

## Quality Food in the U.S. – Can we See it Yet?

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### Introduction

There is an informal legal doctrine called the “I know it when I see it” or “the elephant test” standard. This form of inductive reasoning states that something exists (e.g. the presence of a minority group) when there are enough reasonable indicators or identifiable facts that would lead a normal person to the conclusion that it does in fact exist (e.g. specific linguistic, ethnic or cultural characteristics). Quality Food in the U.S. – and possibly the world generally – is in such a state. While at times hard to define and manifesting itself under a number of labels (bio, organic, fair trade, sustainable, and Carlo Petrini’s “good, clean, fair” slogan, etc), quality food does seem to be making its presence felt via a number of different individual signs or indicators.

The following paper is a short exploration of quality food in the U.S. It is not a market research study or an academic analysis. Instead, it is a series of snapshots that provide an overall view on quality food in the U.S. Thus, it offers some thoughts on the reasons for the growing interest in quality, the ways in which quality is demonstrated, and some views about its future.

### Why Quality Now – Our Food is Killing Us!

It may seem a strange time for a renewed focus on quality food. The credit crisis has hurt almost all consumers and businesses financially in some manner and there is a perception that quality food is more expensive. While it is true that consumers and producers generally always a focus on achieving the best quality-price tradeoffs, there must be something more going on.

One explanation may lie in the view that there are some things – such as health – that should not be compromised and people are willing to pay any price for. Health scares such as BSE played a role in increasing the focus on quality agriculture in the U.K. and one can see a similar effect in the U.S. For example, the following is just a small selection of the major food-related scares since 2006:

- E coli in bagged spinach (Aug 06) – 199 people ill, including 3 deaths, in 26 states and an estimated USD 200 million of agricultural losses
- Salmonella in Peter Pan peanut butter (Feb 07) – 425 illnesses in 44 states and recalls of USD 50 million worth of product
- Melamine in pet food from China (Mar 07) – over 17,000 complaints including deaths of approximately 2000 each of cats and dogs.
- Salmonella in Jalapeno and Serrano peppers (Jun 08) – 1442 people in 42 states fall ill with 286 hospitalised and 2 deaths. Before identifying peppers as the cause, Roma tomatoes were believed to be the cause resulting in a USD 100 million product recall.
- Salmonella in peanuts (Jan 09) – 690 people in 46 states fall ill with at least 9 deaths. Over 3400 products recalled and bankruptcy of Peanut Corporation of America.

More generally, it is estimated that 1 in 4 people in the U.S. suffer foodborne illness each year leading to USD 44 billion in annual medical costs and lost productivity (see *Keeping America's Food Safe: A Blueprint for Fixing the Food Safety System at the U.S. Department of Health and Human Services*). Thus, industry, consumers, and health officials are focused on a clean and safe (i.e. quality) food supply. If the issue were not so real it would be a ready farce as illustrated by a spoof created by the satirical news magazine *The Onion* shown to the right.

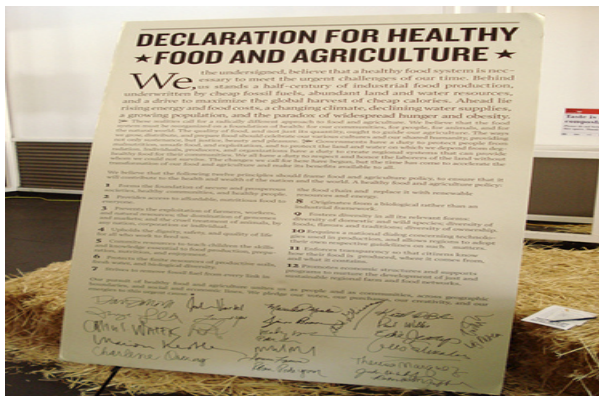


## Why Quality Now – Our Food is Destroying the Environment!

Another motivation for quality food is provided by sustainability and environmental concerns. According to the World Business Council for Sustainable Development report *Sustainable Consumption Facts and Trends*, food and agriculture has the largest ecological footprint per USD 1 million of consumer spending (accounting for more than 1400 hectares of usage per person). This may be due in large part to the heavy consumption of meat and dairy products in the U.S. A number of those interested in the long term environmental impact and sustainability of food and agriculture have noted the impact of food consumption, particularly associated with meat and dairy.

