

# Nurturing Organic Growth in BC's Supply Managed System Certified Organic Associations of BC Position Paper

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## Introduction

This document describes COABC's vision for the future of organic supply managed products. It describes a broad vision for all organic supply managed commodities, in all marketing boards. Specific plans (using the principles described in this paper) will be developed in response to each marketing board proposal.

COABC begins by accepting the premise that supply management is the law, and all producers of supply managed product should be registered (or recorded) with the appropriate Marketing Board.

### 1. The Market

The market for organic supply managed product is a mix of direct-from-the-farm (box delivery, farm gate) small graders/processors supplying local stores, and large graders/processors supplying chain stores, and export markets (inter-provincial) as well as a untapped industrial market willing to pay full market price. There is also an existing amount of on-farm processing--there is potential for much growth in this sector.

Some producers serve a number of different markets. As for the market potential, the organic market is growing at 20-35 % per year. There is no reason to think that the organic supply managed market will grow at a slower rate.

The COABC database currently lists:

- 36 producers of organic eggs for sale (some producers will not supply this information)--4 of these listings could be considered of commercial size.
- 4 turkey producers - 1 of commercial size
- 11 chicken producers - 1 of commercial size
- 4 cow milk producers - all of commercial size

There has been an ongoing request from organic producers for access to increased amounts of supply managed production. The principles of organic farming include the concept of moving toward 'closed-loop' systems, where the nutrients for ground crops are supplied from on-farm livestock production. A typical example is a 10 acre market garden with 500 year-round layers and 500 seasonal broilers. The manure and bedding (composted) from the poultry operation supplies the garden with all its nutritional requirements. Anecdotally, many more organic farms would include supply managed production if they could do so without the enormous cost of quota purchase.

### 2. Definition of Specialty

In keeping with the Leroux Report, "Specialty product definitions should reflect substantive farm level differentiation, 3rd party certification, and identity preservation through to the consumer." Certified organic currently meets this criteria and it is the COABC assertion that other specialty products must meet the same conditions. See Appendix B for details on the definition of specialty.

### 3. Certified Organic

An operator (enterprise) is considered organic if they hold a valid certificate from a certification body that is accredited by the COABC under the Agri-Food Choice and Quality Act (BC). An operator who holds a valid certificate from a CB that is accredited by the Standards Council of Canada to the National Organic Standard of Canada is also considered organic.

## 4. Food Safety

As with all government regulations, COABC producers are required to follow government imposed food-safety protocols. Many supply managed commodities have developed national on-farm food-safety practices without input from the organic sector. COABC suggests that organic producers be given the opportunity to design more appropriate (but compliant) on-farm food-safety protocols.

## 5. Biosecurity

COABC producers will follow government rules. Organic producers require the opportunity to develop bio-security standards that also comply with organic management standards (such as access to outdoors).

## 6. Registration

The COABC requires that all producers of supply managed commodities be registered (or recorded) with the appropriate marketing board. COABC has the potential to play a role in this requirement if agreements can be made with marketing boards. For instance, COABC could provide the board with a list (annually) of operators who are producing below the exemption limit--including the level of production. COABC could even assist with registering these producers.

## 7. Quota

The COABC needs with respect to quota are that the demand for organic product is supplied by BC organic producers, that BC organic producers are encouraged to expand to meet market growth, and that production allocation that has been assigned to an organic business has the potential to be transferred to the subsequent owner of that business.

In order to meet the needs (above) of organic producers, the COABC has described a system that:

1. Provides needed production allocation within the existing marketing board schemes
2. Allows for market growth, including new entrants
3. Allows for the transfer of production allocation upon the sale of the organic business, but does not allow sale of production allocation on its own

COABC suggests that the marketing boards issue production allocation (annual licenses) for all organic operators producing over the exemption limit. It is understood that some marketing boards are constrained by national allocation. In these cases, specific numbers will be agreed upon, and the COABC will work closely with the marketing board to secure increased national allocation.

Licensed producers have to be registered with the appropriate marketing board and will report their production volumes. If needed, COABC Verification Officers can confirm production numbers. Initial licensed producers are those currently producing (over the exemption limit) as of January 2005. Producer allocations will include a 10% 'sleeve' to allow for some flexibility in the market.

