Organic Agriculture

FAS/Dairy, Livestock and Poultry Division
Analysis of the U.S. and International Organic Industries

Melissa Schmaedick, September 2000

ORGANIC AGRICULTURE

What is "Organic"?

– a "holistic production management system"

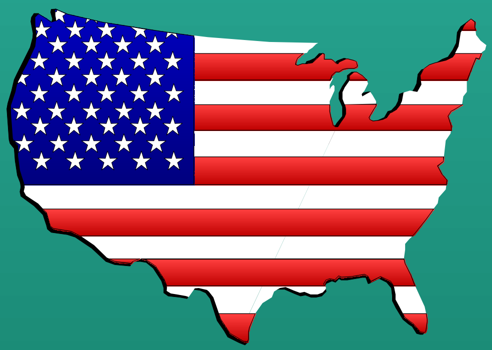
– emphasizes the use of cultural, biological and mechanical management practices over off-farm, synthetic inputs

– optimizes the health and productivity of ecologically sustainable agroecosystems

– organic livestock production fully integrates animal and crop production

– symbiotic relationship of recyclable and renewable resources within the organic farm system

– certification of organic products is the certification of a *production system*, as opposed to the certification of a *product*



U.S. Organic Agriculture

Production & Consumption

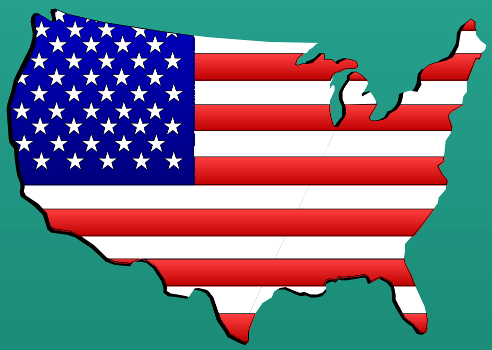
P The U.S. is the largest consumer and second largest producer of organic food products (value) after the EU.

P The U.S. is the third largest organic producer in terms of certified organic farmland acreage after Australia and the EU.

P Overall growth rate of U.S. domestic organic food sales is 20 percent annually.

P The average global rate of growth in organic consumption is 25-30 percent annually.

P Global retail sales of organic food is expected to reach well over $20 billion in 2001. Of that amount, U.S. domestic consumption is expected to reach $9.5 billion.

