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International Food and Agribusiness Management Review
Volume 18 Issue 4, 2015

Organic Producers Perspectives on California State Mandated Marketing Programs and Implications for a Federal Organic Promotion Order

Tina D. Cosentino^a and Gregory A. Baker[ⓑ]

^a *MBA, Santa Clara University, Food and Agribusiness Institute, 500 El Camino Real,
Santa Clara, California, 95053-0396, USA*

^b *Director, Food and Agribusiness Institute, Santa Clara University, 500 El Camino Real
Santa Clara, California, 95053-0396, USA*

Abstract

This research examines the role of government mandated marketing programs in promoting certified organic produce in California. Data were gathered from public documents, interviews, focus groups, and an industry-wide survey. We find that most California mandated marketing programs minimally address organic production. Regarding the value of generic promotion, slightly more than one-third of the survey respondents indicated that they believed that their mandated marketing program's promotion efforts increased the sales of their organic products. Two options were highly ranked as alternatives to promote organic products, setting aside a representative amount of the marketing program's funds for the promotion of organic produce and establishing a non-governmental producer association to promote all organic produce.

Keywords: government mandated marketing program, marketing order, check-off, produce, organic, commodity promotion

[ⓑ]Corresponding author: Tel: + 1. 408.554.5172
Email: G. A. Baker: gbaker@scu.edu

Introduction

Marketing orders, marketing commissions, and other government mandated marketing programs, which we collectively refer to as GMMPs, have long enabled growers to band together to pool resources for the purpose of funding research and promotion or to establish quality standards in a cost-effective manner that would be difficult or impossible to accomplish individually. Debate over GMMPs has arisen when the interests of the GMMP's members diverge. In the case of organic growers, a major issue is whether they derive sufficient benefits from the GMMP to justify the mandatory assessment. Moreover, organic growers may derive fewer or different benefits than do conventional growers. Carman et al. (2004), in a study of the impact of federal marketing orders on almonds, kiwifruit, and winter pears, found that organic growers undoubtedly benefit from marketing orders. However, they also reported that organic growers are asking whether the benefits exceed the costs of the program and whether organic producers would be better off with a program that specifically promoted organic products.

The U.S. organic industry has experienced rapid growth over the last two decades. Growth has brought many positive changes to the industry, including greater access to markets, buyer loyalty, and diversified product lines. The expanding market has also brought increased competition, a proliferation of alternative labels, and marketing challenges. Our research focuses on one of these marketing challenges, the mandatory assessments associated with agricultural GMMPs. The mandatory assessments are intended to eliminate "free riders" by ensuring that all producers who stand to benefit from marketing programs pay their fair share. However, the flip side of the mandatory assessment is that many organic growers are dissatisfied because they believe that a portion of the assessment should be used to specifically promote the organic product.

We begin the paper with a brief overview of the U.S. organic produce industry and GMMPs. We then describe the specific objectives of this research and the methods we employed. The subsequent sections present the results of the research, our discussion and interpretation of the results, and our conclusions.

U.S. and California Organic Produce Industry

In 2012, the U.S. organic food market was valued at \$28 billion, and represented over 4% of all U.S. food sales (USDA, ERS 2013). The 2012 Census of Agriculture shows organic farm sales in California of approximately \$1.36 billion out of total state farm sales of \$42.63 billion, or roughly 3.2% (USDA, NASS 2014). Since the establishment of national standards in 2002, the industry has experienced rapid growth, although growth slowed during the recessionary period of 2009 to 2010 (Organic Trade Association 2012). Organic growers have benefited from the trend toward healthy eating, a growing concern for chemicals and animal drugs in the food supply, consumers' desire to avoid GMOs, and concern for the environment.

Despite continued growth, organic producers experience challenges with marketing their products and sustaining industry growth. Although the growth rate of organic sales has far outpaced that of conventionally produced products, it still represents just a small fraction of total food sales. One challenge is undoubtedly price; organic marketers must work to justify the price premiums that are typically charged for organic products. Lack of awareness of what organic means is another issue, as one-third of consumers have little knowledge of organic standards

(Organic Trade Association 2013). An emerging concern is the proliferation of alternative labels, such as eco-, GMO-free, natural, and sustainable. For example, 20% of consumers believe that a product labeled as “natural” contains certified organic ingredients (Pure Branding, Inc. 2011). Consumer confusion over the meaning of organic and other terms presents a challenge to organic growers who incur increased costs to comply with government standards for organic products.

Organic foods are regulated in the U.S. under the Federal Organic Foods Production Act (OFPA) of 1990. This act was passed with the intent to establish uniform national standards for the production and marketing of organic foods, most of which were previously certified by one or more of many private organizations and/or state agencies. The provisions of OFPA resulted in the establishment by the USDA of the National Organic Program in 2000 and the implementation of national standards in 2002.

Over the last decade, organic food products have become mainstream in many respects, both in market growth and channel development. As previously noted, the growth in organic foods has greatly exceeded the growth rate of the food industry as a whole. Sales have risen from approximately \$1 billion in 1990 (Organic Trade Association 2011) to approximately \$28 billion in 2012 (Figure 1), (USDA, ERS 2013). Organic products may be purchased in nearly 20,000 natural food stores and almost three-fourths of conventional grocery stores (USDA, ERS 2014a). According to the USDA’s *2011 Organic Production Survey*, market channels for organic growers include 6% consumer direct sales, 13% direct-to-retail sales, and 81% wholesale market sales (USDA, NASS 2012). California organic food sales mirrored that of the nation with 6% consumer direct sales, 12% direct-to-retail sales, and 82% wholesale market sales (USDA, NASS 2012). Fruits and vegetables are by far the largest category of organic foods, followed by dairy, beverages, packaged/prepared foods, breads and grains, and snack foods (Figure 1), (USDA, ERS 2014a).

