



National Sustainable Agriculture Coalition

September 21, 2015

Environmental Quality Incentives Program – Organic Initiative Recommendations for Fiscal Year 2016 Implementation and Restructuring for Fiscal Year 2017 and Beyond

The National Sustainable Agriculture Coalition (NSAC) appreciates the Natural Resource Conservation Service's (NRCS) dedication to improving the EQIP Organic Initiative. We thank you for the September 1 response to our set of recommendations from a year ago.

Since its inception in the 2008 Farm Bill, the Organic Initiative has provided over \$110 million in funding to assist organic farmers in addressing resource concerns through the implementation of conservation practices. In its first six years, the Organic Initiative awarded 6,482 contracts covering 659,607 acres across all states. This represents approximately one fifth of all organic acres and roughly a third of organic operations throughout the country, recognizing that there may be multiple contracts associated with an individual farm.

The Organic Initiative continues to support certified and transitioning to organic production systems, but we are extremely concerned by the fact that despite continued interest and growth of the organic sector, total enrollment in the Organic Initiative declined significantly between fiscal years 2009 and 2014, especially enrollment of certified organic producers. Between 2008 and 2014, organic sales increased by 72 percent, but the overall number of organic farms decreased slightly during this period, and total acreage of organic production also decreased. These trends clearly illustrate the need for additional producers to transition to organic, as well as the need for continued support for existing certified organic producers.

Farmers who are transitioning to organic production take on significant costs yet the organic premium is not reflected in their sales during the multiyear transition period. As a percentage of total Organic Initiative contracts, these transitioning organic operations have gradually grown to account for over half of annual financial assistance obligated through the Organic Initiative. Although the actual number of transitioning contracts has remained relatively constant, this growth is a result of the declining number of certified organic producers participating in the program. It is heartening that at least for transitioning farms, enrollment has not tailed off.

We have highlighted the decline in OI participation in our previous annual comments, yet decreased enrollment has become even more dramatic in recent years. Financial assistance in FY 14 fell to under 15 percent of the amount distributed in 2009, and the 388 contracts awarded in FY 14 are approximately a quarter of the 1,464 awarded in 2009. This is also nearly a 50 percent decrease in contracts from those awarded just one year before in 2013.

The Organic Initiative is an important resource for organic and transitioning farmers across the country, but these participation levels suggest very significant barriers remain to successful implementation of the program. We therefore offer the following recommendations for implementing the EQIP Organic Initiative in the upcoming 2016 fiscal year and beyond, based on feedback from our member organizations and their farmer members. We begin with a recommended process for a major redesign of the program for FY17.

We appreciate your consideration of these recommendations and look forward to continued engagement with you to improve the implementation of the EQIP Organic Initiative. To speed review, we hope to discuss the recommendations in person in the near future.

I. 2017 PROGRAM REDESIGN

While we provide a full set of recommendations below for the upcoming fiscal year, our top priority for the long-term success of the Organic Initiative is a restructuring of the program such that it focuses on supporting transitioning to organic producers. We propose that this new structure be developed over the course of the next year, to be rolled out beginning in FY 17. This change should be accompanied by increased support and promotion of the opportunity for certified organic producers within general EQIP.

a. Support for Transitioning to Organic Producers

Transitioning producers face a unique set of challenges, and the Organic Initiative has enormous potential to provide them with much needed support through conservation practices and technical assistance. The Organic Initiative should be redesigned to fully support producers throughout the conversion process, ensuring that they are able to fulfill the conservation-related requirements of an Organic System Plan (OSP).

The particulars of creating a focused transition orientation for the OI should be advanced through the creation of an agency-stakeholder working group. We believe that with six months to plan and another several months for the agency to prepare for implementation this proposed process is both realistic and timely. The original legislation in Congress that led to the creation of the OI was focused on organic transition and now, in practice, transition accounts for over half of the OI and is the only element of the program that has remained constant over time. By refocusing the initiative on transition and making program enhancements for transition, there is a huge win-win opportunity to increase conservation and environmental benefits while addressing the substantial market shortages for organic crops and livestock.

Recommendation: NRCS should immediately form a working team of agency personnel and stakeholders, including certified and transitioning organic producers, organic certifiers and inspectors, and sustainable and organic farm groups, who can work together to determine how EQIP can better serve both certified organic and transitioning to organic producers.

One approach that the team should consider is to restructure the current Organic Initiative to become an Organic Transition Initiative in FY 2017 and beyond, and to simultaneously adopt additional measures to improve availability of general EQIP to certified organic producers (see recommendation below).

