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Grow Local Organic

Organic Food Strategy for Ontario: Value-added Processing

October 2007

Prepared for World Wildlife Fund Canada

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To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by:

- **conserving the world's biological diversity**
- **ensuring that the use of renewable natural resources is sustainable**
- **promoting the reduction of pollution and wasteful consumption**

WWF Canada's Conservation Program is tackling some of the most daunting conservation challenges facing the country, as well as the broader international community. Our energies are directed at completing a national network of marine protected areas, safeguarding the Arctic, supporting leading-edge research to protect Canadian wildlife and habitats, addressing priority conservation concerns for North America, and protecting Cuban wildlife and habitats.

WWF Canada employs a range of tools, including field research, scientific mapping, policy initiatives, market solutions and public education. WWF works closely with local communities and others who share the common goal of protecting the natural world.

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1.0 Executive Summary

Ontario's organic food sector is facing an unprecedented opportunity. The market for organic food has doubled every four years over the past two decades, and is expected to continue to grow rapidly. In addition, health and environmentally-conscious consumers want to buy locally grown organic, yet up to 85 percent of these products are currently imported.¹

At the same time, Ontario's farmers are facing the most difficult times since the Great Depression, with an average net *loss* per farm of \$15,000 in 2006². Couple the exploding demand for organic food with the growing body of research that organic farming increases economic returns, energy efficiency, and soil fertility,³ and the opportunity becomes clear.

The Premier's Summit Advisory Committee unveiled its vision at Queen's Park in early 2006:

*Ontario's agri-food sector will be innovative, sustainable and provide opportunity for profit for all participants. We will be globally competitive and the supplier of choice in Ontario by responding to consumer needs and contributing to provincial prosperity, the environment and the health of citizens.*⁴

Agriculture and Agri-food Canada defines **sustainable agriculture** as integrating environmental, economic, and social interests in a way that allows today's needs to be met without compromising the ability of future generations to meet theirs, by:

- protecting the natural resource base; preventing the degradation of soil, water, and air quality; and conserving biodiversity,
- contributing to the economic and social well-being of all Canadians, and
- ensuring a safe and high-quality supply of agricultural products.⁵

The **Grow Local Organic** value-added processing strategy builds on this foundation, and illustrates how Ontario producers of organic food have the opportunity to:

- continue to innovate through new product development and distribution strategies,
- encourage strategic alliances across the value chain, increasing the market share for Ontario-grown and processed organic,
- revitalize rural communities through investment, and job and wealth creation thereby attracting young people and new Canadians to organic farming,
- stimulate local value-added processing and marketing, and
- enhance consumer awareness of the economic, socio-cultural, and environmental advantages that local organic agriculture offers.

The **Grow Local Organic** strategy takes a systemic, integrated approach to building Ontario's capacity to grow, process, and market local certified organic foods. Its success will depend on the implementation of the whole strategy, and will be measured using a triple bottom line – economic, social, and environmental.

¹ Interviews with Ontario Natural Food Co-op, OCCP Ontario Inc., The Big Carrot, August 2006.

² National Farmers Union, from Statistics Canada data, "Ag. Policy Framework Years Worst in Ontario History<" February 14, 2007.

³ David R. Montgomery, *Dirt – The Erosion of Civilizations*, University of California Press, 2007, page 207.

⁴ Minister's Strategic Advisory Committee, "Opportunities for Ontario's Agri-Food Sector: The Minister's Strategic Advisory Committee Report", March 8, 2007, page 4.

⁵ Agriculture and Agri-food Canada website: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1174656296851&lang=e&#sustainableagriculture>



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The strength of this strategy is based on three pillars:

1. Encouraging collaboration between various stakeholders in the organic food sector.
2. Building on existing infrastructure, organizational capabilities, and proven development models.
3. Leveraging resources (expertise and financial) from various levels of government, individuals, businesses, non-government organizations, and foundations.

Table 1 shows the total budget of the *Grow Local Organic* Strategy over the next four years.

Table 1: *Grow Local Organic* Budget (2008-2012)

Strategic Development Area	Total	% Total
1. Consumer Education/Marketing	\$4,865,000	38.3%
2. Organic Council of Ontario	1,025,750	8.1%
3. Training - Processors & Farmers	136,625	1.1%
4. Technical Assistance for Entrepreneurs	2,360,000	18.6%
5. Processor Supports	425,000	3.3%
6. Research & Development	840,000	6.6%
7. Co-operative Processing & Marketing	2,740,000	21.6%
8. Evaluation	300,000	2.4%
Total Contribution	\$12,692,375	100.0%

Table 2 shows the suggested budget contribution from various stakeholders.

Table 2: *Grow Local Organic* Budget Contributions

NGOs	OCO	OMAFRA	AG Can	Farmers	Processors	Retailers	Total
\$675,000	\$235,750	\$5,651,875	\$2,687,500	\$572,500	\$1,739,750	\$1,130,000	\$12,692,375
5.3%	1.9%	44.5%	21.2%	4.5%	13.7%	8.9%	100.0%

OMAFRA's overall contribution is \$5.7 million over four years, or 44.5% of the total budget. This represents 0.16% of OMAFRA's annual budget. To help put this in context, OMAFRA's budget for the Ethanol Growth Fund is \$53 million per annum.

Ontario consumers are highly motivated to buy local, organic foods. At the moment, demand far outstrips supply. By encouraging innovation, value-added processing, supply chain collaboration, and sustainable business practices, the Ontario Ministry of Agriculture and Food and the Organic Council of Ontario can provide the leadership required to meet this need.

The *Grow Local Organic* strategy estimates that 140 to 150 new certified organic grocery products could be developed by small, medium, and large processors. This will require an estimated private capital investment of \$75 million, resulting in a leveraged ratio of 14 to 1 to the cost of the strategy. By following this strategy everybody wins, and a significant portion of this new investment (and the economic multiplier of 2 to 3) would be made in rural communities, thereby strengthening local economies across the province.

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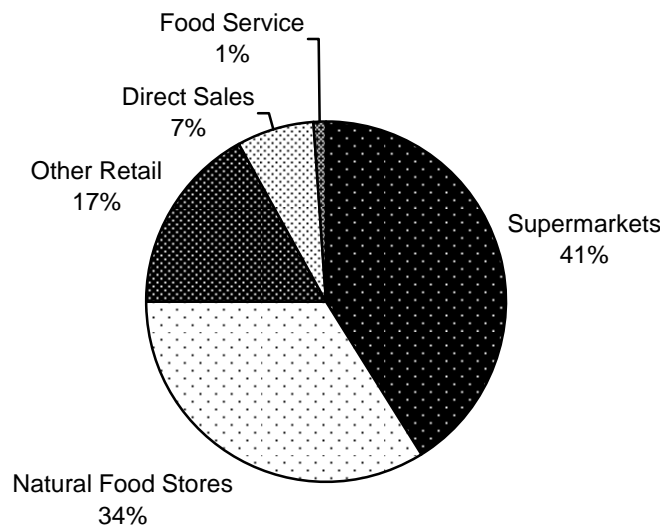
2.0 Background

2.1 Organic Food Market

Organic food is the fastest-growing market segment in the global food industry. In 2005, Canada's organic segment in supermarkets grew by 28%. In contrast, the conventional grocery industry increased by 2% for perishables and 4% for grocery.⁶ Total certified organic food sales for Canadian home consumption are estimated at \$1.1 to \$1.3 billion (just less than 1% of total food sales).⁷ Ontario has just over one-third of national organic food sales (estimated at 38%).

Chart 1 shows the percentage share of the Canadian organic food market by retail food channel.⁸ Over the last five years, organic food has gone mainstream - Canadian supermarkets' market share is estimated to be 41%, or \$412 million. The next largest distribution channel (34%) includes the large natural food store chains, independents, and co-ops with estimated sales of \$330 million. Independent grocery and specialty stores, warehouse clubs, and drug stores had sales of \$175 million (17%). Direct sales of \$70 million (7%) include farmers markets, Community Supported Agriculture (CSA) projects, and box delivery companies. Food service and restaurants account for an estimated \$10 million (1%).

Chart 1: Estimated Certified Organic Food Sales by Channel 2006



In Canadian supermarkets, certified organic pre-packaged grocery products gained 31% last year, compared to 22% for organic perishables.⁹ Grocery products (including packaged and

⁶ AC Nielson, "Review of Certified Organic Grocery Food Products at Retail in Canada", November 2006, page 4.

⁷ *ibid.*, page 4.

⁸ Anne Macey, "Retail Sales of Organic Food Products in Canada, in 2006", Organic Agriculture Centre of Canada, Truro, Nova Scotia, May, 2007, page 2.

⁹ AC Nielson, "Review of Certified Organic Grocery Food Products at Retail in Canada", November 2006, page 4.



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frozen foods and beverages) represent 51% of sales, perishables represent 38%, and dairy products are 11%.¹⁰ The largest organic segments by sales value are soya drinks, bagged salads, ready-to-eat cereals, refrigerated yogurt, and bagged broad-leaf vegetables.¹¹ And most of these products (either supermarkets or natural food stores) are imported – and estimates run as high as 85%¹².

While consumer demand for organic food continues to grow by 15 to 20% per year, there is also a heightened interest in eating locally-produced foods. The best-selling *100 Mile Diet*, the growth in farmers' markets (\$500 million in 1999 and now over \$645 million in sales)¹³, and the provincial government's renewed Foodland Ontario campaign (*Pick Ontario Freshness*) are all riding a wave of consumer interest in eating locally. In 2006, 95 percent of Ontario's principal grocery shoppers recognized the Foodland Ontario symbol (up from 86 percent in 2005) and 87 percent of principal grocery shoppers demonstrated a propensity to purchase Ontario produce (up from 78 percent in 2005).¹⁴

Consumers are motivated to purchase local organic food because they feel that eating organic has health and environmental benefits. Recent polls show that the environment (water pollution, toxic waste and contaminated sites, smog and air quality, wildlife and climate change) is the most important issue facing Canadians, surpassing health care, the economy and the war in Afghanistan.¹⁵

On May 16, 2006, the Census of Agriculture counted 57,211 farms in Ontario, a 4.2% decrease over the past five years.¹⁶ This is a smaller percentage than the 7.1% decrease at the national level. On Census Day 2006, there were 10,309 fewer farms in Ontario compared to 1996.¹⁷ A census farm is an agricultural operation that produces an agricultural product intended for sale.

According to the Canadian census, there were 3,591 farms with organic production in Ontario on census day, 6.3% of all farms in the province. Nationwide, 6.8% of all farms reported organic production. For the first time, Canadian farmers were able to report on their census forms the status of their organic products grown or raised:¹⁸

¹⁰ *ibid.*, page 6.

¹¹ *ibid.*, page 4.

¹² Interviews with Ontario Natural Food Co-op, OCCP Ontario Inc., The Big Carrot, August 2006. Note that ACNielsen found that 47% of the 2,676 organic products were “grown, packaged, or processed domestically”; however, this estimate is not based on sales volume, and it includes a large amount of imported ingredients.

¹³ OMAFRA Press Release, “Support For Farmers' Markets Encourages Consumers To Pick Ontario Freshness”, June 29, 2007.

¹⁴ OMAFRA Press Release, “Campaign Gives New Life To An Old Favourite, Encourages Consumers To Pick Ontario Freshness”, June 21, 2007.

¹⁵ CBC News Environment Trumps Health Care, Afghanistan as Key Issue: Poll, September 24, 2007.

<http://www.cbc.ca/canada/montreal/story/2007/09/23/environment-poll.html>

¹⁶ Statistics Canada, 2006 Census at http://www.statcan.ca/english/agcensus2006/media_release/on.htm#r3

¹⁷ *ibid.*

¹⁸ *ibid.*



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- 16.5% were *certified organic* (only 0.9% of Ontario farms are *certified organic*¹⁹),
- 4.1% were in *transition* to becoming certified (14.2% in Ontario²⁰),
- 83.2% produced organic products but *were not certified*,²¹ and
- 52.2 % of these farms grew hay or field crops.

In terms of processing capacity, Ontario has approximately 3,500 commercial food processing facilities (owned by approximately 1,500 companies)²² of all sizes and in every food product category. Of those, OMAFRA estimates that a minimum of 170 firms have at least one organic product line – a likely underestimation given the rapidity at which the market is developing, and the voluntary nature of reporting. In 2003, there were 43 certified organic processors in Ontario²³, this had more than tripled to 155 by 2005.²⁴

According to OMAFRA²⁵, the following organic products are available from Ontario processors.

Primary/Commodity Products

- Flours
- Eggs
- Fruits & Vegetables (including fresh cut, roasted garlic and soybeans, seasoned beans)
- Honey, Maple Syrup, alternative sweeteners
- Soup Mixes (dry, containing beans)
- Fluid Milk
- Meats

Value-added Processed Products

- Breads, rolls & baked goods (including cookies & pitas, baking mixes)
- Snacks & Cereals (including seeds, chips & popped snacks, snack crackers and nut/fruit/meal replacement bars)
- Beverages (including alcohol, teas, coffees, fruit & grass juices & seltzers, powder mixes)
- Prepared Soups
- Condiments (including ketchup, salad dressings, miso, sauces, nut and fruit butters, jams & jellies)
- Chocolates
- Processed Dairy Products

¹⁹ Anne Macey, “Certified Organic Production in Canada 2005” from <http://www.cog.ca/OrganicStatistics.htm>

²⁰ *ibid.*

²¹ This points to the importance of having a clear definition, standards and enforcement of *certified organic*.

²² Compiled from OMAFRA estimates and Statistics Canada data, August, 2007.

²³ Anne Macey, “Certified Organic: The Status of the Canadian Organic Market in 2003, Prepared for Agriculture Canada, March 2004, from <http://www.cog.ca/OrganicStatistics.htm>

²⁴ Anne Macey, “Certified Organic Production in Canada 2005” from <http://www.cog.ca/OrganicStatistics.htm>

²⁵ OMAFRA’s economic development staff maintain a database of firms they are aware of that provide co packing services and offer organic lines and can provide assistance sourcing organic co-packers.



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- Pasta
- Ethnic Meals & Prepared Foods (curries, entrees, pates, baby foods)
- Ingredients – including Starches, Gums, Flavours & Extracts

As the diversity of Ontario's population increases (particularly in the Greater Toronto Area) there are increasing numbers of entrepreneurial new Canadians (particularly women) who are bringing their cultural food specialities to market. The recent addition of the Toronto Food Business Incubator (please refer to Appendix IV) and FoodShare's new Kitchen Incubator provides additional facilities for the development of innovative food products.

2.2 Objectives

Given the expectation for continued double-digit growth in the sales of certified organic food products, the significant interest in local foods, and the fact that most of the organic grocery products sold in Ontario are imported, there is a substantial opportunity for Ontario-grown and -processed certified-organic food products.

In June 2006, World Wildlife Fund Canada worked together with the Organic Agriculture Centre of Canada to write a comprehensive organic food strategy for Ontario, "Ontario Goes Organic"²⁶. The strategy was adopted by the Organic Council of Ontario and has two major long-term objectives:

1. Achieve a ten-fold increase (from 1% to 10%) in Ontario acreage dedicated to organic production by 2021 (fifteen years), and
2. Increase the retail market share of Ontario grown organic to 50% of total organic in fifteen years.

To meet these long-term objectives, medium term (five year) objectives were suggested for Phase 1:

1. Double Ontario-grown certified-organic crop and animal production.
2. Double certified-organic grocery products grown and processed in Ontario, from the current share of 15% to 30%.
3. Double overall retail food and beverage market share from 1% to 2%.

The **Grow Local Organic** strategy recommends a four-year time period, which coincides with the term of the current government. In order to meet our objectives, the organic food production sector will have to grow at 20 percent per annum.

²⁶ Rod MacRae, Mark Juhasz, Julia Langer, and Ralph C. Martin, "Ontario Goes Organic: How to Access Canada's Growing Billion Dollar Market for Organic Foods", World Wildlife Fund Canada and the Organic Agriculture Centre of Canada, June 2006.



