A BASELINE FOR U.S. TRADE IN ORGANIC AGRICULTURAL PRODUCTS

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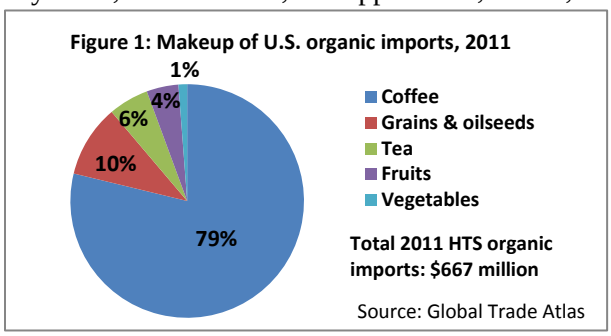
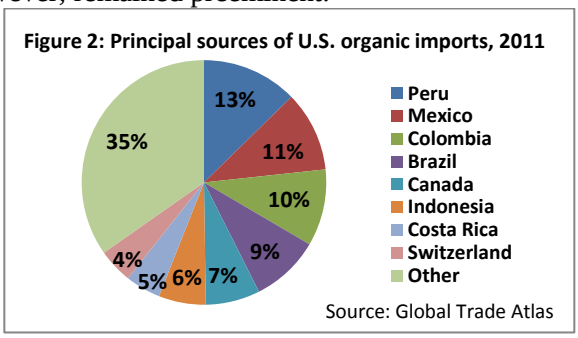
U.S. sales of organic[1] foods and agricultural products (including fruits, vegetables, grains, meats, dairy products, and beverages) have been growing at more than 10% annually for the past decade, and U.S. trade in organics has grown as well. Until recently, however, there were no official U.S. figures for this trade. In 2011, the United States introduced 20 code breakouts within the Harmonized Tariff Schedule (HTS) and 23 within Schedule B for various organic products, with only 5 codes overlapping between the two. Additions in 2012 brought the totals to 23 organic product codes for the HTS and 26 for Schedule B.

U.S. trade data are thus limited to these few dozen items, though the U.S. Department of Agriculture (USDA) has estimated total organic trade to be much greater. As the organic market continues to grow and global regulations defining "organic" are harmonized, data coverage of organic trade will improve. But even our current data offer a baseline from which analysis of the organic market can begin. With 18 months of organic trade data now available, what can we say about U.S. trade in organics?

What covered organic products are we importing, and from where?

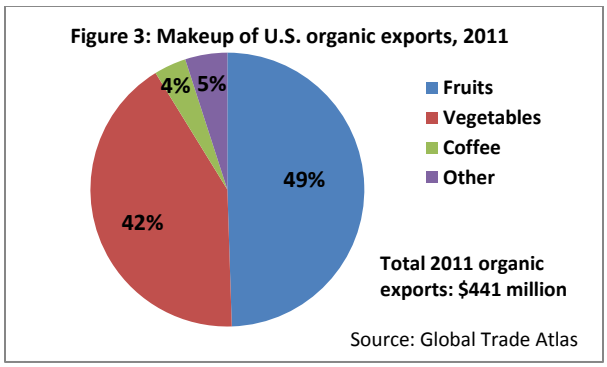
In 2011, U.S. imports of the 20 organic products identified that year in the HTS totaled over $667 million. Nearly 80% of imports by value were coffee (figure 1), partly because there were few HTS codes for fruit and vegetable products. As a result, coffee-exporting countries—Peru, Mexico, Colombia, etc.—emerged as our principal suppliers of covered organic goods (figure 2). For January–June 2012, total imports in the HTS categories (now numbering 23) fell compared to the same period in 2011, but shipments of organic soybeans, durum wheat, and apples rose; coffee, however, remained preeminent.

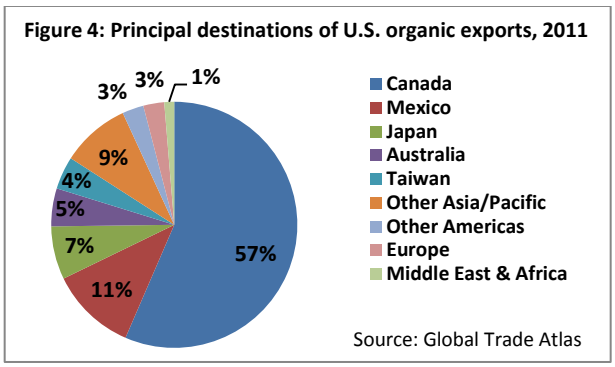




What covered organic products are we exporting, and to where?

In 2011, U.S. exports of the 23 organic products then identified in Schedule B came to over $441 million. U.S. exports of the 23 products were concentrated in fruits and vegetables, which were responsible for 49% and 42%, respectively, of total covered U.S. organic exports in 2011 (figure 3). The majority of U.S. organic exports were destined for Canada, but U.S. organics were shipped all over the world and to countries at all income levels (figure 4). Through June 2012, U.S. exports of organics for the now 26 Schedule B product codes are 15% ahead of this time last year, driven by larger shipments of apple, pears, cauliflower and headed broccoli, and roasted coffee.





