

# An Organic Check-Off Program – The Complete Picture

## Summary

### What?

The 2002 Farm Bill, and implementing regulations, exempts certified producers and handlers of **100 percent organic** products from National Research and Promotion Programs (NRPP) - check-off programs. The Organic Trade Association is spearheading a move to amend that legislation. The amendment would do two things. First, the exemption would be expanded to cover certified producers and handlers of **organic and 100 percent organic** products. Second, organic as a multi commodity grouping would be reclassified as a single commodity.

### Why?

The amendment is preliminary to establishing an Organic Research and Promotion Program (ORPP). Proponents believe an ORPP is needed to distinguish organic in the marketplace, grow demand, and educate consumers.

### What we believe.

1. All groups should work together to promote only the technical fix that allows exemption of all organically certified operations.
2. It is premature to support reclassification of organic as a commodity thereby authorizing the creation of a mandatory ORPP.
3. There are too many issues needing to be addressed before seeking an ORPP. See examples on page 3.

### Government Involvement.

The ORPP would be a federally mandated program subject to policies, procedures, and guidelines of the USDA's Agricultural Marketing Service (AMS). By statute USDA would be required to provide ongoing oversight of the program. USDA's Secretary of Agriculture has final approval authority over every word in every promotional campaign.

### How USDA views Organic:

1. Organic **is** a production claim. Organic is about how food is produced and handled.
2. Organic **is not** a content claim. It does not represent that a product is "free" of something.
3. Organic **is not** a food quality or safety claim. Organic is not a judgment about the quality and safety of any product. Organic does not mean a product is superior, safer, or healthier than conventionally produced food.

### What an ORPP cannot do.

1. Promote products in any way other than generically
2. Disparage another agricultural commodity.
3. Use funds to influence governmental regulatory action or policy, including the NOSB and NOP.
4. Use the program as a "pass through" to fund other organizations

### Our Ask

1. *Say YES to a technical legislative fix exempting all certified organic operations from NRPPs.*
2. *Say NO to reclassification of organic as a commodity, thereby opening the door to establishment of a mandatory ORPP.*
3. *Say YES to a more inclusive and transparent process of discussion within the full organic community.*

## The Technical Fix

The 2002 Farm Bill, and implementing regulations, exempts certified producers and handlers of 100 percent organic products from National Research and Promotion Programs. We<sup>1</sup> support a technical fix allowing the exemption of certified producers and handlers of organic and 100 percent organic products. Dual operations, those that produce or handle conventional and organic, would only be exempt for the organic side of their operation. ***This fix would return check-off dollars to organic producers and processors not covered under the original exemption.***

The organic community agrees that we need to promote organic agriculture. Farmers and ranchers, also recognize the need to fund organic production research to improve the efficiency and sustainability of their operations.

A majority within the organic community agrees that we need to support the technical fix to broaden the exemption to all organic producers and handlers. A minority object to extending the exemption to large conglomerates and corporations that produce and process. They believe the fix will provide an unfair market advantage further undercutting family farms selling to the private label market. The exemption would lower operating costs for operations producing and processing that sell to the store label market. One can, alternatively, argue that farmers selling into the private label market are receiving a lower milk price due to check-off dollars paid by processors. After all, processors need to recoup their costs and the easiest place to cut is at the farm gate. Thus, lower milk prices.

With support of the organic community, sustainable agriculture organizations, and leading retailers, we believe the technical fix will be supported by both houses of Congress. The technical fix could become law either as an amendment in the 2013 Farm Bill, an appropriations bill, or an omnibus bill. ***All groups should work together to promote only the technical fix that allows exemption of all organically certified operations.***

## Reclassification of Organic as a Commodity

***It is premature to support reclassification of organic as a commodity thereby authorizing the creation of a mandatory ORPP. This is not a technical fix.***

