Beef production

ORGANIC ADVANTAGE

Transition to growing demand

October 2014

Organic advantage

Transition to growing demand

Are you a beef producer thinking about switching to organic production? The time is right to align your operation with the strong and growing demand for organic meat. Making the transition can be easily navigated with support from organic experts.

Consumer advantage – Consumer demand for organic meat products is strong and growing.

Transition advantage – There is a significant knowledge base and programs available to support your transition from conventional to organic production.

Marketing advantage – Opportunities to market organic beef are diverse.

Opportunities in Canada's organic sector

The Canadian organic sector has experienced rapid growth for the past decade and is well positioned for continued expansion. For organic beef, in particular, the market is growing overall in Canada and North America.

To meet growing consumer demand with supply, however, the sector needs significantly more cow-calf producers to go organic. Substantial transition of conventionally raised beef to organic practices is required to supply both the quantity and variety of products that are demanded by consumers. The good news is that Canadian producers are well positioned to serve the North American market.

This brochure is intended to highlight the business case for organic beef production. It will provide conventional producers with a better understanding of consumer demand, transition requirements, marketing opportunities, and available resources and expertise to support a successful transition into the organic sector.

Organic Value Chain Roundtable

The Organic Value Chain Roundtable (OVCRT) is an industry-led partnership working collaboratively with government on strategies to address regulations, increase Canadian organic capacity, support development of markets and help guide research and innovation for Canada's organic sector. Increasing the organic share of domestic retail sales from 1.7% to 5% by 2018 is a key strategic priority for the OVCRT. This will be accomplished through increased production, improved production efficiencies and greater economies of scale.

ORGANIC ADVANTAGE

Transition to growing demand

North America
global organic
7.5% of the g

50% Demand

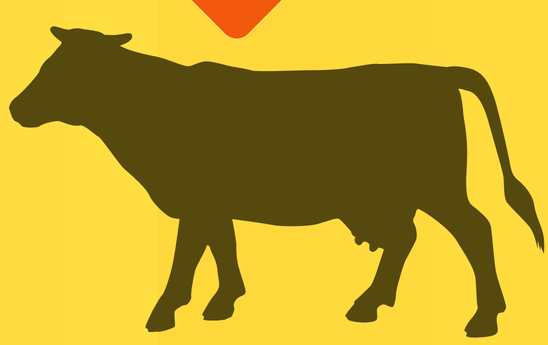
Organic producers' input costs are about half of their conventional counterparts