The change in the administration in the U.S. also has led to a change of attitude around environmental issues. Correspondingly, there is a growing “green” movement that has moved into the mainstream consciousness of consumers and producers. One only needs to look at television and print advertisements in the U.S. to see the trend towards green marketing. More than 40% of U.S. consumers now state that they are more likely to buy products and services from companies that have a good reputation for environmental responsibility. This represents a discernible shift in consumer consciousness although still does not reach the level of European consumers where more than 70% report not only an increased likelihood to buy but also a willingness to actually pay more for environmentally friendly products. It is not hard to imagine the U.S. consumers will soon express such preferences as well.

An example of this growing environmental consciousness and its link to food and agriculture was demonstrated by the Slow Food Nation event that took place in San Francisco in September 2008. Over 4 days, more than 85,000 people attended a range of events that included speakers about the environmental and health effects of industrial agriculture, tastings of traditional and locally produced foods, and a vegetable garden planted in front of San Francisco town hall. This event also included a formal declaration of the need for healthy food and agriculture. Thus, it was not only a celebration of quality food but also a call to action and beginnings of a political and social movement in the U.S. focused on reforming the food and agriculture system toward a quality driven model.



## What is Quality – and How Do we Get There?

One of the most noticeable aspects of Slow Food Nation was the celebration of food itself and ideas for how to restore its place in the U.S. culture in a way that ensures a focus on quality over quantity. Thus, it was not a series of complaints about the current state of the food and agriculture system but more a celebration of what food can be and a call to action for change. There are several kinds of voices leading this call to change.

One set of voices are writers, lecturers, and policy advocates. One of the most prominent of these is the writer and lecturer Michael Pollan ([www.michaelpollan.com](http://www.michaelpollan.com)). From his essays in the New York Times magazine section to the several books he has written (In Defense of Food, Omnivore's Dilemma), Pollan has managed to combine a concern with the state of the current food and agriculture system in the U.S. (from its extreme use of high fructose corn syrup sweeteners to its Concentrated Animal Feed Operations – CAFOs – designed to produce, assembly line-like, industrial versions of meat) with a celebration of what food can be. Another prominent voice in this regard is the nutritionist, consumer and policy advocate and New York University professor Dr. Marion Nestle

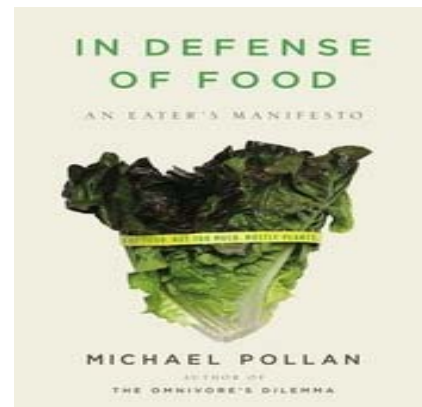
([www.foodpolitics.com](http://www.foodpolitics.com)). Her work is interdisciplinary in nature and mixes policy advice with practical consumer action.

Another set of voices are prominent chefs and food professionals such as Alice Waters (founder of Chez Panisse restaurant and the edible schoolyard project in Berkeley, California) and all the chefs involved in the nationwide Chefs Collaborative (<http://chefscollaborative.org/>) organisation. Waters has been particularly visible during the first quarter of 2009 appearing on a nationally syndicated television news program (60 Minutes) and writing an op-ed article in the New York Times. Notably, Waters calls for increased emphasis on food education including spending an additional USD 27 billion per year to improve the quality of the school lunch program. This echoes the recent campaign of the Chef Jamie Oliver in the UK over the quality of school lunches provided to children and recognises that one of the best methods to change the food system is to shape the values and views of the consumers of the future.

