Public-Private Partnerships to Grow Organic

U.S. Foodmakers: Strategies to Expand Domestic Sourcing of Organic Supplies – USDA Ag Outlook Forum 2019

USE OF ORGANIC AT CLIF BAR & COMPANY

>1 BILLION POUNDS

of organic ingredients used since 2003

12 organic brands

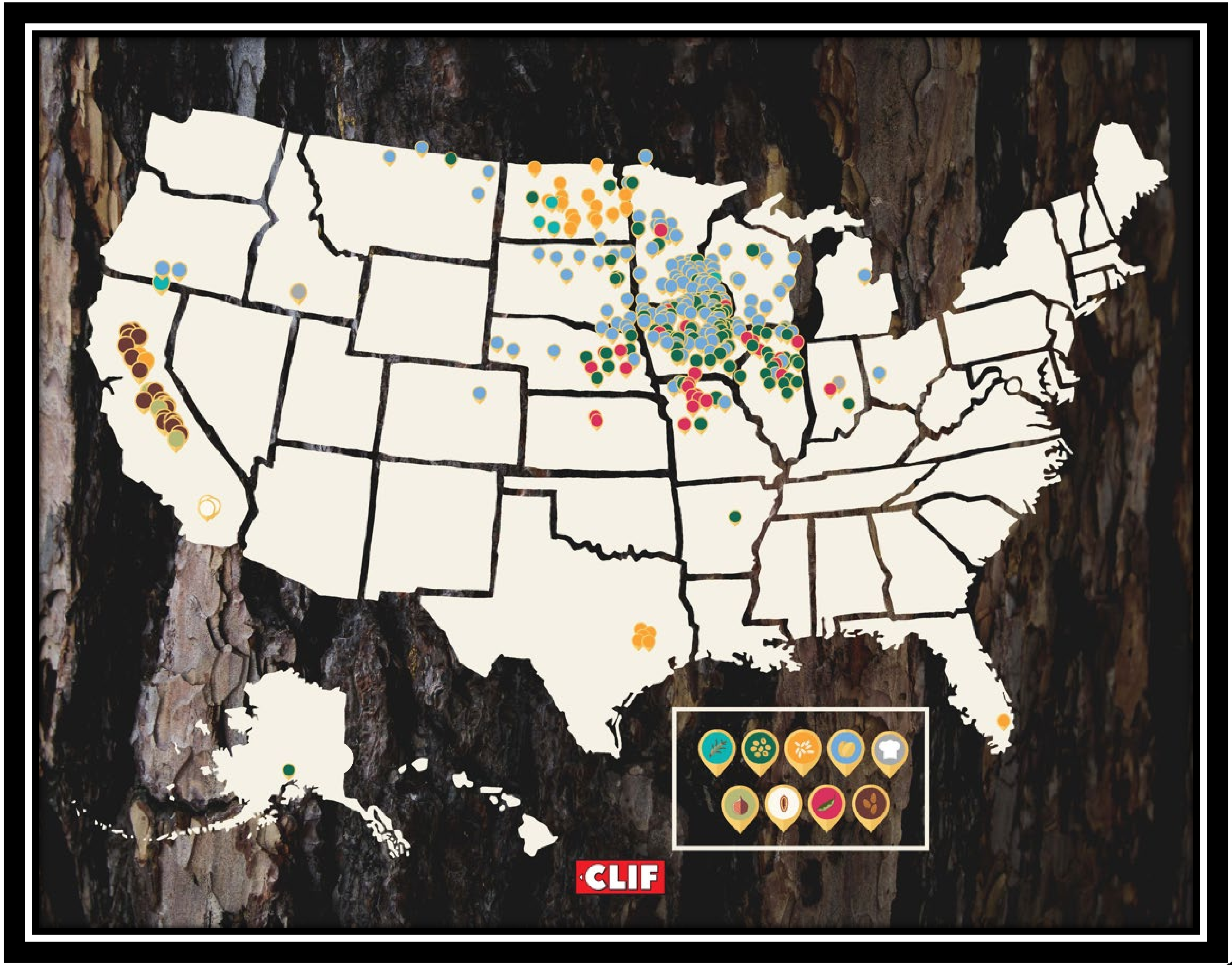
3 conventional

76%

OF ALL INGREDIENTS
we buy are organic

56 crop types

>140 unique ingredients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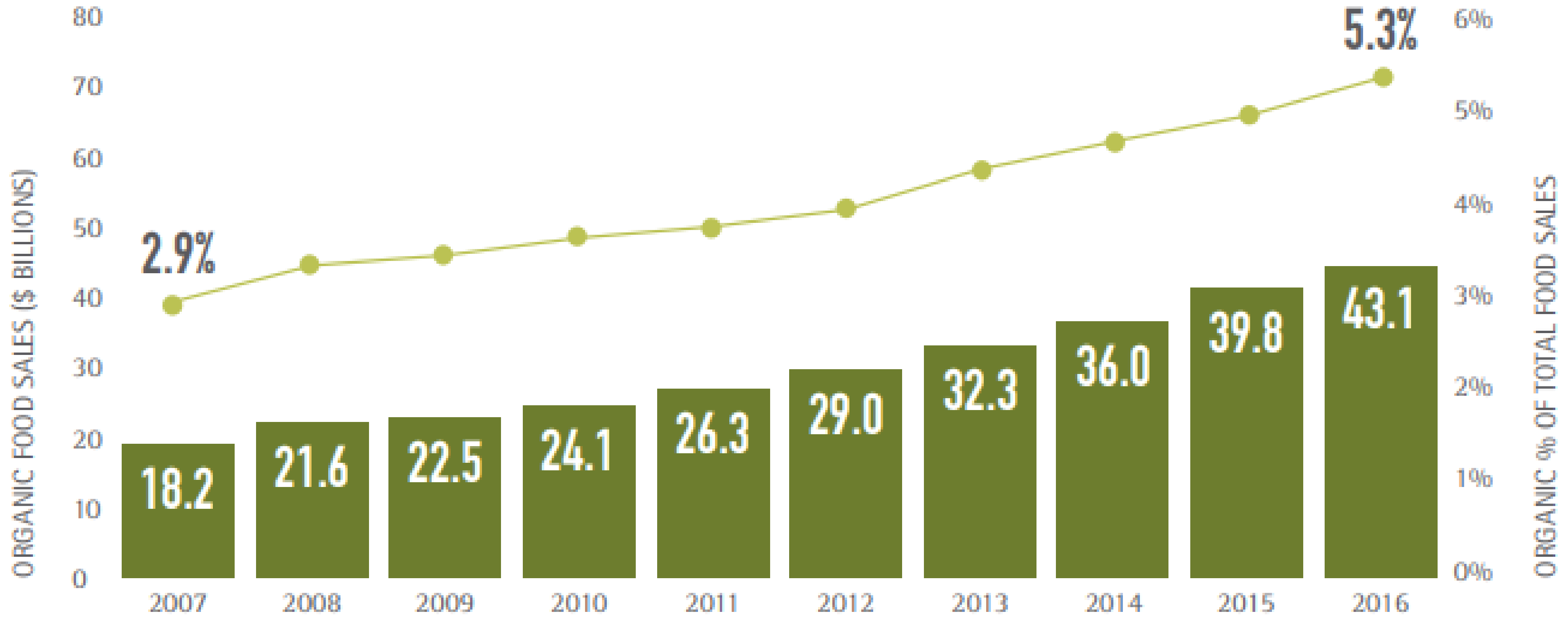


