



Marketing of Canadian Organic Agricultural Products

Regulatory Impediments and Success Drivers

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This study was carried out within the context of meeting academic requirements towards the completion of an MBA degree. The author is a Registered Dietitian with extensive experience in the fields of nutrition and some experience in agri-business. My quest for a clearer understanding of the public-private interaction in developing and sustaining successful food-related markets and competitiveness domestically and internationally dates back many years. The opportunity to investigate the regulatory impediments and success drivers to the marketing growth of Canadian organic agricultural products was a perfect match for what I was seeking to learn.

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EXECUTIVE SUMMARY

At the request of the Regulatory Working Group of the Organic Value Chain Round Table, a study was carried out to gain a better understanding of the regulatory impediments, lessons learned, and success drivers for the marketing of Canadian organic agricultural products domestically and to key trading partners such as the USA, EU and Japan. The results will be used to help foster discussion and prioritize the work of the Regulatory Working Group over the coming year.

The study was sponsored by the Sectoral Food Industry Services Division, Food Value Chain Bureau within the Market and Industry Services Branch of Agriculture and Agri-Food Canada and carried out by an MBA student of the University of Ottawa, within the context of meeting academic requirements.

An advisory group composed of a cross section of industry and government representatives provided guidance at various stages throughout the study.

Sixty one participants from a variety of sectors and commodity groups provided their experience and views on the organic sector in telephone interviews.

The organic sector is suffering from growing pains. Although the market size for organic products is still quite small in comparison to conventional products, there is significant evidence that the market is growing considerably. The current organizational support systems of mainstream agriculture however are not always able to foster sufficient supply of organic products to meet market demand or to support the continued growth of the sector.

All participants applauded the development of the new “Organic Products Regulations”.

Negotiating equivalency agreements or recognition of the Canadian regulation with trading partners was identified as a top priority for successful international trade. Currently exported products must meet the destination market regulatory requirements for organic products. In most cases, this system requires that producers meet multiple requirements.

Establishing equivalency for Canadian regulations and standards was seen by most as a means to ensure greater access to multiple markets for domestic producers and processors, and a mitigation of new non-tariff trade barriers to importers, with a reduction in unnecessary technical barriers for all.

Most participants agree that the Canadian federal government should work towards full equivalency agreements, recognizing that technical requirements will necessarily differ by jurisdiction but that the ultimate requirements of regulatory programs, if roughly equivalent, can be seen as comparable.

Ensuring one national standard endorsed by all the provinces across the country was seen as a top priority for many participants. Lack of provincial legislation was identified by many as the main area of concern on the domestic front. Unless resolved, the gaps will lead to added confusion in the marketplace and an unlevel playing field.

Contradictions in legislation and regulated organic production practices will need attention. In Québec and Ontario respectively, poultry and turkey are limited in their access to the outdoors, which does not comply with organic production standards impacts on certified organic poultry operations.

Organic agricultural products in Canada are subject to existing tariff and quota rules for imports and

supply managed commodities. Exports must meet the destination Participants had little to say about international trade regulations. They did however voice concerns about the burden of administrative procedures and the amount of paperwork to meet the certification requirements.

Participants in this study are sensitive to the needs of small scale producers. Many would consider special allowances and provisions to support the sustainability of small scale organic production in Canada.

Some are looking to the government for assistance to enhance the growth of the organic sector. The nature of this assistance ranges from governance in the form of clear policy support statements in official documents, increased research activity, identification of market opportunities, proven sample policies, capacity building activities at the local level and additional funding.

Market development including the establishment of an efficient supply chain was identified as the single most important non-regulatory success driver for the organic sector.

Many organizational structures are being tested. On the one hand consumer demand for organic products has been increasing steadily. On the other, supply managed commodity groups or single desk marketing boards have not always been able to adapt their rules to allow for the timely delivery of organic products in response to demand. Some opportunities are being missed.

Market demand for organic agricultural products is definitely on the rise. This market demand and the growth opportunity for the organic sector must be recognized by the supply chain. It must be given due consideration.

The organic sector must find ways to move to full market maturity, ensuring that supply and demand are well balanced for the benefit of all. Collaboration is probably the most powerful success driver of all. The Canadian organic sector, the federal and provincial governments and the commodity groups should be working together to find ways of meeting the growing market demand for organic agricultural products.

This study does not pretend to have captured the wealth of knowledge, lessons learned and best practices in the organic sector. The dialogue has just begun. Additional efforts must focus on gathering additional information and perspectives from all the groups involved in the organic industry. Forging partnerships, strategic alliances and sectoral approaches will maximize the overall effectiveness of the sector to meet market demand.

1. BACKGROUND

In June 2007, federal, provincial and territorial ministers of agriculture agreed on Growing Forward, the basis from which governments will negotiate a new policy framework, and work with industry to develop new programs.¹

The vision of Growing Forward is a profitable and innovative agriculture, agri-food and agri-based products industry that seizes opportunities in responding to market demands and contributes to the health and well-being of Canadians.

Three common policy outcomes have been identified for agriculture, agri-food and agri-based products industry:

A Competitive and Innovative Sector – equipped to compete successfully in domestic and international markets, innovate, adapt to change, and seize new opportunities, thereby achieving sustained growth and profitability.

A Sector that Contributes to Society's Priorities – that generates benefits for the sector and all Canadians by contributing to the broader federal, provincial and territorial government priorities, ranging from food safety to environmental sustainability to health and wellness.

A Sector that is Proactive in Managing Risks – that is well-equipped to manage and mitigate risks that impinge on the profitability of enterprises and sectoral prosperity.

Supporting the growth and development of the organic industry is definitely one way to respond to increasing market demand for organic products, foster profitable and innovative agriculture and contribute to the health and well-being of Canadians.²

The organic industry in Canada has been growing at a rate of 15 to 20% annually for the past decade. There were a total of 25,511 farms reporting some form of organic production in 2006.³ Of these 25,511 farms reported certified organic products. More than 600 farms reported being in transition to organic products and close 11,937 reported uncertified organic products. Certified organic farms account for approximately 23% of the total farms reporting organic production and 1.5% of the total number of farms in Canada.⁴ Over 1.3 million acres (530,919 ha) of land in Canada is used to grow organic food. Another 118,500 acres (47,955 ha) is in transition to organic certification.⁵ Organic fruit and vegetable farms lead the way at about 2.3%. Organic livestock is one of the fastest growing sectors.⁶

There are more than 800 certified organic processors and handlers in Canada, producing a wide variety of ingredients and consumer-ready products. Total annual retail sales of certified organic products in Canada are more than \$1 billion, with about 40% moving through mainstream supermarkets. Fresh vegetables account for 25% of all supermarket organic food sales.⁷

¹ http://www.agr.gc.ca/pol/grow-croiss/index_e.php?page=accord#4.1

² http://www.agr.gc.ca/pol/grow-croiss/index_e.php

³ Statistics Canada, 2006. Census of Agriculture, Farm Data and Farm Operator Data, catalogue no. 95-629-XWE. <http://www.statcan.ca/english/freepub/95-629-XIE/1/1.16.htm#nt01>

⁴ <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1188227730017&lang=e>

⁵ <http://www.cog.ca/orgquickfacts.htm>

⁶ Anne Macey, 2006. Certified Organic Production in Canada (2005). Canadian Organic Growers

⁷ <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1188227730017&lang=e>

According to latest data provided by The Nielsen Company (2006), Canadian supermarkets sold \$412 million worth of certified organic food products in 2006. This represented a 28% growth from 2005 to 2006, with 31% growth in pre-packaged products and 22% growth in fresh product. Supermarkets in Alberta are showing the highest growth in sales from 2005 to 2006 (44%), followed by British Columbia and the Maritimes (34%), Ontario (24%) and Québec (21%).⁸

Canada exports a wide selection of certified organic products, ranging from bulk grains to pre-packaged consumer-ready products in every category of which organic wheat is the largest. Exports of oats, flax, barley, lentils, peas, spelt, hemp, soybeans, corn, sunflowers, and other grains and oilseeds are also significant. The largest share of Canada's organic agri-food product exports goes to the United States, the European Union and Japan.⁹

Canada is a major importer of organic food products. It is estimated that only 15-20% of all organic food consumption is produced here.¹⁰

Although not representative of total organic agricultural imports, preliminary data for the 41 products currently tracked by the Harmonized Serial Codes and obtained from Agriculture and Agri-Food Canada (AAFC) for 2007 indicate that Canada imports approximately \$183M worth of certified organic products from all countries. Approximately 67% originates from the USA, 8% from Mexico, 6% from Chile, 6% from Argentina and the remaining from more than 45 different countries.

By 2005, 71 countries had organic regulations in various stages of implementation across the world.¹¹ Canada now joins these countries with regulations that come into force in December 2008.¹²

The organic sector in Canada has challenged itself to increase its share of the retail market to 10% by 2010 from its current share of about 1.6%. It is also seeking to have domestic production account for 35% of domestic sales compared to the 2003 share of about 24.6%. The sector is looking to maintain stability in terms of exports as it focuses on increasing its share of the domestic market.¹³

Studies undertaken by The Organization for Economic Co-operation and Development (OECD) and others have provided evidence that competition-enhancing policies can foster higher productivity and economic growth. This is achieved by improving resource allocation, encouraging managerial efficiency and effectiveness, increasing innovation and technological diffusion, boosting employment and spurring capital investment.¹⁴

These authorities also state that international and internal protection seems to inhibit the development of competitive markets. Canadian productivity could therefore be enhanced by eliminating barriers that impair the effective functioning of markets.¹⁵

⁸ http://www.organicagcentre.ca/Docs/RetailSalesOrganic_Canada2006.pdf

⁹ <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1188227730017&lang=e>

¹⁰ <http://www.inspection.gc.ca/english/fssa/orgbio/coana/coanae.shtml>

¹¹ Commins, 2004 & Kilcher et.al. 2006

¹² Department of Justice, Canada. 2006. Enabling Statute Canada Agricultural Products Act Organic Products Regulations (SOR/2006-338)

¹³ MacRae, R., Christianson, R. and Martin, R. 2006. The Organic Sector: SWOT and Associated Key Issues. OAC, Truro, NS

¹⁴ Darby, P., Beckman, K., St-Maurice, Y. and D. Lemaire. 2006. Death by a Thousand Paper Cuts: The Effect of Barriers to Competition on Canadian Productivity. Conference Board of Canada.

¹⁵ OECD. 2005 The benefits of Liberalising Product Markets and Reducing Barriers to International Trade and investment in the OECD (working paper 443)

There is agreement that some legislation is needed to protect the health and safety of citizens. Some anti-monopoly provisions may also be required to enhance the functioning of markets. Concerns arise however when regulations go beyond what is required to meet public policy goals. Consequently they become unnecessary barriers to competition, growth and development.

Incompatibilities in regulatory systems across jurisdictions, between provinces and territories or between Canada and trading partners also create unnecessary barriers to competition.¹⁶

2. PURPOSE AND METHODOLOGY

This study aims to:

- examine how organic products are being treated within the current domestic and key international (USA, EU, Japan) regulatory environments
- identify key regulatory impediments as seen by the industry, trade associations and regulators
- share lessons learned, best practices and success drivers (regulatory and non-regulatory) as seen by study participants that could facilitate the growth of the organic agricultural sector

The information gathered is meant to be factual rather than analytical, providing perspective and context whenever possible. The results will be important to foster discussion and to focus action in shaping policy approaches that will enhance the growth of the organic agriculture sector in Canada. They will also help in prioritizing the work of the Regulatory Working Group of the Organic Value Chain Round Table.

The study was sponsored by the Sectoral Food Industry Services Division, Food Value Chain Bureau within the Market and Industry Services Branch of Agriculture and Agri-Food Canada and carried out by an MBA student of the University of Ottawa, within the context of meeting academic requirements and under the supervision of her professor at the Telfer School of Management.

An advisory group composed of a cross section of industry and government representatives provided guidance at various stages throughout the study.

As a first step and in order to gain a better understanding of the regulatory environment and best practices in Canada and abroad, the author carried out a review of various provincial, national and international websites and documents produced by governments, trade associations, not-for-profit organizations, task forces, certification bodies and academics. Sections 3, 4 and 5 cover these topics in broad terms.

In addition to the above review, the author conducted sixty one (61) comprehensive telephone interviews with representatives from various sectors including trade associations, producers, processors, wholesalers, retailers, exporters and government representatives at the national and provincial levels including marketing boards.

Participants were asked to share their views on regulatory impediments and success drivers to the marketing of Canadian organic agricultural products domestically and to key international partners: the USA, EU and Japan. Section 6 presents these comments and views.

The study concludes by summarizing the key findings and identifies priorities for action as expressed by participants.

¹⁶ Darby, P., Beckman, K., St-Maurice, Y. and D. Lemaire. 2006. Death by a Thousand Paper Cuts: The Effect of Barriers to Competition on Canadian Productivity. Conference Board of Canada.

3. REGULATORY ENVIRONMENT IN CANADA

In their report *Death by a Thousand Paper Cuts: The Effect of Barriers to Competition on Canadian Productivity (2006)* the authors, Darby et al. assess the extent to which existing tariff and non-tariff barriers (NTBs) are affecting overall productivity in Canada. The study makes a number of recommendations to policy-makers to help lower regulatory barriers. The following summarizes some of the major points.

3.1 TARIFFS AND QUOTAS

Globally there has been a significant decline in tariffs as a result of the last round of negotiations at the World Trade Organization (WTO). Countries also benefit from tariff reductions through regional and bilateral free trade agreements where they exist eg. the North American Free Trade Agreement (NAFTA). However certain sectors of the Canadian economy, such as agriculture, are still facing a high degree of tariff protection in markets of interests to the industry.

About 50 per cent of products in Canada enter duty-free. Despite reductions in overall tariff rates, over-quota tariffs on agricultural products regulated by supply management, such as some live animals, poultry and dairy products are significantly higher than those on most other products.¹⁷

Many products in the food sector are also protected through the provision of quotas.

3.2 PREFERENTIAL TARIFFS

Canada has many preferential tariffs under free trade agreements with different countries. NAFTA for instance enables close to 100 per cent of imports from the United States and 94 per cent of imports from Mexico to enter Canada duty-free. However, poultry and dairy products remain highly protected under NAFTA, some over-quota tariffs being greater than 200 per cent. Out-of-quota tariffs on poultry and dairy products for example are exempt from the regular tariff-reduction commitments under NAFTA.

The General Preferential Tariff (GPT) also provides reductions from the 35 per cent General Tariff on most imported products, for many developing countries. In June 2002, Canada extended duty-free and quota-free access to imports from 48 of the world's Least Developed Countries (LDC). Products exempt from this extension include over-quota imports on supply-managed products such as dairy, eggs and poultry products.

3.3 TARIFF QUOTAS

In Canada, dairy, eggs and poultry products are produced under a supply management system whereby total supply is matched to total demand. Producers must purchase quotas to participate in the domestic market. A quota system imposes significant penalties on producers for exceeding the quota. In general, a low duty is applied on imports up to a certain quantity, while imports beyond the quota are often subject to very high tariffs. Under the terms of Canada's Uruguay Round, a number of tariff quotas restrict imports of mainly dairy products, chicken, turkey and eggs and, to a lesser extent, beef, margarine, wheat and barley. While over-quota tariffs have been lowered on roughly 60 tariff lines (mostly cereal preparations), since 2000, they remain in the 200 to 300 per cent range for most dairy products.