Finally there are policy and advocacy institutes and NGOs many of which focus on government policies as well as market practices and consumer education. A long standing player in this arena is Oldways Preservation and Exchange Trust (<http://www.oldwayspt.org/>) which first popularised the Mediterranean Diet Pyramid as an alternative to the USDA Food Pyramid. A rather new grassroots organisation, Food Democracy Now, ([www.fooddemocracynow.com](http://www.fooddemocracynow.com)) is somewhat unique in deriving its support largely from rural agricultural communities and focusing on how to restore traditional farming to profitability. Specifically, the organisation seeks

To transform today's system by advancing best practices in food production, animal husbandry, conservation of natural resources, renewable energy and soil preservation. Through these efforts we hope to stimulate local food systems, promote rural economic development, encourage a new generation of farmers and respond to the growing public demand for wholesome, fairly-produced food.

Thus, this organisation seeks to tackle the supply side of the equation and quite rightly is focused on policies that support farmers transition to a more sustainable or quality form of agriculture. This is a significant element in the effort to fundamentally reshape the U.S. food and agriculture system and complements the movements that so far have focused more on consumers and have been highly dominated by organisations based on the East and West coasts of the U.S.



### The Power of Politics - all Politics is Local

Political changes will be required in order to achieve large-scale change in the food and agriculture system in the U.S. These changes are happening both in a symbolic way (e.g. San Francisco has kept the SlowFood Nation garden and uses it to provide food to programs to feed the homeless) and in a more tangible policy oriented way. For example, the U.S. Secretary of Agriculture, Tom Vilsack, has restored USD 3.2 million of funding to subsidise fruit and vegetable producers that had been cancelled by the previous administration. The newly nominated Deputy Secretary of Agriculture, Kathleen Merrigan, helped draft the U.S. organic standards (certainly open to some criticism but a significant step forward for quality agriculture at the time) when a staff member of the U.S. Senate Committee on Agriculture, Nutrition, and Forestry and is expected to bring a focus on sustainable

agriculture to the government agency. Secretary Vilsack has also publicly noted the importance of education stating that

We want the link between what children eat and their knowledge of food's origin to be clearer. I noticed it in my family, if children are educated since the beginning to eat better the impact can be outstanding.

Also noticeable is the emphasis on origin in a way that is more quality focused than safety focused (which was the primary driver behind the COOL – Country of Origin Labeling – initiative that has a long and storied history at the USDA and FDA). The importance of origin and producing and consuming locally (for environmental/sustainability reasons, for traceability/quality, and for development/support for small scale farming reasons) have a large place in the proposals by Michael Pollan for reforming food and agriculture policies to better support quality production. Pollan drafted an open letter to the president-elect prior to the 2008 election which contained the following proposals for tangible policy actions (<http://www.michaelpollan.com/article.php?id=97>):

- Re-emphasize the Sustainable Farm
  - Use federal farm subsidies to encourage polyculture farming rather than monoculture farming and concentrated animal feed operations (CAFOs).
  - Copy examples from countries such as Argentina that farm in a sustainable or integrated manner – e.g. “eight-year rotation of perennial pasture and annual crops: after five years grazing cattle on pasture (and producing the world's best beef), farmers can then grow three years of grain without applying any fossil-fuel fertilizer...the weeds that afflict pasture can't survive the years of tillage, and the weeds of row crops don't survive the years of grazing, making herbicides all but unnecessary. There is no reason -- save current policy and custom -- that American farmers couldn't grow both high-quality grain and grass-fed beef under such a regime through much of the Midwest.”
- Re-regionalising the Food System
  - Expand on the already existing 4500+ farmers markets and 1500+ community supported agriculture (CSAs)
  - Take steps such as requiring government sourcing of food locally, subsidies for indoor covered markets, local meat inspection units, etc.
- Rebuild US Food Culture
  - Commit to “edible education” by making food, agriculture, and nutrition a part of school curriculums
  - Include carbon footprinting on food labels
  - Planting an organic garden at the White House

Clearly some of these ideas have already been put into action. Recently, Michele Obama, providing an example of leading from the top, transformed a portion the White House lawn into an organic fruit and vegetable garden that will be used to provide many of the products that will be consumed at the White House.



