

February 19, 2006

Honorable Dennis Cardoza
Chairman, House Agriculture Subcommittee on Horticulture and Organic Agriculture
1010 10th Street, Suite 5800
Modesto, CA 95354

Dear Chairman Cardoza,

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We would like to congratulate you on your new leadership position on the recently established Ag Subcommittee on Horticulture and Organic Agriculture. As organic farmers and ranchers and businesses and organizations that work with organic farmers, we are excited for the opportunity to work with you to promote Farm Bill legislation that meets the growing needs and competitive opportunities of the organic farming, ranching and business sectors in California.

Organic farming and ranching provide multiple benefits that contribute to all U.S. strategic goals for agriculture: a safe and secure food system; environmental protection; less dependence on fossil fuels; increased trade opportunities; improved human health and nutrition; and prosperous rural communities. Europe has long recognized the multi-functionality of organic agriculture, and has provided most organic growers some form of payment in exchange for the public benefits they provide.

Over the past decade, we have seen a nearly 20% annual growth in organic market share, with various estimates placing 2006 organic retail sales as being close to 3.0% of total U.S. food sales and 5% of U.S. fruit and vegetable sales. Despite this impressive market growth and the tremendous economic and environmental benefits provided by organic agriculture, federal investment to support this increase in production has lagged. Indeed, specific programs geared towards organic agriculture receive less than 1% of Farm Bill funding. In order to remain competitive, the organic sector needs far more public investment in research, extension, marketing, and conservation. This is especially important for California growers who produce nearly half of the country's organic and specialty crops, yet face increasingly stiff competition from China, Mexico and other low-cost producers. At the very least, federal investment in organic agriculture should be equivalent to its proportional share of the US food market.

We understand that you will soon be re-introducing the EAT Healthy America Act. As the flagship marker bill for the "Specialty Crops" industry, we hope that the bill will recognize the valuable role of organic products in the specialty crops sector and the large opportunities for future growth. We urge you to include some specific legislative language in the EAT bill to enhance support for organic production, research and marketing.

Below are specific recommendations that we hope you will adopt as Farm Bill legislation moves forward in the coming months. Some of the proposals below are appropriate for integration to the EAT Healthy America Act, and some should be considered for other bills and/or other subcommittees. Many of these proposals are contained in specific legislative language that has been submitted to your office by the California Coalition for Food and Farming and the Community Food Security Coalition, and we urge you to give these recommendations careful consideration.

1. RESEARCH:

Many producers of organic specialty crops lack adequate information to address their production and/or marketing needs. Only since 1998 has organic research been funded at all, and it currently receives a tiny share of federal research dollars relative to the size of the organic sector. In FY2006, only about \$11 million, or 0.6% (six-tenths of one percent) of the USDA budget for research and extension was spent specifically on organic agriculture. We therefore offer the following recommendations to the 2007 Research Title of the Farm Bill in order to increase funding and success for organic agriculture research and extension:

- **Provide mandatory funding for the CSREES-Integrated Organic Program (IOP) of at least \$15 million/year and expand the IOP** to include greater emphasis on extension services, food safety, economics, marketing and policy research. During FY2003-2006 only about 10% of qualified applicants have been able to receive funding in this program. (compared to 19%-29% of qualified applicants that receive funding in comparable grants programs at the USDA CSREES). Expansion of this program should focus on a higher number of smaller grants. Also, it is important that this program keeps its own identity and not be incorporated into the National Research Initiative.
- **Ensure that the proposed Specialty Crops Economic and Policy Research Institute incorporate a specific focus on organic agriculture.** Fruits and vegetables are the largest component of organic sales and drive growth in consumer demand. A successful strategy to increase U.S. consumption of fresh produce must include support for increased domestic organic produce supplies.
- **Revise the focus of the National Research Initiative (NRI)** to ensure that at least 33% of NRI funding is allocated for integrated, outcome-oriented research to improve environmentally sound food production, including establishing a priority for organic plant and animal breeding within existing NRI germplasm programs.
- **Establish a “Fair Share” framework at Agricultural Research Service (ARS)** to ensure that funding of organic agriculture research moves towards the organic share of US retail food sales. This would entail a 5-fold increase in current funding to at least \$25million per year. ARS should be directed to start a new national program for organic agriculture, overseen by a new national program leader.
- **Increase current authorization funding for the Sustainable Agriculture Research and Education (SARE) Program** from \$60 million to \$100 million. In addition, the SARE matching grant program for state and multi-state regions should receive farm bill funding. SARE has been an invaluable resource to help California farmers and ranchers improve practices that are economically viable, environmentally sound and socially responsible.
- **Implement the Organic Production and Marketing Data initiative provided for in the 2002 Farm Bill.** The USDA Agricultural Marketing Service (AMS)’ Fruit and Vegetable Market News should provide regular nationwide reporting of organic prices. Currently, such information is only gathered regularly at the San Francisco and Boston wholesale markets. Specific surveys and data sets for the organic sector, including census-type data and farm gate price reporting are needed from the USDA National Agriculture Statistics Service. The USDA Economic Research Service (ERS) has done an impressive data collection job on the organic sector and these efforts should be continued and expanded.