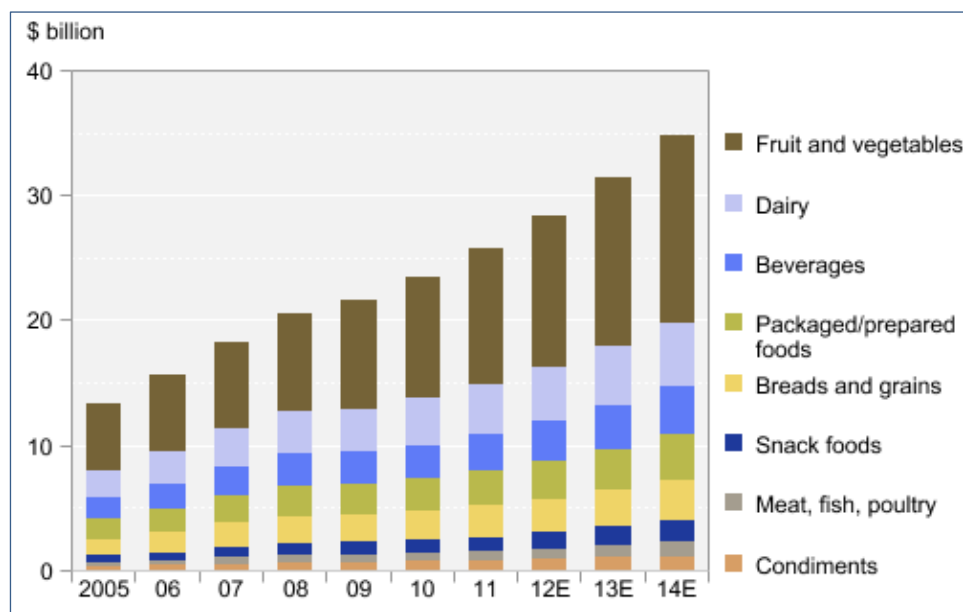


Figure 1. U.S. Organic Food Sales by Category, 2005 - 2014

Source. From Organic Agriculture: Organic Market Overview; USDA, ERS using data from Nutrition Business Journal (2014a). **Note.** E=Estimate

Organic food costs more to produce than conventionally produced food and generally sells at a premium at the wholesale and retail levels. In an analysis of 18 fruits and 19 vegetables conducted by the USDA's Economic Research Service (ERS) using 2005 data, the price premium was found to be less than 30% for two-thirds of the items. However, price premiums vary widely. For example, the price premium for blueberries exceeded 100% and private-label organic milk sold for 60% more than branded-conventionally produced milk (USDA, ERS 2009).

Federal and State Agricultural Marketing Orders

Agricultural marketing orders are industry-initiated programs that serve to assist producers in marketing their products by promoting quality products, standardized packaging, research, promotion and advertising, and market development. Marketing orders are designed to aid growers in promoting products and conducting activities, such as research or data collection, that would be impractical for individual growers to do on their own. The Agricultural Marketing Agreement Act of 1937 enables federal marketing orders and covers fruits, vegetables, and nuts, except for those products specifically excluded in the act. Federal marketing orders must be approved by a two-thirds majority of the voting producers, either by number or by volume. Once approved, growers are legally required to pay a mandatory assessment to support the activities of the marketing order. Federal marketing orders cover a variety of products, including many fruits and vegetables, such as avocados, carrots, pears, raisins, and tomatoes, and nuts, including almonds, hazelnuts, and walnuts.

The 2002 U.S. Farm Bill added a provision that allows growers who produce "solely" 100% organic commodities to petition for an exemption to the mandatory assessment for federal commodity-specific research and promotion orders (Klonsky 2007). This exemption was created to address concerns in the organic grower community that agricultural GMMPs do not adequately represent the interests of organic growers. The 2014 Farm Bill added a clarification that "all certified organic producers, including those that also have conventional farming operations, may be exempted from commodity promotion orders on their organic production" (USDA, ERS 2014b). The USDA indicated that "the option is established for the organic sector to develop an organic commodity promotion order" (USDA, ERS 2014b).

California, along with many other states, has authorized various GMMPs. These include marketing orders, agreements, councils, and commissions. California marketing orders and marketing agreements are governed by the California Marketing Act of 1937 and administered by the California Department of Food and Agriculture. California also provides for the establishment of councils and commissions through commodity-specific legislation. The major differences between marketing orders and commodity-specific councils and commissions pertain to the activities that are permitted. California has over 50 marketing boards, commissions, councils, and programs that promote California commodities. None of them provide an exemption from participating in the California State marketing programs for organic growers.

GMMPs have been utilized by producers of many commodities, at both the federal and state level, as a means of collective action to promote their products. In many cases they have endured

for years and enjoyed wide industry support. In other cases, such as with the federal order for California peaches and nectarines, growers have voted to terminate the order.

In the case of organic commodities, many growers have expressed dissatisfaction that the organic nature of their products has not been promoted by the various GMMPs. This has led to several attempts by organic producers to explore a structure that would provide growers with more control and flexibility in promoting their organic products. The organic exemption discussed above is one such example.

Another recent development was a provision in the 2014 Farm Bill that authorized the USDA to consider an application for a research and promotion order covering organic commodities. On May 12, 2015, the Organic Trade Association and the GRO Organic Committee submitted a petition to establish a separate multi-commodity Organic Research and Promotion Program that, if approved, could raise more than \$30 million annually to promote and support the industry in the U.S. The petition includes an exemption for organic producers with gross revenue less than \$250,000 (Organic Trade Association 2015a).

At the state level, there have also been several efforts to alter the structure of state GMMPs. For example, in 2002, a group of 20 organic apple growers expressed interest in opting out of the Washington Apple Commission and joining a commodity commission representing all organic foods grown in the state. The Washington State legislature considered the formation of an organic foods commission for the state of Washington (Washington State Department of Agriculture 2002). However, the idea was eventually dropped. There was a similar effort by organic growers in California to establish a state organic marketing order. However, it never gained enough support to move beyond an initial draft proposal (Amigo Bob Cantisano 2013).

Research Objectives

The broad objective of this research is to examine producer perspectives on California GMMP activities and assess their support for a marketing arrangement that would specifically promote organic produce. The specific objectives of this research are to:

- Assess the extent to which current California agricultural GMMPs specifically address organic produce;
- Document organic producer perspectives on California agricultural GMMPs and determine to what extent they believe that generic promotion through these mechanisms benefits the sale of organic produce; and
- Determine whether a California or federal organic marketing order or other arrangement that represents solely organic products would be supported by the California organic produce industry, and if so, what structure would be best suited to achieve industry goals.