Some Canadian trading partners receive unilateral preferential tariff treatment benefits that exempt some products from the quota system. For example, Chile, Mexico and the United States can ship unlimited quantities of wheat and barley to Canada duty free, subject to origin requirements. Similarly,

¹⁷ Darby, P., Beckman, K., St-Maurice, Y. and D. Lemaire. 2006. *Death by a Thousand Paper Cuts: The Effect of Barriers to Competition on Canadian Productivity*. Conference Board of Canada.

imports of bovine meat from Chile, Commonwealth Caribbean countries, Costa Rica, Mexico and the United States can enter Canada duty-free, as can imports of margarine from Chile and Mexico. In contrast, the Most Favoured Nation (MFN) tariff for bovine meat from MFN countries is 27 per cent, while the MFN tariff for some margarine is 218 per cent.¹⁸

3.4 NON-TARIFFS BARRIERS (NTB)

Less progress has been achieved in reducing domestic and international NTBs.

Barriers to internal trade exist in Canada due to its federal constitution, under which economic and regulatory powers are assigned to federal, provincial/territorial jurisdictions. Interprovincial barriers have been justified as a means of protecting local jobs, income, public health and other local interests. This enables provincial and territorial governments to intervene, through regulations, to protect their economies from outside competition but may lead to unnecessary barriers to competition and growth.¹⁹

To address the problem of interprovincial barriers to competition, Canadian first ministers signed the AIT (Agreement to Internal Trade) in 1994. The AIT's objective was to improve competitiveness and increase interprovincial trade by reducing barriers to the movement of people, goods, services and investments within Canada.

And in an attempt to further address the problem of interprovincial barriers to competition, Canadian Premiers also created the Council of Federation in 2003.

However, regional interests and lengthy negotiations between the federal government and the provinces, as well as among the provinces, make it extremely difficult to achieve significant progress in lowering domestic barriers to competition.

Below, you will find examples of NTBs

3.4.1 NON-TARIFF BARRIERS

3.4.1.1 Investment, Quantative Restrictions and Controls

Investment restrictions and controls help control a number of important aspects of our economy that are deemed essential to affirm our sovereignty, cultural identity and security. For example, according to the Fisheries Act only Canadians or Canadian-controlled corporations are permitted to obtain fishing licences. Canadian fish-processing companies that have more than 49 per cent foreign ownership are not permitted to hold commercial fishing licences.

3.4.1.2 Technical, Sanitary and Phytosanitary Regulations

The World Trade Organization (WTO) recognizes the sovereign right of countries to afford appropriate levels of health and safety protection for their people, animals, and plants through a subsidiary agreement called the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS). The Agreement on Technical Barriers to Trade (TBT)...while enshrining the right of protection for health reasons and of provisions of technical standards, these agreements are meant to prevent SPS and TBT measures from being protectionist, that is, to prevent countries from using domestic regulations as disguised barriers to trade.

¹⁸ Darby, P., Beckman, K., St-Maurice, Y. and D. Lemaire. 2006. Death by a Thousand Paper Cuts: The Effect of Barriers to Competition on Canadian Productivity. Conference Board of Canada.

¹⁹ Darby, P., Beckman, K., St-Maurice, Y. and D. Lemaire. 2006. Death by a Thousand Paper Cuts: The Effect of Barriers to Competition on Canadian Productivity. Conference Board of Canada.

Canada imposes technical, sanitary and phytosanitary regulations that serve as constraints on activity in a range of economic areas. These technical standards or requirements could be seen as constraints to the trade of goods and services. At present, technical standards can vary not only between countries but also between Canadian provinces.

According to the authors a system of technical standards and requirements would be most effective if it were to impose the same standards in all countries for all products and services.

3.4.1.3 Other Non-Tariff Barriers to Trade

These are discussed in great detail in the report Darby et al. (2006). They are listed here for information only

- *Local-content requirements*
- *NAFTA rules of origin*
- *State-owned enterprises*
- *Government procurement*
- *Border security measures*

Darby et al. (2006) make the following recommendations to facilitate the process of reducing internal NTBs:

- Free trade should be established as the standard for interprovincial trade agreements, and a strong evidence-based case should be required for specific barriers to be permitted. The current practice tends to create loopholes for regional interests.
- The existing dispute settlement mechanism of the AIT needs to be made binding. Currently, dispute panel recommendations can be ignored, or circumvented through offsetting local legislation, due to the absence of an enforcement mechanism.
- Agreements among and between provinces should be encouraged as a way to make progress on reducing internal NTBs. Bilateral or multi-provincial agreements could circumvent roadblocks created by one or more other provinces, and could serve as positive models for Canada-wide action.

Policy-makers should also seek to reduce international tariff and non-tariff barriers, focusing in particular on unnecessary regulatory barriers with major trading partners.

3.5 TRADE ENVIRONMENT AND TRADE AGREEMENTS

In the current WTO negotiations, members agree that export subsidies should be eliminated by 2013.

3.5.1 World Trade Organization (WTO) Agreement

Canada's membership in the WTO is a key element of Canadian trade policy and an important avenue to achieving Canada's market access goals. The WTO governs the trade relations of the 149 members of the organization, including the European Union, Japan, other industrialized countries, emerging markets and smaller developing countries. The WTO also underpins much of our trade with the United States, Canada's largest trading partner.

The World Trade Organization (WTO) is the legal and institutional foundation of the multilateral trading system with functions that include: administering the WTO trade agreements; creating a forum for discussing trade negotiations and market access; resolving trade disputes based on commonly agreed rules, rather than political or economic power; monitoring national trade policies;

providing technical assistance and training for developing countries; and cooperating with other international organizations involved in global economic policymaking.²⁰

The WTO Agreement on Agriculture was a significant first step towards a fair and market-oriented agricultural trading system. It includes specific commitments by WTO Members to improve market access and reduce trade-distorting support and export subsidies.

Agreements of particular significance to the agri-food sector include:

- the Agreement on Agriculture;
- the Agreement on the Application of Sanitary and Phytosanitary Measures;
- the Agreement on Technical Barriers to Trade; and
- the Agreement on the Trade-Related Aspects of Intellectual Property Rights.

The Doha Ministerial Declaration set clear and ambitious objectives on market access, domestic support and export subsidies for concluding the negotiations in 2001.

As part of its WTO agriculture negotiations and given its role as a major agricultural exporter and importer, Canada is seeking to level the international playing field for Canadian producers and processors through the elimination of export subsidies, the substantial reduction of trade-distorting domestic support, and significant improvements in market access for all agri-food products.²¹

In the long term, the evidence suggests that trade will benefit all Canadians by spurring dramatic increases in productivity.²² Few agreements however have been concluded to date.

3.6 FREE TRADE AGREEMENTS

Canada currently entertains few free trade agreements despite opening up many new negotiations. The current multilateral negotiations appear to be moving slowly while many others are stalled. Free trade negotiations are extremely time consuming and costly. They are often delayed for months and years.

These negotiation efforts aim to improve Canada's trade and investment performance. International trade and investment expand Canada's economic growth prospects beyond the size of its relatively small economy. Trade may mean some job losses in the short term. But in the long term, the evidence suggests that trade will benefit all Canadians by spurring dramatic increases in productivity, which in turn drive higher standards of living.²³ And, as products are increasingly made and services delivered using inputs from all over the world, international investment and trade complement each other. It therefore makes sense for leaders to take actions to boost both.²⁴

3.6.1 Canada – United States Free Trade Agreement (FTA)

The FTA came into effect in 1989. The FTA provided for the gradual elimination of tariffs and reductions in non-tariff trade barriers on goods. On January 1, 1998, all tariffs on Canada and U.S.

²⁰ Foreign Affairs and International Trade Canada. http://www.international.gc.ca/trade-agreements-accords-commerciaux/cimar-rcami/2006/2006_4_06.aspx?lang=en#1

²¹ http://www.agr.gc.ca/itpd-dpci/current/wto_e.htm

²² Daniel Trefler, "The Long and Short of the Canada–U.S. Free Trade Agreement," *American Economic Review*, 94, 4 (2004), pp. 870–895.

²³ Daniel Trefler, "The Long and Short of the Canada–U.S. Free Trade Agreement," *American Economic Review*, 94, 4 (2004), pp. 870–895.

²⁴ Conference Board of Canada. *If we can fix it here, we can make it anywhere – Effective Policies at Home to boost Canada's Global Economy 2007*.

origin goods were eliminated, with the exception of a limited number of over-quota tariffs associated with tariff quotas on some agricultural products. The Agreement also incorporated more effective dispute settlement processes.

The FTA was incorporated into the North American Free Trade Agreement (NAFTA) in 1994. NAFTA expanded the free trade area to include Mexico and was designed to foster increased trade and investment among the NAFTA partners. The Agreement contains an ambitious schedule for the elimination of most tariffs and reduction of non-tariff barriers, as well as comprehensive provisions on the conduct of business in the free trade area. These include rules regarding investment, services, intellectual property, competition, cross-border movement of persons, government procurement, and an improved dispute settlement mechanism.

Increased trade and foreign investment between Canada, the US and Mexico has led to increased opportunities created through economic growth and trade liberalization, and the result has been a rapid increase in trade and investment flows in the North American agri-food sector over the past twenty years. Integration expands market size, increasing economic opportunities for both producers and consumers.

Trade agreements have resulted in lower tariffs, a more favourable investment climate and changes to domestic agricultural policy.

The integration however is asymmetrical. Mexico and Canada display a greater dependence on the North American market as a destination for their exports than does the US. Almost all (84%) of Mexican and two-thirds of Canadian agri-food exports are destined for the North American market.²⁵

While the share of US exports going to Canada or Mexico is increasing, it is still less than one third of total agri-food exports. The US has a more diversified set of buyers for their exports.

3.6.2 Canada – Europe Free Trade Agreement²⁶

Canada has not yet signed a bilateral Free trade Agreement with the European Community (EU). However in 2002, the European Commission and the Government of Canada committed to work towards the definition of the scope and main objectives of a wide-ranging bilateral trade and investment enhancement agreement (TIEA).

The EU and Canada agree to work to prevent and eliminate unnecessary barriers to trade and investment while ensuring better quality and efficiency of regulations to achieve legitimate policy objectives. Therefore, regulatory co-operation will be an important element of the TIEA. The TIEA also aims to reinforce the Canada-EU partnership in the pursuit of common objectives, notably further trade liberalisation based on a strong multilateral rules-based system, and reflect the shared commitment to promote sustainable development, cultural diversity, and science and technology linkages.

Since many of the issues we are tackling in the TIEA are also being addressed in some fashion in the WTO negotiations, Canada and the EU jointly decided in May 2006 that it would be best to delay the TIEA negotiations and await the outcome of the WTO Doha Round before knowing the results of the WTO talks as the latter is of central importance to Canada in reducing EU barriers.

²⁵ Darcie Doan (2004) North American Integration in Agri-Food – Research Bulletin: International Policy Analysis

²⁶ <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/eu-ue/tiea.aspx?lang=en>

The EU grants Most Favoured Nation (MFN) treatment in all product categories to nine members of the WTO. These countries are Australia, Canada, Chinese Taipei, Hong Kong, China, Japan, Republic of Korea, New Zealand, Singapore, and the United States.²⁷

Tariff lines in the EU have been bound in the WTO. The average tariff for Most Favoured Nations (MFN) is at 6.4%. The average tariff for non agricultural products is 4.1%. Agricultural products have a much higher average tariff of 16.1%.

Tariff rates depend on the economic sensitivity of products as a way of protecting the EU's economic interests.

An import license must be issued to the exporter prior to customs clearance. However, once an import license has been issued it is valid throughout the EU. Import licenses are mostly needed for agriculture and food items such as wine, milk, wheat, meat and rice.²⁸

3.6.3 Canada – European Free Trade Association Free Trade Agreement (CEFTA)

In January 2008, Canada signed its first free trade agreement with the European Free Trade Association (EFTA) countries of Iceland, Norway, Switzerland and Liechtenstein. The new agreement eliminates all customs duty on non-agricultural products and reduces these charges on some farm foods. It also contains clauses on subsidies and anti-dumping measures.

In 2006, Canada exported agri-food products worth \$38.3 million to Switzerland, \$33.1 million to Norway and \$4.9 million to Iceland. Canada imported \$98 million from Switzerland, \$19.8 million from Norway and \$563,000 from Iceland.

Several Canadian agriculture exports will enter EFTA markets duty-free upon implementation of the agreement while others will receive a margin of preference below the generally applied tariff rate. Lower tariffs for a number of Processed Agricultural Products (PAP), on par with those that apply to the European Union, will allow Canadian exporters to compete on an equal footing with exporters of these products from the European Union already receiving preferential access. The FTA should also create new market opportunities for Canadian products not yet being exported to these countries.²⁹

3.6.4 Canada – Japan Free Trade Agreement

Canada does not have a free trade agreement with Japan. However, a Canada-Japan joint study was launched in January 2005 to discuss the development of a flexible, innovative Canada-Japan Economic Framework.

Domestic consultations on the Canada-Japan Joint Study were launched in early April with the publication of a Canada Gazette notice. These are on-going and the Canadian government is seeking guidance from provincial and territorial representatives and key stakeholders, including members of the business community, on barriers that limit the expansion of bilateral trade and investment with Japan.

Canadian exporters should be aware of the high tariffs applied to most imports of raw material and value-added processed foods.³⁰

²⁷ http://www.ats.agr.gc.ca/europe/4148_e.htm

²⁸ http://www.ats.agr.gc.ca/europe/4148_e.htm

²⁹ http://www.agr.gc.ca/itpd-dpci/trade_agr/efta_e.htm

³⁰ http://atn-riae.agr.ca/asia/3870_e.htm

Exporting food products to Japan require certification from the Japanese Ministry of Health, Labour and Welfare (MHLW) before sale in the market. Different varieties of the same product all must be certified individually.²⁶ The Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) also requires certain certificates.

3.7 PARA-GOVERNMENTAL AGENCIES – SUPPLY MANAGEMENT AND MARKETING BOARDS IN CANADA

3.7.1 The Agricultural Products Marketing Act (APMA) established in 1949, allowed the federal government to delegate its authority over interprovincial and export trade to provincial commodity boards. This authority still in existence today allows the provincial boards to regulate marketing in interprovincial and export trade. In 1987, there were 121 agricultural marketing boards in Canada. Marketing boards operate in every province and regulate a wide variety of agricultural products.³¹ A provincial commodity board needs to apply to the federal government to be granted authority under the Agricultural Products Marketing Act. If successful, then the federal government will formally grant authority to the group and describe the powers and limits by way of an APMA Delegation Order. An APMA Order may stand alone, or it may set out the general authority from which one or more Orders or Regulations may derive.

Provincial marketing acts generally establish supervisory boards or councils which develop provincial commodity marketing plans and oversee the introduction and operation of boards and commissions which administer these plans.

There is substantial variation in the legislatively sanctioned powers held and exercised by boards and considerable difference in the activities they undertake in pursuit of their objectives. The major objectives of marketing boards are to enhance producers' prices and incomes and to reduce variability in them. Some boards are also concerned that access to market opportunities be shared equitably among producers and that there be standardized terms of sale for the product which they regulate. Boards are empowered to enforce compliance with the marketing regulations they administer and may have power to license processors and handlers of the product they regulate.³²

Boards usually have powers to conduct or sponsor research, information or product promotion activities, and most are empowered to purchase and sell the product they regulate. Some are specified as the sole buyer from producers and the sole seller on their behalf. For example, the CWB is the sole seller for domestic human consumption and in export markets of prairie wheat and barley.

Some boards pool producer prices or market returns by grade of product (eg, the CWB, many of the hog boards and some vegetable boards). Some boards have the power to schedule producers' deliveries to the marketing system through delivery quotas. Some marketing boards negotiate prices and other terms of sale with processors or handlers, eg, some of the boards for fruits.

