

SUSTAINABLY GROWING USDA ORGANIC SUPPLY CHAINS

Understanding the complexities on the ground

USDA CERTIFIED ORGANIC

is at the core of quality

- > Organic agriculture is defined as a production system that sustains the health of soils, ecosystems and people.
- > By definition USDA Organic = non-GMO!



DEMAND FOR ORGANIC IS STRONG

and growing, but supply is unable to keep up

97 billion

U.S. dollars

2017

90 billion

U.S. dollars

2016

The **United States**

represented **43%** of global organic retail sales in 2017.²

- > **Certified organic represented 5.3% of total food sales in the U.S.** in 2016 and is on an upward trajectory.²
- > Sales of **organic non-food products were up 8.8%** in 2016, surpassing the overall non-food growth rate of 0.8%.



Global organic farm area has nearly doubled within the past ten years.

- > Global organic production area was approximately 70 million hectares in 2017 – up from 30.47 million hectares in 2006.

CHALLENGES IN THE SUPPLY CHAIN

HOW ORGANIC INGREDIENT OUT OF STOCK ISSUES ARISE



- > It is difficult to predict future demand for an ingredient, yet it must be done as accurately as possible in order to have enough supply.
- > Forecasting must factor in shifts in demand:
 - > Macroeconomic trends
 - > Changing consumer priorities and behavior



There is a time lag between "ordering" and organic supply coming online

- > Because of climate conditions and other factors, smaller organic farms may not produce enough to meet demand.



Conversion of farmland to organic and new crops takes 3 years.

- > Sometimes there is an over-commitment on futures, which is reflected in prices of raw material, and ultimately, the finished product – but this is necessary to meet demand.

There is need for growth in organic and certification.



- > The **United States** ranks third in total land dedicated to organic.



- > **India** has the highest number of organic farms globally.

But **certified organic** land makes up just 0.9% of global agricultural land.

VERTICAL COLLABORATION -

From brand to farmers

Commitments on crops throughout the supply chain

- > **Brands** can plan and communicate product roadmap to suppliers, and work with suppliers on a future timeline - similar to locking in future supply via a modified "futures" contract.

Retailers can also be part of the planning, helping to avoid out of stock situations and educating consumers on the "why" of the delay.



The commitments made to farmers are what matters most - Build trust + relationships

- > Educate farmers on the importance of third-party certifiers - like USDA - in order to meet demand.
- > "Reverse education" -> Consumers want to know about the supply chain and farmers, but farmers ought to know about the end consumers - the lives they impact and the difference they are making.
- > Provide farmers a toolkit for success through organic research and training.

Invest in communities where farmers live

Support community access to:



Education



Healthcare



Nutrition