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What Is Organic? Powerful Players Want a Say; A Struggle Over Standards In a Fast-Growing Food Category

By MELANIE WARNER

Customers at McDonald's restaurants in New England are about to get something a little different when they order coffee. Through a deal with Green Mountain Coffee Roasters and Newman's Own, McDonald's will soon be serving a coffee that comes from organic beans and is certified Fair Trade because it meets higher standards in the treatment of coffee workers.

The move, while still a test in a limited region, reflects a much broader trend: The growing interest among large food companies in offering organic foods along with their standard products.

General Mills markets the Cascadian Farms and Muir Glen brands; Kraft owns Back to Nature and Boca Foods, which makes soy burgers. Within the last few years, Dean Foods, the dairy giant, has acquired Horizon Organic and White Wave, maker of Silk organic soymilk. Groupe Danone, the French dairy company, owns Stonyfield Farm.

Wal-Mart wants in, too. "We are particularly excited about organic food, the fastest-growing category in all of food," Lee Scott, Wal-Mart's chief executive, said at a recent shareholder meeting. "It's a great example of how Wal-Mart can appeal to a wider range of customers."

But as organic food enters the mainstream, evolving from an idealistic subculture rooted in images of granola and Birkenstocks, a bitter debate has ensued over what exactly the word "organic" should mean. And now Congress is jumping into the controversy.

With sales of roughly \$12 billion, organic food remains a niche

market within the \$500 billion food industry. But the sector's growing appeal to consumers has fueled a 20 percent annual growth rate in recent years, making it highly attractive to food giants looking for gains in a slow-moving business.

At General Mills, the Cascadian Farms and Muir Glen brands increased sales by 21 percent in the last year, according to the research firm Information Resources Inc., while the company's overall business was up just 1.6 percent.

Consumer groups and some organic pioneers say they are concerned that the movement -- a response to the practices of corporate food production that promotes a natural chemical-free approach to farming -- will become watered down unless firm standards are maintained.

The debate has been under way for several years. But last week, Senate and House Republicans on the Agriculture appropriations subcommittee inserted a last-minute provision into the department's fiscal 2006 budget specifying that certain artificial ingredients could be used in organic food.

The Organic Trade Association, an industry lobbying group that proposed the amendment and spent several months pushing for its adoption, says that the measure will encourage the continued growth of organic food.

Some advocacy groups, however, say the amendment will weaken federal organic food standards, first established under a 1990 law. Ronnie Cummins, national director of the Organic Consumers Association, calls the initiative a "sneak attack engineered by the likes of Kraft, Dean Foods and Smucker's."

One of the lobbyists for Altria, Kraft's majority owner, Abigail Blunt -- the wife of Representative Roy Blunt, Republican of Missouri, who recently became interim House majority leader after Tom DeLay of Texas resigned from the post -- has been working on the issue, the company says.

Dean Foods' subsidiary Horizon Organic and the J. M. Smucker

Company, the owner of Knudsen and Santa Cruz Organic juices, said they supported the work by the Organic Trade Association, which represents both large and small companies in the business, but did no lobbying on their own.

The amendment injects Congress directly into the debate over whether certain artificial ingredients and industrial chemicals should be allowed in products labeled organic. In a lawsuit ruled upon in January, Arthur Harvey, an organic blueberry farmer, argued that no synthetics at all should be in food bearing the "U.S.D.A. Organic" seal. A federal judge agreed, sending shivers down the spine of many organic food manufacturers.

Katherine DiMatteo, executive director of the Organic Trade Association, said that the amendment was intended to protect the industry from the Harvey ruling and will not change the status quo. If applied, the judge's ruling would have forced many manufacturers to stop using the U.S.D.A. Organic seal and instead relabel products to state, for instance, "cookies made with organic flour" or "frozen lasagna made with organic tomatoes."

Many in the organic industry say they are willing to allow some use of synthetics in organic food. Since 2002, the National Organic Standards Board, a 15-member panel of advisers appointed by the Agriculture Department, has served as the gatekeeper for such substances. In that time, 38 have been approved, many of them relatively harmless ingredients like baking powder, pectin, ascorbic acid and carbon dioxide.

But Joseph Mendelson, legal director at the Center for Food Safety, a liberal advocacy group, says that the proposed legislation will open the door to a range of other chemicals and artificial materials, including a large category of so-called food contact substances -- things like boiler additives, disinfectants and lubricants with unpronounceable names.