Methods

We utilized several methods to address the three research objectives. Where possible, we employed multiple methods to ensure that we gained a broad range of perspectives and insights from a diverse group of stakeholders.

The first research objective of assessing the extent to which California GMMPs specifically target organic produce was primarily accomplished through a review of the GMMPs and published documents that addressed the programs' activities. We reviewed 16 California GMMPs. These included the California Apple Commission, California Artichoke Advisory Board, California Asparagus Commission, California Avocado Commission, California Cantaloupe Program, California Fresh Carrot Research and Promotion Program, California Cherry Marketing and Research Program, California Cling Peach Board, California Date Commission, California Fig Advisory Board, California Pear Marketing Program, California Dried Plum Board, California Raisin Marketing Board, California Strawberry Commission, California Table Grape Commission, and California Walnut Commission. The review of each GMMP included a comprehensive examination of the enabling legislation, reports, websites, and publicly available materials. Additional insights were gained through personal interviews and the focus group discussions, which are described in the following paragraphs.

The next step was to conduct personal interviews with certified organic farmers, processors and handlers, distributors, and marketers of organic products. The interviewees were selected to obtain a broad representation of commodities and perspectives on the organic industry and GMMPs. An interview guide was employed to provide consistency in the questions that were asked. The personal interviews were instrumental in understanding the issues and range of perspectives shared by key players regarding GMMPs in the organic produce industry in California. The issues addressed in the personal interviews included:

- Production of organic and conventionally-produced crops;
- Marketing and pricing of organic and conventionally-produced crops;
- GMMP assessments and services;
- Evaluation of marketing and promotion activities provided by the GMMP;
- The level of grower support for adding marketing and promotion services for certified organic products to the GMMP; and
- The level of support for the formation of a multi-commodity marketing order that would specifically promote certified organic crops.

Three focus group meetings were organized in three regions of the state. Each region represented a distinct production area that had a substantial concentration of organic producers. The meetings were held in Escondido (near San Diego), Fresno (Central Valley), and Watsonville (near Salinas). The questions addressed in the focus groups were similar to the interview questions discussed above. However, the interactive nature of the focus group meetings encouraged the discussion of issues based on the perspectives and ideas presented by focus group members. In addition to the six issues covered in the interview guide, focus group members were asked which of several marketing structures they thought could be used to most effectively promote organic crops.

The Escondido focus group had 16 participants and included avocado, citrus, and strawberry growers. The farm size ranged from 2 to 600 acres. Two of the growers' commodities were represented by state GMMPs, including the California Avocado Commission and California Strawberry Commission. One of the avocado growers was a board member of the California Avocado Commission.

In Fresno, the focus group had six participants, including stone fruit and grape growers. Farms ranged in size from 65 to 500 acres. The state GMMPs that promoted the growers' commodities included the California Cling Peach Board, California Raisin Marketing Board, and California Table Grape Commission. The lone cling peach grower was a member of the California Cling Peach Board.

In Watsonville, seven growers participated in the focus group, representing strawberry, cane berry, blueberry, table grape, apple, and specialty lettuce and microgreens crops. Farm size ranged between 2 and 90 acres. The state GMMPs that covered these crops included the California Apple Commission, California Strawberry Commission, and California Table Grape Commission.

Input gathered from the personal interviews and focus groups, as well as discussions with industry experts, was used to refine the issues and develop a survey that was administered to certified organic growers in California. The survey contained questions on growers' operations (acreage, sales, organic certification, distribution channels, prices received, and marketing and promotion expenses), the organic market (consumer perceptions, market data, and pricing), and California GMMPs (crops covered, knowledge and opinion of the GMMPs and their effectiveness, and opinions on potential changes).

The survey was administered online in late April and early May 2013. A list of certified organic producers was obtained from the USDA National Organic Program based on data provided from all third-party organic certification agencies in the U.S. The list was filtered to include only California growers producing the 16 fruit, vegetable, and nut crops that were the subject of this research. The initial list contained 1,508 growers; however, 56 email addresses were removed from the list either because the grower asked to be removed or because the email address was no longer valid. A total of 286 surveys were completed out of the 1,452 survey invitations for a response rate of 19.7%. After removing the 19 growers who were no longer certified as an organic producer and another 20 growers who provided limited responses, we had 247 respondents, although some respondents did not respond to every question.

Crops produced by the survey respondents represented a wide variety of crops, including all of the crops that were the subject of the GMMP review and many more. Most of the farms represented in the survey were relatively small. Over one-half of the farms (63%) were less than 50 acres while only 21 farms were 500 acres or more (Figure 2). This is fairly consistent with data for all California organic growers that indicate that 58% of organic farms are less than 50 acres (US Census Bureau 2012).

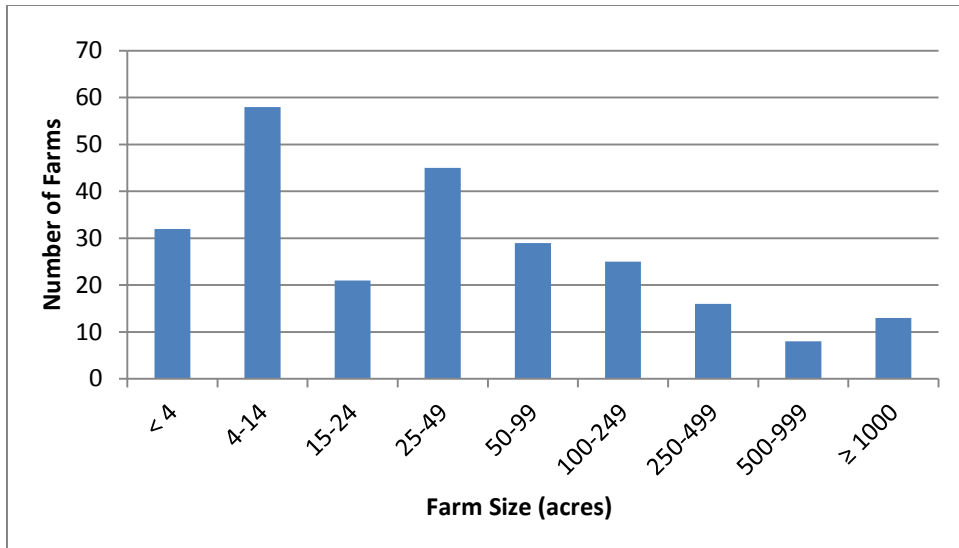


Figure 2. Certified Organic Acres Farmed by Survey Respondents

Farm revenue followed a similar pattern with most farms (56%) reporting gross revenue from organic sales of \$100,000 per year or less. However, 42 farms (23%) reported organic sales of more than \$500,000 (Figure 3).