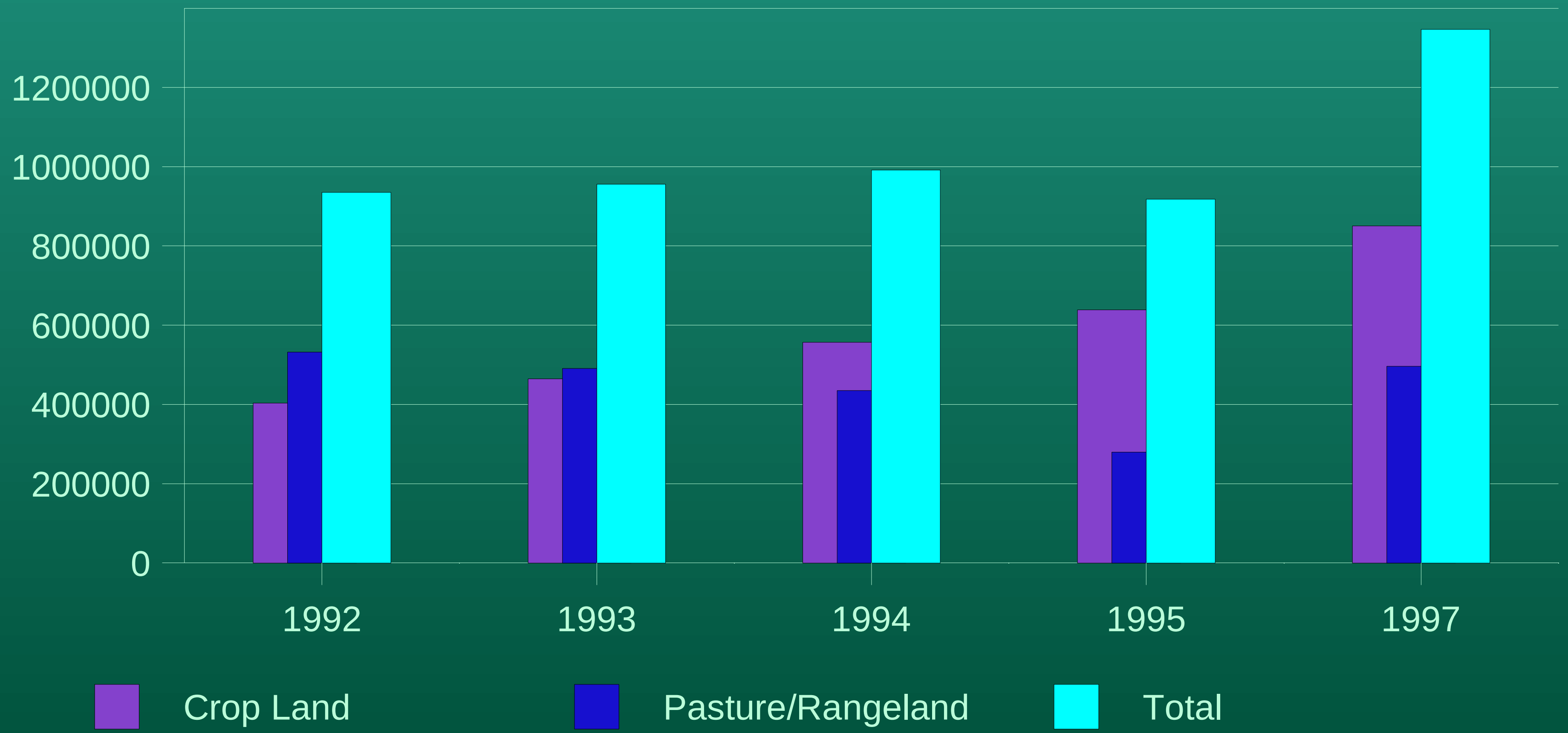


U.S. Organic Agriculture

Production & Consumption (cont’d.)

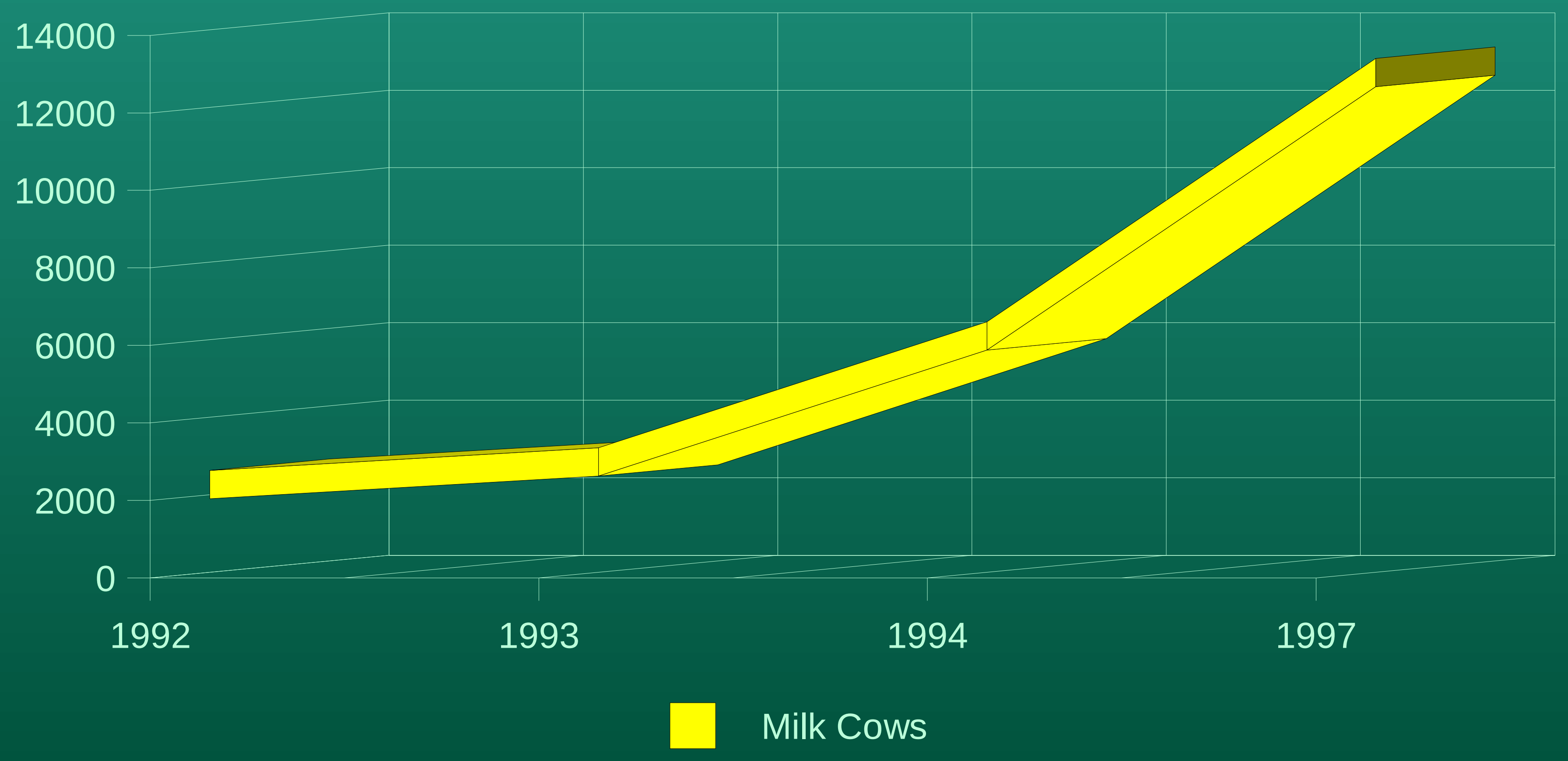
- Total U.S. sales for 2003 are forecast to reach just over $13 billion
- Organic crop products (grains, fruits and vegetables) account for over 60 percent of the U.S. domestic market
- It is estimated that organic dairy and meat products currently capture 11 and 4 percent, respectively, of total domestic organic food sales.
- Organic dairy and meat products are expected to capture 15 and 5 percent, respectively, of total domestic organic food sales by 2003.
- While trade of organic agricultural products does occur, dairy, livestock, and poultry products currently capture a very small percentage of the total.