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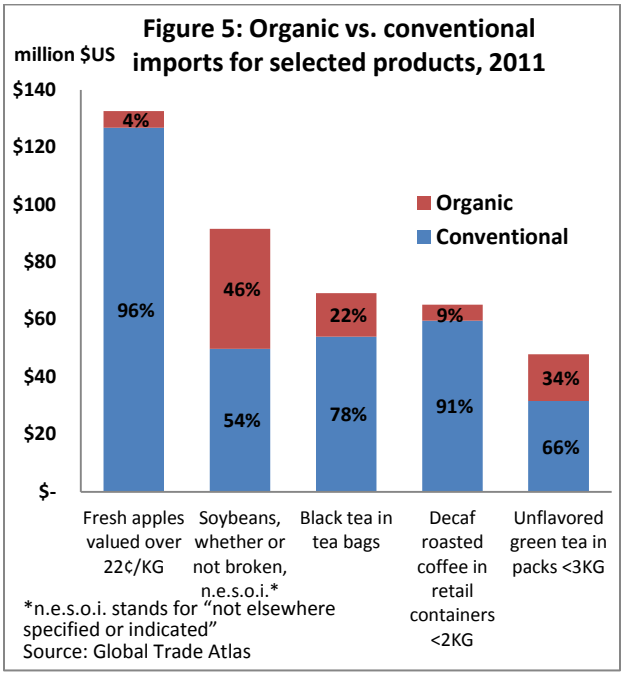
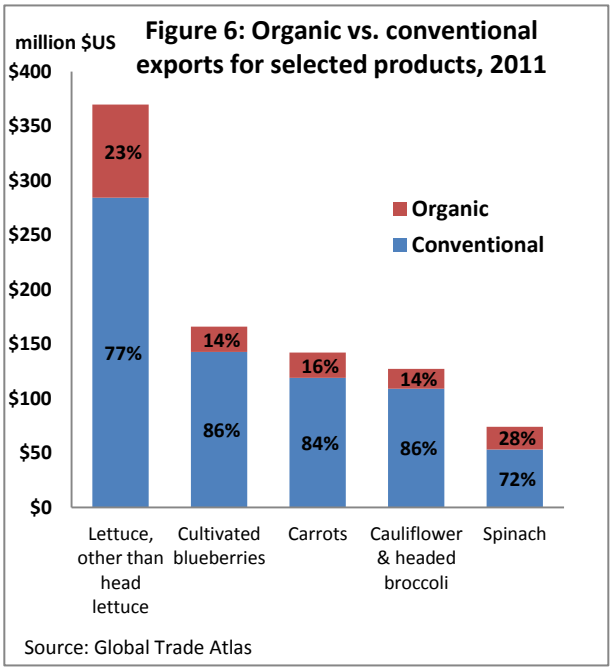
How large is trade in organics compared with trade in conventional agricultural goods?
While trade in organics is growing, organics currently represent a small share of total trade in agricultural products for both imports and exports. On average, organics made up 9% of total trade in 2011 (on both the import and the export side) for items that had separate organic and nonorganic product codes. For some products, however, that share is much greater (figure 5 and figure 6). Nearly half of certain soybean imports (the kind not destined for use as seed or oilstock) in 2011 were organic—likely specialty varieties destined for food use.





What is the outlook for the future of organic trade?
As demand for organic products rises in the United States and abroad, both imports and exports of organic products are forecast to grow. Total imports will rise because domestic demand for organics is growing faster than domestic organic production; in particular, U.S. consumers are seeking more organic options in off-season produce. Export growth will be driven primarily by two factors. First, market access for U.S. organics is expanding in some of the world's most affluent markets, where more consumers tend to buy organics. The signing of organic equivalence agreements with Canada (effective June 2009) and the European Union (effective June 2012) reduced bureaucratic hurdles for U.S. producers hoping to access those markets. At the same time, demand for organic products has been rising among the middle classes of developing countries as they seek out food choices that they perceive to be of higher quality. Since the U.S. Organic Trade Association has requested additional product codes to distinguish between organic and conventional agricultural goods, a clearer picture of these trends should emerge over the next few years.

Sources: USDA, Foreign Agriculture Service (FAS), "Organics: World Markets and Trade," March 2012; USDA, FAS, "U.S. Organic Exports Continue to Expand," January 2011; USDA, Economic Research Service (ERS), "Organic Market Overview," June 2012; USDA, ERS, "Organic Trade," May 2012; Greene et al., "Emerging Issues in the U.S. Organic Industry," USDA, ERS, June 2009; International Federation of Organic Agriculture Movements, "The World of Organic Agriculture: Statistics and Emerging Trends 2011," 2011; Global Trade Information Services (GTIS), Global Trade Atlas database (accessed August 2012).

[1]The National Organic Program (NOP) of the U.S. Department of Agriculture (USDA) defines "organic" as "a labeling term that indicates that the food or other agricultural product has been produced through approved methods that integrate cultural, biological, and mechanical practices that foster cycling of resources, promote ecological balance, and conserve biodiversity. Synthetic fertilizers, sewage sludge, irradiation, and genetic engineering may not be used." In the United States, the NOP is tasked with ensuring the integrity of domestic and imported organic products. Agricultural goods must be certified by a third party in order to be labeled "organic," and these rules vary by a product's country of origin. For more information, see USDA, NOP, "Identifying, Importing, and Exporting Organic Products," February 2012.