

# Transitioning to Organic: A Risk Based Analysis



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## Key Transitioning Risks

The Canadian Organic Growers commissioned the present report to examine the risks and costs of transitioning to organic crop and livestock production. The project team developed this detailed report and a referral tool informed by a literature review, on-farm case studies, and focus groups held across Canada.

On-farm visits provided insight into a number of risks that had not necessarily been identified in literature review as being significant but were considered major obstacles or risks by the farmers interviewed. Wider input on those risks was then received from a larger sample of Canadian organic growers through a series of eight focus groups held across the country.

The following were found to be the key risks for growers transitioning to organic:

### **1. Understanding of the Certification Process**

1A grower may not be able to access resources required to successfully navigate the certification process, including selection of a certifying body.

Focus group discussions repeatedly turned to the need for extension services. While that certainly included a desire for production information, in many instances there was simply a lack of understanding of the process that the grower would be going through.

### **2. Record Keeping**

Insufficient or inaccurate records may lead to a crop not being certified. The burden of record keeping may lead to a grower not completing transition process.

To show compliance with the organic standard, transitioning farmers need to keep records of most of their activities. While paperwork is a common practice for farmers, the need to document and keep record of the farm operations is significantly higher under organic production. Inadequate record keeping can have significant consequences by delaying the transition for a year or more or even impeding the attainment of the certification altogether.

### **3. Weed Management**

A grower may not be able to access the resources required to adequately maintain control of weeds and other pests.

Farmers need to move towards a more preventative and integrated or holistic approach to pest monitoring, detection, and control. Disease and weed management is one of the most significant obstacles for transitioning producers and is perceived by conventional producers as the biggest challenge to overcome. While solutions exist, growers may not be able to access the extension resources required to adequately maintain control of weeds during the transition period.

## Medium Risks

**4. Non-Allowable Inputs**

A lack of clarity on inputs allowed for organic certification may lead to a crop not being certified.

During the transition period farmers must move away from conventional inputs (and suppliers) and learn how to select and use organic certified ones. This shift requires farmers to fully understand which inputs are allowed. Failing at doing so and using non-allowable inputs may lead to a crop not being certified.

**5. Few Buyers**

Growers relying initially on a single buyer may lose their market if the purchasing business fails. The anticipated organic market premiums may not come to fruition.

Given the relatively small market for organic products limits the market opportunities for farmers, which in turn provides a stronger market power to customers. This can put transitioning producers in a more vulnerable situation and have them to invest more time at looking for other market channels.

Several other risks were identified as also being significant for transitioning growers, including the following. It is important that mitigation strategies be considered for limiting the potential impact of these risks for a transitioning grower and consequently the organic industry.

**6. Parallel Production**

Growers may not be aware that production of the same crop both conventionally and with organic practices may lead to a crop not being certified.

Many individuals are reported to have failed at initial certification attempts because they grew the identical crop both conventionally and organically. This is not allowed under Canada's organic standards. The impact on a grower can be significant when they accept the risk of lower yield knowing that they may get an organic premium. The solution may be as simple as better knowledge sharing, extension, and record keeping.

**7. Maintaining Yield**

A grower may not be able to maintain sufficient yield for profit. This may be due to farm-specific circumstances or unavailability of extension resources. As farmers move away from conventional production techniques to adopt organic ones, it is expected that yields will decrease. This reality of lower yields, whether for plant crops or livestock, appears to be generally accepted by the industry, but it is a risk that must be accounted for and mitigated against.

**8. Peer Stigma**

Many transitioning growers face stigma from other growers in their neighbourhood, with the social detachment possibly a considerable personal risk.

Some individuals have reported overcoming this negative stigma in part by focusing on the financial aspects of their decision to transition when speaking with their conventional neighbours. During focus group discussions in western

## Other Risks

Canada, there was a consensus that it would be useful to transitioning growers to have some “sound bites” or talking points that they could use to help explain their decision to their neighbours.

