Table 1.5 Organic Certification in British Columbia - 2005

	Total Operations	Farms	Processor/Handlers
COABC	89%	93%	74%
Other	11%	7%	26%

For a complete listing of CBs certifying in British Columbia see Appendix 1.

1.5.1 Verification and Auditing in the British Columbia Certified Organic Program

Certified organic operations are required to maintain records detailing all inputs, crop yields, receipts for purchases and sales, and copies of valid certified organic certificates from all sources of organic products. Usually, certification procedures of COABC CBs require annual inspections of every operation they certify. However, a new risk based program has been introduced which allows CBs to reduce the frequency of inspections for low risk operations where product is for the local British Columbia market only. To date, only one CB operates such a program. Inspections are carried out by organic verification officers trained by the Independent Organic Inspectors Association (IOIA). Verification officers inspect the entire operation and its records, and file a report with the CB. The CB's certification committee reviews the report and decides whether the operation should receive their certificate designating their certified organic status for the following 12 months.

Audits of the certification process are performed at two levels. The Level 1 Audit is a document review used to determine if the certification program of the CB complies with the procedures and standards of the BCCOP. The Level 2 Audit is an on-site assessment of the implementation of the CB's certification program. The procedures of the Level 2 Audits depend on the type of accreditation the CB has (Regional or ISO 65 compliant).

One third of the CBs in the regional program are chosen at random every year for a Level 2 Audit by the COABC Accreditation Board. The COABC Accreditation Board auditor (either the BCMAL member of the COABC Accreditation Committee or a contracted evaluator) reviews a sample of the CB member files. The content of the files is used to assess the CB's performance, not that of the individual organic operation. The auditor then reports his/her findings to the Accreditation Board. A full evaluation of the CBs in the ISO program takes place every three years with follow-up surveillance audits as necessary in the intervening years.

2. International Markets and Production

Worldwide, there are more than 600,000 organic farms covering over 31 million hectares (ha).[1] See Table 2.1 for the land areas under management in selected countries. While certified organic production is now practiced in approximately 120 countries around the world, 96% of the market for organic products remains concentrated in Europe and North America.[1] Figure 2.1 shows the distribution of organic land across the globe. The global market for certified organic food was valued at $25 billion US in 2003, and growth continues in all organic markets[1].

Table 2.1 Organic Production in Selected Countries

	Organic Area (ha)	Number of Producers	% of Total Agricultural Area
Canada (2004)	485,288‡	3,670‡	0.72%*
United States (2003)	889,048*	8,035*	0.22%*
Italy (2004)	954,361*	36,639*	6.22*
Germany (2004)	767,891*	16,603*	4.52*
Japan (2004)	29,151*	4,539*	0.56%*
China (2004)	3,466,570*	1,560*	0.60%*
Argentina (2004)	2,800,000*	1,824*	1.58%*
Chile (2004)	639,200*	1,000*	4.19%*
Mexico (2005)	295,046*	120,000*	0.27%*

*Source: Willer, Helga and Yussefi, Minou (2006)
‡Source: Anne Macey (2005)

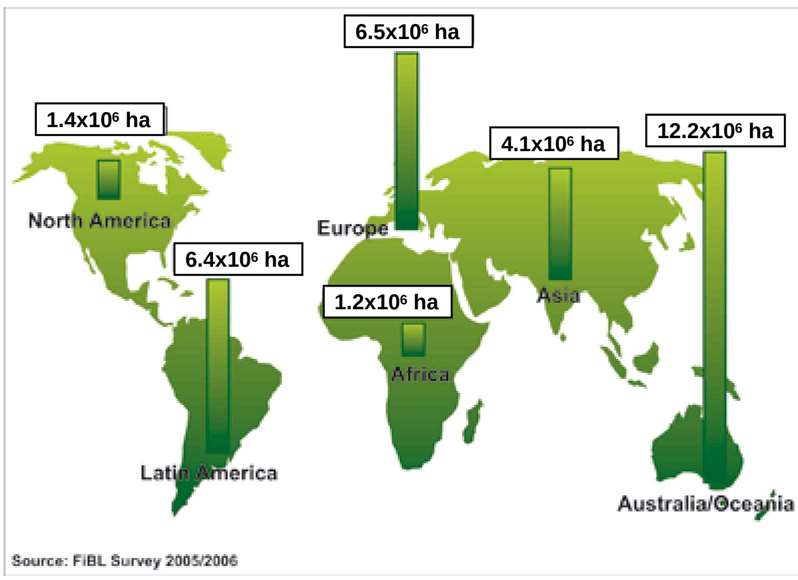

Figure 2.1 Global Distribution of Certified Organic Land
Source: IFOAM (2006) http://www.soel.de/oekolandbau/weltweit_grafiken.html

