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## U.S. Farm Policy: Certified Organic Agricultural Production

Foods produced using recognized organic farming methods, as certified by the U.S. Department of Agriculture (USDA) and bearing the “USDA Organic” seal (shown here), account for a small but growing share of the U.S.



agricultural industry. Sales of organic foods totaled an estimated \$35.9 billion in 2014, representing nearly 5% of all retail food sales in the United States (**Figure 1**).

**What Is “Organic Agriculture”?** USDA defines organic agriculture as a production system that is managed in accordance with the Organic Foods Production Act (OFPA, 7 U.S.C. 6501 *et seq.*) and USDA regulations intended to “respond to site-specific conditions by integrating cultural, biological, and mechanical practices that foster cycling of resources, promote ecological balance, and conserve biodiversity” (65 *Federal Register* 80550). USDA further defines organic agriculture as “using methods that preserve the environment and avoid most synthetic materials, such as pesticides and antibiotics.” USDA-approved “organic standards” describe the types of approved methods farmers and ranchers may use to grow crops and raise farm animals as well as which materials producers may use. These standards describe the specific requirements that must be verified by a USDA-accredited certifying agent before products can be labeled “USDA Organic.”

USDA’s National Organic Program (NOP) is a voluntary organic certification program for producers and handlers of agricultural products that have been produced using certain approved organic methods.

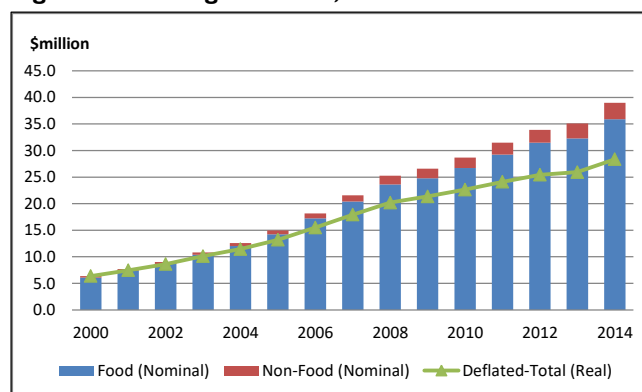
Organic agriculture became increasingly popular in the United States in the early 1900s. Following the industry’s own failed efforts to reach consensus on production and certification standards, and USDA’s publication of a 1979 study on how to improve and regulate organic production (“Report and Recommendations on Organic Farming”), industry representatives petitioned Congress to draft legislation to establish a certification program in the late 1980s. Among the goals of the program were: improve consumer confidence in the legitimacy of products sold as organic; allow for 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.

In 1990, Congress enacted OFPA as part of the 1990 farm bill (Food, Agriculture, Conservation, and Trade Act of 1990, P.L. 101-624, Title XXI). OFPA authorized USDA to establish the National Organic Program (NOP), which is a voluntary organic certification program for producers and handlers of agricultural products that have been produced using certain approved organic methods. NOP specifies the methods, practices, and materials that may be used to grow,

raise, and process USDA-certified organic products. Final regulations under OFPA were published in December 2000, and NOP became fully operational in October 2002. Regulations governing organic certification are in the Code of Federal Regulations at 7 CFR 205.

NOP is administered by USDA’s Agricultural Marketing Service (AMS). The National Organic Standards Board (NOSB) is an advisory board that makes recommendations to USDA on a range of organic production issues.

**Figure 1. U.S. Organic Sales, 2000-2014**



**Source:** CRS from industry survey data reported by the Organic Trade Association (OTA). Data are adjusted for inflation by CRS using the Consumer Price Index (CPI) for all products.

Under NOP, USDA developed requirements and an accreditation process for certifying organic agents and enforces these marketing and labeling requirements. USDA also has developed a process for reviewing the so-called “National List of Prohibited Substances for Organic Production,” which lists the exceptions to organic standards and allows for certain synthetic substances to be used when producing organic products. The National List of allowed and prohibited substances, methods, and ingredients for use in organic production is at 7 CFR 205.105. Some substances and processes are specifically not allowed. For example, genetically engineered ingredients are an “excluded method” (7 CFR 205.2).

### What Is the Market for “USDA Organic” Products?

Organic agriculture is composed of both food and non-food products, including personal care products, household products, dietary supplements, pet foods, flowers, and textile products. Data from the Organic Trade Association (OTA) indicate that U.S. organic retail sales totaled \$39 billion in 2014, more than double the sales in 2004 (adjusting for price inflation, **Figure 1**). Food sales comprise the bulk of retail organic sales, with between 90%-95% of total annual sales. Major organic food products include fruits and vegetables; milk and dairy products; beverages; meat and poultry; and a range of

snacks and processed foods. Major non-food products include supplements, personal care products, and textiles.

