

RESEARCH BRIEF

of the

Report on Major Obstacles Faced by Organic Processors in the Upper Midwest

By Rachel Thayer Boothby

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The **Organic Processing Institute** is a non-profit devoted to cultivating healthy returns on processing investments in the Midwest.

The **Center for Integrated Agricultural Systems (CIAS)** is a research center for sustainable agriculture in the College of Agricultural and Life Sciences, University of Wisconsin–Madison. CIAS fosters multidisciplinary inquiry and supports a range of research, curriculum and program development projects. It brings together university faculty, farmers, policy makers and others to study relationships between farming practices, farm profitability, the environment and rural vitality. For more information, visit www.cias.wisc.edu or call 608-262-5200.

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This document is a November 2013 research brief of the original October 2012 research report. For information about the full report please contact the Organic Processing Institute.

For more information contact:

Organic Processing Institute
6712 Frank Lloyd Wright Ave, Ste. 203
Middleton, WI 53562
(608) 833-5370 or (888) 635-0411
www.organicprocessinginstitute.org

About the author:

Rachel Boothby is a graduate student in the Geography Department at the University of Wisconsin–Madison in the sub-area of People-Environment interested in cuisine, agriculture and the local food movement. Rachel completed a Bachelor of Science in the College of Natural Resources at the University of California–Berkeley in 2009, and is currently working on a master’s project examining direct-marketing relationships between farms and restaurants in Madison, Wisconsin.

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Research Objectives

The primary goal of this research project was to discover what processors in the upper Midwest have experienced as major obstacles when beginning or expanding an organic processing endeavor. In particular, the Organic Processing Institute (OPI) wanted to identify the role supply, scale and financial issues play in difficulties associated with organic processing. Through the identification of major barriers to organic processing, OPI aimed to identify key areas where there are gaps in current knowledge or resources available to processors. It is the goal of both the University of Wisconsin Center for Integrated Agricultural Systems (CIAS) and OPI that this report can help move the discussion forward on how to best address the challenges currently facing organic processors in the upper Midwest.

Methodology

The research involved semi-structured interviews with processors of varying sizes ranging from small-scale producers engaging in farmstead processing to large-scale companies working on an international scale in dairy, vegetable, poultry and specialty product processing industries. In addition, several key informants in government, industry and non-profit organizations were consulted. These interviews were primarily conducted by phone and lasted from 20 minutes to an hour. One interview occurred via email due to the busy schedule of the processor. Both processors and key informants interviewed by the researcher are referred to as “interview subjects” throughout this report.

The interviews conducted for this report were qualitative, aimed at uncovering the specific areas of difficulty experienced by interview subjects. A basic interview question outline¹ was used to ensure that all interviews covered the same range of subjects, however the flexibility of the semi-structured interview format allowed the researcher to explore challenges that arose for each interview subject, which were often quite different from one another due to the diverse sectors, scales and capacities in which each subject engages in organic processing or with organic processors. This report is organized into interview-specific sections that elaborate on the experiences of the research subjects involved in this project from the perspective of those interviewed. Since this was not an effort to quantify specific problems in organic processing but rather to explore areas where processors ran into difficulties more broadly, interview-specific sections do not cover uniform topics but rather distill the most important challenges identified by each interview subject. However, many key lessons about current challenges in organic processing emerged that can serve an informative role in terms of gaps in knowledge and resources that organic processors are currently facing in the upper Midwest, and these threads have been expanded on in the discussion section.

When possible, interviews were recorded for the purpose of accuracy in notetaking; the recordings were erased on completion of this report. Informants were given the opportunity to review and revise sections pertaining to their interviews. The report was thereafter reviewed by both OPI and CIAS before it was approved for general release.

¹ See Appendix for a basic list of questions covered in each interview.

Discussion

The qualitative nature of the interviews undertaken for this report means that the challenges reported by interview subjects are only generalizable to a certain degree. The experiences of research subjects are presented with the intention of preserving their individual perspectives and contexts with regard to organic processing in the sections that follow. However, several key themes emerged and are synthesized here to present broadly the challenges reported by interview subjects across sectors and at different scales in organic processing.

