AGRI House Standing Committee – Issues Related to the Horticultural Sector

Supplementary Comments to May 2, 2024 Testimony

The Canada Organic Trade Association, along with its partners (Canadian Organic Growers and Organic Federation of Canada) appreciate the opportunity to share the following supplementary comments following our May 2, 2024 testimony at the AGRI House Standing Committee. This brief addresses questions posed by committee members.

1. Recommendations to adapt Business Risk Management (BRM) programs (question from various committee members)

Improving access to BRM programs

We wish to reinforce many testimonies in this study that recognize that current Business Risk Management (BRM) programs were not designed for the horticulture sector due to its diverse, perishable, high value crops, and the variable size (often small) of its farms. These challenges are particularly acute and relevant in organic horticultural production, due to the diversity and complexity of organic systems and the premium price of organic crops.

Organic producers also face unique challenges when accessing BRM programs, including benchmark pricing being based on conventional price averages (which are typically lower than the value of organic crops), sometimes higher production costs, and insurance practices including acreage discounts.

Support through BRM programs must be modified to be more affordable, accessible, and timely for horticulture producers. BRM programs should also consistently address the special risks, market access concerns, and higher crop values associated with

organic production. For example, while some provinces, such as Quebec and Saskatchewan, have adapted their crop insurance programs for organic crops, these adaptations should be available across Canada.

Further, we generally support Farmers for Climate Solutions' recommendations for improving BRM programs.

Reducing risk through BRM programs

While tailored BRM services are vital to managing risk, common sense adjustments can also be made to reduce risk for governments and producers alike. The data is clear that better soil health reduces production risks. Healthy soil absorbs and retains more water, making farmers more resilient to flood and drought, and reduces reliance on external inputs, helping to manage income risks.

However, farmers applying beneficial management practices (BMPs) that build soil health and de-risk their operations are actually disadvantaged in receiving crop insurance. Research has shown that current BRM programs may incentivize farmers to adopt riskier practices, and may actually reduce the likelihood that farmers adopt practices (such as diversifying crop rotations, improving soil health and adopting climate-friendly BMPs) that reduce their risk. Further, crop insurance programs create an incentive to convert marginal land, wetlands, grasslands and treed areas to crop production, which can cause significant greenhouse gas emissions. These disincentives mean rising costs for taxpayers, who cover 60% of the insurance bill.

To keep the farm safety net strong in the 21st century, the principles that govern risk assessment and pricing in the private sector should be applied to BRM programs: lower risk = lower rates. All private sector insurers reward low-risk behaviour. Consider "good driver discounts" which are not penalties for being an average driver, but incentives to encourage better drivers. **We must better protect Canadian farmers by helping them reduce risks through the voluntary adoption of resilience and soil building practices while providing financial incentives to do so.**

AgriInsurance is the most expensive of the BRM programs, costing governments more than all other BRM programs combined. Due to catastrophic weather, crop insurance payouts in Canada reached $3.88 billion in 2023, a significant increase from $1.4 billion in 2019. Research by Alberta's Agriculture Financial Services Corporation (AFSC) found that 57 percent of indemnity payments between 2000-21 in Alberta were due to drought alone. Increasingly frequent and severe weather events suggest crop insurance costs will only continue to increase without mitigating actions.

Further research to quantify the risk reduction benefits of various BMPs (and interactions between strategic combinations of multiple stacked BMP) is needed to assess the associated program cost savings and offer actuarially-sound reduced premiums or increased coverage rates for resilient BMP adoption. For example, the same study by AFSC found that farms with higher soil organic matter have better yields and lower crop insurance claims.

Organic production offers a system for such research and a pathway to risk reduction as it includes a regulated system of stacked BMPs backed by third-party certification. Thus, ensuring BRM programs adequately address the needs of organic production contributes to overall risk management in agriculture.

