

Canada

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Canada's organic market

A quickly growing market

Like much of the world, the Canadian organic market has seen double-digit growth for the past number of years. Now, as Canada readies for the launch of its new mandatory regulation and standards in June 2009, and the heightened awareness of organic products that will come with it, the market is preparing itself for continuing growth and consumer demand.

Although strong regional and seasonal organic markets can meet local demand, the majority of Canada's organic consumer products continue to be imported (estimated at more than 80 %), with most coming from the United States. Other key source countries include the European Union, Turkey, China, Brazil, Argentina, Mexico, Indonesia, Paraguay and India.

Canada is also a major exporter of both raw commodity and finished products. Statistics Canada reports that many of Canada's organic field crops are exported - not processed, sold or eaten in Canada. According to the Canadian Wheat Board, over 71'000 metric tons of Western Canadian certified organic wheat, durum, and barley were sold in 2005 (over 50 % of it to the US market).

Following a benchmarking market study released by the Organic Agriculture Centre (OACC) of Canada in 2007 (written by Anne Macey using data from The Nielsen Company), the sales value of the Canadian market was established at 1 billion Canadian Dollars in 2006.³ Other studies have estimated the market worth as high as 3 billion Canadian Dollars.

Building on the OACC report, the Organic Trade Association (OTA) in Canada has compared extensive data tracking the import of more than 60 major commodities and packaged products coming into the country over the past few years. Using Statistics Canada's Harmonized Serial Code data for specific organic products, we have been able to extrapolate growth trends and apply them more generally to the market itself (assuming distribution share remains roughly constant).

Given the significant growth in imports between 2006 and 2007, we are able to estimate that the Canadian market would have reached 1.65 billion Canadian Dollars by 2007. Further, using the same data up to the end of June 2008, projections

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³ Average exchange rate during 2008: Canadian Dollar = 0.68215 Euros and 0.9441 US Dollars. Source: The OANDA homepage at www.oanda.com

for Canada's organic sales in 2008 reach 2 billion Canadian Dollars, marking an impressive doubling of the market in two years. However, it is important to note that these figures are estimates and not based on actual point-of-sales data. It is expected that the final quarter of 2008 (not covered by the data) may experience a downturn based on global economic conditions having an impact on the sector. Regardless, the market growth in Canada, paired with the introduction of the new organic regulations, should provide a bright outlook for the organic market in Canada over the coming years.

According to Macey (OACC 2007), mainstream supermarket chains have responded to consumer demand and now sell over 40 % of all organic food in Canada, estimated at 411.6 million Canadian Dollars in 2006 (representing close to one percent of total retail food sales). Large natural food store chains and independent health food stores accounted for another 329 million Canadian Dollars, and an estimated 174.7 million was sold through smaller grocery stores, warehouse clubs, drug stores and other specialty stores. Direct sales of certified organic produce at farmers' markets across the country and at the farm gate were estimated to be worth at least 50 million Canadian Dollars, while organic food box delivery programs brought in another 20 million.

New consumer data

Macey (2007) demonstrates that consumers in British Columbia buy more than those in other provinces: 13 % of the country's population buys 26 % of organic food. Alberta showed the largest annual growth in retail sales, with a 44 % increase, followed by British Columbia and the Maritimes (34 %), Ontario (24 %) and Quebec (21 %).

To have a better sense of the priorities for Canadian consumers purchasing organic products, the Organic Trade Association (OTA) in Canada and the Canadian Organic Growers (COG) partnered on a basic Canadian consumer survey in December 2008. The survey was conducted by online polling, and provides a reassuring picture of the commitment Canadian core consumers have to organic. It also sheds some promise on the "new entrants" coming over to organic as well.

Sampling mostly urban consumers, the survey demonstrated a strong commitment to purchasing organic products, and a good understanding of basic organic principles. The survey showed that 82 % of respondents purchase organic products on a weekly basis, and an impressive 57 % of all respondents make between 50-100 % of their total purchases in organic products (see Figure 1). A solid 20 % of respon-

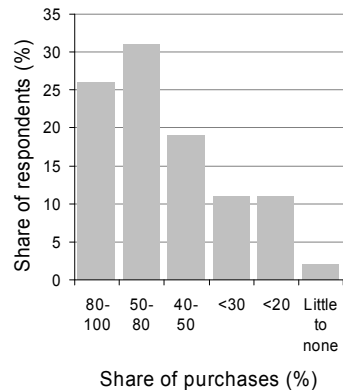


Figure 1: Canada: Percentage of purchases that are organic 2008

Source: OTA and COG, 2008. Graph: FiBL

dents buy between 30-50 % of their purchases as organic, while the remaining 24% buy less than 30 % per trip. When asked how long they had been buying organic products, 34 % indicated they had been buying organic for more than ten years, 22 % more than five years, and 19 % said three to five years, while a healthy 22 % are new consumers of organic products and have been buying organic for only one to three years.

