

Expanding Market Opportunities with Organic and Natural Agricultural Enterprises



An Alternative In The Future Of Family Farming

Presentation at The Honorable Marsha Blackburn's 7th Congressional District
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Organic/Natural, An Alternative Farming Method



Sources: Delvin, Keener, and Farris farms. All in middle Tennessee. 2004.

Growing Prominence in Public Policy

- USDA Organic Rule,
October 21, 2002
 - Throughout food chain,
no synthetic inputs
- USDA Natural
standards
 - Prohibits the use of
artificial ingredients
(including added
hormones, antibiotics),
coloring or chemicals and
require minimal
processing
 - Feed does not have to be
organic





Federal Support for Organic

- 2002 Farm Act

- \$15 billion for organic production system research
- \$5 million for certification cost-share program
- Organic Certification Cost-Share Program Contact
 - Dan Strasser, TDA, 615-837-5298

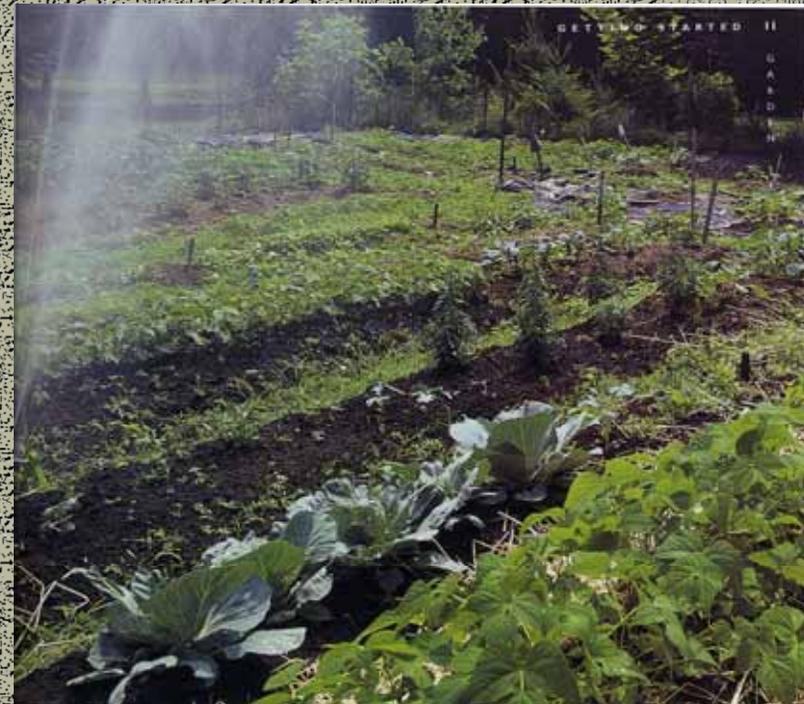


Just want to add value with
“organic,” without going through
certification?

- If you sell less than \$5,000 a year in “organic” products, you do not have to be certified and can label your products as “organic.”

The Organic Production System

- Produce food & fiber
- Relies on biological diversity in the field
 - Disrupt pests' habitat
 - Purposeful maintenance & replenishment of soil nutrients
- No synthetic pesticides or fertilizers





Renewed Interest in Alternative Farming: Direct Result of ...

- High energy prices
- High fertilizer costs
- Concerns about
 - Health
 - Pesticide residues
 - Environmental impacts of chemicals

Organic/Natural Market Opportunities Expanding



- Gained foothold in '80s
 - fruits and vegetables
- Expanded in '90s & now
 - All crops and livestock

Market \$\$\$\$

- Organic, in 5 years
 - From \$3.47 billion
 - To \$7.1 billion industry
 - 20% annual growth
 - \$32 billion by 2009
- Currently, All-natural & Organic
 - > \$32.7 billion



What drives the market?

- Prevalent driving factor
 - Adoption by mass market grocery industry
 - Accounts for 37% organic food sales



Source: "The U.S. Market for Organic Foods and Beverages," research by Packaged Facts. Reported at www.meatingplace.com Daily News.



Production In Response to Market Demand

- 7,000 (300 in TN) producers
 - Certified 1.3 million crop acres
 - 1 million pasture acres
- Organic livestock
 - Up 4-fold from 1997
 - To 72,000 in 2001
- Organic broilers
 - Relaxed labeling restrictions
 - 38,000 birds in 1997
 - 3 million in 2001
- Additional acreage in All-natural production
 - Grass-fed beef
 - Pastured poultry

Eye-opening Premiums

- Fruits & Vegetables
 - 100% premiums
- Milk
 - 60% premiums
- Grains
 - 50% premiums



A Family Farm's Niche!



- Consumers ranking
 - Taste
 - Quality
 - Nutrition
 - Healthfulness
- Over price
- Niche for organic/natural

A Niche In A Nutshell



Individuals or identifiable groups who have unique tastes and preferences for products that are different from the masses.