USDA reports that U.S. organic product exports exceeded an estimated \$0.5 billion in 2013, based on data tracked for mostly fruit and vegetable product categories. Exports to Canada and Mexico account for about 80% of all tracked products. The value of U.S. imports of these organic products totaled \$1.4 billion in 2013, more than double U.S. exports. To promote U.S. exports, the United States has established equivalency agreements with a number of countries and nations, including Canada, Korea, Japan, the European Union (EU), and Switzerland. The United States also has recognition agreements with India, Israel, and New Zealand, as well as export trade relations with Taiwan.

At the farm level, USDA reported there were an estimated 19,500 certified organic operations in 2014. This compares to 2007, when there were fewer than 15,000 operations, and 2002, when there were fewer than 8,000 organic operations. (These estimates include organic producers exempt from certification, grossing less than \$5,000 annually from organic sales.) OTA further reports that there are currently another 3,000 farms planning to transition to organic. Leading organic production ranked by overall farm level value include dairy and meat products; vegetables; field crops; fruit and tree nuts; floriculture crops; and berries.

Each state reports having certified organic operations, but most operations are concentrated in the Western coastal states, Northeast, and Midwest (**Figure 2**). California alone accounts for nearly 40% of all organic operations. Other leading states with organic production include Washington, Pennsylvania, Oregon, Texas, New York, and Wisconsin. Under the NOP, organic certification programs may be implemented at the state level and allows a state to oversee and enforce against its own production and handling operations, consistent with USDA regulations. State organic programs may add more restrictive requirements beyond those required under NOP. The state of California operates its own organic program.

### Does Organic Agriculture Receive Federal Support?

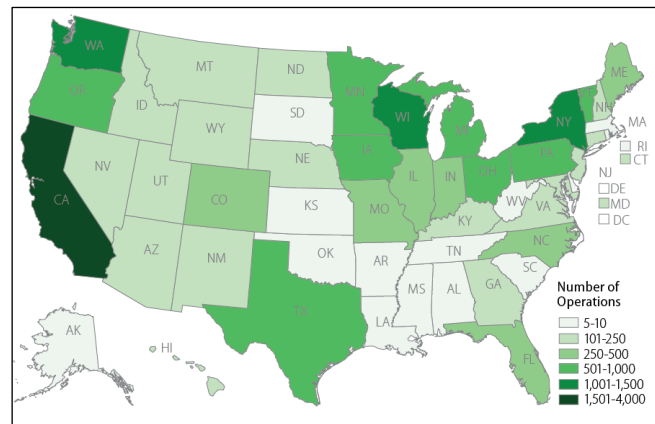
The 2008 farm bill (Food, Conservation, and Energy Act of 2008, P.L. 110-246) represents the first time that programs supporting organic farming were formally included as part of the periodic omnibus farm bill, aside from the 1990 farm bill when OFPA was originally enacted. The 2014 farm bill (Agricultural Act of 2014, P.L. 113-79) further reauthorized and expanded many of the 2008 farm bill provisions supporting organic agriculture. Selected USDA programs supporting organic production across many different titles of the farm bill are shown in the text box.

The 2014 farm bill provided about \$34 million annually (FY2014-2018) in mandatory funds to be made available to organic producers. Mandatory funds do not require annual appropriations or subsequent action by Congress. Programs receiving mandatory funding include the USDA's Organic Agriculture Research and Extension Initiative (OREI), with \$20 million annually, and the National Organic Certification Cost Share Program, with \$11.5 million annually. Another \$1 million annually is available for both

the National Organic Program and the Organic Data Initiative. Some of these programs also received additional authorized appropriations, or discretionary funding, which requires annual appropriations action by Congress. Appropriations for NOP were \$9.1 million in FY2015.

In addition, in recent years, USDA has provided financial assistance through USDA's Organic Initiative as part of the Environmental Quality Incentives Program (EQIP). This program has assisted organic producers with implementing a broad range of conservation practices.

**Figure 2. Certified Organic Operations by State, 2014**



Source: USDA press release, April 15, 2015.

### Selected Organic Agriculture Provisions in the 2014 Farm Bill (P.L. 113-79)

#### Conservation (Title II)

- EQIP Organic Initiative (§2202)

#### Trade (Title III)

- Market Access Program (MAP) (§3102)

#### Research (Title VII)

- Organic Agric. Research and Extension Initiative (§7211)
- Integrated Research, Education, and Extension Competitive Grants—Organic Transitions (ORG) (§7302)

#### Horticulture and Organic Agriculture (Title X)

- Natl. Organic Certification Cost-Share §10004(d)-(f)
- Organic Prod't. & Marketing Data Collection (§10004(c))
- National Organic Program (§10004(b), §10005)
- Organic "Check-off" Program (§10004(b)-(f))

Source: CRS Report R42771, *Fruits, Vegetables, and Other Specialty Crops: Selected Farm Bill and Federal Programs*.

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