Currently every fruit, vegetable, nut, meat, etcetera, is recognized as an individual agricultural commodity. Eighteen of those commodities are subject to NRPPs. Proponents of an ORPP want Congress to reclassify organic products as a single commodity. Why? Because, without such reclassification there can be no single research and promotion program covering all organic products. This is because all existing R&P statutes authorize programs by individual commodity. Beef, for example. Reclassification of organic as a commodity and authorization of an ORPP would open all organic products to coverage under a single ORPP. This includes all products not currently subject to a NRPP. The organic community has not been given an opportunity to assess the pros and cons of: 1) this reclassification and 2) an ORPP. Accordingly, both actions are premature. Issues of concern include:

1. No control over how the organic commodity grouping might be used in the future.
2. Reclassification pre-empts community discussion and decision-making. We need to fully understand the constraints and opportunities within the existing statutes.
3. Congress will not be sympathetic in supporting legislation to create other programs, if an organic commodity is already created under the assumption that the organic community wanted it.
4. No agreement, or compelling argument, that organic is better served under a single ORPP than under the existing NRPPs. Or for that matter, any R&P program at all. Any new check-off program must not directly or indirectly undermine farmers' pay price.

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<sup>1</sup> Organic Farmers' Agency for Relationship Marketing (OFARM Inc.), Federation Of Organic Dairy Farmers (FOOD Farmers) umbrella organization for Western Organic Dairy Producers Alliance (WODPA), Midwest Organic Dairy Producers Alliance (MODPA) and Northeast Organic Dairy Producers Alliance (NODPA) for Organic Dairy; Beyond Pesticides (DC); Buckwheat Growers Association of Minnesota (MN); Cornucopia Institute (WI); Food and Water Watch (DC); Hoosier Organic Marketing Education (IN); Kansas Organic Producers Association (KS); Midwest Organic Farmers Cooperative (IL); Montana Organic Producers Cooperative (MT); National Farmers Organization (NFOrganics); Northeast Organic Farming Association of New York, Inc. (NOFA-NY); Northeast Organic Farming Associations Interstate Council (NOFA-IC); Organic Consumers Association (DC and MN); Weston A. Price Foundation; Wisconsin Organic Marketing Alliance (WOMA).

### ***Organic – Specialty or Commodity?***

Even Organic producers have often referred to our products as simply commodities, aptly defined by a dictionary as “Something useful that can be turned to commercial or other advantage”. References to Commodity markets and Commodity trading have certainly been factors in the shift of market manipulation power to buyers.

Organic producers believe that the unique and environmentally friendly system of growing Certified Organic food products in a health conscious fashion deserves much better. A dictionary defines a ‘Specialty’ as “The state or quality of being special or distinctive; also, an item or product of a distinctive kind or of particular superiority.” Organic production should surely become widely known and accepted as ‘Specialty’ products for an alternative food and marketing system. Any ORPP we might impose upon ourselves needs to present Organic as a ‘specialty’ as a primary focus of its mission.

### **Government Involvement**

An ORPP would be authorized through amendment of the Commodity Promotion, Research, and Information Act of 1996 or a new organic specific statute signed by the President. The ORPP would be a federally mandated program subject to policies, procedures, and guidelines of the USDA’s AMS. Proponents of the ORPP would draft a proposed research and promotion order and submit to the AMS. Within AMS, responsibility for the rulemaking would, most likely, be assigned to the Fruit and Vegetable Programs’ Economic Analysis and Program Planning Division. This group would conduct a referendum of eligible voters. Should the referendum pass, a final order would be published and the Secretary would appoint members to the Board.

By statute USDA would be required to provide ongoing oversight of the program. The cost of this oversight would be paid by the Board to the USDA from the assessments it would be authorized to collect. AMS oversight includes enforcement, internal/management control reviews, and review and approval of all budgets, plans, projects, programs, contracts, bylaws and policies. AMS employees attend and participate in all meetings.

**Note:** USDA’s Secretary of Agriculture has final approval authority over every word in every promotional campaign. Why? Because all NRPP communications are seen as the Secretary of Agriculture speaking, they are held to the standard, “Would the Secretary say this?”