2.1 The United States of America

Nearly $10.4 billion US in certified organic food products was sold in the US in 2003.[3] The US organic food market is the largest in the world, and has been growing at a fairly consistent rate of 20% every year.[3] In 2003, $4.3 billion US in sales of organic foods were fruits and vegetables (unprocessed and frozen), $1.5 billion US were animal products (dairy, meat, fish and poultry) and $4.6 billion US were processed food (breads and grains, beverages, snack foods, packaged or prepared foods and sauces and condiments).[3]

The driving forces behind growth in the US organic market are[3]:

- Government regulated standards and certification systems which clearly define the meaning of "certified organic" at the national level and previously at the state level have aided consumers in identifying organic products;
- Consumer belief that certified organic products are healthier, better for the environment, and better for farm workers;
- Increasing availability of certified organic food in conventional retail outlets.

Recently a shift in the share of certified organic sales from natural or specialty food stores to conventional retail outlets has been observed in the US. In 2003, 47% of organic sales were accounted for by natural foods or specialty stores, 44% of sales occurred in mass market chains, and 9% were direct sales from farms.[3]

Imports of certified organic products into the US were estimated to be between $1.0 billion US and $1.5 billion US in 2002.[3] Organic imports were mostly raw materials for processing, and fresh produce to supplement domestic production throughout the winter.[3] While the US is the destination for the vast majority of Canadian organic fruit and vegetable exports and a significant portion of the Canadian organic grain exports, countries in Latin America, Asia, and Europe were the most significant sources for organic imports to the US.[3]

Canadian organic farmers, exporting to the US, must either be certified by a USDA National Organic Program CB, or a CB whose certification program has been authorized to apply the USDA NOP standard. By fulfilling these requirements, Canadian export products can be sold, labeled or represented as organic in the US. In British Columbia, two COABC accredited CBs, Pacific Agricultural Certification Society (PACS) and Fraser Valley Organic Producers Association (FVOPA), and Pro-cert (accredited by the SCC) have been recognized as meeting the requirements of the USDA NOP.

Organic Regulation in the US

In 2002, the US implemented their *Organic Foods Production Act* of 1990. Under the new legislation, all organic producers and handlers in the US are required to be certified according to the National Organic Program (NOP) uniform standards. The American national organic standards and organic certification program were based on recommendations of the National Organic Standards Board appointed by the Secretary of Agriculture. USDA NOP certification bodies can be based in the US, or in other countries, but must be accredited by the USDA as an agent to operate the US certification program. Foreign governments, which accredit certifying agents as meeting the requirements of the USDA NOP, may request that the US recognize certifying agents in their countries.

2.2 European Union

Germany is the world's second largest certified organic food market, and the United Kingdom is the third. Rapid expansion of the European certified organic food market in the 1990s had slowed to a rate of 8% in 2002 and was estimated to have reached a value of $11 billion US.[4] The market increased in 2003 by 20% to $13 billion US (however, growth in actual sales was estimated to be 5% as the increase in market value was largely due to appreciation of the Euro against the US dollar).

In the European Union (EU), forces driving growth in the certified organic sector include[5]:

- Food safety concerns which have induced many European consumers into purchasing organic products;
- Consumers' perception that organic products are safer, healthier, free of genetically engineered (GE) organisms, more environmentally friendly, ethically produced, and better tasting;
- Consumers' confidence in the benefits of organic foods has been bolstered by the development of EU-wide defined production methods which are guaranteed by control and certification systems under EU regulations.

Across the EU, the development of the organic market is in very different stages. While Germany's organic market is the largest in Europe, its growth in 2003 slowed to 3% reaching 3.1 billion Euro.[4] The United Kingdom, France, and Italy have organic markets valued at more than 1 billion Euro.[4] Organics have achieved the highest penetration of the food market in Switzerland, Denmark, Finland, Austria and Germany.[4] Growth in the nations with the largest organic markets and highest consumption rates has slowed in comparison with other EU members and North America.[4] Southern, central and eastern European countries with smaller domestic markets have seen growth figures similar to those observed in North America.