In this scenario, the team would create an overall framework and identify a suite of transition practices to become the focus of the Organic Transition Initiative. The working team should also consider whether another approach might be more effective in optimizing EQIP's capacity to serve both the certified organic and transitioning sectors. The team would also work to identify how to best allocate funding to states for the

Organic Transition Initiative through a process that reflects transitioning needs in each state as accurately as possible. The recommendations from the team should be delivered no later than May 2016.

b. Certified Organic Producers in General EQIP

In considering the development of an Organic Transition Initiative solely focused on transitioning producers, it is equally important to ensure that opportunities for certified organic producers are expanded within the general EQIP pool.

Increased access for certified producers can be achieved through the establishment of organic performance targets within general EQIP. These performance targets should reserve funding based on organic data from each state, FY 16 organic participation in general EQIP as now tracked in ProTracts for the first time, as well as continued growing market demand for organic production.

Given that the same practices are available in general EQIP and the Organic Initiative, the opportunity to support targeted conservation efforts for certified producers will continue in general EQIP. While certified organic producers will be competing within a larger pool of applicants, carrying over and modifying FY 16 allocation levels from the Organic Initiative (see recommendation for FY 16 below) will ensure that the OI restructure proposed here also increases the opportunity for certified organic applicants to access EQIP practices and funding.

Additionally, states can play a critical role in working with organic producers who previously participated in the Organic Initiative to make sure they are easily transferred over to the general EQIP pool.

Recommendation: The work team should also develop a new framework that supports certified organic producers within general EQIP in FY 17 and beyond. The team's assessment should examine and offer guidance regarding funding allocation, ranking criteria, personnel performance review criteria, and state support for organic producers.

II. 2016 PROGRAM ADMINISTRATION AND FUNDING

a. Allocation Structure

As in FY 14, National Headquarters (NHQ) did not provide an allocation of funds to each state for the Organic Initiative in FY 15. **We continue to urge NRCS to reconsider this decision.**

Between 2009 and 2013, NHQ provided a specific allocation for the Organic Initiative directly to the states, and the allocation could be rolled over if funds were not used. In contrast, for FY 14 and FY 15 states had to request the funds from NHQ, which created an unnecessary barrier for state participation in the program. While data are not yet available from FY 15, available data through 2014 illustrates that the absence of state allocations is perpetuating the downward trend in Organic Initiative participation.

Not only do we see an overall decline in participation and funding levels, but the number of states that choose to participate in the Organic Initiative also dropped dramatically in recent years. In FY 14 there were 9 states (Alaska, Arizona, Florida, Hawaii, Nevada, Rhode Island, Utah, West Virginia,

and Wyoming) who did not award any funding through the Organic Initiative – either to certified organic or transitioning to organic producers, which is triple the number of states without participation when the program first began in 2009. Between 2013 and 2014 there was also an increase from 5 to 9 states that chose not to participate in the Organic Initiative, reflecting the changing allocation structure of state discretion in 2014.

Three of the four national EQIP initiatives (On-Farm Energy Initiative, Seasonal High Tunnel Initiative, and Organic Initiative) require the State Conservationist to request the allocation. The Air Quality Initiative is the only initiative for which NRCS NHQ provides state allocations. While we recognize that this structure allows for local control, it creates challenges regarding capacity and low participation levels that are extremely problematic at the state level. On top of these four national initiatives, many states operate a separate set of state initiatives, which in some states is quite extensive. This presents additional barriers for states considering setting aside funding for the Organic Initiative.

States currently have to return money that they do not use from the Organic Initiative pool because it does not carry over, and so states are hesitant to request the funding in the first place. Without a designated national pool of money for the program, some states do not put money into the Organic Initiative, as it seems to be optional.

At the very least, NRCS should provide states with a minimum allocation of Organic Initiative funds for each sign-up period. This allocation formula should be based on a number of factors, including the amount of organic producers in the state, as well as an expected level of interest from transitioning producers. These allocation levels should be regularly updated based on organic needs within each state, and it should be made clear that states can *always* request additional funding for the Organic Initiative beyond their minimum allocation.

The formula used to determine allocations should not only represent the existing number of operations or acres in organic production, but it should also reflect those states that have below average Organic Initiative participation relative to the size of the organic sector in those states and be designed to provide allocation levels to those states to get their participation levels on track.