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2.3 Opportunities

Given the fragile financial situation for many Ontario farmers – even with per-farm gross market sales increasing from \$110,000 to \$150,000 over the past fifteen years, Ontario farmers moved from a low average net income (in the single digit thousands) to an average net *loss* of \$15,000 in 2006²⁷. The last five years have been the worst in Ontario’s farming history in terms of farm income – worse even than the Great Depression. Farmers who have survived include chicken, egg, and dairy farmers (partly because of cost-plus supply management systems), as well as conventional and organic farmers who directly participate in some form of value-added marketing. **To survive, in addition to the business of farming, farmers must become value-added processors, marketers, and sales people, and the organic market presents such an opportunity.**

2.3.1 Economics of Organic Farming

There is a growing body of long-term research evidence that organic farming increases economic returns and energy efficiency, as well as building soil fertility.²⁸ The economics of organic farming are more attractive than conventional farming for five key reasons:

1. **Consumer demand exceeds supply, providing a significant price premium** (10% to 300% over conventionally-grown foods) for *certified organic* products.
2. **By cutting out middlemen, organic farmers gain a bigger slice of the consumer food dollar.** Consumers spent 7.3% of their disposable income on food in 2006; \$22 of every \$100 spent at retail stores is spent on food and beverages (29% of this on alcohol).²⁹ Most organic farmers participate directly in the value-added food chain (for example, 90% of organic dairy farmers are members of Organic Meadow Co-op), by marketing directly to consumers; by pooling, sorting, storing and packaging products; by processing and marketing shelf-stable products; and by creating their own brands.
3. **Input (fossil fuel-based) costs are lower**, and will decline compared to industrial agriculture as fossil fuel prices continue to escalate. Organic farmers work towards the ideal of a closed energy system on the farm – using human, animal and biomass energy to replace fossil fuels.
4. **Revenues are more stable** because organic farmers grow a diversity of crops and have a diversity of incomes. The industrial model of farming emphasizes a specialized monoculture approach that makes farmers vulnerable to weather variations, potential plant disease, soil erosion and global price fluctuations.
5. **Organic farming is more sustainable** because it builds the organic matter and biological life in the soil.

²⁷ National Farmers Union, from Statistics Canada data, “Ag. Policy Framework Years Worst in Ontario History<” February 14, 2007.

²⁸ David R. Montgomery, *Dirt – The Erosion of Civilizations*, University of California Press, 2007, page 207.

²⁹ Statistics Canada, “The Daily”, July 25, 2007.



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2.3.2 Ontario Organic Commodities Targeted for Growth

Five product categories have been identified as the major targets for growth. These categories also offer good opportunities to match organic farm production with existing Ontario processing capabilities:

1. **Dairy (cow)**³⁰ – Ontario produces top quality cow’s milk, and some of the best naturally -aged, whole-milk cheeses in the world. There is also great potential to produce local artisan cheeses, much as they have done in Quebec (for more on Quebec, please refer to page 16). The dairy (cow) category will require continued government support for supply management. The transition from conventional to organic dairy production is one of the least challenging for farmers, given that the current cost-plus supply management system offers economic stability to farmers, and will help them take the economic risk of transition. There is also a well-established national organic brand owned by a farmers’ co-op – Organic Meadow that will buy the milk they produce.
2. **Vegetables and Fruit** – Ontario grows world-class quality vegetables and fruit. Market gardening has never had more potential in Ontario than right now: the values, flavour, quality, economics, and cultural qualities of locally-grown food have really captured the hearts and minds of consumers. Ontarians also go out of their way to purchase local organic foods and tend not to be price-sensitive. Farmers’ markets (either with mixed organic and conventional farmers, or exclusively organic) are rapidly expanding. Once consumers taste local, organic food, they prefer it to imported alternatives. Organic farmers need support to improve on-farm post-harvest handling (sorting, washing, and chilling), extend their season, and determine the best way to preserve in-season fruits and vegetables for winter sales – including state-of-the-art storage, flash freezing, and traditional canning.
3. **Corn and Soybeans** – Today, most of the corn grown in Ontario is in a corn-soy bean (and sometimes winter wheat) rotation. In 2006, Ontario farmers grew 1.9 million acres of corn, (55.2% of all Canadian corn)³¹ There are significant small-scale corn milling opportunities for new generation co-operatives, with more sustainable margins than the corn-for-ethanol market. Soya milk is the number one organic product on the market, and there is a significant opportunity to replace imported organic soybeans.
4. **Grain** – Wheat (spring and winter), barley, rye (fall), and oats have great potential for growth. Organic farming requires a diversity of crops to support rotation practices that control weeds and build soil fertility. Marketing a diversity of crops also levels out wild farm income swings caused by price speculation on mono-culture commodities. Again, small-scale flour milling provides an excellent value-added opportunity.
5. **Meat** –Consumer demand for certified organic and ethically-treated animals far exceeds Ontario’s current supply, and prices for organic are three times conventional. Rowe Farm Meats™ is the leading brand, and many smaller family farms supply this company.

³⁰ Please note that Ontario also has a growing goat and sheep milk/cheese industry, including two farmers’ co-operatives – Mornington Heritage Cheese and Dairy Co-operative (<http://www.morningtondairy.com/index.php>) and Ewenity Dairy Co-operative (sheep’s milk cheese) at <http://www.ewenity.com/ewenity.html>

³¹ Statistics Canada, Census of Agriculture, 2006.



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2.3.3 Realities of Growing Ontario Organic

In order to take advantage of the opportunities for increasing the production, value-added processing, and marketing of certified organic food in Ontario, the following realities will need to be considered:

1. **New product development needs to be consumer or demand driven.** Professional market research and consumer market testing will need to be performed before making the investment required to launch new products. Co-packing is the best option to begin production of a new product until demand is proven and a critical mass of production volume is reached to ensure an adequate return on investment in a new production facility or production line. For example, setting up a medium sized production line to process salad greens, takes an investment of \$1-\$2 million. To meet mainstream supermarket volume requirements for an organic fruit jam product could be as high as \$10 million for a turnkey production line in an existing building.
2. **Farm production scale needs to match processing scale and retail scale.** In general, Ontario organic farms are smaller in scale than conventional farms, and do not match the scale of large-scale processors and mainstream retail/distribution systems. This may introduce inefficiencies into the system. A creative solution to this challenge is to pool regional production from organic farmers either contractually or through legally incorporated co-operatives. Another solution is to start small with a chef and a commercial kitchen producing shelf-stable products and then moving to a small scale processor as the volume grows.
3. **Ontario farm production is seasonal.** This requires seasonal marketing, seasonal value-added processing, seasonal inventory management, flexible manufacturing with the ability to handle a number of crops and products, and supply chain creativity, innovation and collaboration.
4. **The economics have to make sense.** All players in the value chain need to make a profit to ensure a reasonable return on investment. Organic farmers need to receive a price premium (either from the market or from government) to pay for their sustainable farming practices and the environmental benefits that accrue to society:
 - building the long-term soil resource,
 - protecting watersheds,
 - enhancing biodiversity, and
 - decreasing greenhouse gases.

Ideally, organic farmers will continue to expand their participation in the value-added marketing chain, progressively gaining a larger portion of the consumer food dollar. Processors and co-packers have to carefully calculate their costs of manufacturing, distribution and marketing to ensure they operate profitably and cover their variable and fixed costs in the long-term.

5. **Quality assurance and consumer trust are essential for premium organic products.** Third-party certification, government enforcement of internationally-recognized organic standards, food safety, traceability, and stringent post-harvest handling, processing, storage and shipping requirements are part of the mix. Taste, texture, shelf-life, appearance, convenience and packaging are also important attributes for any food products to be successful with consumers.



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6. **Processing and distribution logistics have to be well planned and executed.** This requires experience, training, creativity, the use of new technology (software and hardware), supply chain collaboration, and effective inventory management. Logistics challenges were mentioned by many of the interview participants from all sizes of organizations.
7. **Technical assistance (consulting) is often required** to perform feasibility studies, create business plans, prepare legal agreements (contracts, joint ventures, limited partnerships, co-operatives), design and implement information systems, and develop management and human resource systems. Packaging, branding and marketing is a highly developed art and science, and farmers, entrepreneurs and processors often need professional assistance in this area.
8. **Ontario's labour force is shrinking** as the large, aging baby boom population retires. The Alliance of Ontario Food Processors has identified a serious labour shortage in the coming decade. Succession is also a significant challenge in farming, and new government policies and innovative approaches need to be taken to address the issue.
9. **Small- and medium-sized enterprises, including co-operatives, face challenges in raising the capital** required to grow and develop innovative products and processing technologies. Most established businesses finance their growth through retained earnings, but it is particularly difficult for innovative start-up enterprises to raise adequate capital. Venture capital firms generally require a return on investment of 35% per annum for start-ups, and are not generally interested in small firms that require less than \$2 million in capital (because small investments require the same due diligence as larger investments). This level of return on investment is out of reach for most food processing enterprises, and is not applicable to co-operative enterprises that sell shares at par value.



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3.0 Methodology

A number of documents and organizations were consulted to provide the background and context for the development of this strategy. A summary of these is provided below, together with their major implications for developing Ontario's organic value-added processing strategy.

3.1 Secondary Research

3.1.1 OMAFRA

In February 2006, the Premier's Summit Advisory Committee (on Agri-food) unveiled its vision: *Ontario's agri-food sector will be innovative, sustainable and provide opportunity for profit for all participants. We will be globally competitive and the supplier of choice in Ontario by responding to consumer needs and contributing to provincial prosperity, the environment and the health of citizens.*

Supporting Statements:

- *Making innovation a competitive cornerstone;*
- *Maximizing our market position;*
- *Fostering dynamic strategic alliances across the value chain;*
- *Successfully managing the economy and ecology;*
- *Conserving Ontario's rural heritage and landscape; and*
- *Winning the full appreciation and understanding of Ontario society.*

OMAFRA describes its role as:

*helping build a stronger agri-food sector by investing in the development and transfer of innovative technologies, retaining and attracting investment, developing markets and providing effective risk-management tools. The ministry consults extensively with stakeholders and works collaboratively with many partners in industry and all levels of government to deliver programs that will enhance the sector's position as a world leader in the environmentally sound production of safe, high-quality agri-food products.*³²

The **Grow Local Organic** value-added processing strategy supports the Summit's vision and OMAFRA's role by recognizing that Ontario-grown certified-organic food is the fastest-growing segment in the food sector and has the opportunity to:

- Continue to innovate through new product development and distribution strategies.
- Encourage strategic alliances across the value chain, increasing the market share for Ontario grown and processed organic.
- Revitalize rural communities by attracting young people and new Canadians to organic farming, and stimulating local value-added processing and marketing.
- Enhance consumer awareness of the economic, socio-cultural, and environmental advantages that local organic agriculture inherently offers.

³² <http://www.omafra.gov.on.ca/english/about/annual.html>



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OMAFRA's staff provide consulting advice and administer a number of programs that support farmers and food businesses in Ontario. These programs have been designed for conventional agriculture and food business, without the specific needs of organic agriculture or alternative distribution systems in mind. However, all of these programs are available to organic producers and processors (please refer to Appendix II).

The Ontario government's food industry strategy supports traditional economic development and takes a supporting role in private sector innovation, entrepreneurship, and investment. OMAFRA uses the phrase – “keep, get, and grow” (keep the food businesses located in Ontario, attract new businesses from outside of Ontario, and grow the existing food businesses) to describe their role.

The government promotes Ontario grown fruits and vegetables (conventional and organic) with its revitalized Foodland Ontario program. In 2007, the Ontario government provided \$200,000 to the Organic Council of Ontario to encourage co-operation amongst industry players to create a development strategy.

Some of the achievable goals identified by OMAFRA for the organic sector include:

1. Increasing supply of fresh, local vegetables that can replace imports.
2. Identifying other commodities that require growth, how supply is limiting growth, and developing plans that best increase local supply.
3. Enhancing infrastructure for organic production, processing and distribution.
4. Using the existing market system and encouraging retailers to buy Ontario products.
5. Facilitating Ontario organic ingredient availability for the food processing industry by supporting pre-processing, flash freezing, and logistics and inventory management.

OMAFRA suggests there are opportunities for growth in organics across all food products and categories, including:

- relative ease of entry to the food processing industry for smaller firms
- a growing market share for organics
- available processing and co-packing capacity
- well-developed distribution channels with premium pricing
- strong potential for increased export sales
- active industry trade associations

The Ministry also recognizes that there are challenges to be met, and that the future of the organic food sector is not without risk. In the longer term, OMAFRA notes that new challenges could arise – for example the prices of organic food could decrease as the supply of organic product increases and new opportunities could arise – for example as fuel costs increase, local organic food could become even more economically attractive.

According to its 2004-2005 Annual Report (year ending March 31), OMAFRA had an annual operating budget of \$630 million, and a capital budget of \$242 million. In the current fiscal year, (ending March 31, 2008) OMAFRA's budget is \$876 million.

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Currently, the Ontario government does not offer financial support specifically designed to target farmers and firms in the organic sector. In other developed countries, there are several examples of government programs geared to support the growth of the organic agriculture sector. In the United States, the recent USDA 2007 Farm Bill was passed by the House of Representatives, providing:³³

- \$22 million USD (over five years) for national organic certification cost sharing,
- \$50 million USD for organic transition (\$10,000 per farmer per year for three years),
- \$30 million per year focused on small and medium-sized farms for value-added producer grants, and
- \$30 million for Community Food Projects.

In June 2004, the European Union announced its action plan for organic farming. The plan encourages the purchase of organic food by institutional kitchens at hospitals and schools; and actively publicizes the positive benefits of organic food and agriculture. It also allocated \$130 (CAN\$) million annually to fund organic agriculture research.³⁴

In 2005, Britain introduced an environmental stewardship program that pays farmers up to 30 euros per hectare for protecting their land for the benefit of wildlife and to cut pollution. An Italian initiative promotes 100% organic meals in school canteens, and a German initiative aims to have 100% of baby foods certified organic. In Germany, 79 million euros were allocated to create information programs to mobilize the media and to stimulate research into organics.³⁵

As shown by these examples, governments have a number of tools at their disposal to stimulate economic activity, including:

- Direct financial support to firms (grants and loans) for business activities, or to encourage “non-profitable” actions for social or environmental reasons.
- Indirect support via incentives for groups that lend to firms (for example, labour-sponsored venture capital or loan guarantees to banks or credit unions).
- Provision of low or no-cost support in business management, including marketing.
- Preferred purchasing in government-run programs (including locally-produced food).
- Moral suasion of buyers.
- Consumer promotion to have eaters “pull” products through the food chain by demand.
- Tax incentives – credits and abatements.
- Economic development zones or tax-free zones.
- Development of industries that support food (for example, research and packaging) to encourage firms to cluster near key suppliers or to encourage innovation leading to business growth.
- Regulation requiring business compliance.

³³ http://www.farmandfoodproject.org/farm_bill_news.asp

³⁴ Marva Skrypiczaiko, “BC The Organic Way”, at http://commonground.ca/iss/0506167/cg167_marya.shtml

³⁵ Sophie Galharret. “Organic Farming in Europe in Need of Fertilizer”, in *Café Babel*, Recipe for a Greener Europe Paris, 11/4/2005.



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A number of these strategies are already being used by the Ontario government in the agri-food industry. Section 6 of this report provides a detailed description and suggested financial budgets for the approach being recommended to implement the *Grow Local Organic* strategy.

3.1.2 Organic Agriculture Centre of Canada

Market research conducted by The Organic Agriculture Centre of Canada (OACC): “Review of Certified Organic Grocery Food Products at Retail in Canada” (ACNeilson Canada, November 2006), “Retail Sales of Certified Organic Food Products in Canada in 2006”, and “A National Strategic Plan for the Canadian Organic Food and Farming Sector (2002)” were reviewed.

The ACNeilson research documents the rapid growth in the organic product category in retail supermarkets. The OACC’s own report estimates that sales in alternative distribution channels across the country will experience double-digit growth over the coming years.

The OACC’s National Strategic Plan was the model for the Ontario Strategy, which was recently adopted by the Organic Council of Ontario. Key aspects of this strategy include:

- Setting measurable targets for domestic organic retail sales, processed products, and related commodity production targets.
- Ensuring organic farmers are able to make a living.
- Making organic food accessible and affordable – an average premium of 15% over conventional foods as the costs of conventional production increase.
- Supporting co-operative and alternative distribution systems to supply locally-produced organic food, and gain a larger portion of the food dollar for farmers.
- Revitalizing rural communities through new business investment, increased labour requirements, and farm succession.

3.1.3 Organic Council of Ontario

Last year, the OCO received CanAdvance funding from the Federal government of \$300,000 over three years and \$200,000 from OMAFRA.

The Council adopted WWF Canada and the Organic Agriculture Centre of Canada’s (OACC) organic strategy for Ontario, “*Ontario Goes Organic: How to Access Canada’s Growing Billion Dollar Market for Organic Food* (Version 4, June 2006). The Council is in now the process of refining their strategy and is beginning to focus on the processing and value-added aspects.

On August 30, the OCO hosted a “Processor Consultation Meeting – Ontario Organic Strategic Plan” at the head office of OMAFRA in Guelph. There were twenty people in attendance (including the two authors of this report) and an additional eleven on teleconference. The third draft of this report was presented and discussed at this meeting, and there was wide support for its objectives and approach. The fourth draft integrated the input of participants in this meeting, and was then circulated to the OCO Board of Directors for their feedback. The final draft is the result of this last consultation.



