

CRS Report for Congress

Organic Agriculture in the United States: Program and Policy Issues

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Jean M. Rawson
Specialist in Agricultural Policy
Resources, Science, and Industry Division



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Summary

Congress passed the Organic Foods Production Act (OFPA) in 1990 as part of a larger law governing U.S. Department of Agriculture (USDA) programs from 1990 through 1996 (P.L. 101-624, the Food, Agriculture, Conservation, and Trade Act of 1990). The act authorized the creation of a National Organic Program (NOP) within USDA to establish standards for producers and processors of organic foods, and permit such operations to label their products with a “USDA Organic” seal after being officially certified by USDA-accredited agents. The purpose of the program, which was implemented in October 2002, is to give consumers confidence in the legitimacy of products sold as organic, permit legal action against those who use the term fraudulently, increase the supply and variety of available organic products, and facilitate international trade in organic products.

Policy issues affecting the National Organic Program since implementation largely reflect the differences in interpretation among stakeholders of the language and intent of OFPA and the actual operation of the program under the final rule. The NOP was challenged in 2003 by a lawsuit claiming that many of the regulations were more lenient than the original statute permitted. A resulting court order issued in June 2005 required USDA to rewrite regulations concerning the use of certain synthetic ingredients in organic-labeled foods and the conversion of dairy herds to organic production. Subsequently, however, conferees on the FY2006 USDA appropriations bill attached a provision that amended the OFPA in a way that largely permits the regulations on synthetics to stand as they were before the court decision. USDA published the final rule reflecting both the court order and the OFPA amendments in June 2006.

A related issue concerns USDA’s efforts to write a new regulation governing access to pasture for organic dairy cows (and other ruminants). Tight supplies of certain organic commodities, particularly dairy products, and the entry into the market of major grocery retailers wanting to sell organic foods are adding pressure to this debate. Critics charge that large organic dairy operations are not abiding by the intent of OFPA by feeding organic grain to cows in feedlots, and that the principle of grazing is central to consumers’ concept of organic milk. Supporters of existing regulations point to the need for flexibility in order to maintain an organic dairy sector that can meet growing demand.

Several provisions affecting organic agriculture and the NOP are included in the House- and Senate-passed versions of the 2008 farm bill (H.R. 2419). Among the provisions likely to appear in the final bill are a cost-sharing and technical assistance program to help farmers and processors convert from conventional to organic production; reauthorization of the cost-share program to help producers, handlers, and processors obtain certification under the NOP; mandatory funding for improved data collection and analysis on the organic sector; and increased mandatory funding to support the organic agriculture research and extension initiative.

This report will be revised as events warrant.

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Organic Agriculture in the United States: Program and Policy Issues

Background

Organic farming, as defined in the final rule establishing the U.S. Department of Agriculture (USDA) National Organic Program (NOP), is “a production system that is managed in accordance with the [Organic Foods Production] Act and regulations ... to respond to site-specific conditions by integrating cultural, biological, and mechanical practices that foster cycling of resources, promote ecological balance, and conserve biodiversity.”¹ This definition indicates that organic agriculture is both an approach to food production based on biological methods that avoid the use of synthetic crop or livestock production inputs (spelled out in detail in the December 2000 rule), and a broadly defined philosophical approach to farming that puts value on resource efficiency and ecological harmony.

Interest in organic farming migrated from Europe to the United States in the early 1900s. Beginning in the 1950s, as the U.S. public became more concerned about the potential adverse environmental and public health effects of agricultural chemicals and so-called “factory farming” methods, private research organizations began to conduct scientific investigations into non-chemical and non-intensive farming techniques, and a small but slowly increasing number of farmers began to adopt organic production practices. Except for a brief period from about 1978 to 1981, USDA did not conduct any activities in support of organic agriculture until OFPA required the Department to begin rulemaking to establish the National Organic Program in 1990.