Even though an essential component for current sales and future growth rests on those new entrants who are trying organic for the first time, and may not have an understanding of organic principles, this data suggests that the bulk of Canadian organic sales are still carried by core consumers.

A further insight into Canadian consumers' purchasing decisions came with the question "What is your primary reason for buying organic products?" Respondents were only able to choose one option from the list. Health concerns ranked highest (with "family health" identified as the most significant reason, at 35 %, and "personal health" coming in at 22 %). The respondents also proved themselves quite educated on the fundamentals of organic: concern for the environment was chosen as the top reason for 33 % of those polled. Other reasons, such as the avoidance of GMOs, taste, or curiosity ranked significantly lower.

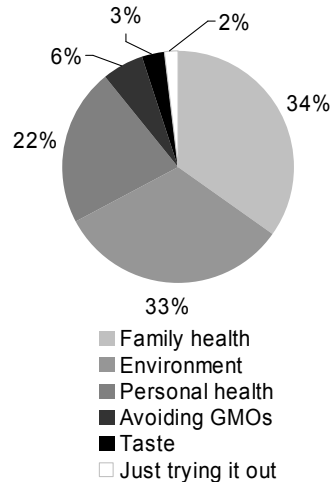


Figure 2: Canada: primary reasons for buying organic 2008

Source: OTA and COG, 2008. Graph: FiBL

Production statistics

Organic in Canada has enjoyed a strong producer movement for over 25 years, with overall growth in organic acreage and market share across the country. Update statistics available from the Canadian Organic Growers (COG) show that in 2007 Canada had 3 782 certified organic farms (an increase of over 200 from the previous year, and the highest number on record; see Figure 3 for growth trends and Table 1 for current provincial breakdowns. The main products are field crops, vegetables, livestock and maple syrup. The area under organic management for

2007 is 556'273 hectares, with over 352'000 hectares in additional (wild) lands. In 2007, Canada recorded 1'012 certified organic processors and handlers.¹

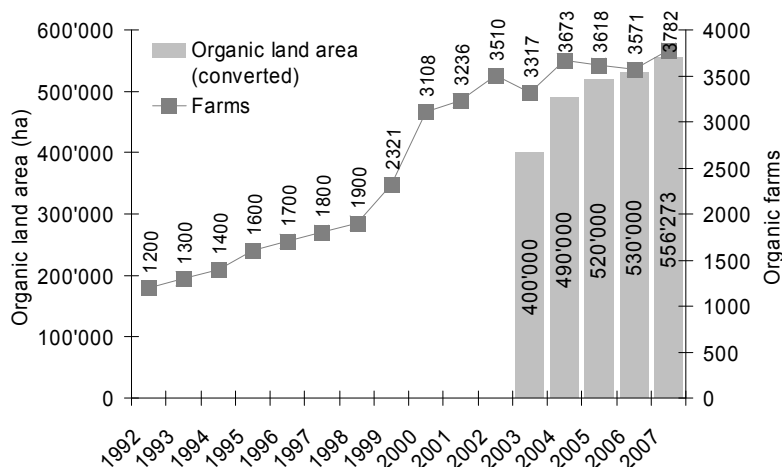


Figure 3: Canada: Development of organically managed land area and number farms

Table 1: 2007 Canada: Organically managed land area and farms according to province 2007

Province	Number of certified farmers	Number of certified processors and handlers	Hectares (converted)	Acres (converted area)
British Columbia	455	201	13'439	33'208
Alberta	231	64	160'765	397'244
Saskatchewan	1'104	105	264'734	654'150
Manitoba	181	49	36'962	91'333
Ontario	669	? (>90)	40'763	100'723
Quebec	988	485	35'963	88'865
New Brunswick	46	8	2'023	5'000
Nova Scotia	57	6	931	2'300
Prince Edward Island	43	3	693	1'713
Newfoundland	5			
Yukon	3	1		
Totals Canada	3'782	>1'012	556'273	1'374'536

