



## Organic Trade Association Member Briefing

Re: [Senate Ag Committee Hearing: “Opportunities in Global and Local Markets, Specialty Crops, and Organics: Perspectives for the 2018 Farm Bill.” July 13, 2017](#)

### Witnesses

- [Dr. Kenneth Dallmier, President and Chief Operating Officer, Clarkson Grain Company, Inc., Cerro Gordo, Ill.](#)
- [Mr. Theoary Crisantes Jr., Organic Specialty Crop Farmer and Vice President of Operations, Wholesum Harvest, Amado, Ariz.](#)
- [Mr. Haile Johnston, Director, The Common Market, Philadelphia, Pa.](#)
- [Mr. Eric Halverson, Potato Farmer and Chief Executive Officer, Black Gold Farms, Grand Forks, N.D.](#)
- [Mr. Dean Meyer, Livestock and Crop Producer and Executive Committee Member, U.S. Meat Export Federation, Rock Rapids, Iowa](#)

### Attendees

#### Republicans

Pat Roberts (KS) Chairman  
John Boozman (AR)  
John Hoeven (ND)  
Joni Ernst (IA)  
Charles Grassley (IA)  
John Thune (SD)  
Steve Daines (MT)

#### Democrats

Debbie Stabenow (MI) Ranking Member  
Sherrod Brown (OH)  
Amy Klobuchar (MN)  
Michael Bennet (CO)  
Kristen Gillibrand (NY)  
Joe Donnelly (IN)  
Heidi Heitkamp (ND)  
Bob Casey (PA)  
Chris Van Hollen (MD)

## Summary

Members of the Committee have five full business days to submit additional statements, questions, and documents for the record. The deadline is COB July 20<sup>th</sup>. To weigh in on the farm bill you can submit your own testimony here: <https://www.agriculture.senate.gov/farm-bill-input>. The deadline is COB July 20<sup>th</sup>.

### Opening Statements

#### [Chairman Roberts:](#)

**On U.S. Exports** “Whether you are an apple grower in Washington, a dairy farmer in Wisconsin, or a cattle rancher in Texas, you need a strong and reliable market to sell what you produce. That is the benefit of Farm Bill trade programs. With an excellent return on investment, these public-private partnerships help the full range of producers, from commodities to specialty crops. Programs like the



Market Access Program, or MAP, allow producers to partner with USDA to market and promote their products to all corners of the globe.”

**On Organic Imports** “More and more, we are facing barriers to trade from other countries. In addition to developing and growing new markets, these programs play an important role in helping U.S. producers compete on the proverbial level playing field. In addition, some changes need to be made to ensure that our organic producers are competing on that level playing field, and that our own regulations and processes are not holding people back. A recent Washington Post article highlighted the issue of fraudulent organic imports, but my constituents in Kansas brought this issue to my attention a year ago. We pushed the Department of Agriculture to do something then, and it is clear that if it takes this long to get action, something needs to change.”

**On Organic Ag** “As I continue to repeat, with this tight budgetary environment, we need to ensure that over-regulation and antiquated government processes are not preventing businesses from succeeding. Farmers in rural America can choose organics, not necessarily because they believe there is anything wrong with conventional production, but because they recognize organics as a value-added opportunity. They are responding to a market signal and increasing their margins. However, it seems that uncertainty and dysfunction have overtaken the National Organic Standards Board and the regulations associated with the National Organic Program. These problems create an unreliable regulatory environment and prevent farmers that choose organics from utilizing advancements in technology and operating their businesses in an efficient and effective manner. Simply put, this hurts producers and economies in rural America. I look forward to hearing about these issues and learning from those that have first-hand experience in the successes of Farm Bill trade programs and the challenges associated with outdated processes.”

#### [Ranking Member Stabenow:](#)

**On Organic** “We’re also seeing incredible growth in organics and the local food economy that connect our farmers to new opportunities. U.S. retail sales for organic products have skyrocketed in the last decade, growing from \$13 billion in 2005 to more than \$43 billion today. Through targeted organic research, assistance for farmers transitioning into organic agriculture, and enforcement of organic standards, the Farm Bill is a critical tool to ensure consumers have choices in the grocery aisle and confidence in the organic products they purchase.”

**On Diversity in Ag** “We’re seeing more and more consumers who want to learn about their food and where it comes from. It’s hard to believe that specialty crops, local food, and organics didn’t have a place in the Farm Bill prior to 2008. Although these areas make up a small percentage of the Farm Bill budget compared to other titles, the impact of these investments has been enormous. It is critical that we continue to support the diversity of American agriculture as we write this next Farm Bill. The success of our agricultural economy will require continued investment in markets and opportunities for all of our farmers. Whether they are selling locally to their neighbor or exporting their products globally, and whether they are growing commodities, specialty crops, or organics— the Farm Bill should continue to help all of our producers to do what they do best: put food on our tables here and around the world.”



