

Clouds on the Organic Horizon

Is organic farming becoming the victim of its own success?

By Carmelo Ruiz-Marrero, Special to CorpWatch

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Every Saturday morning at the bustling organic farmers market in rural Point Reyes Station, California, local residents buy food directly from the farmers who have grown it. Though one can walk from end to end of the market in a single minute, the diversity it offers is bewildering: first there are the vegetables: spiky leeks, autumn greens and warm-toned squashes. Then you have the processed goods, everything from ice cream and olive oil to soap. A musician plays for the crowd and the conversation is lively.



Here Cowgirl Creamery Dairy sells Mount Tamalpais cheese, over there Kevin Lunny of Inverness sells grass fed beef while Warren Weber's Star Route Farms of Bolinas sells edible flowers and Margie McDonald's Wild Blue Farm sells pumpkins.

The shoppers will tell you they prefer organic foods for both health and environmental reasons. The absence of pesticides is generally equally important as the guarantee that food will not contain genetically modified organisms (GMOs), whose health effects are still largely unknown.

Meanwhile at the other end of the North American continent, Whole Foods, a Texas-based natural food chain, recently opened New York's biggest grocery store in at Time Warner Center's new shopping mall, touting it as 59,000 square feet of the "Ultimate Grocery and Lifestyle Shopping Experience."

The company promises to turn "a seemingly mundane chore into one of New York's favorite new pastimes." Customers are offered Jamba Juice fruit smoothies, Genji Express Sushi wrapped in organic seaweed; more than 700 varieties of wine; and a Chocolate Enrobing Station "where customers can request just about anything covered in chocolate."

Until a decade ago, organic foods were available only through tiny farmers markets, health and natural food stores, but today their growing popularity means that more organic food is now sold by chain stores like Whole Foods. Often, the food itself is produced by companies ranging from General Mills to Nestle to Coca Cola, and grown on corporate-owned farms no longer synonymous with small farms, rural communities, social justice and humane treatment of animals.

"I'm all for it as long as it's for real," says Jeremy Rosen of Fresh Run Farm at the Point Reyes market, whose little stand boasts vegetables ranging from artichokes and arugula all the way through nettles and turnips. "[But large corporations] won't be able to put all the care into the land that small organic farmers put in."

Rosen's farm, located just a few miles from Point Reyes, is in one of the first organic

production zones in the San Francisco Bay area and he doubts that large corporate farms will ever be truly sustainable because "conserving soil on a huge farm scale is not possible."

Yet, in order to meet the increasing demand for organic food, production is increasing far beyond its original base. Sales of organic foods and beverages in the United States surpassed the \$11 billion mark in 2002, and according to a 2003 survey sponsored by the Whole Foods retail chain, 54% of US consumers have tried organic foods and one third consumed more of them than in the previous year.

America's mega-stories like Wal-Mart, Price Chopper and 7-Eleven are already in on the organic action, offering organic products on their shelves, and food corporations, such as agribusiness giant Archer Daniels Midland and Campbell's Soup, have added organic items to their product lines. The organic market in the United States is expected to reach \$30.7 billion by 2007, with a five-year compound annual growth rate of 21.4% between 2002 and 2007, according to the Datamonitor research firm.

"There are people who criticize the entry of these megacorporations into organic[s]... They fear that they will jeopardize organic standards and the very ideas organic agriculture is based upon," says Helge Hellberg, director of Marin Organic a non-governmental organization that promotes sustainable agriculture. "But it is also true that we need these companies in order to make a nationwide movement for organic products," he adds.

The increasing level of consumer demand means boom times for U.S. organic farms. The state of Vermont, for example, had 78 organic certified producers in 1993, and by 2003 their number had grown to 289. Certified acreage in the state has grown from 23,638 in 2001 to 30,387 in 2003. In California, Certified Organic California Growers confirms that the state has 170,000 organically grown acres. At current growth rates, organic sales will constitute 10% of American agriculture by 2010.

