

# Overcoming Obstacles in Exporting from the United States

*An interview with Bob Anderson of Sustainable Strategies and Katherine DiMatteo of Wolf, DiMatteo + Associates, Project Leaders for OTA's Global Gap Analysis*

**D**espite hard economic times, organic is still in demand throughout the world—but there are many areas that don't have access to organic products, especially processed foods. For companies in the U.S., this

means there is a world of opportunity to expand their markets.

Exporting, however, gets very tricky when you start taking into account all the various organic standards and lists of what is allowed and what is not allowed.

To help break down trade barriers and increase market opportunities, the U.S. Department of Agriculture's Foreign Agricultural

Service (FAS) has awarded funding through its Technical Assistance for Specialty Crops (TASC) program to the Organic Trade Association (OTA), in partnership with Sustainable Strategies. Together with Wolf, DiMatteo + Associates, Sustainable Strategies has led projects to analyze and address trade issues for U.S. or-

ganic products—including assessments and gap analyses. Gap analyses are detailed, side-by-side comparisons of the U.S. national organic standards and those of designated countries. Each analysis identifies the barriers to exporting U.S. organic products to specific international specialty markets. In 2009 alone, the team helped with negotiations to create agreements with Taiwan and the landmark equivalency agreement with Canada.



*Bob Anderson*



*Katherine DiMatteo*

The team is also working on developing an online International Organic Trade Technical Resource Guide. Additionally, OTA has established an International Organic Equivalency/Technical Trade Barrier Task Force, and provides international organic trade seminars and workshops to support FAS, the U.S. National Organic Program, and the U.S. Trade Representative's Office on behalf of the U.S. organic industry.

**“Right now is a dynamic time for trade.**

Organic is still one of the fastest growing global food trends and the USDA National Organic Program (NOP) seal is recognized worldwide.”

Recently, Bob Anderson, founder of Sustainable Strategies, and Katherine DiMatteo, partner at Wolf, DiMatteo + Associates, took some time to chat with *Organic Processing Magazine* about the progress made thus far and the current opportunities and challenges for U.S. companies wanting to export.

**OP:** *What is the current international trade agenda and how does it support organic?*

**Anderson:** I think that agricultural trade is a priority at the very highest levels in the U.S. government. This past March, President Obama and Ambassador Ron Kirk, the United States Trade Representative, announced the National Export Initiative, with a goal to expand U.S. agricultural trade and double U.S. organic trade over the next five years. They hope to do that through regional trade agreements and individual negotiations with specific countries.

There are ongoing organic negotiations with sovereign governments; for example, the U.S. is engaged in discussions with Korea, the European Union (EU) and other countries that have expressed interest. Secondly, there is an increased opportunity for developing regional trade agreements. The Trans-Pacific Partnership (TPP) is a multilateral opportunity that President Obama and Ambassador Kirk are holding up as an example of the type of regional agreements that will be high priorities for this administration. The U.S. is committed to these broad scale initiatives as well as continuing to negotiate bilateral agreements. Examples of other regional agreements are the North American Prosperity and Security Agreement and the North American Free Trade Agreement.

Overall, there is a lot of government support for organic programs. Kathleen Merrigan, the former director of the USDA's Agricultural Marketing Service who helped develop the organic standards, is now the deputy secretary of the USDA. Also, we have already met with John Brewer, the recently appointed administrator of the Foreign Agricultural Service (FAS). And, you simply have to acknowledge the influence of having the First Lady being very pro-organic and promoting it in school lunch programs, the White House garden and being front and center as an advocate for organic foods.

**OP:** *How is the organic industry positioned to take advantage of these federal initiatives?*

**DiMatteo:** Despite the changes in the economy, the market is still strong for organic worldwide. It's certainly not at the levels we've seen in the past, but there has still been growth in the organic sector. The two largest markets, of course, are the U.S. and Europe, but the Asian countries have rapidly emerging middle-class economies and there is certainly more interest in organic now.

One trend I see going on around the world is that organic production is being presented as part of national initiatives to reduce the use of pollutants and to establish what is called “clean food” in Korea or “green food” in China. Governments are also including it in environmental statements on climate change and public health and safety. These national initiatives have led to a lot of countries looking at establishing regulations for organic production, either as stand-alone or within larger national environmental initiatives. This not only creates interest and awareness domestically for this type of production, but also creates interest in both imports and exports of organic products.

Right now is a dynamic time for trade. Organic is still one of the fastest growing global food trends and the USDA National Organic Program (NOP) seal is recognized worldwide. Markets are developing as countries grow their economies. The U.S., Europe and Canada have experience and our organic industries are more mature, as are our standards, so as countries or populations begin to develop, their interest in food will develop and so will demand for organic.

