

Certified Transitional Labels Hope To Increase Organic Conversion, but Few Know What They Mean

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Transitional organic certification programs seek to create a premium market for crops in years two and three of the three-year organic conversion process, but few survey respondents know what certified transitional labels mean. Uninformed consumers view strawberries with the label as lower quality than conventional strawberries. Only after informing respondents of the production practices underlying certified transitional labels do they rate the quality of transitional strawberries above conventional berries.

U.S. consumer demand for organic food products has grown steadily since the National Organic Program (NOP) went into effect in 2002, with sales reaching \$52.3 billion in 2020 and comprising 5% of all food sales. Despite this, fewer than 1% of U.S. cropland is organically farmed, and the U.S. remains a net importer of organic commodities.

This is due in part to the costly and time-intensive three-year transition period, during which farmers must produce using organic methods before being certified as organic. While transitioning, farmers often make significant capital investments, experience lower yields, and usually fail to garner price premiums because output is sold into conventional markets. Farmers must also contend with insufficient technical training and concerns about more costly inputs and increased labor demands. These factors have contributed to a 71% drop in the annual number of farms converting between 2008 and 2019.

Reducing Barriers to Organic Production

A variety of federal programs exist to reverse this trend and assist with organic transition, production, and certification. Under the USDA's Organic Certification Cost Share Program (OCCSP), certified organic farmers receive up to \$750 per year to cover the cost of organic certification. The USDA further provides financial and technical assistance via the Agriculture Management Assistance Program (AMA) in 16 states.

Most recently, the USDA announced a \$300 million investment in a new Organic Transition Initiative. In addition to providing direct financial and technical assistance to farmers and support for organic market development, the initiative will fund up to \$100 million to create an organic transition partnership program. Under this program the USDA's Agricultural Marketing Service will develop partnership networks with local organizations across the United States to connect transitioning and recently transitioned farmers with training, mentorship, and workshops on production practices, certification, regulations, organic supply chains, and marketing to help them overcome challenges inherent to the transition process.

In contrast to these public support programs, some entities have implemented a market-based approach to support farmers during the transition period by creating a new product category to generate higher returns for farmers and ease the financial strain of transitioning. Quality Assurance International (QAI), California Certified Organic Farmers (CCOF), Organic Certifiers (OC), and Ecocert—all accredited certifying agencies (ACAs)—have

implemented transitional organic (TO) certification guidelines and introduced Certified Transitional labels in recent years for farms in years two and three of the organic conversion process. Kashi, a U.S.-based producer of cereals and other plant-based foods sold in the United States and Canada, partnered with QAI in 2016 to become the first company to market a product as Certified Transitional at the retail level. Since then, Washington State has created its own certified transitional program and commensurate label (Figure 1) that similarly covers farmers who have completed one year of the transition process.

Consumer Perceptions of Certified Transitional Products

For transitional certification programs to work as intended, however, some consumers must view transitional food products as being of higher quality than their conventional counterparts and thus, be willing to pay a premium for them relative to the price of conventional goods. These premiums then help cover the additional cost incurred

Figure 1. Certified Transitional Labels



Table 1. Distribution of Responses to “I Feel Confident That I Know the Exact Definition of This Label” (Percent)

	All Respondents		Farming/Ag Background		No Farming/Ag Background	
	USDA Organic	Certified Transitional	USDA Organic	Certified Transitional	USDA Organic	Certified Transitional
Strongly Agree	27.2	2.0	34.2	4.7	26.4	1.7
Agree	32.5	4.9	30.3	6.8	23.8	4.6
Somewhat Agree	22.3	7.9	15.8	7.3	23.1	8.0
Neither Agree Nor Disagree	9.4	17.1	9.4	15.8	9.4	17.3
Somewhat Disagree	3.8	8.3	3.0	9.8	3.9	8.1
Disagree	2.4	16.1	2.6	13.7	2.4	16.3
Strongly Disagree	2.3	43.7	4.7	41.9	2.0	43.9
Sample Size (N)	2,351	2,351	234	234	2,117	2,117

Source: Based on author’s survey and calculations.

during years two and three of the three-year transition period, thereby facilitating further organic conversion.

I designed a survey in collaboration with a prominent berry seller using its existing consumer panel to determine if, and under what circumstances, consumers view transitional strawberries as a good with intermediate quality between certified organic and conventional berries. Specifically, the survey asked respondents to assign values, on a scale of 1 to 10, to the perceived quality of differently labeled but otherwise identical packages of strawberries, both prior to and after being informed of the production practices indicated by the label. One package is conventionally grown and unlabeled, and the others are USDA Organic and Certified Transitional. The company invited 8,982 individuals to participate in the survey and received 2,006 complete and 416 partial responses. Because demographic questions were not included, and the survey was sent as an anonymous link, I cannot determine whether it was a representative sample for the general population. Based on past studies, the panel had a slightly higher representation of retirement-age households and female participants.

Initially, consumers viewed strawberries labeled as Certified Transitional as

lower quality than both conventionally grown and USDA Organic strawberries. On average, respondents assigned quality ratings of 5.77, 7.83, and 4.9 to unlabeled (conventional), USDA Organic, and Certified Transitional berries, respectively. As seen in Table 1, this can be attributed to the fact that consumers, even those with a farming background, do not know the definition underlying Certified Transitional labels (hereafter referred to as TO labels).