More than 20 m
Canadians buy o
products weekly

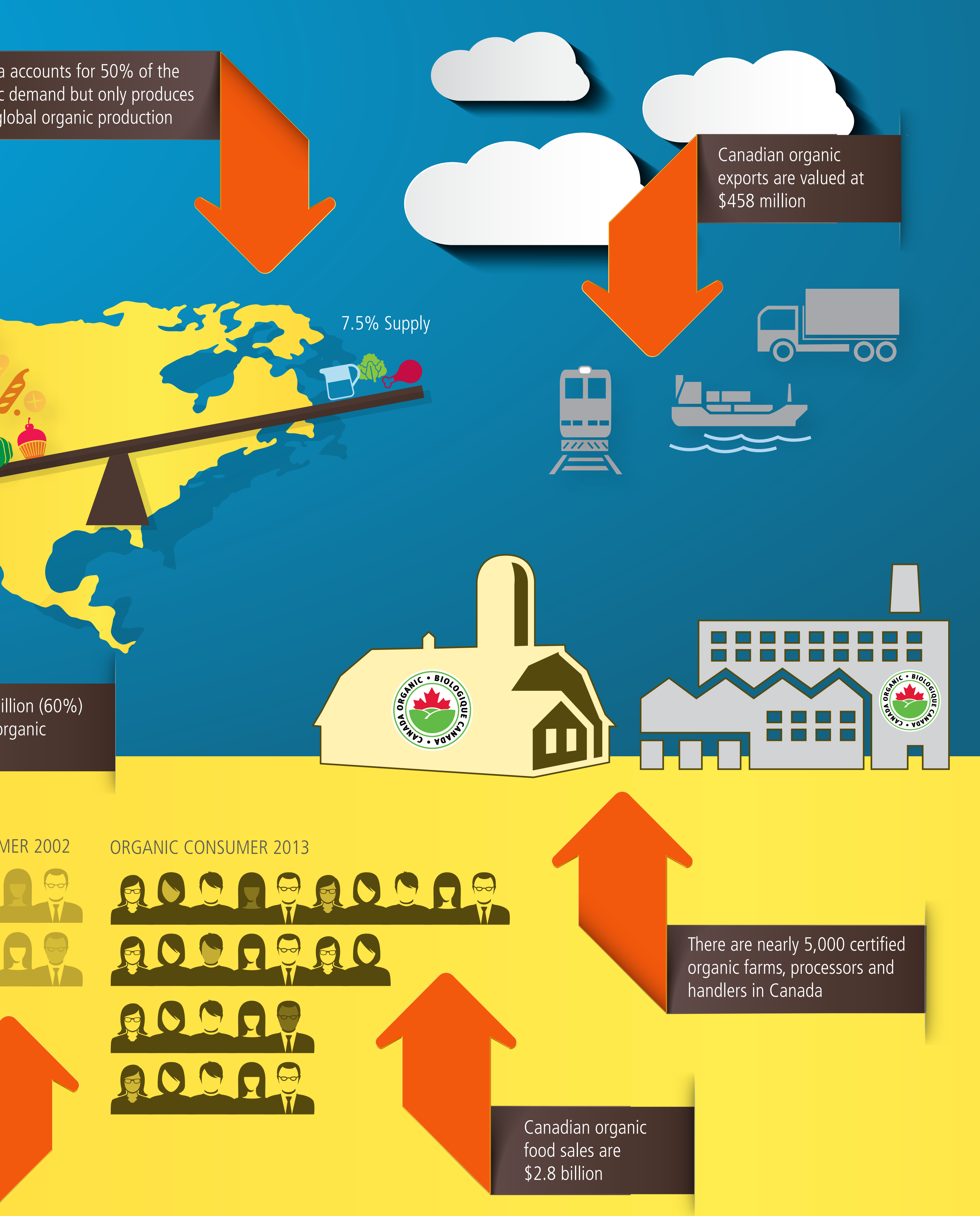
ORGANIC CONSU

For every **$100** earned per acre an organic farmer keeps **$58** while a conventional farmer keeps **$31**

There is significant room for growth in organic beef – only 0.4% of the U.S. cow herd is certified organic



Demand for organic has increased 170% since 2002 in Canada


a accounts for 50% of the
c demand but only produces
global organic production
Canadian organic
exports are valued at
$458 million
7.5% Supply
illion (60%)
organic
MER 2002
ORGANIC CONSUMER 2013
There are nearly 5,000 certified
organic farms, processors and
handlers in Canada
Canadian organic
food sales are
$2.8 billion

Consumer advantage

Strong consumer demand for organic products

Sales of organic food and beverages in Canada increased from $2 billion in 2008 to $3 billion in 2012. Since 2006, the value of the Canadian organic food market has tripled, far exceeding the growth rate of other agri-food sectors. The significant increase in industry value is driven by consumers – more than 58% of Canadians buy organic products on a weekly basis.

On track to triple market share

While organic sales in Canada are growing much faster than food sales in general, they still account for only a 1.7% share of total food sales. In comparison, U.S. organic market share is 5% and Germany's is 8%. The OVCRT's goal is to grow the organic share of food sales in Canada to 5% by 2018, tripling its current market share.

Get aligned with a growing beef market

Beef producers who are interested in organic production will want to get aligned with a growing organic meat sector that is here to stay. A 2012 retail study of Canadian consumers for the Alberta Livestock and Meat Agency, showed a strong and growing market for organic beef:

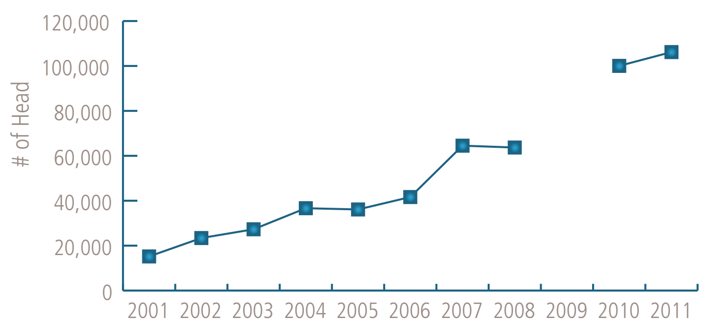
- 21% have purchased organic fresh meat or chicken
- 12% report purchasing organic beef at least sometimes
- 15% rated "offers a range of organic meats" as either 9 or 10 out of 10 when asked about attributes of an "ideal" meat section
- 14% are driven by specific value-added features beyond price and country of origin
- Preference for organic is strongest in younger consumers (i.e. ages 18 to 34)

Figure 1 shows the growth of the organic beef cow herd over the last decade.

