



Statement of

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Organic Trade Association, Vice-Chairman of the Board of Directors

Before the U.S. Senate

Committee on Agriculture

Sept. 15, 2010

Chairman Lincoln, Ranking Member Chambliss, and Members of the Committee, I am Sarah Bird, Senior Vice-President of Marketing, Annie's, Inc. Today, I am testifying on behalf of the more than 1,500 members of the Organic Trade Association, where I serve as Vice-Chairman of the Board of Directors.

Thank you for the opportunity to provide testimony regarding the future of organic agriculture and food on the 20th anniversary of the Organic Foods Production Act.

The passage of the Organic Foods Production Act in 1990 was the seminal event setting the organic sector on a trajectory of growth that has lasted for 20 years, even through this protracted recession. To illustrate, in 1990, U.S. organic sales were estimated to total one billion dollars. Today, it is a twenty-eight billion-dollar-a-year industry, with over 6 billion dollars a year in farm gate sales. Sales grew by 20% a year for over a decade, and, despite the worst recession in modern times, still grew by almost 6% in 2009. American families increasingly are choosing organic despite the tough economy, and latest reports from the industry indicate sales have picked up since the close of 2009.¹

Meanwhile, statistics from the 2008 Organic Production Survey conducted by the U.S. Department of Agriculture's National Agricultural Statistics Service (NASS) reveal that despite higher production expenses, U.S. organic farms on average have higher sales and higher operating profit than non-organic farms in the United States. For instance, gross sales on organic farms totaled \$217,675 while that for all other farms totaled \$134,807. After accounting for production expenses, organic farms on average had an operating profit of \$45,697 compared with \$25,448 for non-organic farms.² [Exhibit 1]

The survey also showed that U.S. organic farmers on average are younger than non-organic farmers. Data from USDA's Economic Research Service show younger farmers are more likely to adopt organic practices.³ [Exhibit 2]

¹ Organic Trade Association 2010 Industry Survey.

² 2008 Organic Production Survey, conducted as a follow-on to the 2007 Census of Agriculture, USDA's National Agricultural Statistics Service.

³ USDA's Economic Research Service Report Number 82.

Annie's has been in the thick of this growth. In 1990 Annie's Inc was a small company selling Mac & Cheese with annual revenue under one million dollars. Twenty years later Annie's sales total more than one hundred million dollars per year across twelve categories, and 85% of this revenue comes from organic items. Annie's products are distributed nationally in retailers from Whole Foods, to Kroger, Target and Walmart. Annie's is now the largest U.S. buyer of U.S. organic durum wheat. Over the past 5 years, Annie's has purchased more than 40,000 tons of domestic organic wheat, primarily from Montana and North Dakota farmers. In 1997, the year organic acreage data was first published, there were 125,000 acres of organic wheat in cultivation; now, according to the 2008 Economic Research Service Survey⁴, this number has more than tripled to over 415,000 acres of organic wheat being cultivated each year, across 25 states yielding over eight and a half million tons of organic wheat per year.⁵ [Exhibit 1]

In addition to wheat, Annie's is a major buyer of organic milk and cheese solids. According to our suppliers, markets for organic milk and cheese solids are a critical component of overall profitability for organic dairy. In fact, every time we sell a box of Annie's Mac & Cheese, it supports family farms. Annie's organic cheese comes from Organic Valley/CROPP Cooperative and their 1,630 farmer members.

We estimate that this organic wheat and cheese has been cooked by families across America into over 800 million servings of Annie's Mac and Cheese since the passage of OFPA in 1990! As every parent knows, no serving of Annie's would be complete without a side of carrot sticks. So it is no surprise that organic carrot production in 2008 represented 25 percent of the total U.S. carrot acreage!⁶

As you can see, OFPA set the stage for this growth by putting in place one standard that businesses and consumers alike could embrace, established a level-playing field and built

⁴ 2008 Organic Production Survey, conducted as a follow-on to the 2007 Census of Agriculture, USDA's National Agricultural Statistics Service.

⁵ USDA's Economic Research Service Report Number 82.

⁶ USDA's Economic Research Service, Data Sets: Organic Production, 2008 data posted at www.ers.usda.gov/data/organic.

consumer trust in the seal. The USDA Organic seal is the critical vehicle that ensures that trust.

On this important anniversary of the unique public-private partnership that is organic, it is imperative that we look forward and evaluate how to grow organic to the next level. This can only happen with the continued protection of what the organic brand stands for.

I first want to applaud the work of the National Organic Program and its staff for their recent efforts to secure trust in the organic brand by increasing oversight of certifying agents world-wide. This type of oversight is the vital component that delivers organic integrity to consumers.

However, today I caution that the continued success of organic requires that we address significant threats to the value of the organic label and remove the barriers to the organic industry's self-generated growth.

