

The Organic Market in the Four Corners States:

Opportunities for Growth



“Certified organic producers in the Four Corners States want to be part of a healthy food enterprise that benefits local and regional economies.”

Collaborating organic industry members, educational and governmental institutions, and non-profit organizations investigated the organic market in the Four Corners States. The aim of the joint effort: to foster the development of a strong regional market for organic products, provide a better understanding of the opportunities available, and help reduce barriers to creating a more vibrant organic food market in the Four Corners States.

Locally grown food sales are expected to increase to \$5 billion in 2008, up from \$4 billion in 2002.

The information was gathered through a four-stage process including a comprehensive literature search, a survey of the certified organic producers, interviews with regional experts, and case studies of three notable businesses in the region.



Main Objectives

- To better understand current and potential regional organic markets through a comprehensive market supply analysis
- To identify specific market opportunities and solutions for organic producers to overcome market barriers
- To relay the findings to producers; land-grant university faculty, staff and field agents; non-profit and educational organizations; and organic industry members

Key Findings

- Organic producers are committed to their investments in organic.
- The demand for local, organic products is expected to continue to exceed supply.
- Most producers plan to maintain or expand acreage in the next five years.
- Organic producers are looking for ways to increase their local sales.
- Producers want to play a role in strengthening processing and distribution sectors.
- Collaborative, producer-involved marketing initiatives, transportation networks and processing facilities are priorities for regional improvements.
- 25 percent of producers are selling through the natural food store market.
- 75 percent of producers want to enter the natural food store market or increase their sales in the market in the next five years.
- 70 percent of the producers sell all of their products within their region.

Recommendations

- Enhance education about market opportunities and certification requirements for organic producers.
- Develop a regional business incubator and innovation center.
- Increase assistance for local, direct agricultural marketing.
- Establish a regional conference focused on agricultural marketing and distribution.
- Target research on agricultural processing and distribution.
- Promote policy improvements supporting organic production and marketing.

Highlights

The Organic Market in Perspective: From International to Local

Organics Internationally

Internationally, certified organic farming is practiced in approximately 100 countries, with more than 59 million acres now under certified organic management. Of this total, as of 2004 North America has almost 3.7 million acres.

Organics in America

Nationally, acreage in organic production have increased dramatically in recent years. According to the USDA Economic Research Service, total certified organic cropland and pasture for 2000 was less than two million acres, and it increased to four million acres by 2005, an impressive 125 percent jump. Total certified organic livestock and poultry production was 3.2 million head (for all species combined) in 2000 but increased to 14.2 million by 2005, equating to an increase of 344 percent.

Sales of organic products rose throughout the 1990s by 20 percent or more annually, and continued increases are predicted. Organic products have gone from representing 1.2 percent of total food sales in 2000 to 2.5 percent in 2005 and are projected to grow to 5 to 10 percent of total food sales by 2010.

Studies have shown that organic price premiums have softened in some organic markets, even though organic sales continue to increase.

Organics in the Four Corners States

In 2002, the market value of certified organic products produced in the region was just under \$18 million, 4.6 percent of the total organic sales for the United States. USDA figures indicate fluctuations between 2000 and 2005 within the Four Corners States in both the number of certified organic operations and the amount of certified organic acreage, including both pasture and cropland. Since 2000, two states in the region have fewer overall organic operations; however, in three states, the amount of certified organic acreage has increased.



In terms of certified organic operations in the Four Corners States, Arizona increased consistently during these six years while the other three states dipped and then improved. In terms of certified organic acreage in the Four Corners States, Colorado saw a reduction in the number of certified organic operations, as well as a reduction in certified organic acreage. Certified organic acreage steadily trended upward for the other three states, with brief exceptions.

It is speculated that the implementation of the national organic standards in 2002 was responsible, at least in part, for these uneven trends. Increased costs and record keeping may have been a disincentive, and the newly afforded option of exempt, non-certified status for small producers may also have decreased certifications.

New Organic Projects

There are a wide variety of innovative, organic marketing projects underway in the Four Corners States.

- **Production** – The Navajo Agricultural Project in Farmington, New Mexico, had 50 certified organic acres in 2006 and is being courted by a tortilla chip company to plant blue corn for their products.
- **Production** – The Rocky Mountain Small Organic Farm project established an organic research and demonstration facility for the Intermountain region at the Horticulture Field Research Center at Colorado State University in Fort Collins, Colorado.
- **Manufacturing** – The Taos County Economic Development Center in New Mexico has helped 45 of their clients process products in its kitchen for a variety of buyers.
- **Distribution** – The Veritable Vegetable distributor in Los Angeles, California, is working with growers in the Four Corners States to deliver growers' products to small grocery stores along their truck routes, providing a way for regional distributors to connect with larger truck routes and operators.
- **Marketing** – Programs such as the Slow Food movement and “Utah’s Own” are increasing consumer awareness of the benefits of eating locally produced food.