Organic Sector Statistics²

The annual rate of market growth for organic foods and other products has remained close to the 20% rate it achieved beginning in 1990, although analysts generally expect it to moderate over the next decade. The *Nutrition Business Journal* estimates that by 2010, sales of organic foods could reach \$23.8 billion, or 3.5% of total U.S. retail food sales (they currently stand a little below \$17 billion, or roughly 2% of total sales). About 47% of organic foods are sold through conventional retailers, 44% through natural food stores, and 9% through farmers’ markets, restaurants, exports, and other marketing channels. Various sources of export data estimated U.S. exports of organic foods at between \$125 million and \$300 million

¹ 7CFR205.2.

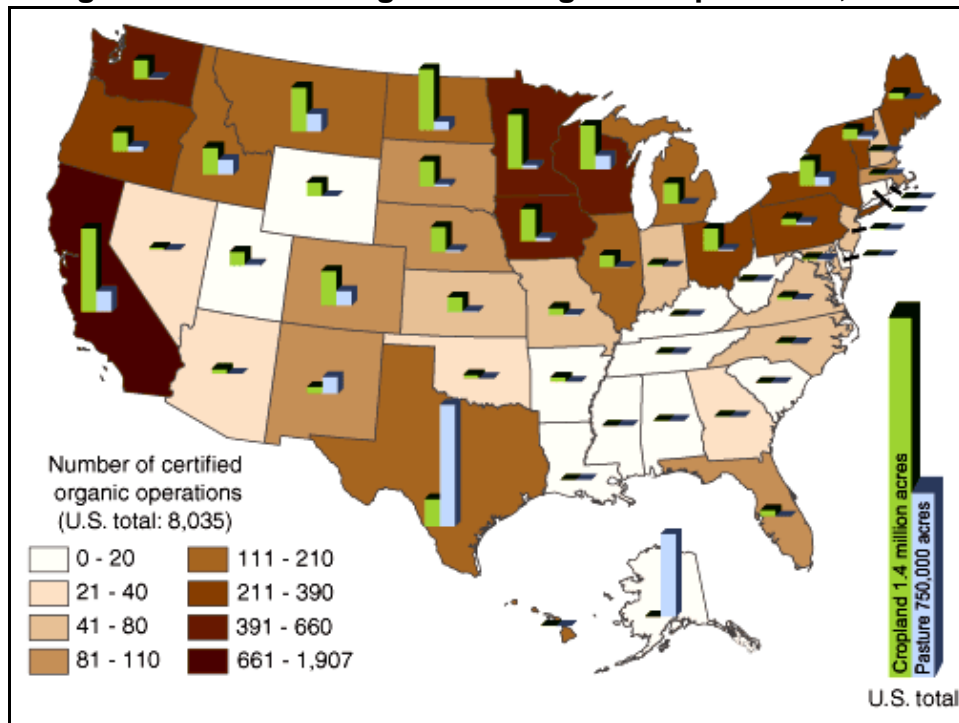
² USDA, Economic Research Service. *Recent Growth Patterns in the U.S. Organic Foods Market*. Report No. AIB777. September 2002. Available online at [<http://www.ers.usda.gov/publications/aib777/>].

in the 2000-2002 period.³ The biggest export market is Canada; other major markets are Japan, the European Union, and other countries in Asia.

According to USDA’s Economic Research Service (ERS), 2005 was the first year that all 50 states reported having some certified organic farmland. Nationwide, the number of acres of certified organic cropland and pasture/rangeland was 4 million in 2005. ERS estimated that in 2004 the number of certified operations that process and distribute organic products was just over 3,000.⁴

Fresh produce is the largest sector of the organic industry, with California having the greatest number of acres devoted to organic fruit and vegetable production (see **Figure 1**). Other states leading in certified organic crop acreage are Washington, Oregon, North Dakota, Minnesota, Wisconsin, Montana, and Iowa. California, Texas, Alaska, and Montana have the most acreage of organic pasture for livestock. In the Northeast, Southeast, and Upper Midwest, small-scale growers of organic fruits, vegetables, herbs, and flowers are a significant component of individual states’ agriculture industries.⁵

Figure 1. Certified Organic Acreage and Operations, 2003



Source: USDA, Economic Research Service.

³ USDA. Economic Research Service. Price premiums hold on as U.S. organic produce market expands. Report VGS-308-01. May 2005. Available online at [<http://www.ers.usda.gov>].