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Like the National Strategy, one of the Ontario Strategy's strengths is setting realistic and ambitious measurable targets. And there are some other key points to emphasize:

- Domestic supply is not keeping up with demand.
- Most growth will occur in small- to medium-sized farms and processing operations.
- Like climate change, the lack of a critical mass in Ontario organic production and processing is a market failure. It will require government intervention and investment to correct this, including the recognition and payment for the environmental benefits of local organic production. The environmental return on investment in this strategy is conservatively estimated to be 42.6% per annum.³⁶
- Increased processing capacity will largely come from conventional processors being certified to co-pack organic products or adding specific organic production lines.
- Farmers need to form vertical and horizontal alliances with others in the food supply chain to ensure that everyone benefits. Farmers can increase their share of the consumer food dollar by participating in value-added marketing and processing co-operatives.

Randy Whitteker (General Manager, Ontario Natural Food Co-op) is a member of the OCO Board of Directors and was a participant for this strategy. The ONFC recently introduced its private label line of organic tomato products – grown, co-packed and distributed in Ontario. The co-op wants to introduce other private label Ontario organic products and like other entrepreneurial organizations, it is having trouble matching its distribution capacity with products that have adequate production volumes to meet minimum processing runs.

Ideally, the Ontario government could support the OCO to develop a database of organic farms and the commodities they produce. The logistics could then be organized and matched with regional processing facilities in a cluster strategy. This would encourage farmers in the region to grow more organic product, particularly if they received technical assistance to form value-added co-operatives (pooling their resources and investing in their own brand), much as Organic Meadow, Mornington Dairy, Quinte Organic Farmers, and Ewenity co-ops have done.

There are also a number of regional production hubs or clusters that pool farm production based on informal collaboration, including:

- Pfennings Organic Farm – 15 farmers in the Baden area supply this farm/distributor.
- Oak Manor, Tavistock – supplied by forty to fifty Ontario organic farms, 20 of which are within a 10 kilometre radius.
- HOPE, a Mennonite group from Alymer, includes 12 family farms.
- Rowe Farm Meats – a group of 20 to 30 farmers (not all certified organic) are considering their options to pool production, including a producer co-operative.
- Everdale Organic Farm and Environmental Learning Centre operates a CSA with 100 shareholders, a farm store, and an internship program (together with twelve other organic farms) for aspiring organic farmers.

³⁶ This is calculated by taking the conservatively estimated environmental benefits of organic agriculture (\$145 million per annum) and dividing by the estimated \$3.4 million average investment per year.



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3.1.4 Quebec Organic Strategy

In the third quarter of 2003, leaders of Quebec's organic sector published their document, *Strategic Plan for Quebec Organic Food Sector 2004-2009*. Like the National and Ontario strategies, the Quebec strategy consulted widely (550 people) with farmers, processors, distributors, retailers, and others in Quebec's organic industry.

All of the participants agreed on "the cornerstone of organic farming – to produce high-quality food in an environmentally sustainable way." They also expressed their desire to have Quebec's organic food sector recognized for:

- its positive contribution to the environment and (human) health;
- the integrity of the organic designation;
- the wide variety of its products and the accessibility of products in the Quebec market;
- the dynamism of its leaders in the Canadian and export markets.

The Quebec strategy set more ambitious growth targets than the Ontario strategy, including:

1. Tripling the number of organic and transitional farms in five years;
2. Increase fivefold, by 2009, the value of organic products processed in Quebec;
3. Increase fivefold, in five years, the value of Quebec organic food products sold in domestic markets.

Quebec has a growing network of Community Supported Agriculture (CSA) farms. In 2002, this network of over 40 farms accounted for 3% of the market for organic products and provided farmers with average sales revenues that are 25% higher than other distribution channels. And because the farmers deal directly with their customers, the customers also win, gaining access to healthy, locally-produced food at reasonable prices.

One example of Quebec's growing CSA network is Équiterre, an organization with a mission to promote socially just and environmental choices for citizens. Seventy-nine organic farms compose Équiterre's CSA network and feed about 8,600 families (about 25,000 individuals). The economic impact of this network is \$3 to \$3.5 million dollars spread in 13 regions of the province.

The Quebec strategy also calls for a study that demonstrates the economic, environmental and social benefits that will accrue from developing organic agriculture. In other words, recognizing and setting attainable targets for the economic, environmental, and social returns on investment – the triple bottom line.



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3.1.5 Labour Study of Ontario's Food Processing Industry

The Alliance of Ontario Food Processors published their economic study, *Workforce Ahead: A Labour Study of Ontario's Food Processing Industry*, in February 2005. This study points out the economic importance of Ontario's food processing industry:

- \$24.5 billion in food manufacturing shipments in 2001 (now \$33 billion), representing 8.6% of total manufacturing activity in Ontario.
- Four sub-sectors dominate the Canadian scene: grain and oilseed milling; sugar and confectionary; fruit and vegetable processing; and baking. Together, they account for more than half of Canadian shipments.
- 80% of the 2,300 plus food companies are small- and medium-sized enterprises with less than 50 full-time employees.
- The Greater Toronto Area (GTA) accounts for nearly half of the workers in the food processing industry.
- 70% of the harvest from Ontario is processed in Ontario.³⁷

The study authors conducted more than forty personal interviews with a representative cross-section of Ontario food processors. The three main business concerns expressed by the companies were (Executive Summary, page 12):

1. Intense cost pressures resulting from a combination of the consolidation of buying power among customers (large retailers) who squeeze processors' margins, together with rising costs of inputs such as energy, raw materials, and U.S. border security regulations.
2. Finding sufficient workers, especially in skilled categories.
3. The rising value of the Canadian dollar relative to the U.S. dollar, particularly with respect to its impact on export business.

These are the same barriers that face organic food producers and co-packers, and will further encourage local production and distribution.

The other concerns expressed included responding to the changing demands of consumers (health, nutrition, organic, and ethnic foods) and obtaining a reliable supply of key ingredients. This is similar to the concerns for processing in the organic sector. Indeed, with accelerating impacts from climate change weather patterns will become more unpredictable and farming will become more challenging, leading to further supply disruptions.

³⁷ Discussion with Jane Graham, Executive Director, Alliance of Ontario Food Processors, August 24, 2007.

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3.2 Primary Research

Twenty-eight interviews provide on-the-ground perspectives from organic farmers, third-party certifiers, processors, distributors, and specialty retailers, as well as mass market retailers, processors and national/international brand food corporations and their trade associations.

Table 3 provides a brief description of the responses of those in the *organic* sector.

Table 3: Interview participants – Organic Sector

Farmers	Name	Position	Organization	Commodity Categories
1	Jen Pfenning	Marketing Director	Pfennings Organic Vegetables	Fresh vegetables & fruit
2	Elisa Vanderhout	Founder & Co-owner	Circle Sun Farm Co-op – renamed: Agri-cultural Renewal Co-operative	Dairy, vegetables & fruit, meat & bakery products
Retailers				
1	Asa Copithorne	Grocery Dept.	The Big Carrot	Grocery
2	John Hopperton	Metro Buyer	Whole Foods Toronto	Grocery
Distributors/Marketers				
1	Norman Ayerst	Owner	Grow Marketing	Grocery, refrigeration, frozen
2	Michael Schreiner	Vice President	Local Food Plus	All
3	Randy Whitteker	General Manager	Ontario Natural Food Co-op	Bulk, grocery, dairy, refrigeration & frozen
Processors				
1	Danielle Franz	Director	Trionia Foods International	Frozen dairy (dessert)
2	Eryn Green	Co-founder	Sweetpea Baby Food	Frozen – vegetable, fruit & meat
3	Jeff de Jong	Co-director	Co-operative La Siembra	Sugar & chocolate products
4	Gerhardt Latka	Founder	Crofters Foods	Fruit Spreads & Juices
5	Perry Reibling	Marketing Manager	Oak Manor Farms	Grains & Flours
Third Party Experts				
1	Larry Lendhart	Manager	OCCP Ontario Inc.	All
2	Hugh Martin	Organic Crop Production Lead	Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA)	All
3	Tomas Nimo	Conference Manager	Guelph Organic Conference	All
4	Kim Thorne	Executive Director	Organic Council of Ontario	All

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Table 4 provides a brief description of the responses of those in the *conventional* food sector.

Table 4: Interview participants – Conventional Food Sector

Retailers/Marketers	Name	Position	Organization	Commodity Categories
1	Yvette Plentai	Project Manager	Niagara AgriTourism Circuit & Co-operative	Fruits, vegetables, herbs, honey, wine, alpaca fibre
2	Jill Rudderham	Grocery Manager, PC Organics	Loblaw Companies Ltd.	All
Processors				
1	Roger Dickhout	C.E.O.	Pine Ridge Foods (Liberte)	Dairy – Conventional and organic
2	Jane Graham	E.D.	Alliance of Ontario Food Processors	All
3	Joan Patterson	Communications & Micronutrient Campaign Manager	H.J. Heinz Company of Canada Ltd.	Various
4	Llewellyn Smith	Former CEO	E.D. Smith and Sons Ltd.	Tomato products, fruit spreads
5	Phyllis Tanaka	Director of Food & Nutrition Policy	Food and Consumer Products of Canada	All
Third Party Experts				
1	Kavika Borbeau	Associate Director of Member Services	Institute of Chartered Accountants of Ontario	Generally Accepted Accounting Principles
2	Helen Prinold	Client Account Officer – Food Distribution, Organics & Condiments	Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA)	All
3	Helene St. Jacques	Owner	Informa Market Research	All
4	Julie Desjardins Alan Wilis	Climate Change Triple Bottom Line	Canadian Institute of Chartered Accountants	Advisors
5	Michael Wolfson	Food & Beverage Sector Specialist	City of Toronto	All – particular emphasis on ethnic foods

In order to maintain internal validity, we developed specific questionnaires for each of the interview categories – organic farmers, retailers, distributors, processors, and other expert parties (please refer to Appendix I). In addition to direct interviews, the authors also reviewed numerous websites and company documents, and participated in the OCO’s processor consultation (31 participants including the authors and some overlap with interview participants in the table above).

To gain the most complete and open answers regarding sensitive business information, the authors assured confidentiality of all responses. The quotes that appear in this report have all been approved by the source.

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4.0 Analysis

4.1 Drivers

The following considerations have been identified and affirmed by the review of documents and through the interviews. These factors are the key drivers in decision making for farmers, processors, distributors, retailers, governments, and consumers:

4.1.1 Economics

No matter who the player is in Ontario's food system, from a large transnational to a small family farm or a not-for-profit food co-op, the economics of organic food have to make sense. In the words of Joan Patterson (Communications Manager, Heinz Canada), "Like anything we sell, organic products must deliver shareholder value and a satisfactory ROI." Elisa Vanderhout, organic farmer, put it this way, "There has to be enough money to go around." And marketing consultant Norman Ayerst, said, "Organic has to be profitable from farmers to retailers."

The Canadian Institute of Chartered Accountants (CICA) publishes Generally Accepted Accounting Principles (GAAP) – the rules for creating financial statements. Environmental and social costs and investments are not directly included in financial statements according to these principles and standards unless they arise from a transaction such as a tax (or subsidy) or other expenditure (such as installing required pollution control devices, cleaning up contaminated land or paying fines or providing pension benefits for employees).³⁸

In other words, the main tool used to measure the success of a business (conventional financial statements) only measures a company's financial transactions, and ignores environmental and social costs caused by a company such as impacts on property, farmland, crops, decent wages, or health. At this time, the disclosure of social and environmental information may be partially made through mandatory Management Disclosure and Analysis and Annual Information Form reports, that aim to provide more complete information to shareholders and capital markets. Disclosures about environmental and social matters are also made by some companies to other categories of stakeholders (e.g. consumers, suppliers, communities) in CSR or sustainability reports.

In the short-term, the conventional business model (under which performance and success are primarily measured by financial results) has been very good at producing an abundance of goods and services, but at the cost of rapid fossil fuel depletion, environmental degradation, and growing disparity between rich and poor. And, it is becoming clear to more and more businesses that a triple bottom line needs to be the sustainable measure of success. In other words, we not only need to consider the financial return on investment (ROI), we also need to measure the social return on investment (SROI), and environmental return on investment (EROI).

The crops organic farmers choose to grow, the transportation costs required to move the product (or the consumers) to the market, and the quantity, quality and price of ingredients for a

³⁸ Participant interviews with Alan Willis and Julie Desjardins, CICA Advisors on Triple Bottom Line Accounting and Climate Change, August 29, 2007.



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processor all have economic factors that must be carefully considered to ensure economic viability throughout the supply chain. And, in the end, all of the costs and a fair or sustainable profit margin need to be integrated into the final price to the consumer. If the price is too high, even in this growing premium market, consumers will simply not purchase the product.

The importance and value of investing in excellent market research and the appropriate feasibility study for a new product becomes apparent. The expertise required to perform these studies is sometimes available within organizations, but in many cases, family farms, small- or medium-sized businesses, and even large organizations do not have the internal expertise. External consultants need to be hired to fulfill these requirements. Jeff de Jong, co-executive director, Co-operative La Siembra, a pioneer in marketing high-end fair trade chocolate products under their Cocoa Camino brand, says “Even small grants in the range of five to ten thousand dollars for things like feasibility studies for a new product help drive our business.”

Interview participants from every sector and size of organization told us that government support would encourage the growth of organic food production and processing in Ontario by:

- Ensuring internationally recognized certification standards are in place and enforcing them (including penalties for those who misrepresent products as certified organic).
- Providing public research regarding the economic, environmental, health and social benefits of organic food.
- Developing a consumer education/marketing program to increase the demand for Ontario certified organic products (particularly to replace imports).
- Provide incentives for conventional farmers to transition to organic production,
- Creating and maintaining a database for organic farm production and organic processing capabilities in Ontario.
- Encouraging collaboration and information sharing between all stakeholders, emphasizing that organic is an opportunity for Ontario farmers, processors, distributors and retailers.
- Offering capital (grants, equity, and loans) for expanding organic processing facilities, including on-farm post-harvest handling.

Governments are our primary democratic institutions, and they have a vital role in providing leadership, direction, laws, policies, regulations, and economic incentives. For example, with the recent meltdown in financial markets due to the United States’ sub-prime mortgage market collapse, the Bank of Canada injected \$4.4 billion into Canada’s financial market over a six day period (from August 9 to 15) to prop it up and protect the value of the Canadian dollar.³⁹ OMAFRA is providing \$52.9 million in fiscal 2008 in capital and operating assistance to encourage increased ethanol production in Ontario as part of its 12-year, \$520 million Ontario Ethanol Growth Fund.⁴⁰

While consumers have no trouble associating high prices at the gas pumps with energy depletion, many do not seem to realize the high reliance of the food industry on petroleum products. Fossil

³⁹ Heather Scoffeild and David Parkinson, “Bank of Canada Injects Another \$350 million into Market”, Globe and Mail, Toronto, August 15, 2007 – www.theglobeandmail.com

⁴⁰ Ontario Government 2007 Budget.

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fuels used in manufacturing and running farm machinery, synthesizing fertilizers and pesticides, providing plastic food packaging, and distributing food contribute 60% or more of the cost of our food.⁴¹ The following statistics point to the need for our food production system to make a major shift towards energy-conserving local organic production:

- The original endowment of oil was about 2 trillion barrels. Since 1850, 50% has been used, and the remaining 50% is the hardest to get and the lowest quality.⁴²
- At the dawn of the Petroleum Age (1916) each barrel of oil drilled provided an energy return of 28:1, it is now 2:1.
- The rate of oil use has increased 20-fold in the last four decades.⁴³
- The world has likely passed the point of peak oil production already, or will within this decade.⁴⁴ After peak, world demand will exceed world capacity to produce oil, and costs will escalate through the economy causing rapid inflation.
- Our industrial food system consumes 10 times more energy than it produces in food energy.⁴⁵
- In Canada and the United States, we use 1,500 litres of oil to feed each person each year.⁴⁶

Our industrial, centralized food system's dependence on fossil fuels also makes it a major contributor to greenhouse gas emissions. It is currently responsible for 25% of the world's carbon dioxide emissions, 60% of methane gas emissions, and 80% of nitrous oxide.⁴⁷ Ontario can play a very positive role in decreasing greenhouse gas emissions by supporting the growth of Ontario organic production, processing and local consumption.

4.1.2 Values

Values are the underlying motivations that drive people to do the things they do. Every day, people's values guide their long-term and day-to-day decisions, at work, at home, and at play. The seeds of the organic movement were not just about producing food products without pesticides, and successfully marketing them at a premium price to consumers who have health concerns. As Oak Manor, one of Ontario's pioneering organic on-farm processors says on its website, "Healthy soil yields healthy food and a healthy people, society and environment."⁴⁸ And for consumers, it's not just about price. As Elisa Vanderhout says, "It is a matter of trust between the farmers and the consumers that the proper value is placed on the food. Our customers are not concerned about price, they just add up the food they're buying with no bickering or complaining about price."

⁴¹ Fritjof Capra, *The Turning Point*. New York, NY: Bantam New Age Books, 1984.

⁴² James Howard Kunstler, *The Long Emergency – Surviving the Converging Catastrophes of the Twenty-first Century*, New York: Atlantic Monthly Press, 2005, page 66.

