. Census of Agriculture, Characteristics of All Farms and Farms with Organic Sales (NASS, USDA), Issued September 2014.
[61] 7 U.S.C. § 600.

each individual organic crop to have its own research and promotion program. An organic research and promotion program is the only option that meets the needs of the organic industry in an administratively efficient manner with all benefiting parties paying their fair share.

The Organic Trade Association and the GRO Organic Core Committee considered a voluntary generic research and promotion program that would be implemented through the trade association itself. This would have been to provide invasive pests and weed control research, educate consumers, research the benefits of organic products, assist in crisis management, and promote and market certified organic products. However, the financial cost of such a program would be prohibitive without the full and strong support of all certified organic product handlers. In addition, imported organic products could receive a disproportionate benefit from a voluntary research and promotion program.[62]

A federal marketing order or agreement was also considered. Unfortunately, unlike research and promotion orders, the law governing federal marketing orders limits the program's benefits to a particular commodity, rather than a set of production practices. A further impediment of a federal marketing order is the requirement that limits the assessment to the handler in the production area. Any organic product leaving the geographic production area would not be assessed at the next step in the value chain. Another restriction is the inability to assess imports under a federal marketing order.

Another alternative considered was to encourage each organic crop to have its own research and promotion program; however this could lead to thousands of organic research and promotion programs. To have a research and promotion program for each organic food entity would be a never-ending task. Furthermore, the waste in duplication among the thousands of food items would be enormous. The Perishable Agricultural Commodities Act list provides an excellent example of the sheer volume of commodities that this would encompass. The Agricultural Marketing Service has a 50-page list of fruits and vegetables, and this does not include tree nuts.[63] Moreover, a national organic research and promotion program will benefit all organic products and consumers. Every state in the nation participates in the full value-chain of the organic industry, both food and non-food, including production, packaging, processing, shipping, and distribution. Despite the differences among products, all organic products share similar needs due to their connection through the USDA organic label.

The Organic Trade Association and the GRO Organic Core Committee received a suggestion to use the Sustainable Agriculture Research and Education Program (SARE) to house a research and promotion program. However, SARE is a federally-funded program and therefore is not a vehicle that can legally be used for pooling of private sector (industry) dollars.

[62] Should imports free-ride or help pay–decisions about generic promotion programs for agricultural commodities http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=6&ved=0CEUQFjAF&url=http%3A%2F%2Fageconsearch.umn.edu%2Fbitstream%2F34277%2F1%2F03020227.pdf&ei=WufQVK-SHIudNvb4g4AH&usg=AFQjCNFcNznHsnnOncZjStN9m-zYWOKIsg&sig2=Sbadq6afmawOOsDIPxXI8g&bvm=bv.85076809,d.eXY

[63] PACA Commodities List http://www.ams.usda.gov/AMSv1.0/getfile?dDocName=STELPRDC5082566

The Organic Trade Association and the GRO Organic Core Committee also considered numerous alternative ideas within the context of a research and promotion program. The following ideas from agricultural commodity groups were considered, but not included in the proposal, because they either were not supported by organic stakeholders, or they were not allowed under the Generic Act:

- Mandatory assessment of all covered certified organic producers. Some state chapters of National Farmers Union (NFU) in particular have called for removal of the $250,000 threshold for mandatory assessment, and assessment of all. (Those chapters include New England Farmers Union, Wisconsin Farmers Union, Pennsylvania Farmers Union, Kansas Farmers Union, and California Farmers Union.) In response to those chapters' input, the Organic Trade Association and the GRO Organic Core Committee reached out to 2,000 organic producers who indicated that they fall under the $250,000 threshold, to get feedback on potential assessment models and their governance implications. The Organic Trade Association and the GRO Organic Core Committee received responses from over 1,200 of those "small" producers through phone surveys and postcards. Only thirteen percent of the 1,200 respondents favored the removal of the $250,000 threshold; as such, the proposal was rejected. The application does not assess covered producers whose Gross Organic Revenue is below $250,000, but it does offer them the opportunity to participate voluntarily at the same one-tenth of one percent of Net Organic Sales assessment rate, and receiving all voting and governance rights.

- Apportionment of producer Board seats by category of production, rather than region. Western Growers Association in particular has called for apportionment of producer Board seats by category – produce, dairy, livestock, etc. – rather than by geographic region. However, the Generic Act requires that the composition of the Board reflect the geographic distribution of organic production in the United States (see 7 U.S.C. 7415(b)(2)(D)). Given that statutory requirement, the GRO Organic Core Committee determined that regional apportionment was the best approach. However, the proposal does take this idea into account, and encourages the Secretary to consider sector diversity in his appointment of Board members.