Exhibit 1: **Organic food sales have steadily grown as a % of total food sales**

Source: Organic Trade Association, *2017 Organic Industry Survey*

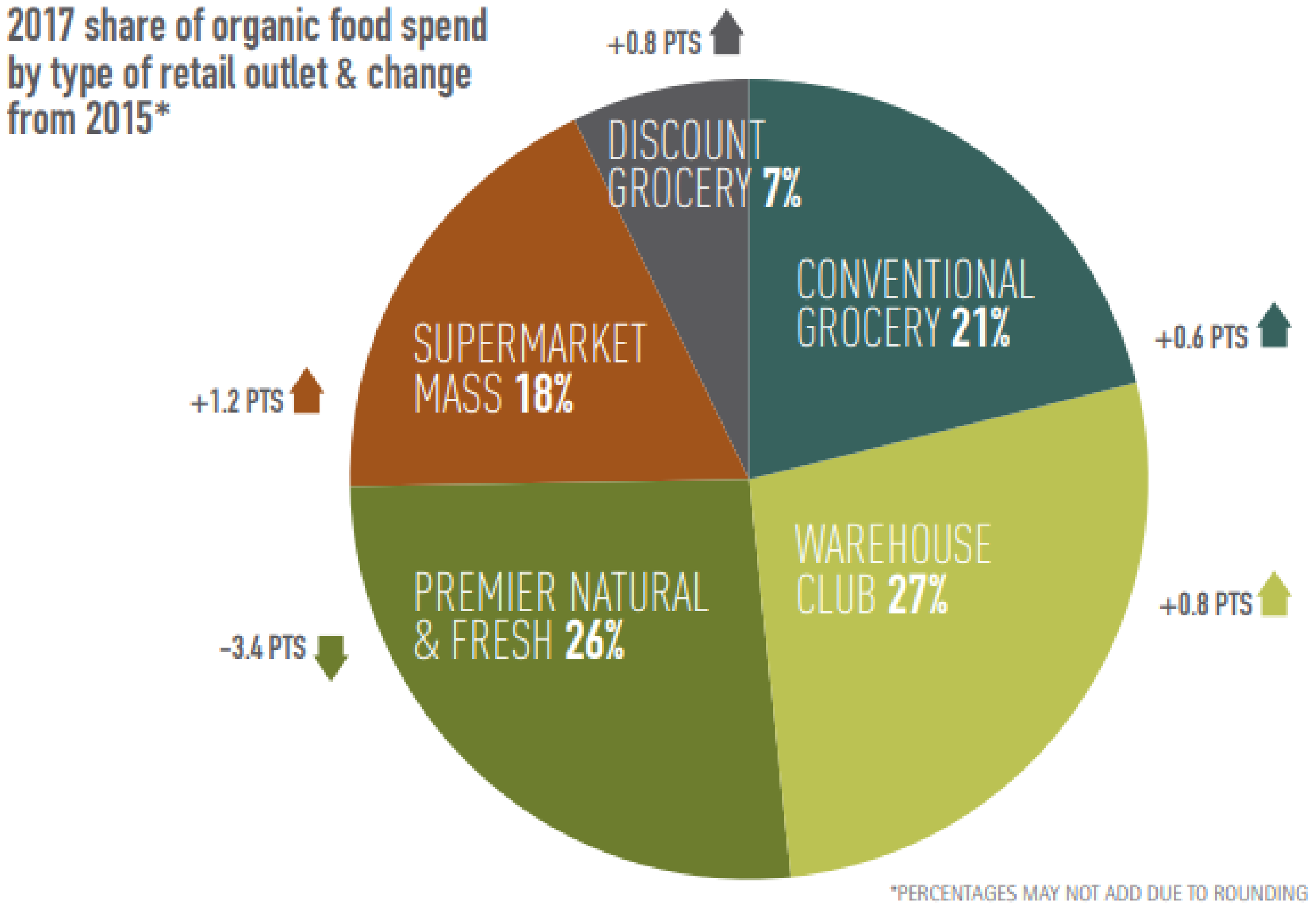
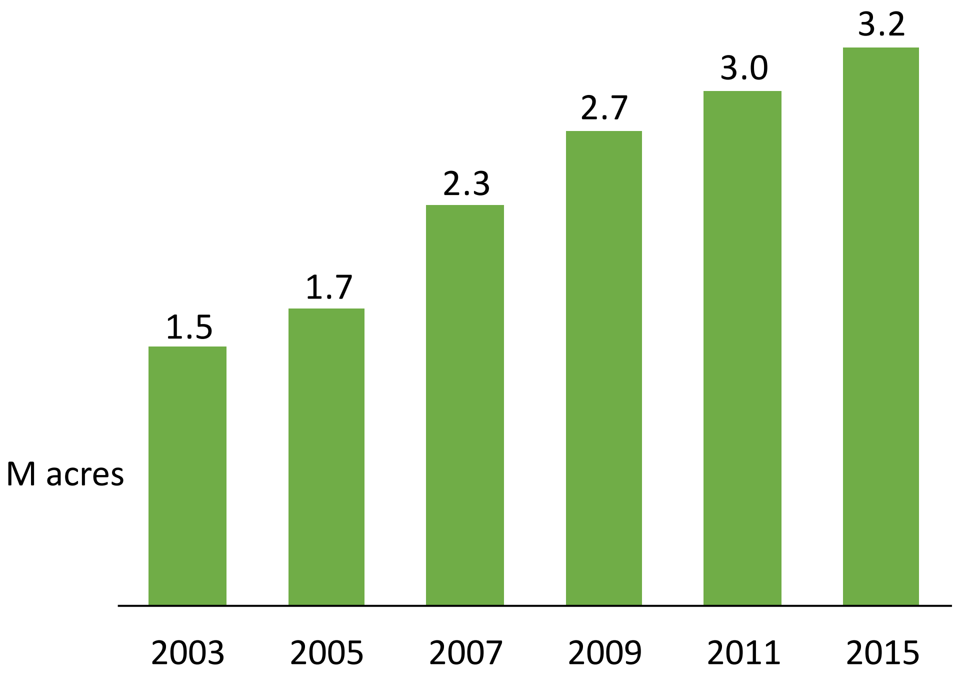


