

The Transition to Organic Partnership Program (TOPP)

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Prepared for USDA Organic by AcresUSA, The Voice of Eco-Agriculture



United States Department of Agriculture
Agricultural Marketing Service
National Organic Program
Transition to Organic Partnership Program



The Economics of Transitioning to Certified Organic Farming

A PROFITABLE PATH TO HEALTHIER AND SUSTAINABLE AGRICULTURE



For farmers considering a transition to certified-organic farming, the prospect of change can be daunting. Anxiety about financial viability and the fear of failure deter many from embracing organic practices.

These concerns shouldn't be taken lightly; however, the truth is that for many farmers, organic farming is more profitable than conventional farming. And being an organic producer can be not only financially rewarding — it also provides the satisfaction of providing customers food with fewer harmful chemicals (and less exposure to these chemicals for yourself and your team).

In this guide, we will explore the economic aspects of transitioning to organic farming, including its impact on the cost of production, yield, and the price of goods sold. Additionally, we will delve into the growing demand for organic products and government-sponsored cost-share programs and grants available to support farmers during their transition to organic agriculture.

LOWER COST OF PRODUCTION IN ORGANIC FARMING

Profit in farming is simply a product of cost of production, yield, and the price received for what is produced. One of the key concerns for farmers considering the transition to organic

farming is whether the cost of production will be manageable.

Contrary to popular belief, organic production can often result in lower costs for various inputs, such as fertilizers, seeds, feed, machinery, and labor. Traditional farming often relies heavily on synthetic fertilizers and pesticides, which can be expensive — especially in recent years. In contrast, organic farming emphasizes natural and sustainable practices, reducing the need for costly chemical inputs. Many inputs can even be produced on-farm.

- **Fertilizers:** Organic farmers utilize compost, green manure, and other organic materials to enrich the soil naturally, re-

ducing the reliance on expensive synthetic fertilizers. Many growers are beginning to produce their own high-quality compost, or are buying it and are using it to make biologically rich compost teas to spread as foliar treatments.

- **Seeds:** While organic seeds may be slightly more expensive upfront, farmers can save costs in the long run by saving and replanting seeds from their organic crops — something conventional growers are often prohibited from doing due to seed copyrights.
- **Feed:** For livestock farmers, organic feed is usually costlier, but it can be offset by the potential for premium prices and the added benefits of organic animal

welfare practices. And many organic farmers and ranchers are using planned and rotational grazing programs that keep animals on grass longer — reducing the need for externally purchased feeds and improving their soil at the same time.

- **Machinery:** Organic farms require fewer chemical treatments, although many today replace these passes with foliar feedings of select nutrients and biological amendments; whether an organic farmer will experience reduced wear and tear on machinery — potentially extending its lifespan and lowering maintenance costs — depends on the grower’s specific practices.
- **Labor:** Organic farms typically prioritize sustainable practices,

leading to healthier soil and crops, which often requires less labor-intensive management in the long term.

