

## Aisle of opportunity

**Consumers will gain options as superstores enter the organic food market. But Illinois farmers have been slow to cash in**

by [Bethany Carson](#)

Grocery aisles offer something for everyone these days: low-sodium soup for adults with high blood pressure, gluten-free pasta for children with wheat allergies and "Certified Humane Raised and Handled" meats for animal lovers of all ages.

As choosy consumers seek healthier options, the food industry is responding. And some familiar players are entering the market. General Mills, Kellogg and Kraft, among others, are snatching up organic brands. And in the near future, Chicago-area shoppers could pick up organic items at more independent food stores and in more than a dozen Whole Foods Markets. Soon shoppers won't even have to seek out specialty businesses. Increasingly, organic food will become available at one-stop-shopping superstores, such as Target and Wal-Mart, which is positioning itself to become a top dog in organic retail.

While the demand for organics is hot, the local supply is not. The Organic Trade Association's 2004 Manufacturer Survey showed that U.S. organic food sales had tripled since 1997, growing by more than 20 percent in 2003 alone. However, the demand for insecticide-free, pesticide-free, nonbioengineered fruits, veggies, grains and meats has outpaced the capacity of many American family farms. And this mismatch is leading the major players to go elsewhere — as far as Mexico, Brazil or China.

That means Illinois farmers are at a crossroads. With a projected 20 percent growth rate for organic food sales over the next few years, more growers could profit if they found niches, endured the transition and developed support networks for storage and distribution. If they can't meet the pressures of mass production, though, local organic farmers could miss the opportunity.

At the same time, consumers, while gaining access to cheaper organic food, could lose their ability to support the local organic economy.

So far, Illinois and regional farmers have been slow to cash in, according to Jim Slama, founder and president of Sustain, a Chicago-based nonprofit organization that promotes economic development through environmentally friendly programs. He says consumers don't just want organic, they want local. But that isn't readily available.

Slama's organization spent three years studying regional trends. The group's March report, *Organic Harvest*, documents the need for a more extensive local organic food industry. Less than 5 percent of the organic fruits and vegetables sold in the Chicago area, according to a paper cited in that report, came from the region in 2000. The paper was written by Erik Birkerts for the Prairie Partners Group LLC, a consulting group based in Lake Forest.

While Slama says these numbers have improved, there's still a way to go. His conclusion: The region is not achieving its potential, and Illinois could move to the forefront if it showed some initiative.

Combined with their Midwestern neighbors, Illinois organic farmers make up 15 percent of the national organic market, according to the Natural Foods Merchandiser's *2005 Market Overview*.

"The regional market is \$2 billion," Slama says. "Basically, we're leaving hundreds of millions, if not billions, of local food dollars on the table to be capitalized on by other states or other regions. That to me is a major opportunity lost."

Where Midwestern organic farmers stop short, stores such as Wal-Mart could step in. One industrywide concern is that the superstores could swallow the supply and limit the availability of locally grown organic produce, says Pat Baylor, director of retail sales and marketing for Goodness Greenness, a leading Midwest organic produce buyer that is based in a Chicago neighborhood.

Slama says he's concerned regional farmers won't be able to secure good prices for their produce if megastores edge them out. "One of the reasons organic has been great for farmers is that [they] have been able to net their cost of production, plus a profit, without subsidies," he says.

That's why his talks with Wal-Mart's vice president of sustainability stick in his mind. "When they've become the world's largest organic food retailer, they've become a major force that has to be reckoned with," Slama says. If Wal-Mart drives prices down, he says, organic farming could become less sustainable for local farmers. It would also seem less viable for farmers who are thinking about converting to organic crops.

Then again, another challenge is to provide organic foods to consumers at reasonable prices. "There's a lot of suppliers in the supply chain," Slama says, "and I think there's got to be a middle ground between farmers getting paid a fair price and prices being unreasonable."

Slama says he won't argue with Wal-Mart for providing a more price-competitive option for middle Americans, particularly if they're working with American producers. Of course, it would be better if the company worked with Illinois farmers, but, he concedes, "One of the biggest problems I find is there are very few organic vegetable and fruit producers to meet the demand."

That's partially because it takes three years for farmers to make the transition to being certified organic by the U.S. Department of Agriculture. That's the amount of time it takes for commercial pesticides to disappear from the soil, says Robert Reese, a representative in the Illinois Department of Agriculture's marketing and promotion office. In addition, livestock farmers have to buy certified, organically produced livestock, and they have to raise them on ground that has had no contact with synthetics.

There are other potential drawbacks to organic farming. "It's a higher risk. It's more labor-intensive because you don't use herbicides and pesticides," Reese says. "It's going to require a lot of manual labor to keep the fields clean. They use some organic fertilizer, but you're not going to get the yields that you get in a commercial operation. There are tradeoffs, and that's why it commands a higher dollar."

Currently, about 230 Illinois farmers are certified organic through a U.S. Department of Agriculture grant program that reimburses farmers for up to 75 percent of their certification costs, with a maximum of \$500, according to Reese.