Risks are particularly high during the three-year transition period to organic production, during which producers must abide by the organic standards but cannot yet market their products as organic. Additional risks include other costs such as new equipment, the knowledge development needed to adopt new practices, and potential yield declines as soils shift towards biological management, putting the organic transition out of reach for many producers. This reality justifies transition risk assistance in many jurisdictions and should be explored for coverage options within Canada's risk management programs.

Also, as early adopters of agri-environmental practices, organic producers often do not qualify for additionality-based cost-share programs such as the On-Farm Climate Action Fund, putting them at a disadvantage compared to producers receiving support through these programs. Recognizing the contributions of the horticulture sector and investing in continuous improvement of on-farm innovation and resilience is investing in the future of the farm safety net and food security in Canada.

2. Recommendations for a separate policy directive for organic
(question from MP Leah Taylor Roy)

Organic policy directive: enabling and incentivizing resilient agricultural practices

Rationale

The scale and impact of extreme climate events has been devastating for the Canadian agricultural – including horticultural – sector. **Effectively responding to these changes will require not only adapting current BRM programs to be more responsive but also embracing innovative approaches to mitigating climate change.**

Rooted in Indigenous farming systems, organic practices have been used to steward the health of our lands for many generations. Organic agriculture is guided by principles and standards related to ecology, health, care, and fairness, and provides an alternative and tested risk mitigation pathway for farmers to combat ever-increasing extreme weather conditions, whether they are small, medium, or large operations.

Scientific research has demonstrated positive impacts of organic methods on farm resiliency. With organic methods contributing to increased carbon sequestration, biodiversity, soil health, and reduced greenhouse gas emissions per acre, farmers should be further encouraged to adopt these methods. Through programs that train farmers on organic techniques and offering incentives for adoption, the Canadian government could achieve the goals set out in the Sustainable Agriculture Strategy more expeditiously.

Despite the organic claim being a federal law with a robust CFIA-oversight system, and the basis of nine organic equivalency arrangements, Canada still lacks a policy framework to facilitate the growth and competitiveness of organic food and farming. This is in stark contrast to proactive measures taken by jurisdictions like the United States and the European Union which have organic legislation in place with specific policy directives to increase the competitiveness and adoption of organic. Not only do our trade competitors recognize the many benefits of organic production to rural livelihoods and increased processing opportunities, but they also embrace incentivizing organic production for improved economic, environmental and social outcomes. The absence of a clear strategy in Canada jeopardizes the competitiveness of Canadian businesses and fails to capture the myriad benefits of organic production.

Recommendation

Agriculture and Agri-Food Canada (AAFC) would benefit from implementing a unified policy framework for organic food and farming in Canada.

An organic policy framework will provide the mechanism for government policies and programs to ensure that all farmers have the same level of access to BRM tools, remove barriers to access supports for organic operators, and encourage agroecological practices that contribute to stronger resilience in Canada's agri-food sector.

The organic sector is developing an Organic Action Plan (OAP) to develop all segments of the organic value chain, and is united in its request for a policy mechanism to support implementation of the plan. The OAP is based on four pillars, including:

- strengthened infrastructure and regulations
- market development
- production growth and supply chain development
- and research and innovation.

These pillars are further outlined in the organic sector's key recommendations for a National Organic Action Plan.

An Organic Policy Directive should:

- provide clear recognition and commitment to incentivize agroecological practices, including organic, for greater economic, environmental and social resilience

- address the 4 pillars of the Organic Action Plan:

    1. **Create an enabling framework and infrastructure for growth**
       Maintain and strengthen trust in the Canada Organic Brand by ensuring that the Canadian Organic Standards are up-to-date and consistently applied and enforced. Build knowledge and capacity in federal and provincial levels of government and in organic organizations to enshrine a sustainable framework for long-term sustainable growth.

    2. **Accelerate development of production and supply chain**
       Domestic production (acreage and operators) must increase to meet the growing demand for organic products, reduce increasing reliance on organic imports and support Canada's climate, environmental and economic goals.