Growth in production will be allocated from 'speciality pools' (granted from the national agency) managed by the Speciality Producers Advisory Committee. When speciality pools need replenishing, the COABC will co-operate with the marketing boards to procure extra allocation from national agencies.

Annual renewal of licence allocation will be managed by the Speciality Producers Advisory Committee (SPAC). Licensed producers will be asked to submit their requests (numbers) for the coming year. Based on confidential reports from the certification bodies, the SPAC can ascertain which producers have produced to their allocation the preceding year and may provide increased (or decreased) allocation accordingly. Annual renewal of production licences requires:

- Report from CB confirming production volumes and sales
- Confirmation of current valid certification

The COABC feels that this proposal for organic production allocation 'licences' will provide an allocation that is provided to a specific producer for a specific product for as long as that product is produced. This licence or allocation has no paper value and it is not attached to an 'owner', rather to the product the operator produces. It is renewed annually and its renewal is conditional only upon the previous year's production numbers, and a current organic certificate.

This plan for production allocation complies with existing marketing board schemes--if they choose to, marketing boards have the ability to develop orders that will enact the COABC proposal.

## **8. Transferability**

The needs of COABC organic producers with respect to transferability are that farmers need to be able to sell their business, and the business has little value if the purchaser cannot produce the product.

The COABC recognises there is concern from marketing boards and government of the potential for 'windfall' profits if producers are given quota. Yet the notion of providing non-transferable quota (to remove the potential for profit from quota transfer) is not a reasonable solution for producers. It is not reasonable to expect a farmer to develop a business that has no potential for sale (without production allocation attached).

Accordingly, the COABC has striven to find a balance to meet the needs of organic producers, while respecting mainstream producers historical use of quota. The best compromise is to allow the transfer of production allocation, but put restrictions on the transfer to limit its value. The COABC suggests that an organic producer is provided with production allocation in the form of annual licence. The production allocation is not transferable (outside of this provision), but when an organic business is sold, the purchaser has the right (first refusal) to that allocation should they meet the required criteria:

1. Valid organic certification
2. Production capacity
3. Must not have sold a business (producing the same commodity) in the previous ten years
4. The previous owner must have been a license holder for three years previous to the sale

The holder of a licence may not sell the allocation--the purchaser of an organic business must apply to the SPAC and prove to them that they meet the required criteria. If the purchaser meets the criteria, they will be provided the same production allocation as the previous owner. When an organic business changes hands, the purchaser has the opportunity to acquire the production allocation of the seller, but this right is contingent upon the purchaser meeting the required criteria on a year-to-year basis. This system ensures the direct connection of the production allocation to the actual market.

In this case, an organic business means the business name and related marketing materials and goodwill associated with the business as well as established markets--it does not necessarily mean the physical production plant (farm).

An organic licence holder who sells their business may not produce that product (be issued a licence) for ten years following the sale.

## **9. Transfer Assessment**

Once the organic market matures, the COABC suggests a transfer assessment of 10% (production allocation) on the transfer of organic licences. This 10% will revert to the speciality (organic) allocation pool.

## **10. Exemptions**

The COABC suggests that exemption levels should be increased as follows:

- Chicken - 6,000 kg/yr
- Layers - 499
- Milk - 100 litres/day
- Turkey - 6,000 kg/yr

Having realistic exemption levels will remove the burden of enforcement from the marketing boards and will allow small producers the opportunity to market a modest amount of locally produced product without fear of legal consequences. Workable exemption levels allow small producers to experiment with new products and new markets before approaching the marketing boards as new entrants.

### **10.1. Food Safety and Exemptions**

The COABC strongly suggests that food-safety issues cannot be tied to exemption levels. All producers must follow food safety protocols (the law) regardless of their level of production. To infer that a producer will circumvent food safety laws because they are small shows an unfounded bias that is not legally defensible.

## **11. Allocation**

The COABC understands that supply management means that production must be regulated to meet market demand. The COABC intends to work with individual boards firstly to determine the level of demand for particular products. The SPAC will then decide how to provide allocation to meet that demand.

Some boards have a restricted share of a national allocation--specific numbers need to be assigned in these cases. Where the marketing board has discretion regarding allocation, the organic market will be monitored in its growth.

The COABC suggests the use of specialty (organic) allocation pools that will be used as reservoirs for increased market demand. When speciality pools need replenishing, the COABC will co-operate with the marketing boards to procure extra allocation from national agencies.