Figure 1

Inventory of U.S. Certified Organic Beef Cows

Source: USDA, Economic Research Service, based on information from USDA-accredited state and private organic certifiers



Access to the world's largest organic market

Organic food demand is also on the rise globally. North America represents nearly half (48%) of this global demand. Canadian organic beef producers have the same access to this North American market that conventional beef producers have due to an equivalency arrangement with the U.S. In fact, Canadian organic calves, stockers and feeders are already crossing the border.

The reduction of trade impediments puts the Canadian organic sector in an ideal position for growth. Canada currently has equivalency arrangements in place with Europe, Japan, Costa Rica and Switzerland and more in development. These arrangements recognize the Canadian organic standard and help facilitate trade. As a result of these arrangements, Canada has access to 96% of the current global organic market, valued at $US63 billion annually.

Transition advantage

Easier than you may think

Producers who are contemplating organic beef production may be surprised to know that the transition is easier than they may think. Tapping into the existing knowledge base and taking advantage of government programs helps to provide a smooth transition. Government and industry research investment in the sector is also significant and ongoing.

There is a significant knowledge base and programs available to support your transition from conventional to organic production.

Next year's calf crop could be organic

Existing beef producers may be closer to organic certification than they realize. For a calf to qualify as certified organic, its mother has to be managed under the organic regulations for the last trimester of her pregnancy – receiving only organic feed and no antibiotics or other prohibited substances. If a producer's pastures and hayfields haven't been treated with prohibited substances (e.g. synthetic fertilizers or pesticides), the pastures could qualify for certified organic status in less time than the usual 36 months. Pastures and hay fields in the last year of transition will qualify as organic feed when fed to transitioning animals on the same farm. In other words, you can't sell the feed as organic, but you can feed it to your own livestock.

Feeding organic-certified cattle

There are specific feeding requirements for beef cattle under organic certification. For ruminant animals, at least 60% of dry matter in daily rations must consist of hay, fresh/dried fodder or silage. When silage is fed, at least 15% of the total dry matter in daily rations must consist of long-fibre forage (i.e. >10 cm stem length).

Calculated on the basis of dry matter intake, the consumption of grazed forage during the grazing season of the region must represent a minimum of 30% of the total forage intake during this period for ruminants that have reached sexual maturity. On all farms, a minimum of one-third of an acre per animal unit must be devoted to grazing.

Herd health is focused on preventative measures, however, vaccination of certified organic animals is permitted as long as it is documented that the targeted diseases are communicable to livestock on the enterprise and cannot be combated by other means.

A list of acceptable brand name products may be found at www.organicinputs.ca or by contacting a certification body.

Transition resources

There are several resources that can help you transition from conventional to organic beef production.

- Organic Livestock Handbook 2nd Edition: **www.COG.ca**
- Finishing Organic Beef Guide – Producers Guide: **www.OrganicAlberta.org**
- Organic and Grass-finished Beef Cattle Production: **attra.ncat.org**
- Western Canadian Organic Business Directory: **www.organicalberta.org/business-to-business**

Government support

There are several government programs available to producers who raise beef in a conventional system that are also available to organic beef producers. For more details on these and other programs, visit: **www.agpal.ca**

Province	Program	Description	For More Info
British Columbia, Alberta, Saskatchewan and Manitoba	Cattlemens Financial Corporation (CFC)	Designed to finance the entire production cycle of the livestock on your farm – from feeder calves and replacement heifers to bred heifers and bred cows.	www.cattlefinance.com
British Columbia, Alberta, Saskatchewan and Manitoba	Western Livestock Price Insurance Program (WLPIP)	A risk management tool, allowing producers to purchase price protection on cattle in the form of an insurance policy. The program provides producers with protection against an unexpected drop in prices over a defined period of time.	www.wlpip.ca
Ontario	Ontario Feeder Cattle Loan Guarantee Program	Supports the operation of 18 Feeder Cattle Co-operatives across the province. Each Co-operative is operated by a Board of Directors who negotiates a credit limit with a lender in order to assist members with the purchase of cattle for further feeding. Members may also be eligible for free interest on a portion of their loan.	www.ontariobeef.com
Ontario	Ontario Beef Breeder Co-operative Program	Eight co-operatives in various regions of the province to provide members with loans to purchase beef breeding females.	www.ontariobeef.com
Ontario	Risk Management Insurance Program (RMP)	Helps producers manage risks beyond their control such as fluctuating costs and market prices. RMP works like insurance to help Ontario producers offset losses caused by low commodity prices and rising production costs.	www.agricorp.com/en-ca/Programs/RMP/Cattle/Pages/Overview.aspx
Quebec	Farm Income Stabilization Insurance (ASRA)	Compensates farm businesses when the average selling price is lower than the stabilized income. Cow-calf and feeder cattle operations are eligible under ASRA.	www.fadq.qc.ca/en/insurance_and_income_protection/stabilization_insurance/program.html
New Brunswick and Nova Scotia	Advance Payments Program (APP)	A Canadian Federal Loan Guarantee Program available through Agriculture and Agri-Food Canada (Agri-Commodity Management Association Administrator). APP offers cattle producers the opportunity to receive 50% of the market value of the cattle inventory to be marketed between April 1st to September 30th of the following year, in advance of sale.	www.agricommodity.ca