Most of these substances would not end up in finished products in detectable amounts. But many in the organic community say that these tools of mainstream food processing do not belong in organic production.

"We don't want organic food manufacturers having carte blanche use of the same kind of synthetics that conventional food processors use, especially when it involves things that do not appear on the ingredient panels," said James A. Riddle, chairman of the National Organic Standards Board. "I think people choose to buy organic food because they don't use all those things."

Ms. DiMatteo contends that the Organic Trade Association is not trying to loosen organic standards or take authority away from the standards board.

At the same time, Charles Sweat, chief operating officer at Earthbound Farm, the country's largest grower of organic produce, said he was concerned with the section of the spending bill that gives the Agriculture Department authority to grant temporary exemptions to allow conventionally grown ingredients like corn, soybean oil or tomatoes in organic food when organic versions are not "commercially available."

"We see this as opening up a Pandora's box," Mr. Sweat said. "Any company that can't compete because something is too expensive could go to the secretary and claim they need an exemption."

George Simeon, chief executive of Organic Valley, a cooperative of mostly small organic dairy farmers, wrestled with the high cost of organic production a little over a year ago when Wal-Mart asked for a 20 percent price cut. For three years, Organic Valley had been Wal-Mart's primary supplier of organic milk.

"Wal-Mart allows you to really build market share," Mr. Simeon said. "But we're about our values and being able to sustain our farmers. If a customer wants to stretch us to the point where we're not able to deliver our mission, then we have to find different markets."

Mr. Simeon told Wal-Mart to get a new supplier.

Dean Foods' Horizon Organic was better equipped to satisfy Wal-Mart's demands. Horizon gets about 20 percent of its production

from a 4,000-cow organic dairy in Paul, Idaho, which is small in comparison with many conventional dairy farms but huge by organic standards.

Mark Kastel, senior farm policy analyst at Cornucopia, a group representing small dairy farmers, contends that Horizon is able to run such a large farm because it dilutes organic principles. Earlier this year, his group filed a petition arguing that the Idaho farm crams too many cows into a confined area, where most of them do not graze on pasture but instead consume a high-grain diet.

"These factory farms are trying to cut corners," Mr. Kastel said. "When you feed more calorie-dense grains, you get more milk."

Horizon, which also buys milk from 305 family farms, says it is making changes and will divide its Idaho operation into two separate farms so that there will be three to five cows for each acre of pasture.

"We want to meet the regulations," said Kelly O'Shea, Horizon's director of government and industry relations, "and see integrity in the organic standards."

The National Organic Standards Board has been trying to persuade the Agriculture Department to clarify its vague rule that to produce organic milk, dairy cows, besides receiving only organic feed and avoiding growth hormones and antibiotics, must have "access to pasture." It wants to require that milk labeled organic come from cows that get at least 30 percent of their diet from pasture grass for a minimum of 120 days a year.

Mr. Kastel of Cornucopia estimates that roughly 30 percent of the organic milk sold in the United States comes from cows that are not on pasture, most of them from two large dairies run by Aurora Organic Dairy, an offshoot of what was once the country's largest conventional dairy company. Organic milk is the most popular organic product and sells for up to twice the price of regular milk.

On a recent visit to Aurora's farm in Platteville, Colo., at the foot of the Rocky Mountains, thousands of Holsteins were seen

confined to grassless, dirt-lined pens and eating from a long trough filled with 55 percent hay and 45 percent grains, mostly corn and soybeans.

Of the 5,200 cows on the farm, just a few hundred -- those between milking cycles or near the end of their lactation -- were sitting or grazing on small patches of pasture.

Aurora executives say that despite the lack of pasture, their cows are "very healthy and happy." The 10 million gallons of milk the farm produces each year are supplied mainly to supermarkets and sold under store brands like Safeway Select, Kirkland at Costco and Archer Farms at Target.

Mark Retzloff, president of Aurora Organic, said he did not agree with the National Organic Standards Board's proposed pasture rule, but added that he was planning to add 550 acres of grazing land to the farm. The company is also building a new dairy in a layout that Mr. Retzloff said would be conducive to putting thousands of cows on pasture and still milking them three times a day.

Such tensions are likely to remain whatever the new legislation allows. Sheryl O'Laughlin, chief executive of Clif Bar, which makes organic energy bars, says that while the difficulty of operating organically and finding natural ingredients often ends up raising production costs, it is also what gives the category its purity and its appeal.

"The organic industry," Ms. O'Laughlin said, "has got to put pressure on itself to find alternative solutions."

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