⁴ USDA/ERS. Organic Production Data Sets. Available online at [<http://www.ers.usda.gov/Data/Organic/>].

⁵ For a detailed graphic representation of the distribution of organic crop and pasture acreage and number of operations per state, see [<http://www.ers.usda.gov/Amberwaves/Feb03/pdf/indicators.pdf>].

The Organic Trade Association's 2007 manufacturer survey reported that \$938 million in nonfood organic product sales occurred in 2006. The fastest growing categories were organic supplements, personal care products, flowers, pet foods, and fibers.⁶

The high growth rate in sales of organic products can be attributed in part to the higher prices that organic producers and processors receive for their products, according to ERS. Agency economists speculate that part of the price premium may be due to higher production costs and to higher demand relative to supply. For the 2000-2004 period (the most recent data available), the annual average farmgate price premiums for fresh organic broccoli and carrots fluctuated from 75% to 133% above the prices of conventionally grown broccoli and carrots, according to ERS. Price premiums for the two vegetables at the wholesale level never went below 125% in the same period.⁷ The ERS study goes on to say that:

Laws of supply and demand, however, make it unlikely that price premiums contributing to higher profits and market growth can coexist over the long run: as long as higher profits exist, new suppliers will enter the market, and once market supply increases faster than demand, price premiums and the commensurate level of higher profits are likely to decline.... Many organic industry participants and observers believe that the price premiums ... need to decrease if organic foods are to penetrate much beyond the 2- to 3-percent level into the mainstream.⁸

The consumer studies that ERS reviewed did not permit any clear estimate of future demand for organic products. The studies showed that price, size, packaging, appearance, and concerns about health and nutrition, taste, food safety, and the environment all play varying roles in consumer decisions to buy organic food. Surveys on race, ethnicity, and income levels showed significant diversity.⁹

The Organic Foods Production Act of 1990

Congress passed the Organic Foods Production Act (OFPA) of 1990 (Title 21 of P.L. 101-624, the Food, Agriculture, Conservation, and Trade Act of 1990; the 1990 farm bill) with widespread support from organic industry groups, the National Association of State Departments of Agriculture, and other farm and consumer groups. The organic industry petitioned Congress to draft the act in the late 1980s, after it had been frustrated in its attempts to come to an internal consensus on production and certification standards. The industry maintained that federal standards would reduce consumer confusion over the many different state and private standards then in use, and would promote confidence in the integrity of organic

⁶ The OTA 2007 manufacturer survey is available online at [<http://www.ota.com/index.html>] under "Organic Facts/Market Trends."

⁷ USDA. Economic Research Service. Price premiums hold on as U.S. organic produce market expands. Report VGS-308-01. May 2005. Available online at [<http://www.ers.usda.gov>].

⁸ Ibid.

⁹ Ibid.

products over the long term. Manufacturers of multi-ingredient organic food products stated that uniform standards would facilitate labeling. Others held that regulations would help the organic industry expand product lines and increase marketing opportunities. Industry analysts asserted that a consistent U.S. organic standard would facilitate access to a potentially lucrative international organic market.

The Organic Foods Production Act of 1990 authorized a National Organic Program to be administered by USDA's Agricultural Marketing Service (AMS). The act established a 15-member National Organic Standards Board (NOSB) to "assist in the development of standards for substances to be used in organic production" (referred to as the "National List") and to "provide recommendations to the Secretary regarding implementation."

Under the program, producers, processors and handlers who wish to market their products as organic are required to follow production practices as spelled out in detail in regulations (7 CFR 205). USDA accredits private and state certification agents, who visit producers, processors, and handlers to certify that their operations abide by the standards; they conduct annual reviews to verify continued compliance. It is illegal for anyone to use the word "organic" on a product if it does not meet the standards set in the law and regulations.¹⁰ The presence of the "USDA Organic" seal on a product means it is 95% or more organic. Labels on products having 70% to 95% organic content can say "made with organic (specified ingredients or food groups)," but cannot carry the seal. Foreign organic producers and handlers wishing to export products to the United States may be certified by a USDA-accredited certification agent in their own country, if there is one; or USDA may accept certification by agents accredited by a foreign government; or, USDA may negotiate an equivalency agreement with another nation's organic program.¹¹

The regulations under the OFPA are intended to set uniform *minimum* standards for organic production. States may adopt additional requirements after review and approval by USDA. Furthermore, private organic organizations are permitted to affix their own labels in addition to the USDA label, indicating that the product meets their standards as well as the national ones. The private label may indicate only that the organization's standards are in addition to (but not superior to) the national standards. AMS reviews certification agents for re-accreditation every five years. AMS

¹⁰ Farms and handling operations that sell less than \$5,000 a year in organic agricultural products are exempt from certification; however, these producers and handlers must abide by the national standards for organic products and may label their products as organic.