1992-1997 (Total Acres)



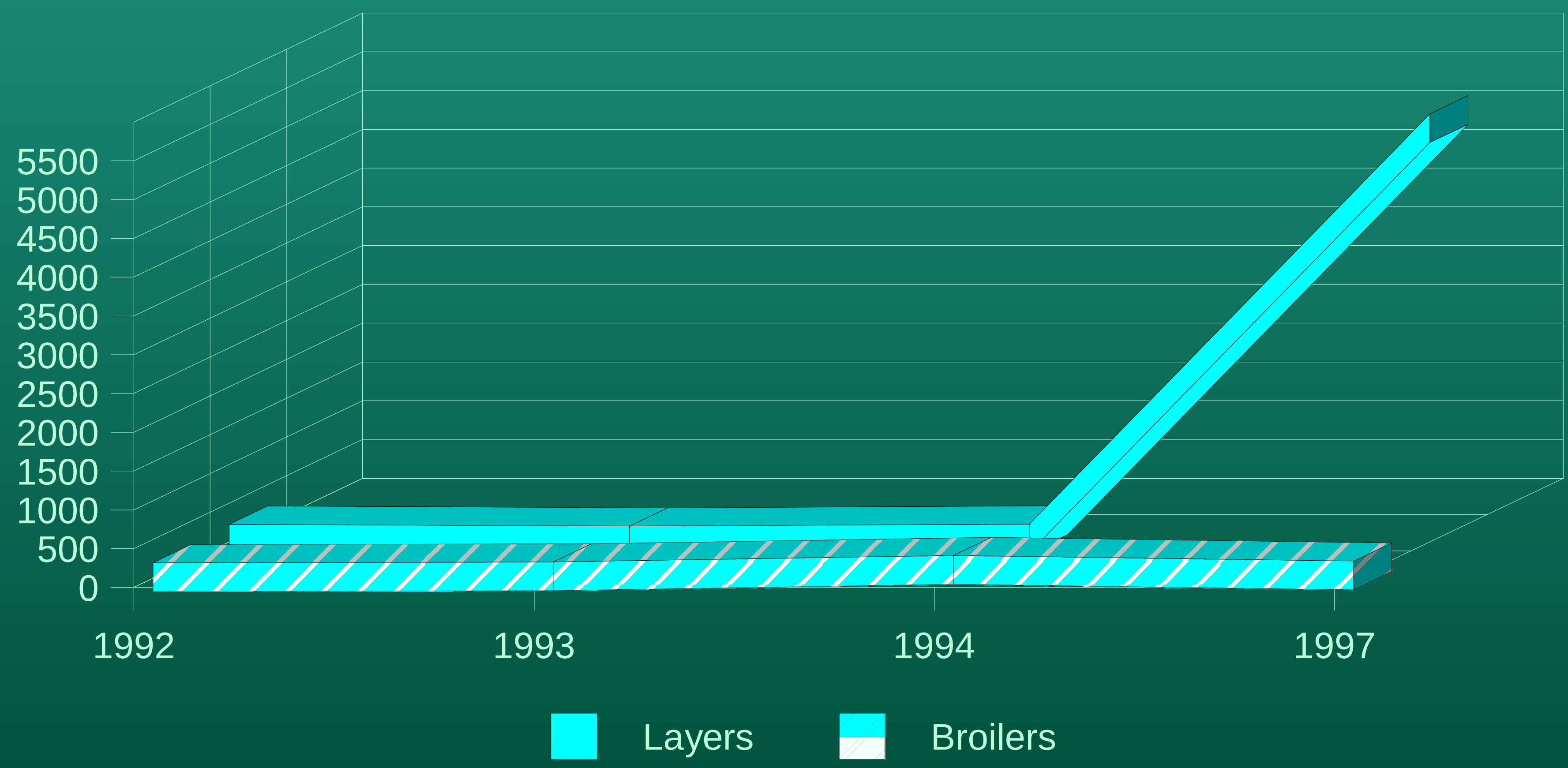
U.S. Certified Organic Milk Cow Production