The strongest marketing powers held by boards are those to determine prices, when enforced by the power to apply supply-controlling quotas. Such quotas involve control over the entry of new producers and over the amount of the product produced or marketed.

Most marketing boards have the power to regulate minimum farm gate prices, to negotiate master contracts between producers and buyers and to regulate production through licensing and quota systems. In addition to the commodity-specific marketing functions, most marketing boards also:

³¹ http://www.gov.ns.ca/legislature/legc/statutes/agric_m.htm

³² <http://www.thecanadianencyclopedia.com/index.cfm?PgNm=TCE&Params=A1SEC815708>

- promote their commodity to consumers and/or those who purchase the product from the farm;
- provide marketing information to their producer-members;
- directly fund production and marketing research, or co-ordinate it from other sources; and
- participate on industry advisory committees to improve their marketing system.

In Ontario for example, approximately 60% of the value of all agricultural products produced by Ontario farms is marketed through twenty-one provincial marketing boards and three representative associations. In 2004/2005 that amounted to about \$5 billion worth of farm commodities.³³

3.7.2 The Farm Products Marketing Agencies Act (FPMA) (1972) was enacted to establish the National Farm Products Council. It also provided the legal foundation for national marketing agencies. In 1993, Parliament amended the Act to allow for the creation of national promotion and research agencies, and renamed the legislation the Farm Products Agencies Act.³⁴

3.7.3 The National Farm Products Council (NFPC) promotes efficient, competitive Canadian agriculture. It helps to improve farm-product marketing between Canadian provinces and territories and internationally.³⁵

The Council supervises any national marketing agency or promotion and research agency established under the Farm Products Agencies Act. The Council currently supervises the operations of four national marketing agencies. The agencies manage the supply of Canadian chicken, turkey, eggs, and broiler-hatching eggs. They implement and administer marketing plans, allocate production quotas, and generate their revenues through levies.

The Council also supervises the operation of the beef cattle promotion and research agency. This agency promotes beef marketing through advertising, promotion and consumer education programs, and through product and nutrition research. It also implements its promotion and research plan and generates its revenues through levies, commonly called "national check-offs."

The Council will supervise any other national marketing agency or promotion and research agency established under the Farm Products Agencies Act.

The Council reports to Parliament through the Minister of Agriculture and Agri-Food.

Provincial marketing boards are members of the marketing agency. Boards, together with their National Agencies, have the authority and responsibility to set supply and produce at a level that will meet market demand. In practical terms, supply is generally established to be less than or equal to demand.

Boards have the authority to set price. In some cases this involves a degree of direct negotiation with 1st receivers, while in others the Board simply considers the representations of demand groups and then sets a price. Boards have a responsibility to ensure the price they establish is "fair" and provides producers with a stable return for their effort and investment. Boards establish price on the basis of cost of production and market conditions. In some cases (eggs and milk), price is set based on the

³³ http://www.omafra.gov.on.ca/english/farmproducts/factsheets/ag_market.htm

³⁴ <http://web2.gov.mb.ca/laws/statutes/ccsm/f047e.php>

³⁵ http://www.nfpc-cnpa.gc.ca/english/nfpc_history.html

cost of production and targeted returns, while in chicken and turkey the price is negotiated based on margins over feed and chicken together with market conditions.

3.7.4 Quotas: Under the supply management system, only persons to whom a valid quota has been allotted and who hold a valid quota can produce and market their products in Canada. This holds true for all commodities regardless of differentiation that may result from niche, designer or specialty production.

Schemes provide the authority for Boards to exempt certain classes of production and/or producers. Boards currently provide exemptions from the regulated framework for small amounts of production and they have the authority to exempt entire classes should they wish to do so. (see below). One of the original intentions was to exempt quota requirement for individuals producing for their own use.

Any increase in quota allocation must be submitted in writing along with proof of increased demand. Quota is determined and allocated periodically. For example, it is allocated annually in the case of turkey and every 8 weeks for chicken and milk.

In most cases the only way to obtain quota is to purchase quota held by an existing quota holder. In some cases, marketing boards have established programs which make new quota available to “new entrants”. This is true for BC. In other cases, quota is made available through lotteries.

Supply Management Commodity “Home Use” Exemption Levels				
Province	Broilers # of birds	Turkeys # of birds	Layers # of birds	Dairy litres
	Less than	Less than	Less than	Less than
BC	200	25	100	None
Alberta	2000	300	300	50
Saskatchewan	1000	100	300	None
Manitoba	1000	100	100	None
Ontario	300	50	100	None
Québec	100	50/25	100	none
NS	50	25	100	None
NB	200	25	200	None
PEI	500	unregulated	300	None
NFLD	100	unregulated	100	None

3.7.5 The Canadian Wheat Board (CWB) is a Crown corporation established by the Parliament of Canada in 1935 as a producer marketing system for wheat and barley and acts as a marketing agent on behalf of all farmers. At the micro level, the Canadian Wheat Board attempts to stabilize the market for individual farmers, protecting them from unanticipated sharp fluctuations in the price of wheat.³⁶

The Canadian Wheat Board's objective is to obtain the best possible price for its product. Its day-to-day operations are based on three guiding principles: single desk selling, price pooling, and government guarantees. Unlike the supply managed agencies and boards, the CWB does not set quota production.

Single Desk Selling: The Canadian Wheat Board has exclusive authority over the marketing of wheat and barley grown in Western Canada, both for the domestic and international markets.

³⁶ <http://www.mapleleafweb.com/features/canadian-wheat-board#what>

Farmers are not free to sell their grain independently, but must deliver it to the Canadian Wheat Board.

Price Pooling: The Canadian Wheat Board operates as a collective, with the risks and rewards shared equally, or “pooled,” among its members. Farmers receive an interim payment and a final payment depending on the overall sales and prices. This is in effect a pooled selling system that benefits farmers by ensuring a predictable cash flow and a pooled price.

Government guarantee: If the total revenue from the grain, minus expenses, is less than the initial payment made to farmers, the federal government guarantees to make up the difference.

Canadian Wheat Board does not exercise authority over the marketing of wheat outside of the four western provinces. The three Prairie provinces produce over 95 % of Canada’s wheat for sale. In Ontario, which produces approximately four percent of Canada’s total wheat for export, wheat is marketed through the Ontario Wheat Producers’ Marketing Board.

3.7.6 The Canadian Dairy Commission (CDC), is a Crown corporation established in 1966 with the mandate of coordinating federal and provincial dairy policies and creating a control mechanism for milk production to help stabilize revenues and avoid surpluses. The CDC plays a key role in various forums that influence dairy policy in Canada and offers a framework for the management of the industry as a whole, which is a jurisdiction shared by the federal government and the provinces.

Since supply management was first applied to the dairy sector, the CDC has been in charge of two of the three pillars of the system: support prices and market sharing quota. Once a year, the CDC sets the support price of butter and skim milk powder following consultations with industry stakeholders. These prices are used as a reference by the provincial milk marketing boards to establish the price of industrial milk in each province.

The CDC also monitors national production and demand and recommends the necessary adjustments to the national production target for industrial milk.

Provincial milk marketing boards have the authority and mandate to manage fluid milk quota within their province. Quota is determined and adjusted in response to market demand as measured by CDC every two months.

3.7.7 Horticulture in Canada There is no federal-provincial agreement regulating the supply management of horticultural crops in Canada. The Canadian Horticultural Council (CHC) for example does not regulate the production of crops in Canada. It is a voluntary not-for-profit national association that aims to advance the growth and economic viability of horticulture by encouraging cooperation and understanding to build national consensus on key issues, thereby delivering unified and clear representation to governments and other national and international parties.³⁷

Members include provincial and national horticultural commodity organizations representing more than 20,000 producers in Canada, as well as allied and service organizations, provincial governments and individual producers.

Certain vegetables however are regulated in some provinces and must comply with orderly marketing policies established by provincial marketing authorities.

³⁷ <http://www.hortcouncil.ca/corporateprof.htm>

The British Columbia Vegetable Commission for example is vested with the power to promote, control and regulate in any respect the production, transportation, packing, storage and marketing of regulated product grown in British Columbia, including the production, transportation, packing, storage and marketing of regulated product for sale within British Columbia and for interprovincial and export trade.

The Commission exercises its powers under the enactments of:

- Natural Products Marketing (BC) Act
- Agricultural Products Marketing Act
- British Columbia Vegetable Scheme
- British Columbia Vegetable Orders

Examples of regulated vegetables in the lower mainland for example include:

Storable Crops

Beets (tops off); Green Cabbage; Red Cabbage; Carrots (tops off); Onions, (sweet onions only after September 1 annually); Parsnips; Potatoes; Rutabagas and White Turnips

Greenhouse Crops

Cucumbers (all types); Tomatoes (all types); Peppers; (all types); and Butter Lettuce

Processing Crops

Peas, Beans, Corn, Broccoli, Brussels sprouts, Cauliflower, Potatoes and Strawberries

The regulated crops vary somewhat from one region to another.

All provinces have commodity groups that have been established under Agricultural Products Marketing Act. These commodity groups are all not-for-profit organizations that represent the interests of producers associated with those crops.

4. ORGANIC AGRICULTURE – REGULATORY ENVIRONMENT

4.1 CANADIAN REGULATORY ENVIRONMENT

Overview of Governance

In the Canadian system, the organic supply chain is governed similarly to other supply chains. Canadian organic production, processing and distribution are all largely managed within existing legislative, programmatic and regulatory frameworks – that is, except where specific organic provisions or requirements are in place, organic products are subject to existing legislation, including all tariff and quota system. The division of responsibility between the different levels of government follows the usual constitutional divisions.³⁸

4.1.1 Canadian Organic Products Regulations – Overview

On December 14, 2008 Canada's new organic regulations including mandatory standards, accreditation and certification will come into force. The regulation will be supported by a quality management system. Given experiences in other jurisdictions, the implementation of these new measures and the publicity surrounding them should heighten consumer awareness of organic products and consequently demand.

The following pertinent pieces of legislation pertain to all food products in Canada including organic. They are overseen by the Canadian Food Inspection Agency (CFIA) and Health Canada (HC):

³⁸ <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1184254644176&lang=e>

- Food and Drugs Act and Regulations and other statutes
- Canada Agricultural Products Act
- Consumer Packaging and Labelling Act
- Feeds Act
- Fertilizers Act
- Pest Control Products Act
- Fish Inspection Act and Regulations
- Fisheries Act
- Health of Animal Acts and Regulations
- Meat Inspection Act and Regulations
- Seeds Act

These may be complemented by provincial agricultural, consumer or market legislation tailored for intra-provincial trade. Most notably we find organic regulations in British Columbia and Québec, and in development in Manitoba. These are discussed later.

Consistent with a niche market approach, most current federal work on organic food and farming resides in the AAFC Marketing and Industry Services Branch (MISB) or CFIA. Organic production is not singled out explicitly as part of the Agricultural Policy Framework (APF), or its successor and organic farmers are eligible for the same programs as those that are available to all agricultural producers. These however are not tailored specifically to the needs of organic farmers.

Although not of regulatory relevance, contribution programmes such as Advancing Canadian Agriculture and Agri-food (ACAAF) and its predecessor, the Canadian Adaptation and Rural Development (CARD), have provided funds for market development, for strategic planning and for activities of the Organic Agriculture Centre of Canada (OACC). In December 2007, close to \$1.3M dollars were invested into the organic industry through this program. The funding will be used to meet increasing research needs and to develop a national sector organization, the Organic Federation of Canada.

AAFC also provided the funding for the industry to develop organic production standards through the Canadian General Standards Board (CGSB).

The Canadian Agriculture and Food International (CAFI) programme provides contributions to help sectors develop long-term international strategies that secure access to international markets. The Research Branch has some scientists with interests in the area, but it is difficult to secure funding for some organic projects, related to fund matching requirements.

These measures are all part of ensuring Canada's ability to participate in the growth of the organic sector, to develop trade markets for organic products, to level the playing field for Canadian organic producers and processors, and to protect consumers of organic products.

The federal government does not explicitly endorse organic as a farming system that can advance environmental sustainability. Some of Canada's trading partners do support the sector as part of a strategy to improve agri-environmental performance.³⁹

Both the EU and the USA have designed some agri-environmental programmes to advance organic production. In 1992, the EEC adopted regulation no. 2078/92, known as the agri-environment programme. Both national governments and the EC had programmes related to input use reduction

³⁹ <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1184254644176&lang=e>

and environmental protection, including taxes on production inputs. As well, between 1987 and 92, Austria, Denmark, Finland, Germany, Norway, Sweden and Switzerland had all introduced organic conversion aid schemes and other supports to help spread organic farming which helped inspire the EU regulation. The rationale has been that organic farming lessens environmental degradation and the need for governments to subsequently clean up problems. The new regulation covered a wide range of environmental programmes, including protection of sensitive habitats and water systems and "to reduce substantially [farmers'] use of fertilizers and/or plant protection products, or to keep to the reductions already made, or to introduce or continue with organic farming methods."⁴⁰

In the US, a few states (Minnesota and Iowa, for example) have provided per acre payments to converting organic farmers through the Environmental Quality Improvement Program (EQIP) established under the 2002 Farm Bill. Minnesota helped farmers to convert to organic farming. Incentive payments were also approved and training programs were developed for advisors to help organic farmers with the conversion process.⁴¹

At least one US initiative has attempted to encourage organic farming related to both environmental and financial risk management objectives. The Agricultural Marketing Service (AMS) is responsible for an organic certification cost-share program and the Risk Management Agency (RMA) is responsible for mitigation of financial risk through an insurance cost-share program. AMS is budgeted at \$20 million per year through fiscal year 2007.

4.1.2 Canadian Organic Products Regulations and Standards

As a result of an extensive consultation process undertaken by the Organic Task Force in 2004 the Canadian Food Inspection Agency (CFIA) developed the *Organic Products Regulation*. The majority of stakeholders supported the development of these regulations. They also supported federal regulation of accreditation and certification by a third party.

Revision of the Canadian Organic Production Systems General Principles and Management Standards was also undertaken. The revised standards will serve as the foundation of the Canadian Organic Regime (COR). The regime supports involvement of all stakeholders including producers, processors, importers and distributors. CFIA acts as the competent authority and existing accreditation and certification bodies that meet the CFIA criteria will be integrated into the COR.

The requirements apply to products traded inter-provincially and internationally and include mandatory labelling. Additionally, all organic products that meet the requirements of the Regulations may include the organic agricultural product designation and logo "Biologique Canada Organic" on their packaging.

The vast majority of the stakeholders supported and requested the development of the proposed Canadian Organic Regulations. They also supported federal regulation with accreditation and certification by a third party.

4.1.2.1 Compliance and Enforcement

The CFIA verifies compliance and enforces the Organic Products Regulations in accordance with its statutory authorities including those found in the Canada Agricultural Products Act. Compliance and enforcement include activities such as inspections of accreditation and certification bodies for compliance with CFIA and regulatory requirements, label reviews,

⁴⁰ Lampkin, N. 1996. Impact of EC Regulation 2078/92 on the development of organic farming in the European Union. Working Paper #7, Welsh Institute of Rural Studies, University of Aberystwyth, Aberystwyth, Wales.

⁴¹ <http://www.mn.nrcs.usda.gov/programs/eqip/2002summary.html>

testing of products (including organic), and responding to consumer complaints via onsite inspections where required.

Provinces retain jurisdiction over intra-provincial trade.

The Canada Agricultural Products Act (CAPA) is the enabling legislation under which these Organic Products Regulations have been developed. These Regulations provide a competitive advantage for Canadian organic products and aim to protect consumers against deceptive and misleading claims on organic products.