¹¹ A July 2005 audit by the USDA Office of Inspector General (OIG) states that USDA had 41 accredited certification agents in foreign countries. The report also found that as of August 2004, AMS had negotiated only one equivalency agreement with a foreign country (Japan). The OIG recommends implementation of internal operating procedures "to assure that the NOP is achieving its intended objectives to ensure that organic products meet consistent, uniform standards." The audit report is available online by going to [<http://www.usda.gov/oig/audits.htm>] and following the links from "View Audit Reports and News Releases," to the listing by "Agency Subject of Report." It is under the Agricultural Marketing Service, July 2005.

enforces the regulations by revoking or suspending a producer's certification or an agent's accreditation if a satisfactory solution to a program violation cannot be found.

The NOP final rule became effective on February 21, 2001; the program itself became fully operational on October 21, 2002. In the first step toward implementation, USDA accredited private and state certification agents, who in turn began to certify organic producers and handlers according to the standards found in 7 CFR 205. After October 21, 2002, all products sold as organic had to be in compliance with the regulations and carry the "USDA Organic" seal.

Organic Provisions in the 2002 Farm Bill

Cost-Sharing Start-Up Costs. Although the OFPA requires the cost of the National Organic Program to be fully supported by user fees collected for USDA accreditation and certification services, Congress has appropriated funds on several occasions to help the program in its initial stages. The FY2001 USDA appropriations act (P.L. 106-387) contained \$639,000 to cover accreditation costs. In FY2002, under the Agricultural Management Assistance Program authorized by the Federal Crop Insurance Act (P.L. 106-224), Congress made \$1 million available to state agriculture departments in 15 designated states to help defray the costs of certification for small-scale producers and processors.

The 2002 farm bill (P.L. 107-171, the Farm Security and Rural Investment Act), which was enacted in May 2002, also provided additional funds to support program start-up. Title X of the farm act gave USDA authority to continue to defray the costs of producers and handlers seeking organic certification through FY2007, and authorized a one-time, mandatory transfer of \$5 million from the Commodity Credit Corporation (CCC) to establish a national organic certification cost-share program under the NOP. Federal funds may not cover more than 75% (\$500 maximum) of a producer's or handler's costs for becoming certified. The transfer occurred in FY2002 and remained available until fully expended, which was in fall 2006.¹²

Value-Added Producer Grants. The rural development title of the 2002 farm bill established a competitive grant program to promote research on the development and marketing of value-added agricultural products, to be funded through an annual transfer of \$40 million from the CCC to USDA through FY2006. Projects on organically produced commodities are eligible for these grants. Congress authorized \$40 million in mandatory CCC funds to be made available each year through FY2007, but the actual funding levels so far have been volatile. In each year from FY2004 through FY2007, appropriators have prohibited the spending of the

¹² The CCC is a wholly owned government financing institution for USDA agencies that administer mandatory programs, such as the farm commodity price and income support programs for wheat, cotton, rice, and certain other crops; agricultural export subsidies; and certain conservation and trade programs. CCC funds are considered mandatory funds that must be made available for the purposes authorized. In practice, however, appropriators sometimes prohibit or place restrictions on funding for mandatory programs in the annual appropriations bill.

mandatory funds. Instead, Congress appropriated about \$15 million annually in FY2004-FY2005 for making grants, and \$20.5 million in FY2006 and FY2007.