⁴³ Dale Allen Pfeiffer, "Without Oil, Families Will Go Hungry, Not Just Their SUVs", *The CCPA Monitor*, April 2006, page 22.

⁴⁴ Kunstler, page 67; Goldstein, page 28.

⁴⁵ *ibid.*, page 22.

⁴⁶ Dale Allen Pfeiffer, "Without Oil, Families Will Go Hungry, Not Just Their SUVs", *The CCPA Monitor*, April 2006, page 21.

⁴⁷ Peter Saunders, King's College, London, 2004, from <http://www.indsp.org/IAGW.php>

⁴⁸ Oak Manor Farms website - <http://www.oakmanorfarms.ca/Information/about/index.html>



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The values that drove the original pioneers of the organic food movement, and continue to motivate the growing core of organic consumers and farmers today, include:

- Long-term environmental sustainability – clean water, soil, and air now and for future generations.
- Local economic development – growing and consuming food locally.
- Mutual benefit – a fair return on investment for small family farms and food companies, living wages for workers, and affordable prices for consumers (including programs to make organic affordable for low income consumers).
- Community – the importance of social and cultural activities related to food.

As Llewellyn Smith, former C.E.O. of E.D. Smith stated in interview, “Organic is a niche market. Specialized consumers will pay more because they are big believers who will put their money where their mouth is.” In other words, these are the core organic consumers who support the values stated above.

There is a consumer debate raging about simply buying organic food produced anywhere in the world without the use of pesticides, or buying locally-produced organic food that follows fair trade and animal welfare practices. “Food miles”, “food sheds”, or the “food print” are all ways of measuring the environmental costs of transporting organic food from large-scale producers half way around the world, or buying directly from a small-scale farmer at a local farmers’ market or CSA. The Grow Local Organic strategy comes down squarely on the side of local.

4.1.3 Environment

In the 1960s, humans used 70% of nature’s yearly output; in the 1980s it was 100%, by 1999 it was 125%.⁴⁹ From an agricultural point of view, the most important resource is the soil. It is not the capital investment in milk quota, market research, or a processing line. Much of the world’s soils are very poor, difficult to farm, and vulnerable to rapid erosion if cleared and tilled. We know from past experience that a civilization can only survive as long as it retains enough productive soil to feed its people.⁵⁰

If we think of the soil as an investment, we can live off it as long as we only spend the interest – using soil only as fast as it can be replenished. But if erosion exceeds soil production, then soil loss will consume the principle. Canada and the United States have been blessed with some of the richest, thickest, and largest tracts of soil in the world – mostly in the Great Plains. And in the last fifty years, we have been living off the principle.

“The United States Department of Agriculture (USDA) estimates that it takes five hundred years to produce an inch of topsoil. Conventional agriculture accelerates erosion well beyond soil production – the question is by how much.⁵¹ The USDA estimates that about half the fertilizer used each year in the United States simply replaces soil nutrients lost by topsoil erosion.”⁵² Wes Jackson, president of the Land Institute in Kansas, estimates that in the next two decades severe

⁴⁹ BBC World News, April 8, 2004.

⁵⁰ David R. Montgomery, *Dirt – The Erosion of Civilizations*, University of California Press, 2007, page 207.

⁵¹ *ibid.*, page 24.

⁵² *ibid.*, page 200.



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soil erosion will destroy twenty percent of our planet's ability to grow crops naturally without fertilizer or irrigation."⁵³

Organic agriculture, on the other hand, has proven in study after study that soil fertility and carbon content are increased over time. Combine this with organics' proven ability to save energy and improve ROI, and protect water resources and wildlife habitat, and it becomes clear that over the long run, adopting organic farming practices (for example, using composted and green manures, cover crops, companion planting and rotation) can greatly improve conventional agriculture, and we can go back to living off the interest from our soil.

4.1.4 Social Impact

Most consumers have made the decision to purchase organic food because they perceive that organic food is better for their health, and the health of their children. And people from all demographic categories, including income levels, purchase organic food. Many farmers who made the transition from industrial agriculture to organic have the same motivation, particularly since they were exposing themselves and their families to even higher concentrations of pesticide residue from spraying on their own farms.

Pesticides have been associated with negative health impacts, including cancer, neurotoxicity, birth defects, and disruption of hormone systems, in both wildlife and humans. It is estimated that only about 1% of the more than 50 million kilograms of pesticides used annually in Canada actually reaches its target. The remainder is released into the environment - every day, people and wildlife are exposed to many pesticides through food, water, air, and dust.⁵⁴

Industrial agriculture has followed the development model of "bigger is better." Economies of scale and volume are the basic drivers that have caused the consolidation of farms and businesses in the food industry. Mechanization, the increasing use of fossil fuel energy in the place of animal and human energy, and low wages for farm labour have led to the depopulation of rural areas. In 2001, the farm population represented only 1.6% of Ontario's total population, a decline of 16% from the 1996 census,⁵⁵ and a decline of more than 70% from 1951.⁵⁶

Organic farming is more labour intensive than industrial agriculture and has the potential to repopulate and revitalize rural communities while acting as a pressure valve for urban sprawl. However, to attract the labour required by organic farms, decent wages will have to be offered. For advocates of small family farms and local agriculture, organic farming holds much promise.

⁵³ *ibid.*, page 206.

⁵⁴ WWF Canada at <http://wwf.ca/NewsAndFacts/Features/PesticideFreeGardening>

⁵⁵ Statistics Canada at <http://www40.statcan.ca/101/cst01/agrc42g.htm>

⁵⁶ Helen E. Parson, "Regional Trends of Agricultural Restructuring in Canada" at <http://www.lib.unb.ca/Texts/CJRS/bin/get.cgi?directory=Autumn99/&filename=Parson.htm>



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4.2 Barriers

A number of barriers were identified that are holding the processing of Ontario grown organic food back from reaching its potential.

4.2.1 Lack of Collaboration

There was a general consensus that innovation and growth in Ontario organic value-added processing will require the co-operation between all parties in the supply chain. Alliances need to occur horizontally (for example, between farmers) and vertically (between retailers and processors/distributors). As long as the economic system encourages win-lose negotiations between the various parties, including farmers, processors, distributors, retailers and consumers, the system will not overcome its inertia. **For organic to succeed, all parties in the supply chain must succeed.**

The most successful models of organic food system development have occurred where:

- Farmers have co-operated with each other, processors, distributors, and/or retailers to pool their production and marketing capabilities.
- Farmers, distributors and co-packers have found win-win solutions to the challenges of launching a new product.
- Farmers have found ways to add value to their commodities on the farm and market directly to consumers, retailers, or restaurants.

A number of the interview participants mentioned two significant barriers originating from the large retail supermarkets. In Ontario, listing fees can be as high as \$500,000 per year, although for small producers with a unique product (like Sweetpea Baby Food) the fees are usually waived. The other challenge is the contractual purchasing relationships with distribution companies. Most retail supermarkets purchase 90% or more of their products from one distributor in order to gain volume discounts, and the contracts also oblige the stores to follow plan-o-grams that require shelf space for certain products at particular heights. Because of this contractual arrangement, many supermarkets do not have the flexibility to purchase directly from local farmers or processors. Instead, all products are funneled through a centralized distributor. On occasion, they are shipped back to the local retailer.

John Hopperton, metro buyer for Whole Foods Market Toronto, believes “organics” are mainstream products and that **local organic** is the emerging trend. He works with small farmers to develop products (making suggestions about products and packaging, ensuring the labels meet legal standards) and sells them in the Toronto store. He believes there are many local organic products that could command a market share in Ontario. “Whole Foods Market targets mainstream shoppers who have been introduced to organic and/or natural foods, and who are ready to increase their organic purchases. Points of entry for these customers are familiar products like milk, eggs, cheese, jams, and meat.”

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4.2.2 Mismatch of Scale and Shortage of Supply

There is a mismatch in scale between the large, bureaucratic food processors, retailers and distributors and small, local organic farmers. The large organizations have trouble co-ordinating the logistics required to meet their volume requirements from a large number of small farmers, and the small farmers have trouble meeting the volume, post-harvest and consistency requirements. Eryn Green, co-founder of Sweetpea Baby Food, said “It is a constant battle to get enough supply of organic vegetables and meat.” Plus, there are no Ontario companies that prep organic produce for processing, leaving it to her co-packer to wash, peel and cut the ingredients.

As mentioned earlier, pooling geographic production in regional clusters, either through formal or informal co-operation, and contractual arrangements need to be encouraged. There are successful models of this occurring in both the conventional and organic sectors. Small scale processing techniques and innovation also need to be encouraged, such as those available through incubator kitchens or a chef’s commercial kitchen.

4.2.3 Human and Capital Resources

A recurring theme in the participant interviews was the need for professional management, logistics, inventory, and human resource systems. “Production line changes and requirements for organic are complicated, and the logistics add another layer of complexity”, says Joan Patterson, HJ Heinz Canada. “The management systems and resource capacity required to keep up with growth is a challenge”, add Jeff de Jong, La Siembra Co-operative. There is a need in the organic sector for professional management knowledge and techniques.

Small, medium and large businesses mentioned the need for access to capital and the technical expertise to gain access to capital. Danielle Franz, Director and co-founder of Troinoa Foods, a new company that is launching a probiotic frozen dessert product said, "Government grants and loan guarantees would have been a great help for market research, local organic recipe development, sourcing, labeling, packaging and processing, overall business planning." She also mentioned the "unfortunate lack of public information regarding the co-operative business model."

Feasibility studies, business planning, organizational development, human resources, and legal counsel are common areas of need, particularly for small- and medium-sized organizations. This is an ideal area for the Ontario government to provide technical assistance grants.



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4.2.4 Educational/Perceptual

The citizens of Ontario are driving the growth of local, organic food consumption. Over half of Canadian households bought organically-grown food last year, citing use of pesticides and fertilizers as their top concern.⁵⁷

While organic has moved from a fringe niche to the mainstream, there is a general lack of public understanding of the holistic/system approach that is required to successfully operate an organic farm, or its environmental advantages. There is little public awareness of the importance of soil fertility, the dependence of industrial agriculture on fossil fuels, and the significant contribution to climate change gases created by this dependence.

There is also an unnecessary entrenched conflict between conventional and organic proponents based on long held beliefs on both sides. Conventional agriculture proponents feel threatened by organic proponents, and organic proponents feel marginalized and isolated by the dominant agricultural system. There is also significant resistance to change from vested interests in the conventional food system who believe that bigger is better and industrial agriculture is the only way to progress, or feed the world. Maintaining and building our soil resource and decreasing climate change gases are a shared responsibility for everyone in Ontario, and could provide a win-win goal.

We need to encourage dialogue, win-win projects, and sharing information and experiences. In addition to supporting the joint development of an Ontario processor database (between OMAFRA, AOFP, and OCO) , it would be very useful to contract a professional researcher/writer to develop ten or twenty case studies of successful value-added organic processing experiences, as well as the challenges that had to be overcome.

⁵⁷ CBC News, “Canadian Consumers Push Up Popularity of Organic Foods, Survey Finds”, at www.cbc.ca/consumer/story/2007/05/14/organic-food.html, May 14, 2007.



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5.0 Options for Increasing Organic Food Processing

After numerous discussions (during which we integrated our professional experience, the participant interviews, the documents reviewed for this strategy, and feedback on earlier drafts from a number of stakeholders), the authors came to the conclusion that there are three paths being taken in developing Ontario's organic food sector: conventional business development, sustainable development, and an alternative distribution system.

5.1 Conventional Business Development

The conventional business development model depends on individual entrepreneurs and existing businesses to grow the capacity of the organic sector. These companies have identified consumer demand for organic foods as a potential opportunity to make an attractive return on investment. While they may have a preference for buying locally produced foods and ingredients, they will purchase their product from anywhere in the world as long as it meets their economic, quality, logistical and processing requirements. The long supply lines involved in this business model are possible because of the relatively low cost of fossil fuels used for transportation, and the current growing season advantages and lower wages in developing countries.

Most conventional businesses are driven by the bottom line on the income statement. As previously stated, the measures of success on traditional financial statements do account for the environmental costs of water pollution, soil depletion, habitat destruction, and greenhouse gas production. Financial statements also externalize the social costs of poverty, rural depopulation, low education levels, and poor human health. And, as stated earlier, from an energy point of view, the centralized industrial food system in Canada and the United States uses up to ten times more energy than it produces in food energy.⁵⁸ **Business as usual is simply not sustainable.**

5.1.1 Advantages and Disadvantages

Table 5 summarizes the advantages and disadvantages of the conventional business development approach.

Table 5: Conventional Business Development Advantages and Disadvantages

Advantages	Disadvantages
1. This is the standard market model of economic development that has been successful in delivering an abundance of cheap food for people in northern hemisphere/developed countries year round from all over the world, for decades.	1. The industrial, centralized, bigger is better agri-food model has led to the unsustainable business practices that concentrate wealth and externalize environmental, social, and cultural costs.
2. Current systems of politics, education, governance, management, organizational development, energy, farming, distribution, investing, accounting, and economics support this development model.	2. If we continue down the same road, we will continue to degrade the environment, increase economic inequality, and decrease agricultural capacity .
3. People are resistant to change and Canadians, for the most part, have a good standard of living.	3. Farmers are bearing the brunt of the cheap food policy and are subsidizing the cost of our food and the profit margins of large food corporations.

⁵⁸ *ibid.*, page 22.



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4. As long as the measured marginal cost of fossil fuel energy remains lower than the unrecognized (and unmeasured) cost of environmental and social degradation, the current system will continue.	4. The current and expected future rate of fossil fuel consumption will result in escalating inflation, economic recession, and severe and growing disruption from climate change.
5. The current system can continue to fulfill its objectives in the short term with minor adjustments and effective marketing campaigns.	5. In the long term , the externalized environmental, social, and cultural costs will become too great and the system will collapse.

5.1.2 Key Elements for Success

The key elements for the success of using the conventional business development model include:

- Market positioning of organic that meets consumer demands for standards they can trust, and meets the growing demand for local organic food.
- The ability to pool adequate supply of certified organic ingredients and manage the logistics
- Incremental improvements in energy efficiency and conservation.
- Continuing significant income support programs for all farmers .
- Incentives and training programs to encourage young people to enter the agriculture and food industry.
- Making measurable progress on decreasing greenhouse gas emissions.
- Creating a food inventory buffer that will withstand the inevitable and severe weather conditions caused by climate change.
- Political, social, and economic stability.
- Mitigating the detrimental environmental degradation caused by industrial agriculture, including water pollution, soil depletion, and habitat destruction.
- Information systems that provide meaningful, timely, and accurate feedback and evaluation that can be acted upon.

5.2 Sustainable Development

Agriculture and Agri-food Canada has developed a sustainable agriculture model based on sustainable development principles.⁵⁹ Sustainable agriculture:

- *protects the natural resource base; prevents the degradation of soil, water, and air quality; and conserves biodiversity*
- *contributes to the economic and social well-being of all Canadians*
- *ensures a safe and high-quality supply of agricultural products*
- *safeguards the livelihood and well-being of agricultural and agri-food businesses, workers and their families.*

A sustainable development approach surpasses the conventional business development model by also measuring the social and environmental benefits.⁶⁰

⁵⁹ Agriculture and Agri-food Canada website: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1174656296851&lang=e&#sustainableagriculture>

⁶⁰ http://www.un.org/esa/sustdev/mgroups/success/success_2000.htm



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For example, Pineridge Foods Inc. which purchased Liberty Brand Products in 2004, is introducing a Sustainable Development Action Plan incorporating targeted objectives, as well as economic, social, and environmental performance indicators.⁶¹ These principles and directions form part of a Sustainable Development (SD) policy for Liberté (please refer to Appendix IV).

5.2.1 Advantages and Disadvantages

The table below summarizes the advantages and disadvantages of a sustainable development approach.

Table 6: Sustainable Development Advantages and Disadvantages

Advantages	Disadvantages
1. The concept of sustainable development became mainstream in 1987 with the publication of the Brundtland Commission report on the environment – <i>Our Common Future</i> .	1. Sustainable development has been in the lexicon for twenty years, and it is questionable whether or not the idea and its practical application has made significant inroads in changing the conventional business development model
2. There are many articles, practical applications, and successful examples of sustainable development in the political, business and environmental sectors.	2. There is a lack of documentation and research regarding the successful application of the sustainable development model in the Ontario agriculture and food sector.
3. Measurement tools have already been developed and applied. For example, the Genuine Progress Indicator (GPI) is being used in Atlantic Canada.	3. The Ontario government and the vast majority of businesses at all levels of the food supply chain (conventional and organic) continue to use conventional financial statements to measure their success ⁶² .
4. This approach has the potential to bring the various stakeholders together to determine common projects based on a triple bottom line.	4. Adopting a sustainable development approach will require leadership from the Ontario government to bring food system stakeholders together.
5. A broad consensus could be built around a transition strategy to more locally-produced, -processed and -distributed certified organic foods	5. Implementing a sustainable development model for Ontario agriculture will require a significant shift in policy within the Ontario government.