Policy must address knowledge transfer, financial and technical risks that are barriers to organic farming, de-risk the transition, and invest in farm productivity and profitability. Value-added processing and supply chains must be strengthened to provide a range of products to meet organic demand.

3. **Stimulate market development:**
   Ensuring a stable market for the end-products of organic agriculture is crucial for the long-term sustainability of the sector and to help the sector meet consumer growing demand. A broader strategy involving education, promotion and programs with all supply chain actors (e.g. processors, retailers, food service providers) and consumers will increase market access and trade opportunities both domestically and internationally.

4. **Advance research with impact**
   Research in organic science drives innovation and productivity in sustainable and resilient food production systems, which is transferable to all of agriculture. Investing in organic research enhances a low-input model that contributes to climate change mitigation, promotes soil health and biodiversity, increases farm-gate revenue, and is backed by a certification system that is internationally recognized and regulated.

With strong federal policies and collective efforts, Canada could stand poised to meet the burgeoning demand for organic products and strengthen its role as a global leader in sustainable agriculture.

3. Measuring the cost of climate inaction (question from MP Tim Louis)

Many studies have been published on the cost of climate inaction on a global scale. For agriculture in Canada, an analysis of the investments in BRM programs in the last few years and the relationship with payouts and impacts on resilience would be beneficial. Adjustments need to be made to be more responsive. Considering agriculture with a true-cost accounting lens will assist in understanding the impacts of small investments on return on investment.

In a study published in March 2024, Deloitte considered the question from a different perspective, making the case for the economic return on business investment in sustainability rather than the cost. The study found that “delaying or withholding sustainability investments results in lost revenue and/or higher costs” and that investing in sustainability strategies has demonstrated a strong, positive business case.

The report discusses the concept of enabling environments and more proactive vs. reactive approaches to encourage the adoption of sustainable practices, including implementing: longer-term supplier contracts, enhanced payment terms, cost sharing for capital expenditures, and funding to support the transition to regenerative farming practices, among other areas. They also discuss 12 sustainability strategies that provide a positive return on investment, which included: improving soil health, protecting and conserving biodiversity and ecosystems, reducing the use of harmful chemicals, improved water stewardship, and communicating credible sustainability initiatives and product attributes through marketing and communications to increase take advantage of the premiums that can be achieved due to consumer demand for these products. **These strategies are all built into Canada's third-party verified organic system.**

4. Investing in environmental innovation (question from MP Yves Perron)

Producers should be recognized for their ecosystem services and environmental contributions. However, recognition of this environmental innovation should include agroecological innovation equally to technology-based solutions.

"Innovations by agroecological farmers are in response to technological constraints/failures, in relation to issues of weed resistance, loss of soil fertility, and pesticide-related health problems…Often extension services have not developed agroecological expertise and farmers have had to work collectively to find appropriate solutions." (FAO, 2014: 7-8)

The constraints of organic production systems spur ecological innovation that has been adopted across agriculture. Organic farmers are leaders in developing innovative research-based practices to increase on-farm resilience to climate impacts, reduce reliance on fossil fuel-based inputs, and achieve higher profit margins. For example, cover cropping, biocontrol of insect pests, and mechanical weed control innovations developed in organic production have been widely adopted in all agricultural production systems. **Research in organic science benefits all farmers.**

Studies have shown that organic farming captures 44% more carbon, reduces nitrous oxide emissions by 40%, uses 45% less energy, reduces nitrates released to groundwater by 50%, creates healthier soils with 13% higher soil organic matter, and protects biodiversity, with 30% higher species richness and a 50% higher abundance of organisms. Results from the Canadian Organic Science Clusters can be found here,

and the organic sector is currently conducting a research project to synthesize environmental and economic impacts of organic production in Canada.

Like other early adopters, organic farmers shoulder the risks to test new resilient practices and innovations that add to the body of knowledge for all farmers to adapt to climate change. However, they are unable to benefit from incentives offered for farmers to adopt these BMPs as they have often already implemented these practices on their farms during the proof-of-concept phase.