Research. The research title of the 2002 farm bill renewed expiring authority for a competitive grant program to support research and extension activities on organic production, processing, and international marketing. The conference report also added language calling for an emphasis on classical and advanced research on genetics to improve organic crops; research to identify the marketing and policy constraints on the organic industry; and expanded on-farm research. The act authorized \$3 million to be transferred annually from the U.S. Treasury to USDA in FY2003-FY2007 to support this research.¹³ Other provisions in the research title (1) require ERS to gather and maintain segregated data on the production and marketing of organic agriculture; and (2) require ERS and the National Agricultural Library to make it easier for U.S. organic producers, researchers and extension professionals to obtain the results of organic research conducted in foreign countries.¹⁴

Concerning the availability of production and marketing data on organic agriculture, a look at ERS's online economic analyses of the sector indicates that the agency still is relying on external data sources for much of its information. As of September 2006, a comprehensive USDA survey of the entire organic sector, authorized in the 2002 farm bill, has not been conducted. USDA's Agricultural Marketing Service has not yet begun to provide market news on the organic sector, which would permit up-to-date price discovery. Separate export and import data for organic products are not being collected at the borders. These deficiencies hamper business planning and expansion, complicate crop insurance premium-setting and loss payments, among other issues, according to organic sector stakeholders.

Exemption from Check-Off Programs. The 2002 farm bill contained a provision concerning issues related to the organic industry and USDA commodity research and promotion programs. These are programs that support generic advertising to promote an agricultural product (e.g., the milk mustache ads). They are funded by assessments that producers, processors, other handlers, and frequently importers, are required to deduct from revenue at the time of sale (thus they usually are called "check-off" programs). Congress has passed many laws authorizing national check-off programs for various farm commodities; there currently are 15 in operation. (For more information on check-off programs, see CRS Report 95-353, *Federal Farm Promotion ("Check-off") Programs*.)

¹³ Information on Integrated Organic Program research grants are available on the Cooperative State Research, Education, and Extension Service website at [<http://www.csrees.usda.gov/fo/funding.cfm>].

¹⁴ ERS published a paper in August 2005 entitled, "Market-Led Growth vs. Government-Facilitated Growth: Development of the U.S. and EU Organic Agriculture Sectors." Available online at [<http://www.ers.usda.gov/Briefing/Organic/>]. Congress has not appropriated funds to date for a National Agricultural Library International Organic Research Collaboration.

The 2002 farm bill included a provision exempting producers and handlers who have a certified 100% organic operation from having to pay assessments under any existing commodity check-off programs in which they currently participate. For example, a producer who grows peaches on an entirely organic farm that has been certified under the NOP would be eligible to be exempted from paying an assessment under the marketing order for peaches and nectarines, when he sells his crop to a wholesaler or other handler. Final rules for both producers and handlers of organic commodities were published in January 2005 and became effective in February 2005 (70 FR 2744 and 2763, respectively). Organic farmers who do not meet the 100% organic definition required for exemption still must pay the assessment at time of sale, even if the crop they are selling is organic. Some industry groups are calling for a more flexible exemption, maintaining that it is not equitable for assessments collected on organic sales to support the promotion of non-organic products.

USDA Regulatory Activity

Access to Pasture Controversy. In January 2005 a newspaper article about a Colorado organic dairy operation shed light on a major controversy within the organic industry and certain consumer groups.¹⁵ The article focused on a 5,300-cow organic farm where the animals were fed almost exclusively on grain and allowed outdoors into a feedlot for air and exercise.

The NOP regulation at the core of the dispute is 7 CFR 205.239(a)(1-2): “The producer of an organic livestock operation must establish and maintain livestock living conditions which accommodate the health and natural behavior of animals, including (1) Access to the outdoors, shade, shelter, exercise areas, fresh air, and direct sunlight suitable to the species, its stage of production, the climate, and the environment; (2) Access to pasture for ruminants[.]”

The news article cited organic dairy producers who argued that the regulation means that organic cattle must get some of their nutrition, as well as fresh air and exercise, from grazing on pasture. The Colorado operator maintained that his animals have outdoor access, but that in an arid state like Colorado, providing sufficient pasturage for all his cows to graze would be an insurmountable requirement.