5.2.2 Key Elements for Success

The key elements for the successful development, implementation, and ongoing evaluation of this strategy include:

- Leadership from the Ontario government to adopt sustainable development policies and measurement tools for the agricultural sector.
- Bringing together food system stakeholders to agree on the definition and adoption of sustainable development policies and measurement tools.
- Development of a research database comparing the triple bottom line measurement of local organic agricultural production, processing and distribution with imported organic and conventional agricultural production.

⁶¹ From Liberty Brands website, <http://www.liberte.qc.ca/en/page.ch2?uid=Sustainable>, 2007.

⁶² Interview with Kavika Borbeau, Institute of Chartered Accountants of Ontario, August 27, 2007; Christian van Stock, Myles Collins, Megjie Wu, Abigail Brown, and Jonathan Grant, “Accounting for the Future – International Examples”, Rand Corporation, Santa Monica, California, 2007.

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- Consumer education regarding sustainable development principles and the triple bottom line accounting results of local organic, local conventional, imported organic and imported conventional.
- Market positioning of organic that meets consumer demands for standards they can trust, and the growing demand for local organic food.
- The ability to pool adequate supply of certified organic ingredients and manage the logistics.
- Continuing significant income support programs for all farmers.
- Incentives and training programs to encourage young people to enter the agriculture and food industry.
- Making measurable progress on decreasing greenhouse gas emissions.
- Creating a food inventory buffer that will withstand the inevitable and severe weather conditions caused by climate change.
- Political, social and economic stability.
- Mitigating the detrimental environmental degradation caused by industrial agriculture, including water pollution, soil depletion, and habitat destruction.
- Information systems that provide meaningful, timely and accurate feedback and evaluation that can be acted upon.

5.3 Further Development of the Alternative Distribution System

The third approach embraces the values of the pioneers of the organic food movement, including:

- Co-operation, fair trade, and mutual benefit between all parties.
- Local production and distribution – decreasing the distance between farmers and consumers.
- Sustainable, or triple-bottom-line business practices that recognize the importance of financial results, social equity and environmental impact.

There are many examples of this approach in Ontario's organic sector, including on-farm processing, direct sales to consumers (farmers' markets and CSAs), pooling production volume through formal or informal co-operation, selling directly from farms to distributors and retailers, and creating farmer-owned brands.

Farmers' Markets

Ontario's first Farmers' Market was opened in Kingston over two hundred years ago. As pioneers settled the rest of the province, the popularity of these markets grew, and they peaked and then started to decline in the 1970s when shopping malls began their rule. In 1991, Farmers' Markets Ontario was established, and the number of markets has doubled to more than 120, with combined sales of over \$665 million.

Co-operative Distribution

The Ontario Natural Food Co-op (ONFC) is a not-for-profit co-operative of retail food co-operatives, food buying clubs, and independent natural food retailers. It was started in 1976 by eleven Toronto area food co-ops and clubs. It now has annual sales of \$27 million and a growth rate of 15 to 20% per year. The ONFC serves as a member-owned and directed wholesaler for



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its members, and its mission is “To support a sustainable food system by providing, with integrity, quality service in the distribution of organic and natural foods and products within a socially responsible, co-operative network.”

Employee Ownership

The Big Carrot, an employee-owned retail natural food store founded in 1983, is the most successful natural food store in Toronto. Beginning with nine employee-members in a 1,500 square foot retail space, and sales of \$1 million in its first year, the store has expanded several times over the years. The Big Carrot now has 175 employees (60 are worker members) working in a 12,000 square foot retail complex. The co-op’s purpose is to:

- Provide customers with the finest quality and selection of natural foods, backed up by friendly service and up-to-date information,
- Actively encourage increased production and distribution of organic and additive-free products, and to actively support sustainable agriculture and ecologically-sound practices,
- Offer satisfying, gainful employment in a fair and productive workplace, thus furthering the goal of healthy living for ourselves and others.

Community Supported Agriculture (CSA)

In 1985, Robyn van En transplanted the CSA model from Switzerland to her home farm, Indian Line Farm, in the United States. She then spent the remainder of her life writing and promoting a manual for farmers on how to start a CSA. Now there are 1,200 CSAs in North America, and thousands around the world.

Slow Food Movement

The Slow Food Movement is an other example worth noting. In 1989, following the great Italian tradition of enjoying good local food and wine, the Slow Food movement was born. Slow Food is a counterfoil to fast food, the disappearance of local food traditions, and people’s dwindling interest in the food they eat, where it comes from, how it tastes. Today, the movement has over 80,000 members in 850 convivia all over the world.⁶³

Food Box Systems

In 1992, the Toronto Food Policy Council sponsored a feasibility study to investigate a sustainable alternative to food banks. Their goal was to develop a sustainable model that would bring local quality produce to middle- and low- income people in the city. The Good Food Box was born, and FoodShare (a not-for-profit food security organization based in Toronto) took the ball and ran with it. Now, there are 75 such programs across Canada, and hundreds in the United States. Many of these food box programs offer local organic produce at affordable prices and have helped local organic farmers to commercialize their operations.

In 2006, these alternative distribution channels had conservatively estimated organic food sales of \$410 million – about the same as mainstream Ontario retail supermarkets.⁶⁴

⁶³ <http://www.slowfood.com>

⁶⁴ Anne Macey, “Retail Sales of Organic Food Products in Canada, in 2006”, Organic Agriculture Centre of Canada, Truro, Nova Scotia, May, 2007, page 2.



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5.3.1 Advantages and Disadvantages

The table below summarizes the advantages and disadvantages of this development approach.

Table 7: Alternative Distribution Advantages and Disadvantages

Advantages	Disadvantages
1. High level of supply chain collaboration, information and knowledge sharing, innovation, and creative problem solving.	1. Co-operative, trusting relationships require time, skill and energy to build, and conflict management skills and techniques are often not up to the task.
2. Reasonable economic return on investment for every party involved, including fair wages for employees and farm workers.	2. Economies of scale are often too small for farmers to make an adequate income, requiring off-farm income sources.
3. Less physical and psychological distance between farmers and consumers, increasing customer loyalty and trust in quality assurance based on relationship marketing.	3. Farmers are already at their limits of time and energy, particularly during growing and harvesting periods when direct marketing is the most rewarding and the most intensive.
4. Farmers move up the value-added chain and gain a higher proportion of the consumer food dollar.	4. The learning curve required to make good investment decisions and the additional capital required can be significant barriers.
5. Food security is enhanced by building local capacity for production, processing and distribution, particularly as climate change impacts and fossil fuel costs increase worldwide.	5. The main measurement of success in our market system is profit maximization, and in the short term this is most easily done by continued use of cheap fossil fuels to import lower cost food and labour.
6. Provides significantly more rewarding (financially, socially and environmentally) work options for people interested in making a living in the agriculture and food sector, and repopulates and revitalizes rural communities.	6. Without a shared vision and values, and a well implemented plan by competent leaders and management, the sector could devolve into regional fiefdoms competing against each other.
7. Provides an opportunity for a meaningful role to be played by all parties, including farmers, workers, managers, marketers, consumers, investors, environment groups and government.	7. Requires the political will, leadership and commitment of resources to create and introduce supportive policies and programs in partnership with farmers, workers, managers, marketers, consumers, investors, and environmental groups.

5.3.2 Key Elements for Success

The key elements for the successful development, implementation and ongoing evaluation of this strategy include:

- A commitment to dialogue, co-operation, mutual benefit, information sharing, and trust building.
- Conflict resolution training and intervention.
- Risk taking, innovation, and entrepreneurship.
- Shared vision, values, purpose, and mission.
- Leadership, professional management, high human resources skill level.
- Mobilization and organization of complex systems and multiple resource streams, including government, private sector and foundation support.
- Incentives and training programs to encourage young people to enter the organic food sector – examples include the Craft program developed by Everdale Environmental Learning Centre and FarmStart at St. Ignatius College in Guelph.

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- Information systems that provide meaningful, timely and accurate feedback and evaluation that can be acted upon.

As the Quebec strategy points out, there is a real need to recognize the leaders of the organic movement – to salute their pioneering efforts, creativity, and values. Many conventional business leaders have recently identified the market opportunities for organic food, and many have determined that they would like to make a positive contribution to the world, in addition to their ability to make money for themselves and shareholders.

We believe that everyone has much to gain from those who have devoted their lives to organic food. Public and private sector leaders can learn more about sustainable systems, and find ways to implement the policies and programs that will support the growth and long-term success of organics, and make this model work across the province. It's time for the rest of us to catch up and find ways to make our entire food system more sustainable.

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6.0 Strategic Critical Path

The first option - Conventional Business Development - will not lead to the kinds of changes and innovation that are clearly required.

Therefore, the authors propose that options two and three be followed simultaneously:

- Sustainable Development Model for Agriculture
- Further Development of the Alternative Distribution System

The following sections provide an overview of the suggested strategic critical path required to follow the two development options for Ontario organic production and value-added processing. This critical path will need to be negotiated and agreed upon by the stakeholders involved in the various strategies. Responsibility and accountability for each element will need to be assigned to the appropriate party and the suitable contractual arrangements will need to be made. Transparency in operation and reporting, information sharing, and open participation from various stakeholders will be the operational guidelines.

Ideally, the overall strategy will be managed jointly by the OCO and OMAFRA, and will require quarterly meetings to review progress and ensure the appropriate actions, adjustments and decisions are made to manage the various initiatives detailed below. We propose that a full-time Ontario Organic⁶⁵ OMAFRA staff person work together with the OCO Executive Director to coordinate the implementation.

In most cases, the strategies are meant to piggyback on existing programs and organizations, using proven tools and delivery methods. The idea is to get the strategies up and running very quickly, using experienced contractors with excellent track records.

⁶⁵ O2 is a suggested trade name for Ontario Organic.



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6.1 Consumer Education/Marketing

All of the interview participants recognized that the organic market is driven by consumer demand. And many pointed out that while most consumers decide to purchase organic foods because of the perceived health benefits, they do not fully understand the environmental benefits that accrue to our society from organic farming practices.

A consumer education or marketing campaign needs to be designed, researched, pilot tested, and launched. Ideally, the Co-ordinating Group (OCO and OMAFRA) will work together to determine the key design elements, write an RFP, lever the necessary funding, and hire an advertising agency to develop and pilot test the campaign.

Table 8 shows the suggested time line and budget contributions from various stakeholders. We propose the Co-ordinating Group secure funding from NGOs, foundations, the Ontario government, and Agriculture Canada. This funding will then be used to lever matching dollars from processors and retailers. When the full consumer education program is launched, a hotline and website will be launched simultaneously. In support of the media and advertising campaign, point-of-sale (POS) materials will be designed for participating retailers. OMAFRA will pay for the design of the POS materials and the retailers will buy them at cost from the contracted printing company. The Co-ordinating Group will hire a third-party to design an appropriate consumer-based evaluation strategy at the beginning of the campaign. This contractor will provide an annual report on the effectiveness of the campaign as well as suggested improvements.

Table 8: Consumer Education/Marketing	Time Line	NGOs	OCO	OMAFRA	AG Can	Farmers	Processors	Retailers
Design Program & RFP (in-kind)	2 months							
RFP Process & Contract (in-kind)	2 months							
Pilot Implementation & Evaluation	Year 1	\$50,000	\$5,000	\$50,000	\$50,000		\$50,000	\$50,000
Full Implementation	Annual	\$400,000	\$20,000	\$400,000	\$400,000		\$400,000	\$400,000
Hotline & Website	Annual			\$400,000	\$400,000		\$400,000	\$400,000
Generic POS Retail Material - design/print	6 months			\$75,000			\$200,000	\$200,000
Benchmark Evaluation (Before/After)	Annual	\$80,000	\$20,000	\$80,000	\$80,000		\$80,000	\$80,000
Organic Ag. in the Classroom - Review & Design	Year 1	\$10,000	\$5,000	\$10,000	\$10,000			
Organic Ag. in the Classroom - EFAO farmers	Annual			\$60,000				
	Total	\$540,000	\$50,000	\$1,075,000	\$940,000		\$1,130,000	\$1,130,000
	% of Total	11.1%	1.0%	22.1%	19.3%		23.2%	23.2%

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Public School Curriculum

We propose that the Co-ordinating Group approach Ontario Agri-Food Education Inc. (OAFE) to negotiate a partnership to bring a new curriculum module into Ontario public schools. OAFE is a registered charity incorporated under the Agricultural and Horticultural Organizations Act of the Ontario Ministry of Agriculture and Food. OAFE was created in 1991 with the mission of building awareness and understanding of the importance of an agriculture and food system. OMAFRA provides baseline funding in support of OAFE's programs and services. The primary business of OAFE is to provide high quality, objective, and relevant agriculture and food-related learning materials and services for Ontario educators to enhance the learning experiences of students in Ontario classrooms. We suggest the Co-ordinating Group work together with OAFE to review existing materials and determine the best manner in which to introduce an enhanced organic food curriculum model. A contract will be tendered to hire a consulting agency to design and pilot the curriculum materials and lesson plan. We propose the EFAO be contracted to arrange for local organic farmers (who will be paid an honorarium and transportation costs) to attend public school classes across Ontario to support the organic agriculture curriculum.

The following table shows the annual budget (in dollars and percentage of total) over the four year time frame.

Table 9: Annual Consumer Education Budget	Year 1	Year 2	Year 3	Year 4	Total
Design Program & RFP (in-kind)					
RFP Process & Contract (in-kind)					
Pilot Implementation & Evaluation	\$255,000				\$255,000
Full Implementation	\$505,000	\$505,000	\$505,000	\$505,000	\$2,020,000
Hotline & Website	\$400,000	\$400,000	\$400,000	\$400,000	\$1,600,000
Generic POS Retail Material - design/print	\$175,000	\$100,000	\$100,000	\$100,000	\$475,000
Benchmark Evaluation (Before/After)	\$105,000	\$105,000	\$105,000	\$105,000	\$420,000
Organic Ag. in the Classroom - Review & Design	\$35,000				\$35,000
Organic Ag. in the Classroom - EFAO farmers	\$15,000	\$15,000	\$15,000	\$15,000	\$60,000
Total	\$1,490,000	\$1,125,000	\$1,125,000	\$1,125,000	\$4,865,000
% of Total	30.6%	23.1%	23.1%	23.1%	100.0%

The total cost for the design, implementation, and evaluation of the consumer education/marketing campaign is just under \$5 million over the four year duration. Year 1 has a higher expenditure because of up-front design and piloting costs. The key messages determined in the pilot phase will be used in every aspect and application of the campaign and will be adjusted, if necessary, based on the annual consumer-based evaluation.

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6.2 Organic Council of Ontario

The Organic Council of Ontario is a membership-based (one member, one vote) not-for-profit organization dedicated to representing the entire organic sector in Ontario. Each seat on the OCO's Board of Directors represents one sector of the organic industry. The OCO currently has a membership of 120, and raises operating and project funds from membership dues and grants. In 2006-2007 it received a \$200,000 grant from OMAFRA and a \$300,000 grant (over three years) from Agriculture and Agri-Food Canada.

The OCO held its first AGM in March 2007, and as an equivalent Ontario commodity organization, will require ongoing operational funding. We propose that the OCO be an equal partner together with OMAFRA on the Co-ordinating Group for this strategy. This partnership will provide more credibility and a highly complementary skill and resource base to ensure this strategy fulfills its promise. OMAFRA will bring the weight and resources of the Ontario government to the table. The OCO will ensure its members are fully engaged in the strategy, including direct participation and funding where applicable. All three partners will support each other to leverage resources from other levels of government, foundations, co-operatives and private businesses

Ideally, OCO will work together with OMAFRA and the Alliance of Ontario Food Processors (AOFP) to jointly develop a database of organic farmers, processors, distributors, and retailers who actively support Ontario organic production, processing, and distribution. OCO will be the co-ordinating agency for this database.

Table 10: Organic Council of Ontario Budget	Time Line	NGOs	OCO	OMAFRA	AG Can
Membership Dues	Annual		\$155,750		
Core Funding	3 years			\$400,000	\$400,000
Database of Farmers & Co-packers - Set-up	6 months			\$30,000	
Database Maintenance	Annual			\$40,000	
	Total		\$155,750	\$470,000	\$400,000
	% of Total		15.2%	45.8%	39.0%

Table 11: Organic Council of Ontario Annual Budget	Year 1	Year 2	Year 3	Year 4	Total
Membership Dues	\$20,000	\$30,000	\$45,000	\$60,750	\$155,750
Core Funding	\$200,000	\$200,000	\$200,000	\$200,000	\$800,000
Database of Farmers & Co-packers - Set-up	\$30,000				\$30,000
Database Maintenance	\$10,000	\$10,000	\$10,000	\$10,000	\$40,000
Total	\$260,000	\$240,000	\$255,000	\$270,750	\$1,025,750
% of Total	25.3%	23.4%	24.9%	26.4%	100.0%

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6.3 Training

Processor Short Course

Some processors have been taking inspection courses as a substitute for a dedicated processor short course. We propose the development of a two-day short course for processors that builds on existing HACCP-style courses to integrate organic practices and record keeping. The course could be developed by an existing NGO or a certifier with extensive experience with processor certification and a willingness to train to general requirements of the industry (as opposed to the specific requirements of that agency). The course could be offered in association with a processor association or could be tailored to individual firms. OMAFRA will pay for the development of the course (\$7,500) and course fees will be set to cover the costs of delivery.