The SPAC may decide to split the speciality pool into one allocation for market growth, and another for new entrants.

## **12. Product Integrity**

Producers, processors, and graders will be required to keep organic product separate from non-organic product (as required in COABC organic standards), and to market organic product only as certified organic unless otherwise approved by the Board. COABC organic certification throughout the marketing channel (audit trail) has the ability to ensure product integrity.

## **13. Production Switching**

COABC suggests that Mainstream quota holders may apply to the Board (Specialty committee) to produce certified organic product. Quota holders must be certified organic for the level of production requested. Mainstream quota holders cannot move in and out of organic production, as this would be disruptive (not orderly). COABC suggests that once a mainstream quota holder is allowed to produce organic product, then they must give three years notice of their intention to move from organic back to mainstream. This criterion is meant to protect the stability of both organic and mainstream markets.

## **14. Permits**

See section 7, Quota.

## **15. Permit Conversion**

Some marketing boards have established permit systems for organic production. The COABC suggests that existing permit holders may be accommodated under licences as suggested in Section 7.

## **16. Pricing**

The COABC feels that the market should be allowed to determine the price of organic product.

## **17. Levies**

COABC organic producers are willing to pay levies associated with administration of specialty production and other initiatives as determined by the SPAC.

## **18. New Entrants**

New entrants will be accommodated from allocation in the speciality (organic) pool. Once the initial applicants (as of January 2005) have been serviced from the pool, the remaining allocation will be available for new entrants and for increased market needs of existing organic producers.

As there is no guaranteed sale for organic products, new entrants should receive a modest allocation (determined by each SPAC) to begin their production. During the yearly licence renewal, new entrants may request additional allocation for review by the SPAC.

It may be in the interest of marketing boards (and the public good) to encourage production in specific regions of the province. In this case, the new entrant allocation could be directed toward certain regions. For instance, there could be new entrant allocation available for production in the Central Interior, but not in the Fraser Valley.

## **19. Eligibility**

All producers of organic product must hold a valid organic certificate for the specific commodity--certificates are renewed annually. As stated in section 8, an organic producer who sells their business will be restricted from producing the same commodity for ten years following the sale.

## **20. Waiting Lists**

The COABC understands there may be a need for waiting lists. In this case, the waiting list should be managed by a third party and overseen by the SPAC. There should be separate waiting lists for organic producers.

The specialty committee may wish to include a regional bias in the waiting list.

## **21. Speciality Committee Representation**

The COABC supports the recommendation of the Leroux Report that a specialty committee will be established. Specialty committees will be comprised solely of representatives registered specialty producers, processors, distributors, designated agencies and recognised certification bodies. The chair of the specialty committee should be appointed by the FIRB.

The specialty committee should be charged with monitoring the performance of the specialty programs and providing policy and procedure input to the Board concerning the management and administration of the Specialty programs. The COABC will work with individual boards to determine specific policy and procedures for each specialty committee.

The COABC has provided specific details regarding the structure and function of the SPAC-- see Appendix A.

## **22. Transparency**

In order to ensure transparency in the administration of an organic supply managed program, the COABC suggests that the following measures will be instituted by the marketing boards:

1. The Board will use a 3<sup>rd</sup> party to manage waiting lists.
2. The chair of the specialty committee should be appointed by the FIRB.
3. Third party certification programs will be employed to provide verification of production numbers and other information as required.
4. Proprietary information made available to marketing boards should be restricted only to specific marketing board officers--it should not be available to the entire Board.

## Appendix A - Speciality Producers Advisory Committee Terms of Reference

### COMMITTEE NAME

The Committee shall be referred to as the Speciality Producers Advisory Committee--(by commodity).

### PREAMBLE

British Columbian's desire a prosperous agriculture industry that is environmentally and economically sustainable. They expect that the agricultural industry will provide a level of food security for the citizens of the province. Supply management has a premier role to play in ensuring food security--speciality production is one aspect of the supply managed system in BC.

In order to ensure a strong and adaptive speciality sector (within the supply managed system) close co-operation is required between marketing boards, mainstream producers, speciality producers, processors, distributors, retailers, certifiers, and government. In this way, speciality and mainstream producers will be provided with market share and fair pricing, the trade will have the product they need, and consumers will have choice in the market.