These skyrocketing growth rates convinced the U.S. Department of Agriculture (USDA) to set national organic standards in October 2002, after 12 years of delays. While some organic advocates consider USDA recognition a triumph, according to Ronnie Cummins of the Minnesota-based Organic Consumers Association (OCA), the department set the standards largely at the request of agribusiness corporations and mass retailers. He believes they wanted uniform national standards to speed their entry into the organic market, replacing multiple state standards that made it more complicated for the chains who grow in one part of the country and sell at the opposite end of the nation.

"The biggest problems with the USDA organic regulations is that they say nothing about subsidized water, animal treatment, labor standards and food miles (organic advocates want to reduce the distance that food travels from farm to consumer in order to reduce fossil fuel use and promote local sustainable development). Also the organic standards are biased in favor of large corporations because they are size-neutral, that is they apply equally to an agribusiness giant and a small family farm. Large businesses can cover the costs of these regulations more easily," says Cummins.

Indeed, according to a recent International Federation of Organic Agriculture Movements (IFOAM) report, the USDA is now investigating support for international organic standards in order to facilitate global trade in organic food.

The USDA itself does not certify farms or products. Rather, it accredits institutions, be they public agencies or private firms, to do the actual certification. Neither growers nor sellers are allowed to label "organic" any product that has not been certified as such by a USDA accredited institution, and the agency is the final authority for appeals on just what the organic standard will mean.

Olivia Sargeant, a nutritional consultant from San Francisco, who works at the Marin Sun Farm booth at the Point Reyes market thinks the bigger corporate and governmental role "has both

pros and cons." Wider penetration "will bring some education to people, but it's also co-opting the very term 'organic'."

Sargeant is also concerned that large natural food retailers like Whole Foods are putting mom-and-pop stores out of business in the same manner as conventional food chains like Safeway and Wal-Mart. "My local health food store went out of business because of Whole Foods. Large retail chains, no matter how 'ecological' they may be, are bad for locally-owned businesses."

But even natural foods giant Whole Foods could eventually lose out to conventional stores. USDA statistics estimate that the market shares for organic food sales are: conventional supermarkets have 49%, natural food stores have 48% and farmers markets and food buying clubs just three percent. And a June 2003 MarketResearch.com study, which uses stricter criteria for what constitutes a health food and natural food store, estimated that the percentage of sales of organic food sold through these outlets fell from 62% in 1998 to just 31% last year.

Despite the fact that most consumers are buying their organic food from the big retailers, buried in the 2003 Whole Foods survey is another interesting piece of information: 57% of organic consumers believe that organic foods are grown on small farms.

While Cummins believes that this is still largely true in practice, he says that this will change over time. "I see some troubling trends, especially in organic dairy. In that sector there is a major move toward moving production from family farms to industrial feedlot factory farms. Horizon controls 70% of the US organic dairy market, and last year it was bought by Dean Foods," he told CorpWatch..

"No way in hell can you be organic if you have over a few hundred cows. After a certain size, the operation cannot be ecologically sound anymore, among other things because of the amount of manure produced," added Cummins.

"In California there are huge organic farms that produce organic lettuce and carrots in large monocultures, using large energy inputs and receiving subsidized water- three elements that are anti-environmental and unacceptable for those who want ecologically sound farming," he adds.

In a 2002 study conducted at the University of California at Davis, Karen Klonsky documents that organic food production in California is already concentrated. Two percent of organic farm operations, about 27 growers, bring in over \$1 million a year and represent over half of the organic sales in the state.

Indeed while over 90% of all U.S. farms are categorized by the USDA as small, the other 10% -- big agribusiness -- provide approximately 60% of all food sales.

Nationwide, two corporations, United Natural Foods and Tree of Life, control the distribution of about three-fourths of all-natural products. Tree of Life is owned by Koninklijke Wessanen, a Dutch conglomerate that is itself one of the largest food companies in Europe.

Not all in the organic food business see these trends as negative, Barbara Haumann, spokesperson for the U.S. Organic Trade Association says, "The more players, the more products will be available to consumers, who, in turn, will buy more products. This will result in more land under organic production, regardless of the size of the operation. And that will be better for the environment, local communities and the planet."