Organic products must continue to meet the requirements set out in all other legislation pertaining to food, including the Consumer Packaging and Labelling Act and the Food and Drugs Act. These Acts and Regulations may also be used to prohibit false and misleading claims on all products including those that are destined for intra-provincial trade.

The “Biologique Canada Organic” designation and logo was developed to identify products that have been certified to meet the Canadian requirements. Therefore, any organic products using the logo must comply with the Regulations. The organic products that use the logo must meet the requirements of the Regulations even if they are only destined for intra-provincial trade.

4.1.3 Provincial / Territorial Regulations

Most provinces govern organic products via existing legislation or programs covering consumer protection, inter-provincial trade equity, or niche market development.

Only British Columbia and Québec have provincial systems establishing standards, certification and accreditation. Manitoba Organic Agricultural Products Act went through a third reading in October 2007.⁴² It is expected to come into force in December 2008.

Québec implements a mandatory system under the Conseil des appellations réservées agroalimentaires et des termes valorisants (CARTV) – previously CAAQ and standard (Act Respecting Reserved Designations and the Québec Organic Reference Standard), with a formal enforcement and complaint process. The Act protects the authenticity of products and of terms used to identify and promote organic products through product certification based on associated standards.

BC has its own system and voluntary standard. Producers who wish to use the *BC Certified Organic* logo must adhere to the Organic Agricultural Products Certification Regulation under the Agri-Food Choice and Quality Act. BC legislation governs the use of the organic logo but not the term organic.

The Manitoba Organic Agricultural Products Act, assented to November 8, 2007, outlines regulations relating to the marketing and labelling of organic products, organic certification, agreement with certification bodies, terms of those agreements and Agreement with Government of Canada or agency. It specifies “*No person shall market or label an agricultural product using the term “organic”, “biologique” or any other prescribed term unless the product has been certified as organic in accordance with the Act*”. *This Act is expected to come into force before year end.*

The other provinces are currently without organic legislation. However, they are all actively looking at options and attempting to identify whether or not they need to develop their own provincial

⁴² <http://web2.gov.mb.ca/laws/statutes/2007/c01507e.php>

legislation.

All provinces/territories are also currently considering how they will be working with the federal regulation, and certification and accreditation systems. They are considering ways to govern organic production and identification of organic products within their boundary, when products are not certified under federal legislation and do not make use of the federal logo.

Although not of regulatory relevance it is interesting to note that some provinces have strategic plans and programs for the organic sector which are supported by their respective government. Some examples are listed below. What follows is by no means a comprehensive study of all the plans and programs that exist. Further research is required.

All provinces, but not the territories, have dedicated organic extension specialists. Most offer support for industry / value chain sectoral development, technical advice and research and development.

New Brunswick (new entrants) and Prince Edward Island (all operators) are currently covering 75% of the organic certification fees up to a maximum of \$500.

In Québec, the Ministry of Agriculture (MAPAQ) invests about \$800,000-\$900,000 annually to support the collective development of the organic sector (*Programme de soutien au développement de l'agriculture biologique*). Approximately 50% of this funding is directed to the Conseil des appellations réservées et des termes valorisants (CARTV). The other 50% is used to support collective projects that aim to solve issues of a technical nature on the one hand and marketing projects on the other. Certified producers and processors remit an annual stipend in addition to their certification fees for partial coverage of CARTV activities.

In its newly released Report to the Ministry of Agriculture (MAPAQ) *Rapport de la Commission sur l'avenir de l'agriculture et de l'agroalimentaire québécois* (February 2008)⁴³, the Commission makes the following recommendation:

13. Que le gouvernement se dote d'une stratégie de soutien à la production biologique afin de répondre aux attentes des citoyens et des consommateurs québécois, de remplacer les importations par des produits biologiques cultivés au Québec et de favoriser l'exportation de certains produits biologiques québécois sur les marchés extérieurs.

13. That the government develop a strategy to support organic production in order to respond to the expectations of the province's citizens and consumers, to replace imports with organic products grown in Québec and to encourage the export of Québec organic products.

Such a recommendation may work its way into provincial policy which may lead to program expansion and growth of the sector.

The British Columbia Agriculture Plan: Growing a Healthy Future for B.C released on February 15th 2008 does not talk directly to organic production, although organic agriculture can fit quite well in at least three of the five key recommendations.⁴⁴

I. Producing Local Food in a Changing World

⁴³ http://www.mapaq.gouv.qc.ca/NR/rdonlyres/FFA508D7-F3C3-4E11-8CA2-BFAB4DD0EE30/0/RapportCAAQ_FR.pdf

⁴⁴ http://www.al.gov.bc.ca/Agriculture_Plan/Agriculture_Plan.pdf

II. Meeting Environmental and Climate Challenges

III. Building Innovative and Profitable Family Farm Businesses

The BC Ministry of Agriculture and Lands launched "The British Columbia Organic Industry Overview" in December 2007. The purpose is to serve as a reference for new and existing organic farmers, government agencies, industry members and the general public seeking information pertaining to the certified organic agricultural sector in British Columbia. The compilation of statistics, descriptions of industry structure, function, and resources devoted to the sector highlight that organic agriculture is an important industry in and of itself and has its own unique strengths and challenges.⁴⁵

On January 28th, 2008, the Alberta Minister of Agriculture and Food announced the establishment of a new provincial institute that will identify environmentally friendly products and practices to green Alberta's agriculture and forestry industries and help make them more innovative, competitive and profitable and responsive to increasing consumer demand for environmentally friendly products, services and production processes.⁴⁶ Although no specific mention was made to organic production, supporting the growth and development of the organic industry is definitely one way to meet the objectives stated above.

As part of its 2007 Strategic Agriculture Initiatives, The New Brunswick Department of Agriculture and Aquaculture launched an *Organic Development Initiative*. The Initiative was developed in consultation with organic stakeholders to support the growth of the organic production sector in the province. This new initiative aims to assist "certified organic" producers and operators who are involved in value-added activities and facilitate the transition of conventional producers to organic production. New entrants to organic agriculture will also benefit from this initiative. Increasing the capacity and efficiency of the NB organic certification system and attracting new entrants are also targeted by this new program. The initiative has a total budget of \$106,000.⁴⁷

In 2007, the Prince Edward Island Department of Agriculture launched its five year (2001-2007) *Organic Industry Development Program*.⁴⁸ The program is meant to assist Prince Edward Island producers, groups of producers, and processors who participate in:

- Organic Value Chain Development
- Organic Farm Advancement Program
- Organic Agro-environmental Program

This program is administered by the Agriculture Innovation Section of the PEI Department of Agriculture. Applicants will be eligible for assistance of up to \$100,000 over the life of the program.

4.1.4 Para-Governmental Agencies – Supply Management and Marketing Boards

Supply Management

There are many arguments put forward both for and against the supply management system. It is not the purpose of this review to assess the merits of the supply management system.

4.1.4.1 National Agencies

All the national marketing agencies contacted in this study including CDC stated that they refrained from differentiating organic and conventional agricultural products within their regulatory frameworks. All commodities are treated the same regardless of their production

⁴⁵ <http://www.agf.gov.bc.ca/organics/overview.htm>

⁴⁶ <http://www.alberta.ca/acn/200801/22960C1289DE6-0BCB-3120-2A7C02C229A424DE.html>

⁴⁷ <http://www.gnb.ca/0027/0017-1-int-e.asp>

⁴⁸ <http://www.gov.pe.ca/af/agweb/index.php3?number=1015980>

processes. National supply managed agencies establish total national production quota in collaboration with provincial marketing boards.

The Canadian Wheat Board does differentiate organic from conventional production. The CWB does not operate under the supply management system and therefore it will be discussed in the next section.

4.1.4.2 Provincial Marketing Boards

British Columbia is the only province to have established directions and principles to be implemented by the five supply managed Marketing Boards in B.C. (Boards) concerning specialty products. "Organic" agricultural products can fall under the "specialty appellation".

The BC Chicken Marketing Board for example initiated a specialty permit production in 2000 before converting it into specialty quota in 2006. "Organic" chicken is considered a "specialty" product and is included as part of the specialty class quota along with other specialties such as "Asian" chicken. The Board now permits the annualization of specialty quota upon receipt of a yearly written request from the grower and processor, along with the proposed production schedule.⁴⁹ The specialty quota for chicken is currently about 2% of the total quota, of which ¼ is organic. Should the market demand for specialty chicken increase in the future it would be reflected in a new quota allocation for the upcoming period. Chicken market demand is measured and new quota allocated every 8 weeks.

In January 2005, the British Columbia Minister of Agriculture, Food and Fisheries announced a policy framework to provide for the further development of specialty markets within the supply managed agriculture sectors. Design is the primary dimension of differentiation whereby the producer and marketer seek to separate their products from the mainstream by utilizing some combination of unique genetics, nutrition, facilities and management on the farm.⁵⁰

In his report to the Minister of Agriculture Food and Fisheries, *Recommendations for Managing Specialty Agri-Food Products in BC's supply Managed System (2004)*, George Leroux defined specialty products as:

"products having unique farm-based attributes which are identity preserved through processing, marketing and distribution to the final consumer. Differentiating attributes may include some or all of unique genetics, specialized nutritional programs, and unique facility and management requirements. The differentiating attributes are 3rd party certified to the final consumer."

Organic agricultural products fall under specialty products.

The recommended framework includes the following:

1. All producers of milk, eggs, chicken, turkey and broiler hatching eggs, regardless of size or class of product, should be registered with the Boards.
2. Specialty product definitions should reflect substantive farm level differentiation, 3rd party certification, and identity preservation through to the consumer.
3. Specialty production and marketing should be managed using a distinct and restricted class of quota.

⁴⁹ <http://www.bcchicken.ca/regulations?PHPSESSID=a6635aee1340c79e359531024f0be3a2>

⁵⁰ <http://www.al.gov.bc.ca/polleg/regulatemrkt/BCSPPfinal010905.pdf>

4. Allocation procedures should ensure fair treatment of both specialty and mainstream producers, and Board allocation decisions should require prior approval of the FIRB.
5. Small producer exemption levels should be increased.
6. A phased permit system should be developed to foster innovation and to progressively advance specialty producers to become holders of specialty quota.
7. Levies should reflect services provided. There should be no extra fees for specialty permits or quota, such as “quota lease fees”, that are not service-based.
8. Specialty producers should have Board representation, and Specialty Product Advisory Committees should be established.
9. New entrant programs should be revised to include clear financial commitment and permit issuance criteria, and incentive amounts issued should be non-transferable.
10. New entrant programs should be funded, in part, by a minimum 5% assessment on all transfers of quota.

Regulatory directives with respect to specialty products and new entrants programs aimed at the five supply managed Marketing Boards in B.C. were issued in September 2005.⁵¹

This year, the BC Turkey Marketing Board has also made provisions to increase the quota allocated to organic producers within its regulatory framework. In the next quota year, organic production may account up to 1% of the total.

Although currently there is no specific quota allocated to organic milk, the BC Milk Marketing Board estimates the allocation of organic production to be about 2% of the total quota.

The egg industry functions a bit differently. Provincial marketing boards do not differentiate between eggs. There is no quota set aside specifically for layers of organic eggs. The production of organic eggs is strictly based on market demand. A request for organically produced eggs is made to a producer by the grader in response to demand. Graders enter into contracts with the producers. A premium is negotiated and provided to the producer by the grader. The latter then sell their eggs to retailers and food service. In Ontario, the market demand for organic eggs approximates 2%.

The quota system for eggs offers an interesting example of the potential for incompatibility between organic and supply management systems. There is currently no organic egg white powder (albumen) produced or available in Canada, though it is produced in the US. It is nearly impossible for a Canadian food manufacturer to secure organic albumen, given the prohibitive quota requirements and import tariffs. This is due to the fact that organic albumen is not differentiated from conventional albumen. However, organic standards require the use of organic ingredients. The domestic tariff and quota system in this instance makes it practically impossible for the Canadian manufacturer to do business in other markets such as the US or EU.

All Boards recognize that the interest for specialty commodities including organic is increasing. Many provincial boards are looking at ways to handle organic agricultural products within their supply management regulatory regimes. Various boards have constituted special committees to provide advice on matters related to the specialty sector and provide a forum whereby the specialty sector can discuss areas of mutual interest and concern.”⁵² Such

⁵¹ http://www.firb.gov.bc.ca/reports/specialty_reports/sept1_05_directions.pdf

⁵² <http://www.bcchicken.ca/regulations?PHPSESSID=a6635aee1340c79e359531024f0be3a2>

committees exist in BC, Québec and New Brunswick. They may also exist in other provinces.

4.1.4.3 Canadian Wheat Board

Over the last few years the CWB has worked extensively to find ways to create added value for organic grain growers. Organic farmers have historically sold their grain either to organic grain companies or independently directly to brokers or end users. In both of these cases, the grain first had to be “sold” to the CWB and then bought back at the market price. Companies conducted this transaction with the CWB on behalf of the farmers, or, if selling independently, farmers did a “Producer Direct Sale” transaction directly with the CWB.

In April 2007, the CWB consulted with organic growers and changed this policy, replacing it with the “Organic Fixed Spread Contract”. The new program reduces the cost to growers for this transaction, and streamlines the process. Farmers still have the option of getting a conventional pool price plus negotiated organic premium through selling to companies, but rarely choose this option. The CWB also launched a cash buying program, buying grain directly from organic farmers and paying the farmers on a cash basis (rather than a pooled price).

The CWB has also introduced the Organic Sector Market Development Initiative which provides funding for research and market development projects up to \$200,000 per crop year for a range of projects from branding to product development.

A transition program is currently being developed to help those growers interested in organic production. Capacity building activities including workshops and a 1-800-line are currently underway.

4.1.4.4 Canadian Horticulture

Because there is substantial variation in the legislative powers held and exercised by marketing boards related to horticulture in Canada, an exhaustive study of the current regulatory environment for organic horticultural products was not possible. Considering the demand for organic horticultural products by Canadian consumers, it would be useful to carry out a similar study to gain a better understanding of how organic crops are treated in Canada. The BC experience is offered as one example of a regulatory environment in which organic horticultural products operate.

As stated previously, the British Columbia Vegetable Commission is vested with the power to promote, control and regulate in any respect the production, transportation, packing, storage and marketing of Regulated products grown in British Columbia. The commission sub-delegates limited authorities for BC regulated products to provincial marketing agencies.⁵³

In PART X of its Consolidated General Orders, March 16, 2005, the BC Vegetable Marketing Commission exempts

- 6 a) All Producers of organically certified Regulated Field or Storage crops with the exception of those producers marketing through Fraserland Organics Inc. and
- b) All Producers of organically certified Greenhouse Vegetable Crops

from having to market their Regulated Vegetable Production through an Agency or Processor unless otherwise directed by the Commission.

⁵³<http://www.bcveg.com/2006%20Consolidated%20Gen%20Order%20incl%20Amend%2014%20Formatted%20Copy.pdf>

In British Columbia the following crops are designated as Greenhouse Vegetable Specialty Crops:

- Mini cucumbers, Ramiro peppers, Chilli peppers, Mini Peppers, and
- Certified Organic Greenhouse Vegetable Crops (all crops), when certified by an accredited third party as being produced and marketed in accordance with generally recognized organic standards which are approved and accepted by responsible public authorities.

Because organic greenhouse vegetable crops are considered specialty crops, producers may: *“with the approval of the Commission and subject to any existing commercial agreements or contracts between the Producer and his Agency, market that portion of his Greenhouse Vegetable Production Allocation dedicated to specialty or organic crops as a Producer-Shipper in accordance with Part VIII of these Orders.”*⁵⁴

In 2007, Fraserland Organics Inc was designated as an Agency through which organic potatoes grown in District I, may be packed and stored and may be marketed unless otherwise ordered by the Commission.