- More Board seats dedicated to producers. Some state chapters of National Farmers Union (NFU) in particular have called for the Board to be composed of 100% producers. (Those chapters include New England Farmers Union, Wisconsin Farmers Union, Pennsylvania Farmers Union, Kansas Farmers Union, and California Farmers Union.) However, this is not in line with the full value chain research and promotion order proposal submitted. The GRO Organic proposal assesses along the entire value chain – unlike other research and promotion orders – and therefore Board membership must represent all entities assessed. However, it remains important to the GRO Organic Core Committee that producers have a strong voice. Therefore, despite the fact that analysis indicates that producers are likely to pay in approximately 20% of the total assessments – the proposal makes them eligible for over 50% of the Board seats.

The following ideas from regional organic agriculture groups were considered, but not included in the proposal, because they either were not supported by a majority of organic stakeholders, or they were not allowed under the Generic Act:

- Voting by entities not assessed. Northeast Organic Dairy Producers Association (NODPA) and the Ohio Ecological Food and Farming Association (OEFFA) have suggested that all certified organic entities, regardless of whether they are assessed, should be allowed to vote. However, this would not be allowed under the Generic Act – section 7418 of that law indicates that only assessed entities may be granted voting rights. To ensure as broad participation in governance as possible, we have redrafted the approach to small operations to be a voluntary assessment – so any small operation that chose to be assessed would be granted all voting and governance rights. Moreover, fairness dictates that all those – and only those – who are assessed control the use of the funds.

c. <u>How much income could the program expect to generate at the optimum assessment rate?</u>

The GRO Organic Board could expect to generate over $30 million in income from U.S. organic operations at the optimum assessment rate. The proposed assessment rate is one-tenth of one percent of Net Organic Sales (i.e. total gross organic sales minus the cost of certified organic goods). This will apply to all assessed organic organic handlers, and importers of organic products. Small farms, with gross organic revenue of less than $250,000 annually, would be covered but not assessed, and would have the option of not paying in, or paying a voluntary assessment of the same one-tenth of one percent of Net Organic Sales. ("Gross Organic Revenue" is defined as total gross sales in organic products.) Producers, both mandatorily and voluntarily assessed entities, will have the option to have the assessment taken from either Net Organic Sales or Producer Net Profit (i.e. organic producer income from organic products less the associated production expenses excluding fixed non-cash costs).

In order to administer the program, all mandatory organic certificate holders throughout the supply chain, including producers, handlers, brand manufacturers, co-packers, and importers, with Gross Organic Revenue in excess of $250,000 per year, would be subject to a mandatory organic check-off assessment. Because of the complexity and diversity of the organic value chain, the Organic Trade Association and the GRO Organic Core Committee determined that the assessment rate would be a value-added model that would assess one-tenth of one percent of Net Organic Sales. For example, there would be a $300 assessment at $300,000 Net Organic Sales and a $3,000 assessment at $3,000,000 Net Organic Sales. The graphics below provide a good depiction of how the assessments will be determined.

How does it work for PROCESSORS?

ORGANIC HANDLERS would pay one-tenth of one percent of Net Organic Sales.

The assessment would be based on the total gross sales minus the cost of certified organic goods. For processors this would be the cost of certified organic ingredients.

For example, an apple juice manufacturer would be assessed on total juice sales less the cost of organic apples.

How does it work for PRODUCERS?

ORGANIC PRODUCERS would choose either Net Organic Sales OR Producer Net Assessment

Producers could pay one-tenth of one percent of Net Organic Sales. The assessment would be based on the total gross sales minus the cost of certified organic goods.

For producers, this would be items such as organic feed, seed and planting stock. For example, a milk producer would be assessed on total bulk milk sales less the cost of feed corn and hay.

- OR -

Producers could pay one-tenth of one percent of Producer Net Profit. Producer net profit is organic producer income received from organic products less the associated production expenses excluding fixed non-cash costs.

d. How much would it cost to administer the program, including Government reimbursements (user fees)?

The GRO Organic Program has set a cap of 15 percent on administrative expenses. During the first 3 years, administrative costs would not exceed that limit.

