

Ontario Goes Organic: How to Access Canada's Growing Billion Dollar Market for Organic Food

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Section 3

5. Programmes to support the transition (continued)

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Phase II elements (years 6-15)

5.13 Transition advisory services

Background:

Many conventional farmers are interested in organic, but reluctant to begin because of this risky transition period. That has inspired several jurisdictions in Europe to create organic transition advisory services and financial instruments (see discussion below on transition risk offset programme) to support particularly the transition period. Although OMAF has an organic extension specialist, this person is unable to cover off the full range of demands or organic commodities being produced in their province. Organic farmers often remain the best source of information in many cases. In response to this reality, the Ecological Farmers Association of Ontario (EFAO) has been operating an organic advisory program, with support from private foundations.

Conventional processors might also benefit from a processors organic advisory service, one that would be linked with the processors organic short course outlined in 5.4.4

These problems highlight the need for dedicated transition advisory services. Personal assistance from trained experts (often farmers and former inspectors) is needed to help farmers and processors explore problems and possible options they might otherwise not be aware of. U.S. surveys have found that a strong majority of farmers believe that farm planning requires more information than most farmers have at their fingertips, and that advisory services help farmers explore problems and unfamiliar options. Access to advisors should be easy, and the help they provide should be easily understandable

without having the advisor take over the process. When farmers want to acquire a new skill themselves, training should be available to transfer the needed information from experts to the farmer. Networking with other farmers is particularly beneficial for many farmers.

Government has a role to play because there are significant market failures in the supply of and demand for advice and information¹. The boundaries between public and private goods, and between public and private interests, are not as clear-cut in practice as in theory. Yet it is clear that land managers face significant transaction costs, risk and uncertainty in accessing and evaluating information, particularly where complex change and environmental issues are involved. Reducing these costs is likely to bring benefits to society as a whole.

Proposal:

The collaborators would include: OMAFRA, EFAO, Canadian Organic Growers (COG), private foundations, possibly the Association of Ontario Food Processors, and AAFC (through the National Farm Stewardship Programme). This programme requires a transition planning centre that serves as the administration coordination point, liaising with interesting farmers, processors and transition planners across the province.

The centre would have three coordinators responsible for different regions of the province who sets up programming for individuals and groups and links farmers to training opportunities. This coordinator would also link individuals or groups of farmers and processors to transition planners. Farm group initiatives, especially in environmentally sensitive areas, have the potential to be co-funded by private foundations and NGOs (e.g., funding to the NFSP provided by two foundations with interests in the Greenbelt).

This element would also need to be linked to the Training the Trainers/Mentors element outlined in 5.4.4. Once trained, transition planners (most of whom would be farmers or former inspectors) would likely to do this as part time work during the winter. Most farmers would pay for their services through the IPM Consultant option of the National Farm Stewardship Programme (NFSP). NFSP must recognize organic transition planning under its IPM consultant category. Processors might also be able to receive support through business development programmes.

The NFSP could also potentially be used by farmers (working with transition planners) to fund some of the capital transition costs. For example, a livestock producer may require, as part of the transition to organic, modifications to his/her manure management system which could be partly financed by NFSP features.

Cost:

\$200,000 for the transition coordinating centre (coordinators and office expenses).

\$20,000 to make modifications to existing transition and train the trainers/mentors courses with development of related materials.

Course costs for planners / mentors / trainers would be fully covered (see section 5.4.4)

Transition planners (farmers) would be paid out of NFSP funds, private foundations (for groups), NGOs and farmers who pay the cost-share portion of NFSP contribution. Transition planners (processors) would be paid directly by processing enterprises, in some cases with support from business development funds.

Outcomes:

The planning centre supports about 450 new actively transitioning farmers / year (courses, plan development). European data suggest that about 10% of those who engage with the transition centre will actually convert within a 5-year period², so some 4500 farmers annually would be interacting with the transition centre. The largest percentage of these contacts (phone, mail and internet) would be for simple requests for information, with a smaller percentage involved in courses and mentoring³. Requests from processors are harder to predict but we would speculate that 10-20 / year would enlist the services of a transition planner. These would mostly be smaller enterprises, lacking the internal resources to plan new product lines while running their existing business. Many medium to larger processors would not likely take advantage of this services, believing that the planning could be carried out internally.

5.14 Transition risk offset and environmental services payments

Background:

The objective of this initiative is to pay farmers some of the revenue lost during the transition period, typically the most difficult period for organic farmers. In addition, this initiative provides a one time payment for environmental services, an amount that recognizes the farmers' contributions to internalizing some of the costs of conventional production.