4.2 INTERNATIONAL REGULATORY ENVIRONMENT

4.2.1 Codex Guidelines – Organically Produced Foods

“The Codex Committee on Food Labelling developed the Guidelines for the Production, Processing, Labelling and Marketing of Organically Produced Foods in view of the growing production and international trade in organic food products with a view to facilitating trade and preventing misleading claims.

The Guidelines are intended to facilitate the harmonization of requirements for organic products at the international level, and may also provide assistance to governments wishing to establish national regulations in this area.”

The Guidelines, which were adopted in 1999, include general sections describing the organic production concept, scope, description and definitions; labelling and claims (including products in transition/conversion); and rules of production and preparation, including criteria for the substances allowed in organic production.

4.2.2 International Federation of Organic Agriculture Movements (IFOAM)

IFOAM is an international membership organization that publishes the IFOAM Basic Standard (IBS), which was first developed in the early 1980s. This document is an international standard for standards. It has influenced many national and private standards and is used as the reference document for the IFOAM Accreditation Programme, a voluntary accreditation of CABs.⁵⁵⁵⁶

The IBS, along with the criteria for certification bodies or conformity assessment requirements, form a set of documents known as the IFOAM Norms.

In 2000, the IFOAM General Assembly approved a policy that started the process to allow approved variations based on the IFOAM Norms. It recognized the need for local adaptation of organic

⁵⁴<http://www.bcveg.com/2006%20Consolidated%20Gen%20Order%20incl%20Amend%2014%20Formatted%20Copy.pdf>

⁵⁵ Crucefix, D. 2007. Experiences of Equivalence and Recognition Mechanisms in Regulation of Organic Agriculture. Harmonization and Equivalence in Organic Agriculture. Vol 3. ITF Background Paper

⁵⁶ http://www.ifoam.org/about_ifoam/index.html

standards while, at the same time, balancing this with international harmonization, fair competition and consumer understanding.

Similarly it recognized the confusion caused by the proliferation of standards as well as the importance of local engagement in standards setting.

IFOAM established a system for approval of national or regional standards based on the IFOAM Basic Standards for use by many certification bodies. The aim was to create a family of related standards based around the IFOAM Basic Standard, resulting in an overall reduction in the number of standards while permitting “local” standard setting and variations that did not present obstacles or unfairness in trade.

The criteria for variations, established by IFOAM, were considered an important part of this process and remain the only attempt to-date to frame some parameters for how variations in standards may be accepted, i.e. how equivalence may be judged.

In 2001, IFOAM, the United Nations Conference on Trade and Development (UNCTAD) and the Food and Agriculture Organization of the United Nations (FAO) established the International Task Force on Harmonization and Equivalence in Organic Agriculture (ITF). In the Preface to Volume 4 of the Background Papers of the ITF (2008), the authors state that “the plethora of certification requirements and regulations are considered to be a major obstacle for a continuous and rapid development of the organic sector” around the world. The authors call on governments to reduce bureaucratic requirements for organic imports, particularly from developing countries, and to facilitate equivalency recognition between regulated organic systems.

4.3 EXPORT OF ORGANIC PRODUCTS TO THE USA – REGULATORY ENVIRONMENT

Canada is the U.S.'s largest trading partner: Canada buys 23% of all U.S. agricultural exports and supplies 19% of all U.S. agricultural imports.⁵⁷ Top Canadian exports to the U.S. include: red meats, grains and oil seeds, dairy, poultry and eggs and fruits and vegetables. Major imports include vegetables, fruits and nuts, baked goods, pasta and cereals, grocery processed items and pet food. More than U.S.\$ 1.2 billion crosses the border daily.

The United States is a member of the World Trade Organization (WTO) and subscribes to equal market access for virtually all countries. Imports are generally subject only to relatively low and transparent import duties; quality and grade standards on certain fresh horticultural products; and to those restrictions necessary to protect human, animal, and plant health.

In addition to strict regulations, safety and wholesomeness of U.S. food products are safeguarded through pre-market clearances, mandatory production practices, inspections and random, ongoing sampling. The food safety standards that apply to domestically produced foods also apply to imported foods.

The Food and Drug Administration (FDA) is the scientific regulatory agency responsible for the safety of all foods (except meat, poultry, frozen and dried eggs and the labelling of alcoholic beverages and tobacco), cosmetics, drugs, biologics, medical devices, and radiological products. It is one of the oldest federal agencies whose primary function is consumer protection.

U.S. Department of Agriculture (USDA) regulatory activities are primarily enforced by the Animal and

⁵⁷ http://www.agr.gc.ca/misb/itpd/country/Canada-US_Agr_Trade_e.htm

Plant Health Inspection Service (APHIS), the Food Safety Inspection Service (FSIS), Grain Inspection Packers and Stockyards Administration (GIPSA)/Federal Grain Inspection Service (FGIS), and Agricultural Marketing Service (AMS). In addition, the U.S. Customs Service participates in this effort by detaining of imports when USDA requirements have not been met.

Organic agricultural products exported to the USA must comply with the USDA National Organic Program (NOP) which is based on the Organic Foods Production Act (OFPA) that was passed by Congress in 1990 and required the US Department of Agriculture (USDA) to develop national standards for organically produced agricultural products. The objective was to insure that agricultural products marketed as organic met consistent and uniform standards.

The OFPA and NOP regulations require agricultural products labelled as organic to originate from farms or handling operations that are certified by a state or private entity that has been accredited by USDA. NOP contains production and handling standards, labelling standards, certification standards and accreditation standards.

NOP includes farm operations, wild crop harvesting and processors.⁵⁸

The USDA accreditation is not limited to certification bodies based in the US; foreign certification bodies are also eligible for accreditation. All must comply with the requirements of the National Organic Program. Therefore, no specific import regulation has been adopted; as long as products comply with the NOP and are certified by an NOP accredited CB, products are qualified for the United States' market. Once accredited all accredited certification bodies are required by law to accept decisions made by all other accredited NOP certification bodies.

In addition to direct accreditation of foreign certification bodies, NOP envisages two other options to accept a foreign certifying agent's accreditation. USDA recognizes foreign certifying agents accredited by a foreign government authority when (1) USDA determines that the foreign government's standards meet the requirements of the NOP or (2) when an equivalency agreement has been negotiated between the United States and the foreign government.

At present USDA recognizes New Zealand, Quebec, British Columbia, United Kingdom and Denmark under option (1); in addition there are specific export arrangements with Japan. There are currently no equivalency agreements.

NOP establishes a self-contained accreditation programme; it does not directly refer to ISO 65 or rely on ISO 65 requirements for accreditation or approval purposes – quite different from the European Union regulatory approach. However, the preamble states that “ISO Guide 65 was used as a benchmark in developing the accreditation program. Certifying agents accredited under the NOP that maintain compliance with the Act and these regulations will meet or exceed the requirements of ISO Guide 65”.

4.3.1 Certification Requirements

The US requires that all agricultural products sold or labelled as organic must be certified by a U.S. Department of Agriculture (USDA) accredited certifying agent, however there are two exceptions

- Foreign government bodies can apply for USDA Recognition of a Foreign Governments Conformity Assessment Program
- Accreditation is not needed if equivalency has been determined

The USDA will accredit state, private and foreign organizations or persons who comply with the

⁵⁸ <http://www.ams.usda.gov/nop/NOP/standards.html>

NOP regulations for the production and certification of organic agriculture.

Like many international accreditation bodies, The Standard Council of Canada's (SCC) conformity assessment program has been deemed sufficient to ensure conformity to the technical standards of the USDA's NOP.

Many certifying bodies currently active in Canada are accredited to provide certification to the NOP, in addition to other international or private standards. Currently, Canadian producers and manufacturers become certified to the market-destination standard: sometimes having their products or processes simultaneously certified to three or more standards.

Recognition has also been granted to the Conseil d'Accréditation du Québec and the Certified Organic Associations of BC.

4.4 EXPORT OF ORGANIC PRODUCTS TO THE EU – REGULATORY ENVIRONMENT

Canada's agricultural exports to the EU totalled \$2 billion in 2005. Agri-food imports from the EU totalled \$3 billion. Both represent significant increases over previous years.

Canada's top agricultural exports to the EU were wheat at \$377.1 million, linseed at \$151.4 million and soy beans at \$136.4 million.⁵⁹

The requirements and introduction procedures for importing food (animal and non animal) origin and composite products into the EU are spelled out in a variety of articles within the Regulation (EC) No 852/2004 of the European Parliament and of the Council.

Regulation (EC) No 178/2002 of the European Parliament and of the Council lays down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety (also referred to as the General Food Law), and No 178/2002. Separate guidance documents have been established on Regulations (EC) No 178/2002, No 852/2004, No 853/2004 and on flexibility with regard to HACCP-based systems.

Europe is one of the most active organic producing regions in the world, with over 4.9 million hectares (2002) of organic land, representing 20% of total global organic land 3.8% of all European farms are organic (2002). Almost 50% of organic products produced globally are sold in Europe.

Council Regulation (EEC) 2092/91 is the primary European regulation governing organic agriculture. The regulation applies to crop and animal products for human consumption, as well as to animal feed, and contains rules for production, processing, marketing and trade of both raw and finished products. A set of regulations (1804/99) for organic livestock came into effect in 1999

Third party certification, accreditation, audit trails, annual inspections, material lists, defined conversion periods and sustainable farm plans are required as part of the regulation.

Many countries have implemented stricter or more detailed national standards than EEC Regulation 2092/9.

Exporters can gain access to EU markets by achieving Third Country status, which permits unimpeded movement throughout the EU of products produced in that country or the importer must prove on a

⁵⁹ http://www.ats.agr.gc.ca/europe/4148_e.htm

case-by-case basis that the products were produced according to standards equivalent to those in EEC Regulation 2092/9.

Exporters must work with the competent authority in the destination member state to obtain an original certification of inspection for each consignment. Customs officers will declare their verification of inspection of the original certificate and return it to the importer, the importer must then verify the consignment and notifies its certification body of the import, at this point the consignment is free to enter the member state.

To get Third Country status, the exporting nation must have its standards evaluated by the European Commission for equivalency to EEC Regulation 2092/91 – current countries on the list are Argentina, Australia, the Czech Republic, Hungary, Israel, Switzerland, New Zealand and Costa Rica

Switzerland has its own organic regulations but maintains close ties with the EU.

In most countries, the competent authority accredits private certifiers to administer the European standard as well as any national or private standards that may be in effect in that country.

In Denmark and Finland there are no certification bodies at all, as organic inspection activities are integrated into the regular food inspection systems.

In the Netherlands, certification is carried out by a government-appointed certifier, who functions as a monopoly.

4.4.1 Certification Requirements

The Council Regulation (EEC) 2092/91 is the primary European regulation governing organic agriculture.

Implementation of regulation is the responsibility of each individual country in the EU. Each member country must: establish a certification /inspection system; designate a competent authority to approve and supervise certifiers; monitor the system to ensure compliance (ISO Guide 651, as adopted by the EU); impose sanctions in the event of fraud and remain current on all irregularities reported by certifiers.

Individual member states are also responsible for admitting exports from nations outside the EU. They must establish an inspection scheme capable of product identification and verification of organic authenticity, and have the ability to track the movements of individual shipments.

4.5 EXPORT OF ORGANIC PRODUCTS TO JAPAN – REGULATORY ENVIRONMENT

Japan is Canada's second-largest agricultural export market accounting for more than 35% of Canada's food exports. In 2002, Japan imported approximately \$4.4 billion of Canadian agri-food products, a 10% increase over 2000. Canadian imports accounted for close to 6% of Japan's total agri-food imports.⁶⁰ In 2007, Canadian food exports to Japan approached CDN \$ 2,500 million. Top exports included: canola, pork, wheat and soybean products.

In 2000, the Japanese government estimated the organic food market to be about \$250 million US. In 2003, IFOAM valued the market at \$350-450 million. 70% of retail food sales take place in more than one (1) million small food stores in Japan. Japan is the world's largest net importer of agri-food products with Canada accounting for 5.6% of the \$68 billion in Japanese agri-food imports in 2005. In

⁶⁰ http://atn-riac.agr.ca/asia/3870_e.htm

2005, consumer demand for organic products exceeded supply in Japan. The area of land devoted to organic farming in Japan is just over 12,500 acres, or 0.1% of the total arable land in Japan.

The JAS (Japanese Agricultural Standard) Law concerning the standardization and proper labelling of agricultural and forestry products (Law #175, 1950) governs all agricultural and forestry products, drugs quasi-drugs and cosmetics in Japan. The JAS system combines the JAS Standard system and the Quality Labelling Standard system and aims to improve quality of products, contribute to fair transactions, establish proper and reasonable standards and to facilitate consumer choice by providing proper labelling, in the interest of public welfare. A review of Japan's Agriculture Policy is available on-line.⁶¹⁶²

Exporters to Japan of organic products must comply with the JAS for organic products. The JAS Standards for organic plants and organic processed foods of plant origin were established in 2000 based on the Guidelines for the Production, Processing, Labelling and Marketing of Organically Produced Foods which were adopted by the Codex Alimentarius Commission. Law incorporates ISO-IEC 65 guide criteria. JAS Standards for organic livestock products, organic processed foods of animal origin and organic feeds were added in 2005. Standards on organic products came in effect in November 2006.⁶³ These can be found on-line.⁶⁴

Foreign exporters of organic products have three ways of selling their products on the Japanese market:

- Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) may approve other countries' certification systems. Approved-country status will be given if the certification systems and standards of each applicant country meet JAS requirements. Certification bodies in these countries must be registered with the MAFF to be able to certify products under JAS standards. Certified foreign organic producers are allowed to put the JAS logo on packaging before organic products are exported to Japan. As of March 2007 Japan has approved the following countries as equivalent with the Organic JAS System with respect to Organic Agricultural Products and Organic Agricultural Processed Foods:
 - Ireland, the United States of America, Argentina, Italy, the United Kingdom, Australia, Austria, Netherlands, Greece, Switzerland, Sweden, Spain, Denmark, Germany, New Zealand, Finland, France, Belgium, Portugal, and Luxembourg
- Products certified by certification organizations accredited for an approved country but not registered with the MAFF may be imported into Japan with the country of origin's organic designation but not the JAS logo. The latter will be added by a duly licensed importer before the product goes on the market.
- When a country's certification system has not been approved by the MAFF as being equivalent to JAS standards, product certification can still be obtained, either through an organic certification agency based in Japan and authorized to carry out production and operation audits in the country of origin, or through a certifying body operating in the product's country of origin that has a reciprocity agreement with a MAFF-registered certifying body.

Further revisions of the JAS system (2003-2006) now allow Certification Bodies (CB) to perform

⁶¹ http://www.agr.gc.ca/pol/pub/oced-oced/pdf/japan_e.pdf

⁶² <http://www.maff.go.jp/eindex.html>

⁶³ http://www.maff.go.jp/soshiki/syokuhin/hinshitu/e_label/index.htm

⁶⁴ http://www.maff.go.jp/soshiki/syokuhin/hinshitu/e_label/contents.pdf

certification as private organizations thus having more flexibility with regard to operational rules, fee setting, etc. All CBs have to reapply under the new JAS law.

The word “organic” can only be used for foods certified and marked under the Japan Agriculture Seal or JAS Organic Seal. Imported organic foods can be relabelled with JAS marks by importers that are certified by a Registered Japanese Certifying Body Organizations or Registered Overseas Certifying Organizations. Registered Certifying Organizations (RCOs) and Registered Foreign Certifying Organizations (RFCOs) are responsible for the certification of producers. The Minister of Agriculture, Forestry and Fisheries (MAFF) is responsible for the registration of certifying bodies.