Source: Canadian Organic Growers 2008

¹ Please note: 2007 figures should be considered an estimate only. They are based on a combination of actual data for 2007 and extrapolations from 2006 data. Data for 2007 are preliminary figures from the Canadian Organic Growers, as data was not received from all certifying bodies operating in Canada

A Statistics Canada report released in March 2008 studies Canada's evolving organic farming sector between 2001 and 2006. It reports that field crops and hay are Canada's most common certified organic products. Canada's climate and large expanses of cropland suited to mechanization are ideal for growing grains and oilseeds. The second largest certified organic product category is fruit, vegetable and greenhouse products. Almost 80 % of all certified organic farms in British Columbia reported growing fruit, vegetable and greenhouse products. Quebec had the second-highest number of certified producers in the fruit, vegetable and greenhouse category.

Statistics Canada's *2006 Census of Agriculture* found that a general decline in all farming in Canada has continued. In the census, 6.8 % of farms in Canada reported they were producing "uncertified organic," transitional, or certified organic products. In farms adjoining Canada's census metropolitan areas, this proportion was higher (8.3 %). British Columbia had the largest concentration of organic farms in metropolitan areas, with the city of Victoria taking the crown: 30.9 of Victoria-area farms reported organic production in 2006 (including uncertified and transitional acreage).

Canada's new regulations and mandatory standards

Canada's organic standards and permitted substances list is maintained by the Technical Committee on Organic Agriculture of the Canadian General Standards Board (CGSB), composed of some sixty organic operators and stakeholders who control the content and development of the standards. Although Canada has had this organic standard since 1999, it had been voluntary and not supported by regulation. With a new mandatory regulation on the horizon, the Technical Committee has spent much of 2008 overhauling the Canadian standards in order to update them and prepare them for the shift from voluntary to mandatory protocols. The Canadian Organic Growers have provided the logistics planning and administration for the process with the Canadian General Standards Board, and has secured government support for the Technical Committee to update the Canadian standard. The Organic Federation of Canada¹ is slowly taking on the task of designing the process for ongoing standards maintenance and interpretation.

The Technical Committee of the Canadian General Standards Board has endorsed OTA in Canada's recommendation that it begin discussing specific processing guidelines for organic non-food items such as textiles and personal care products within the organic standards as a whole, though these products will not immediately fall under the new regulations until such ratified standards can be finalized. Similarly, it is expected that a new Canadian General Standards Board committee will commence work in 2009 on organic aquaculture standards, with the aim of eventually regulating this sub-sector as well.

¹ The Organic Federation of Canada (OFC) is a national body with a mandate to represent the organic industry while working with provincial, territorial and federal governments as partners on national organic regulatory issues. OFC is comprised of one organic industry representative from each province and territory, and one representative from the organic trade sector. More at www.organicfederation.ca/

Canada's Organic Products Regulations (OPR) will be fully implemented on June 30, 2009. (The OPR had originally been slated for implementation in December 2008 but due to delays from a general election as well as regulatory and standards amendments, the date they come into force was postponed to summer 2009.) These regulations will make the Canadian Organic Standards and Permitted Substances List (PSL) mandatory for all organic food and livestock feed products sold in interprovincial trade or imported into Canada.

All food, beverage and livestock feed products for sale in Canada will have to be certified to the Canadian standards and accredited by a "Conformity Verification Body" recognized by the Canadian Food Inspection Agency (CFIA). The CFIA will enforce the regulations through the new Canada Organic Office. At this time, the approved accreditors are the Standards Council of Canada, the Committee on Accreditation for Evaluation of Quality (CAEQ, formerly the CAAQ, Quebec), the Certified Organic Associations of British Columbia (COABC), the International Organic Accreditation Service (IOAS,/IFOAM), and the German Accreditation System for Testing DAP.

Once accredited and certified, products must to be labelled according to the Organic Products Regulations. Canadian labelling requirements will be very similar to both the US and EU. Products will be identified as "Organic" (95% or more), "Made with xx% organic ingredients" (70-95%), or, for products with less than 70%, the organic content may be identified on the ingredient panel (only) without the requirement to certify. Unlike the US, Canada will not allow a "100% Organic" claim. Unlike the EU, Canada does not have a labelling provision for "Transition to Organic" claims. Organic claims will be required to be printed in English and French. A government logo bearing the official program name "Canada Organic Regime" and a red maple leaf will be available to indicate organic compliance to the Canadian regulation. Use of the seal will be voluntary.

