

Notes from 2016 AGM Presentations and Discussions

Presentation by Marni Karlin of the Organic Trade Association

What Is a Check Off?

- The OTA has a National Perspective and therefore wanted the check off to be national. They also wanted it to be inclusive of both small to large producers, processors and retailers all along the value chain.
- They wanted a fairly managed funding, that could be used to promote organics, educate consumers on the benefits and conduct research on behalf of the organic sector.
- OTA started looking into this option in 2010-2011. The organic sector was facing tough financial times. There was a lot of competition from other Eco/natural/ local labels, there was enormous consumer confusion around organic regulation and conventional check off funded organizations were not willing to contribute to the organic sector.

How Does It Work?

- OTA and the steering committee decided to create a Promotions and Research Order (PRA). A PRA collects money from the sector. It is overseen by the government to ensure that it is being used for **research, promotion** and **information** services.
- PRAs are specifically for commodities. The OTA therefore had to get the government to recognize “organic products” as a commodity in order to create a national check off.
- **Research:** Federal Research dollars typically require matching funds, these can be provided from the check off
- **Information:** Information resources can be used to provide information to farmers looking into transitioning into organic.
- As they were consulting the sector, there was a lot of support, but most of the concerns were over how the money would be used and that it couldn't be used for lobbying.
- Concerns were also raised about the lack of flexibility in how other check off funds could be used. They wanted to be responsive to the current context—for example, a disease issue among organic citrus. They therefore tried to keep the fund quite general, with an allocation of 25% Research, 25% Promotion, 25 % Research and 25% discretionary funds that can be put into any stream in a given year based on need.
- This system was brought forward from a lot of town hall meetings, to hear from producers across the country.
- It is very hard to meet everyone's needs across all production sectors and all along the value chain is very difficult to manage.
- **Promotion:** Direct Advertising, any promotion cannot disparage other commodities according to PRA regulations. This was a real concern among commodity groups. However, most of the

consumer confusion is between organic and unregulated Eco claims, which also cannot be disparaged but are more direct competition than with conventional.

What was the Process?

- Stakeholder Outreach – Development - 2012-2015
- Petition USDA - Application – May 2015
- USDA Publish for Public Comment – Expected July 2016
- USDA Final Rule – Referendum – Expected Early 2017
- Organic Check Off in Place – Industry Governed Board appointed by the USDA with input from the Sector manage the funds received.
- Comments from Stakeholders (Only NOP Certified Operations) will be taken, comments from other sectors will be taken but weighed less than from stakeholders who will be paying into the fund.
- Producers will have a choice to pay into the conventional check-off system OR the Organic check-off.

For the PRA to be adopted, a referendum of all certified organic operators in the country is required with 50% +1 approval to be passed.

- Outreach to the sector via peer to peer (the Check Off steering committee reached out), mailed out surveys to all certified operators with 19000 responses from 5000+ operations, support of 2:1 in support of the check off
- Consultation focused on three points of interest:
 - *Governance—How should the board be appointed?*
 - *Programming--How is the money spent?*
 - *Assessments-- Who pays, how much, exemptions?*
- Over the course of the town halls, they were developing a consensus:
 - Stakeholders wanted to see the fund support and not burden producers
 - Is the board represented by commodity class, business type, regional?
 - Fair and equitable formulas for assessing (1/10 of 1% of net organic profit) only on the value added to the product
 - Exemption levels that are equitable and fair, small farmers did not want to be cut out, net less than \$250 000 is optional then you follow the same exact rule as those above the cut off
 - One organic certificate is one vote
 - The board governance, is controlled by the law, the order, bylaws and government oversight

Questions From the Room:

1. **Question: Sarah Bakker, NFU-O – Was political will in the USDA necessary or was the will of the organic sector enough?**

Answer- Political will was required, had to get a law passed through Congress which needed political will. Within the USDA political will made it possible to push things through the process faster than if there wasn't political will in general. They still had battles to fight because organic is still less than 5% of Agrifood and there is still entrenched resistance that slowed down the process. For example, it has been 9 months since the submission and the PRA hasn't been put up for review yet. There was greater political will at the political level and less at the senior bureaucratic level.

2. Question: Ashley St. Hillaire, COG – How did the OTA fund the process of consultation and development, was it member funding?

Answer – Has been one of the top priorities of OTA for the last 4-5 years. They set aside time from each of the OTA staff to work on this. They also had a strong steering committee of organic businesses that were keen to contribute. They led the development and outreach process, they were based all over the country, they were able to network out into other organizations and regions when there were town halls etc.

Also the PRA requires that separate funding be raised from industry to fund the review of the proposal by USDA staff so they can review it.

3. Question: Tom Manley, Homestead Organics – What will happen to OTA once this check off board with lots of funding exists? Will it be redundant?

