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**To: The Honourable Lisa Thompson, M.P.P., Minister for Agriculture, Food, and Rural Affairs**

CC: The Honourable Marie-Claude Bibeau, P.C., M.P., Minister of Agriculture and Agri-Food

As you and your ministry prepare for the upcoming Federal, Provincial and Territorial meeting to set the direction for the next Agricultural Policy Framework (APF) the Organic Council of Ontario (OCO) is following up on our initial letter sent Jun 18, 2021, addressed to your predecessor. This letter will expand on the priorities we laid out in June and deepen your understanding of the unique opportunities this APF presents for the organic sector and its ability to better contribute to the economic and environmental success of Ontario's food and farming sector.

The organic market in Canada is substantial. It is the sixth largest organic market in the world, valued at eight billion dollars in 2020 and growing. Since 2017, the market has seen 15% growth. A remarkable 64% of Canadian grocery shoppers are estimated to be purchasing some organic products on a weekly basis. Critically, the demand for organic in Canada has remained stable in spite of disruptions from the COVID-19 pandemic; in 2020, 88% of organic shoppers reported purchasing either "about the same" amount of organic products (72%) or "buying more" organic products (16%) compared to 2019.

While the market demand for organic products varies regionally across the country, Ontario is following (or in many cases exceeding) the national trajectory, with a high demand for organic products that is only growing. Ontario is home to the highest number of organic consumers in the country, with 71% of Ontario grocery shoppers purchasing some organic groceries on a weekly basis, well above the national average. Ontario consumers also express considerable trust in the Canada Organic label; while 55% of Canadians feel the Canada Organic label is trustworthy, in Ontario the figure is 60%. Ontario is the only province in the country where customers rate products labeled "Canada Organic certified" as more trusted than products labelled "local".

Unfortunately, Ontario's organic production capacity is not keeping pace with the increasing demands of Ontario consumers. Despite boasting a full quarter of Canada's total farmers, only 16% of Canada's organic farmers reside in Ontario, and only 1.45% of Ontario's agricultural lands are currently under organic production. In comparison, Quebec is home to

only 15% of Canada's farmers, but 44% of Canada's organic farms. The result of this gap in local organic production is that the Ontario organic market is increasingly losing out to imports. Out of all tracked organic commodities, Ontario was responsible for bringing in 46.7% of Canada's organic imports, but contributed only 5.2% of Canada's organic exports.<sup>1</sup> The majority of Ontario's organic imports come from the United States, where organic production is rapidly expanding. From 2018-2019 alone, the United States expanded its hectares under organic production by 14.5%; in the same time frame, Canada's organic hectares expanded by only 0.7%.

The organic sector in Ontario therefore represents an under-supplied market and a potential opportunity for Ontario farmers, who stand to benefit from robust consumer demand and the high degree of recognition and trust that Ontario consumers have for the Canada Organic logo. Furthermore, investing in organic production represents an opportunity to tackle the climate crisis while simultaneously situating Ontario farmers to remain competitive in an economy that is increasingly seeking environmentally-friendly and low-carbon products. As such, OCO strongly recommends that the next APF include dedicated funding and supports for the organic sector to capitalize on these opportunities. Where this is not possible, it must be ensured that existing support programs do not marginalize or discriminate against organic producers by setting participation criteria that do not take into account the realities of organic farming. To do otherwise risks worsening the already substantial gap between market demands and organic supply, while falling behind the shift towards a green economy that broadly favours low-carbon products.