YIELD TRENDS IN ORGANIC FARMING

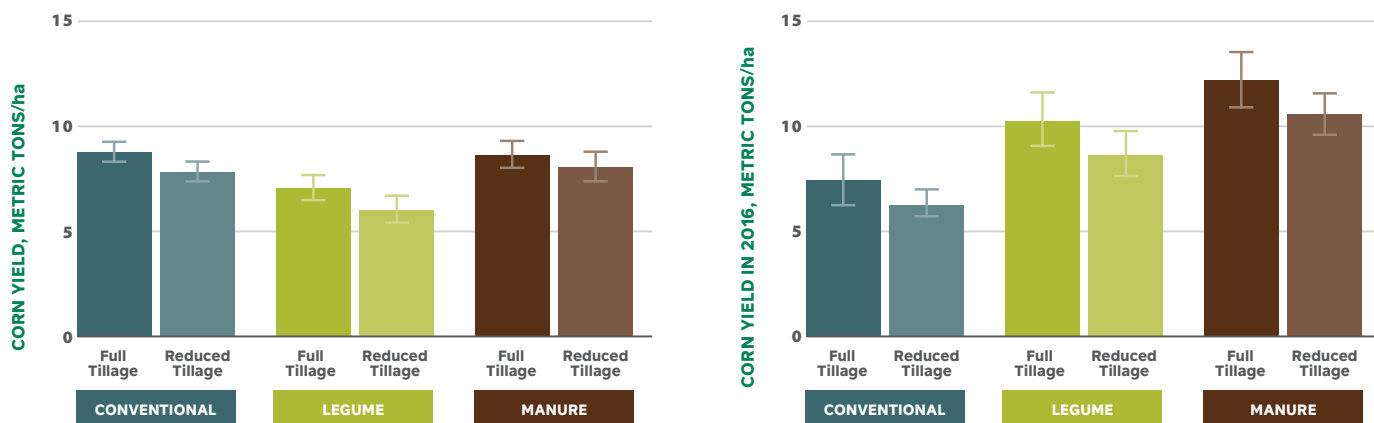
The question of yield is another crucial factor that influences farmers’ decisions when considering organic agriculture. While it is true that yields may dip during the initial three-year transition period, extensive research conducted by the Rodale Institute and other organizations consistently shows that organic yields perform as well as, if not better than, conventional yields over time, especially during periods of adverse weather conditions such as drought or heavy rainfall.

- **The three-year transition period:** During the initial three years of transitioning from conven-

Rodale Institute Farming Systems Trials: Yields

Just one example of research that demonstrates the yield potential of organic crops is the 40-year Farming Systems Trials at the Rodale Institute in eastern Pennsylvania. The chart below shows how yields in the trials’ three plots (since 2008, each with a full tillage and reduced tillage component) — conventional, organic with fertility from legumes, and organic with fertility from manure — were basically even, on average. In drought-stricken years, however (like 2016, as shown on the second graph), the organic systems outperform conventional crops — by over 30 percent, in the case of the organic manure system.

YIELDS



tional to organic farming, yields may experience a temporary decline due to the recovery of soil health and the shift in farming practices. However, this period is crucial for establishing a strong foundation for sustainable and robust organic production.

- **Long-term benefits:** After the transition period, organic farms demonstrate improved soil health and biodiversity, leading to more resilient crops that can better withstand environmental stresses, resulting in stable or higher yields.

HIGHER PRICES FOR ORGANIC GOODS

One of the most appealing aspects of organic farming is its potential to command higher prices for products sold — particularly in regions with high demand and a strong market for organic goods.

A simple trip to the grocery store reveals this, at least for the prices consumers pay. A USDA Economic Research Service report found that 2010 retail prices for a set of 17 different foods were from 7 to 82 percent higher for the organic option.

But prices for producers are higher, too. Official USDA Agricultural Marketing Service statistics for commodity organic crops are available at <https://www.ams.usda.gov/market-news/organic>. While occasional exceptions exist, organic prices for the farmer almost always exceed those of conventional.

Many organic farmers also choose to market their own products directly to consumers and are thus able to receive even higher prices.