The products certified as “organic” in the countries whose organic rules and standards have been approved as equivalent with the Organic JAS system, and carry export certificates issued by the government agencies or quasi-governmental organization in those countries can also qualify for the JAS mark.

However, the Standards for Organic Livestock Products, Organic Livestock Processed Foods, Organic Agricultural and Livestock Processed Foods and Organic Livestock Feeds are not subject to the Equivalency Reviews since they have not been specified by the Ministerial Ordinance yet.

Organic imports into Japan are generally handled by specialized import companies.

4.6 IMPORT OF ORGANIC PRODUCTS INTO CANADA – REGULATORY ENVIRONMENT

Agricultural products imported to Canada must meet requirements set out in various Acts and Regulations administered and enforced by the Canadian Food Inspection Agency (CFIA) and other federal departments such as Revenue Canada Customs and Excise, Environment Canada (e.g., endangered species) and Health Canada. Provincial governments may also have requirements

There are currently no specific regulations related to organic imports. They are subject to the same general tariff and quota requirements. Any tariff action (anti-dumping for example) applied to conventional will also shut out organic products, even though they have costs of product and supply/demand factors that are different to their conventional equivalent.

Imported agricultural products will have to meet new requirements when the new regulation comes into force in December 2008

4.6.1 Harmonised Serial Codes

All “conventional” products have a customs tariff classification recognized by customs’ services everywhere in the world. Through this system, the tariff classification of imported goods including customs procedures, the amount of duty that will be levied and any specific entry conditions can be known in advance.

The international customs classification for products is called the HS (Harmonised System). HS nomenclature is six-digit number that categorizes all products according to families and subfamilies. It was established by the World Customs Organization (WCO).

In 2007, Canada introduced 41 Harmonised Serial Codes (HS codes) for organic products. It is the first country in the world to do so and this is also the first time that HS codes are used to describe a method of production in addition to the type of product (organic tomato vs. roma or cherry

tomato).⁶⁵ Additional products and varieties will be integrated over the next years of the pilot project. The aim is to develop a full list of codes to track both import and export trade in all significant organic agricultural products, and to help the industry determine market potential. It will also provide Canada with a more responsive and focused framework for any tariff or import controls – whether this is to exclude organic from action on conventional product, or to target an organic import specifically (health or dumping concern, etc.)

Statistics Canada classifies and publishes export and import statistics according to the Harmonized Commodity Description and Coding System, known as the Harmonized System. This is an international commodity classification developed under the auspices of the Customs Cooperation Council.

However, the list of HS codes applying to organic products coming into Canada is still partial at best. Unless expanded, it will only offer piecemeal data or responsiveness for import actions. And at this time it is unclear if they will play any role in tariff and quota controls.

The new regulations certainly present the danger of creating a new technical barrier for access to the Canadian market. This could outweigh the benefits of the program if not managed properly through strong communication and equivalency recognitions with trading partners.

5. BEST PRACTICES FOR THE MARKETING OF ORGANIC AGRICULTURAL PRODUCTS

This section summarizes the key issues, lessons learned and best practices identified by Gunnar Rundgren (2006)⁶⁶ regarding standards, certification and marketing regulations on organic agriculture from countries around the world in his report for the International Task Force on Harmonization and Equivalence in Organic Agriculture.

They are presented here for the purpose of discussion only and in no way have been endorsed or are being recommended in this paper.

5.1 REGULATIONS

Organic regulations usually aim to protect consumers from misleading claims and producers from unfair competition. They are perceived to strengthen the competitive position of domestic producers, to increase farm income and to protect the environment. They may also serve as the foundation for directing government support to organic farmers.

Regulations are typically market regulations that try to limit the use of a word, “organic” to goods produced according to specific standards.

The main push for organic regulations comes from producers and organic certification bodies that seek fair competition. Consumers are rarely involved.

5.1.1 Best Practice – General: It is hard to draw any conclusions with respect to the role of regulation in market development or spread of organic farming. Analysis of the experience in several countries have shown that there is no direct positive impact of mandatory regulation on the development of the organic sector and no indication that mandatory regulation will lead to more dynamic domestic markets.

⁶⁵ <http://www.marketwire.com/mw/release.do?id=627294>

⁶⁶ UNCTAD/DITC/TED. 2007. Best practices for organic policy: what developing country governments can do to promote the organic sector” www.unep-unctad.org/cbtf

5.1.2 Best Practice – Mandatory Organic Domestic Regulation: When choosing to implement a mandatory regulation, it must always be “farmer-friendly” and “trade-friendly”. In a fragmented organic sector with many warring groups using many different marks and standards, a mandatory government regulation may be an appropriate measure to support market development.

5.1.2.1 Special Consideration For Small Scale Farmers – A regulation can basically state that any product marketed as organic must be produced in compliance to a recognized organic standard. Such a regulation does not require that products also be certified by an approved or accredited certifier. In that way it would be open to both certified and not certified farmers and for participatory guarantee systems at lower cost for small scale producers.

In some countries with a mandatory regulation there are special rules for small farmers, e.g. in the United States’ NOP, farmers selling organic products for less than US\$5 000 annually are exempt from certification, i.e. they can make the organic claim, they have to follow the standards but don’t have to be certified.

5.1.3 Best Practice – No Regulations: A no-regulation scenario may be appropriate when the organic sector is well organized and is able to take action against fraudulent practices in the market place. Governments can support the sector to organise itself and in its efforts to take action in the market place, as well as contributing to consumer education. This is of greater importance in an unregulated scenario.

5.1.4 Best Practice – Use of Consumer Protection Legislation: The simplest level of regulation is to work within existing consumer protection or marketing regulations, i.e. regulations that state claims in the market should be truthful. By linking to such regulations very little, if any, regulatory effort is needed. This of course assumes that such legislation exists.

Nevertheless, domestic market regulation might be of some use in countries with real market confusion, widespread fraud and high confidence in government (although fraud and consumer scepticism persists in countries with mandatory regulations).

5.2 STANDARDS

There are currently two international standards for organic agriculture, the Codex Alimentarius Guidelines for the production, processing, labelling and marketing of organically produced foods and the IFOAM Basic Standards (published as part of the IFOAM Norms, latest revision July 2005).

It is believed that there may be 60 countries with some kind of official standards and another 100 private sector standards. Most of the standards are quite similar.

In all countries, producers for exports normally follow and are certified for conformity to the export market standard. If they export to several countries they must comply with several standards.

It is widely recognised that local conditions vary too much to have one international, very detailed organic standard (ITF 2005) that everyone will comply with.

5.2.1 Best Practice – Standards: When developing standards for organic production whether national or regional, it is recommended that they be voluntary at the outset and developed cooperatively between the private sector and government. National organic standards should be well adapted to the conditions in the country.

5.3 CONFORMITY ASSESSMENT

Third party certification has been judged extremely useful in developing the organic sector since it helps establish a distinct credible image for the sector. All major markets require certification for products marketed as organic. However, there is no direct evidence that third party certification is what the market or the consumers really want; other kinds of quality assurance mechanisms might also be useful.

Cost is often quoted as an obstacle to certification and sometimes the need to produce numerous documents is seen as a barrier. Moreover, they also apply to the conversion (transition) period when producers cannot sell their products as organic. In many countries, certification costs are paid for or subsidised by various programmes. Sometimes they are free.

5.3.1 Best Practice – Certification/Accreditation: When considering the export market, it is believed that the simplest solution is to buy the services from international certification bodies. Instead of establishing a resource-demanding national accreditation system for organic production, governments may choose to work with the International Organic Accreditation Service. Such cooperation with international organisations can contribute to increased export market access.

Locally based certification bodies however, can play a major role in the local development of the sector and in the formulation of locally adapted standards and should be considered in domestic markets.

5.3.2 Best Practice – Certification: Private or Government In its early beginnings, organic certification was strongly related to private labelling schemes. It could be considered as “category branding”. As a result of government regulation, organic certification has become a “professional service” for regulatory compliance.

It is hard to make any generalised statement about whether certification services should be private or governmental. A thorough analysis of the country’s situation must be carried out. It is believed that government should facilitate access to certification services, either by stimulating foreign certification bodies to open their offices or by supporting the development of local service providers. In some countries, especially where the private sector is weak, the government could consider establishing a governmental certification service.

According to Gunnar Rundgren (2006), compulsory requirements for mandatory third party certification should be avoided as it will not enable other alternatives to emerge. Other conformity assessment procedures, such as participatory guarantee systems, could be explored. Such systems are often designed to serve small producers. The standards used are often the same as those used in third party certified production.

5.4 MARKET SURVEILLANCE

In most countries the majority of resources are allocated to checking organic farmers and certifiers, instead of checking the market place. Assuming that the main reason to regulate the organic sector is to reduce fraud in the marketplace and the misuse of organic claims, more effort should be placed on market surveillance

5.4.1 Best Practice – Market Surveillance: Government should work closely with the private sector to develop market surveillance, regardless of which regulatory framework is chosen. Market knowledge rests mainly in the sector itself and organic actors will, in most cases, be the first to detect a scam or false claim.

5.5 ORGANIC MARK

A common mark (label) that is actively promoted and used on all organic products has much greater market impact than a common standard or a government regulation although they are mutually supportive.

5.5.1 Best Practice – Organic Mark: The introduction of an accessible organic label in the national or regional market should be given priority.

5.6 COMPLIANCE

5.6.1 Best Practice – Compliance: Producers, especially smallholders should be supported to comply with standards, certification procedures and regulations. Special considerations should be given to the certification of smallholders. Training programmes for farmer groups to set up Internal Control Systems as part of Group Certification should be supported.

5.7 EQUIVALENCY & HARMONISATION

Equivalency agreements have been identified as an option to foster international trade. Defined as “the acceptance that different standards or technical regulations on the same subject fulfill common objectives”,⁶⁷ equivalence agreements are bilateral, negotiated and signed between governments. They are not always transparent, can be extremely time consuming and costly.

Equivalence agreements normally apply only to products from the two agreeing countries. Imported inputs are not covered, making exports of raw materials possible, while ready-made products with multiple ingredients not domestically produced, would not be. The exporter is therefore reduced to being a supplier of raw materials and has no possibility to move upwards in the supply chain.

5.7.1 Best Practice – Harmonisation/Equivalency: Among countries which have concluded equivalence agreements, there seems to be general agreement that internationally agreed harmonisation is the preferred option.⁶⁸

It is believed that judgment of equivalence between organic standards and recognition of conformity assessments systems will be critical tools in increasing harmonization of the regulation of the production and trade in organic products world-wide. Until such harmonisation is achieved, equivalence agreements constitute a good interim measure to enhance trade. Such agreements may also serve as a stepping-stone to initiate the international work necessary for harmonisation.

6. CANADIAN VIEWS ON REGULATORY IMPEDIMENTS AND SUCCESS DRIVERS

The growth of the organic sector and its ability to meet and sustain the increasing demand for organic agricultural products can be affected by regulatory impediments that restrict movement and access of product across borders whether they are provincial or international.

In order to gain a better understanding of the actual practice on the ground and identify both regulatory impediments and success drivers for the marketing of Canadian organic agricultural products from a variety of perspectives, a number of comprehensive telephone interviews were carried out with representatives from various sectors including trade associations, producers, processors, wholesalers,

⁶⁷ ITF Glossary

⁶⁸ UNCTAD/DITC/TED. 2007. Best practices for organic policy: what developing country governments can do to promote the organic sector” www.unep-unctad.org/cbtf

retailers, exporters and government representatives at the national and provincial levels including marketing boards.

This study was meant to be descriptive. It was not meant to be exhaustive, quantitative nor analytical. Participants were asked to share their experience and their views in confidence on regulatory impediments to the marketing of Canadian organic agricultural products both domestically and with key international markets (US, EU, Japan). They were also asked to share their lessons learned and their views on potential best practices and success drivers.

Interviews took from 30 to 75 minutes and sometimes longer. Sixty one (61) participants were interviewed. Although all respondents were asked the same questions, no effort was placed on enforcing a rigid structure. Therefore, the information gathered cannot be considered quantitative, statistically significant nor a complete representation of all the views that may exist. However the experiences and views expressed by the participants in this study do reflect their reality and provide a good picture of the current situation.

Because of the qualitative nature of the information, absolutes are avoided. Words such as “the majority, most,” mean 8 to 9 respondents out of 10; a few means “2 to 3” respondents out of 10; “some” means 4-5 respondents and “many” means 6-7.

6.1 LEGISLATION – REGULATORY IMPEDIMENTS

6.1.1 Views on Canadian Organic Products Regulations

All participants in this study welcome and support the new proposed national organic regulations. Most participants are satisfied that the regulation will enhance confidence in Canadian organic agricultural products, that it will create a uniform standard for “organic” across the country, that it will facilitate international trade by making it possible to negotiate equivalency or mutual recognition agreements and that it will level the playing field.

Some participants are very enthusiastic about the new regulation. They see it as essential to negotiate equivalency agreements with other countries. The EU for example will negotiate agreements only with national entities, not provinces. A national regulation was therefore essential. It was seen as overdue by many. Most look forward to its implementation although some are nervous about not being ready for its launch in December 2008. A few participants recommended that a transition period be allocated to allow for a smoother implementation of the regulations.

The few that were less enthusiastic but still very supportive, are already engaged in international trade. They have already been certified to NOP standards in the US for example, so the new regulation has less direct impact in their business.

All participants applauded the decision to keep the standards separate from the regulation. By doing so, it will be less onerous to make changes to the standards based on new information.

Concerns were expressed by most respondents with respect to the lack of protection for the term “organic” in the proposed regulation. Although many recognize the legal challenges in protecting this generic term, they feel it is necessary to do so in order to differentiate organic products in the market and consequently ensure their competitive advantage. They urge the federal government to find a solution.

Some participants are concerned about the ability of small scale producers to meet the additional costs and administrative requirements imposed by the new regulation. There seems to be a general

recognition that organic producing farms are smaller. If they are going to continue to supply an important percentage of the market share, they will need assistance. Many demonstrated some level of tolerance for special allowances and provisions for smaller operations.

Many commented that the “Biologique Canada Organic” mark confers added value. This mark will facilitate the marketing of organic products in Canada and abroad.

A few participants noted the importance to open up the discussion again on the origin of product claim when 51% of the costs are incurred on Canadian grounds.

Canada’s new Organic Products Regulation, by definition, will introduce new technical requirements, and most-likely full-blown barriers to international and interprovincial trade. A few participants cautioned the federal government not to jeopardise the markets already established in Canada by the organic sector, including those non-food sectors not currently covered by ratified standards (e.g. textiles and fibre products, personal care products, health supplements, pet foods, and aquaculture).

Another participant reminds us that “regulations are there for the people, the people are more important than the regulation.”

6.1.2 Views on Canadian Standards

According to a few participants lack of uniform standards may be the biggest impediment to the marketing and trade of organic agricultural products domestically and abroad.

The majority of participants agree that one Canadian standard should be developed and respected by domestically. When it comes to the international community, Canada must look ensure that its standards also comply with those of trading partners.

Most participants spontaneously voiced that seeking equivalency of standards between countries is unrealistic. According to many it will never happen. Because countries are different, so will their policy choices. Different agricultural conditions and different capacities will lead to different practices. These combined with different value systems will result in different guiding principles. It is not surprising that individual country standards will also be different.

Yet these same standards that guarantee the perceived “best qualities” in organic products embraced by each individual country are also significant barriers to trade.

Most participants have demonstrated significant tolerance to some variance in standards as long as the “essence of organic” is respected.

Most urged that all stakeholders work towards mutual recognition rather than equivalency.

Interestingly however there are different interpretations given to the words such as “harmonisation”, “equivalency” and “mutual recognition”.