External Threats

The first, and perhaps most significant, threat to organic agriculture is the damage to the global organic market from contamination of organic crops by genetically engineered crops. This issue is especially important to Annie's, as there will likely be a petition to deregulate GE wheat in the not-so-distant future. Regardless of the organic regulation's tolerance for non-intentional contamination, organic consumers will not accept this.

Future consumer confidence and the economic viability of organic agriculture rest on keeping organic crops and products free of GE contamination. Today's consumer is knowledgeable and informed; we must deliver what the consumer demands.

For wheat growers that supply Annie's, inadvertent contamination would have real economic consequence. Annie's will not buy GE contaminated wheat because our consumers simply will not accept the product. Such contamination forces manufacturers to look overseas to countries that either have not de-regulated the GE crops or maintain

necessary safeguards to prevent contamination. The best picture for a vibrant organic economy is a vibrant U.S. production base. Annie's does not want to be forced to source our business offshore.

For U.S. organic wheat producers, exports also play a key role in the overall profitability of farms. GE contamination of domestic organic crops all but puts a halt to export opportunities. The damage currently being done to the organic brand and organic marketplace from GE contamination, as well as the real possibility of future expansion of this contamination, will need to be addressed in order for U.S. organic agriculture to thrive over the next 20 years.

The second threat, unregulated use of the organic brand on products outside the scope of the agriculture and food, will limit the ability of the sector to develop to the next level. The organic law codified an organic standard for food in 1990. Now, due in large part to the success of the industry over the past 20 years, we see the term organic on many non-food products. The unregulated use of the organic name on products outside the scope of the agriculture and food regulation results in consumer confusion.

At Annie's we have a deep understanding of organic consumers and their expectations for the organic brand. Whether for dry cleaners or personal care products, proliferation of organic claims on products, that frankly may not be organic, limit consumers' ability to fully embrace organic agricultural products into their lives. Addressing this issue requires resources and coordination between agencies. It is critical that we collectively take the first steps toward addressing this growing issue.

Removing Barriers

The unmet need for **public education** about the many benefits of organic agricultural products and the meaning of its seal is the greatest barrier to continued growth in demand; this is essential to guarantee that organic agriculture continues to thrive. We first must make sure that consumers understand the value of federally regulated and verified organic claims as opposed to the unregulated and undefined claims such as

natural. Whether this education comes from USDA itself or through industry self-help, OTA members, both farmers and manufacturers, have identified public education as the number one policy priority.

Unlike other commodities, Organic has no opportunity to pool funds for an AMS administered research and promotion program. Can you imagine a “got milk” type of campaign for organics?! We would like to see those barriers removed, to allow the industry to choose for itself the value of an industry funded program for organic.

The current law⁷ exempting organic from paying into non-organic marketing and promotion orders is narrowly defined, creating a situation of taxation without representation as organic producers and handlers pay in to orders that do not promote organic. Without being relieved of this burden, organic producers and handlers do not have the opportunity to elect an organic pooling of funds as you may not be required to pay into more than one order.

Finally, the Commodity Promotion, Research, and Information Act of 1996, included in the 1996 Farm Bill, as interpreted by USDA does not allow for multi-commodity sectors to apply for research and promotion orders. The organic industry should have the opportunity decide for itself if these tried-and-true demand driving vehicles should be implemented. We ask the committee to be open to remedies in this regard.

Recently, OTA welcomed Secretary Tom Vilsack’s announcement outlining improvements to **crop insurance programs** for organic crops. OTA has long seen the need for revising crop insurance provisions for organic crops. RMA’s announcement to eliminate the current five percent surcharge for organic crops insured under ten crop insurance programs and revise elections for four organic crops for the 2011 production year is a good first step. In fact, removing this barrier was a priority issue for OTA when Congress worked on provisions for inclusion in the final 2008 Farm Bill. OTA will look

⁷ 7 U.S.C. § 7401(e) (2006).

forward to further decisions that will help achieve the ultimate goal of parity in crop insurance programs for organic.

Lastly, I want to express to the committee that OTA is proud to be the official ‘organic’ cooperator in USDA’s Market Access Program (MAP), Emerging Markets Program and Technical Assistance for Specialty Crops program. These **export promotion and trade barrier reduction programs** offer great value and return on investment to our industry. These also contribute to the goals of President Obama’s initiative to increase U.S. agricultural exports.

However, analysis of fair share funding shows that organic agricultural exports have been, and continue to be, underfunded versus other agricultural sectors and commodities. An analysis by OTA has shown that the organic sector receives approximately one-tenth the MAP funding it should expect based on the level of current organic exports, and one one-hundredth the level of funding it should expect given the overall size of the organic industry as compared to other cooperators.