### **PRIORITY 1: REWARD FARMERS FOR CLIMATE SOLUTIONS**

While climate policy often involves the utilization of a "polluter pays" principle to reduce the emission of undesirable substances into the environment, it is equally important to provide supports and incentives for people to minimize their emissions. Like any other economic sector, agriculture does produce a share of Canada's greenhouse gas (GHG) emissions. However, there is a considerable degree of opportunity for agriculture to reduce its GHG emissions and, uniquely compared to other economic sectors, good agricultural practice can play a vital role in storing carbon in the soil. Providing farmers with tangible supports and rewards for reducing GHG emissions and adopting practices that actively create carbon sinks will help farmers increase on-farm climate resilience while simultaneously supporting Canada's broader emissions targets. As a member of Farmers for Climate Solutions, OCO supports the implementation of these concrete actions to support farmers in making climate-friendly changes to farm practices:

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<sup>1</sup> It must be noted that this data comes from the HS codes Canada has previously implemented to track organic imports and exports, which only cover 85 organic commodities (68 imports and 17 exports); as such, there is currently a substantial data gap. OCO applauds the work CFIA is doing in developing comprehensive organic OGD codes and looks forward to having access to more robust trade data in the future.

## 1) Adopt a comprehensive agri-environmental strategy with clear emissions targets

Canada has created country-wide emissions reduction targets, which by default encompass agriculture as a sector of the Canadian economy. However, Canada's agricultural sector would benefit from a dedicated emissions strategy with its own clear targets. While agriculture produces 2-3% of Canada's GDP, it produces a disproportionate 11.5% of national GHG emissions, and total agricultural emissions in Canada are continuing to rise. Farmers have considerable power to reduce GHG emissions, but many of the mechanisms at their disposal involve some degree of time lag. For example, organic agriculture could play a significant role in reducing on-farm emissions from fertilizers, but a substantial time investment is required for farmers to learn a new system of production and transition their land. Farmers require a clear signal on the actions they must take as early as possible to keep up with the broader decarbonization of society.

Furthermore, a dedicated agri-environmental strategy with clear emissions targets will help Canadian farmers remain competitive in the economy of the future. Customers are increasingly demanding low-carbon food choices, and many of the world's largest food companies are making substantial commitments to emissions reduction, or even aiming for net-zero emissions. The sustainability plans of major brands such as Unilever, McCain, General Mills, Cargill, and Danone rely on farm-level reductions of emissions to reach their goals. For example, Nestle, the world's largest food and beverage processor, has indicated that it focuses its emissions reduction goals on its supply chain where approximately 95% of its emissions are produced. In short, Canadian farmers will fall under increasing pressure to reduce their on-farm emissions from demands all along the supply chain. Canada's trading partners and international competitors are already taking action, with the majority of Canada's G7 partners in the process of developing agricultural emissions reductions targets and clear strategies to achieve them. Organic production has a significant role to play in agri-environmental strategies; the European Union, for example, is aiming to have 25% of its agricultural land under organic production by 2030 as part of its sustainability strategy. Canada must follow the lead of its G7 partners with its next APF, or risk falling behind and losing market share.

In some cases, the Government of Canada has already made dedicated agricultural emissions targets. For example, the Government of Canada is aiming to reduce emissions from fertilizers to 30% below 2020 levels by 2030. But a scattering of targets throughout other projects may not be clear or comprehensive. Any pre-existing targets should be consolidated with new dedicated targets into a comprehensive agri-environmental strategy and adopted as a central component of the next APF. This will provide farmers with much-needed clear, actionable goals and benchmarks for emission reduction.

## 2) Support farmers to adopt practices to reduce emissions and build resilience

Where a dedicated agri-environmental strategy with set emissions targets would lay the path for Canadian farmers, it is important to support them along that path. Supporting Canada's organic sector, both by encouraging more farmers to transition and providing better supports to current organic producers, will facilitate this goal. Farmers for Climate

Solutions has identified a number of beneficial management practices (BMPs) to reduce emissions and increase farm resilience. Several of these, such as reducing nitrogen fertilizer use or preserving wetlands and trees on farms, are built into the Government of Canada's General Principles and Management Standards for organic production systems already. Other BMPs that are not explicitly mentioned are still generally encompassed by the broader principles of organic production, such as preserving and enhancing the health of the agroecosystem, working with and emulating ecological systems and cycles, and farming in a responsible manner that preserves the surrounding environment.