A redesigned allocation structure should also be accompanied by increased outreach and support at the local level in order to ensure that the newly available funds are appropriately promoted for producers throughout the state. There should be an established personnel performance review standard to ensure that the allocation of Organic Initiative funds, as a percentage of total EQIP funds, appropriately matches the proportion of organic producers within a given state.

Recommendation: National Headquarters should issue state funding allocations for the Organic Initiative, rather than leaving it to the states to request funding, as was the case in FY 14 and FY 15, years in which total participation dropped precipitously. At the very least, NRCS should provide states with a minimum allocation of OI funds based on organic production figures for each state. Performance review indicators should be established to ensure appropriate outreach to organic and transition farms in each state.

Recommendation: If our recommendation for FY 17 above is accepted, then NRCS should carry over the FY 16 organic allocation formula from the Organic Initiative described here to general EQIP in FY 17. This formula would establish reserved funds within general

EQIP for certified organic producers who had previously been able to receive funding through either the Organic Initiative or general EQIP. This formula should also reflect organic participation within general EQIP prior to the FY 17 program redesign, as identified by the first year of tracking certified organic participants in FY 2016.

Over the course of the next year, the agency-stakeholder redesign team should work to identify a process through which to establish a similar formula for transitioning producers within the Organic Initiative, providing an allocation that supports the continued growth of the organic sector.

b. Batching Periods – Frequency and Timing

We have heard from NSAC member groups working with the Organic Initiative at the state level that in some states there is only one batching period deadline for the OI per year. If producers in these states miss the cutoff, they are out of luck for an entire year before their application will be considered again. While State Conservationists are “encouraged” by NHQ to establish more than one application period for the Organic Initiative, a lack of strong guidance from NHQ translates into inconsistency regarding when producers can apply to the Organic Initiative.

The timing of these batching periods is significant because, although sign-up for the Organic Initiative is continuous, the batching deadline determines whether a proposal will be dealt with in the current fiscal year or not. NSAC members have reported that some states have adjusted their batching periods to be during the middle or end of the summer, which creates an additional barrier for producers to apply during the busiest months of the year.

It also, in our view, makes no sense to have a batching deadline that precedes the fiscal year, a practice that we are unfortunately seeing in more and more states. Previous entreaties from NHQ do not appear to be working and we therefore urge you to outright prohibit it before it gains an even greater foothold.

Finally, in the past, the last batching deadline for the Organic Initiative occurred after the last batching deadline for general EQIP, which was helpful to organic producers who originally applied within general EQIP but were not funded. Ensuring a return and a continuation of this practice would also help.

Recommendation: Require State Conservationists to establish a minimum of three batching deadlines for the Organic Initiative, one in early winter, one in later winter, and one at the final batching date for the year. No state should ever have a batching deadline before the start of the fiscal year. Having winter batching period options ensures that farmers can consider the OI during their least busy season. Including the Organic Initiative in the last batching deadline of the year will ensure that producers can fully optimize the two different EQIP pools available to organic producers, as producers unable to receive funding through general EQIP could thus still apply for the Organic Initiative later in the year.

Recommendation: NRCS should also compile and electronically publish a list of all state batching periods that could be made available to producers. It is very difficult to do outreach on the program in the absence of this information.

c. Tracking Certified and Transitioning Organic Producers in General EQIP

We are pleased that NRCS will begin tracking certified organic and transitioning organic producers participating in general EQIP. The Farm Bill does not restrict organic producers from participating in general EQIP or in other national EQIP initiatives, nor does it restrict them to the \$80,000 payment limit when competing outside of the Organic Initiative. We appreciate that NRCS has continued to make both pools available to organic producers. The availability of data regarding organic producers in general EQIP will be valuable to understanding the program's current performance as well as the full range of opportunities available to organic producers through EQIP.

We thank NRCS for the addition of a mechanism in ProTracts to track certified and transitioning to organic producers in general EQIP, and we want to ensure that this system accurately represents participation from these groups. The new tracking system should ensure that organic participation numbers are accurate, neither inflated nor undercounted. We are concerned that if only certain parts of an operation are certified, as is often the case, all contracts under this operation would be counted as organic, regardless of which part of the split-operation was covered under the contract. Without a clear link between practices selected and organic certification or transition, the accuracy of tracking data could be lost in ProTracts.

Not only is it important to ensure that ProTracts includes the mechanisms to track these producers, but outreach and education at the state and local level will also be critical to ensuring that district conservationists always ask organic status when working to sign up EQIP applicants.