The following has been offered by a Senior Policy Analyst, at CFIA:

Equivalence: means the state wherein mandatory requirements applied in the exporting party, through different from mandatory requirements applied in the importing party, meet legitimate objective of the mandatory requirements applied in the importing party.

Recognition: acceptance by an importing party of the validity of a conformity assessment result provided by an exporting party whereby the exporting party demonstrates that specified requirements relating to a product or process are fulfilled. Conformity assessments include activities such as testing, inspection, certification and accreditation.

The sector will have to come to agreement on the interpretation of these terms in order to move forward.

6.1.2.1 Permitted Substance List

A few participants mentioned that differences in approach (negative list vs. positive list) and in tolerance levels for substances lead to differences in standards which create barriers to equivalency or recognition and ultimately to trade. One participant noted a discrepancy in the requirement for organic manure in Canada while regular manure can be used in the USA. These differences can lead to restrictions in expansion.

6.1.2.2 Genetically Modified Organisms (GMO)

Although this was not considered to be a top priority, a few participants mentioned the need to consider the implications of GMO on organic standards and regulations, and consequently their impact on international trade more specifically with Japan and Europe.

6.1.2.3 Non-Food Organic Products: Currently there is no provision for products outside the scope of the regulation. These include textiles (clothing), cosmetics, pet food and aquaculture. Some respondents would like to see this issue addressed. Developing the standards was mentioned by one respondent as the first place to start.

6.1.3 Approach to Organic Standards and Regulations – Principles

Most respondents expressed the need to approach the development of organic standards based on the principles of organic production rather than on detailed procedures. A few participants said, “It’s the outcome that counts.” One participant added, “Perfection is the enemy...It’s not about watering down the standards, it’s about respecting different agricultural practices.”

Some also believe that there may be a “lack of profound understanding” of organic agriculture. One participant stated, “Organic is a philosophy which is also based on good science.”

Many described “organic” as a production process. They don’t see “organic” as just a “product”. Reconciling the “product” approach of the new Organic Products Regulations and the “process” approach required by the standards can be challenging at times.

One participant stated that organic agriculture must respect the soil, water and air. The Soil Association in the UK for example, has proposed to withdraw “organic certification” to products travelling by air cargo because of unacceptable carbon emissions.

Although most expressed the wish to maintain high standards for a safe food supply, some stated that “Organic is not just about food safety...it’s also about being better for the earth and for health”.

6.1.4 Views on Conformity Assessment

6.1.4.1 Certification/Accreditation

All participants support some form of conformity assessment to ensure the integrity of organic products and prevent fraudulent claims.

Most support the national organic regulation on accreditation and application for organic

certification. Although some believe that the cost associated with accreditation and certification will be challenging for small-scale producers, no participant voiced concerns about the current cost of certification.

A few participants shared their concerns over the lack of accredited certifiers in their regions. All are aware that industry will need to adapt to meet the new requirements and although they are up to the challenge, a challenge it remains.

Participants were divided with respect to the introduction of government subsidies to cover certification costs.

6.1.5 Views On Provincial/Territorial Organic Regulations

Only BC and QC have provincial systems establishing standards, certification and accreditation. Manitoba's proposed regulation should come into effect in December 2008.

All provinces are very concerned about the lack of provincial "organic" regulations. Many believe that there is currently no provision for provincial compliance enforcement. Some believe that more control must be exercised to prevent fraudulent practices, at farmer's markets for example. They also believe that the lack of provincial regulation may create confusion in the marketplace. Maintaining consumer confidence in "organic" was viewed to be critical by many participants.

Although all participants recognize that the National Organic Regulation, the Consumer Packaging and Labelling Act and the Food and Drugs Act can be used to prohibit false and misleading claims on products destined for intra provincial trade, there is concern about how this will actually play out. Many are concerned that CFIA may not have sufficient capacity in both financial and trained human resources to ensure compliance with the new regulation.

All organic products using the "Biologique Canada Organic" logo on their label must comply with the Regulations and the national organic standards of Canada even if they are only destined for intra-provincial market. However, under the current proposed regulation a producer can market uncertified products as "organic" using a different label within the province. This situation creates an unlevel playing field where certified "organic" products in compliance with national regulations and standards are competing with uncertified "organic" products in the same market. One participant also voiced concerns about attracting certified importers to compete against uncertified local producers.

This situation is inconsequential for the province of Québec. The current regulation in Québec protects the claim "organic". BC is currently looking at making amendments to its current regulation in order to be able to enforce the correct use of the "organic" claim in the province. Manitoba has developed regulations that mimic national regulations. Alberta, Saskatchewan, Ontario, New Brunswick, Nova Scotia, Prince Edward Island do not have immediate plans for developing provincial organic regulations, although discussions are underway to find solutions. Some are considering the establishment of memorandum of understanding (MOU) with CFIA for enforcement of the regulation. Others are looking at programs to enhance consumer awareness of the national

organic regulations, standards and logo in the hope that they will be adopted by all producers because of their perceived added value.

Of concern to a few was the conflict that sometimes exists between provincial regulations and organic standards. For example, since November 2005, Quebec outlawed the outdoor raising of poultry. All farmers must keep poultry indoors, and they must ensure that the building is tight

enough to prevent wild birds from getting in. The theory behind these measures is that avian flu is carried by wild birds, which can pass it to domestic birds that are outdoors, which could then infect intensive poultry farms and the people who work there.⁶⁹ Forced confinement which does not comply with organic production standards threatens certified organic poultry operations. The turkey industry in Ontario has adopted a similar policy.

Clearly these differences will need to be resolved for the benefit of all.

6.1.6 Views by/on Para-Governmental Agencies including Supply Management and Marketing Boards

In order to capture all perspectives, the views held by boards who speak on behalf of their members as a whole and with one voice are presented first and separately from the voice of individual members of a particular commodity group.

6.1.6.1 Board Perspective All national agencies are extremely hesitant to differentiate “organic” from conventional agricultural products. All believe that their role as national marketing agencies is to support all producers regardless of production process. All were somewhat concerned that conventional agricultural products may be ill-perceived when marketed side-by-side with organic products.

Although many provincial marketing boards recognize the growing demand for organic agricultural products, the extent of this growth varies considerably between commodities and regions. One major complaint is the current inability to track market information. Separate statistics between organic and conventional are not sufficiently available by commodity and region. And in order to better understand the marketplace and maximize opportunities for the members, boards are looking for timely information on the organic sector on a regular basis. Some have stated that there is just not enough information right now.

Some boards have expressed concerns about creating parallel systems specifically for organic products. In order for supply management to work it must follow certain protocols, rules and regulations. However board members readily admit that they did not really know how to deal with this differentiated product. When organic milk was first introduced in the BC market in the mid 1990s for example, producers were permitted to function under a separate pool quota and under rules that differed from the norm. Because the demand for organic milk was not being met by the existing quota, the government intervened. New quota was made available. However in doing so, the existing rules of supply management were no longer respected. This set the stage for numerous disputes within the industry. A few appeals are still underway. Today the industry is focussing on finding solutions to ensure that everyone works under the same system.

A similar situation evolved in the Ontario market. The Dairy Farmers of Ontario have just agreed to the implementation of standardized producer and processor premiums on organic milk and control for the transportation and allocation of organic milk.

Stories such as the previous are not limited to the milk industry. Because organic production was perceived of little significance by some commodity groups at the very outset, some boards allowed organic producers to function outside the supply management rules. However when it became obvious that market demand was growing, members felt that they needed to repatriate organic production under the supply-management rules and regulations in order to

⁶⁹ http://www.beyondfactoryfarming.org/documents/Avian_Flu_Fact_Sheet.pdf

be fair to everyone. Producers of organic products however felt treated unfairly by this request. After all they had taken the risks and made the necessary investments to develop the market. It is not surprising that this led to increasing dissent and even litigation. Some commodity groups have been able to reconcile the differing views.

Solutions vary from one group to another. Some have chosen to recognize the efforts and risks taken by the “first to market” by providing them with some form of compensation; some have issued temporary increases in quota to existing organic producers in order to meet market shortages; others allow extra credit days for additional production and many are working at finding solutions.

These experiences have led to lessons learned. The supply and demand cycles are different for organic products; in most cases, this position has not been reconciled with marketing board policies in an expeditious way. This has led to a shortage of product in the market.

Many marketing boards recognize the importance of integrating “niche”, “specialty” and /or “organic” products within the existing structure from the very start. As stated by one General Manager, the system must find ways to meet consumer demand. One CEO asserts that government intervention is not a good practice. It is best to let the industry find its own solutions.

Another CEO stressed the importance of discussing the role and importance of specialty products within a commodity group. “Don’t be afraid of step out of the “mainstream” box. Look at market demand, discuss guidelines and determine criteria surrounding specialty products. This of course includes organic. Carry out pilot projects if need be, but work within the existing system.” Another participant added, “Ignoring consumer demand and avoiding proper and open discussion about specialty products will only lead to market shortage, producer and processor discontent and dissent. This fosters even greater discontent and eventually litigation or the need for political intervention.”

In its document *Specialty Market and New Entrant Submission: Policy, Analysis, Principles and Direction (2005)*, the British Columbia Farm Industry Review Board writes:

“To capture the opportunities afforded by segmentation in the market, the Boards will need to shift from being exclusively focused on commodities to embracing difference. This may prove to be difficult as it is a cultural shift that will take time, energy and leadership, as well as a different approach to Board administration.”⁷⁰

6.1.6.2 Producer / Processor Perspective Most producers of organic agricultural products interviewed in this study support supply management. Although they are aware of the prevailing international criticism of supply management they are generally willing to work within the system’s rules and regulations. And although some organic producers expressed frustration with the lack of understanding for organic production on behalf of some commodity boards, they are still willing to work with their Boards to find solutions. Supply management is not perceived as a regulatory impediment.

One processor however was of the view that quotas restrict production to the point of inefficiencies. This leads to inflated prices making it difficult to compete on the world market. He is aware of the increasing demand for organic products and feels that supply management

⁷⁰ http://www.firb.gov.bc.ca/reports/specialty_reports/sept1_05_directions.pdf

is not flexible and responsive enough to meet the needs of the processors. He also feels that imports are not an appropriate solution. Because the transition from conventional to organic farming takes three or more years and because market demand is increasing, he feels that marketing boards will have to do more to meet the demand.

A few processors suggested that marketing boards should not be involved in any international trade. They should look after the domestic market and give back the international trade responsibility to the government.

A few participants were critical of the Canadian Wheat Board's (CWB) involvement in the marketing of organic wheat and barley. Although there is general recognition that the new organic programs and options set forth by the CWB for organic products in 2007 are a move in the right direction, a few participants are still of the view that the CWB fosters inefficiencies and apathy. Some view that the CWB should not be involved in specialty markets and that organic grain should be exempted from marketing through the CWB much like kamut, spelt, etc.

A few also noted that the playing field is not level across the nation. The western provinces must market through the CWB whereas easterners can produce and market independently of the CWB.

In some instances the CWB is seen to be in direct competition with its own producers.

Although not a regulatory impediment per se, the lack of organic feed was mentioned by some producers and processors as an impediment to growth. The cost of organic feed can also be prohibitive. One participant was very critical of government subsidies given for crop production of bio-fuels which has shifted interest away from feed crops.

6.1.7 Views on International Trade

6.1.7.1 Exports Organic agricultural products are subject to the same international trade barriers as conventional agricultural products.

Lack of equivalency and mutual recognition of standards and regulations was identified as the single most important regulatory impediment to trade. One producer was of the view that standards were a much greater barrier to trade than conformity assessments including accreditation and certification systems. In his view, negotiating administrative procedures and audit requirements were often easier than negotiating the "values and principles" on which standards are developed.

A few producers see it differently. They are concerned that certifying bodies may not be applying the same rigour from one country to the other. A few producers have expressed mistrust of the certification process and less trust for certified organic products originating from Mexico or China.

The cost of duplicate and triplicate certification requirement on the part of the exporter to meet each destination country requirements was seen as another important barrier to trade, one that results from the lack of recognition agreements. Most participants identified the need to negotiate such agreements as a top priority.

Many identified the amount of paperwork required for international trade as a serious impediment to trade. In addition to the presentation of certificates, exporters are asked to

supply the grower's inspection papers, often 30 pages or more. One respondent also mentioned that every country in the EU has its own administrative procedures. "This is just too onerous".

The timing of grower inspections in Canada was perceived as a serious obstacle causing unnecessary shipment delays and opportunity losses. One participant is quite disappointed that inspections are not carried out in July and August. As a result product movement must be delayed to October. This leads to lost opportunities and inefficiency costs.

The need for different labels between Canada and the USA was mentioned by a few as a regulatory impediment, although the challenges are the same for conventional foods. A few participants mentioned that they would appreciate a quicker turn-around time for label approvals.

According to some, the enactment of the national organic regulation will be of little benefit for companies already NOP certified and trading with the USA.

Supply managed commodity boards do not generally focus on international trade. When trade does take place it is done according to existing legislation tariffs and quota rules and regulations.

Of concern but not of a regulatory nature, is the lack of containers for overseas shipping. This is definitely an impediment for a few participants. Also of concern was the treatment of organic products at ports of entry. One participant added, "We have no control over what goes on at some ports. This makes me nervous about the integrity of our products."

A few participants strongly recommended that those who are interested in exporting should do their homework first.

One participant expressed the need for Canada to focus on international trade agreements. In his eyes these agreements do facilitate the movement of products across the borders.

6.1.7.2 Imports

Most participants expressed concern about the quantity of organic products imported into Canada. Most also want to see greater efforts made to increase Canadian production and consumption of local products. Some would like to see some form of orderly control for products entering the country.

However in order to sustain a regular and sufficient supply to meet the wholesale and retail needs, many recognized that the sector needs to strengthen the supply chain and distribution channels.

Concerns were expressed by a few with respect to the integrity of imported organic products. This was particularly aimed at products originating from Mexico and China. Although those

voicing these concerns recognize that the new regulation will enhance the product integrity of imports, they remain sceptical about imports.

A few also mentioned that although they support rigorous processes to ensure the integrity of Canadian organic products, regulations must not disadvantage domestic production nor become a barrier to the importation of much needed organic agricultural products.

6.1.7.3 USA

A few respondents have not encountered any problem while trading with the USA. Some however, voiced concerns over the increasing number of USA customs procedures allegedly put in place to enhance border security. According to them, administrative procedures have increased over the years and some of the responsibility has been shifted to trucking companies. As a result smaller players have been eliminated.

One participant described the USA customs requirements as “moving targets”. “It makes business onerous.” Every time a new procedure is put in place additional fees are encountered. Sometimes documentation approval takes 3 to 4 days.

Of greatest concern was the lack of recognition of Canadian inspection certificates by USA officers to clear the border. Random inspections at the border and at destination were also identified as irritants with additional paperwork and added costs. Sometimes shipments are held for several days.

Prior notice shipping requirements were also seen by some as impediments to trade with the USA.

6.1.7.4 EU

Few participants in this sample traded with the EU. Most found the administrative procedures and the paperwork to be excessive.

Although the standard may be the same for all European countries, each one has different procedures and requirements.

Negotiating an equivalency agreement was identified as a priority.

6.1.7.5 JAPAN

Some participants in this study have traded with Japan. Those that do, tend to be larger producers, processors or organizations such as the CWB. And all have identified the need to negotiate equivalency agreements with Japan as a top priority.

In general, these exporters have found the trading experience to be positive. Once the requirements were understood and once a relationship has been established the process is quite simple.

A few participants recognize the increasing trade opportunities with Japan. This nation is clearly interested in obtaining organic products for its market and Canada is well positioned to respond before of its perceived credibility.