Increasing organic livestock research

A significant investment in organic research will have an impact on the sector's profitability, sustainability and competitiveness. The Organic Science Cluster II (OSCII) was announced in 2014 with support of up to $8 million from Agriculture and Agri-Food Canada (AAFC) under its Growing Forward 2 AgriInnovation Program, $2.4 million from industry, and in-kind contributions of $346,000. This follows on the heels of OSCI, which provided $8 million and funded 28 organic research activities and one communication activity.

Managed by the Organic Federation of Canada, and administered by the Organic Agriculture Centre of Canada, OSCII is supported by over 75 contributing partners on 37 research activities. OSCII includes nearly 200 collaborating researchers and institutions across Canada.

OSCII numbers at a glance

- $10,705,908 total funding
- Over 200 collaborating scientists, including graduate students
- 36 research institutions/facilities
  - 15 AAFC research centres
  - 15 university/educational institutions
  - 6 others
- Over 70 industry partners committed to cash or in-kind contributions

OSCII consists of industry-led research and development, and its outcomes are centred on competitiveness, market growth, adaptability and sustainability. This will be accomplished by using innovation to drive 'ecological intensification' through the following:

A. Field crops: Optimizing productivity and competitiveness through adaptable systems for field crops
B. Horticultural crops: Advancing the science of vegetable, fruit and novel horticultural crops
C. Crop pests: Innovation in sustainable pest management strategies
D. Livestock: Optimizing animal health and welfare for productivity and quality
E. Value Adding: Adding value to capture markets through innovative processing solutions

OSCII includes a number of examples of innovation that will help the organic crop sector grow and prosper. This includes: breeding for improved cultivars; reduced tillage systems under organic management; use of biological soil amendments to improve plant health; development of new management products and practices for crops pests (insects, diseases and weeds) in field and storage; technological advances in greenhouse production; management targeting optimization of the nutritional value of crops; and utilizing advanced processing techniques to develop value-added products.