This cap would also apply to any organization (e.g. a research university) that receives funding from the GRO Organic Program. Government reimbursements are not expected to exceed $350,000 annually.

e. After program administration costs are paid, how much funding would remain to finance the program?

It is estimated that the funds remaining after program administration costs are paid would be $25.5 million.

f. Could an effective research and promotion program be conducted with the remaining funds?

The 2014 Farm Bill allocated $167.5 million for organic programs over five years, which amounts to roughly $33.5 million per year.[64] This money includes funding for certification assistance ($11.5 million per year), economic data research and database upgrade ($2 million per year), and organic agriculture research and extension funding ($20 million per year).[65] The GRO Organic Board will have comparable funds to these Farm Bill programs. The Organic Trade Association and the GRO Organic Core Committee are confident that an effective research and program could be conducted with the remaining funds.

III. Program Objectives

The assessed funds would be dedicated to promoting organic goods and researching solutions to problems facing the organic industry. Initial goals of the program are to educate consumers about what organic is and its benefits, distinguish organic from other claims and unregulated seals like "natural", confirm the science behind the environmental and public health benefits of organic, undertake research to solve problems such as invasive pests and weed control, and bring new farmers into organic production through information and technical assistance.

For a more detailed account of the program objectives addressed by the GRO Organic Program see Section II(a).

IV. Impact on Small Business

[64] Catherine Greene, *Organic Agriculture*, Economic Research Service, USDA (last modified April 07, 2014), see *Farm Act-Organic Provisions, available at* http://www.ers.usda.gov/topics/natural-resources-environment/organic-agriculture/farm-act%E2%80%94organic-provisions.aspx.
[65] Ibid.

The GRO Organic Program will impose minimal compliance requirements on small businesses. Organic producers, handlers, and importers with Gross Organic Revenue of less than $250,000 in the last fiscal year will not be assessed. They will have the option to participate in the program as a voluntarily assessed entity by remitting an assessment of one-tenth of one percent of their Net Organic Sales, which will allow them to request a ballot to vote in any program referendums. Instructions on dates, places, method of voting, eligibility requirements, and other pertinent information will be made available to organic producers, handlers, and importers who wish to voluntarily contribute through media and public information sources. By casting a vote, they agree to voluntarily pay into the program for seven years.

The Regulatory Flexibility Act ("RFA") requires federal agencies to consider and analyze the impact of regulatory proposals on small businesses. In determining the threshold for a "small business" the RFA uses the definition set forth by the Small Business Administration ("SBA"), which defines as a small agricultural producer as those having annual receipts less than $750,000.[66] The Organic Trade Association and the GRO Organic Core Committee estimate that there are XX number of organic producers, handlers, and importers that meet the regulatory threshold as set forth by the SBA and are subject to assessment. The reporting requirements of for all entities, including small businesses, will be the quarterly assessment reports. Voluntarily assessed entities will have an additional form when they opt-in to the program. All of the reporting requirements can be completed by any employee with basic bookkeeping experience.

It is anticipated that many of these entities maintain their records electronically and have a person on staff to operate and manage their computer system. The only costs that would be incurred by these entities in complying with the requests under the GRO Organic Program would be the labor hours required to retrieve the pertinent information from the computer system and transmit it electronically to the Board. We estimate the time required to complete these tasks to be one hour per respondent at a cost of $20 per hour.

For those entities that rely on an outside contractor to manage their computer system, there may be a one-time fee incurred for having the contractor retrieve the necessary information from the system and transmit it electronically to the Board. We estimate the time required to complete this task to be two hours per respondent at a cost of $50 per hour. For those entities that do not maintain their records electronically, it is anticipated that such entities would review their paper records, compile the necessary information, and submit it to the Board via facsimile or mail. We estimate the time required to complete this task to be four hours per respondent at a cost of $20 per hour.

The Organic Trade Association and the GRO Organic Core Committee are not aware of any federal rules that duplicate, overlap, or conflict with the proposed program.