5. Importance of permanent funding for review of Canadian Organic Standards (question from MP Yves Perron)

Permanent funding should be invested in the development of the Canadian Organic Standards and maintenance and interpretation of the standards by the Canadian Standards Interpretation Committee (SIC).

A review of the Canadian Organic Standards is required every five years. Ensuring the Standard is current is foundational to Canada's $10+ billion industry and vital to ensure market access for our 35 trading equivalency arrangements, public trust, and credibility with Canadian consumers.

In contrast to all of Canada's equivalency trading partners, where federal governments manage and fully fund mandatory updates to their standards, the Canadian organic industry drives the development and maintenance of the organic standards at substantial cost and effort to the industry. Securing funding support from the federal government for this foundational activity is a recurring effort that means time is redirected from critical needs related to extension and growing the sector.

Appendix 1:

Adapting positive benefits of organic agriculture to the broader horticultural sector for increased resilience

(adapted introductory remarks from May 2, 2024 testimony)

The challenges faced by farmers are similar regardless of the method of production and now more than ever, we need to consider all possible approaches for adaptation and resilience due to new climate realities. The whole system approach of organic production means that sustainability is automatically built into this way of farming.

The international acclaim of organically produced goods, attributed to their sustainable cultivation methods, designates them as premium products. The organic fruit and vegetable category accounts for nearly 25% of all organic sales, holding a 6.6% market share. Production is highest in Ontario, followed by Quebec and British Columbia. These numbers may seem small but organic market growth has been outpacing conventional growth. Two-thirds of Canadians purchase organic products weekly and the market is expected to triple in the next ten years according to SPINS data. Despite being the fifth-largest consumer nation globally, only 3% of Canadian farms hold organic certification, presenting a substantial opportunity for expansion.

Canada's distinct lack of a policy framework for organic agriculture sets it apart as the sole major agricultural nation without such a directive. The three national organic organizations have come together to formulate an Organic Action Plan

The regulated nature of the organic sector, coupled with trade agreements involving 35 countries, underscores its global presence. However, without explicit policy directives, support mechanisms, and an overarching framework for organic growth, Canada faces a risk to its competitiveness. The U.S. and the European Union, with significant investments and growth plans in their policy directives, present a formidable challenge to Canada's standing in the absence of a comparable approach.

The organic sector is helping to build more resilience and adaptation to climate change in our agricultural sector, with many initiatives and learnings that can be adopted by the broader horticultural sector.

Case study organic farm: The New Farm, Creemore, ON

Building soil health to increase resilience

In August 2023, there were three rain events of more than two inches in under an hour—including one of three inches in under 30 minutes, which completely flooded the fields. However, thanks to the farm's soil health and structure, the water soaked in within just 30 minutes, allowing the entire crop to be harvested, while neighbours' crops were severely damaged.

Soil health is key to the farm's climate resilience. Through the farm's practices, soil organic matter was increased from 3% to 5-6% across the farm. For every 1% increase in soil organic matter, soils can hold an extra 25,000 gallons of water per acre.

This has been achieved through practices such as no-till using tarps on the vegetables and salad greens. The untilled soil stays 6-9 degrees cooler under the tarp than the tilled soil, since it holds more moisture, allowing for better germination and less irrigation. Livestock—including cattle, pigs and chickens—have been successfully integrated to rotationally graze the farm's cover crops annually, further reducing their reliance on external inputs and input costs while naturally fertilizing the soils. Research shows that healthy soil also increases the nutrient density of crops. For example, the Bionutrient Food Association found that regeneratively-grown vegetables had 21% more nutrients than US averages for eight crops.