The responsibility to administer a respective scheme rests solely with the marketing board (overseen by FIRB). SPACs may make recommendations to marketing boards, but the work of the SPACs will be redundant unless a climate of trust and willingness is established between marketing boards and speciality producers.

### COMMITTEE'S VISION

**The SPAC (commodity specific) will strive towards a prosperous specialty sector that provides fair returns for producers and the choice demanded by consumers in the marketplace.**

### Committee Mandate

The purpose of the SPAC is to monitor the performance of the specialty program and to provide policy and procedure input to the respective Marketing Board concerning the management and administration of the Specialty program.

### GUIDING PRINCIPLES

- **Economic Sustainability:** SPAC policies and initiatives will consider the economic sustainability of the speciality sector.
- **Environmental Conservation and Protection:** SPAC policies and initiatives will be conducted in a manner that protects and conserves the environment.
- **Animal Welfare:** SPAC policies and initiatives will ensure the health and welfare of animals in the care of speciality producers.
- **Consultation:** The SPAC and its constituents (both specialty and mainstream) will consult with one another in a timely, inclusive, and transparent manner.
- **Cooperation and Consensus:** The SPAC and the (specific) marketing board will work in a cooperative manner and seek consensus on joint initiatives and solutions.



- **Regulatory Certainty and Equitability:** Marketing board (SPAC) regulations (regarding speciality product) will be fair, consistent, and predictable and will be administered in an equitable manner for all classes of producers.
- **Administration:** SPAC procedures and management must be fair, transparent, effective, accountable, flexible, and timely.
- **Impartiality:** SPAC members will act independently of personal commercial interests and will consider the greater good of the global environment and the citizens of British Columbia.
- **Confidentiality and Conflict of Interest:** SPAC members will respect confidential information and will declare all potential conflict of interest situations.
- **Province-wide Program:** SPAC policies and initiatives will consider the greater good of the entire province and its citizens regarding issues such as:
  - mitigating the environmental impact of intensive agriculture, and;
  - Enhancing economic sustainability in certain regions of BC.

### OBJECTIVES

- **Communication:** To foster effective communication between the speciality sector and marketing boards and, as appropriate, with other interested parties.
- **Consultation:** To serve as the primary forum for consultation on current and emerging issues affecting the speciality agriculture sector.
- **Information:** To collect and record market information (from all market channel members) and where appropriate, to distribute that information.
- **Solutions:** To find and promote workable solutions to issues affecting the speciality sector.
- **Accountability:** To represent the entire speciality sector in a fair and balanced manner.
- **Coordination:** To provide coordination to the actions of industry, government, and communities to resolve speciality production issues.
- **Timeliness:** To ensure issues are resolved and solutions implemented in a timely manner.

### MEMBERSHIP

Membership in SPACs shall include representatives:

- 1 - commercial speciality producer
- 1 - small speciality producer (below exemption limit)
- 1 - speciality processor
- 1 - speciality trader (wholesale or retail)
- 1 - certification body
- 1 - marketing board official
- 1 - independent chair appointed by FIRB

Wherever possible, members of the SPAC will be appointed through a democratic process within the sector they represent. The SPAC will respect such processes; allowing direct appointments from those sectors. For other sectors, the current SPAC will call for nominations for members from that sector, and will decide on the appropriate candidate.

SPAC members will serve for two-year terms, and for a maximum of 3 consecutive terms. SPACs will endeavour to stagger the appointment of new members.

## **REPORTING**

The SPAC will report publicly to the FIRB and to the appropriate marketing board annually, and will be accountable for providing clear measures of progress towards objectives. Approved minutes of Committee meetings will be posted on the website of the appropriate marketing board and other member websites as appropriate, and will otherwise be made publicly available (this does not include in-camera minutes).

## **COMMITTEE PROTOCOL**

Chair: Responsibility for chairing the meetings of the Committee will be provided by a chair, appointed by the FIRB. The chair will be subject to the same term of office as other SPAC members.

Decisions: The Committee will strive for consensus based decisions, which will be recorded in the meeting minutes. Members can abstain from any decisions due to lack of mandate or any other legitimate reasons. Where consensus agreements cannot be reached, the committee may choose to vote--in this case, a simple majority is required (the chair does not have a vote).

