

Producers continuing versus exiting from organic production in California USA: Regulatory, technical, and economic challenges

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Abstract

Organic farms face challenges unique to organic production that can lead to cessation of the farm business or conversion to conventional production. This study compared farmers in California, USA who had recently discontinued their mandatory government organic registration with farmers still registered, to determine the main challenges that drive farmers to leave the organic sector. Significantly fewer deregistered farmers own their own land than still registered producers, and a significantly higher percentage had farm revenues lower than US\$100,000, showing a need for more strategies to assist small organic farms. Deregistered producers indicated that they would have benefited from more financial assistance with certification costs and more streamlining of regulatory processes, especially paperwork, while registered producers were more concerned with production issues and organic research and extension.

Introduction

Organic farms face unique challenges that can lead to cessation of farming or reversion to conventional production. A review of European studies showed that reasons for reversion varied widely by country, but financial reasons (low prices, high production costs), and regulatory issues (high certification costs and changes in regulations) predominated (Sahm et al. 2012). In California, all producers of commodities marketed as organic are legally required to register with the California Department of Food and Agriculture's (CDFA) Organic Program. Registration data indicate approximately 20% annual turnover among registered producers. The purpose of this survey study is to compare deregistered and still registered farmers to determine the fate of deregistered farmers and to shed light on the main challenges faced by organic farmers. Ultimately, the goal is to understand what types of technical, financial, or policy assistance would enable more producers to continue farming organically.

Material and methods

- 1) A mail survey was sent in February, 2007 (with two subsequent reminder mailings) to 501 producers who had discontinued organic registration during the period January 2003-December 2005 (based on CDFA Organic Program records). This represents all of the known deregistered farmers minus 21 individuals who were contacted for preliminary open-ended telephone interviews that helped to formulate the survey questions. The survey included questions regarding current registration status, reasons for discontinuing registration and/or organic production, challenges faced as an organic farmer, and farm and farmer characteristics. We received 107 completed surveys (24% response rate), but three surveys were later removed due to insufficient or inconsistent responses, leaving the sample size at 104.
- 2) Simultaneously, a similar mail survey (with two reminder mailings) was sent to a random sample of 1,000 of the 2,178 organic producers registered in 2007. Completed questionnaires were returned by 390 individuals (39% response rate), comprising 17.9% of all registered organic producers in California.
- 3) Data were entered into SPSS, coded, and analyzed for differences between the two groups using Mantel-Haenszel Chi Square and Kruskal-Wallis tests.

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Results

1. Farming outcomes of deregistered growers

Twenty-seven (26%) of the respondents identified by CDFA as having discontinued organic registration were mistakenly identified as such for a variety of reasons, including late submissions, being listed under another grower's name, or changing farm name. This result lowers the expected exit rate to 15% from the observed rate of 20%. Among the remaining 77 "actual" deregistrants, 27 (35%) had stopped farming altogether and 29 (38%) had converted to conventional practices, while 19 (25%) were either still using organic methods (n=12) or farming using methods they described as "beyond organic" (n=7). Therefore, 44% of those identified as deregistered by the CDFA Organic Program were either mistakenly identified as such or still using organic methods but no longer marketing as organic. We restrict our analysis to the 77 "actual" deregistrants and the 390 continuing organic registrants.

2. Comparisons of demographic and farm characteristics

Registered and deregistered farmers did not differ significantly in terms of years of experience farming (averaging 12 and 10 years, respectively), numbers of organic (averaging 8 and 10, respectively) or conventional crops (averaging 3 and 1, respectively) they produced, the proportion who produce both conventional and organic crops (32% and 30% respectively), the proportion who produce perennial crops (67% and 69% respectively), or the proportion who market their crops exclusively through wholesalers as opposed to direct marketing outlets (51% and 48%, respectively). The two groups also did not differ significantly in percent of area in organic production (77% and 75%, respectively) nor percent of farm revenue derived from organic sales (67% and 73%, respectively). However, deregistered growers were less likely to own land than continuing growers. Only 47 percent of deregistered growers owned at least 80 percent of their land, compared to 72 percent of registered growers ($p < 0.0001$). The two groups also differed in total farm revenue ($p < 0.0001$), with continuing registrants grossing higher revenues (Figure 1). Registered producers also have significantly larger farms ($p = 0.0032$), also highly correlated with farm revenue; $p < 0.0001$). The importance of annual farm revenue is demonstrated by the US\$100,000-250,000 threshold category, which is the point at which the sample shifts from being dominated by deregistered farmers (with revenues $< \text{US\$}100,000$) to being dominated by still registered farmers (at revenues $\geq \text{US\$}100,000$). These results indicate that an operation earning less than US\$100,000 is more difficult to maintain as an organic farm, perhaps due to lack of economies of scale in the time and costs required to maintain organic certification.

3. Differences in types of issues considered most problematic

Registered and deregistered organic producers differed when ranking a set of five broad categories of challenges. Continuing producers tended to consider production issues as the most important problem area, while deregistered producers viewed regulatory issues as the most important. Both groups placed price as their number two challenge. Regulatory issues and production issues were ranked third by registered growers and deregistered growers, respectively. Both groups ranked market access and farm management issues as fourth and fifth most important.