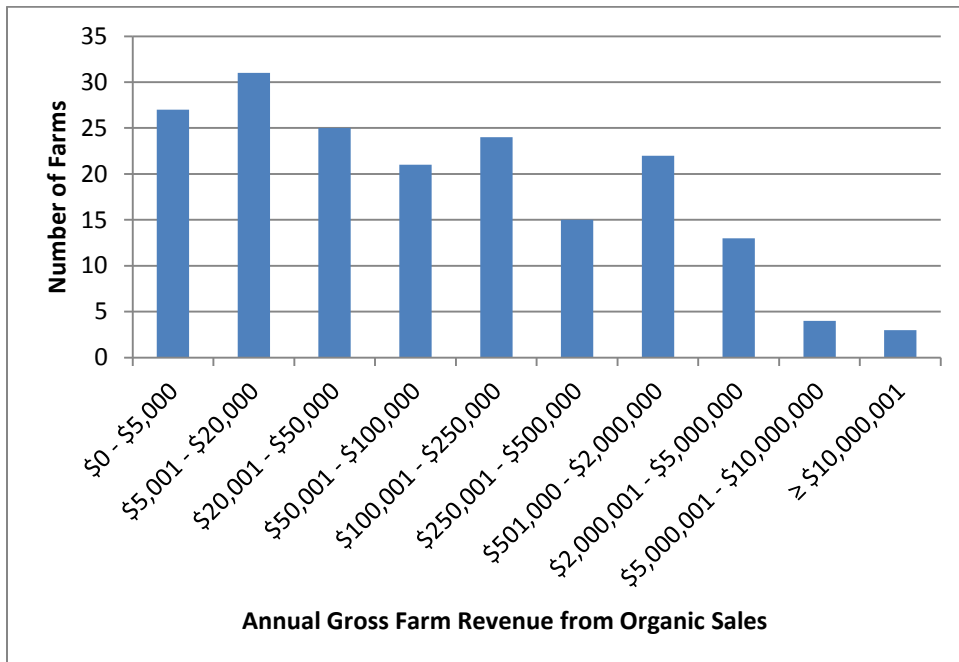


Figure 3. Annual Organic Sales of Survey Respondents

Our sample appears to have a somewhat higher representation of larger organic farms compared to data reported for California in the 2012 US Census. Approximately 55% of the farmers responding to our survey indicated that they had organic sales of \$50,000 or more as compared to 44% of farmers in the 2012 census (US Census Bureau 2012).

Organic growers sold their certified organic crop through many different channels. The predominant distribution channel was wholesale (75%), followed by retail (33%), farmer's markets (31%), restaurants (25%), farm stands (17%), CSAs (16%), and other (14%). The other category included a variety of channels, including mail order, Internet, and industrial sales. Growers often sold their crop through two or more channels. Many of these channels do not require substantial marketing support, especially wholesale, farmer's markets, and restaurants, which may explain why growers' marketing expenditures are relatively low.

Results

Focus of GMMPs on Organic Agriculture

One of the principal research questions was to determine whether and to what extent California GMMPs specifically target organic crops. We began by reviewing the enabling legislation for each of the 16 GMMPs listed in the previous section. We found no wording in the legislation that specifically mentioned organic activities. We then reviewed the websites, reports and other public information for each of the GMMPs. We found that many of the programs addressed organic products. However, in most cases, the activity of the commission or board was limited to providing information. Some examples of the type of information collected and/or provided include data on organic acreage, production, prices, organic growers and handlers of the commodity, organic production methods and growing costs, and seminars on organic production. In some cases, the commission or board sponsored research that specifically targeted or otherwise benefitted organic growers. For example, the California Apple Commission sponsored research on pesticides that could be used by organic growers (California Apple Commission n.d.). Furthermore, research on Integrated Pest Management and biological controls benefits both organic and conventional growers. We found no instances where organic crops were specifically promoted by the commissions or boards.

The question of whether the GMMPs focused specifically on organic crops was also addressed in the personal interviews and focus group meetings. These groups represented a broad range of industry representatives including growers, processors, and distributors of organic products. Some participants in the discussions were very knowledgeable about some of the GMMPs as they were elected representatives (board members) of a program. The discussions focused on promotional aspects of the boards and commissions. The people whom we interviewed and the participants in the focus group meetings indicated that they were not familiar with any promotional activities of GMMPs that specifically focused on organic crops.

Organic Growers' Perspectives on GMMPs

The second objective of this research was to explore whether growers of organic products subject to California State GMMPs believe that these programs benefit their organic crops. (Note that in several questions we used the term "marketing order" or "marketing order/commission" as short hand for GMMP.) As with the previous question, we approached this issue from several perspectives, utilizing information gained in the personal interviews, focus group meetings, and specific questions from the survey.

We began by trying to understand organic growers' perspectives on marketing organic produce, including grower marketing efforts, consumer knowledge, and organic pricing. We found that most organic growers spend very little in marketing and promoting their organic crops (Figure 4). Approximately two-thirds (65%) of growers surveyed spend less than \$1,000 marketing their organic crop while 10% spend more than \$10,000. While this is not entirely unexpected due to the relatively small size of most organic growers, it does indicate that relatively little is invested in promoting organic commodities at the grower level.

