

Summary

Burgeoning consumer interest in organically grown foods has opened new market opportunities for producers and is leading to a transformation in the organic foods industry. Once a niche product sold in a limited number of retail outlets, organic foods are currently sold in a wide variety of venues including farmers markets, natural product supermarkets, conventional supermarkets, and club stores. Since the early 1990s, certified organic acreage has increased as producers strive to meet increasing demand for organic agricultural and food products in the United States. The dramatic growth of the industry spurred Federal policy to facilitate organic product marketing, and is leading to new government activities in research and education on organic farming systems.

This report summarizes growth patterns in the U.S. organic sector in recent years, by market category, and traces the marketing channels for major organic commodity groups. The report describes various research, regulatory, and other ongoing programs on organic agriculture in the U.S. Department of Agriculture.

- The U.S. organic food industry crossed a threshold in 2000: for the first time, more organic food was purchased in conventional supermarkets than in any other venue.
- Growth in retail sales has equaled 20 percent or more annually since 1990. Organic products are now available in nearly 20,000 natural foods stores, and are sold in 73 percent of all conventional grocery stores.
- According to the most recent USDA estimates, U.S. certified organic cropland doubled between 1992 and 1997, to 1.3 million acres.
- The new U.S. Department of Agriculture standards for organic food, slated to be fully implemented by October 2002, are expected to facilitate further growth in the organic foods industry.
- Fresh produce is the top-selling organic category, followed by nondairy beverages, breads and grains, packaged foods (frozen and dried prepared foods, baby food, soups, and desserts), and dairy products. During the 1990s, organic dairy was the most rapidly growing segment, with sales up over 500 percent between 1994 and 1999.
- Nine USDA agencies have expanded research, regulatory, and other programs on organic agriculture.
- The main regulatory program is the creation, implementation, and administration of the USDA organic standard. Other programs include crop insurance for organic farmers, information provision, and promotion of organic exports.
- USDA also funds projects for international market development and for natural resource conservation. Funding is also extended to projects assisting adoption of organic practices and exploration of new farming systems, methods, and educational opportunities.
- USDA research includes agronomic studies on soil management, biological control of pests and weeds, livestock issues, and post-harvest fruit treatment. Economic research focuses on tracking growth in the organic sector, demand for organic products, and organic farmers' risk management strategies.