Proposal:

1. Government payments during the 3 year transition period⁴. For this, the payments are set at 10% of the gross revenue loss associated with average yield declines during the transition (see appendix 2 for estimated average yield declines in organic commodities). This level was chosen to be slightly lower than Europe, where such payments range from 15-20% of foregone revenue⁵, but at a base minimum suggested for improving adoption of other low input systems in US studies.⁶ In this analysis, annual payment levels varied from 0 - \$883/ha, depending on commodity and transition year.
2. Payments to animal production are on a per animal basis, assuming the same conditions of yield loss and compensation.
3. To receive payments, farmers would have to belong to a certification agency, be actively committed to the transition process, and to be participating in mentoring and training programmes. Since this programme kicks in for Phase II, farmers who convert in the first 5 years of this strategy would be eligible to receive payments retroactively, based on record keeping provided by the certification agencies.
4. Payment for avoided environmental costs. This payment would be delivered 3 years after full certification (and assuming no intervening loss of certification

status following the transition period). Following on the analysis provided in Table 1, this payment is set at \$22.25 for all crops and animals, except pasture. The benefits of transition, as defined in the Tegtmeier and Duffy study, are much lower for pasture (and in fact they did not include pasture lands in their analysis), so we have set the level at \$0.5 / ha, largely to recognize the potential for lower GHG emissions on organically managed pasture. No per head payments are provided for animals, as is assumed that all converting animal producers have a cropping base for their farm.

5. We assume a 30% reduction in CAISP payouts based on historical payment patterns of net new programme costs⁷, and assume that the province saves 12% on other costs once making payments for this programme.
6. We assume that programme delivery is carried out by existing agencies involved in farm financial safety nets, with additional administrative costs of \$200,000 annually. Additionally, to support record keeping, each certification agency would receive a one-time administrative payment per certified farm of \$100, for a total of 4854 x \$100 = \$485400.

Costs:

We assume an uneven distribution of costs for each year of the 15 year programme (years 1-5 retroactive, years 6-15 of the strategy active), based on staggered transition across farms and commodities. The total gross costs of this element for crop production over 10 years are \$32 million, with net programme costs set at \$28 million. Payments per animal head would total \$8.5 million. Additional administrative costs would be \$2.49 million. Total net cost of this element would be: \$39.1 million. Details can be found at http://www.oacc.info/Docs/OntarioOrgStrategy/TransitionPayments_june26-06.pdf.

Farm revenues associated with the programme:

We also worked up some case studies to provide a picture of how much some typical farms might receive from these payments. (See appendix 3 for details). Of the 4 case studies presented, total payments to farmers would range from \$13,000 - \$25,000 spread out over 4 years.

5.15. Consumer and public education campaigns

Background:

Although demand currently outstrips supply, there is variability by region and by product category. Additionally, over time, supply-side supports will increase supply sufficiently to soak up existing demand. Consequently, programmes to drive demand increases in a coordinated fashion are important.

5.15.1 Organic information hot line and web site

Proposal:

Primarily for processors and retailers who are responsible for advertising it, through in-store promotions and possibly product labels.

Cost:

Cost shared 50/50 government, retailers, manufacturers. 5 yr programme starting in year 6. Government contribution is \$200,000 annually.

5.15.2 Generic Point of Sale material (POS) for retail

Proposal:

Since some studies suggest in-store POS material is the most effective at generating changes in consumer purchasing patterns, a generic shelf-talker and in-store promotion programme is proposed. Government would pay for the development of the materials. Industry would buy them at cost.

Cost:

\$75000 for development of materials.

Summary of programme expenses:

The 32 elements of the plan will cost \$50.3million over 15 years. Phase I (5 years) costs total \$6.4 million and Phase II costs \$43.9 million. Costs will vary year to year, but will average about \$1.3million in Phase I and \$4.4 million in Phase II. For details, go to http://www.oacc.info/Docs/OntarioOrgStrategy/ProgrammeExpenditureSummary_june26-06.pdf.

¹ Garforth, C, et al. 2003. Fragmentation or creative diversity? Options in the provision of land management advisory services. **Land Use Policy**, 20:323-333.

² **Error! Main Document Only.**Organic Centre Wales. 2001. **A review of the Organic Conversion Information Service in Wales (1996-2001)**. University of Aberystwyth, Wales.

³ Note that annually, many of these would be repeat requests.

⁴ Although many farmers take longer than 3 years to convert, this is usually the minimum required by certification agencies.

⁵ **Error! Main Document Only.**World Wildlife Fund Canada. 2000. **Making Pesticide Reduction a Reality in Canada: funding programs to advance biointensive IPM and organic farming**. World Wildlife Fund Canada, Toronto.

⁶ Fernandez-Cornejo, J. and Castaldo, C. 1998. The diffusion of IPM techniques among fruit growers in the USA. **Journal Production Agriculture** 11: 497-506.

⁷ Friesen, B. 2006. Presentation to the Ecological Goods and Services Workshop, Winnipeg, Feb 13-16, 2006.