Over the course of this research, the following major challenges emerged: balancing organic and conventional production; lack of information or assistance with the organic certification process; inadequate processing and organic infrastructure; setting price points and performing market assessments; scale-related labor and efficiency issues; and managing supply. Each of these topics warrants further in-depth research; what follows is a brief overview.

Balancing organic and conventional production

A critical challenge for those engaging in both organic and conventional processing is avoiding cross-contamination and undergoing efficient transitions while processing multiple product lines in a single facility. This is particularly relevant for commercial kitchens that have both organic and non-organic processing occurring under the same roof, as well as for conventional processors looking to add an organic line to their existing operations.

Certification Process

In general, interview subjects would like to see more information and resources available to help walk processors through the certification process. This includes more information available to those considering certification including side-by-side comparisons of certifying agencies; stepwise assistance with the paperwork involved in certification including the avoidance of common pitfalls; and help in ongoing maintenance of records and creation of business and facility plans.

Infrastructure

Several interview subjects reported challenges relating to a lack of processing infrastructure in the upper Midwest. Poultry processing, in particular, was reported to be in dire straits. However, this lack of organic infrastructure is also discussed by some processors as an opportunity for those future growth. Suggestions for how the Organic Processing Institute might begin to address this issue included hosting meetings of key players to create a common vision for future processing in the state and to forge an alliance among stakeholders, and serving as a liaison between processors and producers to better facilitate partnerships.

Scale

The challenges faced by interview subjects are often largely dependent on the scale of their operation. Major problems at smaller scale processing operations included the additional burden of recordkeeping required for certification; maintaining motivated, skilled employees; accounting for all of the costs of production when setting prices for products; and dealing with a regulatory climate that some interpret as unsupportive of small and medium-scale processing endeavors. For larger processors that have the financial and labor resources to easily tackle the paperwork requirements of the certification process, challenges reported mainly involved supply; lack of infrastructure; and balancing organic with conventional production, both spatially in terms of segregating products and temporally in terms of setting aside times or days for organic processing, potentially resulting in diminished efficiency.

Supply Chains

Issues of supply emerged as major obstacles for a number of interview subjects, from small farmstead processors to medium and large-scale international companies, though the specific challenges differed at the various scales. Small processors discussed difficulties purchasing high-quality organic ingredients in small enough quantities from distributors, and some expressed frustration that they could not buy the ingredients they needed locally. The mid- to large-size companies consulted reported difficulties in sourcing large enough quantities of quality organic ingredients from local producers. Suggestions for how the Organic Processing Institute could fill this gap include the creation and management of an online marketplace that would connect processors with numerous local producers and assistance in liaising between large farms that could convert acreage with organic production and large processing facilities.

Summary of Recommendations from Interview Subjects

- Help smaller processors with market assessments to better price products and obtain financing for processing ventures.
- Create an online marketplace to directly connect purchasers with local organic producers.
- Educate processors about the certification process, including how to choose a certifying agency (potentially through the creation of a side-by-side comparative chart) and how to avoid common pitfalls.
- Provide assistance with the creation of organic business and food recall/consumer safety plans.
- Create networks of processors that can work together to put more acreage into organic production and work with groups of industry leaders to create common visions for processing in various sectors (specifically recommended for poultry).

Considerations for Future Research

Due to the significant demands placed on grain and feed processors from the drought conditions experienced while this research was underway, this sector was not included in this study but could yield valuable insights in the future.

Laura Paine of the Wisconsin Department of Agriculture, Trade and Consumer Protection suggested that the Organic Processing Institute conduct an in-depth survey of organic processors to help quantify the effects of the organic processing sector on the state's economy. An in-depth survey could also help the Organic Processing Institute to prioritize future efforts to address the challenges identified in this report.

Appendix

Basic interview question outline:

1. In your experience, what are some of the biggest obstacles in getting started with organic processing? Expanding?
2. How much of a determinant is size from the standpoint of obtaining funding, facilities, permits and financing?
3. Would you say that there is a large financial barrier to organic processing? If so, how have you dealt with this?
4. Has supply presented an issue? Where do you run into problems?
5. Do you think enough information is available about labeling, site certification, business plans, financing, food safety, permits, environmental issues like waste disposal?
6. Where would you say producers and/or processors need assistance (if any) right now?
7. Is there anything I haven't mentioned, or any specific gaps in knowledge or experience that you can think of?