

Organic Sector Sprouts Protectionism

While the U.S. embraces organic foods, agricultural producers find themselves competing with foreign growers.

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The U.S. organic food industry has grown rapidly over the past decade, mirroring similar growth trends in Europe and Japan. In general, federal officials view this emerging market in a very positive light, establishing certification standards for organic foods and beverages, and implementing measures to ease the entry costs of potential producers. These actions are both environment-friendly and protectionist.

In Europe and Japan, debates over organic foods have focused primarily upon their alleged health benefits for consumers. Yet in the United States, the healthy effects have been downplayed while the environmental benefits of organic food production have been emphasized. As the administration of President Barack Obama pushes its green policy agenda, organic food policy is expected to receive increasing attention and support as an environment-friendly measure.

Easing producer entry. Farmers interested in transitioning to organic growing face a series of obstacles and risks. These include higher management costs, a lack of awareness of organic farming techniques, novel marketing strategies and new distribution channels. As part of a broader environmental agenda, recent state and federal initiatives sought to ease barriers to entry for potential organic farmers:

--The 2002 Farm Act explicitly aimed to expand market opportunities for organic producers. It included a cost-share program to offset costs of certification incurred by organic farmers and livestock producers. It also allocated funding for research projects to study marketable aspects of organic commodities.

--The U.S. Department of Agriculture now administers an organic certification cost-share program. It helps farmers pay the cost of acquiring the much-desired organic label.

--The Food, Conservation and Energy Act of 2008 increased funding for organic food research and certification cost-sharing. As part of its conservation mandate, it also included a series of general measures intended to help producers manage the transition to organic farming systems.

Many states and localities have initiated organic programs. The Minnesota state government now publishes a farmer directory to market organic growers and facilitate inter-producer communication. Montana and Washington state provide for organic export assistance. Iowa, a major farming state, now offers property- tax rebates to organic farmers.

Certification controversy. Accompanying state subsidies and incentives for organic farming has been increased government control over the certification process:

--No global standard. For many decades, organic food existed as a "social movement" rather than a mainstream industry. Small, independent farmers sold their produce in local markets. Because the buyers knew the growers personally, the status of the food as organic was a matter of trust. All parties treated transactions informally, and eschewed paperwork and other bureaucracy.

--Multilateral certification agreements. As the industry expanded, so has the distance--both physical and social--between producer and consumer. Interpersonal trust is no longer adequate to establish food's organic status. In the United States, the National Organic Program of 2002 restricted the use of the organic label to certified organic producers (excepting growers selling under \$5,000 a year). More recently, negotiations over equivalency have taken place internationally, and several agreements are now in place to harmonize certification standards and thereby facilitate international trade. The United States now has in place recognition agreements with six countries, notably Japan and the United Kingdom.

--New international bodies. International certification bodies have arisen in recent years. These include Ecocert, the International Federation of Organic Agriculture Movements and the Organic Crop Improvement Association. Where formal agreements are not in place between trading nations, organic product for export is typically certified by importing countries, many of which now have permanent offices dedicated to the task.

While U.S. consumers have increasingly embraced organic foods, U.S. agricultural producers find themselves competing with foreign growers. The latter can claim many advantages such as lower labor costs, cheaper raw materials and fewer state regulations. Recent federal and state regulations have sought to lower barriers to entry and operating costs for organic producers in the United States. Such pieces of legislation are framed as environment-friendly, but also constitute subsidies to domestic producers in a newly globalized marketplace.

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