



ORGANIC CLAIMS-BASED MARKETING



QUARTERLY AG REPORT #2

JULY 21, 2022

WELCOME

As outlined in Reimagining Native Food Economies, the Native American Agricultural Fund has written about the importance of the development of regional Native-owned and operated food hubs from coast to coast. As these hubs emerge and explore opportunities to market the “brand equity” of Tribally grown and processed food to the public outside of Indian Country, key market data is vital.



A VISION FOR NATIVE FOOD AND AGRICULTURE
INFRASTRUCTURE REBUILDING AND RECOVERY

THESE PERIODIC REPORTS WILL PROVIDE MARKET DATA AND INSIGHTS TO ASSIST PROJECT ORGANIZERS IN DEVELOPING SUCCESSFUL ENTERPRISES.

BEHIND THE SCENES

NAAF Marketplace Updates & Insights is compiled periodically with input from NAAF staff and Crystal Springs Consulting, Inc. who work alongside many Tribes embarking on food enterprises. We will dig into the data-rich environment of the SPINS Market Database, the premier food market information and data platform used throughout the food sector to help Native food producers.



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THIRD PARTY AUDITED LABEL CLAIMS

ORGANIC - THE GOLD STANDARD

As consumers' awareness began to grow over the past several decades regarding the connection between diet and their personal health, as well as diet and the health of the planet, companies began to adopt specific label claims to convey the message that their products were healthy and environmentally friendly, and—in the case of protein products—sourced from humanely-raised animals.

Unfortunately, many of those claims are relatively meaningless.

For example, many meat and poultry products in retail stores are prominently labeled as “All Natural,” which implies that they are sourced from animals raised without added growth hormones or antibiotics.

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THIRD PARTY AUDITED LABEL CLAIMS

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However, USDA's Food Safety and Inspection Labeling standards allow the term "natural" to be used on any product that does not contain any artificial flavor or flavoring, coloring ingredient, chemical preservative, or any artificial ingredients, and if the product and its ingredients are no more than minimally processed. In other words, beef sourced from an animal administered growth hormones and antibiotics can be labeled as "natural," as long as the meat is minimally processed, with nothing synthetic added after slaughter.

But consumers wanted to know how the crops and animals used in their food products were raised. By the late 1970's the term "organic" began to emerge to describe food produced from animals and crops raised without synthetic fertilizers, pesticides, growth hormones, or antibiotics. As sales of products labeled as "organic" began to move inward from the fringes of the food system, some companies sought to capitalize on the organic trend by simply marketing their conventionally grown products as "organic."

Adherents to organic agriculture responded by developing a patchwork of certification agencies to verify that products marketed as organic were grown organically. Some of these certifiers were for-profit businesses, others were non-profit organizations, and still others were established by state departments of agriculture. While these certifiers operated under the same general guidelines, their regulations and enforcement varied widely.

As Congress prepared to draft the 1990 Farm Bill, the organic community began to lobby for a uniform set of national organic standards.

THIRD PARTY AUDITED LABEL CLAIMS

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They found a receptive ear in U.S. Sen. Pat Leahy (D-VT), chair of the Senate Agriculture Committee. Leahy tasked one of his staff members, Dr. Kathleen Merrigan, with working with the organic leaders to draft new legislation. The result was the Organic Foods Production Act (OFPA), which was included as a part of the 1990 Farm Bill.

OFPA established uniform national standards for the production and handling of foods labeled as “organic.” The Act authorized a new USDA National Organic Program (NOP) to set national standards for the production, handling, and processing of organically grown agricultural products. In addition, the Program oversees mandatory certification of organic production.

The Act also established the National Organic Standards Board (NOSB) to advise the Secretary of Agriculture in setting the standards upon which the NOP is based. The NOSB was also given authority over establishing the National List, which would specify the materials that can be used for organic production and handling.

Certified Organic remains the Gold Standard of label claims, but several others have gained strong traction in the past several years. This report looks at Organic Certification. The next report will explore the variety of other claims now in the marketplace.



THE GROWTH OF THE ORGANIC MARKET

THE GROWTH OF THE ORGANIC MARKET

Twenty years ago this October, USDA formally adopted the regulations establishing the National Organic Standards. Those standards have been amended, updated, criticized, and lauded, yet the term “organic” remains the most tightly regulated food claim in the nation. The organic marketplace is also one of the most closely monitored and measured in the food industry. Roughly 45% of the public reported consuming organic food at least twice monthly in 2019.