"Quick Start" Organic Certification

Anecdotal evidence suggests that many farms could be certified fairly readily. These producers do not feel they need certification to meet their market and environmental objectives. At this time, however, given supply chain requirements, there is value in the authentication that certification provides. Supply could quickly be increased if uncertified farmers and processors came forward.

A "quick start" certification subsidy for such farms and processors would be offered for two years. The Ontario Government would pay 50% of the standard certification fee for the first certification. The fees would be payable to certification agencies, who would handle much of the paper work.

Assumptions:

1. An average farm certification fee of \$500.
2. Ontario government provides \$250 per certified farm, plus an additional \$25 administrative allotment to the certifier.
3. 50 farmers sign up for "Quick Start".
4. Total cost = \$13,750.

For processing, we assume 5 processors take advantage of the program, with average certification costs of \$1,500. The Ontario government would provide \$750 plus an administrative allotment of \$75. Total cost would be \$4,125.

Table 12: Training Budget	Time Line	NGOs	OCO	OMAFRA	AG Can	Farmers	Processors	Retailers
Processor Short Course	3 years			\$7,500			\$15,000	
"Quick Start" Organic Certification	2 years			\$17,875		\$12,500	\$3,750	
Co-operative Short Course (4 per year)	Annual			\$20,000	\$20,000	\$40,000		
	Total			\$45,375	\$20,000	\$52,500	\$18,750	
	% of Total			33.2%	14.6%	38.4%	13.7%	



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Co-operative Short Course

The co-operative business structure has played an important role in building the capacity of the organic food sector in Ontario. Over 2.3 million Ontarians are members of co-operatives and credit unions. The Ontario Co-operative Association has been providing initial consultations with start-up co-operatives for many years, and is in the fifth year of administering the Co-operative Development Initiative (CDI), a federally funded program that offers technical assistance. Qualified Co-operative Developers work closely with co-op proponents to perform feasibility studies, market research, business plans, incorporation, membership and capitalization drives, and organizational development. The federal Co-operative Secretariat recently renewed its AG-CDI funding program for bio-fuel and value-added agricultural co-ops

The Co-operative short-course would be offered four times per year at locations determined by demand. The course is expected to attract twenty to thirty organic farmers per session who will learn the basics of co-operative development and management. The provincial and federal governments would provide shared funding and farmers would pay \$100 each to attend the course.

Table 13: Training Annual Budget	Year 1	Year 2	Year 3	Year 4	Total
Processor Short Course	\$12,500	\$5,000	\$5,000		\$22,500
"Quick Start" Organic Certification	\$13,650	\$20,475			\$34,125
Co-operative Short Course (4 per year)	\$20,000	\$20,000	\$20,000	\$20,000	\$80,000
Total	\$46,150	\$45,475	\$25,000	\$20,000	\$136,625
% of Total	33.8%	33.3%	18.3%	14.6%	100.0%

6.4 Technical Assistance

OMAFRA staff currently support processors, including small-scale processors, but no individual is dedicated to the organic file. We propose that one full-time equivalent be made available to potential organic processors within the Investment Development Unit of the Food Industry Competitiveness Branch. This proposal does not necessarily require new staff, but could be considered an opportunity cost, as staff would be less available to work on other projects, so we assign it a salary and benefits cost of \$70,000 per annum. This OMAFRA staff person would work with organic farmers and processors to overcome barriers to development, including regulations, business, and technical issues and capital investment.

The technical assistance offered directly by OMAFRA staff (to private and co-operative businesses) will be supplemented by grants for technical assistance (qualifying value-added farmer groups or processors will hire consultants to perform feasibility studies, market research, business plans, and organizational development – including legal contracts and incorporation). Technical assistance grants will provide 50% matching funding from OMAFRA (a maximum of \$10,000) to farmers or processors who are developing a value-added product, including:

- Nutritional, microbial and similar laboratory analyses

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- Recipe development and technical advice on ingredients
- Plant engineering (equipment and layout)
- New product development
- New process development
- Packaging development
- Regulatory compliance
- Food safety and quality assurance
- Pilot plants
- Environmental engineering
- General research and development

The Guelph Food Technology Centre (GFTC) offers consulting and auditing to the Canadian agri-food industry. It specializes in research and development, product development, packaging, shelf-life, food safety, quality, and productivity improvement.

The cost of technical services is an issue to 56% of large firms and 90% of small food processing firms.⁶⁶

Table 14: Technical Assistance Budget	Time Line	NGOs	OCO	OMAFRA	AG Can	Farmers	Processors	Retailers
OMAFRA - Dedicated Organic Staff	Annual			\$280,000				
Consultants - Feasibility, Business plans	Annual			\$800,000		\$400,000	\$400,000	
Legal - Contracts, Incorporation	Annual			\$240,000		\$120,000	\$120,000	
	Total			\$1,320,000		\$520,000	\$520,000	
	% of Total			55.9%		22.0%	22.0%	

Table 15: Technical Assistance Annual Budget	Year 1	Year 2	Year 3	Year 4	Total
OMAFRA - Dedicated Organic Staff	\$70,000	\$70,000	\$70,000	\$70,000	\$280,000
Consultants - Feasibility, Business plans	\$400,000	\$400,000	\$400,000	\$400,000	\$1,600,000
Legal - Contracts, Incorporation	\$120,000	\$120,000	\$120,000	\$120,000	\$480,000
Total	\$590,000	\$590,000	\$590,000	\$590,000	\$2,360,000
% of Total	25.0%	25.0%	25.0%	25.0%	100.0%

⁶⁶ “Technical Services that Support Ontario’s Food Processing Industry”, The Ontario Ministry of Agriculture & Food, Food Industry Competitiveness Branch (2002).

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6.5 Processor Supports

Orphaned Facilities

Finding new entrants for some processing categories does not necessarily mean having to build new plant capacity. Some analysts report that there are a number of “orphaned” facilities available – small plants that have been mothballed and could be retrofitted by new owners for related processing operations. Commodities requiring capital intensive processing or those facing significant food safety regulations (e.g., dairy, meat) are unlikely to take advantage of this, as changes in equipment over the past decade make resurrecting mothballed facilities an unrealistic proposition. An inventory of orphaned facilities in other commodity areas (e.g., horticulture, field crops) could, however, be worthwhile.

Costs:

Part I – Research program to identify suitable orphaned facilities: \$40,000

Part II – Identification of most promising facilities for resurrection; feasibility study: \$80,000

Part III – Identification of potential investors: \$40,000

Table 16: Processor Supports Budget	Time Line	NGOs	OCO	OMAFRA	AG Can	Farmers	Processors	Retailers
I. Orphaned Facilities - Pre-feasibility	6 months			\$40,000				
II. Orphaned Facilities - Feasibility	6 months			\$80,000				
III. Orphaned Facilities - Capital	Year 1			\$40,000				
I. Incubator Processing Facility - Feasibility	6 months			\$75,000				
II. Incubator Processing Facility - Bus. Plan	6 months			\$150,000				
III. Incubator Processing Facility - Capital	Year 1							
SME Capital Fund - Feasibility	6 months			\$40,000				
	Total			\$425,000				
	% of Total			100.0%				

Incubator processing facility

Some organic processors are realizing the value of collaboration. Some urban planners and economic development specialists are promoting eco-industrial parks, a development model that fits nicely with small- and medium-scale organic processing. This option needs further study to determine its feasibility in Ontario. If the feasibility study is positive, then a consulting agency will be hired to write a comprehensive business plan.

Costs:

Part I – Feasibility study, \$75,000

Part II – If feasibility study looks promising, a detailed business plan, \$150,000

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Part III – Plan gets shopped to investors and appropriate municipal governments.

Capital Fund for SME Organic Processing

Small- and medium-sized start-up enterprises (particularly those requiring under \$2 million in funding) find it challenging to secure venture capital and credit. A traditional government response is to provide loan guarantees and some programs exist (see, for example, Manitoba - <http://www.gov.mb.ca/agriculture/financial/farm/caf27s02.html>). Whether organic farmers are able to take advantage of such programs is an open question. A feasibility study will be performed regarding the establishment of a \$20 million capital fund at market rates for organic processors in the \$0.5-\$10 million sales range. The feasibility study will determine whether such a fund should be administered by a third party.

Table 17: Processor Supports Annual Budget	Year 1	Year 2	Year 3	Year 4	Total
I. Orphaned Facilities - Pre-feasibility	\$40,000				\$40,000
II. Orphaned Facilities - Feasibility	\$80,000				\$80,000
III. Orphaned Facilities - Capital	\$40,000				\$40,000
I. Incubator Processing Facility - Feasibility	\$75,000				\$75,000
II. Incubator Processing Facility - Bus. Plan	\$150,000				\$150,000
III. Incubator Processing Facility - Capital					
SME Capital Fund - Feasibility	\$40,000				\$40,000
Total	\$425,000				\$425,000
% of Total	100.0%				100.0%

6.6 Research and Development

AC Neilson Data - Organic Retail Sales

Organic retail sales data will be purchased from ACNielsen annually – what’s being sold, what’s domestic, what’s imported, how much of total sales is in retail supermarkets. To complement this information, the annual Canadian Organic Growers survey of wholesalers and Certification bodies is required to determine sales through the alternative distribution chain (direct farm sales, CSAs, food boxes, independent natural food stores, buying clubs and co-ops). This data will monitor the sales growth in the different distribution chains and will help identify import substitution opportunities for Ontario farmers. OMAFRA will provide \$15,000 annually as Ontario’s contribution to a national initiative for data collection being coordinated by the OACC, with additional funding from the federal government and other provinces (project expenses total: \$125,000).

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Food Processing - Organic Innovation

One of the barriers identified by organic entrepreneurs in their challenge to develop new innovative products is finding the appropriate organic ingredients that may push existing food science and regulations to their limits. The Guelph Food Technology Centre⁶⁷ is willing to work with organic processors, but their food scientists are often limited by their training and existing food regulations that discourage product innovation. There are many food scientists in the province, so the challenge is to find ways of linking them with organic processors. A Food Science Coordinator will facilitate collaboration in the food processing sector to identify opportunities and constraints for adding value to organic products while adhering to organic standards (in addition to provincial and federal regulations). To compete with farmers and processors in other countries who are supplying Ontario's growing organic market, Ontario farmers need to be fully linked through the complete value chain. A Food Science Coordinator, in particular, will advance value-added opportunities for organic food products. This position will also be responsible for identifying provincial and federal regulations that need to be changed to encourage local organic production.

The Food Science Coordinator will be affiliated as a Research Associate in the Department of Food Science, University of Guelph. An advisory committee will include representatives of the university, GFTC, consumer groups, EFAO, COG, OMAF, AAFC, Canadian Council of Food and Nutrition, health professionals, processors, and farmers. The Coordinator will contact processors, retailers, consumer groups and others to determine which organic products are marketable and can be developed and produced in Ontario. The Co-ordinator will also collaborate closely with researchers in the Food Science Department and health professionals to initiate the required research. This is a 4 year programme, following which links and coordination will be well established. Subsequently, the position will be funded through existing quality and business development programmes for processors.

OMAFRA will provide \$276,500 in funding over four years, with additional support from Agriculture Canada and participating food processors.

Table 18: Research & Development Budget	Time Line	NGOs	OCO	OMAFRA	AG Can	Farmers	Processors	Retailers
AC Neilson Data - Organic Retail Sales	Annual			\$60,000	\$60,000			
Food Processing - Organic Innovation	Annual			\$276,500	\$347,500		\$71,000	
Value-added Processing Case Studies				\$25,000				
	Total			\$361,500	\$407,500		\$71,000	
	% of Total			43.0%	48.5%		8.5%	

⁶⁷ Please refer to the GFTC website - <http://www.gftc.ca/tech/areas/product-development-and-scale-up.cfm>

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Value-added Processing Case Studies

One of the most useful ways to share information and knowledge is through case studies. To jump start organic processing initiatives and to stimulate discussions and ideas, ten organic value-added processing case studies will be researched, written and posted on the websites of all partners, including OCO, OMAFRA, Agriculture Canada, WWF, and the Ontario Co-operative Association (more about them in 6.7).

Table 19: Research & Development Annual Budget	Year 1	Year 2	Year 3	Year 4	Total
AC Neilson Data - Organic Retail Sales	\$30,000	\$30,000	\$30,000	\$30,000	\$120,000
Food Processing - Organic Innovation	\$173,750	\$173,750	\$173,750	\$173,750	\$695,000
Value-added Processing Case Studies	\$25,000				\$25,000
Total	\$228,750	\$203,750	\$203,750	\$203,750	\$840,000
% of Total	27.2%	24.3%	24.3%	24.3%	100.0%

6.7 Co-operative Processing and Marketing

Many jurisdictions around the world, including Canada, have found that value-added processing and marketing is best organized as farmer-owned, consumer-owned, or employee owned co-operatives.

The Ontario Co-operative Association (On Co-op) and its Francophone counterpart, le Conseil de la coopération de l'Ontario (CCO), presented the Ontario government with their *White Paper on Co-operative Development* in 2006. The White Paper was created through an extensive consultation process over a two year period, including:

- Initial meetings with MPPs and staff in over 30 provincial ridings (summer 2004)
- An all-party Queen's Park roundtable discussion (November 2004)
- Stakeholder input across Ontario from more than 4,000 people (2005)
- Task Force regional meetings with more than 100 participants (2005)
- 27 written submissions received and integrated (summer 2005)
- Briefing meetings with MPPs (2006)

The main recommendation of the *White Paper on Co-operative Development* is to create a provincial Co-operatives Secretariat, modeled on the long standing Quebec and Federal Secretariats. The main objective of the Ontario Secretariat would be to create a single structure within Government equipped and mandated to develop Ontario co-operatives. The Secretariat would complement, not duplicate the role of other existing Government

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bodies. The Secretariat would be housed within the Ministry of Economic Trade and Development. On December 14, 2006, Ted McMeekin, MPP for the riding of Ancaster-Dundas-Flamborough-Aldershot tabled a motion in the Legislature supporting the creation of a Co-operative Secretariat.

An extensive Quebec study compared the survival rate of co-operative businesses compared to private sector businesses and found that agriculture co-operatives have twice the survival rate of private businesses after ten years (44% versus 20%).⁶⁸ The reasons for this success:

1. Co-operatives encourage people to work together and pool their knowledge and resources.
2. A specific need has been identified by co-op members that is not being adequately met by traditional companies.
3. A high concentration of co-operatives in the agricultural sector provides opportunities for mutual support, information sharing, and joint ventures, as well as representative sector organizations (like the Ontario Co-operative Association). The co-ops develop and distribute management tools, expand the market, and establish purchasing and sales networks.
4. Creating sectoral co-operative models that can be replicated.

For two decades, Quebec co-operatives have benefited from three kinds of tools that are indispensable for co-operative development – technical assistance, financial assistance, and tax incentives. This combination is seen in nearly all countries that have a dynamic co-operative movement. And this is what we are suggesting for the development of Ontario's organic value-added processing sector.

Table 19 provides a summary of the critical path required to support the development of value-added co-operatives in the organic food sector. Within the first year, three studies need to be performed to provide a detailed analysis of the best strategies to:

1. Capitalize value-added processing co-ops,
2. Provide recommendations to the Ontario and Canadian government for tax incentives that will support the development and survival of agricultural co-operatives,
3. Assess the current regulatory environment for co-operatives and recommend the changes required to remove the barriers to co-operatives development.

On an annual basis, it is proposed that the Ontario government and the federal government will provide matching funds (\$200,000 each per year) to ON Co-op to continue its current federal granting programme for technical assistance (including legal counsel) for start-up and established co-operatives, specifically in the organic agricultural sector.

⁶⁸ Quebec Industrie et Commerce and Government of Canada (Co-operatives Secretariat), *Survival Rates of Co-operatives in Quebec*, 2000.