Canada should implement a program comparable to the National Organic Initiative in the USA, which provides technical and financial assistance to established organic producers as well as those interested in transitioning to organic. This program provides plans tailored to the unique situations and needs of individual farmers, something Canadian organic farmers could benefit from immensely. Organic agriculture involves increased management complexity, expert assessment and tailored conservation plans that preserve the broader environment. Supporting agroecosystems would benefit organic farmers while aligning with Canada's environmental commitments. Providing direct technical, management, and financial assistance to organic and transitioning farmers through such a program could both incentivise transition and remove barriers to doing so.

### 3) Adapt risk management programs to reward climate-friendly agriculture

Canada's Business Risk Management programs represent vital supports for farmers whose income security may be compromised by crop damage or failure, including that which is caused by climate disruptions. These programs are substantial, representing over 50% of public spending on agriculture. However, their current structure may exclude or actively penalize climate-friendly agricultural practices such as organic farming.

While this subject will be explored in more detail further in the document, one example of note is that Canada's AgriStability program favours the use of purchased inputs while excluding farmer-owned inputs. This is incredibly detrimental to organic farmers, whose management standards prioritize the use of farm-generated inputs such as manure over externally-purchased inputs. Ultimately, this kind of perverse incentive undermines the stability of Canada's agricultural sector as a whole: climate-friendly agricultural practices that often increase farm resilience are disincentivized, while increased use of carbon-intensive inputs that create new climate-related hazards are actively promoted, even required. This threatens the continued financial feasibility of these critical programs, as the promoted practices contribute to an increase in environmental risks while failing to improve farm resilience, leading to increased farmer claims. Extreme weather events are already causing over \$2 billion in damage to Canadian farms every year, and these costs are projected to increase, potentially requiring considerable new funding simply to maintain the current risk management programs.

By adjusting the structure of Canada's risk management programs to reward climate-friendly agricultural practices, everyone wins. Public expenditures on BRM programs would effectively become positive investments in climate mitigation and

adaptation. Furthermore, because climate-friendly agriculture fosters on-farm resilience and reduces emissions that drive increases in climate-related farm hazards, those expenditures will remain manageable rather than growing as the impacts of climate change hit vulnerable farms. Other jurisdictions have already removed perverse incentives in their BRM programs by aligning them with basic environmental requirements; as a result, climate-friendly agricultural practices have been adopted on 74% of productive lands in Europe. Within Canada, PEI has already set a precedent for such a practice by offering discounts on crop insurance to farmers who complete various forms of environmental training or implement environmentally-friendly farming practices.

Simply put, a risk management program should never increase structural risks to the sector it aims to support. Canada's next APF must remove perverse incentives and promote climate-friendly agriculture through its BRM program requirements. This is a fiscally-responsible course of action with long-term benefits in cost mitigation and overall agricultural sector stability.

#### 4) Allocate additional funds to the APF to ensure appropriate investment for climate adaptation and mitigation

While the threats to agriculture posed by climate change have never been greater and will continue to increase with time, overall funding for the APF has stagnated over time at around \$3 billion over each framework cycle, failing to even keep pace with inflation. Worse, the portion of APF funding dedicated to agri-environmental programming has decreased over time in spite of the rising threat of climate change. Factoring in inflation, expenditures on agri-environmental issues under CAP would have to increase by about \$30 million annually simply to match the real spending levels that Growing Forward 1 contributed annually to agri-environmental issues from 2008-2013.