Recommendation: As NRCS begins tracking certified and transitioning organic producers within general EQIP in FY 2016 and beyond, ensure that there is an explicit linkage between practices selected and the components of an operation that are certified or transitioning organic. Tracking by practice and by acreage (acres certified organic or acres in transition), as opposed to by operation, will provide greater insight into the exact organic utilization of general EQIP.

Update ProTracts to track applicants in such a way that a producer has to select one of the three options (certified, transitioning, or neither) and does not have the option of moving forward without a selection. This would prevent the potential error of misidentifying producers as conventional if they fail to self-identify as certified or transitioning.

Finally, encourage NRCS field staff working to sign-up organic producers for EQIP to actively promote organic identification within general EQIP, to ensure that producers accurately identify the portions of their operations that are certified or transitioning to organic.

d. Staffing

NSAC member organizations working with the Organic Initiative continue to stress the need for increased staffing capacity and expertise to support organic producers. NRCS state offices need organic "champions" who actively reach out to organic producers on the range of available opportunities. Demand for TSPs who are knowledgeable and comfortable with CAP138 remains high throughout the country.

In addition to state support through TSPs and organic-specific outreach, NRCS's Science and Technology division must play a critical role in ensuring that scientifically-sound organic conservation practices are available for applicants to select from when applying to the Organic Initiative or to general EQIP. It is essential that Science and Technology include at least one national specialist who is solely focused on organic production systems. This person should actively work to identify and promote conservation practices that directly benefit organic producers. The soon to be published organic guidebook should serve as a valuable link between the NHQ, field offices, and organic producers.

We appreciate the agency's recent focus on soil health, and this initiative should more explicitly highlight the role of organic production to improve overall soil health.

Recommendation: Increase the number of TSPs certified to do CAP138 in each state. Not only should information regarding certified TSPs be readily available to EQIP applicants, but also NRCS should ensure that there are at least two TSPs certified to do CAP138 in each state.

Recommendation: Ensure that the staffing structure and standard development at Science and Technology includes positions and expertise that are explicitly geared toward supporting organic producers. There should always be an Agro-ecological and Organic Farming Specialist at Science and Technology with a high level of expertise and knowledge regarding organic systems.

e. Organic Initiative Payment Limit

Participants in the Organic Initiative are subject to a significantly lower payment limit than enrollees in general EQIP. Not only does this discourage producers from participating in the Organic Initiative, but also it adds an unnecessary layer of complexity to the program, leading to confusion at state and district offices.

When the Organic Initiative was first introduced in the 2008 Farm Bill, the lower payment limit was originally intended to be the cap on an organic transition (conversion) payment – limiting participation to only producers in the process of transitioning to organic production systems. While the provision was expanded at the last minute to include certified organic producers, the cap unfortunately was not adjusted accordingly.

Based on reports from NSAC member groups working with the Organic Initiative at the state level, this differential payment not only discourages producers from applying, but it also limits the degree to which NRCS staff encourage Organic Initiative participation, as they frequently steer organic applicants toward general EQIP, pointing to the opportunity to receive higher levels of funding.

As we included in our FY 15 recommendations, enrollees in the Organic Initiative should have access to either the \$450,000 payment limit over six years that applies under 16 U.S.C. 3899aa-7, or the limit of \$80,000 over six years that applies under 16 U.S.C. § 3839aa-2(i)(3). We continue to assert that the payment limit should not function as a barrier that dissuades or prevents organic applicants from accessing funding. Presenting applicants with an “either/or” scenario in terms of a larger pool and larger payment limit or less competitive organic pool and lower payment limit is not a real solution nor does it ensure equal access to EQIP funding. We realize, however, that the

agency has decided to not avail producers with this option, and thus we are reluctantly resigned to this outcome.

We therefore agree the agency should continue to promote that organic producers are eligible to participate in general EQIP where they can receive the higher payment limitation, *or* the Organic Initiative's smaller pool, subject to the lower payment limitation.

Recommendation: Provide clear guidance for organic producers to inform them of funding available through the Organic Initiative *and* through general EQIP to assist them in selecting the most appropriate opportunity and funding level for their particular operation.

Additional Note: If our recommendation for 2017 and beyond is accepted, the restructuring of the Organic Initiative as transitioning-only will help resolve the current payment limitation problem.

f. Organic Initiative Ranking Criteria

In an attempt to stay within the Organic Initiative payment limit, many producers are only able to apply for a limited number of practices within any given application. For instance, mulching (484) could make up an entire application if the farmer hit the \$80,000 limit for their operation before being able to add any additional practices. While this contract would provide enormous environmental benefits by conserving moisture, controlling erosion, and improving soil quality, it would likely not rank high enough to be funded without the inclusion of additional practices. NSAC member groups also report significant variability in how states list their ranking questions for the Organic Initiative as well as the corresponding processes through which points are assigned.