A resilient domestic food supply is critical for food security. Canada imports three quarters of our fruits and vegetables, including much of that from California. This leaves us vulnerable to the impacts of climate change and supply chain disruption. In 2018, when the drought in California and simultaneous hurricane Michael in Florida brought shortages, the farm's cooler soils allowed continued production when others could not continue with production. The harvest was sold out so quickly that the farm closed two weeks early that year. At the peak of the COVID pandemic, farmers' markets and small-scale producers, many of which are organic, were able to continue supplying Canadians with fresh produce. This underscores the need to increase not only domestic production but also on-farm resilience. To do this, we must be able to compete with cheap imports, including from the United States.

Other recommendations

Many horticulture farms participate in the Seasonal Agricultural Worker Program, paying fair wages and complying with the higher standards of this program. The committee should consider solutions to address this imbalance, such as wage subsidies.

Business Risk Management (BRM) programs need to adapt to different types of farming systems. Horticultural farms and small, diversified organic operations are unable to access current BRMs. Affordable emergency and whole-farm coverage is crucial. The BRM programs should also account for and encourage the risk mitigation impacts of soil health practices.

The new climate programs need to be adapted to support innovation on farms, such as The New Farm. The New Farm has not been able to access programs like the On-Farm Climate Action Fund, despite demonstrating practices that are adopted widely across the agricultural sector.

Organic agriculture offers a long-term pathway to resilience, but the transition period can be too risky for many farmers. To remove barriers for others:

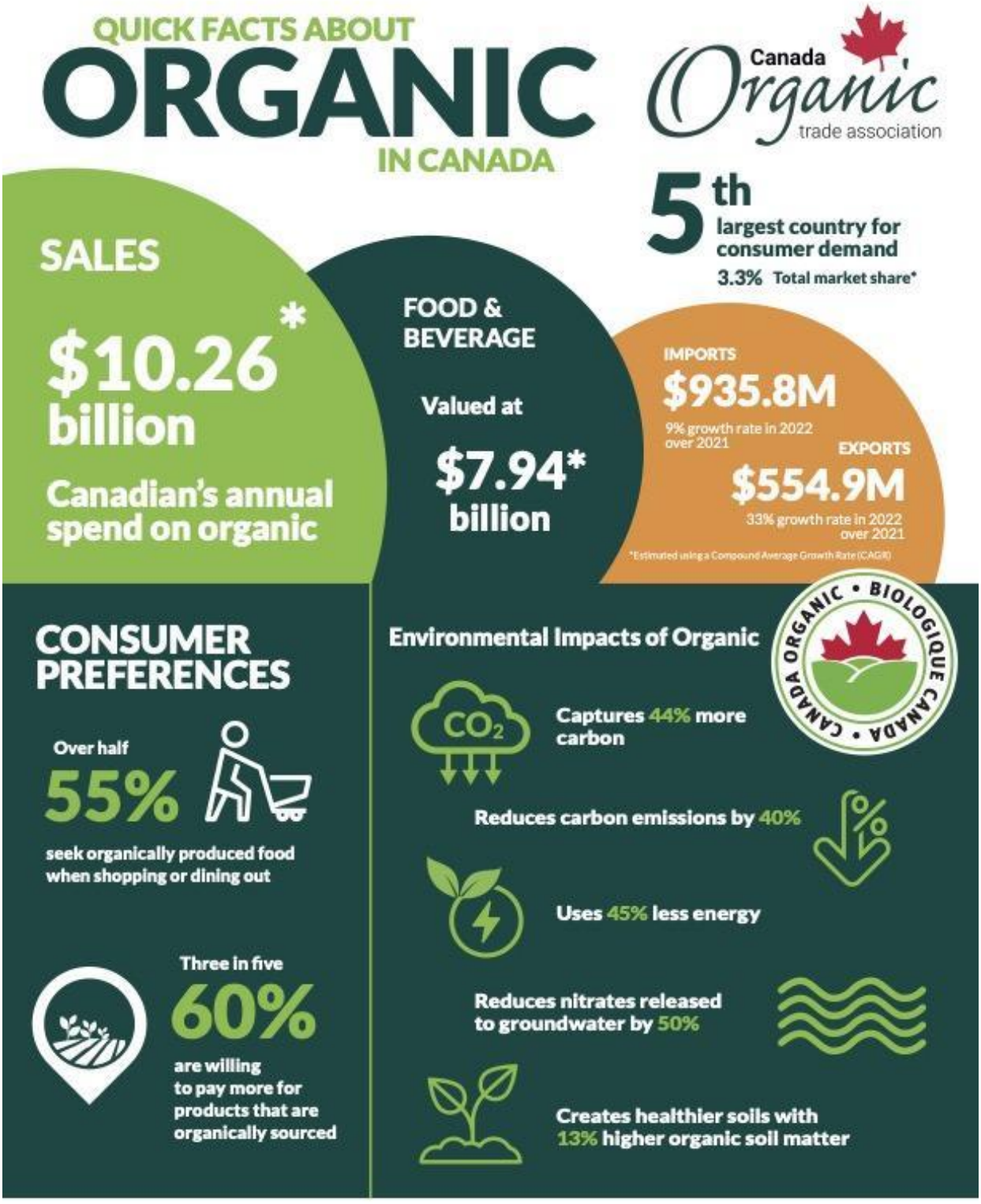
1. **Increase access to education** for producers to understand how to build soil health and resilience. We have established a demonstration site on our own farm. Public investment can replicate and scale up education and independent extension support.