However, while Growing Forward 1 provided the largest annual payments towards agri-environmental issues of any APF, that level of funding was already deeply inadequate, particularly when examined in proportion to spending on other APF priorities or on environmental issues outside the agricultural sector. Furthermore, the threat posed by climate change is becoming more acute. Under the new APF, funding must not simply match Growing Forward 1, but exceed it in order to adequately fund critical action on climate adaptation and mitigation in agriculture. While the federal government has announced new investments in this area, this spending is still nominal in comparison to funding of other environmental issues. Initiatives such as building retrofits or improved public transit are slated to receive hundreds of millions of dollars more in annual spending compared to climate-related agricultural issues. This is in spite of a variety of cost-effective BMPs being available to the agricultural sector, several of which are already encompassed within Canada's management standards for organic producers. These BMPs often yield long-term economic dividends for farmers, but the uncertainty of the transitional period and start-up costs can prove prohibitive. Increased funding is a necessity to provide adequate supports to farmers working hard to adopt beneficial practices.

That agri-environmental funding has declined over time when it was never adequate to begin with is of grave concern. Canadian agriculture occupies a particularly challenging position in the face of climate change, being both the only Canadian economic sector not projected to achieve substantial reductions in GHG emissions over the coming decade, while simultaneously being acutely and uniquely vulnerable to the impacts of climate change. And yet, the threat of climate change does not diminish the necessity of other APF priorities. The only solution is to increase overall APF funding to ensure that all priorities, including agri-environmental issues, are adequately funded. This would not be unprecedented: on a per-acre basis, the USA spends 13x more than Canada on agri-environmental programming, while Europe spends 73x more than Canada on agri-environmental programming. Neither of these estimates factor in new climate-related programs that have been announced in both jurisdictions – the funding gap is rapidly widening.

## **PRIORITY 2: INVEST IN ORGANIC INTEGRITY**

With Ontario consumers expressing considerable demand for organic products and trust in the Canada Organic label, it is critical that the next APF foster and protect this market by investing in preserving the integrity of the Canada Organic Regime. Consumer trust in Canada's organic products must be maintained and expanded. OCO recommends pursuing the following actions to improve and secure the integrity of the Canada Organic Regime:

### **1) Create a Canadian Organic Program with dedicated staff and funding for standards review**

Canada's organic operators require a reliable central resource to provide industry supports and maintain the Canada Organic Standards (COS). As such, AAFC and CFIA should dedicate staff and resources to the creation of a Canadian Organic Program. The mandate of such a program should be comprehensive, including actions such as increased data tracking across the organic sector, the creation of an organic integrity database, managing organic equivalency agreements with Canada's international trading partners, and providing a central point of contact for operators in the organic sector seeking support.

A Canadian Organic Program should also have a portion of staff and resources strictly dedicated to developing and maintaining the COS. Regular revision of the COS is imperative to maintaining the credibility of Canadian organic products. Without legitimate, regularly-updated standards against which organic claims can be verified, Canada risks failing to remain competitive in the global market by making the maintenance of equivalency agreements effectively impossible. The Government of Canada recognizes the need for periodic standards maintenance in requiring that the COS be reviewed and updated every five years. However, the Government of Canada has stated that it will not fund future reviews of the COS. This is a critical error that must be rectified. Despite COS review and maintenance being indispensable to Canada's organic sector, there is no viable mechanism through which all industry stakeholders could equitably and reliably contribute to funding the standards review process. Furthermore, the COS is in part trustworthy because it is independently maintained; placing the onus on industry to pay to maintain its own

standards creates a self-policing system that may erode the trust of consumers and global market partners.

The only solution is for the Government of Canada to ensure permanent, stable funding and dedicated staff for the standards reviews it requires. The USA and the European Union have already set a precedent in this regard: both jurisdictions have committed to fully funding periodic review of their respective organic standards, and the USA maintains two permanent dedicated staff to keep its organic standards updated. In following this precedent, Canada will safeguard its reputation with its major organic trading partners, enabling the preservation of vital equivalency agreements and sustaining Canada's economic competitiveness.

## 2) Invest in recruitment, training, and retention of organic support and oversight personnel

Investments must also be made in attracting, training, and retaining professionals who provide support and oversight to Canada's organic industry. There is a growing shortage of well-trained, qualified organic inspectors and certification reviewers. Not only do these professionals need to be recruited, but staff and training are needed to ensure that third-party organic certifiers are consistently interpreting and applying the standards, particularly as the standards are updated over time.