Meanwhile, I want to acknowledge USDA for reaching an historic equivalence arrangement with Canada, essentially removing the barriers to trade between the U.S. and our most important trading partner. Major barriers, however, still exist with the European Union. The E.U. is a very important and very restricted market for U.S. organic exports. The number one trade priority for the U.S. organic industry is the negotiation of a trade arrangement that significantly eases access for U.S. organic exports to the E.U., while protecting the integrity of the USDA Organic label against any substandard imports. The European Union is the world’s largest consumer market, for organic agricultural products, outside of the United States. To date, this market is largely untapped by U.S. producers and manufacturers due to the burdens and costs of compliance to E.U. and individual Member State’s organic standards.

In summary, organic has made its mark on agriculture and American families’ consumption habits over the past 20 years. Education and trust in the organic brand will

drive demand for organic products and create opportunities for U.S. agriculture, thereby creating jobs and encouraging self-reliance in rural economies, while improving the environmental and public health of the nation for the next 20 years.

Thank you.

Impacts of Organic Regulation on Food-Animal Agriculture - Economics of production

- U.S. organic farms on average have higher sales, higher production expenses, and higher operating profit than U.S. non-organic farms

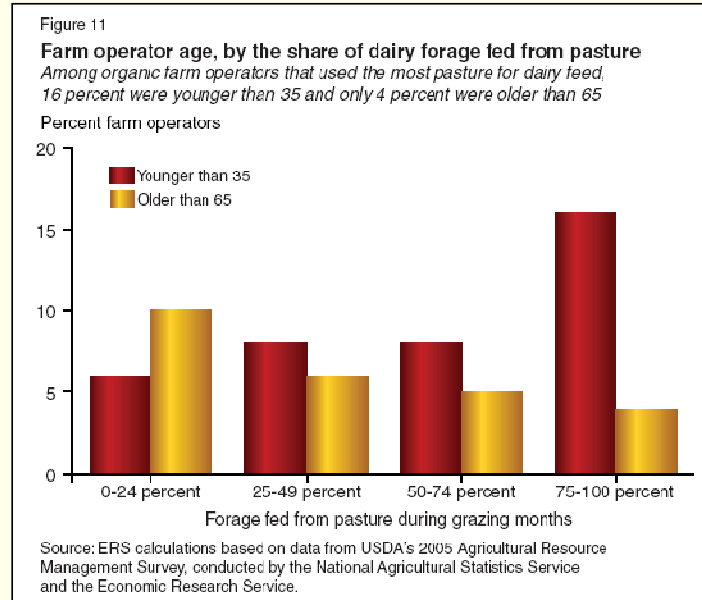
	<i>Organic Farms</i>	<i>All Other Farms</i>
Gross Sales	\$217,675	\$134,807
Production expenses	\$171,978	\$109,359
Operating Profit	\$45,697	\$25,448



* The 2008 Organic Production Survey conducted as a follow-on to the 2007 Census of Agriculture by the U.S. Department of Agriculture's (USDA's) National Agricultural Statistics Service (NASS).

Impacts of Organic Regulation on Food-Animal Agriculture - Rural demographics

- U.S. organic farmers (avg. 54 years old) are younger than non-organic farmers (avg. 57 years old)*
- Younger farmers are more likely to adopt requirements of organic production**



*The 2008 Organic Production Survey conducted as a follow-on to the 2007 Census of Agriculture by the U.S. Department of Agriculture's (USDA's) National Agricultural Statistics Service (NASS).

**USDA ERS Report Number 82

US Organic Agricultural Production, 1997 - 2008¹

Selected Products and Major States

PRODUCT	Top States in 2008	1997	2008	PERCENT GROWTH 1997-2008
Wheat (acres)				
US total		125,687	415,902	231%
	Colorado	10,159	57,631	467%
	Utah	13,435	53,760	300%
	Montana	31,729	39,389	24%
	California	727 ⁸	36,115	4,868%
	North Dakota	24,203	34,170	41%
	Texas	4,650	33,506	621%
	Minnesota	4,432	13,387 ⁹	202.05%
Milk cows (number)				
US total		12,897	249,766	1,837%
	California	1,089 ¹⁰	55,224	4,971%
	New York	3,386	34,443	917%
	Texas	-- ¹¹	26,727	--
	Wisconsin	2,509	25,764	927%
	Oregon	-- ¹²	16,728	--
	Vermont	-- ¹³	12,260	--
Carrots (acres)				
US total		3,323	24,576	640%
	California	2,587	21,474	730%

⁸ The major organic grain in California 1997 was rice, at 8,877 acres

⁹ The major organic grain grown in Minnesota in both 1997 and 2008 was corn, at 10,002 acres (1997) and 27,565 acres (2008)

¹⁰ In 1997, Minnesota had 2,425 organic milk cows; Pennsylvania, 1,226; and Maine, 1,020

¹¹ No 1997 livestock data from State

¹² No 1997 livestock data from State

¹³ No 1997 livestock data from State