Another supporter of corporate entry into the market is the pioneering organic yogurt maker Gary Hirshberg CEO of Stonyfield Farms. He shepherded the sale of the United State's premiere organic yogurt maker to the France-based multinational Danone corporation while keeping himself as CEO of the acquired company. Hirshberg's family made an estimated \$35 million on the \$125 million dollar sale. He says he believes the end result of the deal is a win-

win situation for organic producers and consumers.

Asked if the buyout had affected Stonyfield's practices, company spokesperson Mary Townsend says: "Danone actually let us operate the way we always had, contracting with small family farms and in line with the strictest organic standards. Furthermore, Danone is asking us to help them change their operations worldwide to organic production."

Laurent Sacchi, vice president of corporate communications for Groupe Danone, tells CorpWatch: "Danone has encouraged (and will continue to encourage) Stonyfield to continue the practices that have made them distinct; for example, the 10% profits for the planet program, the support of family farming, their support of organic. Danone is using Stonyfield as a model for how alternative ways of doing business and farming could be successfully developed, even inside or in the frame of a more 'classical' company. "

Business accounts of the sale note that since it costs \$70-80 million just to launch a national brand in the U.S. acquiring an established name like Stonyfield is far less risky than starting a competitor.

But Paul Cienfuegos of the California-based Arcata Committee on Democracy and Corporations and a longtime critic of "corporate organics" accuses large firms like Stonyfield of using their organic subsidiaries to infiltrate sustainable agriculture and water down organic standards.

He cites a recent organics convention in Texas where an OTA sponsored panel considered how organic and genetically engineered (GE) crops could co-exist. Cienfuegos maintains that most advocates believe that the discussion on GE crops should focus on how to get them banned, not on how they could co-exist with non-GE crops. "The fact that the General Mills corporation [Owner of the Cascadian organic brand] is a major donor (of OTA) may have had something to do with this," he says.

And critics such as Rich Ganis, who writes for the online newsletter informedeating.org, contend that the modest ecological benefits of more organic acres under production due to corporate agriculture are being "offset by the tremendous amount of fossil fuel, packaging, and other resources expended in the production and distribution of these 'value-added' products."

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Small Brands, Big Owners

What have organic brands Health Valley (cereals), Bearitos (corn chips), Bread Shop (granola) and Celestial Seasonings (tea) have in common? These apparently independent companies are all owned by the Hain Celestial Group

Even though Hain Celestial is an organic giant in its own right, it has even bigger owners. According to research by Paul Glover and Carole Resnick of the Greenstar Food Coop (Ithaca, New York) the company's investors include Philip Morris, Monsanto, Citigroup, Exxon-Mobil, Wal-Mart and aerospace

military contractor Lockheed Martin. And in September 1999 the H. J. Heinz food conglomerate bought a 20% stake in Hain Celestial.

Hain Celestial is by no means a unique case:

* Cascadian Farms is a subsidiary of Small Planet Foods, which is a division of agribusiness colossus General Mills. And General Mill's main shareholders include Philip Morris, Exxon-Mobil, General Electric, Chevron, Nike, McDonald's, Monsanto, Dupont, Dow Chemical and PepsiCo.

* Silk Soy Drink is part of the White Wave corporation, itself a Dean Foods subsidiary. And according to Glover and Resnick, Dean Foods' main investors include Microsoft, General Electric, Citigroup, Pfizer, Philip Morris, Exxon-Mobil, Coca Cola, Wal-Mart, PepsiCo and Home Depot.

* Odwalla, makers of organic orange juice, is owned by Minute Maid, which is in turn a division of Coca Cola.

* Boca Burger is owned by Kraft, which is part of Philip Morris.

* Arrowhead Water and Poland Spring Water, are Nestle subsidiaries.

* Organic Cow, founded by small New England organic dairy farmers, is now part of the Colorado-based Horizon, whose sales just topped \$200 million annually and which controls 70% of the American organic milk market . Horizon Holding company was itself was acquired by the Dean Foods conglomerate in 2003.