### 9. Maintaining Cash Flow

Products during transitional years may be lower yield or quality, without organic premium and sometimes difficult to market at all, resulting in reduced revenue. In addition, a number of the other risks outlined in this report may also result in reduced cash flow.

Lower yields, together with the absence of premiums paid during the transition period, will likely lead to lower revenue for farmers. New farm operators or those carrying debt load would typically consider purchasing crop insurance to protect them in the event of a major crop loss caused by weather or disease, but appropriate insurance options are often not available to organic growers.

### 10. Access to Capital

The profits generated by production and sale of organic crops may not be sufficient to cover the high capital investment required for transitioning.

Two types of growers face a higher need for capital investment during the transition years: intensive livestock producers typically need to build more expensive buildings and large-scale field crop producers often need to acquire new implements, especially for tillage and weed management.

Four other risks are also of note given their prevalence for several growers who provided input to this project:

### 11. Fertility Management

A grower may find maintaining adequate nutrient levels a challenge when unfamiliar with organic production practices.

Conventional growers will understand the basic concept behind green manuring to increase fertility of the soil, for example. But translating those concepts into practice is challenging for many once their usual tools are no longer available under the organic management regime.

### 12. Access to Inputs

Growers may have challenges accessing organic seed and fertilizer (or organic feed for livestock) at cost-effective pricing.

The issue of sourcing inputs is challenging for all types of crop amendments and livestock inputs. However, it is particularly acute in terms of seed availability for crop and vegetable production, to the extent that many growers reported going through the motions of documenting the unavailability of certified organic seed despite knowing that it would not be available. In the case of livestock, the organic field-crop sector will need to grow to supply sufficient local organic feed.

**13. Access to Labour**

Growers may have difficulty accessing sufficient labour for organic management practices.

Some producers encountered issues with former employees who did not agree with the new production techniques. On the other hand, organic production can also be a specific selling point for some employers looking to recruit workers who are more aligned with this style of production.

**14. Market Channel Development**

Growers may have difficulty accessing markets, experience price volatility, or need to change marketing channels during early stages of business development.


Most growers in the organic sector cannot simply rely on established marketing channels. They certainly need to take a more active role in marketing their product than conventional growers of the same basic commodity.

## Resourcing Transitioners

One piece of resounding input received from the clear majority of participants is that they gave credit to other people who served as a mentor of some sorts to them during their transition period. Typically, the advice and support provided by those mentors included both help with various elements of an operation including production, marketing, and navigating the certification process itself.

The project therefore resulted in the development of a Transition Resource Referral Tool, a database which once populated with resources could be used by extension agencies such as Canadian Organic Growers, provincial organizations or chapters to refer transitioning growers to a variety of resources. This would be focused on connecting growers with the right people – mentors, consultants, and certifying bodies. But it would also serve as a centralized and updated directory of other resources, from conferences to online webinars.

As a concrete deliverable from the project, the project team has delivered the Transition Resource Referral Tool to Canadian Organic Growers in such a format that it can be distributed to other interested agencies to start populating it with regional data for use by central resource personnel.



## Transition Resource Referral Tool

<b>Name</b>	Sue Surosi	<b>Types of Resources Sought</b>
<b>Location</b>	Saskatchewan	Specialists
<b>Farm Type</b>	Field Crop	5
<b>Specific Crop / Product</b>	Durum	Peers
<b>Anticipated Certification Year</b>	2019	5
<b>Certifying Body (if known)</b>	-	Certifying Bodies
<b>Anticipated Risks/Obstacles</b>	Financial	3
		Written Resources
		5
		Websites
		10
		Videos
		5