While the vast majority of all respondents were confident they knew the definition of the USDA Organic label, only 14.8% of all respondents and 19% of those with a farming or agricultural background knew the meaning behind TO labels. Respondents who indicated at least some familiarity with the TO label definition, on average, assigned a quality rating of 6.59 to TO strawberries compared to a rating of 4.61 for those unfamiliar with the label. An unpaired t-test indicates the difference in means of the two groups is statistically significant at the 1% level.

Information Improves Quality Perception

Simple information about the TO label’s definition can remedy this problem and increase the perceived

quality of TO strawberries, such that it lies between conventional and organic strawberries. After all of the survey respondents were provided with the label definitions for the certified claims, referred to here as the initial information treatment, their mean quality ratings for TO strawberries (6.75) increased above conventionally grown strawberries (5.7), whose quality rating remained steady. The increase in the mean rating for TO berries after the initial information treatment is statistically significant at the 1% level. Notably, there is also a smaller, but statistically significant, increase in the mean valuation of USDA Organic strawberries (8.08), indicating that even relatively well-known certifications may benefit from more informed consumers.

Table 2 presents the mean quality ratings for TO strawberries before and after the initial information treatment, disaggregated by respondents’ prior familiarity with the TO label. All respondent segments increased their quality ratings on average, though the increase for those most familiar with the label is not statistically significant. The percentage increase in mean valuation is negatively correlated with respondents’ initial familiarity with the label, with those least familiar with the production practices indicated by the TO label increasing their quality rating by over 65%, on average. The large shift in how these consumers perceive strawberries with a TO label after being presented with the definition is consistent with results showing uninformed consumers are driving poor quality ratings and is indicative of how information can solve quality perception issues for transitional goods.

To determine if valuation could improve if label definitions were combined with additional information such as where, how, and by whom strawberries are grown, the respondents were randomly assigned to one of three hypothetical information

treatments that allowed them to obtain more information. The three subgroups were asked to rate each product's quality if, after being presented with the label definitions, they were able to 1) speak to each farmer growing these strawberries, 2) see an additional display at the point of purchase with the aforementioned information, or 3) see the name of the grower and a website or QR code that allowed them to access the additional information, respectively.

The mean valuations of the first two subgroups (i.e., speak to a farmer and in-store display) had statistically significant increases of 2.3% and 2.9%, respectively, relative to their post-definition ratings alone. The mean valuation of the third subgroup experienced no statistically significant change, indicating consumers are more responsive to information that is presented to them directly, rather than information they have to take additional steps—such as scanning a code with their phones—to access.

Implications

At present, many consumers are unfamiliar with Certified Transitional labels and the production practices they represent. As a result, some producers growing or using transitional crops may opt for other more established and well-known certifications (e.g., Non GMO Project or Certified Pesticide Residue Free) to market their products and obtain price premiums during the transition period. These certifications, however, are limited and imperfect substitutes for transitional certification, as their standards either do not fully overlap or do not cover the full range of crops produced by converting farms. Since these labels may be of use to some, but not all, transitioning operations, the existence and promotion of a single label that encompasses all transitioning crops may be the best way to distinguish this product category and generate additional revenue. Moreover, proponents

Table 2. Mean Quality Ratings of Certified Transitional Strawberries on a Scale of 1 to 10 by Response to “I Feel Confident that I Know the Exact Definition of This Label”

	Pre Definition	Post Definition	Percent Change
Strongly Agree	6.809	7.239	6.32
Agree	6.787	7.412	9.12
Somewhat Agree	6.471	7.271	12.36
Neither Agree Nor Disagree	5.308	6.642	25.13
Somewhat Disagree	5.376	6.753	25.61
Disagree	5.238	6.851	30.79
Strongly Disagree	3.956	6.542	65.37

Source: Based on author's survey and calculations.

argue that certifying transitioning operations may improve their access to USDA support services like farm loan products during the transition and may facilitate better supply chain management.

To accrue these benefits, those marketing their products as transitional must overcome consumers' lack of familiarity with the certification and commensurate labels. Survey results indicate that producers marketing products with labels tied to certified and well-defined standards benefit from providing consumers with precise information about the production practices indicated by the labels. This is especially true for labels lacking broad awareness, such as certified transitional.

Transitional producers can further improve valuation by providing opportunities for consumers to speak directly with farmers (e.g., at farmers markets) or by providing additional information on displays at the point of sale. These improvements, however, are relatively small compared to the improved valuation derived from simply providing the label's definition. This indicates that transitional producers with limited resources can eschew these more complex and potentially expensive forms of information provisions in favor of simple information (e.g., including the definition on the back of the product's package) and still benefit greatly.

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The findings and conclusions in this article are the author's and do not represent any official USDA or U.S. government determination or policy.

For additional information, the author recommends:

U.S. Department of Agriculture. 2022. “USDA to Invest up to \$300 Million in New Organic Transition Initiative.” Available at: <https://bit.ly/3M9xtVy>.

U.S. Department of Agriculture, Agricultural Marketing Service. 2020. “Agricultural Marketing Service Strategic Plan FY 2020–2024.” Washington DC.