Exhibit 2: **Organic spending is shifting away from premier and specialty stores toward the mainstream**

Source: Nielsen Answers On-Demand Syndicated Panel, 52 weeks ending 07/29/2017.

MARKET POTENTIAL FOR PRODUCERS

6.5% annual growth in organic cropland



Expected to accelerate

- Steady growth in consumer demand for organics
- Increased scrutiny of organic imports creating favorable conditions for domestic production
- Slump in conventional commodity prices creates incentive to transition

Source: USDA ERS; Rabobank

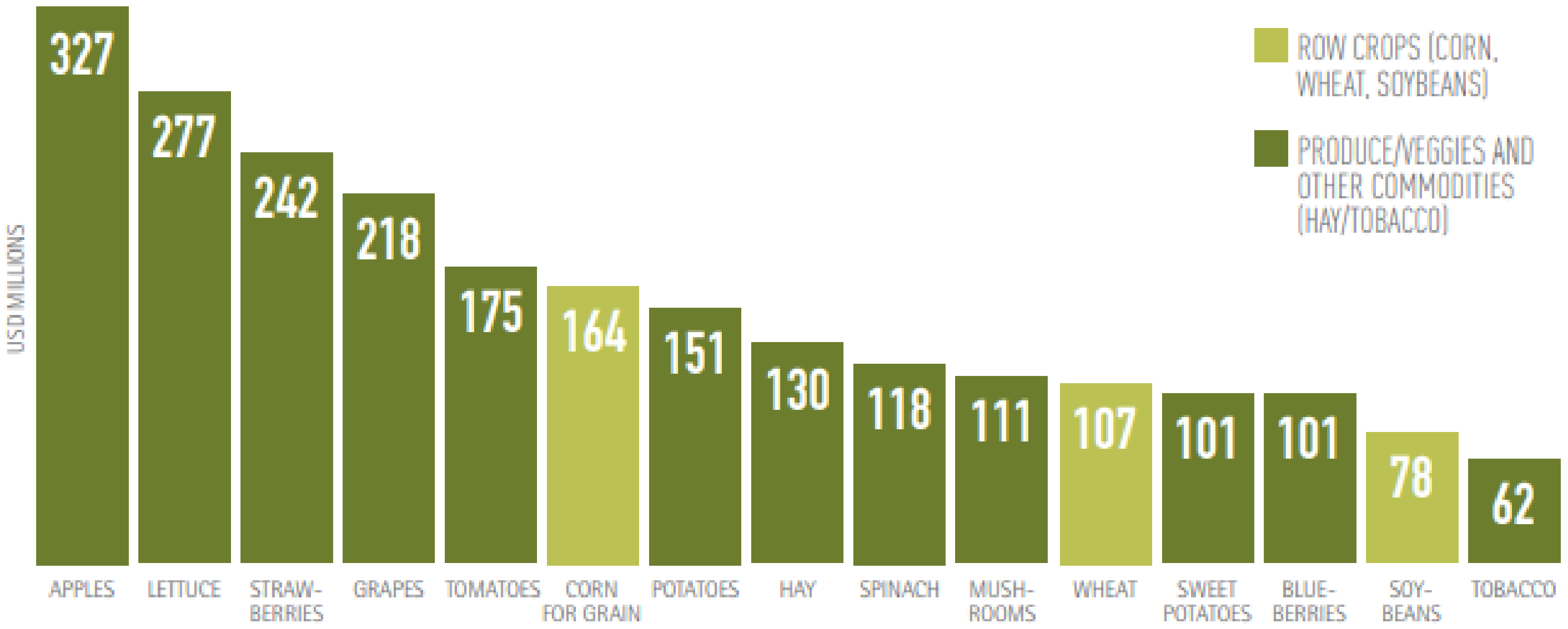
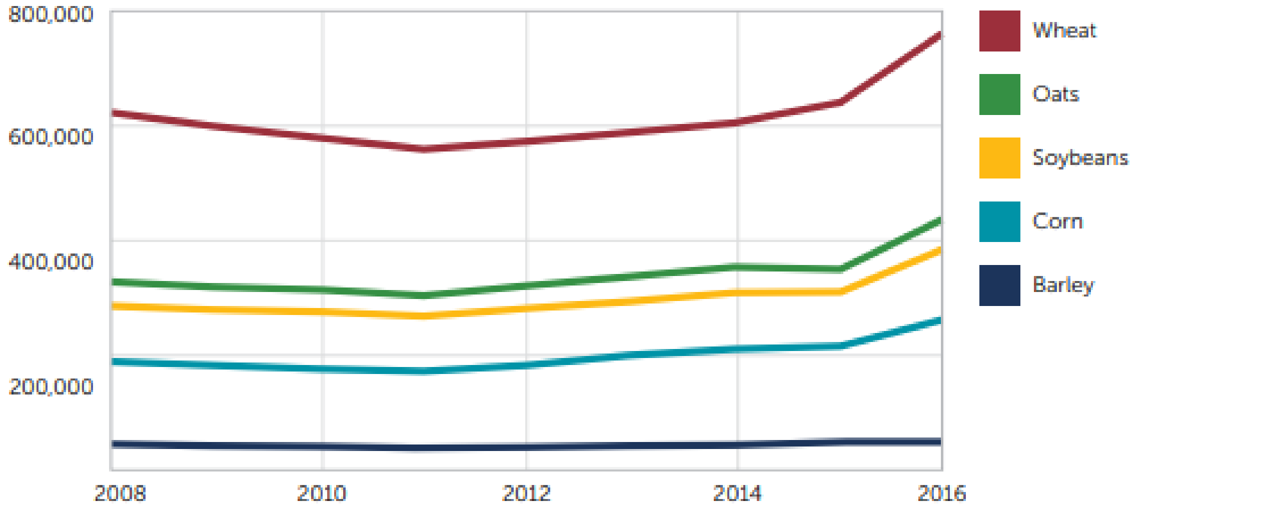