This issue illustrates an underlying tension within the organic industry. The existence of regulatory standards for organic production and processing has allowed more conventional food companies to create organic product lines and enter the market. Some of the older (and generally smaller) companies in the industry hold that organic farming *practices* are an integral part of the meaning of the term “organic,” particularly with respect to standards for the treatment and feeding of livestock. These stakeholders maintain that if the pasturage in certain parts of the nation can support only small dairy or beef cattle herds, or none at all, then such farms should be small or nonexistent in those areas. Others, notably some of the

¹⁵ “Organic Milk Debate; Dairies dispute ‘organic’ values; Ex-hippie farmers contest practices of big producers,” *Chicago Tribune*, January 10, 2005. See [<http://www.organicconsumers.org/organic/milk011105.cfm>].

newer entrants into the organic market, are concerned lest the regulations become so prescriptive that they deprive producers and processors of the opportunity to benefit from the expanding market for organic products. The recent entry into the organic market of some large supermarket chains is putting pressure on the industry to meet demand, particularly for organic dairy products.

At a February 2005 meeting of the National Organic Standards Board, members discussed and recommended new language for 7 CFR 205.239, which they forwarded to National Organic Program officials for approval.¹⁶ The emphasis in the revised language was on allowing cows at the appropriate “stage of life” to graze pasture “during the pasture’s normal growing season.” At the August 2005 board meeting, NOP staff rejected the recommendation, saying it lacked a “clear and concise regulatory objective,” and asked the board to rework it.¹⁷

On April 13, 2006, AMS published an advanced notice of proposed rulemaking asking stakeholders to respond to a number of questions concerning access to pasture, including questions concerning whether consumers consider pasturing to be essential to organic milk production, and whether there is science-based information on ruminant animal nutrition and minimum pasture requirements, among other things.¹⁸ The proposed rule has not yet been published. Critics of the NOP are expressing their concern that as more time passes without a final rule, additional large feedlot dairy operations are being certified organic in possible violation of the OFPA.¹⁹

Harvey v. Veneman

In June 2005, a First Circuit Court sided with an organic farmer who filed suit against USDA claiming that several provisions of the final NOP rule were more lenient than the underlying statutory language allowed.²⁰

Specifically, the court determined that certain “natural” substances not commercially available in organic form had to be individually reviewed to determine their status for the National List of Approved and Prohibited Substances before they could be used in organic-labeled products. Second, the court determined that synthetic substances that heretofore had been approved in the regulations and used in commerce could not be used in the processing or handling of organic-labeled products. And third, it ruled that the USDA regulation on converting a dairy herd from conventional to organic production did not in any way reflect the statutory language and was thus invalid. The District Court in this case set a one-year time

¹⁶ Minutes of February 28-March 3, 2005, NOSB meeting available online at [<http://www.ams.usda.gov/nosb/meetings/meetings.html>].

¹⁷ Minutes of August 15-17, 2005, NOSB meeting available online at [<http://www.ams.usda.gov/nosb/meetings/meetings.html>].

¹⁸ 71 FR 19131.

¹⁹ Center for Food Safety. National Organic Coalition. *Pasture Fact Sheet*.

²⁰ *Harvey v. Veneman*, 396 F.3d 28 (1st Cir. 2005).

frame for USDA to develop new regulations and allowed another year beyond that (until June 2007) for the industry to come into compliance.

Stark differences of opinion within the organic industry on the impact of the court judgement became immediately apparent. Representatives of consumer groups and some food retailing groups welcomed the decision. They maintained that consumers consider the organic label to mean the absence of synthetic ingredients and that the new, stricter regulations would reconfirm consumer confidence in the OFPA as enacted. The consumer groups expressed strong opposition to resolving the court decision issue by amending the OFPA.

Conversely, a large number of organic food manufacturers were apprehensive that the ultimate outcome of the court decision would be to force the discontinuation of hundreds of existing, organic-labeled food and beverage products, and/or end manufacturers' ability to use the "USDA Organic" seal, which commands premium prices in the marketplace. These stakeholders supported the efforts of the Organic Trade Association to have Congress effect a legislative solution to the issues raised by the court decision.