## Q&A

### Chairman Roberts

Question on NOSB: “Mr. Crisantes, with regard to regulations relating to organic what opportunities do you see to clarify the roles of both the National Organic Standards Board and the National Organic Program in determining appropriate organic regulations for the industry?”

Answer: “I think the NOSB has served the interest of the industry very well so far but moving forward the NOSB needs to evolve. I think having better clarity of what the goals of the NOSB should be, having better communication with NOP is a must. I think so far the communication has been one-sided and there hasn’t been a real exchange of information between the board and the USDA. I would ask Congress to create a new NOSB in which the board would be more diverse, better transparency and have better communications with USDA.”

Question on imports and domestic production: “Mr. Dallmier, it is evident that fraudulently imported organic grain significantly undercuts domestic producers. It seems that organic demand has far outpaced the ability of the National Organic Program to adapt. How has this government program failed to respond to the growth of the organic industry and what can we do about it?”

Answer: “Senator, the system design for the NOP did not include sufficient enforcement power in the event of fraud (either foreign or domestic). The idea was to promote trade with the premise that people are inherently good. As world commodity prices declined and the margins to be gained at low risk increased, that premise didn’t always hold true. The NOP should have been more aggressive in developing a Transition program to build a US supply of organic production potential at the scale needed to keep up with demand. By providing the same programs to organic and transitional producers that conventional producers use, with the recognition of the higher revenue potential of organic grain, that could have been accomplished sooner.”

Question on Clarkson Grain sourcing: “Mr. Dallmier, you have been giving great testimony. I understand that your company does not import much organic grain. From where do you source most of your organic grain, I know you source some of it from Kansas. From what other states do you source?”

Answer: “Currently, Clarkson Grain sources organic grain across eastern US, from the Rocky Mountains to the Southeast. We source grain across the grain belts east of the Rocky Mtns, from the Gulf to Canada. We have producers from the Dakotas, through Iowa, Minnesota, Nebraska, Kansas, Texas, Missouri, Illinois, Wisconsin, Indiana, Ohio, Kentucky, Tennessee, and into the southeast. The unique part about the organic supply chain is the quality of the material is valuable enough to travel greater distances than normal conventional grain. So it is not uncommon for blue corn to travel from Nebraska to Illinois to be cleaned and then shipped to a chipmaker in a different state. We were talking about cross- country trade. It is also not uncommon for a corn crop from Kansas or Iowa to go to Illinois and then be shipped to British Columbia going across to Canada for organic products as well.”



Question on NOSB: “Mr. Crisantes, some in the organic industry have a tendency to narrow their focus to overly specific issues determined by parochial interests of activist groups. As a thriving organic business, what do you see at the most significant overarching issue facing the organic industry?”

Answer: “For example sir, we are currently discussing our production practices at NOSB. Everybody here notes the requirement for a transitional standard is necessary but that is not what is being discussed at NOSB. I think there is a disconnect between the priorities of the industry and the priorities of the NOSB. A key role that the NOP and USDA can play is leading the communication on the front end to guide the NOSB to provide feedback on policy.”

### **Ranking Member Stabenow**

Question on organic research: “Mr. Crisantes, in your testimony you talked about some of the existing challenges and the needs of a rapidly growing sector. In part, because of a historic deficit in organic research which remains far behind industry trends and needs can you explain why a dedicated organic research funding is critical to the success of your business and the organic industry?”

Answer: For example, variety development for specialty crops. In order for companies to develop varieties they do that using conventional production practices. The traits they choose are what is for conventional production and those varieties and traits might not work for organic production. For tomatoes, powdery mildew is a big problem and it’s easier to control in conventional agriculture but for organic agriculture it is not. A lot of dedicated research is needed for organic production because we have different tools and the outlook is different between conventional and organic.”

### **Senator Gillibrand**

Question on organic research: “Mr. Crisantes, all of us on the committee have heard about the growth in the organic industry and how growers struggle to meet consumer demand. This has created a great opportunity for many young farmers in New York to begin or transition to organic farming. I worry that the pace of organic research and extension services for organic growers may limit this potential growth. Do you think federal funding for organic research is adequate and keeping pace with the industry growth?”

Answer: “We should be able to strengthen those research programs. Research is important to specialty crops but in organics the lack of tools for us to produce and be more productive is a small handicap. Research is a very important tool for us to be able to succeed and to be more productive.”

Follow up question: “Have you struggled to find the right seeds adapted to your production system?”