Furthermore, there is a paucity of agricultural service providers and insurance agents with enough organic-specific knowledge to meet the needs of the industry, creating a multitude of inequities. Organic producers must often tackle agricultural extension problems and interpret scientific research alone, as a lack of organic agronomists and consultants presents a substantial barrier to access. At the same time, organic producers must often do so without the safety net provided by insurance, in part due to the lack of insurance agents trained to operate in the organic context. These industry-wide staff shortages leave Canada's organic operators at a systemic disadvantage and threaten the continuity and necessary oversight of Canada's organic supply chain.

## 3) Dedicate permanent funding to the Standards Interpretation Committee

The Standards Interpretation Committee (SIC) has historically been funded by CFIA to provide a much-needed independent advisory body on questions surrounding Canada's organic standards. Their input is invaluable in maintaining consistent application of the standards across all stakeholders in the organic sector. Public funding of the SIC has ensured its operation as an impartial body, a position that adds legitimacy to its decisions. However, the SIC is in jeopardy; government funding for the SIC is scheduled to be phased out by 2023. This valuable resource must have its public funding maintained so that it may continue its work while preserving its legitimacy. The Government of Canada should strongly consider dedicating permanent funding to the SIC in the next APF.

#### 4) Create an organic integrity database under the Canada Organic Regime

The USDA maintains an Organic Integrity Database that provides a public, transparent list of all USDA certified organic operators. A comparable database should be established under the Canada Organic Regime to increase transparency for consumers, deter fraudulent organic labelling, and strengthen organic value chains.

#### 5) Invest in dedicated supports for transitioning farmers

The 3-year transition period for organic certification is a necessary but challenging process involving multiple potential access barriers. System complexity is one such barrier – questions surrounding various facets of organic production may span the jurisdictions of multiple government entities, and it is not consistently clear who to turn to for assistance. AAFC should dedicate a staff member to act as a visible point of contact, responsible for answering any question that might arise about any aspect of organic production. This is also true at the provincial level; in Ontario, the Ontario Ministry of Agriculture Food and Rural Affairs currently does not employ any organic specialists or extension agents. OMAFRA should dedicate funds to establishing positions that can answer questions from organic operators.

Transitioning farmers would also benefit from the development of a program to recognize them with their own distinct transitional certification. This would increase supply chain transparency and enable better long-term predictions about Canadian organic supply. At the same time, such a program would alleviate some of the risk and financial burden faced by transitioning producers who cannot currently claim a price premium on their products prior to full certification.

#### 6) Close organic regulatory gaps

While the COS is a rigorous set of requirements that hold organic farmers to account, loopholes persist that undermine the credibility of organic production. Canada's organic regulations do not apply to products produced and sold within the borders of a single province or territory. In Ontario, this loophole has not been addressed at the provincial level, allowing non-certified operators to use organic terminology in their marketing as long as their product is sold within the province. This regulatory gap threatens the integrity of the Canada Organic label and creates consumer confusion in Canada's largest organic market. Ensuring that Canada's organic standards apply to all producers, regardless of where their product is sold, should be a priority. Ontario and Saskatchewan remain the last two major agricultural provinces that do not have a regulatory framework. Ontario must close this loophole and harmonize its regulation with the COS, following suit with British Columbia, Alberta, Manitoba, Quebec and New Brunswick.

#### 7) Improve traceability of imports and exports to limit organic fraud

OCO is encouraged by the progress CFIA is making in developing OGD codes to comprehensively track organic imports into Canada. This is important work that will improve product traceability and fill data gaps. There is, however, room to improve beyond the measures currently being taken. For example, the Government of Canada should require the use of transaction certificates under the COR system. The use of transaction certificates will assist CFIA inspectors and certification bodies in identifying and tracking fraudulent product as it moves through the value chain.