Answer: Any check off board would be completely separate from the OTA by law, will there be a drain on the OTA resources since OTA requests membership dollars? Check off's and trade associations do very different things: OTA does advocacy/ lobbying which cannot be done by the check off. This allows OTA to focus on its priorities. The PRA will be a second organization with a separate goal and basically replaces the check off that producers already pay into. Currently, organic producers do not need to pay into conventional checkoff, that money will hopefully now be going into the organic check-off, once the organic check off is in place then in order to not pay the conventional they will have to pay into the organic.

4. Question: Tom Manley, Homestead Organics –Is their also state level check offs at the state level?

Answer: Yes, there are state check offs and marketing boards on the conventional side. However, the National Organic Program standard is national so the check off is national, and it wouldn't work very well to go state by state, but there is a need to break down research funding by region, which is why the board seats are regionally delineated.

5. Question: Carolyn Young – Were there any organic check offs in the US before the national organic check off was developed? In Canada, it seems that provincial check offs are more powerful than national ones.

There has never been a state organic check off in the US, in the US it is a national issue. As far as the OTA knows, there hasn't been any effort to develop any state level check offs at this time. Marni encouraged Ontario leaders to communicate with the national level to not split efforts or funding.

6. Question: Carolyn Young — How was your steering committee established and operated?

It came together organically, started with staff discussions at Expo East and West. In these conversations, those interested were slowly incorporated into the steering committee, then ensured that important groups were represented on the committee and that there were OTA board members/non-members on the committee. It was 16-18 people, 2 of which are board members. Meeting frequency varied: meetings are less frequent now as the process is kind of slow currently, but during the outreach and revision period, there were sometimes weekly or every other week calls. They held 3-4 in person meetings during major events where most people were already present.

Updates on the Voluntary Program

Tom Manley gave an update on the Grain Voluntary check off:

- A mandatory program takes time and resources. In the interim, OCO needs financing to get this work done. So, Tom contacted implemented a voluntary check off through his own purchasing value chains and convinced several other grain buyers to do the same. A fee of \$0.50 is collected per metric tonne and then matched by the buyer and sent to OCO. Major buyers mostly outside the province are paying 1\$/MT as well because they see the need to increase organic supply and build the industry.

Vincent Strickland of Pfenning's Organic Vegetables reported on their voluntary program:

- Took about a year to implement
- 0.05% of the check is deducted from suppliers and matched from the farm
- 0.1% fee applied to customers just rolled out (2 questions from buyers and some comments but no backlash)
- It's written as a line on the invoice, right above the HST on the invoice
- Applied to Canadian suppliers and buyers, not US

Tom Manley gave an update on what is happening at the National level

- Tom was invited to participate in the Organic Value Chain Roundtable in mid-March on behalf of OCO. They discussed sustainable sector funding. OVCRT has formed a Taskforce, with representation from COG and COTA. This is key, because a national check off can include imports but only once all provinces have check offs internally then an application can be made to develop a PRA which can put a check off on imports as well.

Small Group Discussion—Comments and Questions:

- While organic stakeholders have some to a lot of frustration with commodity groups, it's good that GRO Organic check off does not allow marketing to disparage other products;

- We need the financial backing to get the legislation move through
- Like the idea of setting up organic as a commodity
- Need a political advocate for organics in Ontario—an MPP?
- Can see a lot of benefits of the check off to the organic sector
- Impressed by the scale and system of consultation made in the USA
- Needed the national first in the US, but then in Canada we need to start at a provincial level
- It is more difficult in Canada (but not impossible) to get a federal check off without a provincial organization
- It's important not to let the search for funding to slow down or distract from this process
- Need a definition of organic as a commodity and as a regulated label in Ontario
- Where the money is going and for what will influence which regulation/organization that you can work under
- Value- there must be value for money, demonstrated by the organization, focusing on public relations and business development and less on the public interaction
- Should replace or on top of the conventional check-off and recognizing the existing research
- It's important that it be simple to administer the process to collect the money
- It's important that the exemption from conventional commodity groups came first in the US
- Getting an MPP important
- OCO requested a meeting with the Farm Products Marketing Commission and were not able to get a meeting in 2011
- When considering Imports, how would you set the fees for that? How would you collect?
- 0.1% does that end up adding up along the stream of commerce? No, it's tied to net profit and value added
- Retailers and handlers--do they fall within this system? Do handlers need to be certified?
- How does a check work on importers affect trade equivalency and free trade? if they are applied to everyone internally and imports they don't disadvantage trade
- If we approach commodity groups, it's important that this be by producer-members, not by the OCO organization itself
- In the case of OTA, they are a trade association, the check off doesn't go to them. Would that be the same in Ontario?
- Longterm is OCO a trade association or a marketing board or both? How much of the funding goes into various funding streams including research, marketing etc or to organizational support and funding the OFC and the maintenance of the standard.