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Table 19: Co-operative Processing & Marketing Budget	Time Line	NGOs	OCO	OMAFRA	AG Can
Implement On Co-op White Paper					
Capitalizing Value-added Co-ops - Study	6 months			\$100,000	
Ontario Tax Incentives for Ag Co-ops	6 months			\$100,000	
Assessment of Regulatory Challenges	6 months			\$40,000	
Co-op Development TA Grants - ON Co-op	Annual			\$800,000	\$800,000
Legal - Contracts, Incorporation	Annual			\$120,000	\$120,000
Institutional Procurement Start-up Grants	Annual			\$660,000	
	Total			\$1,820,000	\$920,000

Start-up grants will be provided for groups of Ontario farmers (and processors) attempting to meet institutional food service requirements. These grants for existing collaborations (e.g. co-ops, small companies with a number of producers and formal relations with a processor, integrators) could cover a variety of expenses, including capital and labour associated with food quality and safety improvements and necessary infrastructure. Grants average \$30,000 per group. This program could be administered by an existing organization, such as the Agricultural Adaptation Council.

The table below shows the yearly budget for value-added, co-operative processing and marketing. The major budget area (\$920,000 over four years) technical/legal assistance grants will be cost shared 50/50 by the provincial and federal governments.

Table 20: Co-operative Processing & Marketing Annual Budget	Year 1	Year 2	Year 3	Year 4	Total
Implement On Co-op White Paper					
Capitalizing Value-added Co-ops - Study	\$100,000				\$100,000
Ontario Tax Incentives for Ag Co-ops	\$100,000				\$100,000
Assessment of Regulatory Challenges	\$40,000				\$40,000
Co-op Development TA Grants - ON Co-op	\$400,000	\$400,000	\$400,000	\$400,000	\$1,600,000
Legal - Contracts, Incorporation	\$60,000	\$60,000	\$60,000	\$60,000	\$240,000
Institutional Procurement Start-up Grants	\$165,000	\$165,000	\$165,000	\$165,000	\$660,000
Total	\$865,000	\$625,000	\$625,000	\$625,000	\$2,740,000
% of Total	31.6%	22.8%	22.8%	22.8%	100.0%

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6.8 Evaluation

The Co-ordinating Group (OCO and OMAFRA) will develop a request for proposals (RFP) to contract a third party evaluator to design, implement and monitor an evaluation system for the overall project. Benchmarks or outcome measurements will be determined by stakeholders within the first six months of the project and an information system will be designed to collect the necessary information. Annual evaluation reports will be based on these benchmarks and will provide recommendations for improvements and adjustments to the project. A final report will be provide an opportunity for reflection on the successes and challenges (processes and outcomes) of the project and how it could be improved.

Table 21: Evaluation Budget	Time Line	NGOs	OCO	OMAFRA	AG Can	Farmers	Processors	Retailers
RFP (in-kind)	2 months							
RFP Process & Contract (in-kind)	2 months							
Evaluation - Benchmark System	6 months	\$50,000	\$5,000	\$50,000				
Annual Review	Annual	\$60,000	\$20,000	\$60,000				
Final Report	Year 4	\$25,000	\$5,000	\$25,000				
	Total	\$135,000	\$30,000	\$135,000				
	% of Total	45.0%	10.0%	45.0%				

The following table provides a summary of the cost of the initial design of the benchmark evaluation system, the annual reviews and the final report.

Table 22: Evaluation Annual Budget	Year 1	Year 2	Year 3	Year 4	Total
RFP (in-kind)					
RFP Process & Contract (in-kind)					
Evaluation - Benchmark System	\$105,000				\$105,000
Annual Review	\$35,000	\$35,000	\$35,000	\$35,000	\$140,000
Final Report				\$55,000	\$55,000
Total	\$140,000	\$35,000	\$35,000	\$90,000	\$300,000
% of Total	46.7%	11.7%	11.7%	30.0%	100.0%

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Table 23 provides a summary of the annual costs by strategic development area, the total costs per annum, and the grand total for the entire initiative. The strength of this strategy is based on three main aspects:

1. Encouraging collaboration between various stakeholders in the organic food sector.
2. Building on the existing infrastructure, organizational capabilities, and proven development models.
3. Leveraging resources (expertise and financial) from various levels of government, individuals, businesses, non-government organizations, and foundations.

Table 23: Grow Local Organic Annual Budget

Strategic Development Area	Year 1	Year 2	Year 3	Year 4	Total	% Total
1. Consumer Education/Marketing	\$1,490,000	\$1,125,000	\$1,125,000	\$1,125,000	\$4,865,000	38.3%
2. Organic Council of Ontario	260,000	240,000	255,000	270,750	1,025,750	8.1%
3. Training - Processors & Farmers	46,150	45,475	25,000	20,000	136,625	1.1%
4. Technical Assistance	590,000	590,000	590,000	590,000	2,360,000	18.6%
5. Processor Supports	425,000				425,000	3.3%
6. Research & Development	228,750	203,750	203,750	203,750	840,000	6.6%
7. Co-operative Processing & Marketing	865,000	625,000	625,000	625,000	2,740,000	21.6%
8. Evaluation	140,000	35,000	35,000	90,000	300,000	2.4%
Grand Total Contribution	\$4,044,900	\$2,864,225	\$2,858,750	\$2,924,500	\$12,692,375	100.0%

Chart 24 shows the percentage share of this total budget contributed by stakeholder group. OMAFRA's overall contribution is \$5.7 million over four years, or 44% of the total budget. This represents 0.16% of OMAFRA's annual budget, compared to 6% for the Ethanol Growth Fund (\$53 million per annum).

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% Cost Sharing for Grow Local Organic Strategy

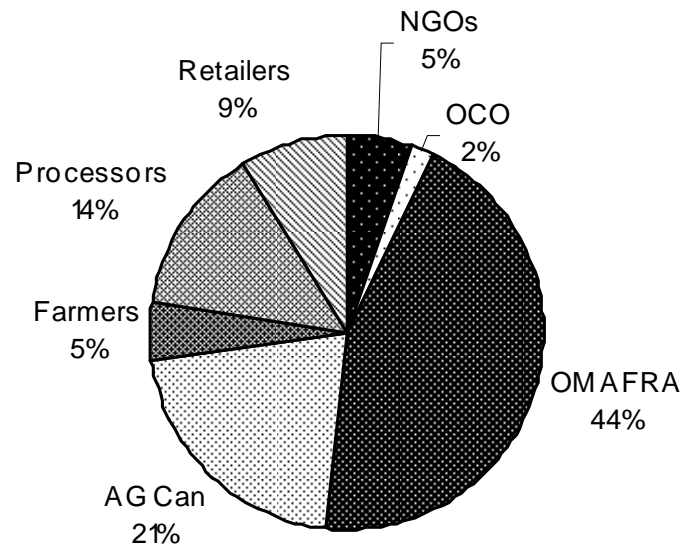


Table 24: *Grow Local Organic Budget Contributions*

NGOs	OCO	OMAFRA	AG Can	Farmers	Processors	Retailers	Total
\$675,000	\$235,750	\$5,651,875	\$2,687,500	\$572,500	\$1,739,750	\$1,130,000	\$12,692,375
5%	2%	44%	21%	5%	14%	9%	100%

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7.0 Private Sector and Co-operative Investment

The Ontario organic sector is facing an unprecedented opportunity. Ontario consumers have never been more motivated to buy Ontario-grown certified-organic foods, and given that up to 85%⁶⁹ of organic grocery products being sold in Ontario are imported, there are many opportunities for import substitution.

Ontario’s food processing sector is well developed and, over the last three years, the number of certified organic processors has more than tripled to 170.⁷⁰ The good news is that new organic grocery or shelf-stable product development can be stimulated and supported by using the existing infrastructure and organizational capacity that already exists. Of course, new entries will also be encouraged, and over the next four years, the Ontario government and its partners, the Organic Council of Ontario, Agriculture Canada, farmers, processors and retailers can help start the Ontario-grown organic value-added sector reach critical mass.

Table 25 provides a forecast of the number of new certified organic grocery products that could be developed through the full implementation of this strategy. This product development will be consumer driven, and based on a good match between Ontario’s organic agricultural capacity and processing capacity. We expect a significant increase in entrepreneurial activity and success, given the small but significant supports and incentives provided in this strategy.

Table 25: New Product Development	Average New Products per Year			
Estimated Private Sector Investment	Small	Medium	Large	Total
Market Research & Feasibility	50	25	10	85
Recipe development & testing	30	15	8	53
Packaging design	25	13	7	45
Production Line		3	4	7
Advertising	20	10	6	36
Listing Fee (Large Retail)		10	6	16
Inventory & Warehousing	20	10	6	36
Freight	20	10	6	36
Contingency	20	10	6	36
Total	20	10	6	36
% launch rate	40%	40%	60%	42%

Our projections show that small start-up and existing businesses (including individual entrepreneurs, partnerships, and co-operatives) will evaluate an average of 50 new products per year over the four-year duration of this strategy. Three-fifths of these will move to the recipe and product testing stage, and only two-fifths (40%) or 20 will be launched. The average cost of launching a new product for a small business is being estimated at \$100,000, with a timeline of three months to a year.

⁶⁹ Interviews with Ontario Natural Food Co-op, OCCP Ontario Inc., The Big Carrot, August 2006.

⁷⁰ Anne Macey, “Certified Organic Production in Canada 2005” from <http://www.cog.ca/OrganicStatistics.htm>; and personal communication with OMAFRA.

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Our forecasts further indicate that medium-sized businesses – most of which have established track records – will evaluate up to 25 new products per year. Again, three-fifths of these will continue to the testing stage and two-fifths will be launched. In some cases, these medium-sized businesses will arrange co-packing for their new products, and in some cases these businesses will set up a new processing line. The businesses that co-pack will have an average capital investment of \$500,000 for developing and launching a new product. The businesses that add a new production line (in an existing facility) will make an additional average investment of \$2 million (a range of \$1 to \$3 million). The timeline for development will be six to eighteen months.

Large businesses can be less entrepreneurial and often have a more risk averse product development process. We forecast an average of ten new product ideas per year, with a 60% launch rate. If the large business uses a co-packer, they will invest an average of \$4 million in the launch (\$3 million of which is for advertising and retail supermarket listing fees). If the test market and financial forecasts for the product justify the investment in a new production line, we project an average additional investment of \$8 million. (this could be as high as \$12 million for a new line in an existing facility).

Of course, even with the best market research and planning, there is no guarantee that any new product will be successful, and it usually takes a number of years before a product becomes established.

The following table provides an estimate of the amount of capital invested per year in new certified organic grocery product launches over the four years of the strategy. The total estimated capital investment is approximately \$75 million, resulting in a leveraged ratio of 14 to 1 to the cost of the strategy. We also project that the economic multiplier in the communities that benefit from this investment is in the range of two to three.

Table 26: New Product Development Annual Budget	Year 1	Year 2	Year 3	Year 4	Total
Estimated Private Sector Investment	15.0%	20.0%	30.0%	35.0%	100.0%
Market Research & Feasibility	\$262,500	\$350,000	\$525,000	\$612,500	\$1,750,000
Recipe development & testing	\$150,000	\$200,000	\$300,000	\$350,000	\$1,000,000
Packaging design	\$90,750	\$121,000	\$181,500	\$211,750	\$605,000
Production Line	\$6,900,000	\$9,200,000	\$13,800,000	\$16,100,000	\$46,000,000
Advertising	\$2,700,000	\$3,600,000	\$5,400,000	\$6,300,000	\$18,000,000
Listing Fee (Large Retail)	\$450,000	\$600,000	\$900,000	\$1,050,000	\$3,000,000
Inventory & Warehousing	\$570,000	\$760,000	\$1,140,000	\$1,330,000	\$3,800,000
Freight	\$57,000	\$76,000	\$114,000	\$133,000	\$380,000
Contingency	\$88,500	\$118,000	\$177,000	\$206,500	\$590,000
Total	\$11,268,750	\$15,025,000	\$22,537,500	\$26,293,750	\$75,125,001
% growth rate		33.3%	50.0%	16.7%	14.5

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8.0 Stakeholder Roles

The following sections provide a brief summary of the main roles that could be fulfilled by the stakeholders in implementing the Ontario organic value-added processing strategy.

8.1 Organic Farmers

- Existing organic farmers need encouragement to increase their production.
- Conventional farmers will require incentives and education to move through the transition to organic production.
- Invest in and benefit from the value-added marketing chain.
- Pool supply through existing supply management systems and co-operative systems – informal and formal/legal co-operatives.
- Meet organic certification standards and third party inspection requirements.

8.2 NGOs

- Research - funding partner for research to scientifically measure environmental and health benefits of organic.
- Promotion – build a campaign together with other stakeholders that educates consumers directly and encourages local organic consumption.
- Evaluation – funding partner for triple bottom line measurement of organic strategy.

8.3 Organic Council of Ontario

- Co-ordination and increasing membership.
- Contracted to develop organic farmer and processor database.
- Contracted to operate the consumer hotline.
- Partner with OMAFRA to develop, review and implement the strategy.
- Research - funding partner for research to scientifically measure environmental and health benefits of organic.
- Promotion – build a campaign together with other stakeholders that educates consumers directly and encourages local organic consumption.
- Evaluation – funding partner for triple bottom line measurement of organic strategy.

8.4 OMAFRA

- Provide up to 50% of the funding for this strategy (less 0.2% of their total budget), leveraging funding from Agriculture Canada, NGOs, the private sector, and foundations.
- Designate and fund a full-time position for an organic value-added processing expert.
- Education – farmers, business people, politicians, other public servants.
- Partner with OCO to develop, review, and implement the strategy.
- Research - funding partner for research to scientifically measure environmental and health benefits of organic.
- Promotion – build a campaign together with other stakeholders that educates consumers directly and encourages local organic consumption.

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- Evaluation – funding partner for triple bottom line measurement of organic strategy.

8.5 Processors

- Become members of OCO and participate in strategy development and implementation,
- Develop relationships with Ontario organic farmers and encourage conventional farmers to move through the transition to organic production,
- Build their business together with Ontario organic growers, with a major focus on new product development for local distribution,
- Promotion – build a campaign together with other stakeholders that educates consumers directly and encourages local organic consumption,

8.6 Retailers

- Become members of OCO and participate in strategy development and implementation,
- Develop relationships with Ontario organic farmers and processors and encourage conventional farmers to move through the transition to organic production,
- Build their business together with Ontario organic growers and processors, with a focus on locally grown and processed, certified-organic grocery products,
- Promotion – build a campaign together with other stakeholders that educates consumers directly and encourages local organic consumption,



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Appendix I: Questionnaires for Farmers, Retailers, Distributors, and Processors

Note: For each interview, please ensure the following is recorded:

- **Name**
- **Job Title**
- **Company/Organization**
- **Number of years of experience in the food industry**
- **Phone number & e-mail**

Farmer/valued-added Producer:

1. How long has your farm been certified organic?
2. Why did you decide to certify your farm?
3. What are the barriers that are stopping more Ontario farmers from becoming certified organic growers?
4. What do you grow on your farm?
5. What certified organic products do you buy from other farmers or suppliers?
6. How do you sell what you produce – channels of distribution?
7. Why have you chosen this approach?
8. Have you ever sold to a distributor or a processor? What worked and what didn't work?
9. Have you ever made or contemplated developing a value-added product?
10. What were the barriers you faced?
11. What was the timeline from having the original idea to launching your product?
12. Did you receive any government assistance – extension support or funding?
13. What is the ballpark capital investment you have made in:
 - your farm,
 - market research and marketing,
 - on-farm processing equipment
 - packaging design and packaging inventory
 - product inventory, warehousing, etc.



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Large Grocery Retailer:

1. On a scale from 1 to 10 (where 1 is low and 10 is high) rate the success of the Ontario government's "Buy Local, Buy Ontario" promotional campaign. Why did you give this rating?
2. How would you improve Ontario's "Buy Local, Buy Ontario" campaign?
3. Approximately what percentage of your customers ask for local/Ontario *certified organic* products?
4. On a scale from 1 to 10, how easy is it to source local/Ontario certified organic product for your shelves? Why did you give this rating?
5. What specific changes could be made to improve this rating?
6. What certified organic products do you currently purchase from Ontario; from Canada?
7. Have you attempted to manufacture any certified organic products with Ontario inputs, with a local processor or co-packer?
8. What are the barriers in developing local/Ontario certified organic grocery/shelf-stable products?
9. What specifically could the Ontario government do to help overcome these barriers?
10. On average, how long does it take to develop a new grocery product from the initial idea to launch?
11. What is a reasonable range for the capital investment required to develop a new product, including:
 - market research and marketing,
 - packaging design and packaging inventory
 - product inventory, logistics, warehousing, etc.

Specialty Organic Retailer:

1. What percentage of your current certified organic grocery purchases are imported?
2. Has the recent trend to purchase locally sourced certified organic products influenced your purchasing patterns?
3. What percentage of certified organic products in your store could be considered local – meaning grown in Ontario? Canada?
4. What certified organic products are currently coming out of Quebec? Why are there more products coming out of Quebec?
5. Which certified organic products, that are not currently available, receive the most customer requests?
6. What certified organic products do you see on the horizon?
7. Have you ever contemplated or do you have private label products?
8. What are the barriers that are holding back the growth of Ontario grown certified organic products?
9. What could the Ontario government do to help overcome these barriers?