Keys to Success



JoySoy, Clifton, TN

- Find market sufficiently different from mass market to allow:
 - Premium
 - Lower production costs
- Large enough to be profitable
- Not large enough for mass production



Marketing Outlets for Organic / Natural Products

- Wholesale
- Direct marketing
- ~ 1/3 organic producers contribute to farm viability with value-added products
 - Wine, cheese, salsa, yogurt, jams, jellies, flour, pickles, cider

Organic Wholesale

- Organic Trade Association
 - www.ota.com
- National Association for the Specialty Food Trade
 - <http://www.specialtyfood.com/do/about/Organization>
- Localharvest
 - www.localharvest.org



Organic/Natural Marketing



- Wholesale
 - Whole Foods
 - Wild Oats
- Retail/direct
 - Turnip Truck, Nashville



Ada's Country Store, Bethel Springs, TN

Who wants natural?

42% Americans, that's who!

- Beef model: Grass-fed
- Animal stays in TN
- Grass-fed to finish
- Local slaughter
- Various markets
 - Don't compete with conventional animals



Hays Meat Co.
USDA Inspected & Custom Slaughter

DENNIS or CHRIS HAYS
967-1411 or
967-3222

16319 Hwy. 412 E.
Lexington, TN 38351

Prominent Marketing Outlets



- Pick-Your-Own
- Farmers' Markets
 - Committee
 - Individual
- Liability insurance
 - Selling own products
= farming
 - Buying and re-selling
= commercial,
additional policy

Community Supported Agriculture

- A community of consumers support a local farm by purchasing, in advance, shares of that farm's next harvest





CSA Variations

- Farmer harvests
 - Customer receives
 - Box/basket/sack of produce
- Customer-assisted harvesting
 - Part of contract
 - Specified amount of time assisting with the crops

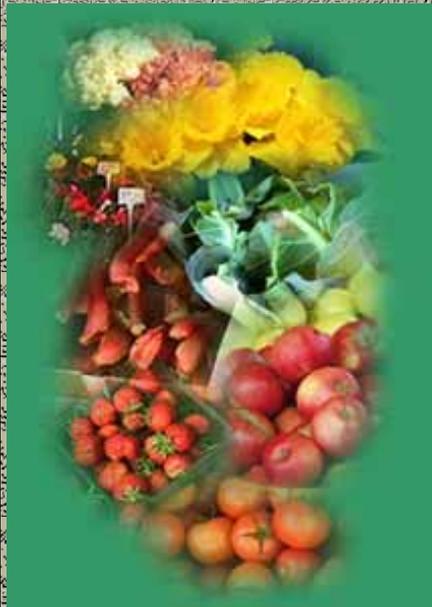
CSA: discounts for field work



CLEMENS KALISCHER

Sharers and their children weeding early season crops at Indian Line Farm.

A CSA's Yearly Share...



- 24 weeks
- May – October
- ½ bushel variety of organic food
- \$560.00
- Bonus in the basket
 - Recipes
 - Flowers
- Key: diverse products

Restaurant Supported Agriculture



- Partnership
 - Chef + farmer
 - chefscollaborative.org
- Survey of markets
- Contracting with the grower
- Farmer's name featured on menus



Sambo, the All-Natural 'mud-puppy' wants you to know...



- Opportunities
- Know the laws
- Comply with the rules
- Partnerships to aid the development of these new marketing avenues

Take Home Message of Organic and Natural Niche Marketing



- High-end markets
- Successful with direct marketing
- Diversification keeps consumers happy
- Higher-end with value-added products



Partnerships Needed

- Small Business Development Agencies
 - Business plans
 - Grants/loans
- Regulatory Agencies
 - Protecting the small, family farms
 - User-friendly policies, e.g., Agritourism, small harvest plant.
- Local Rural Leadership
 - Community decision-making
 - Support system for developing markets, e.g. farmers' markets, CSA, RSA
- UT Extension
 - Education programs
 - Demonstrations of new enterprising activities



USDA Agencies with Research, Program, and Regulatory Activities on Organic Agriculture

- Agricultural Marketing Service (AMS)
- Alternative Farming Systems Information Center (National Agricultural Library)
- Agricultural Research Service (ARS)
- Cooperative State Research, Education, and Extension Service (CSREES)
- Economic Research Service (ERS)
- Foreign Agricultural Service (FAS)
- National Agricultural Statistics Service (NASS)
- Natural Resources Conservation Service (NRCS)
- Risk Management Agency (RMA)

Source: USDA Economic Research Service





ERS-USDA Contacts on Organic Agriculture:

ERS Organic Briefing Room Website:

WWW.ERS.USDA.GOV/Briefing/Organic/

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Thank you. Questions?



Zantedeschia 'Pink Persuasion'