### Market Developments and Scaling Up Through Innovative Finance

While changes in consumer preferences and political policy changes are necessary for changing the food system they are not sufficient. Ultimately the food production and retailing system must change as well.

Certainly mainstream companies are already on this track with a new focus on simplicity and local. For example, Haagen Daz recently launched a new line of ice cream named “Five” to indicate that it

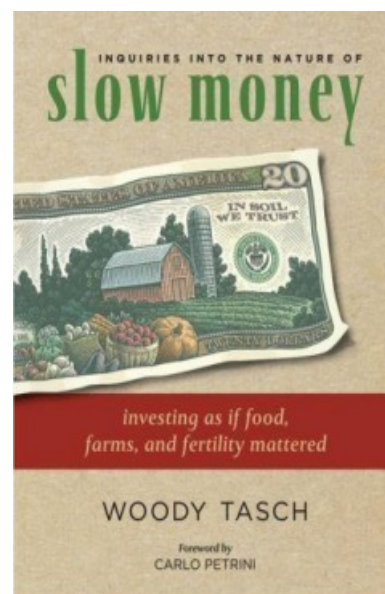
is made with only 5 ingredients. Frito Lay company now advertises that its potato and tortilla chips contain only 3 ingredients and Snapple Beverage touts the fact that its tea is made from “real” green and black tea and “real” sugar. Clearly, these are mainstream companies trying to tap into a new emphasis on simplicity and back to basics that is evident not just in the financial industry but across any number of industries.

Companies are targeting other trends in the quality food sector as well. As far back as 2006, Walmart decided to make a major push into retailing organic food and is now likely the largest seller of such food in the U.S. Interestingly (or worryingly) Walmart has stated that it wants to keep the cost of organic food to less than a 10% premium over conventional food. Chocolate companies are making major pushes into sustainable and fair trade production. Mars has announced in April 2009 a goal to move all of its cocoa production (currently USD 10 billion of sales per annum) to sustainably sourced product by 2020. Cadbury in the UK announced in March 2009 that it would convert the entire production of its Dairy Milk brand (the best selling brand in the UK) to fair trade. Clearly such efforts will require major investments in the entire production chain.

While not disparaging shifts by major companies, there is also a need for dynamic innovative ideas bubbling from the bottom up to create new kinds of companies. These are often financed either through micro-finance like products or private equity investments. One notable effort is run by Ebay (called Microplace – [www.microplace.com](http://www.microplace.com)) and allows individual investors to provide small scale loans to producers (mainly in emerging market countries) with a focus on fair trade, organic/bio, or woman’s businesses. Another initiative (<http://www.slowmoneyalliance.org/>) was founded by former investment banker Woody Tasch with the goal to

design new capital markets built not around extraction and consumption, but around preservation and restoration. The vision: billions of dollars a year supporting tens of thousands of independent, local-first enterprises at the base of the restorative economy.

The screenshot shows the MicroPlace website interface. At the top, it says "MicroPlace Invest wisely. End poverty." and "Hello, Guest! Sign in or register". Below the navigation bar, there are tabs for "Find Investments", "My MicroPlace", "Community & Blog", and "Learn More". The main content area is titled "Find Investments" and shows "76 investments found". There are three filter categories: "Social", "Financial", and "Geographic". The "Social" filter includes options like "Level of poverty", "Green", "Serves rural areas", "Focus on women", and "Fair trade". The "Financial" filter includes "My financial return", "When I get repaid", and "My money is going to". The "Geographic" filter lists regions like Africa, Eurasia, Latin America, North America, South Asia, and Southeast Asia. A featured investment is highlighted for "Calvert Foundation" with the title "Open opportunities for Fair Trade coffee farmers". It includes details like "Financial Return: 2.0% per year" and "Repayment: 6 months (Oct 15, 2009)".