Organic Regulation in the EU

Organic production in the EU is regulated by the EU Regulation 2092/91 governing plant products and the subsequent EU Regulation 1804/99 governing products from organic livestock.[4] These regulations set rules governing production, processing, and requirements for imported organic products. The individual member states of the EU are responsible for their own enforcement, monitoring, and inspection systems.[4] Each country interprets the regulation on organic production and implements the regulations in a national context.[4] Recently the Communion of European Communities proposed a new regulation on organic production which will replace the current rules in January of 2009. The amendment will define objectives and principles for organic production, clarify labeling rules and regulate imports.

Current EU organic regulations require countries exporting organic products to the EU be on a third-country equivalence list by December 31, 2006.[6] To be included on the equivalency list, and maintain access to the EU market, countries must demonstrate their national organic standards and certification system is equivalent to that in the EU.[6]

An ongoing survey of organic production in the EU including the current 25 member states totals 5.7 million ha under organic management, representing 3.47% of the agricultural land.[7] As of 2003, there were 135,191 organic producers in the EU.[8] Europe has the highest proportion of organically managed land compared to conventionally managed land.[1] Almost 20% of the organic land and 25% of organic farmers in the EU are in Italy.[1]

Organic production in the EU has grown more rapidly than in other parts of the world, in part, due to government policies which encourage the growth of the organic sector.[5] Conversion subsidies and direct payments to organic farmers have been implemented in many member states under the agri-environment program, based on benefits that organic agriculture can provide society.[5]

2.3 Asia

Asian organic consumers are typically those with relatively high purchasing power, and Japan being the most affluent nation in Asia also has the largest certified organic market in the region.[4] With the exception of Japan, countries in Asia are typically organic exporters with very small, undeveloped domestic markets.

2.3.1 China

While the domestic market for organic products in China is still emerging, it is the fastest growing in Asia at an estimated rate of 30%.[1] China is predominantly a producer and exporter of organic products, facilitated by its access to the Japanese and European markets.[4] In 2005, China introduced the China National Organic Product Standard and *The Rule on Implementation of Organic Products Certification.*[23] The Chinese organic regulation covers production certification and imports of organic food products.[23] All products sold in China as organic are required to comply with their National Standard.[23]

Recently, almost 3 million ha of pastoral land were certified in China, making it the country with the second largest area of certified organic land.[1] Chinese exports of organic food products grew from less than $1 million US in the mid 1990s to approximately $142 million US in 2003.[24] Exports from China are mostly fresh produce and unprocessed field crops. Organic shrimp is also a developing export product in China.

2.3.2 Japan

The Japanese organic food and drink market was estimated at $350 million US in 2002.[4] In 2003 it had grown to $600 million CDN.[9] Its estimated growth rate for the next several years is 15-20%.[9] In 2001, the Japanese government began to regulate the certified organic farming and food industry.[4] Many producers who had been marketing products as organic were not able to meet the new standards and left the market.[10] The Japanese market has begun to expand once more, with demand consistently outpacing supply, however it is unlikely the market will reach its previous size of several billion US in the near future.[4]

Growth in the Japanese certified organic food sector has been fueled by several factors[9]:

- Japanese people traditionally have very close ties with nature;
- Food occupies a large role in traditional and popular culture in Japan;
- Japan relies heavily on imported food, and as organic foods penetrate foreign food markets they will likely become a more significant part of imports in Japan;
- Japanese consumers are becoming more health conscious and concerned about food safety and perceive organic foods as a solution to their concerns.

The organic food market in Japan consists of fresh vegetables and fruits (approximately 70% by product value), rice (approximately 20%), and processed and other foods (approximately 10%).[9] The US and China are the two largest suppliers of organic food to Japan, with the US supplying approximately 20% of the total organic market.[9]

To import organic products into Japan, importers have a choice of options. They could require that the producer or manufacturer of the given product certify with a registered Japanese certification organization, or with a registered foreign certification body. Alternatively, importers could, themselves, certify with a registered Japanese certification organization to affix the organic JAS mark on their imported product.[11] Fresh crops imported into Japan are inspected upon their arrival and fumigated if any insects are found. Fumigated products lose their organic status, therefore it is more attractive to import frozen organic crops which will not be fumigated.[9]