1992-1997 (Total Head)



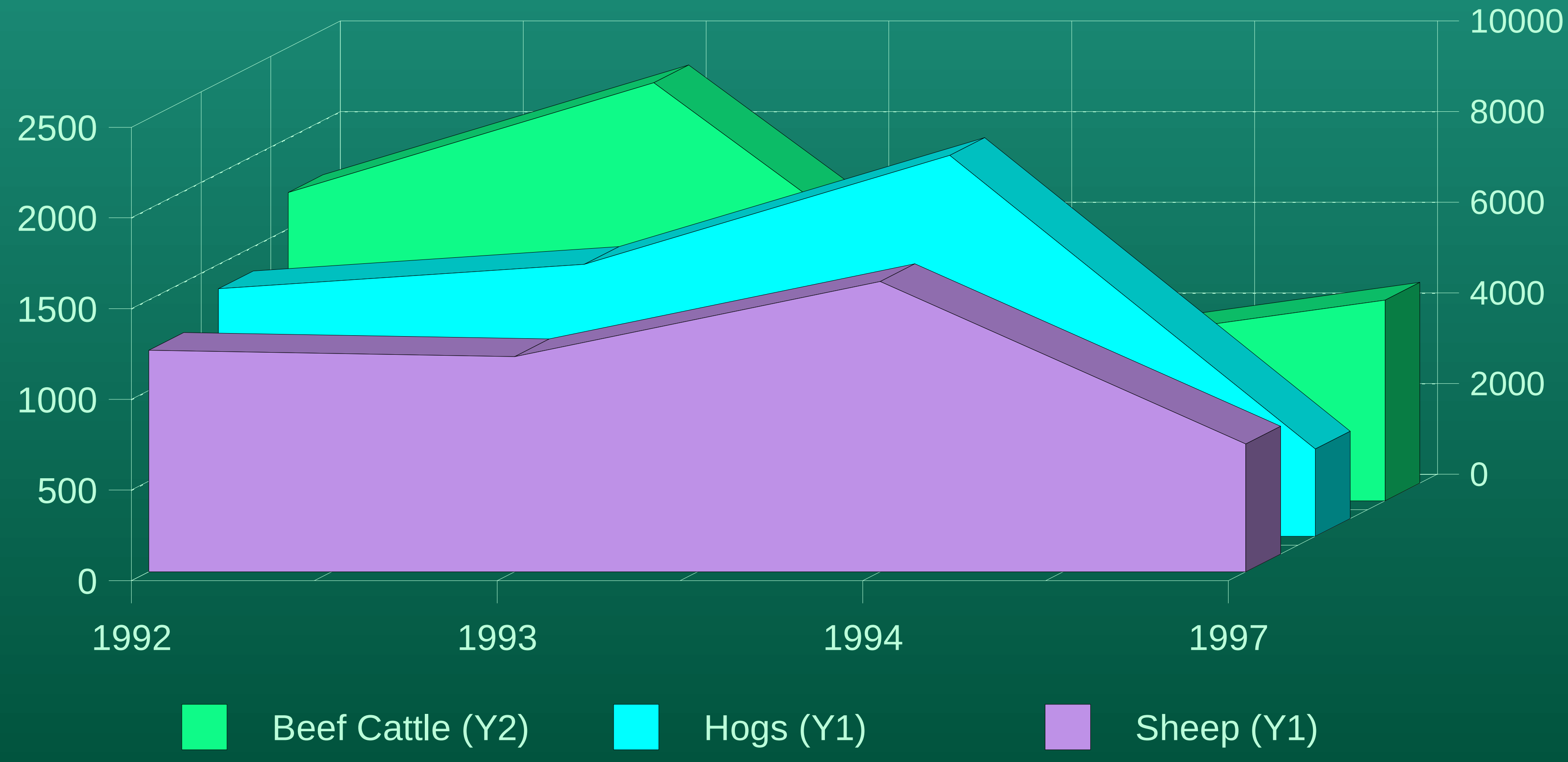
U.S. Certified Organic Layer & Broiler Production