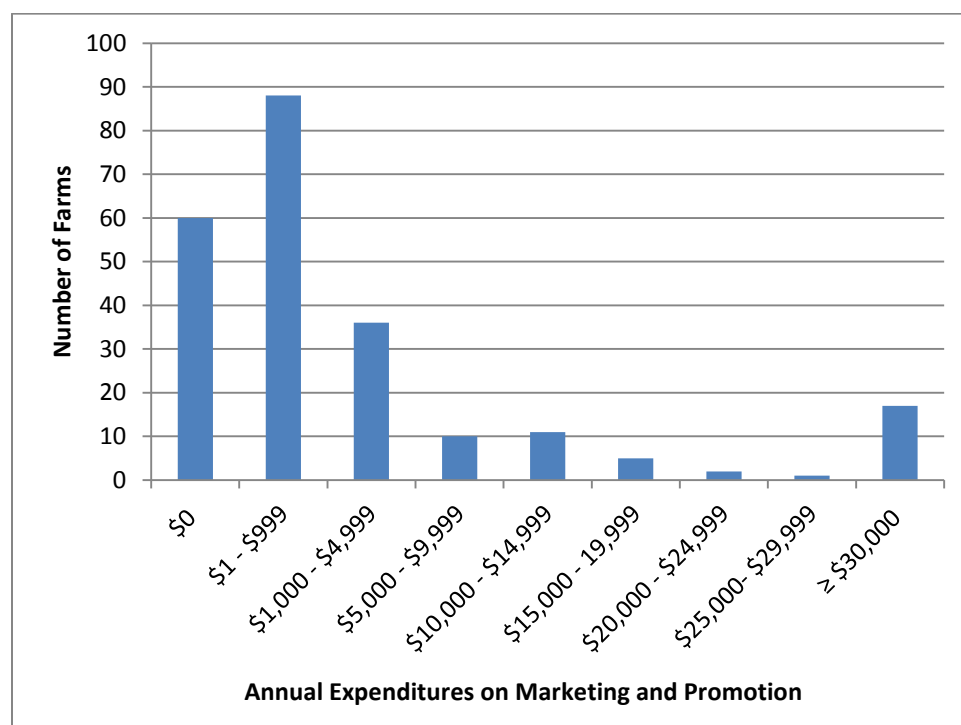


Figure 4. Annual Marketing and Promotion Expenditures on Certified Organic Crops of Survey Respondents

Several questions were directed at understanding organic producers' perspectives of the organic marketplace. The responses to questions regarding consumer perspectives, data availability, and pricing are discussed in the following paragraphs and reported in Table 1.

Two questions addressed the prices growers received for their certified organic products. While a majority of growers (59%) believed that they consistently received a premium price for their organic crops, a large minority (41%) either believed that they did not consistently receive such a premium or were unsure. Price premiums are critical to the success of the organic farmer because organic production costs are typically higher due to lower yields per acre or increased labor costs (generally for weed management). This result indicates that price premiums are not guaranteed. Moreover, this may be a motivating factor behind growers' desire for promotional activities that tout the benefits of organic products.

Regarding the question of price variability of organic versus conventionally-produced products, the opinions of organic producers were mixed. Thirty-six percent of growers felt organic prices

were more variable while 25% thought they were not. Although only about a third of growers thought price variability was greater for organic as compared to conventionally-produced products, this highlights a potential area of focus for marketing activities focused on organic products.

Table 1. Organic Growers' Perspectives on the Organic Market

Statement	Level of Agreement				
	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
I consistently receive a premium price for my certified organic crop.	15.4	43.9	17.2	15.8	7.7
I believe organic prices are more variable than conventional prices.	6.3	29.4	39.4	20.4	4.5
I have access to sufficient data about the organic market to promote my certified organic crop.	11.8	33.9	32.1	19.5	2.7
Consumers understand the difference between certified organic and other eco-labels.	5.0	23.2	22.3	39.5	10.0
Organic consumers are a niche market and organic will never be mainstream.	4.1	24.9	24.4	37.1	9.5

Note. N = 221 for all statements except for the first statement where n = 220.

We also sought to understand organic growers' perspectives regarding access to information to help market their crops. Producers of major commodities, such as corn, soybeans, and wheat have access to a large amount of information provided by the USDA that growers of minor crops do not. GMMPs often collect data regarding volumes and pricing for smaller volume crops, including fruits, nuts, and vegetables. We asked growers whether they have access to sufficient data about the organic market to promote their certified organic crop. Almost half of respondents (46%) indicated that they do have sufficient data while 22% indicated that they do not. It appears that organic growers feel that they are fairly well served regarding data on their organic crops.

Regarding organic growers' perspectives on consumers, we asked whether growers believed that organic consumers were a niche market that would never become mainstream. Close to half of respondents disagreed with this statement, while only 29% agreed, an indication that many organic growers see a large growth potential in the organic market. We also asked whether growers believed that consumers understand the difference between certified organic and other eco-labels. Only 28% of growers thought that consumers understood the differences between the various labels. This underscores potential issues for organic growers associated with the proliferation of labels such as natural, sustainable, GMO-free, and other eco-labels. Moreover, this is consistent with consumer research that indicates that one-third of consumers do not understand the meaning of the organic labels (Organic Trade Association 2013). This suggests an opportunity to better differentiate certified organic products, one that might benefit from some type of collective action, such as a GMMP focused on organic produce.

To assess the perceived value of state GMMPs to organic growers we asked two questions regarding the impact of GMMPs. The first question focused on sales while the second question addressed value received relative to the assessment. In both cases we report the results based on the value of the grower's organic sales. Growers with less than \$50,000 in organic sales were considered small; growers with \$50,000 or more in organic sales were considered large.

The first question asked for the level of agreement with the statement, "I believe the generic marketing and promotion programs of the marketing order/commission increase the sales of my certified organic crop." Overall, respondents were fairly evenly split between those who agree with the statement, those who disagree, and those who had no opinion one way or the other. There was a difference in how large and small growers perceived this issue. A much higher percentage of the larger growers (22%) strongly agreed that generic marketing and promotion programs increased the sales of their organic crop than did smaller growers (5%), (Figure 5). This may be because large growers utilize a different mix of channels in marketing their products. Whereas small growers rely more heavily on direct sales channels, such as farmer's markets and restaurants, large growers were especially dependent on the wholesale channel and may benefit more from generic marketing activity.