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Organic Distributor:

1. What percentage of your sales are imported (USA or other) grocery products; Ontario grocery products?
2. Have you or do you contract any private label organic products?
3. What percentage and \$ volume of your business do these represent?
4. Have you considered expanding into processed products like Amy's frozen dinners for example?
5. What are the barriers to developing a private label line or products?
6. Do you consider the development of organic value-added/processed products as the retailer's role? If yes, why? If no, then who's role is it and why?
7. What products would you consider being the next certified organic products to be developed?
8. Has the current trend to local affected your purchasing? Do you actively seek out and promote local products?
9. Do you think there are currently enough Ontario food manufacturing plants that are certified organic for production?
10. How could government help the development of Ontario value-added locally sourced organic products?
12. On average, how long does it take to develop a new grocery product from the initial idea to launch?
13. What is a reasonable range for the capital investment required to develop a new product, including:
 - market research and marketing,
 - packaging design and packaging inventory
 - product inventory, logistics, warehousing, etc.



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Organic Processors:

1. What are the main certified organic grocery products you produce?
2. How long has your business been processing/manufacturing certified organic food products? Do you only process certified organic products?
3. Do you co-pack for others' certified organic brands? Approximately what percentage and \$ volume of your business do these represent?
4. What were/are the main barriers your company faced in developing its certified organic line of products?
5. What products would you consider being the next certified organic products to be developed?
6. How has the current trend of buying locally produced food affected your market? Do you actively seek out locally produced ingredients for your products?
7. How could the Ontario government help in developing Ontario processing capacity for Ontario grown, certified organic food products?
8. On average, how long does it take to develop a new grocery product from the initial idea to launch?
9. What is a reasonable range for the capital investment required to develop a new product, including:
 - market research and marketing,
 - packaging design and packaging inventory
 - processing equipment (specify type)
 - product inventory, logistics, warehousing, etc.

Conventional Processor:

1. What are the main certified organic grocery products you produce?
2. How long has your business been processing/manufacturing certified organic food products?
3. Do you co-pack for others' certified organic brands? Approximately what percentage and \$ volume of your business do these represent?
4. What were/are the main barriers your company faced in developing its certified organic line of products?
5. What products would you consider being the next certified organic products to be developed?
6. How has the current trend of buying locally produced food affected your market? Do you actively seek out locally produced ingredients for your products?
7. How could the Ontario government help in developing Ontario processing capacity for Ontario grown, certified organic food products?
8. On average, how long does it take to develop a new grocery product from the initial idea to launch?
9. What is a reasonable range for the capital investment required to develop a new product, including:
 - market research and marketing,
 - packaging design and packaging inventory
 - processing equipment (specify type)
 - product inventory, logistics, warehousing, etc.



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Appendix II: OMAFRA Support Programs for Organic Agriculture



Ministry of Agriculture,
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FACTSHEET
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Introduction

Organic agriculture and organic foods are a vibrant part of Ontario's dynamic food industry. Organic agriculture in Ontario is based on agricultural planning and management practices that aim to create healthy ecosystems and ensure sustainable productivity. Supported by organic inputs, Ontario's organic food sector is recognized as a well-differentiated and promising market niche (a niche being less than 3% of the total market) that has shown sustained growth in the last decade.

The Ontario government provides various supports for the development of organic agriculture and food industries. This Factsheet provides an overview of current support to Ontario's organic sector.

Support For Farmers

Technology Transfer to Growers

Staff at the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) provide advice to growers



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and industry on future opportunities in the organic sector. They provide production information on current issues and work with organic-grower groups to develop educational opportunities and deliver information to develop the organic-production sector in Ontario. This includes developing a wide range of information that is available to all producers and appropriate for organic farms, including information on production, nutrient management, environmental programs, business management, and food safety information and programs.

Monitoring Standards and Regulation Development

Ontario regularly links with other provinces, the federal government and the organic sector to develop organic standards and regulations that support the growth of the sector while ensuring consumer protection.

Ontario Organic Research Advisory Committee

Each year, OMAFRA organizes a meeting of the organic sector to discuss the state of the industry and sector needs, especially for research. This information guides the Ministry in awarding research funding in many areas.

Biopesticides

Similar to other jurisdictions, such as the U.S., OMAFRA staff work to facilitate research and other efforts, to make more biopesticides that are appropriate to organic production methods available to Ontario producers.

Support For Food Companies

OMAFRA supports Ontario's food processing industry in several ways. The key strategies to support food business development include:

- attracting new investment to grow the industry
- retaining the level of investment already in the industry
- increasing domestic and global market penetration of Ontario-grown and -processed foods

OMAFRA has a network of sector officers to meet the business development needs of food companies by:

- maintaining a proactive client account management system
- researching and analyzing sector challenges and opportunities
- providing a "one-stop" access point to assist food companies in building their business and improving their competitive position
- providing information to influence investment and growth decisions

Investment development officers support the client account officers and provide expert advice on investment issues such as accessing capital, developing research and training partnerships, getting information about Ontario's competitive position and helping develop business relationships. They also foster new investment opportunities. For more information on the services for Ontario's food firms, call 1-888-466-2372, ext. 64190.

Support For Organic Farmers

Note: Some programs provide direct income support to farmers; others provide support for broader goals.



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For additional details, contact the Agricultural Information Contact Centre at 1-877-424-1300.

Agricultural Policy Framework (APF)

- There are six pillars under this framework - business risk management, food safety and quality, environment, renewal, science and innovation, and branding Canada - that include programs, services and tools.

Canadian Agricultural Income Stabilization Program (CAIS)

- The CAIS Program is a whole-farm stabilization program that helps farmers protect their operations from large and small income declines. AGRICORP delivers this national program in Ontario on behalf of OMAFRA. For more information about the CAIS Program, call 1-877-838-5144 or visit www.agricorp.com.

Production Insurance

- Production Insurance protects Ontario producers from yield reductions and crop losses caused by adverse weather and other insured perils. An organic soybean coverage option is one of several new enhancements for 2006. For more information about Production Insurance, call 1-888-247-4999 or visit www.agricorp.com.

Agricultural Advisory Team

- The Agricultural Advisory Team will consult with farm interests and others and provide advice in the many land-use initiatives the government is currently undertaking.

Farm Property Tax Program

- Farm properties satisfying the eligibility requirements will be identified in the Farm Property Class and will be taxed at 25% of the municipal residential tax rate.

Sustainable Production Systems Research Program

- The new Sustainable Production Systems Research Program was launched in Fall 2005 with calls for proposals and research being initiated in May 2006. This program replaces the plant and animal research programs. The Sustainable Production Systems Research Program will focus on comprehensive, integrated issues-based (value chain) projects. Details are available through the Office of Research at the University of Guelph website at www.uoguelph.ca/research/.

New Directions Research Program

- The New Directions Research Program will invest in research that addresses one or more of the following areas of interest:
 - New Frontiers in Sustainable Production Systems
 - Capturing Value in Emerging Markets
 - Environmental Sustainability
 - Life Sciences
- Research must also meet the criteria of innovation, partnership and benefits to Ontario.

Foodland Ontario

- OMAFRA encourages Ontario consumers to purchase all types of Ontario-grown produce through



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its Foodland Ontario program. Foodland Ontario is a consumer marketing program dedicated to increased sales and greater profit margins for fresh Ontario fruits and vegetables. In the produce aisle, consumers look for the Foodland Ontario logo when purchasing Ontario produce. The logo is available to all Ontario growers and can be downloaded free of charge at www.foodland.gov.on.ca

Business Information Resources

Food Processing

A Guide to Food Processing is an Internet-based tool for entrepreneurs starting food-processing businesses. This guide is intended to help food business entrepreneurs start, manage and grow their businesses. The guide takes a look at some of the important areas specific to the food processing business, including information on researching, manufacturing and marketing commercial-scale food products, as well as comprehensive guidelines for food safety, quality assurance and government regulations. Numerous contacts and online links throughout the guide direct the reader to resources, such as business planning, financing and taxation.

Counseling and Market Intelligence

The Food Distribution Sector Officer provides information to food firms seeking to grow their domestic Canadian market. Based on regular calls with organic marketers, the officer also provides sector overviews and "how to" manuals on selling to multi-unit operators. Individual sector officers provide specific expertise in areas such as baking and beverages. Sector officers provide both information and assistance with expanding businesses in Ontario.

Domestic Trade Shows

Ontario maintains displays at key Canadian trade shows, acting as a distribution point for information on firms manufacturing organic products.

Organic Growers, Manufacturers and Co-Packers

OMAFRA provides an Organics Guide, which lists all currently known organic growers, manufacturers and co-packers in Ontario. This guide was developed as a sourcing index for U.S. retailers and distributors but is also available to Canadian processors and retailers. The guide lists contact information, websites, products and certifiers. To be listed in the guide, contact food@omafra.gov.on.ca

Food Safety

The Food Safety Programs Branch leads and coordinates the Traceability and Hazard Analysis Critical Control Point (HACCP) strategies and programs from farm to fork. The branch:

- delivers financial assistance programs for industry (i.e., Meat Plant Assistance Program)
- ensures province-wide investigation, compliance and enforcement activities
- develops communications promoting food safety to industry and consumers

The Food Safety Animal/Plant/Fish Programs support the development and implementation of HACCP and related programs, such as On-Farm HACCP-based initiatives, HACCP Advantage for food processing, Traceability, and HACCP and food safety education programs. These programs develop and deliver Good Practices programs for different sectors in the food continuum, such as Good Agricultural Practices and



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Good Food Handling Practices.

On-Farm

Studies at the farm level have been conducted by Food Safety Programs Branch staff in coordination with the Food Safety Science Unit to evaluate the food safety risks on-farm. Two recent projects have included the Fruit and Vegetable Baseline Study (including organic leaf lettuce) and the Compost Tea Assessment Risk Assessment Study. Staff is available to present research findings and evaluate future research needs.

Food Safety Programs Branch staff are also working towards a farm-to-fork food safety model for Ontario. At the farm level, Good Production Practices are being developed with the small- to medium-sized, multi-commodity producer in mind and will target both conventional and organic producers. Producer-friendly material will be developed as the project progresses and will likely be available through the OMAFRA website and workshops.

Processing

Under the Food Safety Initiative of the Agriculture Policy Framework (APF), funding provides financial assistance to non-federally registered Ontario food processing plants involved in producing food and drink for human consumption. Funding can be used to develop and implement Good Manufacturing Practices and/or HACCP programs. Funding is available on a first-come, first-served basis up to March 31, 2008. For program details, call 1-866-641-3663.

The HACCP Advantage program is a food safety system available to all food processors and covers 57 pre-requisite program standards and eight HACCP plan forms. The HACCP Advantage Manual provides the program details, and an accompanying guidebook provides practical information on how to develop and implement the standards outlined in the manual. For more information, call the HACCP Advantage phone line at 1-888-466-2372 or visit www.omafra.gov.on.ca and select the Food link.

Inspection

The Food Inspection Branch monitors compliance with legislated standards for meat and livestock products, milk and milk products, fruits and vegetables, and eggs, by providing inspection services at production and processing facilities and other points of marketing and distribution. It is responsible for establishing food safety standards and working with other Ministries and agencies with food safety mandates to provide a strong, seamless food inspection environment from farm to fork in Ontario.

Export Assistance (For Ontario Agri-Food Firms)

Ontario Food Exports (OFEX) of the Ministry of Agriculture, Food and Rural Affairs is the Ontario government program that helps the food and beverage sector increase sales revenue by identifying and maximizing their export opportunities.

OFEX:

- supports clients from the initial market assessment stage to full export capability
- provides qualified, interested buyers with access to capable suppliers
- serves as the gateway to a full range of export-related services

Export Counseling

The OFEX Sector Officer provides direction to organic exporters and assists with market information on all



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aspects of exporting organic products for those looking to expand their sales base. Geographic Officers focus on the key target markets in Asia/Pacific, Europe/Latin America and the U.S.

Export-Related Services

Seminars

OFEX sponsors a variety of seminars. Some concentrate on a specific geographic market for a variety of products, while others may focus on an individual product sector's export opportunities in a number of markets.

The New-to-Exporting Seminar, PROFIT (Program to Raise Ontario Foods International Trade) is designed specifically for those new to food exporting to the U.S. This two-day seminar will help organizations build their export strength. Featuring industry speakers and key contacts who know the export process, this PROFIT seminar will prepare a company for what is needed to succeed in the U.S. market.

Incoming Mission

Enabling buyers to meet Ontario suppliers and view production facilities firsthand has been key in completing business between many foreign buyers and Ontario companies. OFEX works closely with Ontario firms to organize effective itineraries for foreign buyers.

Publications

OFEX develops a variety of publications on varying markets and distribution channels, such as the Organics Guide. In addition, OFEX publishes a quarterly industry update - the Ontario Agri-Food Exporter.

Resources

OFEX provides a Resource Centre in Guelph, open to all Ontario agri-food processors, with information on markets, trends, brokers, distributors, agents and many other useful marketing tools.

International Trade Shows

OFEX co-ordinates participation for Ontario companies at selected international trade shows. For more information on export related programs and services, contact goexport@omafra.gov.on.ca or call (519) 826-4210.

Related Links

- [Organic Crops page](#)
- [Food Industry Services page](#)
- [Organic Farming in Ontario](#), Order No. 03-063
- Infosheets (web only)
 - [Organic Farming Frequently Asked Questions](#)
 - [Organic Food and Farming Certification](#)
 - [Transition to Organic Farming](#)
- [Newsletter articles](#)
- [Agricorp](#)
- [Office of Research at the University of Guelph](#)
- [Foodland](#)



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For more information:
Toll Free: 1-877-424-1300
Local: (519) 826-4047
Email: <mailto:ag.info@omaf.gov.on.ca>

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Appendix III: Toronto Food Business Incubator



[Invest in Toronto](#)
[Resources for businesses](#)

Toronto Food Business Incubator (TFBI)



Propelling micro-food enterprise into business operations

The Toronto Food Business Incubator (TFBI), a registered, stand-alone, not-for-profit organization run by a volunteer board of directors, fosters growth in food industry micro-enterprises. Members of TFBI have access to business resources and industry-standard equipment that can shift start-up micro-enterprises into commercialized food businesses.

The TFBI facility is located at [133 Rivalda Road](#) and opened on July 1, 2007. A one-time \$750 membership fee includes the following benefits:

- a 24-hour fully equipped, commercially certified kitchen
- priority scheduling for use of kitchen facilities
- business plan analysis and feedback
- access to consultant(s) on a limited basis
- an option to purchase shared liability insurance
- assistance in migration to independent facilities (ie. co-packer or stand-alone kitchen)
- guaranteed entrance into Up and Running, a 12-hour entrepreneurial course provided by BizLaunch. You will develop business principles such as: business plan improvements; sales attraction; accounting; market research; low-cost marketing tools for business promotion; product and service pricing; employee recruitment and

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motivation; and financial statement analysis.

Equipment available at the TFBI includes:

- walk-in cooler
- walk-in freezer
- Ice-Omatic machine
- deli-style meat cutters
- Garland 8-burner stove and ovens
- Garland grill and flat grill
- industrial capacity dishwasher
- Cleveland gas kettle
- Varimixer 20 qt. mixer
- MCO convection oven
- various packaging machinery

Food processing entrepreneurs only wanting access to either the TFBI commercial kitchen or processing facilities can purchase associate memberships at a reduced annual rate.

- Download the [application form](#) (PDF 67KB)

For more information, contact [Michael Wolfson](#), 416-392-3830.

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Appendix IV: Liberty Brands Sustainable Development Action Plan

Sustainable Development

During 2007, **Liberté** will establish a **Sustainable Development Action Plan** incorporating targeted objectives, as well as economic, social and environmental performance indicators to ensure follow-up.

These principles and directions form part of a **Sustainable Development (SD)** policy for **Liberté**. **Liberté** is committed to being an **active player** in supporting **Sustainable Development** through a policy of **continuous improvement** based on the following principles:

- Integrating **SD** criteria into all economical, social and environmental aspects of **our decision-making processes**.
- Using the most efficient resources possible through the principle of **reduction at source** (energy efficiency, waste minimization, etc.).
- Basing **operational control** of our processes on **SD** principles, using a **life cycle approach**.
- Applying **SD** criteria to **new projects** starting from the conceptual phase.
- **Ensuring conformity to legal requirements** and other environmental requirements.
- **Disseminating our SD values to stakeholders**, specifically:
 - **Externally communicating** our successes and progress along the road to Sustainable Development by providing **transparent information**.
 - Sensitizing consumers, customers, suppliers and sub-contractors to their responsibilities with regard to Sustainable Development.
- Fostering an enterprise culture based on SD principles, specifically:
 - Ensuring **transversality and cooperation** among our departments on projects that incorporate an SD component.
 - Using **training programs** to initiate our managers and employees into the various SD issues affecting our products and services.

<http://www.liberte.qc.ca/en/page.ch2?uid=Sustainable>