Task Groups: The Committee may form task groups to deal with a range of issues. Once formed, task groups may be requested to develop a terms of reference for approval by the Committee.

Authority of Committee Members: To the extent possible, the sectors represented will authorize their Committee representatives to make decisions on their behalf during the Committee meetings. Where a representative is unable to make such a decision they will so inform the Committee during the meeting.

Conferring with Others: The committee representatives may need to confer with others in their respective organizations before being able to provide the Committee with an official position. The Committee members are responsible for conferring with others and reporting to the Committee in a timely manner.

Annual Work Plan: The Committee will produce and monitor throughout the year an annual work plan that will specify priority issues, activities, deliverables, and performance measures for the work of the Committee and its task groups.

Communications and Outreach: Members will be responsible for communicating the work of the Committee within their agency and/or constituent organizations and to their associated stakeholders, and will also consider what additional communications and outreach activities that may be necessary to achieve the Committee's objectives.

Confidentiality and Conflict of Interest: Members will be required to sign a confidentiality and conflict of interest undertaking. This document will specify the type of information that is considered confidential. The document will also describe the conditions when a committee member may be in a conflict of interest situation.

Secretariat and Funding: Secretarial services and expenses for the SPACs will be provided by the respective marketing boards. A dollar amount will be allocated in annual budgets.

## Appendix B - Definition of Specialty

The definition of what is specialty is critical to the success of any new programs. The standard must be high to protect the mainstream system and abuse of the specialty system. 3rd party certification, recognition of a provincial, national, or international standard and achieving three of 6 test points is suggested.

Test points should be:

1. BREED,
2. FEED,
3. LIVING CONDITIONS,
4. COST OF PRODUCTION,
5. ANIMAL HUSBANDRY and;
6. IDENTIFIED CONSUMER.

Just changing one of these items is not good enough. Existing production that doesn't meet the set out criteria should be given 2 years to get a system in place.

### Test Point Details

**BREED** - the breed must be distinct from birds used on mainstream farms. Less than 5% of mainstream industry can be using them to qualify as a specialty breed. This will encourage new breed development and will allow for heritage breeds to develop a market. It will also encourage diversity in breeding stock.

**FEED** - must be different in more than just, 'no animal by-products'. Differentiated feed may be a combination of no animal by-products no medications in feed or water. There must be an inspection process with strict protocols to insure the integrity of the feed and of the claim. It has been brought up in the media that claims of no animal by-products are false in any cases so to protect the public an audit program and 3<sup>rd</sup> party inspections of the feed plant would be mandatory.

**LIVING CONDITIONS** - would be a big part of any part of a specialty program. It is also one of the things that would affect the cost of producing a specialty bird and one of the areas that would need to be inspected most rigorously. Examples of living conditions that would make a bird special would be:

- Free Range which would be defined as the birds having free access to the outdoors on natural earth and or green space given that the climate conditions and threat from predators do not put the birds health at risk.
- Significantly lower densities in the barn. At a minimum the densities should be 4.4 lb per sq ft (for comparison organics is 2.75 lb per square foot and conventional is 5.8 lb per square foot).
- NO CAGE SYSTEMS and no system that keeps the birds on artificial surfaces all of the time. I.e. all slat floors would not be allowed.
- Natural lighting program which allows for natural light throughout the life of the bird.

**COST OF PRODUCTION** - this should be significantly higher than mainstream. If a farmer is following all or some of the mentioned systems the cost would have to be higher. It should be noted that unlike mainstream systems that work on a least cost basis, a specialty system has strict guidelines that must be met first before trying to reduce costs. As an example if

you reduce your density, it will affect your capital cost allowance per bird. If the feed can't contain animal by products, antibiotics etc, this will affect your feed conversion.

ANIMAL HUSBANDRY - could include things like no artificial lighting beyond a total of your areas natural longest day.

- Perches in the barns.
- Natural remedies for animal treatment.
- Barn conditions like free range and square footage.
- 2 leg catches for chicken.
- Mixed flocks (male female together).

Full and complete farm records must be maintained and a tracking system for flocks and animals right to the consumer must be kept.

IDENTIFIABLE CONSUMER - is an obvious distinction. Your product must be something that your consumer wants and no other product can replace it. The product must be clearly identifiable to the consumer.