Updates on the Organic Standards – Ted Zettle

- How many people have read the standard and the new versions?
- Organic Federation of Canada (OFC) has posted audio Interviews where each of the convenors of the sectors go over the big changes in that sector to bring people up to speed fast.
- We have a necessity as a sector to maintain the standard as a sector, because we wrote it, it is ours.

- A mandatory review is required for Canadian General Standards Board (CGSB) every five years, so OFC was started to manage the standards review process.
- We need to represent the sector like any other professional group, we need representation by a professional organization (like doctors, lawyers etc.).
- Standards revision process: after 3 years, there are some glaring mistakes and we need to go in right away and fix them, we don't have funding to do that.
- We need farmers to be involved at every level and in every way.
- Currently our sector has a lot of involvement from people who see the standard as a chance to make a statement and don't know how they will impact the real world application. We need farmers to be involved in the working group to make sure that these are realistic.

Standards Interpretation Committee

- The standards interpretation committee is the arbiter of disputes about the standard between the certifying bodies. OFC runs elections every year for these committees which advise the Canadian Federal Inspection Agency (CFIA) on what the answers should be to these questions.
- Anyone can submit questions; many of them are very technical and detailed.
- If you sign up to the OFC newsletter they will inform you of the SIC public comment period.
- One example of something that was discussed recently was the idea of integrating voluntary codes of practice for livestock from the conventional industry into the organic standard which makes them mandatory and that makes it mandatory to record that those were followed, which can negatively impact the farmers ability to farm.
- How do we deal with the fluidity of the process and the standards interpretation, in order to make real applications? How do we reduce the burden of certification?

Discussion on Ontario Intra-Provincial Organic Regulation and Potential for Small-scale: Carolyn Young

- Intra provincial regulations are regulations adopted by the province to adopt and enforce organic standards—typically the federal ones.
- There are currently intra-provincial regulations in 4 provinces (BC is about to make the provincial and/or federal regulations mandatory). The regulations exist in New Brunswick, Manitoba, Quebec and BC.
- Intra provincial regulation in Ontario does not currently exist.
- Maureen Bostock has done some research into the potential issues around the lack of regulation in Ontario. Tony McQuail has also been exploring the cost and challenges of certification to small scale and direct marketers and has created some recommendations for small scale certification.

Reasons for an Intra-Provincial Regulation

- There is a lot of consumer confusion around the meaning of organic and certified organic.

- National level enforcement is weak and there are anecdotal concerns with fraud within the province.
- Complaints of cross border dumping of uncertified product into Quebec

Three Potential Approaches:

1. A small scale certification program is being piloted by Pro Cert. Procert's program: there are 4 operations in 2015 that used it, they predict up to 10 will certify in 2016, inspections every 3 years, about half of the price (approx. \$300)
2. Peer Review Process: has been used in the past, Foodland not interested in moving forward with this.
3. Self Declaration Model:
 - a. Mandatory training day about the standard and best practices etc.
 - b. Would apply to only those direct-marketing
 - c. Declaration signed and farm business entered into a public registry
 - d. Subject to the same potential for complaints based inspection?
 - e. Small fee paid to enter registry (\$100?) contributes to system of registry and enforcement etc.
 - f. Registrants would have the use of the Foodland Organic branding.
 - g. Foodland is not open to this option at the moment but could be brought forward if there was interest and consensus from the industry that this system could be developed (from OMAFRA rep)

Small Group Discussions Report:

- Consensus: Ontario Regulation is absolutely required.
- Some disagreement about whether or not the small scale exemption/certification is required
- Concern of small scale affidavit certification with holier than though producers or shopping cart organic
- If we make organic mandatory will it drive people to natural
- How would the small scale certification process, training and enforcement be paid for?
- If you're going to regulate organic should you also regulate other terms?
- Is the self declaration process used anywhere else? Yes, in Michigan?
- Would any sort of small scale certification actually change anything at the local direct market?
- Don't want to see organic be watered down
- Want a path to move from small scale to mainstream markets that would allow farmers to scale up to the standard certification process
- Support for transitioning between the programs? Support for a transition certification in general?
- Need small scale producers in the discussion
- Could there be a specialized small scale certifier?

- Handler’s perspective: would I pass along product from an affidavit system as “organic” to consumers? the answer is no, but I would be more willing to feature producers who had the intention of transitioning to certified organic.
- Also need to address transitional certification and marketing to support that process
- Often uncertified producers are ignorant of important elements of certification, mandatory educational with a renewal process to ensure that people are up to date.
- Food safety are able to tailor large standards and certification processes to smaller producers effectively—what can we learn from them?
- Need to tie data collection into the Ontario standard so that the certifying bodies can track information on producers to provide data on the sector
- Problem is no data strategy: Not all certifiers have access to simple sources of that data.