THE GROWING DEMAND FOR ORGANIC PRODUCTS

The demand for organic products has been on the rise worldwide. Or-

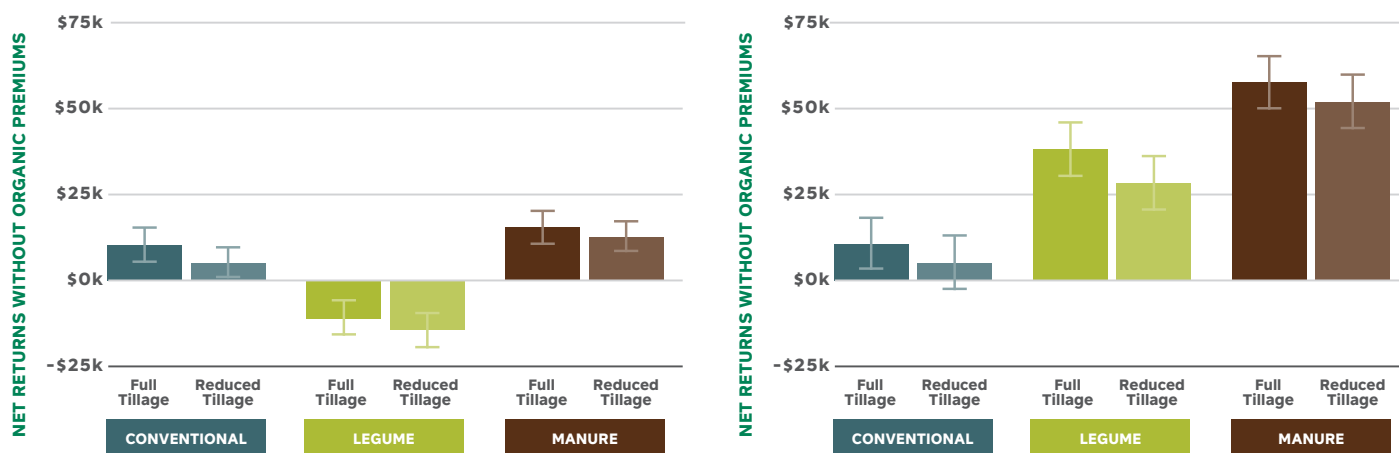
ganizations like the Organic Trade Association report significant growth in organic sales across various sectors, including fruits, vegetables, dairy, meat, and processed foods. Organic food sales have tripled in the U.S. since 2006, and Millennials and Gen Z, who are more likely to choose organically produced food than previous generations, are becoming increasingly important consumers.

- **Health and environmental concerns:** Consumers are increasingly aware of the potential health risks associated with pesticides and GMOs, leading them to seek healthier and more sustainable alternatives.
- **Changing consumer preferences:** Many people now prefer to support environmentally friendly and socially responsible practices, making organic products more appealing.

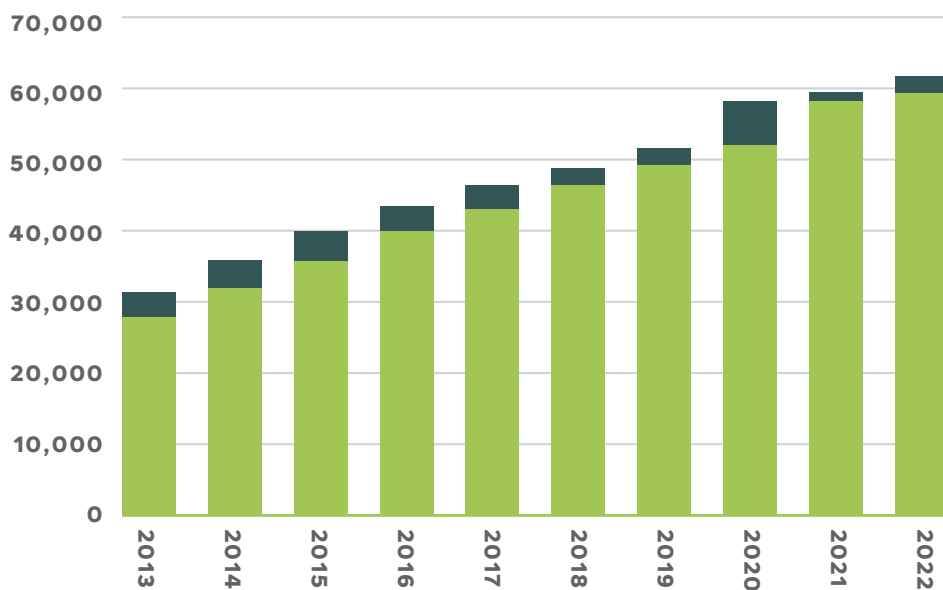
Rodale Institute Farming Systems Trials: Profits

In the Rodale Institute’s 40-year Farming Systems Trial (see previous page for a description of the experiment design), the two organic systems greatly outperformed the conventional system in terms of profits.