CASE STUDIES

The Case for Buyers to Invest in a Local Distribution Network

La Montañita Cooperative Markets and Beneficial Eco-Label Food Shed Project Albuquerque, New Mexico

La Montañita is a member-owned, cooperative grocery store chain in New Mexico with four locations. In the 1980s and 1990s La Montañita shaped its image by becoming an activist cooperative. La Montañita continues to develop a niche as a small, neighborhood-based community store.

La Montañita is unique in that the company provides distribution transport for local growers through the Food-Shed project. Based on a 20-year plan La Montañita has partnered with Beneficial Eco-Label to distribute local farm and ranch products within a 300-mile radius of Albuquerque, New Mexico. Together they have formed the Cooperative Distribution Center (CDC) in Albuquerque. In addition to the 11,000-square-foot warehouse, they offer delivery service to an expanded route. In 2006 La Montañita and Eco-Label distributed almost \$100,000 worth of meat, eggs, milk, and produce from 30 producers.



The Challenge

- Providing stores with consistent quality products in quantity.

The Opportunity

- Work with retailers committed to local producers.

The Best Advice for Producers

- Build win-win relationships with stores that are committed to solving supply, distribution and consistency issues.
- Sell through several outlets for product sales security.
- Work with an accredited distributor and maintain a well-documented paper trail.
- Work with an organically certified distributor to maintain the integrity of the product.

The Case for a Consumer-Owned Regional Distributor



ShopNatural®
Tucson, Arizona

ShopNatural® was in business for over thirty years. As of December 2007 the coop closed due to various reasons. The many successes and the longevity of this organization continue to be a model for cooperative warehousing.

In 1973 The People's Warehouse was one of many coops that emerged during that decade. The membership included thousands of producers and distributors in Texas, New Mexico, Colorado, Arizona, Utah, and Nevada. In addition to being a certified distributor ShopNatural® was also a certified organic re-packer.

The Challenge

- Transportation within the large region of the Four Corners States.
- Difficulty marketing products from small producers with high operating costs at attractive price points.
- Qualified staff with well-rounded business knowledge.

The Opportunity

- Consolidate with other growers to form packing houses, thus allowing distributors to order product from a number of producers at once.
- Tap into the growing demand for locally grown organic products in many parts of the region.

Best Advice for Producers

- Seek viable distribution opportunities, especially with consumer cooperatives, that save travel time and still contribute to the profit margin.
- Maintain product consistency in selling to distributors and retailers.
- Re-pack products under a collective label with other producers.
- Explain to buyers that fair pricing is what will keep you in business.

The Case for Organic Meat Processing Facilities in the Four Corners States Region

Sunnyside Meats
Durango, Colorado



Sunnyside Meats has been bringing together regional meat producers and processors in the Four Corners region for five years. Sunnyside is a federally inspected organic processing plant. Jerry Zink, owner of Sunnyside, had a vision to create a local meat processing plant to help local farmers and ranchers because small producers had limited access to local processing facilities. The plant is small and has the capacity to process eight head of cattle a day. Zink believes that attaining organic certification is not difficult for a processing plant, but he acknowledges a number of challenges to operating a plant his size.

Still, he is unique in the area and benefits from that: “It’s not a big market, but I have all of it,” he says, “being certified organic allows me to enter new segments of the business. The need is coming as we urbanize, and I want to be ahead of the pack.”

The Challenge

- Limited number of inspected facilities that are certified.
- Inspection and certification costs are not easy to recoup.
- Competing with lower international price points and supply.

The Opportunity

- Certify more facilities to keep up with the large supply and demand for organic meat.

Best Advice for Processors

- Provide on-site accommodations for a USDA inspector and utilize impeccable record keeping.
- Be prepared for spikes in production and plan accordingly.
- Comply with the law and keep organic production separate from other livestock.
- Consider custom-made equipment for small operations and avoid the expense of the specialized standard commercial equipment.
- Hire skilled laborers for this intense and dangerous work and maintain quality education for workers.

Conclusions

This report comes at a critical point for organic agriculture in the Four Corners States. The importance of consuming locally produced agricultural products is growing, and consumer demand for certified organic products is at an all-time high. A growing number of conventional retail outlets, including chain supermarkets and restaurants, are choosing to offer organic products to their consumers.

The information gathered through this project identifies strategies that will assist the regional certified organic market to grow and develop into its full potential.



For more information and to get involved:
<http://www.swmarketingnetwork.org>

For complete data from the research conducted in 2006, the survey and results, and case studies along with the recommendations and opinions of regional experts in organic agriculture, visit our web site. You can also sign up for newsletters; get details of meetings, conferences, and workshops; and submit comments and suggestions.

The project was a collaborative effort among many institutions, organizations, and individuals in the Four Corners States of Arizona, Colorado, New Mexico, and Utah.

Sponsors of the project were The USDA Sustainable Agriculture Research and Education Program – Western Region, the Southwest Marketing Network, Colorado State University, University of Arizona, and the Colorado Organic Producers Association.