### **PRIORITY 3: ENSURE ALL PROGRAMS AND FUNDING STREAMS ARE ACCESSIBLE FOR ORGANIC FARMERS**

As has been touched upon above, it is imperative that organic operators are not inadvertently excluded from programs that are intended for all producers. The provincial and federal government should ensure that an organic lens is applied to all APF funded programs, including application and participation criteria, so as to not unintentionally discriminate against organic producers and organizations. OCO recommends pursuing the following actions to ensure fair and equal access to critical agricultural funding supports:

#### **1) Remove arbitrary funding caps that limit organic producers**

Dedicated organic funding programs often impose funding caps that are not faced by conventional producers, and in some cases, programs meant for broader access (i.e.: Agri-Stability) contain funding caps that functionally exclude organic producers because they do not accommodate organic price premiums. These funding caps place organic producers at a systemic disadvantage and hinder the growth of Canada's organic industry. Programs intended for broad access should be reviewed to ensure that their structure does not unreasonably exclude organic producers. Caps on loans and other programs targeting the organic sector should be eliminated if comparable caps are not also being imposed upon conventional producers.

#### **2) Ensure fair access to crop insurance and other risk management programs**

While organic production comes with a significant increase in on-farm revenue, the current suite of risk management tools available to producers often systematically exclude organic producers, leaving them disproportionately vulnerable to hazards. For example, the practices required to obtain crop insurance in many jurisdictions are incompatible with the COS, making it impossible for farmers to insure their crops while retaining certification status. Funding caps that do not account for the significant price premium that organic crops command can make it challenging for farmers to insure the full value of their crop, or access financial assistance. Even if a producer is able to obtain adequate coverage, making a claim

may be challenging due to the lack of insurance agents with adequate knowledge of organic farming practices and certification requirements.

Availability of organic-specific crop insurance is sporadic, varying significantly depending on the farmer's location and the crop(s) they produce. Furthermore, crop insurance programs frequently bar producers from using their conventional or transitional yields when calculating their actual production history to obtain insurance coverage. This is true even when yield decreases from shifting to fully organic production are known and can be accounted for.

Risk management programs must ensure that their requirements do not unfairly exclude organic producers, and funding caps must be lifted to allow organic producers to insure the full value of their crops. Organic-specific crop insurance programs should allow producers to utilize historical yield data to calculate actual production history, accounting for known yield reductions that may occur under organic production.

### 3) Enable farmers transitioning to organic to access new farmer supports

Organic farming represents a distinct production system with a significant learning curve, requiring investments of both time and money to learn and implement. Allowing transitioning producers to access AAFC programs that provide grants and assistance to new farmers appropriately acknowledges the challenges associated with learning new systems of production, management, and marketing, helping to mitigate transition-related risks.

We are grateful for the opportunity to provide further information on the ways in which the APF can allow the organic sector to continue its rapid growth. We would welcome the opportunity to clarify any parts of this brief with your team as needed or consult further on this important process.

### ***About the Organic Council of Ontario***

The Organic Council of Ontario (OCO) is the Voice for Organics in Ontario. It is the only full value chain association operating at the provincial level. OCO represents over 1300 certified organic operators, as well as the businesses, organizations, and individuals that bring food from farm to plate. OCO works to incite sector growth, support research, improve training, increase data collection, encourage market development, protect the integrity of organic claims, and inform the public of the benefits and requirements of organic agriculture.

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*The Organic Council of Ontario is a proud member of organizations including Farmers For Climate Solutions, the Canada Organic Trade Association (COTA), and the Organic Federation of Canada (OFC).*

**Sources of information include:**

2016 Census of Agriculture (Statistics Canada)

Organic Production Systems – General Principles and Management Standards (Government of Canada)

The Canadian Organic Market Report, 2021 (COTA)

Quick Facts About Organic in Canada, 2020/2021 (COTA)

The World of Organic Agriculture: Statistics and Emerging Trends, 2021 (IFOAM Organics International & Research Institute of Organic Agriculture)