That's not nearly enough farmers to keep up with the demand. "We can't feed Bloomington with the amount of produce that we raise here in this state, let alone attack Chicago," Reese says. "There's a big upswing potential."

Momentum toward organic farming has picked up in the past three years, says Baylor of Goodness Greenness. He says the company buys organic food from about 30 local farms in a five-state region. In addition to wanting to help local farmers, some of the attraction is lower transportation costs.

One way to improve local farmers' chances could be to spell out the region's needs. While some items are in short supply, others go unsold, Baylor says. It may be as simple as telling farmers to grow more pumpkin squash and less spaghetti squash.

Clarkson Grain Co. of Cerro Gordo became a success story by selling proprietary materials, such as a unique blue corn that has as many antioxidants as blueberries, according to chief executive Lynn Clarkson. He says his company individualizes for clients, including big players looking for a specialized company to supply the niche ingredient.

"If it's a mass market, or if it looks like it will turn into a mass market, we don't wish to play on that field," Clarkson says. "Our job is to see that we don't get cut off at the knees, maintain direct contact and use our people and our equipment as efficiently as possible."

The hard work pays off if the farmers ride the learning curve. "Their markets are saying, 'Atta boy, make us some more,'" Clarkson says. "A good organic farmer is netting over twice what his conventional neighbor is netting today. Even at international organic price markets, they could still make more than conventional."

Even if future farmers make the conversion, there's still the logistical challenge of securing a regional network for storage and distribution.

Those two factors have a lot to do with why corporations provide much of the food we eat, says Michael Mazzocco, a faculty member in the University of Illinois' Food and Agribusiness Management Program and interim director of corporate relations at the university's Urbana-Champaign campus.

"The distribution network is built around efficiency," he says. "Trying to find ways to reduce transportation costs is a huge issue, and you have to do that with volumes."

The cereal and meat aisles in brand-name grocery stores are a good example. Major brand names that have picked up on the consumer demand for organic products include General Mills, which owns Washington-based Cascadian Farm organic cereal. Kellogg owns California-based Kashi cereals, as well as soy products from Morningstar Farms. They're in the same section as Kraft-owned meatless Boca burgers.

And all are particular about securing a steady supply of ingredients. General Mills has exclusive rights to Green Giant corn and peas, and Mazzocco says the company hires farmers to secure an organized channel of supply. Frito-Lay, similarly, won't take just any corn for their Tostitos Tortilla Chips. They hire farmers to ensure the organic blue corn has specific milling characteristics.

The farmers under those contracts differ from the family farmers who grow what they want and sell it directly to customers at local markets or specialty stores. Consider seasoned beekeeper Ellis "Ed" Vanderpool of Arenzville, who sells 3 to 7 tons of raw honey a year only at farmers' markets and the County Market grocery store. He says he's afraid to get into any other store because he might not be able

to keep up with the demand. "I have no problem getting rid of my honey," he said on the first official day of the Springfield farmers' market.

A beekeeper for about 50 years, Vanderpool strains the unprocessed honey from 150 beehives stretching more than 20 miles along the Illinois River between Mason and Morgan counties. He uses garlic powder and powdered sugar to fight off the mites. "If that label says 'pure,' that's what it's made of, only what the bees put in there," he said.

Each bottle also has an "Illinois product" sticker on it to indicate his honey houses and stainless steel equipment have passed state inspections, allowing him to sell his products anywhere in Illinois. Vanderpool has put thousands of dollars into improvements, but has stopped short of taking the necessary steps to become USDA certified. "I've had enough of the government in my life."

Such attitudes would need to change for Illinois to fulfill its potential.

Slama says traditional sources of information, such as the farm bureaus and the farm media, have failed. "There needs to be an outreach program to conventional producers to help them understand the opportunity and convert," he says. "The fact is that over the next five to 10 years, the way that farmers are educated about these issues in the region has to change. And this kind of education about organics has to become more mainstream."

The state agriculture department is trying to lower a few of the hurdles. Reese says the state is working with the University of Illinois Extension and others to develop a distribution network to help small producers who may not have enough to fill a truckload.

"We're looking at trying to create a hub and put a truckload together," Reese says. "That's really in its infancy at this point. We see a need, and we know the demand is there, but the funds really aren't there."

Goodness Greenness is part of the effort to help farmers in Illinois, Indiana, Iowa, Michigan, Minnesota and Wisconsin. The company is developing a private label brand of local organic food. All of those items will have a seal that says FamilyFarmed.org, a program founded by Slama to help regional organic farmers with marketing, networking and distribution.

While Slama says organic has become hip, it's sustained itself beyond fad. Yet, it could still tilt the other way.

"To me, it's heading towards a tipping point," Slama says. "Everybody wants it. There's not enough of it, which makes it even hotter on some level. And I think it's going to continue to grow, and my goal is now to get Illinois producers to step up and start filling the supply chain with local products so we don't have to import it from California or China or wherever else."

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<http://illinoisissues.uis.edu/features/2006julyaug/organic.html>