Exhibit 3: **Corn, soybeans, and wheat comprise only 9% of organic crop sales**

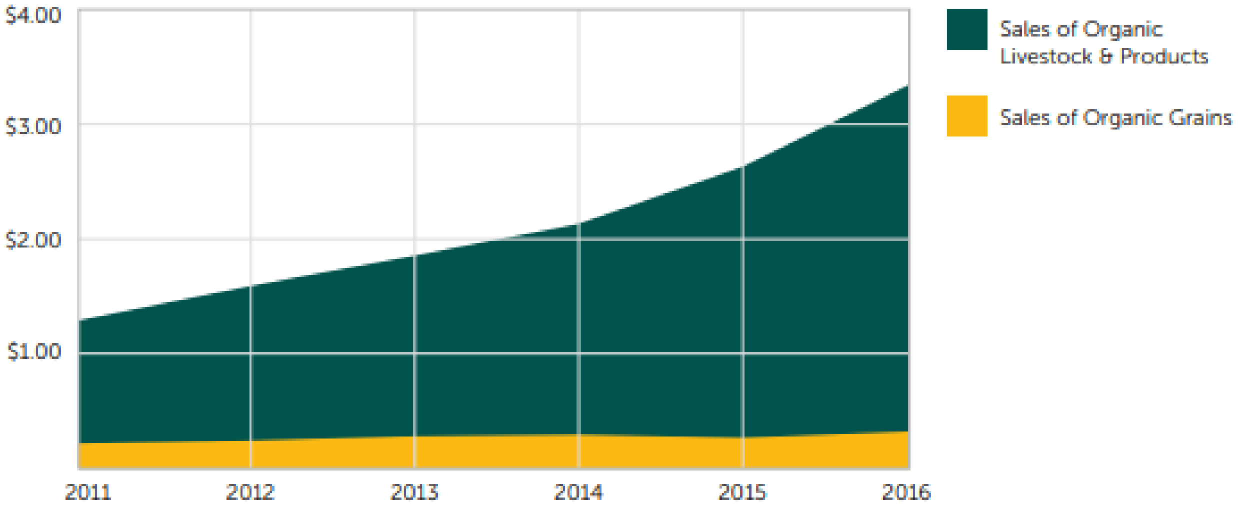
Source: USDA's 2016 Certified Organic Survey, NASS Highlights. Accessed 12/1/18 at https://www.nass.usda.gov/Publications/Highlights/2017/2016_Certified_Organic_Survey_Highlights.pdf.

