



By Shon Ferguson, Simon Weseen and Gary Storey

Organic Producer Perceptions of Organic Regulation in Canada

This document is based on the preliminary results of a producer survey that was administered as part of the marketing study being conducted by the Project on Organic Agriculture in the Department of Agricultural Economics. In addition to the producer survey, marketers, processors and wholesaler/retailers are also being asked to complete similar surveys. The objective of the study is to examine the issues, opportunities and challenges in organic grain marketing and to provide insight to the organic grain industry on what can be done to improve the organic marketing system for the benefit of all participants. These papers are designed to provide industry participants with a brief summary of this information. This document is one of a series that will contribute to the complete marketing study.

1. Introduction

Canada presently has a voluntary national standard for organic food production and handling. The federal government is currently working with the organic sector in order to develop a mandatory national standard. A mandatory standard is necessary in order to allow the Canadian government to negotiate organic standard equivalency agreements with other countries in the future so that organic agri-food products can continue to be exported from Canada. An equivalency agreement is needed with the European Union before December 31, 2005 in order for Canada to continue to export organic products to EU member states. Equivalency is currently established on a sale-by-sale basis, which is a costly and time-consuming process. The U.S. and EU, two of Canada's largest export markets, already have mandatory national standards in place.

Regulations such as a mandatory national standard can have a profound effect on organic producers and other supply chain stakeholders due to their implications for trade. It is therefore important that producers understand the regulatory process that is occurring in the organic sector. It is also important that producers' opinions on the matter are heard by other stakeholders in the sector and by government.

A survey was undertaken as part of the University of Saskatchewan Project on Organic Agriculture that

attempted to find out what organic producers in Saskatchewan think about organic regulations. The survey also attempted to measure how well organic producers understand what is going on with respect to the development of a mandatory national standard. Questionnaires were mailed to 90 organic grain producers randomly picked from across Saskatchewan. The sample included producers from 4 Certification Bodies (OCIA, Pro-Cert, COCC and SOCA¹). The membership of OCIA is divided into 8 chapters, of which 5 participated in the study.² The sample yielded 51 respondents that answered the questions relating to organic regulation. This paper summarizes the results of the survey and discusses some of the implications of the results.

2. Survey Questions

The questionnaire is based on a list of 11 statements about organic regulations in Canada. Producers were asked to indicate how much they agreed with the statement. Answers were provided on a scale of 1 to 5. A response of 1 indicated that the producer "strongly disagreed" with the given statement, and a response of 5 indicated that the producer "strongly agreed" with the given statement. Producers were

¹ OCIA – Organic Crop Improvement Association
COCC – Canadian Organic Certification Cooperative
SOCA – Saskatchewan Organic Certification Association
² Of the three excluded OCIA chapters, one was excluded because it did not certify organic wheat producers, one could not be successfully contacted, and one declined to participate.

also asked to rank the importance of three marketing challenges for the organic grain industry.

3. Results of the Survey

Producer responses on several statements regarding organic regulation are reported in Part A. These responses gauge producers' opinions on organic regulation and their knowledge of the regulatory process and its implications. Producer responses regarding marketing challenges for the organic grain sector follow in Part B. Patterns in the responses relating to the producers' demographic characteristics are described in Part C.

Part A: Review of Producer Opinions and Knowledge on Organic Regulation in Canada

Producers' responses related to 11 statements on organic regulation are given in Table 1. Statement 1 asks producers if they agree or disagree that Canada currently has a voluntary national organic standard. This statement is true: a voluntary national organic standard has been in place since 1999. Most producers in the sample, however, gave a response of 3 or less, indicating that they were neutral or did not agree with the statement. This indicates that many organic producers did not know that a voluntary standard exists in Canada.

Table 1: Producer Opinions on Organic Regulation in Canada

Statement	Opinion (% reporting)						Avg
	N/A	1	2	3	4	5	
1) Canada currently has a voluntary national organic standard	0	27.5	9.8	21.6	21.6	19.6	2.96
2) The organic regulatory system is effective	0	39.2	13.7	23.5	17.6	5.9	2.37
3) Canada should implement a <u>government</u> regulated mandatory national standard	0	15.7	3.9	25.5	27.5	27.5	3.47
4) Canada should implement an <u>industry</u> regulated mandatory national standard	0	19.6	3.9	5.9	27.5	43.1	3.71
5) Having a mandatory national organic standard in Canada would facilitate market access to the United States	0	5.9	9.8	27.5	29.4	27.5	3.63
6) Having a mandatory national organic standard in Canada would facilitate market access to Europe	0	2.0	2.0	9.8	25.5	60.8	4.41
7) Having a mandatory national organic standard would protect domestic consumers against fraud (i.e. it would decrease the ability to sell non-organic commodities as organic)	0	5.9	9.8	17.6	23.5	43.1	3.88
8) Having a mandatory national organic standard in Canada would increase the profitability of my operation	0	2.0	13.7	37.3	37.3	9.8	3.39
9) I am aware of initiatives that are being undertaken to regulate Canada's organic industry	0	0.0	9.8	33.3	27.5	29.4	3.76
10) Canada <u>has</u> a permanent advisory board made up of industry representatives that provide guidance to the government for making revisions to our national organic standard and for other policy decisions.	0	15.7	19.6	31.4	21.6	11.8	2.94
11) Canada <u>needs</u> a permanent advisory board made up of industry representatives that provide guidance to the government for making revisions to our national organic standard and for other policy decisions.	0	3.9	3.9	11.8	25.5	54.9	4.24