1992-1997 (Total 1,000 Birds)

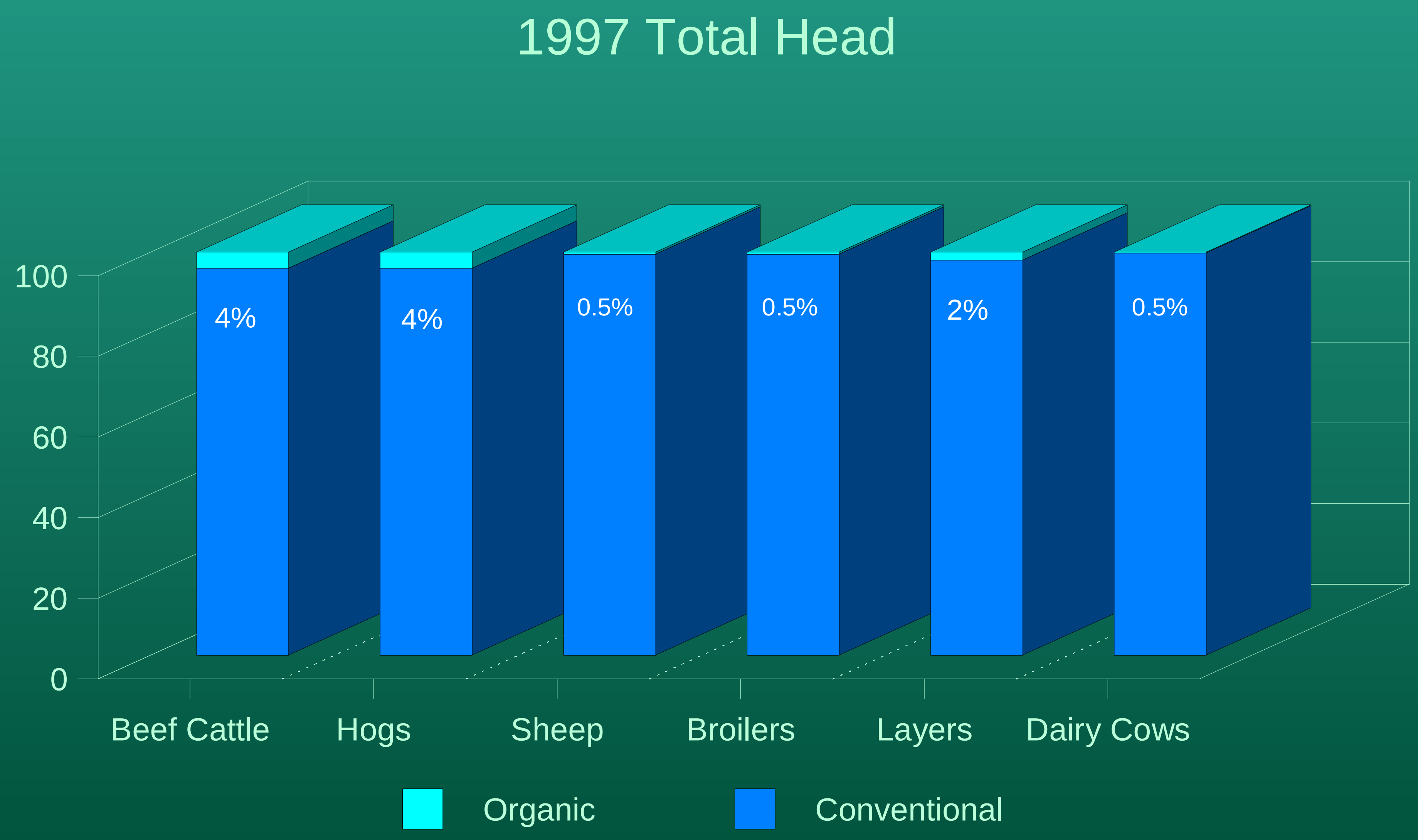


U.S. Certified Organic Livestock Production

1992-1997 (Total Head)