Figure 2: US Organic Grain Acreage, 2008–2016



Source: USDA NASS Quickstats Database.

Figure 3: Growth of Organic Livestock Products Industry and Organic Grains (in billions)



Sources: USDA NASS Quickstats Database

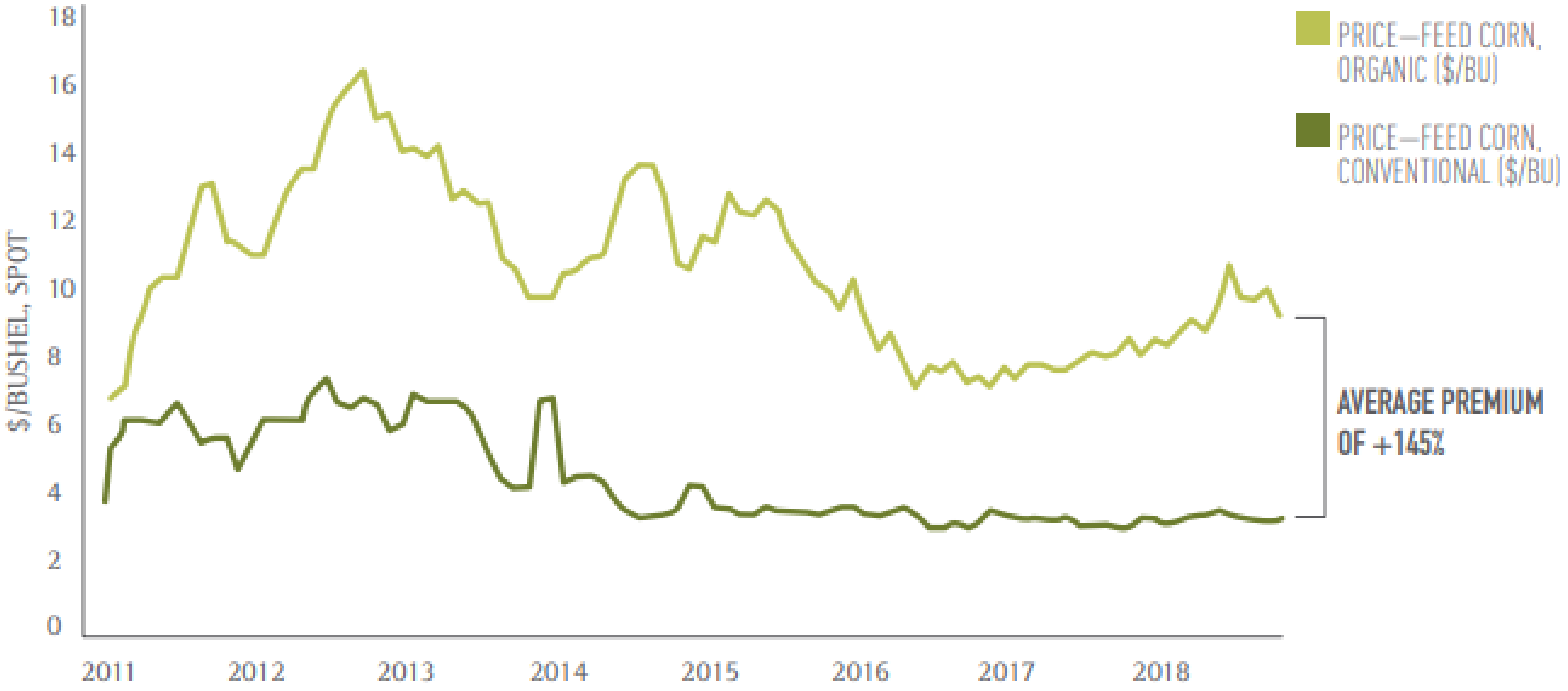


Exhibit 4: **Organic corn shows persistent historical price premium over conventional alternative**

Source: Organic prices from author correspondence with USDA AMS (Agricultural Marketing Service), midpoint of national range for organic feed corn. Conventional prices from USDA NASS (National Agricultural Statistics Survey), U.S. Total monthly price received.