N/A – no answer

Source: Organic Producer Survey

Statement 2 asked producers to rate their opinion on the effectiveness of the organic regulatory system. Most producers reported that they did not agree with the statement that the organic regulatory system is effective, which indicates that producers are not pleased with the current regulatory regime.

Statements 3 and 4 ask producers if they think that a mandatory standard should be regulated by industry or government. Producers agree significantly more with having an industry-regulated mandatory national standard than having a government-regulated mandatory national standard.³

Statements 5 and 6 asked producers if they agreed that a mandatory national organic standard would facilitate market access to the United States and Europe respectively. Producers agreed with both statements, but agreed significantly more that a mandatory standard would facilitate market access to Europe.⁴ It is true that the mandatory standard is necessary for market access to Europe, but it is not true for the U.S. for the foreseeable future. The results suggest that organic producers understand that a mandatory standard is important for Europe market access, but not for U.S. market access.

Statement 7 asks producers if they agree that a mandatory organic standard in Canada would protect domestic consumers against fraud. The current voluntary standard does not prohibit the use of the word “organic” on food products that are not certified organic, which may mislead consumers. Producers generally agreed with this statement. Since this statement is true, it appears that producers understand the implications of a mandatory standard on domestic consumers.

³ A paired 2 sample t-test for significant difference between the means of statements 3 and 4 indicated that the ratings were significantly different from each other at a 90% one-tailed level.

⁴ A paired 2 sample t-test for significant difference between the means of statements 5 and 6 indicated that the ratings were significantly different from each other at a 99% one-tailed level.

Statement 8 asks producers if they agree that a mandatory national organic standard would increase their profitability. Most producers agreed with this statement. This statement is somewhat true; while a mandatory national organic standard may not increase organic prices in Canada, it may avoid losing export markets and domestic consumer confidence and in doing so would help to ensure that profitability does not decrease.

Statement 9 asked producers if they are aware of initiatives that are being undertaken to regulate Canada’s organic industry. Most producers agreed that they were aware of such initiatives, but 33% of respondents reported a value of 3 and 10% reported a value of 2, which indicated that there is a significant number of producers that are not fully informed about the current organic regulatory process.

Statement 10 tests the knowledge of organic producers by asking them if Canada *has* a permanent advisory board made of industry representatives that provide guidance to the government for making revisions to the national organic standard and other policy decisions. Currently there are ad-hoc advisory boards but no permanent advisory board in place. Producers appear to have varied knowledge of a permanent advisory board, as some producers disagreed with the statement, some agreed with the statement, and most producers gave a neutral rating. The results suggest that producers are generally not aware that there is no permanent advisory board.

Statement 11 is identical to question 10, but asks producers if the permanent advisory board is *needed*. The majority of producers agreed that a permanent advisory board is needed.

Overall, the results suggest that many producers have a limited understanding of the current voluntary national organic standard and the regulatory processes that are occurring in the organic sector. Producers are generally not aware that there is no

permanent advisory board. Organic producers are, however, very aware of the implications of a mandatory national organic standard for market access to Europe.

Part B: Review of Producer Opinions on Marketing Challenges

Producer rankings of 3 marketing challenges for the organic grain industry are given in Table 2. The 3 challenges are: 1) Developing a mandatory national organic standard, 2) Educating consumers about organic food, and 3) Promoting organic food to consumers.

Table 2: Producer Opinions on the Main Marketing Challenges for the Organic Grain Industry

Marketing Challenge	Importance Ranking (% reporting)		
	1	2	3
1) Developing a mandatory national organic standard	76.5	9.8	13.7
2) Educating consumers about organic food	35.3	47.1	17.6
3) Promoting organic food to consumers	27.5	37.3	35.3

Source: Organic Producer Survey

Most of the producers in the sample ranked the development of a mandatory national organic standard first in terms of importance. Educating consumers ranked a distant second and promoting organic food to consumers ranked third. The results further emphasize that producers believe that a mandatory national organic standard is very important.

Part C: Analysis of Results by Producer Demographic Characteristics

Producer opinions on organic regulation can differ depending on characteristics such as age, education, experience or income. There are several patterns between producer characteristics and their responses in Tables 1 and 2. The effect of demographic characteristics of age, education, experience and

income on each response was measured using a statistical technique⁵.