Tasch notes that currently in the U.S.

- only 0.5% of agricultural land is certified organic (compared with over 10% in Switzerland and Austria which are world leaders in this area)
- only USD 100 million of the USDA total budget of approximately USD 92 billion went to small or medium sized organic farmers
- only 0.1% of venture capital investments in the food industry went to small or mid-sized organic farmers

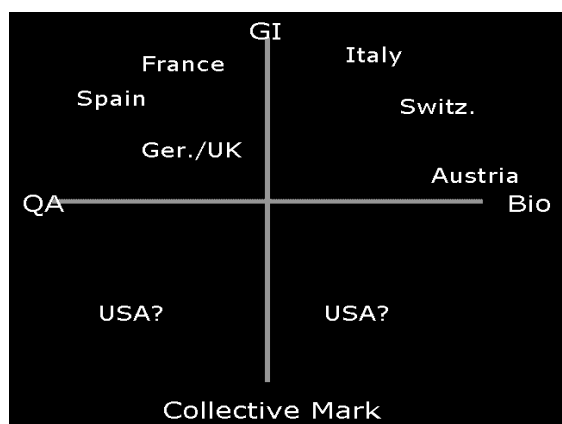
Whether or not such efforts succeed on a large scale the very fact of trying makes them notable and begins to encourage an alternative view of what is possible. The most likely end result, a mixed

economy composed of large businesses operating in a more sustainable manner and small locally oriented firms pursuing specific market niches, will not be possible without such innovations.

### Conclusions - Where do We Go from Here

To return to the original question, do we see evidence of quality food in the U.S? The answer must be yes. It is emerging in a number of ways, for a number of reasons, and on a number of different timelines. It is multifaceted in nature and utilizes a number of different concepts. This is actually not so different from other countries where quality can be expressed through a number of mechanisms.

Borrowing ideas from a recent article in the Winter 2009 *Esty Journal of International Law and Trade Policy (European Food Quality Policy: The Importance of Geographical Indications, Organic Certification and Food Quality Assurance Schemes in European Countries)*, one can place countries across a spectrum of approaches to designating quality food that ranges from the use of Geographic Indications to an emphasis on Bio/Organic Production to Quality Assurance schemes (e.g. Demeter, Max Havelaar, or equivalent retail private label brands) to Certification Marks/Trademarks. Countries emphasise one approach over another depending on the nature and structure of their producer, consumer, and retail sectors and specific government policies and legal approaches. In the U.S., there is a clear preference for Certification or Trademarks over GIs. What is more uncertain is whether Bio/Organic will ultimately be bigger than Quality Assurance or Private Label brands. The following attempts to summarise relative emphases across a number of countries.



- Geographic Indications (GIs) – sui generis, collectively owned, connected to place, open to all
- Collective Marks (TMs) – personal ownership, self-defined criteria, owner sets standards and licenses
- Quality Assurance (QA) – public or privately created, applies to class of products, usually open for use (e.g. Demeter, Label Rouge, Private Label brands in UK/US)
- Bio / Organic – legislatively defined production criteri

Thus, at the risk of over-simplification, here are some general thoughts about how quality food has and might continue to progress in the U.S.

- There has always been a segment of the US population motivated by healthy food. This started with the organic movement and more recently began to focus on the environment.
- The last 20-30 years has seen a growing interest in other cuisines and ethnic food. This began with individuals such as Julia Child and has accelerated with the rise of celebrity chefs and television (TV Food Network) and new retail stores (Whole Foods Market). This includes a strong element of understanding the origin of foods.
- These trends are coming together and being fueled by a growing interest in sustainability driven by the financial and energy crises. This may provide the big push that has been needed to cause large scale changes in the US agriculture and food system.
- There will always be an inherent skepticism toward top down government driven solutions in the US. While government is playing a larger role in the overall economy and any large-scale shift toward sustainability requires focused government policies that encourage production of quality food, consumer demand ultimately will determine how quality food evolves.