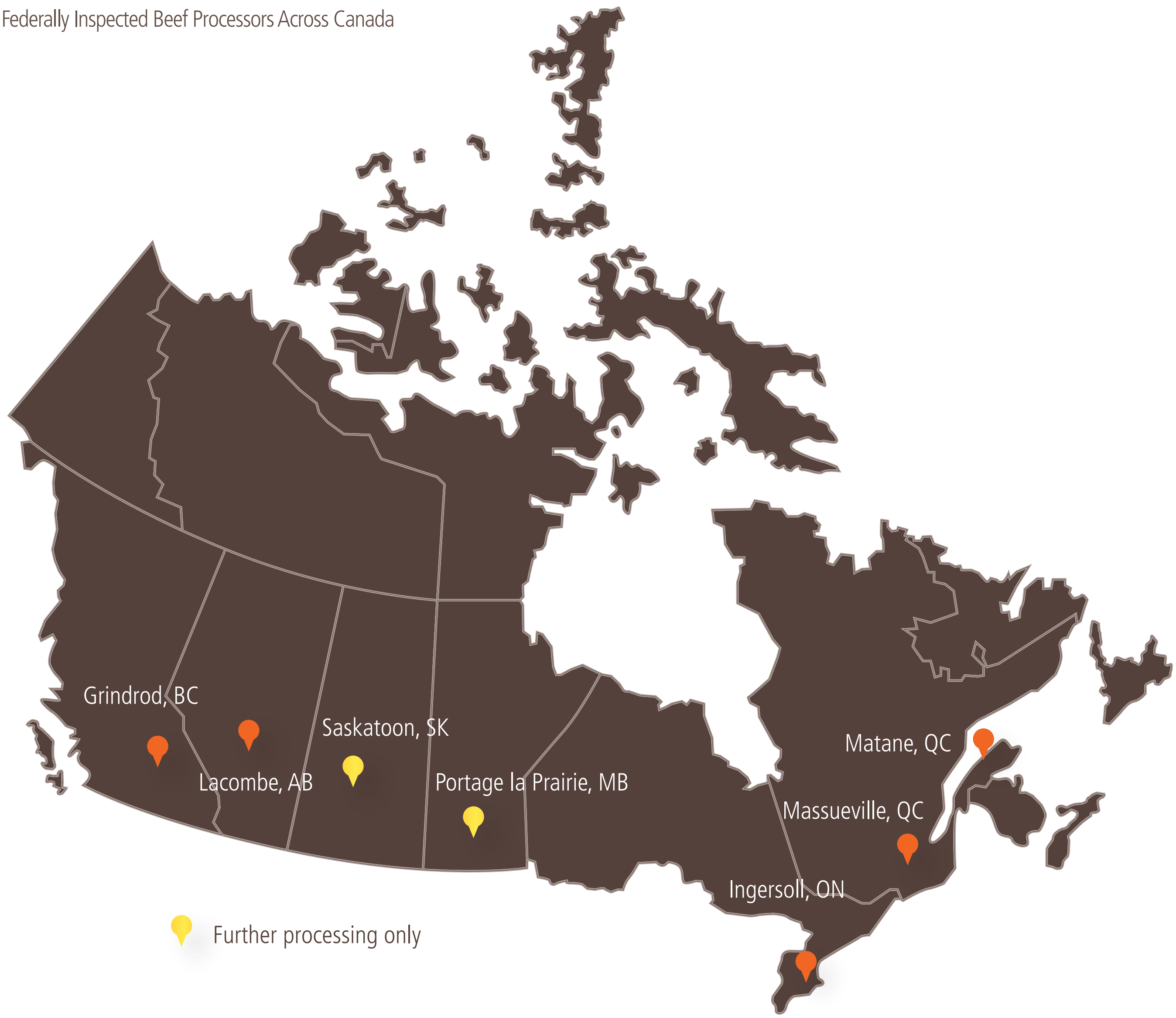
OSCII, which continues until March 2018, will help producers capture opportunities by supporting the development of emerging organic production in Canada that is responding to market demand.

Marketing advantage

Demand for calves, stockers and feeders

The structure of the organic beef industry mirrors the conventional industry. There is an established demand for calves, stockers and feeders across Canada. For high-volume producers, there are a number of certified organic federally inspected beef processors across Canada (see Figure 2) servicing the national and international markets. However, a key factor for success in the organic beef sector is to work within a complete value chain from cow-calf through to processor.

Figure 2
Federally Inspected Beef Processors Across Canada



Diverse marketing opportunities

For producers wishing to sell directly to local customers (i.e. within their province), producers can work with their local abattoir if the organic producer maintains control of the beef before, during and after processing. The processor does not have to be certified organic. Producers can put the process under their own Organic Plan or the abattoir can obtain an Attestation of Compliance from an organic Certification Body. In both cases, meat processors must ensure the organic integrity of the meat at all phases of processing and storage.

While the opportunities to market organic beef are diverse, most markets require more advanced planning and increased communication as compared to what typically happens in conventional commodity beef production systems.

Opportunities to market organic beef are diverse.

Success Story

Diamond Willow Organics 2012 Ltd.

Pincher Creek, Alberta

In fall 2011, Kevin Wilkie and Scott Palmer purchased the brand Diamond Willow Organics (DWOL) from a group of organic ranchers in southern Alberta. The duo combined their unique backgrounds – Wilkie's in meat production and sales, and Palmer's in finance and beef production – to create a strong team.

By selecting strategic retail, food service and distribution partners, DWOL has shown steady growth, increasing organic cattle harvest numbers as new customers come on board. In fact, business has tripled in the last two years from 80 head/month to more than 250.

DWOL is constantly sourcing cattle to supply their demand. Their producers from all over western Canada are great land stewards, keeping the land and waterways natural and sustainable. DWOL is an advocate of grass- and forage-fed beef.

Organic beef responds to consumers' demand for no added hormones or antibiotics, but goes a step further by offering beef raised with no herbicides or pesticides in their feed.

