ORGANIC: IT’S MORE THAN A LABEL

Room 312-313 | December 7 2017
CEUs – New Process

Certified Crop Advisor (CCA)

• Sign in and out of each session you attend.
• Pickup verification sheet at conclusion of each session.
• *Repeat this process for each session, and each day you wish to receive credits.*

Pest Control Advisor (PCA), Qualified Applicator (QA), Private Applicator (PA)

• Pickup scantron at the start of the day at first session you attend; complete form.
• Sign in and out of each session you attend.
• Pickup verification sheet at conclusion of each session.
• Turn in your scantron at the end of the day at the last session you attend.

*Sign in sheets and verification sheets are located at the back of each session room.*
AGENDA

• Harbinder Maan, Almond Board of California, moderator
• Bryce Spycher, Almond Board of California
• Kelly Damewood, CCOF
• Tina Owens, Kashi
1. Overview of the Organic Almond Industry
   - 2016 USDA/NASS Organic Survey
   - Almond Board Organic Statistics

2. Organic Advisory Panel
   - Formation of the Panel
   - Topics of Discussion
What is Organic?

• Organic Foods Production Act of 1990
  – Established the National Organic Program (NOP) and its authority to enforce agricultural products sold, labeled or represented as “organic” within the U.S.

• Growing Organic
  – Growers have gone through a 3 year transitional period where products cannot be marketed as “organic”

• Certified Organic Seal
  – Contents should be 95% or more certified organic
    • Free of synthetic additives like pesticides, chemical fertilizers, and dyes.
    • Cannot be processed using industrial solvents, irradiation or genetic engineering.
2016 USDA/NASS Organic Survey

United States

- 5 million certified organic acres in the United States
  - An increase of 15% from 2015
- $7.6 billion in certified organic commodity sales
  - $4.2 billion for crops
  - $3.4 billion for livestock, poultry and related products

California

- 1.1 million certified organic acres
  - 21% of total U.S certified organic land
- 2,713 certified farms
  - 76 certified organic almond farms
- $66.3 million certified tree nut sales
  - 84% of total U.S. certified organic tree nut sales

USDA/NASS/RMA, 2016 Organic Survey, October 4, 2017
Organic Tree Nut Acreage

• Majority of organic tree nuts are grown in California
  – 63.6% of organic tree nut acreage

• California Tree Nut Acreage
  – Walnuts (44.2%)
  – Almonds (43.8%)
  – Pistachios (11.3%)

USDA/NASS/RMA, 2016 Organic Survey, October 4, 2017
California Tree Nut Value

- Organic almonds provide a good return
  - $5,428/acre
California Organic Almond Production

Crop Size
Organic


Millions lbs.

Almond Board of California
USDA/NASS/RMA, 2016 Organic Survey, October 4, 2017
Agenda

1. Overview of the Organic Almond Industry
   - 2016 USDA/NASS Organic Survey
   - Almond Board Organic Statistics

2. Organic Advisory Panel
   - Formation of the Panel
   - Topics of Discussion
Organic Advisory Panel

• Organic Advisory Panel
  – Representatives from growing, hulling/shelling and processing/handling segments of the organic almond industry
  – Meetings on a quarterly schedule

• Functions of the Organic Advisory Panel
  – Provides a place for discussion on issues relevant to the organic almond industry
  – Panel provides insight to the Board of Directors or Committees on a variety of topics specific to the organic almond industry
Relevant Topics

• Organic Almond Imports
  – Equivalency Agreements
  – Compliance & Enforcement

• Organic Research, Promotion, and Information Order

• Organic Statistics
  – Organic Position Report
  – Organic Production Reporting

• Research Areas
  – Biological Soil Amendments
  – Pollinator Health
Organic Advisory Panel

Next meeting is scheduled for:

- Thursday, March 22, 2018 @ 10:00am
  - Nonpareil Conference Room, Almond Board

Thank You!

Bryce Spycher
Manager, Marketing Order Services
bspycher@almondboard.com
Organic Integrity in a Global Marketplace

Kelly Damewood, CCOF
Director of Policy & Government Affairs
About CCOF

(California Certified Organic Farmers)

Members of CCOF Board of Directors – all certified organic producers.
The CCOF Foundation
CCOF Policy & Advocacy

- Federal & California State Policy
- National Organic Standards
Advancing Organic Agriculture for a Healthy World
A Global Organic Marketplace

• Over 179 countries have organic activities.
• Global retail sales of organic food and drink in 2015 totaled $81.6 billion.
• 2.4 million organic producers worldwide.
• Exports to at least 104 countries.
• Imports to at least 111 countries.
Organic Trade Balance