This question gets at the heart of a key issue for organic growers, that is whether generic promotion benefits sales of their products. A key argument for the inclusion of all growers in a GMMP, regardless of the product, is that promotion of the commodity product benefits all producers. This is sometimes expressed as "a rising tide floats all boats." In the focus group discussions an avocado grower commented that, "An increased market for avocados means an increased market for organic avocados." Our survey results indicate that about one-third of growers, and larger growers in particular, believe that generic promotion through GMMPs does benefit organic sales.

On the other hand, there seems to be a fairly large segment of growers that questions whether GMMPs benefit organic products. This is especially true for small growers. When we add those who disagree with the statement that GMMP benefits organic sales to those who are unsure, we find that well over half of those surveyed, both small and large growers were either negative or neutral on this issue. The focus groups revealed substantial dissatisfaction with GMMPs that generally fell into two categories. One group felt that the assessments were a waste of money and that growers would be better off keeping the money themselves. One grower commented that it is "money not well spent," and another grower stated that "A lot of people don't think we're getting our money out of it." Members of the second focus group expressed dissatisfaction that the GMMP did not set aside a portion of the assessment for organic promotion. Yet another argument is that the GMMP actually undermines the interests of organic growers. A strawberry grower argued that the California Strawberry Commission actively worked against organic interests by working to maintain the critical-use exemption for methyl bromide.

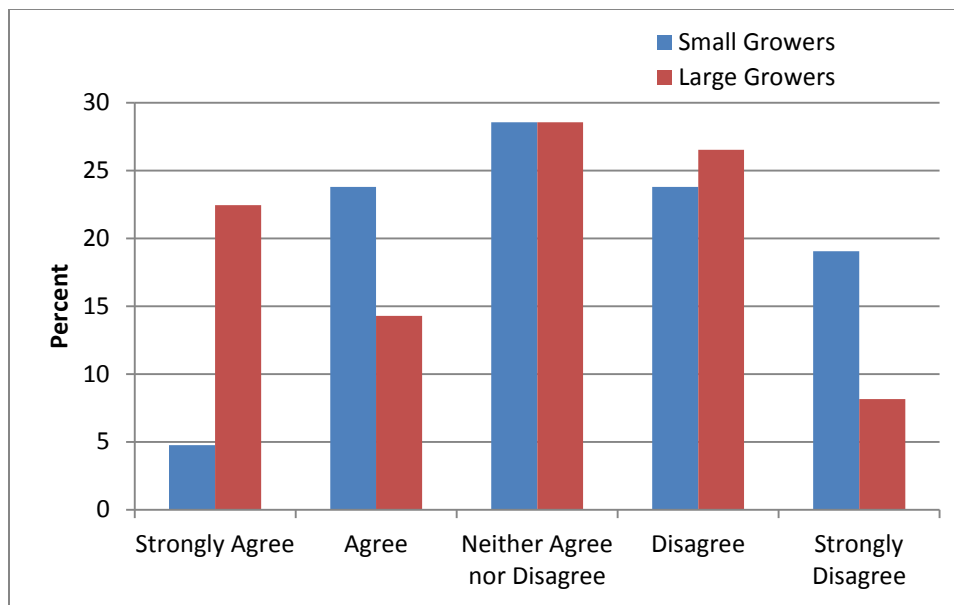


Figure 5. Level of Agreement among Organic Growers that Membership in a GMMP Increases Sales of their Organic Crop

Note. Small growers had organic sales of less than \$50,000; large growers had organic sales of \$50,000 or more.

The most direct assessment of organic growers' opinion of the value of GMMPs was their response to the statement, "I believe that I receive good value relative to the size of the marketing order/commission program assessment I pay," (Figure 6). Overall, the response pattern was similar to that of the previous question on the value of generic marketing, with the responses fairly evenly distributed between those agreeing with the statement, those disagreeing, and those having no opinion. Likewise, a much higher percentage of the large growers (20%) strongly agreed that they received good value for the assessment they paid than did the smaller growers (5%). Despite the agreement that there is good value in the GMMP assessments by many growers, we find that most growers, both large and small, are either neutral or disagree that they receive good value for what they pay.

The responses to this question along with those to the previous question indicate that there is substantial doubt, if not dissatisfaction, with the GMMPs when viewed from the perspective of organic growers. We might compare these numbers to the two-thirds majority that is required for passage of California State GMMPs. The two-thirds majority is a relatively high standard that indicates broad industry support for the program at the time of passage. Our results indicate that such broad industry support for the commodity GMMPs does not appear to be held by organic growers.

We found a small number of growers who were unfamiliar with GMMPs. Responses to questions regarding their knowledge of marketing orders included, "I am not aware of this term," "Don't know anything about it," "I am not familiar with them – what are they?" and "What are marketing orders?" Although these growers were a small minority, there were a few growers who indicated their lack of awareness of GMMPs in the personal interviews, focus groups, and survey responses. At each of the three focus group meetings, at least one producer asked for an

explanation of GMMPs at the beginning of the meeting. These growers tended to be relatively small producers.

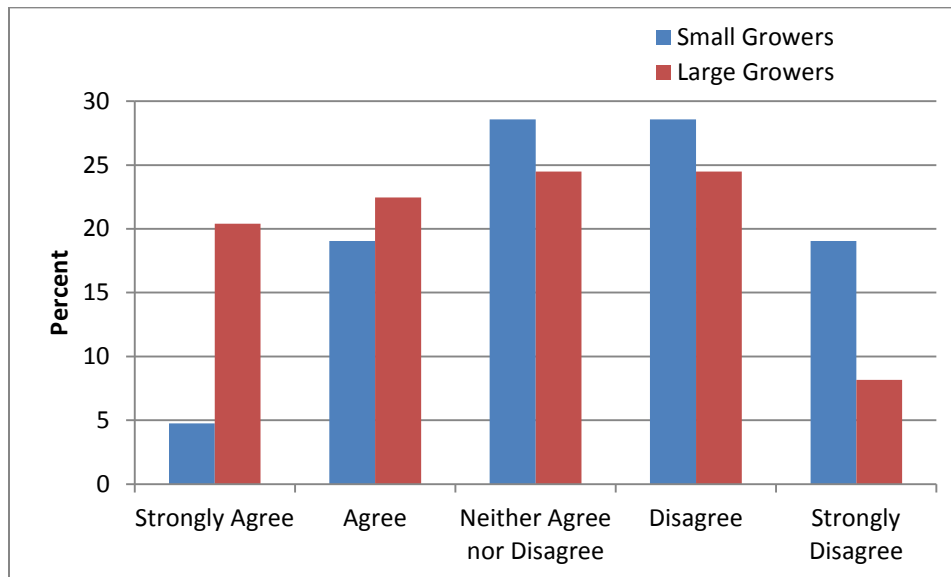


Figure 6. Level of Agreement among Organic Growers that They Receive Good Value for the GMMP Assessment