DWOL sells Diamond Willow Organic Beef and its alternative brand Chinook Organics through many retail grocery outlets.

It's time to grow organic

Consider switching your beef production to organic and gain several advantages:

Consumer advantage – Get aligned with the strong and growing demand for organic beef.

Transition advantage – Tap into the significant knowledge base and programs available to support your transition.

Marketing advantage – Take advantage of diverse marketing opportunities.

To start your transition to higher profits,

contact one of the following organizations for more information on organic beef production:

National

Agriculture and Agri-Food Canada (AAFC)
1-855-773-0241
info@agr.gc.ca
www.agr.gc.ca/organic

Canadian Organic Growers (COG)
1-888-375-7383
office@cog.ca
www.cog.ca

Canada Organic Trade Association (COTA)
East: 613-482-1717
West: 250-335-3423
otacanada@ota.com
www.ota.com

Organic Agriculture Centre of Canada (OACC)
902-893-7256
oacc@dal.ca
www.oacc.info

British Columbia

Certified Organic Associations of B.C. (COABC)
250-260-4429
office@certifiedorganic.bc.ca
www.certifiedorganic.bc.ca

British Columbia Ministry of Agriculture (BCMAGRI)
250-387-5121
www.agf.gov.bc.ca/organics

Alberta

Organic Alberta
1-855-521-2400
info@organicalberta.org
www.organicalberta.org

Alberta Agriculture and Rural Development
Keri Sharpe, Organic Business Development Specialist
403-556-4218
keri.sharpe@gov.ab.ca

Saskatchewan

Saskatchewan Organic Directorate
Marla Carlson, Administrator
306-535-2710
admin@saskorganic.com

Organic Connections
Marion McBride, Coordinator
306-543-8732
b.mcbride@sasktel.net

Manitoba

Manitoba Organic Alliance (MOA)
(204) 546-2099
info@manitobaorganicalliance.com
www.manitobaorganicalliance.com

Manitoba Agriculture, Food and Rural Development (MAFRD)
Laura Telford, Business Development Specialist, Organic Marketing
204-871-6600
Laura.Telford@gov.mb.ca

Ontario

Organic Council of Ontario (OCO)
519-827-1221
info@organiccouncil.ca
www.organiccouncil.ca

Ecological Farmers of Ontario (EFAO)
1-877-822-8606
info@efao.ca
www.efao.ca

Ontario Ministry of Agriculture and Food (OMAF)
Agriculture Development Branch
519-826-4587
www.ontario.ca/organic

Québec

L'Union des producteurs agricoles (UPA)
450-679-0530
upa@upa.qc.ca
www.upa.qc.ca

La Filière biologique du Québec
418-838-4747
info@filierebio.qc.ca
www.filierebio.qc.ca

Le ministère de l'Agriculture, des Pêcheries et de l'Atimentation du Québec (MAPAQ)
Nicolas Turgeon, Organic Consultant
418-380-2100, ex 3801
nicolas.turgeon@mapaq.gouv.qc.ca

New Brunswick

Atlantic Canadian Organic Regional Network (ACORN)
1-866-32-ACORN
admin@acornorganic.org
www.acornorganic.org

New Brunswick Department of Agriculture Fisheries and Aquaculture
Claude Berthélémé, Organic Production Specialist
506 453-3046
claude.bertheleme@gnb.ca

Prince Edward Island

Atlantic Canadian Organic Regional Network (ACORN)
1-866-32-ACORN
admin@acornorganic.org
www.acornorganic.org

PEI Certified Organic Producers Co-Operative (PEI COPC)
902-894-9999
www.organicpei.com

PEI Department of Agriculture and Forestry
Susan MacKinnon, Organic Development Officer
902-314-0825
sdmackinnon@gov.pe.ca

Nova Scotia

Atlantic Canadian Organic Regional Network (ACORN)
1-866-32-ACORN
admin@acornorganic.org
www.acornorganic.org

Perennia Food & Agriculture Inc.
Av Singh, Organic & Rural Infrastructure Specialist
902-896-0277, ex 228
asingh@perennia.ca
www.perennia.ca

Newfoundland and Labrador

Atlantic Canadian Organic Regional Network (ACORN)
1-866-32-ACORN
admin@acornorganic.org
www.acornorganic.org

Newfoundland Department of Natural Resources, Agrifoods Development Branch
Jane White, Industry Development Officer (Crops)
709-729-6867
janewhite@gov.nl.ca