Total U.S. Organic Sales & Growth, 2011–2020

CATEGORY	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Organic Food	25,148	27,965	31,378	35,099	39,006	42,507	45,209	47,862	50,065	56,485
Growth (%)	9.5%	11.2%	12.2%	11.9%	11.1%	9.0%	6.4%	5.9%	4.6%	12.8%
% of Total Organic	92.0%	91.9%	91.9%	91.8%	91.6%	91.7%	91.6%	91.3%	90.9%	91.2%
Organic Non-Food	2,195	2,455	2,770	3,152	3,555	3,866	4,151	4,589	5,013	5,438
Growth (%)	11.2%	11.8%	12.8%	13.8%	12.8%	8.8%	7.4%	10.6%	9.2%	8.5%
% of Total Organic	8.0%	8.1%	8.1%	8.2%	8.4%	8.3%	8.4%	8.7%	9.1%	8.8%
Total Organic	27,343	30,420	34,147	38,251	42,561	46,373	49,360	52,451	55,078	61,924
Growth (%)	9.7%	11.3%	12.3%	12.0%	11.3%	9.0%	6.4%	6.3%	5.0%	12.4%

Source: Organic Trade Association's 2021 Organic Industry Survey conducted 1/13/2021–3/22/2021 (\$mil, consumer sales).

According to the Organic Trade Association's 2021 survey, organic food sales grew by 12.8% in 2020 alone, reaching a new high of \$56.4 billion.(1) Produce has long been the primary driver in organic food, with retail sales reaching \$8.54 billion in 2020, and climbing another 5.5% to \$9.22 billion last year.(2) The produce category is expected to grow another 5 to 10% this year, according to The Packer, an industry trade journal. (3)

Meat and poultry, by comparison, have garnered a much smaller share of the organic marketplace. Sales of organic meat in the United States first crossed the \$1 billion threshold in 2019 and account for only 3% of all organic sales. However, those sales in 2019 marked a 17.2% increase over the previous year. (4)

THE GROWTH OF THE ORGANIC MARKET

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The U.S. National Organic Standards cover all steps in organic production and handling, and created three categories for certified organic products:

- 100% Organic – This category is reserved for foods (e.g., apples) that are 100% organically produced. These products can carry the USDA Organic seal.
- Organic – These are generally multi-ingredient products and must comprise a minimum of 95% organic ingredients (excluding salt and water), with the remaining 5% ingredients required to be organic, if available. If organic ingredients are not available, the other 5% of ingredients must be approved on the National List. These products can also carry the USDA Organic seal.
- Made with Organic (name of ingredient) -- These products must contain at least 70% organic ingredients and must be certified. The remaining 30% of ingredients cannot be genetically modified, produced in fields using sewage sludge, or processed using radiation. These products must be certified but cannot carry the USDA organic seal.

The standards also cover three specific areas: crops, livestock, and food handling. Any products labeled as 100% Organic, Organic, or Made with Organic must comply with all pertinent sections of the regulations.

Also, USDA does not conduct certification of organic products. Instead, the National Organic Standards established a process through which companies, state departments of agriculture, and nonprofit organizations could be accredited as official certifiers.

THE GROWTH OF THE ORGANIC MARKET

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USDA regularly audits the accredited certifiers and is empowered to investigate any formal complaints against certified organic operations. However, USDA is authorized to impose financial penalties, along with revocation of organic certification, for operations violating the standards. Currently, the penalty can be as high as \$11,000 per violation (with each point of sale eligible to be considered as a violation).

Organic certification begins with the development of an Organic Systems Plan (OSP) for each operation. That OSP covers the methods that the operation will use to assure that the crops, livestock, or manufactured products meet the organic standards. As a starting point for developing an OSP, select an accredited certification organization that you want to utilize. A list of accredited certifiers is [available here](#). Certifiers generally have a form that applicants can use to submit the information for their OSP. Certifiers cannot help you fill out the form, so you may want to enlist a consultant for assistance.

The conversion to organic certification generally requires a transitional process for crop and livestock production. For example, any crop certified as organic must be grown on land that has been managed under organic conditions for at least three years. Organic ruminants must come from stock that has been managed organically since the last third of gestation (this includes grazing on pastures that meet the three-year requirement).


There are some measures to short-step the transition period for land if there is adequate recordkeeping to demonstrate that the land has already been treated organically (e.g., some land coming out of CRP will meet these requirements).