Answer: “We certainly do because as I said before a lot of varieties are selected under conventional production and if we had dedicated research for organic that could be complemented to produce and find seeds for organic production practices.”

Question on domestic production: “Mr. Dallmier, you talked about the need to increase the oversight of imported organic products to reduce fraud and maintain the integrity of the organic seal. What can the



Committee do to support more domestic organic production so that we are less reliant on organic imports?"

Answer: "I believe that we need to encourage more scalable farming operations to incorporate organic production into their business plans. We are at that transition period where organic production was considered a small scale enterprise. If we are going to make that leap to rely less on imports, we need to get to scale. To do that the research that you were talking about and the extension you were talking about. We need to think about pushing that research not only to land grant universities but to the community and regional colleges that have that have a more face to face touch. We also need to utilize and expand upon the existing USDA programs to encourage that transition period between conventional and organic farming. Some examples I'd like to highlight are the SHIP, CSP, EQIP on the conservation side. As well as the financial backstops that are currently involved such as crop insurance, revenue insurance, etc. so that those would take into account the higher revenue streams and potential of organic and specialty crops. So those risk mitigation tools can be utilized effectively as this becomes a large scale business."

Follow up question: "Do you think the transitional certification program could help more commodity producers obtain organic certification?"

Answer: "Absolutely. As our markets are requesting more knowledge, more transparency within those marketplaces the certified transitional program allows a level playing field and a level set of standards to build upon that market going forward."

#### **Senator Klobuchar**

Question on trade: "Export markets are so essential to our agriculture industry so trade disruptions can be harmful to our agriculture sector. What tools are available to address foreign policies that can derail trade?"

Answer: "As merchants and thinking about trade we are much more interested in continuity, predictability, and stability as we engage with our trading partners. I would encourage policymakers to investigate and think about how that stability has been effected when we renegotiate NAFTA, pull out of TPP. All trading partners are valid."

Follow up question: "Mr. Dallmier, you brought up NAFTA. Can you talk a little bit about how that fits into the ag export market? I know Secretary Ross has been working on some of the issues such as sugar before we get to renegotiation. Do you want to talk about the importance to ag?"

Answer: "Certainly. Across almost all the ag sectors are number #1 and #2 export markets are Mexico and Canada. I can talk to Mexico in particular in the corn and soybean realm. One of our key clients directly imports our organic corn for chips into Mexico. As the discussions around NAFTA were coming to a head we were getting a lot of phone calls. They were asking what do you see coming ahead and what are the impacts. They started looking to other markets such as South America for supplies. In the organic world, the South American supply can run into the same questions we've been getting into with



current import supplies. So it could very well hurt the brand recognition of U.S. products and certified organic.”

### **Senator Grassley**

Question on organic: “I just have one question for Mr. Dallmier. It’s my understanding that USDA prices for organic corn are \$8 and soybeans at \$17. I presume some justification for that is for a certain period of time the land has to lay fallow before it goes organic and I don’t know how long that time period is. Is that price that I just quoted to you enough to encourage people to get into organic? And also you have to consider the unpredictability of prices down the road after they let their land lay idle as they get into this crop. How does that incentivize people to get into organic?”

Answer: “Your prices are accurate. Several years ago though the price of an organic bushel of corn was about 3x the price of conventional corn. The price of organic soybeans is between 2.5x to 3x the price of conventional soybeans. Those are primarily quality and supply constraints as well as the transition period which is three years from conventional to organic. How do we incentivize people to come into that transitional period? That is where the uncertainty both with a cropping strategy and financial strategy come together. I think that’s when the certified transition program that we’ve asked USDA to finalize comes into play because that build markets for those crops during that three-year transitional period. And it’s more than just hay and different other crops. It could be such things as sunflowers or small grains, unique places in those high value areas. That is where the conventional risk comes and where the financial risk comes. Once you get through those transition periods and into selling your certified organic grains in our case that’s where the revenue stream comes into play and that’s also where the increased number of jobs come into play. Because it takes more people per land area for organic production than it does for conventional production. Those are real jobs and in many cases those jobs and the increased revenue are what are allowing many farmers to remain on the farm. As well as the infrastructure that was talked about earlier today as far as the logistics and the market.”

Follow up question: “Any policy considerations for us as we go into the next farm bill in regards to what you just said?”

Answer: “I think we can build upon the crop insurance, revenue insurance, those financial pieces as we bring scale into organic production. We also need to be mindful of the RMA’s organic prices. For example, in the state of Iowa we have seed corn fields, seed soybean fields that have different revenue structure, different price structure than conventional row crops. What can be done with insurance and other programs is already there, we just need to transfer the work that has been done in the last farm bill on organic prices to other risk management programs.”

## **CONTACT**

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