**OP:** *You talked about the different technical and non-tariff barriers to trade and how they impact organic trade. Could you discuss those further?*

**Anderson:** There are two kinds of technical barriers to trade. The first is sani-

tary and phytosanitary; food safety, animal and plant health programs. Second, there are technical barriers to trade, which are a result of regulatory differences such as organic certification and labeling claims. Members of the World Trade Organization (WTO) have to notify the WTO on any trade-impacting regulations and those notifications frequently lead to trade agreements and require technical expertise to analyze them, resulting in training missions and embassy visits. OTA is hoping to host a delegation from Korea in Washington, D.C., in the near future. But these types of barriers all require a lot of resources and we're able to stay abreast because we've earned these TASC funds.

*OP: Have you used TASC funds to keep organic trade flowing worldwide?*

**Anderson:** TASC has funded several important projects including gap analyses and trade issues assessments, and has allowed OTA to do very important work for the U.S. organic industry. Gap analyses, which compare the standards line-by-line, are very complex projects and are a significant part of fostering organic trade. Issues assessments are like a 30,000-foot view that shows where we are and

**“Gap analyses, which compare the standards line-by-line, are very complex projects and are a significant part of fostering organic.”**

what the standards look like. Then we determine if there are enough commonalities to pursue deeper analysis and engage in trade negotiations with the country or region.

Our team, along with OTA, has also become technical analysis and policy advisors to the U.S. government. If FAS is meeting with a country, we work with them to create briefing points. We're working on briefing points for the impending visit to Japan for Secretary Vilsack and OTA Board President Julia Sabin, and for FAS Administrator Brewer as well, who is tentatively scheduled to go to Korea for the Seoul Foods Conference.

BULKNATURALOILS.COM



**JEDWARDS**  
INTERNATIONAL, INC.

*Proudly, the leading supplier of  
“Organic Oils & Butters”  
at industrial and wholesale prices.*



Jedwards International, Inc.  
39 Broad St, Quincy MA 02169  
phone: (617) 472-9300  
fax: (617) 472-9359  
e-mail: Russ@bulknaturaloils.com

**Certified Organic Honey**




**Certified Organic by:  
Quality Assurance International  
AIB and Kosher approved**

We also offer Organic Molasses,  
Organic Tapioca Syrup and Organic Date Syrup

Call: Mike Brady  
507-263-8599 Ext. 213  
Email: mbrady@mel-o.com

MEL-O® Honey, Inc.  
515 Cannon Industrial Blvd.  
Cannon Falls, MN 55009  
Visit us at [www.mel-o.com](http://www.mel-o.com)



*OP: What about the resource guide that is being developed?*

**DiMatteo:** Much of the work we do on technical assistance for specialty crops is being done at high levels and is confidential, as it needs to be for negotiations. OTA realized that there was no readily accessible resource for exporters to help them learn the differences between our standard and other countries' standards, what import requirements for organic were imposed from other countries or where they might be able to get information from the U.S. government or from the country that they're trying to export into regarding what forms and

**“OTA is establishing an Asia task force so that we can get industry members input much as we did with the Canadian negotiation.”**

documents they might need. So, we proposed that a portion of this newest funding be used to create an export guide. OTA is currently working on this online database and plan to have a beta version out this year.

*OP: Talk to me about the gap analyses you've done. What have you learned?*

**Anderson:** Since 2007 we have completed several gap analyses comparing the U.S. National Organic Program to organic regulations from other countries. Gap analyses are negotiator resources that can identify the things that regulations have in common and areas for specific negotiation to help foster trade. In some cases the trade arrangements have minor exceptions that must be documented and verified by U.S. certifiers. Compliance to these exceptions are sent with each shipment using a USDA document called the TM-11 certificate. For example, exports to Taiwan must state that animals have not been treated with systemic analgesics and painkillers.

We have also established this type of arrangement with Japan, which requires a declaration that U.S. organic crops have been grown without the use of alkali extracted humic acid. The groundbreaking equivalency determination with Canada also carries exclusions on both sides that have to be verified by certification agencies. These verifications are vehicles used to overcome trade barriers while giving assurances to the importing country that their requirements are being met by the exporting country.

*OP: Let's get specific on the international trade landscape: what's going on in Asia?*

**Anderson:** OTA and FAS are working together to coordinate trade efforts in Asia with a unified export strategy. In addition to negotiations with Korea and Taiwan, Japan has requested equivalence negotiations with the United States. OTA is establishing an Asia task force so that we can get industry members' input much as we did with the Canadian negotiation, and then we're going to coordinate all of the programs between TASC and the Market Access Program (MAP).