CONSTRAINTS TO ORGANIC

Agronomics

30-40% yield gap between conventional and organic crops in our supply chain

- **0** organic extension agents in California (out of 288)
- **0.7%** the share of USDA research funding earmarked for organic
- **A dozen** organic plant breeders in the US (out of >1,000)

Economics

3 years to transition

3+ crop rotations – and hence more land – required

75% of transitioning farmers cite the cost of organic inputs as an obstacle

-45% drop in Mercaris Organic Grain Index* from 2013 to 2016

40:1 conventional to organic processing facilities in Illinois

Culture

83% percent of organic farmers in NYFC** survey who are first generation and thus lack direct access to land or know-how

1st ranking of “mentoring from experienced organic farmers” as a type of support for transition

(*) Price index for organic corn, soy, and wheat bought in the US; (**) National Young Farmers Coalition

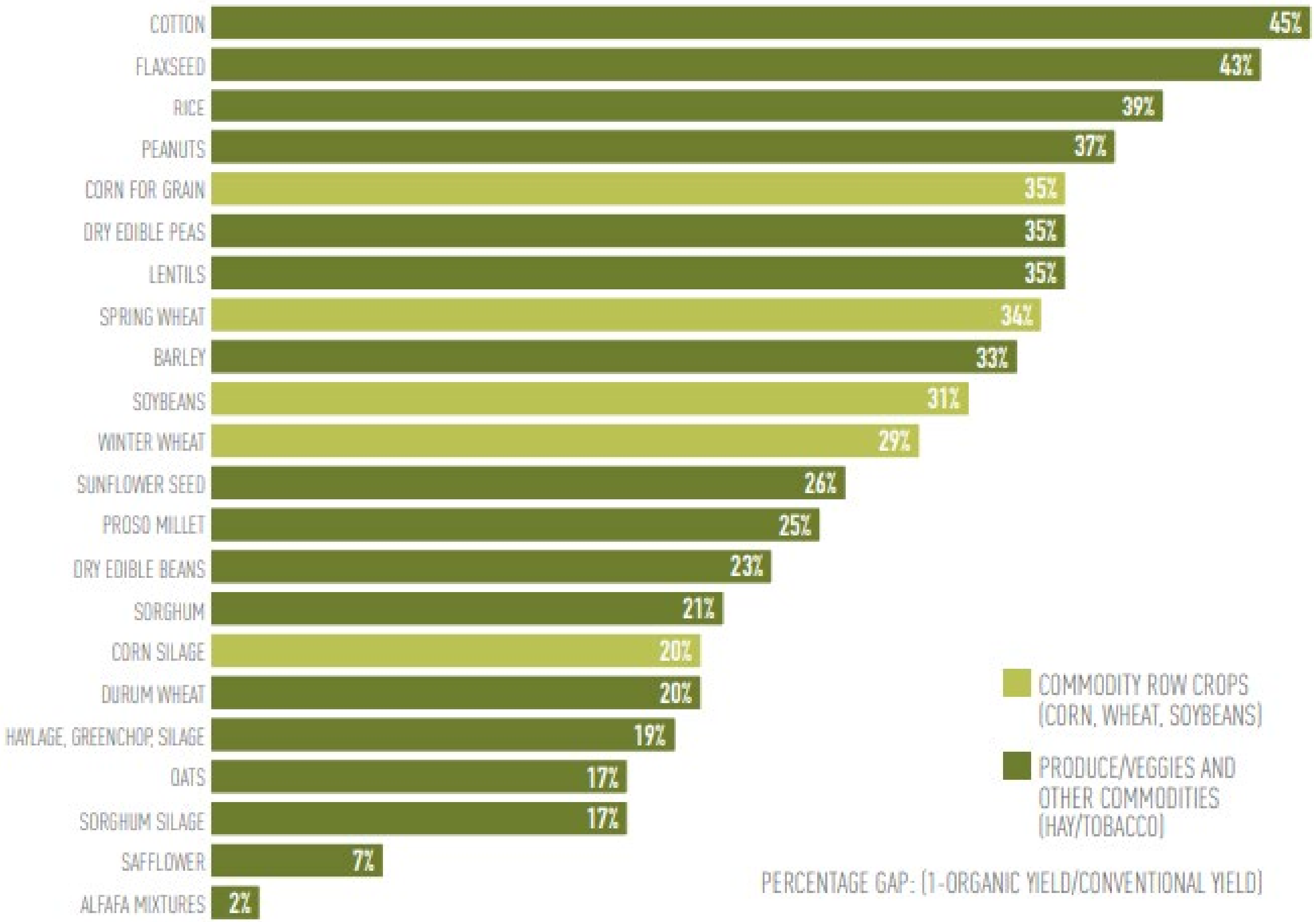


Exhibit 5: **Average yields per acre for organic crops are substantially lower than conventional counterparts**

Source: Savage and Associates Consulting, independent analysis based on 2014 USDA Organic Survey data and USDA-NASS statistics.