• Organic Imports worth 2x as much as Organic Exports
  – $1.7 billion imports
  – $547.7 million exports
Organic Trade Partners

Equivalency Agreements

- Canada
- EU
- Japan
- Switzerland
- Korea

Other Key Trade Partners

- Taiwan
- India
- Israel
- New Zealand
- Mexico
- Peru
- Turkey
- Ukraine
Compliance & Enforcement Worldwide

- Audits of certifying agents
- Annual on-site inspections.
- Residue testing program.
- Suspending or revoking organic certificates.
- Issue-based investigations.
Organic Share of Almond Imports

Over half of imported almonds over the last 3 years were organic, ranging from 54-57% of all almond imports.
Unique Challenges in Global Supply Chain

• Uncertified handlers.
• Increased complaints and testing proficienies.
• Increased volume of organic operations and products.
• NOP coordination with other agencies overseeing imports.
Fraud remains the exception, not the norm.

In 2017, less than 1% of the over 30,000 certified organic operations worldwide had a compliance issue resulting in suspension or revocation of their certification.
Organic Community Response to Fraud

- National Organic Standards Board (NOSB) recommendations
- National Organic Program Interim Instruction
- Organic Trade Association’s Best Practices Guide
CCOF at Work

• CCOF Uncertified Handler Affidavit.

• Advocating for straightforward solutions:
  – Expanding the Organic Integrity Database.
  – Mandatory acreage reporting for all certifiers.
The Organic Farmer and Consumer Protection Act.

Spearheaded by the Organic Trade Association, this bill would:

- Increase NOP funding to keep pace with organic growth.
- Fund technology improvements to track imports.
- Directs multi-agency coordination.
- Increase certifier authority over uncertified handlers.
- Require annual compliance reports to Congress.
California is the number one producer of organic crops. . .

Yet, less than 4% of California agricultural land is farmed organically.
Roadmap for an Organic California

How to increase organic from 3.5% of the state’s agricultural land by 2030.
Resources

- Exporting Organic Products from the U.S.
- Importing Organic Products into the U.S.
- The World of Organic Agriculture 2017
Thank you.

Kelly Damewood, kdamewood@ccof.org.
69% of consumers say company ethics influence a purchase

Source: Mintel
Sustainability is a complex term that incorporates not only the environment but also how humans interact and fit within it. Even unengaged consumers recognize connections between personal benefits and wider social, economic, and environmental issues.

Consumers tend to evaluate products, services, and actions through four zones of responsibility: personal, social, economic, and environmental.

Consumers can compartmentalize each of these zones into discrete areas separate from one another. However, for the engaged sustainability consumer, these zones do not exist in isolation; each is fundamentally linked to one another as parts of a whole.

DEFINING SUSTAINABILITY

Four overlapping zones of responsibility help explain how consumers think about, and act upon, sustainability issues.

Zones of Responsibility

- **Personal**: Responsibility for one’s own (or one’s family’s) needs and desires
- **Social**: Responsibility for the well-being of others, including animals
- **Environmental**: Responsibility for the well-being of the planet at both the local and global level
- **Economic**: Responsibility for the economic well-being of one’s town, region, or nation or for businesses one supports
In general, the more zones an attribute touches for a consumer, the more influential it is in their purchasing. Attributes in the center are especially powerful because they encompass more zones of responsibility for a wider set of consumers.
The Hartman Group has been tracking consumer attitudes and behaviors surrounding sustainability and related issues in the U.S. since the 1990s.

**Eighty-seven percent of adult consumers are inside our World of Sustainability**, meaning that sustainability-related concerns impact their values, attitudes, and actions in at least some measure.

Within this World, we segment consumers based on the intensity of their involvement and how closely their aspirations match their actions.

- **The Core (13%)** are the most intensely engaged and structure their lives around benefitting the “greater good.” Their actions, attitudes, knowledge, and purchasing criteria filter out to other consumers as trends.

- **The Inner Mid-level (29%) and Outer Mid-level (29%)** represent the largest populations of consumers. Both pragmatically adopt trends set by the Core, especially where sustainability appears to overlap with more tangible personal benefits.

- **The Periphery (16%)** care about sustainability in a general sense but are the least engaged in their everyday lives. They buy sustainable products/services if they align with other personal benefits, especially health and wellness.
Organic is now in the kitchens of 82.3% of U.S. households

Source: Nielsen
Data shows organic in the kitchens of 82.3% of U.S. households

The study of 100,000 households conducted in 2015 and 2016 reported that more households than ever bought organic food on a regular basis throughout 2016.

In the U.S. alone, volume sales of products with an organic claim on the package grew 13.1% over the 52 weeks ended July 30, 2016.