When asked to rank specific challenges within each of the above categories, deregistered producers did not differ significantly from registered producers, except that they considered "too much paperwork" to be a more severe problem than did registered producers. Continuing producers rated "learning about organic production methods," "insufficient access to production information," and "finding organic inputs" as significantly more problematic ($p < 0.05$) than deregistered producers (Table 1).

4. Differences in technical and financial assistance needs

More registered producers (29%) than deregistered producers (6%) requested production assistance in the form of organic-focused research and extension. A larger percentage of deregistered producers wanted reductions or subsidies for certification costs (12% versus 3% of registered producers) and more streamlining and clarification of the certification process and organic rules (21% versus 12%). These differences may be related to the smaller average farm size of deregistered producers, making certification and registration costs a larger relative burden. Overall, it appears that those producers who dropped out of organic production had crucial problems with up-front costs and regulations, which act as the gateway to the organic industry. Continuing producers have likely gotten past these issues and become more focused on production and marketing concerns.

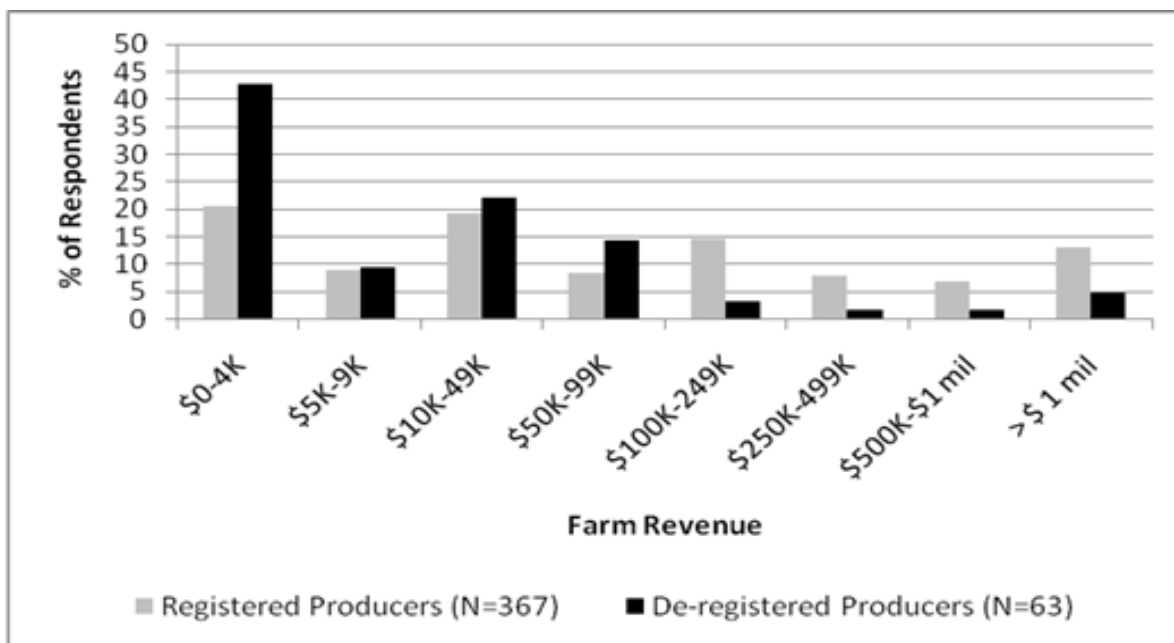


Figure 1. Farm Revenue (US\$) of Registered and De-registered Producers

Table 1: Specific Issues Considered Most Problematic by Organic Producers

Issue	Category	% of Respondents Assigning a 4 or 5 Rating (most severe)	
		Deregistered	Continuing
Too much paperwork/recordkeeping	Regulatory	50	40
Certification costs	Regulatory	44	32
Cost of inputs	Production	38	41
Overall time requirements	Management	36	26
Marketing	Management	32	21
Premiums too low	Price	27	25
Low yields	Production	26	20
Lack of price information	Price	25	27
Competition w/ farmers or imports	Market Access	25	24
Lack of transition price premium	Price	22	25
Pest/disease-related yield losses	Production	21	24
Weed-related yield losses	Production	15	23
Learning organic prod practices	Production	8	11
Finding organic inputs	Production	6	19
Access to production information	Production	5	15

Discussion

The viability of the organic farm sector can be enhanced by assistance to small farms via continuation of the federal certification cost share program and paperwork streamlining and electronic data entry for certification/registration. Organic farmers need more government reporting of organic prices and centralization of updated information on allowable organic inputs. Trained organic advisors could disseminate information about organic production methods and act as facilitators between farmers and certifying and regulatory agencies. Also foremost is a need for more research to improve organic production methods. With public sector research and extension resources dwindling, alternative funding entities could include private foundations, organic marketing and consumer-oriented associations, and organic retailers and wholesalers. Organic cooperatives for small farmers might help them pool production information, share skilled farm labor, and enhance their wholesale marketing ability.

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References

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