PROFITS



U.S. Organic Food Sales and Incremental Growth, 2013-2022



Source: Organic Trade Association's 2023 Organic Industry Survey conducted 1/13/2023 (\$mil., consumer sales).

■ Sales ■ Incremental Growth

- **Expanding market opportunities:** With the growing popularity of organic goods, farmers who transition to organic production can tap into new markets and diversify their revenue streams.

GOVERNMENT COST-SHARE PROGRAMS AND GRANTS

Recognizing the importance of supporting farmers during their transition to organic agriculture, several government agencies and organizations offer cost-share programs and grants to assist with the financial aspects of transitioning.

- **Organic certification cost-share programs:** USDA, as well as various state and local organizations, provide financial

assistance to help cover the expenses of organic certification, making the transition more financially feasible. USDA's current cost-share program offers a reimbursement of 75 percent of eligible expenses, up to a maximum of \$750, for achieving full organic certification. To access the USDA Organic Certification Cost-Share Program, farmers can visit fsa.usda.gov/organic or can reach out to their local Farm Service Agency (FSA) office.

- **Grants for organic research and education:** Governments and nonprofit organizations often provide grants for research and education related to organic farming, offering

valuable resources and knowledge to transitioning farmers. Some of these opportunities are available through the Rodale Institute (rodaleinstitute.org), which provides a number of training programs and grants, and through the Organic Crop Improvement Association International (OCIA — ocia.org), which offers various programs, including micro grants ranging from \$500 to \$3,000, scholarships of \$1,000, Farmer of the Year Awards, and a mentorship program.

- **USDA/AMS TOPP Program:** The United States Department of Agriculture (USDA) Agricultural Marketing Service (AMS) offers the Transition to Organic Partnership Program (TOPP) to help new and aspiring organic farmers. Through the TOPP program, transitioning farmers can access a range of resources and assistance. This includes farmer-to-farmer mentoring, education and technical support on agronomy, certification guidance, extension services, conservation planning, business development assistance, information on regulations, and marketing support. These programs aim to provide transitioning farmers with the necessary tools and knowledge to navigate the organic certification process, implement sustainable practices, and successfully market their organic products.



CONCLUSION

Certified organic farming is a profitable path that not only supports farmers financially but also contributes to producing healthier food with fewer harmful chemicals. The cost of production is often lower in organic farming, with potentially reduced expenses on inputs like fertilizers, seeds, feed, machinery, and labor. While there may be a temporary dip in yields during the transition period, organic farms demonstrate comparable or even improved yields over time, particularly during adverse weather conditions.

Furthermore, organic farmers can benefit from premium prices for their products due to increasing consumer demand for organic goods. The growth in demand for organic products pres-

ents exciting opportunities for farmers to tap into new markets and to diversify their income streams. And government-sponsored cost-share programs and grants are available to support farmers during their transition to organic agriculture, making the financial aspect less intimidating.

Embrace the transition to certified-organic agriculture with confidence: organic production can indeed be profitable and rewarding, both for

your bottom line and for the well-being of yourself, your customers, and the environment.

This article was written by AcresUSA, in coordination with the Organic Crop Improvement Association (OCIA) International. OCIA is the TOPP administrator for the Plains Region. This article is supported through the United States Department of Agriculture (USDA) Transition to Organic Partnership Program (TOPP). TOPP is a program of the USDA Organic Transition Initiative and is administered by the USDA Agricultural Marketing Service (AMS) National Organic Program (NOP).

For more information on this subject, see the National Center for Appropriate Technology report “Understanding Organic Pricing and Costs of Production” by Jeff Schahczenski and Emily Post at <https://attra.ncat.org/publication/understanding-organic-pricing-and-costs-of-production/>.