In late October 2005, conferees on the FY2006 agriculture appropriations bill adopted a provision in committee that changed the original statute to reduce the practical significance of two of the three court holdings. Specifically, the provision amended the OFPA (1) to allow "natural" but non-organic products to be used as long as they are subject to the National List evaluation process; and additionally, to permit USDA to develop an expedited procedure for approving the addition of such products to the National List for a limited time period; (2) to remove the original language that generally prohibits the inclusion of synthetic substances on the National List (although there are other requirements that must be met); and (3) to provide a statutory basis for a new regulation on converting dairy herds to organic that is related to on-farm production of organic feed and forage.²¹

Current Status. USDA published the final rule complying with the court order and partially reflecting the OFPA amendments on June 7, 2006.²² The final rule revises 7 CFR 205.236 to eliminate the use of up to 20% non-organically produced feed during the first nine months of the conversion of a whole dairy herd from conventional to organic production. Instead, it permits whole herds undergoing conversion to consume feed produced from cropland (or graze on pasture) in its third year of organic management. According to the explanatory material accompanying the rule, "[i]n providing the transition language, entry into organic dairying may become easier.... Certainly it should help smaller dairy farmers ... who may be faced with having to purchase higher priced organic feed, by allowing them to graze dairy

²¹ For a legal analysis of the court decision and the OFPA amendments, see CRS Report RS22318, *Harvey v. Veneman and the National Organic Program: A Legal Analysis*.

²² 71 FR 32803.

livestock on their land that is in process of making the transition to organic certification.”²³

Although the revised rule complies with the court holding concerning conversion of *whole herds* from conventional to organic, and also reflects the amendment to OFPA in that area, further rulemaking will be necessary. The existing regulation still permits individual animals that are purchased as *replacement* cows to be fed less than 100% organic feed in the year leading up to their going into organic production, a situation that is at variance with the court’s ruling. USDA has stated that it will initiate the *Federal Register* process for solving this situation, but it has not given a timetable for doing so.

The June 2006 final rule also revises 7CFR 205.606 to clarify that the regulation does not establish a blanket exemption concerning the use of non-organic cornstarch, water-extracted gums, kelp, lecithin, and pectin in foods labeled as organic. Non-organic versions of these five ingredients may only be used in accordance with certain restrictions, and only when they are not commercially available in organic form. The amendments to OFPA also authorized the Secretary to develop an expedited process for placing additional ingredients that are not commercially available in organic form on the list of permitted substances on an emergency basis, for a period of not more than 12 months. To date, USDA has not initiated any rulemaking to establish an expedited approval process.

The final rule is silent on the court’s holding concerning 7 CFR 205.605, the regulation that allows processed products to be labeled as organic even if up to 5% of their content is not organic. The OFPA amendments added language to the statute that supports 7 CFR 205.605 as it appears in the final NOP rule issued in November 2001, and USDA states that no further rulemaking is necessary.

Organic Agriculture in the 2008 Farm Bill

As debate began in late 2006 on omnibus legislation to replace the expiring 2002 farm bill, various interest groups called on Congress to consider a number of provisions that they judged would help the organic sector keep pace with the steady growth in demand.²⁴ Some of the proposals recommended making mandatory funds available to implement certain 2002 farm bill provisions that have not become fully operational, such as the AMS program to provide regular nationwide reporting of

²³ 71 FR 32806.

²⁴ National Campaign for Sustainable Agriculture, *Draft NCSA 2007 Farm Bill for Organic*, January 2007, available at [<http://www.sustainableagriculture.net/RAFINCSAJoint.php>]. Organic Farming Research Foundation, *Organic Agriculture Research Policy Targets in the 2007 Farm Bill*, March 2007, available at [http://ofrf.org/policy/federal_legislation/farm_bill/farmbill07_researchtargets.html]. National Association of State Departments of Agriculture, *NASDA Farm Bill Recommendations on Organic Agriculture*, September 2006, available at [<http://www2.nasda.org/NASDA>]. Center for Food Safety/National Organic Coalition, *2007 Farm Bill Recommendations*, March 2007, available at [http://www.centerforfoodsafety.org/organic_an.cfm].

wholesale market prices for organic products, and the ERS effort to collect data on the organic sector.