V. Industry Support

The Organic Trade Association and the GRO Organic Core Committee facilitated preliminary discussions in the organic sector to determine whether there is a need for an organic

[66] 13 CFR § 121.201

promotion and research order. The Organic Trade Association and the GRO Organic Core Committee facilitated six webinars, three panel debates, and twenty town hall meetings in 2012 and 2013. Locations of these town halls included Vermont, the District of Columbia, Florida, Ohio, Wisconsin, California, Oregon, Montana, Washington, Minnesota, Rhode Island, and New Mexico; 540 individuals participated in these events. Additionally three panel debates were held in Vermont, Washington, and Wisconsin.[67] In 2014 and 2015, members of the Organic Trade Association staff and the GRO Organic Core Committee continued to capture as much input as possible from the organic community. They traveled across the country staffing booths, participating in panels, and holding listening sessions at a number of organic gatherings including Natural Products Expo East (Maryland), Western Organic Dairy Producers Alliance Conference (California), Tilth Producers of Washington Conference (Washington), Washington State Horticulture Association Annual Meeting (Washington), Montana Organic Association Conference (Montana), Pennsylvania Farmers Union Annual Convention (Pennsylvania), New England Farmers Union Annual Convention (Maine), Minnesota Department of Agriculture Organic Conference (Minnesota), GS Long's Organic Growers Meeting (Washington), EcoFarm (California), Organicology (Oregon), CCOF Annual Meeting (California), Midwest Organic & Sustainable Education Service Conference (Wisconsin), Natural Products Expo West (California), CROPP Cooperative Annual Meeting (Wisconsin), Juice Product Association (Virginia), and OTA events in Vermont, Colorado and Washington, DC.

Two rounds of quantitative assessment have been completed. In late spring and summer of 2014, the Organic Trade Association and the GRO Organic Core Committee engaged in direct outreach to ALL organic certificate holders across the United States. The outreach utilized the USDA list of certified operations and was NOT limited to members of the Organic Trade Association.

In late May and June, 17,500 organic operations (producers and handlers) received a direct mail brochure and postcards with information on the emerging framework for an organic research and promotion order. A total of 1,004 responded to a phone survey. In August 2014, based on feedback from the first survey, the Organic Trade Association and the GRO Organic Core Committee completed an updated informational direct mailing to 11,000 organic operations with a follow-up survey. An additional 2,706 phone surveys were completed.

Of those responding, twice as many certified operators supported the establishment of an organic research and promotion order as opposed the establishment of an organic research and promotion order. The completed surveys constitute a statistically representative sample with 11.3% of crop certificate holders, 12.6% of livestock certificate holders, and 8.2% of handling certificate holders completing the survey. These discussions and feedback demonstrate general consensus of a need and desire for the GRO Organic Program.

There were two organizations that formally opposed the order via direct written communication with OTA outlining a formal organizational position in opposition: the Northeast Dairy Producers Association and Organic Farmer Agency for Relationship Marketing.[68] Full

[67] United for More Organic, *Organic Check-off Preamble (Version 3.0)*, Organic Trade Association (Last accessed February 4, 2015), *available at* http://www.unitedformoreorganic.com/research-promotion-program/organic-research-and-promotion-program-preamble/.

[68] Ibid.

consideration of the alternative ideas put forward can be found in the "alternatives considered" section beginning on page 13 above.

There was some discussion as to whether a USDA research and promotion order was the best possible choice for funding this program, or whether a voluntary option would be better. Additional discussion raised the Sustainable Agriculture Research and Education Program as an alternative. However, the funding mechanism of SARE is not compatible with the goals of the organic industry. Because of the diversity of the organic value chain, many commenters at the town hall meetings indicated that they did not see a good alternative to a research and promotion order that would encompass the many aspects of the organic industry equitably.

As noted above, one issue that has attracted significant attention is whether all covered certified organic produces should be assessed, or only those whose Gross Organic Revenue exceeds $250,000. In response to this, the Organic Trade Association and the GRO Organic Core Committee reached out to 2,000 organic producers who indicated that they fall under the $250,000 threshold, to get feedback on potential assessment models and their governance implications. The Organic Trade Association and the GRO Organic Core Committee received responses from over 1,200 of those "small" producers through phone surveys and postcards. Only thirteen percent of the 1,200 respondents favored the removal of the $250,000 threshold; as such, the proposal was rejected. The application does not assess covered producers whose Gross Organic Revenue is below $250,000, but it does offer them the opportunity to participate voluntarily at the same one-tenth of one percent of Net Organic Sales assessment rate, and receiving all voting and governance rights.

The Organic Trade Association and the GRO Organic Core Committee continue to seek input from industry stakeholders and interested parties through online surveys, personal phone calls with GRO Organic Core Committee members and various large and small meetings.[69]

VI. Text of the Proposal

[Proposed Regulations are in a separate file.]

[69] United for More Organic, *Weigh-In*, Organic Trade Association (Last accessed February 4, 2015), *available at* http://www.unitedformoreorganic.com/weigh-in/.