The states showing the biggest jump in households purchasing organic from 2015 to 2016 were:

- North Dakota - 85.6% of households, up 14.2%
- Wyoming – 90%, up 10.8%
- Rhode Island – 88.3%, up 12.3%
- South Dakota – 68.9%, up 10%
- Wisconsin – 77.6%, up 9.1%

Source: Nielsen
Growth in the Organic Market

**FIGURE 2.8 - U.S. ORGANIC FOOD VS. TOTAL FOOD SALES, GROWTH AND PENETRATION, 2005-2015**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic Food</td>
<td>13,260</td>
<td>15,629</td>
<td>18,188</td>
<td>21,571</td>
<td>22,497</td>
<td>24,123</td>
<td>26,336</td>
<td>29,023</td>
<td>32,335</td>
<td>35,952</td>
<td>39,754</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>19.2%</td>
<td>17.9%</td>
<td>16.4%</td>
<td>18.6%</td>
<td>4.3%</td>
<td>7.2%</td>
<td>9.2%</td>
<td>10.2%</td>
<td>11.4%</td>
<td>11.2%</td>
<td>10.6%</td>
</tr>
</tbody>
</table>

**Total U.S. Organic Sales and Growth, 2006–2015**

- **Organic Non-Food Sales**
- **Organic Food Sales**

**Source:** [Organic Farming Association](https://www.ofaonline.org)

12.38% 10-yr average
U.S. Organic Almond Shortage Example
Less than 1% of farmland in the U.S. is certified organic*
Quick Case Study: Almond Milk
Case Study: Almond Milk

The almond milk category has grown by 249% since 2012, from $542MM to $1,348MM.

From 2014 to 2017, the organic almond milk category has grown from 0.6% of the total market almond milk category to 2.2% (MULO channel).

The almond milk category is expected to reach $2,177MM in 2022, which is +161% from 2017 sales. These numbers include both non-organic and organic.
For nondairy consumers, almond milk outsells soy milk

- Almond milk currently holds 64% of the non-dairy milk category

- 41% of non-dairy milk consumers look for organic or natural foods when shopping for food, compared to just 28% of dairy milk consumers.

Source: Mintel
Quick Case Study: Complex Products
Theo Chocolate has experienced double-digit growth every year since it was started in 2006.

CLIF Bar holds 33% of market share in the health and lifestyle bar category and exports to 18 countries across Europe, Asia and Australia. Since 2013, the company has seen an annual compound growth rate of **20% YOY**

Perfect Bar is sold in 12,000 stores like Whole Foods, Costco, Sprouts & Target. 2015/2016 - **50% YOY growth**
The Future:
Organic Trade Association survey signals big new wave of organic consumers on the horizon

25% of the Millennials in America are parents.
In the next 10 to 15 years, 80% of Millennials will be moms and dads.

Millennials are the largest consumer group in the U.S. and they’re choosing organic.
Research shows becoming a parent will only deepen the strong affinity for organic shared by this powerful generation

Millennial parents – parents in the 18- to 35-year-old age range -- are now the biggest group of organic buyers in America

Today’s organic buyers with children are already passing their organic habits on to the next generation, and so will the Millennial parents-to-be.

Among American mothers and fathers, 52% of those buying organic are millennials, which compares with 35% of Generation X parents and 14% of Baby Boomer parents.
• 44% of consumers want more organic products

In Germany, volume sales of organic products grew 10.6% over the 52 weeks ended April 3, 2016.

Asia-Pacific has the highest percentage of respondents who say they want more organic products (51% versus 44% globally).

45% of Latin American respondents preferred organic food

43% of Middle East/Africa/Pakistan respondents preferred organic food
Our Program:
Certified Transitional: Moving the Needle

- 3rd party protocol owned by QAI
- 2016 First Certified Transitional product was launched
- Taking the problem of 1% organic acreage directly to consumers
- Almonds are segregated through the full supply chain
- Offering a premium to the farmer which helps with conversion to organic
Certified Transitional Design:

- Protocol designed to recognize farmers and crops that are organics in training
- Created to increase accessibility to organic food
- Open source protocol
- Front of pack label for products following protocol
Tina Owens
Director, Sustainability & Strategic Sourcing
At Kashi Company
Thank you!
What’s Next

Thursday, December 7 at 3:30 p.m.

• What to Consider Before and After Harvest – Room 308-309

• FSMA and Electronic Record Keeping: Moving Beyond Paper Logs and Excel – Room 314

• Proposition 65: When Is a Warning Required? – Room 306-307
Use #AlmondConf to be part of the conversation on Facebook and Twitter