THE VALLEY OF DEATH

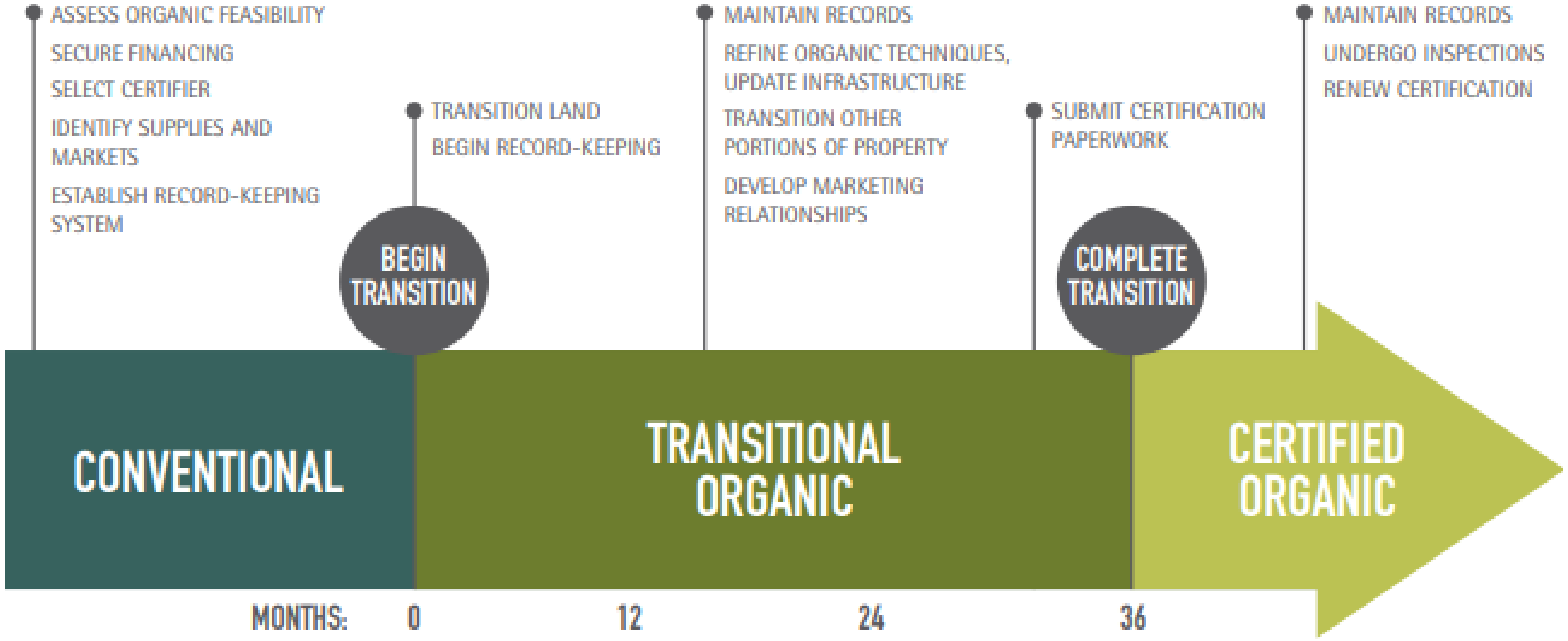


Exhibit 8: **Organic transition is a complex, multi-step process**

Source: Author analysis. More detail available at https://www.ams.usda.gov/services/organic-certification/becoming-certified. Adapted from MOSES Guidebook For Organic Certification.

SOLUTIONS

- Industry pre-competitive collaboration
  - OTA Organic Grain Council
  - Organic Agronomy Training Series
- Long Term Price Contracts
- Research and Technical Assistance to close yield gap
- Infrastructure and other investments

Organic Trade Association: ORGANIC GRAIN COUNCIL

CLIF AG FUND

- **Technical assistance:** funding for variety trials, farmer field days, on-farm instruction, etc.
- **Innovation:** investments in the development and scale-up of input innovation
- **Infrastructure:** assessment & mapping of organic storage and processing capacity
- **Demand creation:** cost share and/or transition price premiums (with purchasing contracts)

POLICY

Thank You

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