2. **Provide financial support**, especially during the transition period, during which you have to farm organically but without the price premium. Supporting certification fees would help more producers transition to organic and help us compete with the US, which subsidizes annual certification fees.

3. **Build demand** to ensure market access for our products. This can include public procurement requirements, including programs for restaurants and retail. Denmark has been extremely successful with a goal of sourcing 60% local, organic food in public institutions like schools and hospitals. We can leverage Canada's new school food program.

As we enter a period of global crisis, farmers need to be recognized and supported as an emergency service. The time to invest in the infrastructure to rebuild resilient farms and local food systems is now, while we still have time.

Appendix 2: Quick facts about organic in Canada



TRADE

Canada is a global leader of organic:

Canada exports over 180,000 MT annually

- **4th largest** producer of pulses
- **6th largest** producer of cereals
- **9th largest** producer of oilseeds
- producing **99%** of the world's organic cranberries

CERTIFIED OPERATORS

63% of organic farmers earn over $100K versus 46% of non-organic farmers

Source: 2021 Census Data

7702 Certified Organic Operations
Down 3.7% since 2021

6069 Certified Producers
0.54% decrease since 2021

1973 Certified Processors
7.99% increase since 2021

777 Certified Livestock Producers
0.89% decrease since 2021

47 Certified Aquaculture Operators
2% increase since 2021

Organic Food Operators by Province

Quebec	Ontario	Sask.	B.C.	Alberta	Atlantic	Manitoba	Territories
3413	1453	899	826	652	242	200	17

Organic Producers by Province

Quebec	Ontario	Sask.	Alberta	B.C.	Atlantic	Manitoba	Territories
2827	1000	822	571	503	187	153	6

Organic Food Processors by Province

Quebec	Ontario	B.C.	Alberta	Sask.	Manitoba	Atlantic	Territories
855	507	322	87	85	55	51	11

Organic Livestock Producers by Province

Quebec	Ontario	B.C.	Manitoba	Alberta	Sask.	Atlantic	Territories
272	232	113	59	50	28	19	3

Organic Aquaculture Operators by Province

Quebec	Atlantic	Ontario	B.C.	Alberta	Sask.	Manitoba	Territories
34	10	2	1	0	0	0	0

CERTIFIED ACRES

3.8M Certified Acres
29% increase since 2021

Organic Certified Acres by Province (Thousand acres)

Sask.	Ontario	Quebec	Alberta	Atlantic	B.C.	Manitoba	Territories
1031.61	996.16	619.73	484.71	339.99	233.67	100.19	0.50