THE GROWTH OF THE ORGANIC MARKET

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USDA offers a cost-share program to assist farmers and ranchers with the transition to organic certification. That provides a match of 50% of the cost of developing an OSP, with a maximum of \$500. Agriculture Secretary Tom Vilsack recently announced a \$300 million commitment to assist with organic certification, but the details of that commitment are not yet known, as of July 2022.

One cornerstone of the National Organic Standards is the National List, which specifies the materials that are allowed and prohibited in organic production and handling. The materials on that list are vetted by the National Organic Standards Board (NOSB), a 15-member citizen body with representatives appointed to five-year terms by the Secretary of Agriculture. USDA can only add materials to the National List upon the recommendation of NOSB. NOSB has a very rigorous petition and review process for any proposed new material. And, materials are reviewed every five years under a Sunset process.

A woman wearing a white hairnet, a white short-sleeved shirt, and a dark apron is looking down at a tablet computer. She is wearing white gloves. The background is a blurred industrial setting, likely a food processing facility. The entire image has a teal overlay.

BASIC REQUIREMENTS FOR ORGANIC PRODUCTION & HANDLING

BASIC REQUIREMENTS FOR ORGANIC PROCESSES

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LAND AND CROP REQUIREMENTS

- Each operation must have clearly defined boundaries, with buffer zones as needed, to prevent contamination by prohibited substances.
- Producers must use crop rotation, cover crops, tillage practices, and other procedures to enhance fertility.
- Producers must only utilize materials for pest control as allowed in §205.601 of the National List.

LIVESTOCK REQUIREMENTS

- All antibiotics and growth hormones are prohibited.
- A limited number of synthetic parasiticides are allowed, and can only be used as an emergency treatment in dairy animals and fiber-bearing animals. All synthetic parasiticides are prohibited in slaughter stock.
- All ruminants must be managed on pasture so that they receive a minimum of 30 percent of their dry matter intake (DMI), on average, throughout the grazing season.
- Livestock can receive normal vaccinations.
- Materials used to maintain livestock health and nutrition must be listed as allowed in §205.603 of the National List.

HANDLING REQUIREMENTS

- Each operation must have strict protocols to assure that organic products are not co-mingled with non-organic products.

BASIC REQUIREMENTS FOR ORGANIC PROCESSES

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HANDLING REQUIREMENTS

- Each operation must have organic certificates from the suppliers of any ingredients to be used as a part of the organic contents in a product labeled as Organic or Made With Organic.
- All materials used for food processing, sanitation, and pest management must be listed as allowed in §205.605 of the National List.
- Any non-organically grown agricultural ingredient included in a certified organic product must be listed as allowed in §205.606 of the National List.

Once certified, each operation will undergo an annual audit from its certification agency. Although the regulations allow for some residue testing, audits generally consist of a review of the operation's practices and recordkeeping. Once approved by USDA, each operation will continue to be organically certified unless there is a major non-compliance that cannot be rectified, or the operation voluntarily drops its certification.

USD's National Organic Program has a wealth of resources to assist producers and handling operations in organic certification and compliance. The NOP homepage is available here. The NOP has developed an Organic Handbook containing guidance and instructions for most steps involved in organic production and handling. That handbook is available here.

In addition, the Organic Materials Review Institute (OMRI) maintains a database of generic and brand name products allowed to be used in organic production and handling.



RESOURCES

1. Source: Organic Trade Association, U.S. organic sales soar to new high of nearly \$62 billion in 2020, May 2021.
<https://ota.com/news/press-releases/21755#:~:text=In%20that%20unprecedented%20year%2C%20organic's,new%20high%20of%20%2456.4%20billion.>
2. Source: Supermarket News. Organic fresh produce sales growth tails off in 2021. January 28, 2022.
<https://www.supermarketnews.com/consumer-trends/organic-fresh-produce-sales-growth-tails-2021>
3. Source: The Packer. Organic produce market to grow up to 10% in 2022. November 3, 2021.
<https://www.thepacker.com/news/organic/organic-produce-market-grow-10-2022>
4. Source: Mordor Intelligence. Organic Meat Market – Growth, Trends, COVID 19 Impact, and Forecasts (2022-2027),
<https://www.mordorintelligence.com/industry-reports/organic-meat-market#:~:text=According%20to%20the%20Organic%20Trade,increase%20of%2017.2%25%20in%202019.>

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