Number of Livestock Animals, Conventional vs Organic

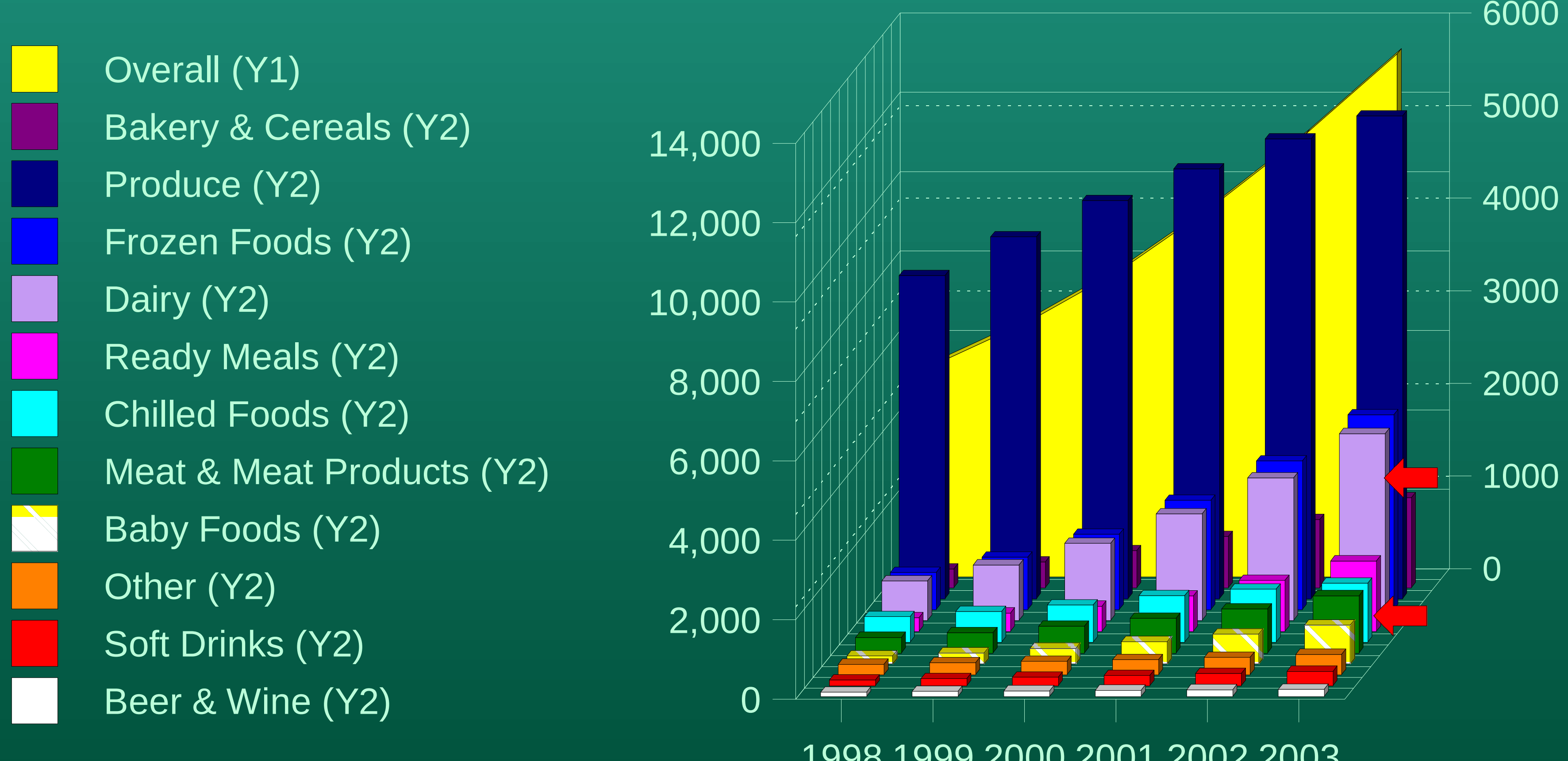


1998-2003 (f) ($ million)

	1998	1999	2000	2001	2002	2003	Ave Growth
Produce	3,486	3,904	4,294	4,638	4,962	5,210	8.4%
Frozen Foods	400	565	813	1,179	1,603	2,101	39.3%
Dairy	424	598	832	1,148	1,538	2,015	36.6%
Bakery & Cereals	201	278	400	553	735	970	36.9%
Ready Meals	145	196	269	381	549	758	39.2%
Chilled Foods	274	329	401	501	572	635	18.3%
