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International Markets

UNDERSTANDING ORGANICS IN NORTH AMERICA

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ORGANIC CONNECTIONS - SASKATOON, SK



Why organic is important

- Environment
 - Lower energy and carbon footprint
 - Increased biodiversity, soil life
 - Decreased impact of runoff, nutrient loading
- Health
 - Avoids persistent toxic chemicals
 - Higher nutritional levels
- Supports small farmers: land and water stewards
- Defined standards, inspected & verified products, regulated system, traceability

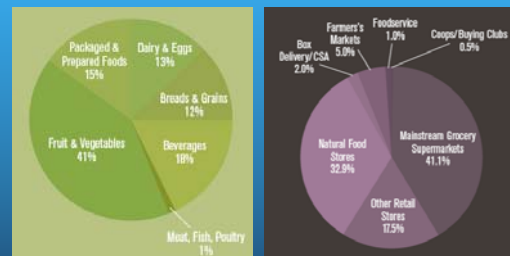


Canada: market growing quickly

- \$1 billion in 2006 (OACC + Neilson)
- \$1.6 billion in 2007 (OTA in Canada)
- OTA projection of approximately \$2 billion in 2008
- Nearly half of this is through mainstream retail channels
- Retail sales consistently growing by over 25% per year
 - AB showed the largest annual growth in retail sales: 44%
 - SK + MN averaged 26%
- Major exporters of cereals, pulses, oilseeds
 - Over 71,000 metric tonnes of organic wheat in 2005 (CWB)



What's sold where...

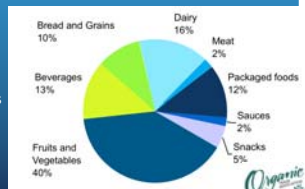


Source: Organic Agriculture Centre of Canada, May 2007, www.oacc.info



US sales and trends

- Predicted to reach \$20 billion in 2008, = 3% of US market (OTA)
- US market saw 21% growth (\$17.7 billion in consumer sales) in 2006
 - Food = 95% of total organic market (\$16.7 M), 21% growth
- Personal care products (\$350M), Fibre & Textiles (\$203M)
- Similar to Canada: national groceries are becoming the major players in the market as organic sees buy-in from "mainstream" and consumers want to see choice



Source: OTA Manufacturers Survey (2007)



New tracking of organic imports

- In 2007, Canada became the first country in the world to implement 41 HS codes for tracking organic products coming into the country
 - Over 80 codes to be tracked by January 2009
 - Provides valuable data on market, but also identifies where established markets are
- We can't grow organic bananas (\$15M/year) very well in Canada, but...
 - head lettuce (\$50 million)
 - cultivated blueberries (\$35 million)
 - carrots, broccoli, celery (\$14.5 million)

Source: Statistics Canada



Equivalency Negotiations

- US/EU - 2004/2005
 - Negotiations failed due to livestock standards (antibiotics)
- Canada/US - 2008
 - Two meetings to date, gap analysis
 - Recognition of accreditation & oversight of standards compliance ...or full equivalency?
- Canada/EU - 2008
 - One meeting to date, gap analysis
 - Recognition of accreditation & oversight of standards compliance ...or full equivalency?



What's on the horizon: world

- Newly regulated countries (large exporters)
 - Australia, Israel, Canada
- European rules changing slightly in 2009
 - Easier for EU to import product
 - New production standards (aquaculture)
- Supply crunch and ingredient pressures?



What's on the horizon: Canada

- Continued significant market growth, penetration and demand
 - (with some "bailout bumps"?)
- New regulatory regime and mandatory standards
 - Retailer best-practices guidelines
 - Standards/PSL updates ("fourth ballot")
- Non-food sectors and emerging standards
- Pre-Export limitations and requirements?



What's on the horizon: US

- Final rule on food & feed imports
 - Advance electronic filing of paper work
 - Country of Origin Labelling
- Review of grower group certification
 - Support for developing world producer coops
 - Applies to North American smallholder cooperatives
- Proposed pasture rule
 - Feed grower/supplier implications?
 - Would be similar to Canadian standards = we're getting closer



US & Canada: commonalities

- Mechanisms and oversight are similar & Regulations are comparable
 - different systems & requirements can be complex
- Trade relationship is essential for both
 - Ag. Trade = \$50 Million and 7,000 trucks per day
 - US buys up to 58% of what we sell, we buy 17%
- Foundation to build on: Recognition Agreements
 - US has recognized Standards Council of Canada, Québec, British Columbia for their organic program



Considering Can/US Equivalency

- "Minor variances in organic standards and conformity assessments can become major barriers to trade.... In short, expect the best, but don't force the entire world to be like you."

— Dr. Sophia Twarog,

UN

- US products would be able to come into Canada... and Canadian products would be NOP-equivalent
 - So: how to strike a balance of "standards exclusivity" vs. simpler systems/certification and bigger market access

Equivalency? "A wise god covers the future with clouds..."



Thank you

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