The new version of the regulations also allows the Canadian Food Inspection Agency to enter into equivalency agreements. Equivalency negotiations are already under way between Canada and the United States, and Canada and the European Union. The Government of Canada has expressed its interest in pursuing such agreements with its major trading partners, which would herald a positive step forward for global organic trade. Canada will also consider organic equivalency agreements with other countries seeking a preferred trade relationship in organic goods.

Industry developments

In early 2007, Canada became the first country in the world to create special designations to track organic products moving across its border with an initial tracking of 41 commodities imported into the country. In 2008, the Canada's list of Harmonization Serial (HS) Codes was expanded by 20 new codes, and it is anticipated that Agriculture and Agri-Food Canada with Statistics Canada will continue to add codes in 2009. This tracking has provided invaluable data (value, volume, and country of origin) on imports into the country, as well as insight into where existing demand lies for domestic organic producers to target.

Agriculture and Agri-Food Canada has established the Organic Value Chain Roundtable (OVCRT), an industry representative body advising the government on sector-wide issues, including international branding and marketing, building domestic capacity, and regulatory issues. OVCRT is the only Roundtable that is not commodity-oriented. In 2008, the OVCRT advised the government closely on the design and selection of Canada's new organic logo, available for organic products complying with the new regulatory requirements. The OVCRT has also tasked OTA in Canada with developing the Canadian Organic Retailing Practices manual: a voluntary industry best-practices guide for handling and retailing organic products in Canada once the new regulation is in force (in Canada, retailers will not be required to be certified but will have a responsibility to maintain organic integrity of the products they handle).

In 2008, the Saskatchewan Organic Directorate was unsuccessful in proceeding to the Supreme Court of Canada with its class action "to stop genetically engineered wheat and to get compensation for losing canola as a crop due to genetic contamination." They have vowed to continue the legal fight in other areas and with other crops, focusing instead on "what is on the horizon" - the introduction of genetically engineered Alfalfa. In the January/February 2009 issue of *The Walrus Magazine*, journalist Anita Lahey investigates the thwarted attempts to require GMO labeling on Canadian food products. She discusses the challenges faced by Canada's organic sector in this area, and that some organic farms are buying up adjoining land to serve as buffer zones to genetic drift. Meanwhile in 2009, the Organic Value Chain Roundtable (OVCRT) with the support of Agriculture Canada will begin work on an important white paper to identify "the challenges and approaches in mitigating risks associated with adventitious presence of products of GE in organic crop production in Canada". The results of this research will be used to determine the role the Government of Canada can play in protecting the integrity of the Canadian organic sector from such risk.

In early 2007, the Canadian Organic Growers launched the 'Growing Up Organic' (GUO) project. The purpose of the GUO project is to build upon existing efforts to shift Canada towards increased organic production by exploring ways to increase the amount of organically grown food served in Canadian institutions, beginning with childcare centres. In August 2008, the Federal Agriculture Minister announced over 250'000 Canadian Dollars for this project through the Advancing Canadian Agriculture and Agri-Food Program (ACAAF). The funding will help organic farmers tap into locally based markets such as childcare facilities, hospitals and schools, and encourage the transition of conventional farmers and introduce new farmers to organic practices. The project will also help develop regional organic value chains, including producer cooperatives and the infrastructure needed to support local distribution and storage.

The Organic Federation of Canada (OFC), formed in 2007, continues to support the Canadian organic sector's efforts to update and maintain its standards and to implement adequate regulations for organic in Canada. The OFC hosts a bi-weekly meeting between industry and the Canada Organic Office (COO), which brings the regulatory officials at the Canadian Food Inspection Agency into direct contact with sector representatives to discuss current affairs and preparations for regula-

tory implementation. The OFC is also assisting the COO by evaluating standards variances between Canada and the US and EU; and initiating discussions with provincial governments to encourage sign-on to the federal regulation so that trade within each province will be regulated. In addition, the Organic Value Chain Roundtable has asked the OFC to conduct a survey to identify regulatory impediments to successful marketing of organic products, both domestically and internationally, building on work conducted in 2007 by OTA in Canada. The OFC is made up of directors representing each of the provincial/territorial organic stakeholders groups, as well as a national trade seat held by OTA in Canada.

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