2. CONSERVATION:

In 2004, 10% (\$8.1 Billion) of USDA gross outlays were used for natural resource and conservation programs. Specific improvements to conservation programs and technical assistance are needed to ensure these programs better serve organic producers. We recommend that the upcoming Farm Bill:

- **Expand the quality and quantity of conservation technical assistance available for organic growers and growers in transition** by engaging private industry and nonprofit organizations and allowing more group-based technical assistance delivery.
- **Fully fund the Conservation Security Program.** The CSP was authorized in the 2002 Farm bill as a mandatory entitlement program but is currently funded at just \$259 million. Since passage of the 2002 Farm Bill, \$4.3 billion has been cut from the program. The resulting shortfall has resulted in extremely limited access for thousands of eligible California farmers, including many organic growers.
- **Direct CSP to prioritize evaluation of organic conservation practices** (such as cover cropping, composting and crop rotations) for purposes of revising the program scoring system. The CSP should also streamline the process so that Organic System Plans can be used as a basis for CSP applications with some additional requirements. CSP rules should be modified to allow farm operations who recently purchased sustainably farmed land to qualify for CSP payments.
- **Direct the Natural Resource Conservation Service to examine the application of Environmental Quality Incentives Program (EQIP) payments in organic production systems.** This should include analysis of the Interim Organic Transition Practice Standard in effect in some states, and the use of other

NRCS Practice Standards to encourage the conservation outcomes of organic transition and improvement. California could benefit greatly from increased integration of EQIP with organic production systems.

3. ORGANIC INCENTIVE PROGRAMS, MARKETING AND ECONOMIC DEVELOPMENT

With increasing competition from cheap imports and other economic pressures, California farmers and rural communities are facing severe economic challenges. On average, farmers receive only 9% of the value of the food they produce. While organic premiums are higher, these premiums are threatened by a large expansion of cheaper organic food from China, Mexico and other low wage countries. In recent years however, a resurgence of consumer demand for healthy, sustainably and locally produced food in urban areas has created new economic opportunities for farmers. The market for organic foods is growing especially fast, with sales projected to reach over \$30 billion in 2007. In California, demand for sustainable food is also growing among important regional institutions such as hospitals, universities and even cities such as San Francisco, which has adopted both a sustainable food policy and an Organic resolution. In 2005, however, only a small portion of USDA funding went to help farmers and rural communities meet these emerging alternative markets and new business trends. Last year, Congress dedicated less than \$40 million to promote local domestic markets. This represents a tiny fraction of the \$20 billion spent on commodity programs and export subsidies.

The 2007 Farm Bill should provide more balanced marketing support to address local, regional, national and global markets. Rural and urban areas alike will benefit from more investment in value-added food processing, local and regional market development (including farmers' markets), and farmers will likely receive higher returns on their production. Besides improving farm income and rural employment, these programs produce valuable environmental benefits, including reduced greenhouse gas emissions from shorter transportation miles. We recommend that the 2007 Farm Bill:

- **Reauthorize Organic Certification Cost-Share at \$25 million** to cover the increasing demand for and cost of organic certification services. The annual funding cost share eligibility should be non-competitive and increased from 75%, not to exceed \$500.00 to 75%, not to exceed \$750.00.
- **Establish a National Organic and Stewardship Incentive Program at \$50 million annually** and ensure that no less than 50% of program funds go to support technical assistance for growers. This is critical to assist producers convert land and animals to certified organic production and adopt advanced organic farming conservation systems. Without this valuable support, fewer California farmers will be able to make the transition and retailers will increasingly go to cheaper global markets such as China and Mexico for organic products.
- **Increase funding for the Farmers Market Promotion Program (FMPP) to \$20 million** to build direct farmer-to-consumer marketing ventures and provide increased access to locally produced healthy foods for urban residents. Farmers markets also create economic development opportunities for urban areas.
- **Increase funding for the Value-Added Producer Grant Program**, a program that helps increase income and farmer profitability by helping farmers plan new business ventures and pursue new market opportunities. In California, this program has supported the Davis-based Community Alliance with Family Farmers (CAFF) to help small-scale farmers reach school and hospital markets. The program should receive mandatory funding of \$60 million, adding a new grant component to support the development of value chains with social, environmental, organic, fair labor and/or fair trade standards.
- **Authorize \$45 million in annual mandatory funding for regional planning and technical assistance pilot projects targeting distribution and processing infrastructure for small and mid sized growers to serve local, regional and institutional markets.**
- **Amend the Agricultural Fair Practices Act of 1967 to require good faith bargaining with associations of producers, and remove loopholes that have made the Act difficult to enforce.** As the organic processing sector becomes more concentrated and organic growers are under market pressure to sign contracts with processors and handlers, it is critical that organic growers establish strong bargaining rights to negotiate fair contract terms. California law already requires fruit and vegetable processors to bargain in good faith with producer associations in negotiating contract terms. However, no such requirement exists on the federal level.

- **Reduce Regulatory Barriers for Local Meat Processing in order to better support the** growing local and regional market demand for natural meat products. This would help to support the development of environmentally friendly grass-fed meat and organic livestock production in California.
- **Require and authorize funds for implementation of Country of Origin Labeling (COOL) legislation.** This will help California's organic farmers better compete with lower cost imports.

4. RISK MANAGEMENT AGENCY/CROP INSURANCE PROGRAM

Organic farmers are currently unfairly penalized by the Risk Management Agency's policy requiring organic farmers to pay an additional 5% fee surcharge for crop insurance coverage. Furthermore, organic growers do not receive adequate reimbursement levels to cover their actual losses, since payment is linked to prices paid or conventionally grown food. The 2007 Farm Bill should:

- **Establish equitable fee structures for organic and conventional growers in crop insurance programs.**
- **Establish reimbursement rates for organic losses based on historical payments for the organic crops**

Implementation of these policies will have far reaching benefits for consumers and producers alike.

Thank you for your careful consideration of these proposals. We look forward to working with you and your staff to ensure that this year's Farm Bill gives organic agriculture the attention and investment that it deserves. A number of us would be pleased to meet with you to discuss these in greater detail.

Sincerely,

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cc: Everyone on his committee, plus Peterson and Chairs of all other subcommittees, and all members of the California Organic Caucus.