Meat & Meat Produ	168	218	288	374	475	617	29.8%
Baby Foods	84	117	166	239	321	417	37.7%
Other	112	129	145	163	187	219	14.4%
Soft Drinks	60	75	91	110	130	153	20.4%
Beer & Wine	46	54	60	66	72	77	10.9%
Overall	5,401	6,463	7,760	9,352	11,146	13,172	19.5%

U.S. Organic Market Value by Commodity Group

1998-2003 (f) ($ million)



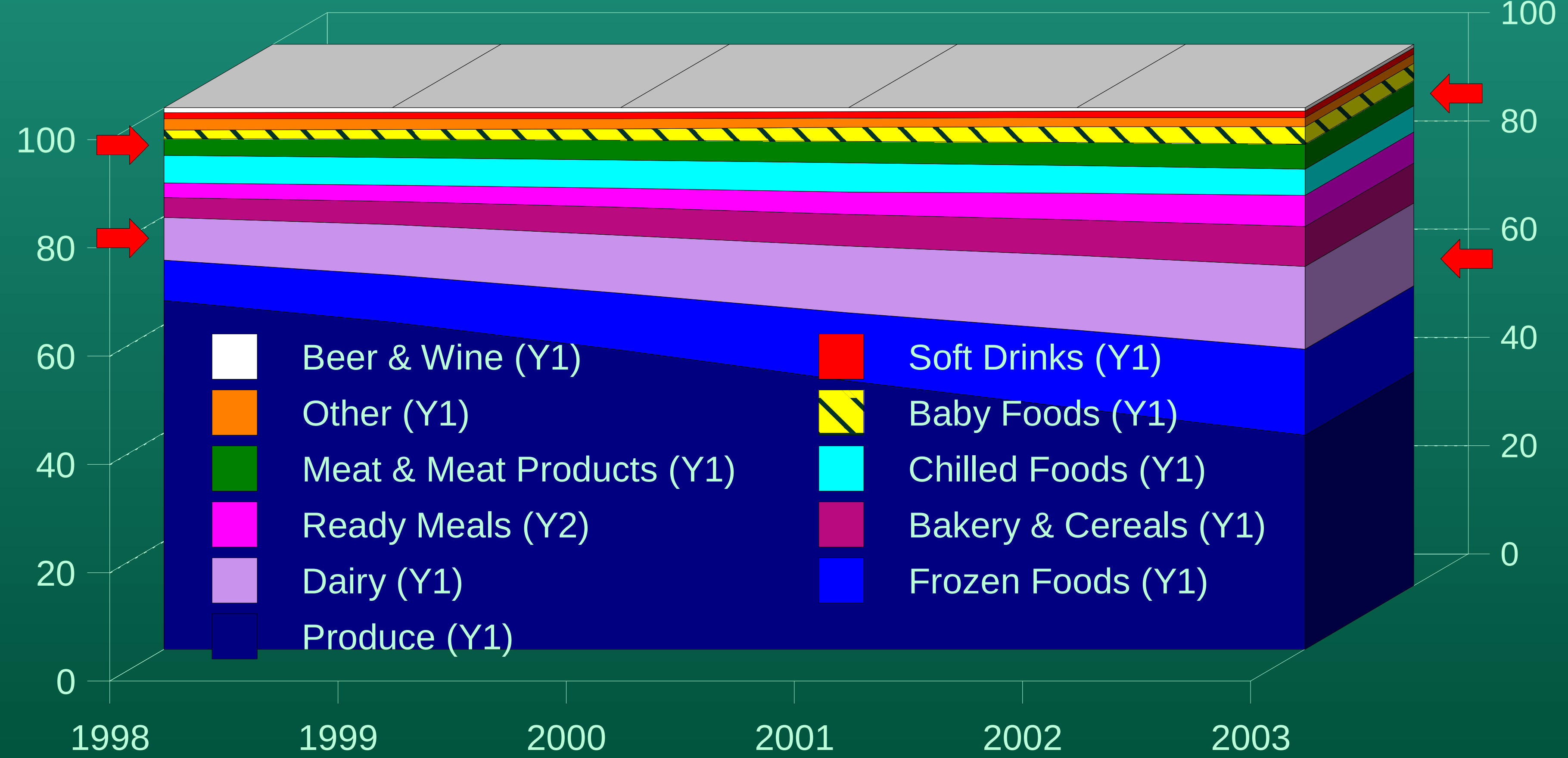
Share of U.S. Organic Market by Commodity Group