A few however have found the requirement to be JAS certified overwhelming and excessively onerous and costly. The inspection process which must be carried out by a JAS inspector is also paper intensive and more costly than in other countries. Because of these nuisances, it is not always possible to take advantage of market opportunities.

Many participants admitted that they did not understand JAS requirements well. They felt they needed more information and more clarity before considering Japan as a trade partner.

6.1.8 Views on Interprovincial Trade

A few participants mentioned that interprovincial trade was impeded by non-tariff barriers. These were identified as “nuisances” and included additional administrative requirements and paperwork which increase the cost of doing business.

All provincial representatives have expressed their commitment to the national organic regulation.

A few have expressed concerns that Québec regulations and the requirement that certifying bodies be approved by the CARTV (formerly CAAQ) for entry into the province is a barrier which currently impedes trade. Furthermore, additional costs are borne by the producer when a second certification is required.

A few participants expressed concern about products flooding the BC market by Alberta. Alberta players seem to be bigger and for now this is perceived as a threat by some BC producers.

One concern expressed by some was the lack of trucks and rail cars to move product across the country. Because organic products are shipped in smaller loads they are being treated as second class. Bigger players get preferential treatment. The number of loading sites has also been reduced in some areas. This has led to an increase in the cost of transportation.

6.1.9 Views on Government Programs

There is a perception among many participants that government assistance programs are tailored for conventional food production. Although organic producers have equal access to most government programs many thought that some policies and requirements were not well adapted to organic agriculture.

Organic producers tend to be smaller scale and their crop yields may differ substantially from conventional producers. Because they are not able to meet default values of conventional parameters, they are not eligible for certain funds.

A few claimed that funding agencies were reluctant to grant monies because they believed that organic agriculture is a higher risk, although no data supports this assumption. This also has application to risk management programs. It was also mentioned by a few that the larger corporations tended to be favoured and received larger subsidies.

A few also mentioned that some projects are funded on the basis of political interests rather than on their business value and merit.

Some provincial programs cover a percentage of the certification fee. A few however have questioned this practice based on the lack of evidence with respect to its long term merit or based on lack of fairness to early adopters.

6.1.10 Ownership – Governance

Many participants have expressed the need to revise the Canadian standards on a regular basis. This is especially important to ensure their relevance and recognition internationally. A few participants expressed concerns about the sustainability of the organic sector, specifically for the development and revisions of standards, should government funding be withdrawn.

Some were of the opinion that an overall plan does not exist. A few asked, “*Who will be paying for the organic sector’s activities once the standards have been finalized?*”

6.2. SUCCESS DRIVERS – REGULATIONS

Participants had a lot to say about what they perceived to be success drivers for the growth of the organic sector in Canada. Views on regulations will be presented first followed by non-regulatory success drivers.

6.2.1 Views on Regulations

6.2.1.1 Mandatory Domestic Regulation

Enacting the National Organic Products Regulations was seen by most as the most important first step in driving the growth of the Canadian organic agricultural sector.

6.2.1.2 Special Consideration for small scale producers

Many expressed concerns about the additional burden on small scale producers to comply with the new regulation. Rather than eliminate these smaller producers from the supply source, many would like to see increased flexibility with respect to the application of the rules, policies and procedures. One example could be less frequent inspections of low risk compliant producers.

6.2.1.3 Regulatory Procedures

A few participants mentioned that the implementation of regulations is often as important as the regulations themselves. Flexibility was identified as a success driver. One participant said “There are different ways to achieve the same results.”

Ensuring that there is an adequate number of staff and an appropriate number of trained inspectors is very important to ensure proper application of the new regulation. A few participants have experienced delays in labelling approval already and are concerned that there may not be enough staff to meet the demand once the regulations come into force.

Many feel that a transition period may be required for the smooth implementation of the new regulation. Many expressed concern about the rate at which the enforcement date is approaching and many feel that the players are not ready.

6.2.2 Views On Standards

Maintaining standards separate from the actual regulations was quoted by most as a smart decision.

When considering trade, most participants supported harmonisation of regulations/standards at least in principle as a best practice. A few cautioned against making the standards and regulations too rigorous.

Many suggested that equivalency and/or mutual recognition would lead to a more uniform understanding of “organic” and less market confusion, notwithstanding the fact that it would substantially reduce the effort and costs associated with the duplication of certification requirements and reduce the likelihood of non-tariff trade barriers.

Not everyone however defines the use in terms in the same fashion. This is discussed in a later section.

6.3 SUCCESS DRIVERS NON-REGULATORY

6.3.1 Market Development

Market development was viewed as the most important non-regulatory success driver for the growth of the organic agricultural sector in Canada. This included the identification of opportunities and implementation of a sustainable supply chain including adequate and accessible distribution and retail channels. Promotion activities and consumer education were also considered to be very important.

One participant emphasized the need to develop a “consumer” focus as part of the market development strategy rather than an approach that aims to solely meet the needs of producers and processors. He added, “...and look outside the regular channels, consider feasibility studies to develop “haut de gamme” organic restaurant meals for example. Offering “niche” products is also a way to go. Some producers in Québec for example have been successful in developing value added products such as artisanal cheese that is distributed in specialty boutiques.

The introduction of the “Biologique Canada Organic” designation and logo was seen as an important first step in helping to differentiate value added organic products.

Many believed that producers are aware of the increasing market demand for organic products. Capacity building and financial assistance in identifying the markets and the channels were mentioned as success facilitators to link products to both processors and consumers.

Additional infrastructure regionally, provincially and nationally would be required to build a viable organic value chain in Canada. Examples of adequate infrastructure included:

- physical structures – such as accessible organic inspection stations, look for alternatives such as mobile slaughter houses
- supplies – such as a reliable source of affordable organic feed
- organizational structure – such as structured groups of producers working together to ensure a sufficient and reliable source of products to bring to market. There are a few examples of successful coop’s in the organic sector
- organizations – such as an Organic Development Centre which is part of The Saskatchewan Food Industry Development Centre (Food Centre), a partnership that includes Saskatchewan Agriculture and Food (SAF), the University of Saskatchewan and the Saskatchewan Food Processors Association. The Food Centre is responsible for developing markets, distribution channels, marketing and promotion functions. It is also certified to process organic foods within its federally inspected pilot plant facility. The certification allows for processing of organic cereal, pulses, special crops, oilseeds, fruits, vegetables and organic meats.
- policies – in support of market development, ie. retailers endorsing an internal policy to buy local first

Public Relations and consumer education were also identified as key success drivers by some.

Most participants supported a “local first” or the “100 mile diet” mantra. A few participants suggested an increase in the number of farmer’s market cooperatives. A few saw the establishment of better business relationships with retailers as an opportunity to enhance the presence of local products on grocery shelves.

6.3.2 Commitment – Official Political Support

Some participants believe that a real commitment by governments is essential for real growth in the organic sector.

Although all participants are seeing increased interest for organic agriculture at the department level, many have also said that some governments were not willing to overtly support organic agriculture in political circles. One participant described Canadian politicians as being “shy” about organic.

Some participants stated that “a clear policy is required if we are going to be coherent”. Official support would translate into market development, increased consumer confidence, international acceptance of Canadian organic products, increased funding and greater success overall.

Some of Canada's trading partners do support the sector as part of a strategy to improve agri-environmental performance.⁷¹ Canada could investigate how organic agriculture can address policy goals for agriculture, environment and health of Canadians.

6.3.3 Government Assistance

Capacity building of the sector at all levels – from producer to regulator which includes knowledge transfer (technical and business development), establishment of alliances/networks and adequate financial assistance, were identified as the three areas most likely to facilitate success.

Although some did state that capacity building and some financial support could be obtained from the private and voluntary sectors, all participants were looking to governments for assistance.

All the success drivers mentioned require some form of funding which is why one participant mentioned financial assistance as the single most important determinant of success.

Many recommended that the government develop programs and policies in consideration of the organic sector’s particular needs and practices.

Most participants showed appreciation for provincial programs and all participants identified the importance of permanent provincial “extension specialists” as a best practice.

A few participants expressed the belief that production growth would most likely result from conversion of existing conventional farms. In their views, more effort is required to attract new entrants for the long term.

With this in mind, various financial assistance programs exist across the country in support of both new entry and transition producers. However such programs lack wide application or consistency on a national basis.

Because the organic sector is currently unable to meet demand, many have proposed an increase of available funds to support transitions.

6.3.4 Small Scale Producers

Additional support including capacity building and financial assistance was identified as extremely important by most. Interestingly most participants would consider special allowances and provisions to the regulations in support of maintaining small scale organic production.

6.3.5 Marketing

Some participants mentioned the importance of creating opportunities to promote organic products. Trade shows are a great way to do so but they are often too expensive. Financial assistance would be appreciated. One participant added “This may already exist, but I am unaware of it.”

Most participants believed that priority should be given to the development of strong local and domestic markets.

⁷¹ <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1184254644176&lang=e>

- Consumer research – organic, logo, perception
- Look at “ecological”

6.3.6 Succession Planning

Many provinces have included succession planning as part of their agriculture policy framework. Protocols and policies are currently in place with respect to « New entrants » in most provinces.

Considering the increasing average age of producers, succession planning becomes an imperative practice to ensure the sustainability of Canadian farms.

6.3.7 International Trade Assistance

A few participants suggested financial assistance to offset the initial costs to move product to a new country as an incentive to international trade.

One participant identified face-to-face meetings as a better practice to initiate business discussions. Financial assistance to cover travel expenses of either buyers or sellers for meetings or presence at trade shows was suggested as a facilitating activity.

One participant identified the need for a coordinated approach to marketing Canadian organic products to international markets, including branding, advertising, trade show presence and government support. Many countries including the US, Brazil, Peru and others have such programs in place.

6.3.8 Capacity Building

6.3.8.1 Knowledge transfer

Small group seminars were mentioned by a few as a good way to obtain the information they needed with respect to regulations and standards, trade and related procedures. One participant added, “Keep the seminars simple, I don’t need a business degree.”

Participation and involvement in multinational forums such as IFOAM was identified by a few as way to share information, practices and lessons learned

6.3.8.2 Alliances/Networks

Forming alliances and networks locally, nationally and internationally was also identified as a key success driver. Many participants voiced appreciation for groups such as the Organic Value Chain Round Table, ACORN, Canadian Organic Growers, IFOAM and the newly established Organic Federation of Canada. The resulting communications, information sharing, networking and advocacy opportunities were valued by all.

6.3.8.3 Skills & Personal Attributes

A few participants cited the development of “entrepreneurship” skills and attitudes as very important to the success of business development. Another participant mentioned “negotiation skills” as a success driver. One participant added, “Trading is all about negotiations. These skills can be learned and should therefore be included in capacity building programs”.

6.8.4 Information Technology

A few participants have suggested that more effort should be placed on developing a comprehensive information technology framework for all the activities in the organic sector. With the increase in available management software tools, a variety of functions can now be executed with greater efficiency. Information technology can help with simple administrative tasks by offering templates

for example or with more complex tasks by offering tools that can analyze of information to create business intelligence.

Information technology is also an excellent marketing tool that gives producers a direct connection to customers. The use of Web 2.0 platforms provides very different interaction models that can foster greater market activity at the local level. These platforms also facilitate the exchange of information resulting in increased transfer of knowledge and capacity building.

6.8.5 Strong Economy

Interestingly, a least four participants mentioned the importance of a strong economy as a requirement for the successful marketing of premium products such as “organic” products. Because of their price differential organic agricultural products tend to appeal to wealthier, more educated consumers who are also interested in health and environmental issues. This should not be overlooked when developing markets for organic products.

7. CONCLUSION

Over the past five years the organic sector in Canada has been heavily engaged in a variety of transformation activities.

Canada has had voluntary national organic standards in place since 1999. The Organic Products Regulations which come into force on December 14th 2008 will require mandatory certification to the revised National Organic Standard for agricultural products represented as organic in import, export and inter-provincial trade, or that bear the federal organic agricultural product legend. Through these regulations, Canada is attempting to provide a competitive advantage for the Canadian organic sector, to protect consumers against deceptive and misleading claims on organic products and to strengthen the organic industry's capacity to respond to domestic market and international opportunities.

Although the market size for organic products is still quite small in comparison to conventional products, there is significant evidence that the market is growing at a rate that outpaces the level of production to meet market demands. In terms of the global food industry, the organic food market is considered by industry analysts as the most dynamic and rapidly growing sector.⁷²

The current organizational support systems of mainstream agriculture have not always been able to meet the market demand for organic products or support the continued growth of the sector. In addition, much of the new organic production stems from the conversion of conventional farms to organic farming and because such transitions take three years on average to complete, shortages are prevalent. In order to become more responsive to increasing market demands the organic sector must work with the delegated authorities to find solutions that will enhance output.

In this study participants applauded the development of the new Organic Products Regulations. They also strongly support the adoption only ONE national standard for all the provinces.

Most participants identified the need to establish equivalency or mutual recognition agreements with trading partners as a key priority. This is an opportunity for Canada to jointly become with its trading partners the world's first jurisdictions to adopt equivalency agreements in the spirit of what IFOAM has identified as a goal of the global organic agricultural movement

The new regulations do present the danger of creating a new technical barrier for access to the Canadian market. This could outweigh the benefits of the program if not managed properly through strong communication and equivalency recognitions with trading partners.

When it comes to the development of standards, most participants recognize that technical requirements will differ by jurisdiction. Ultimately what is more important to them is that they are seen as comparable without compromising the integrity that has come to be expected from the "organic" designation.

Also, there are concerns that organic products without ratified standards in Canada could be negatively impacted or their markets limited by the scope of the regulations in Canada, even though these products fall under the scope of some of our trading partners' regulatory systems.

Most participants see "organic" production as more than just an "organic" product. They see "organic" as a practice respecting standards that are meant to protect the agri-food environment. Some also see organic production closely linked to local production.

⁷² <http://www.inspection.gc.ca/english/fssa/orgbio/coana/coanae.shtml>

Lack of provincial legislation was identified by many as the main area of concern on the domestic front. Unless resolved the gaps will lead to added confusion in the marketplace and an unlevel playing field.

The regulatory environment for the organic sector is in transition. Many participants expressed concerns about the rapidly approaching enforcement date for the new regulation. Many suggested an extended transition period to facilitate implementation.

Most participants in this study strongly support increased domestic production as the preferred way to meet demand in the Canadian market. Reliance on imported products received little support.

National agencies refrain from differentiating products within their commodity group. All products are treated equally. The market however is seeking “niche” products such as organic. This gap must be bridged.

Many lessons have been learned over the past years. Some commodity groups readily admit that they did not know how to deal with differentiated products such as “organic” when they first became a market option. Trial and error has led to positive outcomes for some. Others are still attempting to resolve outstanding issues some of which have resulted in litigation. Greater effort must be placed on sharing lessons learned and best practices by all groups in order to implement solutions that are better adapted to new market realities. Taking advantage of information technology is one way the sector can foster capacity building and information sharing.

The process of developing new regulations and standards has fostered increased interest and involvement in the organic sector. New programs are emerging on a regular basis across the country. It is in the sector’s best interest to create opportunities for the exchange of timely information on a regular basis. Participants said they were looking for new research findings, technical information, domestic and international market information and opportunities, and best practices. Every player must now come forward to share perspectives and lessons learned. This has already begun. It must continue on a larger scale and in more formal manner.

The need for a formalized market development approach was identified as the most important non-regulatory success driver for the organic sector. Branding, promotion, public relations and consumer education were identified as essential for the success of the “organic” niche market. Strengthening the supply chain was also identified as very important.

Collaboration is probably the most powerful success driver of all. The Canadian organic sector, the federal and provincial governments and the commodity groups must work together to find ways of meeting the growing market demand for organic agricultural products.

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