Organic Growers' Perspectives on GMMP Alternatives

Our final research objective was to explore alternatives to the traditional GMMP structure where all producers of a commodity pay a mandatory assessment and vote for the board leadership of the program. One such alternative, described earlier in this paper, has been proposed by the Organic Trade Association and GRO Organic Core Committee. The proposal would establish a federal organic marketing program called the Organic Research and Promotion Program.

We asked organic growers to rank several marketing and promotion options (Table 2):

- The status quo: maintain marketing and promotion program of current marketing order as is;
- Modify existing marketing order to allocate a representative portion of the assessment to organic promotion;
- Establish a non-governmental producer association to specifically market/promote organic produce;
- Establish a state multi-commodity organic marketing order to specifically market/promote organic produce;
- Establish a federal multi-commodity organic marketing order to specifically market/promote organic produce; and
- Market/promote organic produce myself.

Table 2. Organic Growers Preferences for Marketing and Promotion Alternatives

Alternative	Rank						Avg. Rank
	1	2	3	4	5	6	
Status quo	11.1/8.9	22.2/15.6	16.7/20.0	11.1/11.1	16.7/6.7	22.2/37.8	3.7/4.0
Modify existing order	44.4/37.8	16.7/20.0	16.7/13.3	16.7/6.7	0.0/15.6	5.6/6.7	2.3/2.6
Producer association	16.7/8.9	22.2/28.9	27.8/28.9	22.2/24.4	11.1/6.7	0.0/2.2	2.9/3.0
State organic order	0.0/0.0	16.7/15.6	5.6/15.6	38.9/35.6	38.9/28.9	0.0/4.4	4.0/3.9
Federal organic order	0.0/6.7	5.6/8.9	22.2/13.3	5.6/13.3	22.2/22.2	44.4/35.6	4.8/4.4
No collective marketing	27.8/37.8	16.7/11.1	11.1/8.9	5.6/8.9	11.1/20.0	27.8/13.3	3.4/3.0

Note. The Rank columns show the percent of respondents who selected each alternative as their 1st, 2nd, 3rd, etc. alternative, with 1 being the most preferred alternative and 6 being the least preferred. Small growers (with organic sales of less than \$50,000) are listed first, followed by large growers (organic sales of \$50,000 or more).

The rankings were similar for both the small and large growers as seen in the average ranking. We conducted the Mann-Whitney U test and found no statistically significant difference between how the two groups ranked the proposals.

Growers generally fell into one of three groups, those who are generally happy with the current state of affairs, those who would like to see some sort of producer association that focused on marketing organic produce, and those opposed to collective marketing. Almost four in ten producers (38%) thought that modifying the existing GMMP so that a representative portion of the assessment was dedicated to marketing the organic product was the best option. Roughly three-fourths of respondents ranked this alternative as their first, second, or third choice and it was the preferred choice of both small and large growers. We believe this indicates that organic growers see value in the current structure of GMMPs, but that they would like a portion of the mandatory assessment allocated to the marketing of the organic product.

The idea of a non-governmental producer association that would promote organic produce was also highly ranked by organic growers. While it received relatively few votes as the most preferred alternative, roughly two in three producers ranked it as their first, second, or third choice. It was the second-highest ranked alternative, behind modifying the existing structure to specifically promote organic products for both small and large producers. This indicates that there is substantial support for a producer association whose primary goal would be the promotion of organic crops. Since no details were provided regarding the possible structure or assessments of the proposed association, we cannot speculate on how much support an actual proposal might garner. The level of support would likely be determined by the specific details and the proposal would undoubtedly be controversial, especially if it involved exempting organic growers from paying an assessment to either federal or state GMMPs.

The option to not participate in a GMMP (market/promote myself) was highly ranked by organic growers with over one in three producers (35%) choosing it as the preferred alternative and over half selecting it as their first, second, or third choice. Our research uncovered much dissatisfaction among growers who are unhappy with the existing GMMP system, although their

reasons varied. Some growers felt that GMMPs are not needed because they did their own marketing. This was the case for many smaller growers who sold directly to consumers and indicated that they had no need for organic promotion. Other growers believed that the marketing boards and commissions were a waste of their money. A common sentiment among many organic growers was that they believe they are paying twice, once to the GMMP for generic marketing, and again as they fund their own marketing efforts. One grower commented that the marketing commission has a big, fancy office, a lot of employees, and that this means high costs for the marketing program. Still other growers did not believe that the GMMPs represented their interests as organic growers, that is, that the commission did not promote organic products, promote their specific variety, or conduct other beneficial activities. A common theme among this group was that they would rather “keep their money.”

The remaining three alternatives did not receive much support among those responding to the survey. Both the federal and state multi-commodity GMMP alternatives had over two-thirds of respondents ranking these proposals as their fourth, fifth, and sixth choices. The status quo had approximately one-third of those responding listing it as their least preferred choice.

Summary and Conclusions

The first part of this paper explored California GMMPs and how they address organic crops. We examined GMMP materials covering 16 fruit, vegetable, and nut crops and spoke to numerous growers in personal interviews and focus groups. We found that some of the GMMPs provided data, such as acres planted, production, and prices as well as information on available research and seminars that are specific to organic production. We also found that some GMMPs conducted research programs that either specifically benefitted organic growers or was valuable to organic growers. We did not find evidence that any of the GMMPs we researched allocated funds to specifically promote organically produced commodities.