1998-2003 (f)   (% of Total Organic Market)

	1998	1999	2000	2001	2002	2003
Produce	64.5	60.4	55.3	49.6	44.5	39.6
Frozen Foods	7.4	8.7	10.5	12.6	14.4	15.9
Dairy	7.9	9.3	10.7	12.3	13.8	15.3
Bakery & Cereals	3.7	4.3	5.2	5.9	6.6	7.4
Ready Meals	2.7	3	3.5	4.1	4.9	5.8
Chilled Foods	5.1	5.1	5.2	5.4	5.1	4.8
Meat & Meat Produ	3.1	3.4	3.7	4	4.3	4.7
Baby Foods	1.6	1.8	2.1	2.6	2.9	3.2
Other	2.1	2	1.9	1.7	1.7	1.7
Soft Drinks	1.1	1.2	1.2	1.2	1.2	1.2
Beer & Wine	0.9	0.8	0.8	0.7	0.6	0.6
Overall	100	100	100	100	100	100

Share of U.S. Organic Market by Commodity Group

1998-2003 (f)   (% of Total Organic Market)



Global Organic Trade

Growth Factors and Forecasts

- Organic agricultural trade is a growing, although relatively undeveloped, sector of the international market.
- More rapid trade growth has been hindered by yet evolving national organic standards, certification and accreditation programs, and inefficient market infrastructures for organic products in many countries.
- It is expected that once national standards are more widely established, bi-lateral equivalency agreements will lead to increased trade opportunities.
- National standards and trading patterns are expected to formalize over the next 1 to 3 years.
- It may take as many as 5 or more years for dairy, livestock, and poultry trade to flourish.

Global Organic Trade

Dairy, Livestock, & Poultry: Growth Factors and Forecasts

- Regions having the strongest demand for organic livestock products, namely the United States, the European Union and Japan, currently show little third country imports.
- Some reasons for this are:
  - 1) there is currently little world surplus production of organic livestock products for export.
  - 2) international trade is hampered by a lack of established trading systems and guidelines.
- U.S. producers of organic dairy have established foreign production facilities, but these activities account for a small part of international trade.

Global Organic Trade

Why Focus on the Future of Organics?

- Growing interest in organically produced products exists among many key U.S. trading partners.
- There is a strengthening presence of organic products in trade shows and the international market.
- An increasing number of trade inquiries from overseas for U.S. suppliers.
- Because organically produced products typically sell at a premium relative to their conventional counterparts, this sector is particularly important in the high value, value-added export industry.