Organic Regulation in Japan

Japanese Agricultural Standards (JAS) require organic foods to be certified by an accredited organization.[4] The current Japanese regulations governing organic production only apply to fruits and vegetables. Meat and dairy will be allowed to be certified in 2006; however, the Organic Livestock Standards will be voluntary.[26] The revised processed foods standards include organic livestock products as ingredients and therefore cannot be enforced until the Organic Livestock Standards are published.[26]

The JAS includes specific certification of the production, processing, and handling practices for products labeled as organic in a similar way that the USDA NOP, or EU regulations certify organic products.[11] However, JAS also includes certification of the grading system and standards for organic products.[11]

2.4 Latin America

Organic production in Latin America is mainly for export to the major organic markets in Europe and North America. Domestic markets in the region are very small.

2.4.1 Argentina

Argentina has been a significant exporter of organic products for many years. With export crops similar to those in Canada, Argentina is a competitor with a strong footing in international markets since the early 90s. Argentina was the first developing country with a national regulation for organic agriculture on the EU's third-country equivalency list, and unlike most countries in Latin America, organic operations are certified by its own national certifiers rather than foreign certifiers.[4]

In Argentina, livestock production occupies 98% of the 2,800,000 ha under organic management.[4] Argentina has the third largest area of certified organic land in the world, and its domestic market for organic products is one of the strongest in South America.[4] However, the domestic market is very small compared to those in the Northern hemisphere, and suffered during the economic crisis in 2001 and 2002.[4]

The organic production in Argentina is 90% exported, mostly to the EU and US.[4] The most significant exports are cereals and oilseeds (wheat, soy, and flax) and meat (sheep and beef).[26] Fruits (pears, apples, plums, grapes, and lemons), vegetables (garlic, onions, and green peas) and some processed products (olive oil, sugar, concentrated juices, and honey) are also exported.[26]

2.4.2 Chile

The majority of Chile's organic production is exported.[4] The domestic market is limited to some home delivery services for fruits and vegetables and a few specialty shops.[4] International and foreign certifiers are very active in certifying Chilean organic production, however there are national certifiers in the country.[4] Chile is in the process of developing a national regulation for organic food, and the government supports producers in promoting their product internationally.[4]

The most significant export products are lambs, apples, cherries, asparagus, blueberries, avocado, citrus, and olives.[4] Chile is also exporting certified organic salmon.[4]

2.4.3 Mexico

Mexico's organic sector is rapidly growing in response to foreign demand for organic products.[22] The domestic demand for organic products is very low, as most Mexican consumers are unaware of the requirements and benefits of organic agriculture.[22] A small portion of Mexico's organic production is sold in specialty stores in the largest Mexican cities, and near the areas of concentrated organic production.[4] Canada's exports to the Mexican market are grain and oilseed products.[21]

There are more organic farms in Mexico than in any other country and in 2000, 98.6% of these were small scale farmers with 2.25 ha on average.[4] Farmers in Mexico often form co-operatives for the purposes of organic certification. Large scale organic farms from the US (*e.g.* Earthbound Farm and Natural Selection Foods) use the favourable climate and low production costs in Mexico to grow their produce.[21] The Law of Organic Products was definitively passed into law in December 2005 to regulate the organic industry in Mexico; however, the regulations for the new law are still being worked upon.

Mexico exports organic products to markets such as the US, EU, Canada and Japan. Coffee is the most significant organic crop, accounting for nearly 70% of the production area in the country.[4] Corn and sesame occupy significant areas of organic farmland and vegetables, herbs, and many other organic products are also produced in Mexico.[4]

3. Canadian Organic Market and Production

The market for organic foods in Canada is valued at approximately $986 million for 2003.[27] Based on assumed annual growth rates of 20%, estimates for the value of the 2005 organic market in Canada range from $1.3 billion[2] to $3.1 billion.[12] A breakdown by sector of the Canadian market estimates is provided in Table 3.1. Fresh fruit and vegetables is the largest market segment, followed by dairy, breads and grains, packaged or prepared foods, and beverages. The US supplies 85-90% of the Canadian organic market.[13] The majority of US imports are fresh produce and packaged foods. However, much of the fresh produce imported from the US is first exported to the US from Latin America, in particular from Mexico.[14]