### ***How USDA views Organic:***

1. Organic **is** a production claim. Organic is about how food is produced and handled.
2. Organic **is not** a content claim. It does not represent that a product is “free” of something.
3. Organic **is not** a food quality or safety claim. Organic is not a judgment about the quality and safety of any product. Organic does not mean a product is superior, safer, or healthier than conventionally produced food.

### ***Statutory Prohibitions:***

1. Any action that would be a conflict of interest.
2. Promotions that are not generic
3. Promotions that disparage another agricultural commodity.
4. Using funds to influence governmental regulatory action or policy, including the NOSB and NOP.
5. Using the program as a “pass through” to fund other organizations.

### **Some of the Issues Needing to be Addressed before Seeking an ORPP**

1. What are the benefits of pooling check-off dollars? Do they outweigh the disadvantages?
2. Why an ORPP and what is the ultimate goal of the ORPP?
3. What products/commodities will be covered and assessed and by how much? Why?
4. Will there be exemptions? If yes, what will the exemption(s) be?
5. How many Board members and what segments of the community will they represent?

6. What will the Board be charged with accomplishing?
7. What will the organizational structure be and by whom will the organization be administered?
8. Who will be eligible to vote in a referendum and will voting be by number, volume or both?
9. How often will continuance referenda be held?
10. How will the program be structured to assure that small producers are not adversely impacted by an ORPP?
11. What is the U.S. International Trade Commission (USITC) position on assessing organic imports? The USITC has a large role in determining whether imports are assessed and how the assessment impacts or possibly restricts free trade.
12. Will the USITC develop the codes necessary to allow Customs to collect import assessments? There are currently not enough codes to assess imports. It would take many years to develop a system that would assign codes to all organic imports. How will imports be assessed in the absence of HTS codes?
13. Who is going to fight the existing programs who will oppose an ORPP as they will lose check-off dollars?
14. Who will develop a system whereby retailers and large corporations (that package and market organic products) pay into a program developed for agricultural producers and handlers?

### **Potential Alternative Models for Pooling Resources**

#### ***Individual choices***

Individual producers and processors could direct their check-off monies straight to the educational and organic promotion programs initiated by producer and consumer controlled organizations like OFARM, NODPA, WODPA, MODPA, CROPP, OFRF and MOSES. This could happen immediately with the technical fix that will allow all certified operations to be exempt, for example Organic Valley would have the \$.20/cwt they currently pay immediately returned to them.

#### ***SARE model***

This innovative regional approach could be used to perform research, education and promotion, certification cost-share support, and market development. This model divides the country into four regions with regional councils that evaluate and prioritize the region's research needs on an annual basis. Determinations are made using surveys, regional conferences, public meetings, and on-going input mechanisms. Funds are prioritized under three areas (economic viability, environmental stewardship, and social justice and the quality of life). Funds are available for any size project, on-farm and research station-based projects, as well as education, outreach and market analysis. Farmers are required to be named and to play significant roles in identifying and completing the research which ensures accountability and that the needs of farmers in the region are being served. The council members are named by sector with no individual sectors predominating and must reflect the diversity and scale of the region. This program has been in place for over twenty years and has disseminated hundreds of millions of dollars in regionally focused sustainable agriculture research.

#### ***Wisconsin Milk Marketing Board***

The Wisconsin Milk Marketing Board is a nonprofit organization funded by dairy farmers that promotes the more than 600 varieties, types and styles of Wisconsin cheese. Representatives are elected by producers by district not appointed.

#### ***Farmers Advocating for Organics (FAFO)***

FAFO uses check-off dollars from CROPP/Organic Valley farmer member-owners to protect and promote the organic marketplace by investing in organic research, education and advocacy. A committee of farmers gives one year grants and demands accountability before more funding is given.

#### ***Programs by organic commodity***

Many producers feel that a better approach would be to have programs by existing commodity, for example organic dairy, organic beef, organic soybeans. The thinking is that commodity specific programs could more clearly identify the needs of different producers from a research and production perspective. Initially at least ½ the projected funds for an ORPP would come from the organic dairy industry.

**NOTE: For more information please go to: [http://nodpa.com/checkoff\\_opposition.shtml](http://nodpa.com/checkoff_opposition.shtml)**