The organic industry's leading organization, the Organic Trade Association, made public in December 2006 a detailed outline of proposals to (1) facilitate the transition to organic agriculture and trade for producers and processors wishing to do so, by providing education and technical assistance, sharing some of the costs of making the transition and obtaining certification, and improving data collection; (2) help overcome hurdles to the continued viability of small organic farms; (3) improve organic producers' access to crop insurance; (4) initiate and fund organic agriculture and economic research; and (5) support and strengthen the NOP office within USDA to keep pace with the growth of the sector.²⁵

The provisions in the House and Senate versions of the 2008 farm bill (H.R. 2419) currently are as follows.

Certification Cost-Sharing. Both the House- and Senate-passed bills contain provisions to provide a one-time transfer of \$22 million to continue the National Organic Certification Cost-share Program. Both bills would raise the amount a producer or handler could receive from \$500 to \$750, and limit the federal share of the certification cost to no more than 75% of the total.

Organic Conversion Cost-Sharing. The House bill authorizes \$50 million in appropriations over five years to provide technical assistance and cost-sharing grants to farmers working to convert their production methods from conventional to organic. The Senate bill would provide assistance and grants for conversion under the Environmental Quality Incentives Program (EQIP; in Title II — Conservation). It also authorizes \$30 million in annual appropriations through FY2012 for providing technical assistance and education for organic conversion under the Beginning Farmer and Rancher Development Program, which is carried out by the public land grant institutions in the states.

Research. Both bills would extend and increase funding for an organic research and extension initiative that was established in the 1990 farm bill. The House version would authorize \$25 million annually in appropriations and provide \$25 million in mandatory funds through FY2012 for the initiative. The Senate version would provide \$16 million annually in mandatory funds through FY2012. Both bills also express the sense of Congress that the level of funding for organic research conducted by USDA's intramural science agency, the Agricultural Research Service (ARS), should be at least commensurate with the percentage that organic products represent of the U.S. food market — roughly 2%.

Data Collection and Analysis. Both bills contain provisions to help USDA fulfill a requirement in the 2002 farm bill to collect segregated data on organic production and marketing and provide timely market information. The House bill

²⁵ Organic Trade Association, *Farm Bill Outline for Advancing Organic Agriculture*, December 2006. Available at [<http://www.ota.com/DraftFarmBillOutline.html>].

would provide a one-time transfer of \$3 million in mandatory funds for this purpose, and the Senate bill would provide a one-time transfer of \$5 million.

Crop Insurance. Both bills contain provisions addressing various issues that the organic sector has raised concerning crop insurance premiums and coverage. The House bill calls for a review of the underwriting, risk and loss experience of organic versus conventional crops, and for the elimination of premium surcharges on policies for organic producers unless the review shows “significant, consistent, and systemic variations in loss history” between the two production methods. The Senate bill would require the Crop Insurance Corporation to enter into contracts with insurance providers to offer coverage that “would reflect the actual retail or wholesale prices ... received by producers for organic crops ... using data collected ... by the Agricultural Marketing Service.”

Support for NOP Administration. The Senate bill contains a provision authorizing increasing funding levels for the NOP office within USDA, to ensure proper compliance and oversight of the program. The 1990 farm bill authorized such sums as necessary, and Congress has appropriated roughly \$2 million annually in recent years. The Senate provision authorizes \$5 million in FY2008, rising to \$11 million in FY2012. The House bill does not contain a similar provision.

Exemption from Marketing Order Assessments. The 2002 farm bill exempted producers from having to pay assessments under marketing orders and research and promotion orders (commonly called check-off programs) if their fruit or vegetable operation was 100% organic. The Senate bill would allow farmers whose operations were part organic to receive the exemption for agricultural products marketed from those NOP-certified organic acres. The House bill does not contain a similar provision.

Urban Organic Gardening. The House bill contains a provision to provide grants (using mandatory funds) to help urban gardening and greenhouse projects to purchase and operate organic fruit and vegetable gardens and greenhouses. The Senate bill does not contain a similar provision.

Other Provisions. The conservation, credit, and trade titles of the House and Senate farm bills also contain various provisions increasing the organic sector’s access to programs in those areas. (See CRS Report RL34228, *Comparison of the House and Senate 2007 Farm Bills*, for additional information.)