Recommendation: The Organic Initiative ranking criteria should recognize the payment limit restrictions that producers must consider when putting together an application. The ranking criteria must provide appropriate recognition of environmental benefits to be achieved through an application, even if those benefits are achieved through one or two practices applied to a larger number of acres.

Recommendation: NHQ should compile ranking questions and corresponding points in a readily accessible location in order to ensure uniformity in the availability of this information across the country.

III. IMPROVING NRCS SUPPORT FOR ORGANIC PRODUCERS

a. Nationwide Implementation of CAP138

There is a need for consistency regarding the nationwide implementation of Conservation Activity Plan 138 (CAP138) – Conservation Activity Plan Supporting Organic Transition. Based on reports from NSAC member groups working with the Organic Initiative at the state level, we know that district conservationists are not always recommending CAP138 due to a lack of technical service providers (TSPs) certified to do the plans.

CAP138 provides additional points when included in the applications, but limited promotion for the plan unfairly penalizes organic applicants. Our members identified a lack of training on CAP138 for

district conservationists in each state, as many do not have the necessary knowledge to promote the plans, nor do they follow through on the required recommendations so that additional conservation practices can be implemented throughout the course of the contract.

We value the continued trainings provided through Oregon Tilt and Wild Farm Alliance for TSPs, and we appreciate NRCS's recent efforts to expand the overall numbers of TSPs in the country. NRCS should build upon these increased numbers with additional training for TSPs to become certified to do CAP138.

Recommendation: Train additional technical service providers (TSPs) on CAP138 and ensure that the plan is clearly promoted for transitioning producers. TSPs should be allowed to remain available throughout the entire length of the contract, with appropriate compensation, to ensure that producers are supported as they implement additional practices included in their conservation plan. Make trainings for TSPs on CAP138 available online through USDA's Agriculture Learn (AgLearn) system.

b. Compatibility with the National Organic Program (NOP)

We appreciate that CAP138 has been revised to parallel an organic system plan (OSP). NRCS should continue to work with the National Organic Program (NOP) to support continued alignment between organic standards and the conservation of natural resources. NOP is also looking at how organic certifiers can become TSPs, further facilitating overlap between the Organic Initiative and organic standards. Given that CAP138 is designed to assist producers in developing their OSP as defined in NOP Standards, NRCS should promote this valuable link.

Recommendation: Promote the linkage between the Conservation Activity Plan Supporting Organic Transition (CAP138) and NOP. To achieve this objective, continue to address how the Organic Initiative can provide financial assistance to implement specific conservation practices that assist producers in meeting their resource concerns, while simultaneously fulfilling many of the requirements in an Organic System Plan (OSP).

Update and widely distribute the EQIP Organic Initiative Practice List and National Organic Program Rules Correlation Matrix (Crosswalk).

c. Organic Payment Schedule Scenarios

In order for organic producers to be able to actively participate in the Organic Initiative as well as in general EQIP, there must be organic payment schedules from which they can select the appropriate practices and payment rates for their operations. For practices in all 12 regions, payment rates need to be set at levels that encourage producers to adopt conservation practices while optimizing the use of federal funds. Organic scenarios and their corresponding payment rates should, when appropriate, reflect higher costs of inputs (e.g., organic cover crop seeds), additional labor, or additional technology and materials to manage weeds and pests in accord with NOP standards.

While we recognize that the current list of available payment schedule scenarios has grown to provide a much wider array of options from which producers can choose, any efforts aimed at reducing the number of scenarios must consider the unique barriers that organic producers are up

against. These options should be maintained for organic producers applying to the Organic Initiative and to general EQIP.

Recommendation: Do not eliminate organic payment schedule scenarios at the state or regional level. If NHQ is requiring states to cut back on the number of payment schedules available, ensure that states maintain scenarios for organic producers.

d. Organic Participation on State Technical Committees

State technical committees (STCs) play an important advisory role in determining how EQIP funds are allocated in a given state. Without active participation from organic stakeholders, STCs cannot accurately represent the organic community's concerns and specific needs. Many organic producers are not currently at the table because they are not made aware that the opportunity for engagement and participation even exists.

Recommendation: Encourage state offices to actively recruit organic producers for participation on STCs. Establish a target level of at least one organic producer member participating on each STC.