We also examined organic growers’ marketing efforts and their perspectives on activities that might influence their opinions of GMMPs. We found that most organic growers spend relatively little on marketing their certified organic crops, less than \$1,000 per year. Selling through wholesale channels (75% of producers) was the most common market channel, followed by retail (33%), farmer’s markets (31%), and restaurants (25%). Most growers indicated that they consistently receive a price premium for their organic crops although a substantial minority (41%) indicated that they either do not consistently receive a higher price for their organic crops or that they are unsure as to whether they do.

The biggest challenge identified by organic growers was in regards to consumers’ understanding of the organic label. While most growers believed that the organic segment of the market was strong and permanent, there was considerable concern that consumers do not understand the difference between the certified organic label and other eco-labels.

The key objective of this research was to evaluate how GMMPs serve the organic produce industry and whether an alternative structure might be better received by growers. It is clear that the industry supports a structure that would specifically promote organic products. When asked to rank several alternative marketing schemes, the top two choices, favored by both small and

large growers, both focused on a collective marketing structure that would promote organic products.

There was also a group of growers who preferred no collective marketing for their organic crop, with this alternative ranking third of the six options. While we did not explore the reasons behind the choices, we speculate that this may be due to several factors, including dissatisfaction with current marketing boards and commissions that do not specifically target organic products and the belief among many growers that they do not receive good value for the GMMP assessments they pay. Responses to our survey and in focus group discussions indicate that there is substantial dissatisfaction with existing GMMPs by organic producers because the boards and commissions do not specifically promote the organic commodities. Many growers, particularly smaller producers, market their products through on-farm sales, farmers markets, and restaurants, and may feel that their sales are relationship-driven and therefore do not benefit from collective promotion and marketing.

Recently, the Organic Trade Association and the GRO Organic Core Committee petitioned the USDA to establish a research and promotion check-off program for organic products entitled Generic Research and Promotion Order for Organic or GRO Organic (Organic Trade Association 2015a). The USDA has solicited additional proposals for research and promotion marketing orders for organic products in order to get greater industry input. Although other proposals may surface, the following discussion is limited to examining the implications of this research for the application submitted to the USDA. It is important to note that the specifics of this proposal were not released until after our data collection was complete and therefore the details of this proposal were known to neither the authors of this research nor to those growers we contacted. Thus the proposal was not included as one of the options that were ranked in the survey of various market order structures.

Some key details of the proposal are (Organic Trade Association 2015b):

- A referendum requiring that a majority of eligible voters (growers, importers, or small growers who opt-in) approve the proposal;
- A board made up of 50% producers and 50% handlers would be elected;
- The assessment rate would be one-tenth of one percent of net organic sales;
- Growers with \$250,000 or less in gross organic sales can choose whether to pay the assessment; and
- The allocation of funds would be 25% for research, 25% for information, 25% for promotion, and 25% for discretionary expenses.

Although this study did not directly examine California growers' reactions to this proposal, our results and analysis shed light on how this proposal might be received. Perhaps most importantly, the proposed program would specifically fund research, information, and promotion on organic products. Much of the dissatisfaction with California State GMMPs revolved around the lack of focus on organic marketing and promotion and, more generally, issues important to organic growers. The proposed program directly addresses this concern. Moreover, an organization focused solely on organic products could address emerging issues, such as consumer confusion over natural foods and eco-labels, that many organic producers feel threaten their industry.

The GRO Organic proposal appears to be well thought out in that it targets the needs of the organic community without being unduly burdensome. The assessment rate is low by comparison to many GMMPs at one-tenth of one percent. Yet, because it is broad-based and covers many organic commodities, it is expected to generate sufficient funds (\$35 million) to have a positive impact on the industry (Organic Trade Association 2015b).

Our research found that compared to smaller growers, larger producers tended to be more likely to believe that GMMPs increased the sales of their organic products and that GMMP assessments were a good value. The decision to include only larger producers in the referendum voting and thereby exclude those producers who are least likely to see the value in GMMPs will enhance the chances of a positive result from the referendum.

We foresee few potential pitfalls to the current proposal. However, one potential issue is that the proposed program would include a great many commodities. While the anticipated \$35 million is a sizeable budget, there will be many competing demands for the funds and many growers of different organic commodities vying for those funds. This may be especially apparent when it comes to research. Much research is commodity-specific and very costly which may make choosing between competing projects and therefore satisfying the members difficult. Additionally, while the common interest in promoting organic production and sales will bind the growers together, the possibility of divergent interests could prove divisive and make meeting grower expectations difficult.

Our study has several limitations. While we invited a large number of growers to participate in the focus groups and to complete the surveys, those who chose to do so were self-selected. The characteristics of those completing the survey were fairly similar to those of all California organic farmers along two dimensions, farm size (acres farmed) and value of organic sales. Nonetheless, there is the possibility that the results are biased in ways we do not know. Moreover, a larger sample would have allowed us to delve deeper into the relationships between growers' opinions and characteristics such as market channels, crops produced, assessments paid, and other factors.

In summary, we find that organic growers are split regarding their opinions of whether or not generic GMMPs benefit their organic crop. One group apparently believes that promotion of the generic crop benefits both the conventionally and organically grown commodity. Another group is of the opinion that growers do not receive good value for the assessment that they pay because the generic promotion activities do not specifically address organic concerns. Furthermore, many growers felt that there are some major challenges facing organic growers, including consumer confusion and competing labels (such as natural) that will not be addressed by existing GMMPs.

There was strong support for changes in the existing GMMP structure that would ensure that organic issues are addressed. Although the GRO Organic proposal was not yet released at the time this study was conducted, it appears to address grower concerns and be designed to target those large growers who stand to benefit the most while exempting those small growers who make up a large percentage of growers and who are likely to be most skeptical of the benefits.

This study provides baseline information on California organic producers, their organic production, market channels, and opinions on existing state GMMPs. Additional research and a larger data set is needed to look at characteristics of specific GMMPs and how they are perceived by members. Moreover, as efforts to develop a national organic marketing order develop, additional research will be useful in assessing the proposal as well as the effectiveness of any new GMMP.

Acknowledgements

The authors gratefully acknowledge the financial support of the Food and Agribusiness Institute and the Leavey School of Business at Santa Clara University. We thank two anonymous reviewers for their insightful comments. We also thank the California organic farmers who took time to participate in the interviews, focus groups, and survey.

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