Effect of Demographic Characteristics on Regulation Opinions

Demographic characteristics have an effect on the ratings given on some of the regulation statements in Table 1. Producer education level appears to affect their opinion on an industry-regulated mandatory standard, with more educated producers being more averse to an industry-regulated approach (Statement 4). Producers may be against an industry-regulated standard because of the potential for conflict of interest between stringent regulations and the profitability of firms in the industry. Producers with higher incomes appeared to agree more with the statement that a mandatory national organic standard would increase their profitability (Statement 11).

Producer experience appears to affect the ratings of several statements. As producer experience increases, producers agree more that a mandatory national organic standard in Canada would facilitate market access to Europe (Statement 6). More experienced producers agree more that such a standard would protect domestic consumers against fraud (Statement 7). More experienced producers also agree more that Canada needs a permanent advisory board (Statement 11). The results suggest that producer experience leads to stronger opinions on the need for regulation. A more important observation is that less producer experience leads to less agreement on the need for regulation. Given that organic producers learn more about the regulatory environment as their experience increases, the results suggest that producers with less experience have less knowledge of organic regulation and the necessity of a mandatory national organic standard in order to facilitate trade with the EU.

⁵ OLS regressions were used to measure the effect of demographic variables on producer responses

Effect of Demographic Characteristics on Marketing Challenge Rankings

Demographic characteristics have an effect on the ranking of marketing challenges for the organic grain sector. Increased age of the producer respondent appeared to affect his or her opinion on educating consumers about organic food, with older producers giving consumer education a more important ranking. Increased income of the producer respondent appeared to affect his or her opinion on promoting organic food to consumers, with higher income leading to a more important ranking.

4. Discussion and Implications

The results indicate that producers do not believe that the organic regulatory system in Canada is effective. Producers generally understand that a mandatory national organic standard in Canada is important, but they are unsure of some of implications of a mandatory national organic standard. The results also indicate that producers are generally unaware that a voluntary national standard exists and that there is no permanent advisory board in place. These results suggest that producers need to be better informed regarding organic regulation in Canada. Since organic producers are stakeholders in the regulatory system, it is important that they be given the ability to inform themselves about current and future organic regulations.

There are many potential avenues through which regulation information can reach organic producers. Certification bodies or producer organizations could provide information on regulatory issues as part of their services to producers. Government could also provide leadership in providing organic regulation information to producers. Increased information on current regulatory efforts may improve producers' perception of the effectiveness of the regulatory system.

Note: The authors would like to acknowledge the financial support of Saskatchewan Agriculture Food and Rural Revitalization (SAFRR) for this project. The authors would also like to acknowledge the Canadian Wheat Board (CWB) and the Social Sciences and Humanities Research Council of Canada (SSHRC) for their support of graduate student research related to this project.

The authors would also like to thank everyone who filled out questionnaires or agreed to be interviewed. Their participation is very much appreciated.

The authors can be contacted at:

Department of Agricultural Economics
University of Saskatchewan
51 Campus Drive
Saskatoon SK S7N 5A8
Ph: (306) 966-4008; Fax: (306) 966-8413

Electronic versions of these papers are available at
<http://organic.usask.ca>.

The Authors: Simon Weseen is the Organic Trade and Market Analyst in the Department of Agricultural Economics at the University of Saskatchewan. Shon Ferguson is a Research Associate in the Department of Agricultural Economics at the University of Saskatchewan. Professor Gary Storey is a Professor Emeritus in the Department of Agricultural Economics at the University of Saskatchewan.

The marketing study consists of the following papers:

- Number 1: Introduction*
- Number 2: Organic Producer Perceptions of their Marketers*
- Number 3: Organic Producer Perceptions of Organic Regulation in Canada*
- Number 4: Organic Producer Perceptions of Market Information Availability*
- Number 5: Organic Producer Perceptions of the Role of Certification Bodies*
- Number 6: Analysis of Organic Wheat Buyers in Saskatchewan: A Vertical Coordination Approach*
- Number 7: Contracting in Organic Grains*
- Number 8: Priorities and Problems in the Organic Grain Supply Chain*
- Number 9: Organic Regulation in Canada: Opinions and Knowledge of Producers, Marketers and Processors*
- Number 10: Information in the Organic Grain Market*
- Number 11: The Performance and Role of Certification Bodies*
- Number 12: Costs in the Organic Grain Supply Chain*
- Number 13: Organic Grains and the Canadian Wheat Board*
- Number 14: How Retailers Procure Organic Products – Opportunities for Saskatchewan*
- Number 15: Organic Wheat Supply Chain Profile*
- Number 16: Organic Oats Supply Chain Profile*
- Number 17: Organic Flax Supply Chain Profile*
- Number 18: Organic Lentils Supply Chain Profile*
- Number 19: Summary*
- Number 20: SWOT Analysis, Conclusions and Recommendations*