MAP funds are used to promote U.S. organic products at trade shows. MAP also helps fund activities such as training sessions, conferences, conference

passes and/or store tours that OTA arranges at BioFach in Germany, as well as at trade shows in Asia. Funds are also used for reverse trade missions, which are meetings and information sessions held at trade shows in the U.S. between the importers and the U.S. companies that are interested in exporting. The one at Expo West had representatives from France, Italy, Singapore, Japan, Malaysia and many other countries.

Regarding Japan, two guests of the Japanese Embassy recently met with us at the OTA office in Washington D.C. It was a relationship-building meeting where we openly talked about U.S. programs and how effective they have been, and how Japan might look to using programs like the Conservation Stewardship Program to help its organic farmers.

Just as in the U.S., when we had a relatively infant industry, the EU imported many organic products into the United States. That increased U.S. consumers' awareness, which in turn created demand that really helped grow the U.S. organic industry. That, in large part, is the strategy of many countries. As they import products, their own retail industries grow and that creates demand and awareness within their country and that demand and awareness helps promote the development of domestic organic operations.

*OP: What about Korea?*

**Anderson:** OTA was able to provide technical analysis and support to assist FAS, NOP and USTR in obtaining a temporary reopening of trade to Korea through an extension of the implementation of the Korean Organic regulations until January 1, 2011. U.S. teams are actively working on a trade arrangement with Korea to allow for the continued free flow of trade beyond the extension dead-

line. The U.S. has invited Korea to come to Washington, D.C. to see firsthand the rigorous regulatory, accreditation and certification systems in place at USDA.

An issue that adds to the complexity of the technical talks with Korea is that organic regulations in Korea fall under different agencies for fresh produce and processed products. Thus, each certification would require an inspector from each of those agencies.

Also, Korea doesn't currently have provisions for the recognition of foreign accreditors like the National Organic Program. All of this adds to the complexity of the negotiations.

**OP:** *Are there opportunities in China for export?*

**Anderson:** The Chinese government does not have a provision for recognition or equivalence. Several NOP certifiers are working in the country and the certifier experiences in China are that it's fairly complicated because the state-run farm is frequently certified by a state-run organization, which has its inherent conflicts of interest. Many certifiers have been reluctant to enter that market because of those potential conflicts of interest.

As far as exporting to China, it's one of the world's largest markets with an emerging economy. Through an internal poll, OTA found that 50 percent of the respondents thought this was an important export market that they would consider pursuing, but only 25 percent thought that it might be an important source of supply in the near future due to food safety issues.

**OP:** *What is the latest on the talks with the EU?*

**Anderson:** OTA members have identified the EU as a critically important market for export. The EU has requested equivalence negotiations and our teams have met once already.

There was interest in going forward and there will be another meeting at the end of May. U.S. trade teams, with assistance from OTA, tried to establish an equivalency with the EU before, but a lot of things have happened since then. One is that the European Union has revised its regulations and the authority for the organic program is now the hands of the European Commission for the entire EU. Previously it was regulated on a country-by-country basis, which meant it was virtually impossible to get everybody to the table. Also, the fact

**“The barriers are at least known and efforts are being made to assist people who want to export.”**

that the U.S. and Canada negotiated equivalency has piqued interest around the world in having trade equivalence agreements with the U.S. and Canada.

**OP:** *What about Mexico and Latin America?*

**Anderson:** Mexico is a very important part of organic production in North America and we are standing ready, willing and eager to begin negotiations. However, their regulations have yet to be finalized, so there is not a great deal to negotiate at this time. Currently, we're not experiencing many trade barriers exporting to Mexico. We are exploring if there may be funding available to invite Mexican representatives to the U.S. to see the workings of the NOP, visit U.S. organic operations and to aid Mexico in anyway in the development of their organic regulations. Because Canada and the U.S. were engaged in discussions during the development of the Canadian regulations, negotiations were already well under way when the regulations were implemented.

In addition to Mexico, Chile and Peru have expressed interest in beginning talks with the U.S. Both Chile and Peru are very important trading partners of the U.S. and they're also part of the Trans-Pacific Partnership, so there is a high level of interest. We're approaching negotiations at a bilateral and a multilateral level.

**OP:** *How much opportunity is there for export currently? And how big of a role could export play in an organic company?*

**DiMatteo:** I think there is a good export market for certain products in certain countries, and it should be something that is explored by U.S. producers and brand companies. With the assistance of the U.S. government, the OTA and these projects we are working on, the barriers are at least known and efforts are being made to assist people who want to export. The growth may not happen immediately, but if you look longer term with the possible equivalencies and other agreements, this is going to increase the percentage of your business that could be directed toward export.

**Anderson:** U.S. organic trade exports are estimated to be \$2 billion, which is slightly less than 10 percent of all U.S. organic sales. It is very important to continue to work on trade agreements and arrangements that expand the export opportunities for the U.S. organic industry. □