Resource	Description	Contact Details
<b>Specialists</b>		
John Frank	Agronomic advisor, 12 years experience in organic field crop production.	306-000-1234 jfrank@cropagco.ca
Frank John	Nutrient management planning expert, focus on livestock and poultry manure.	306-123-0000 manure@gov.prov.ca
<b>Peers</b>		
Todd Bergen	Wheat and canola grower, certified in 2017. Phosphate issues, beef manure.	306-000-0000 tbergfarmer@gmail.com
Mike Vorona	Currently transitioning, searching for others also concerned about nutrients. Green manuring experience.	306-123-4567
<b>Certifying Bodies</b>		
XCert	Matthe Inspector, Northwest region	780-7654-321 matthe@xcert.ca

## Case Studies

Each farming operation manages their crops differently and each of their situations has its unique challenges and opportunities. It is useful to others considering transition to understand the challenges and costs faced by other growers. The full report therefore includes a number of Case Studies which are fictional but realistic scenarios based on the information that was collected through on-farm visits of organic producers.

The case studies are meant to be indicative of trends and ranges of costs a similar operation might expect during their transition process. The following five scenarios are presented in detail in the full report.

### Verda's Veggies

- 5 acres of market garden vegetables
- Need for improved record keeping anticipated, but still a major issue
- Biggest concerns were maintaining yield and certification process itself
- Access to organic seed even more challenging than anticipated
- Positive about future once market grows

### Ferme O Lait

- 70 milking cows and a total area of 600 acres in pastures
- Already fodder-based, required no major or abrupt changes in feed
- To increase the feed self-sufficiency level through pastures,
- over 5 km of fences were installed
- Around \$100,000 were saved in the first year on supplements and commercial feed, but production also decreased 30%

### Wilma Matt's Layers

- 15,000 organic layers
- Transition coincided with the need for barn replacement
- Sourcing feed is a continuous challenge, both during transition and to present day
- Hoping for dependable supply of organic grain

**James Farms**

- 4,500 of field crops
- Motivated to transition to organic due to potentially lucrative market for an organic hemp processor in the area
- Still operating a small dairy, but do not expect they will transition
- Market did not materialize, but was able to find another buyer
- Parallel production of oats leads to crop not being certified

**Gemma Gruber**

- First generation farmer, since 1992
- Produces a large variety of farm outputs including wheat, oats, beef, chicken, and a large variety of seasonal fresh produce
- Record keeping was a huge hurdle to certification
- New crop with unapproved seed treatment
- Financially challenging, due to low (if any) premium for organic
- Maintaining fertility not difficult, through use of manure

Recommendations

The project team, based on the input received from various stakeholders at focus groups, has provided several recommendations for steps that could be taken to facilitate growers’ transition to organic production. Those recommended next steps include:

▪ **Support Active Extension**

There is a lack of extension on both production issues and the certification process itself. In addition to facilitating access to extension, more resources need to be developed.

Implementation of the Transition Resource Referral Tool would help to improve access to extension services, if care is taken to accurately list and compare the available provincial resources and keep those updated. Several individuals stuck out as having been the source of information for many growers in their region. The industry would be well served by fostering the development of more of these organic production experts, but extension on the certification process itself is also desperately needed to both increase the number of individuals transitioning and the resulting success rates.

▪ **Clarity on Inputs**

A central resource providing greater clarity on exactly which inputs would be allowed or disallowed would both facilitate decision-making by potential transitioners and reduce the likelihood of failure at certification.

There is a perception that certifying bodies are interpreting the standard differently when it comes to allowable inputs. Whether real or not, the clarity from a common and shared understanding (or list) of allowable inputs would help the industry overall.



- **Uniformity of Process**

A standardized set of forms would facilitate easier record keeping, help to coordinate transition efforts, and potentially lead to development of simpler record keeping systems.

The benefits of detailed crop management records go beyond just certification, but rather can also assist growers with decision making and management actions, thereby hopefully improving both productivity and profitability of their operations.

- **Learn from Success**

Deeper study is warranted in regions where organic production has shown success, including examination of cultural and systemic factors, as well as the role played by government policy and programs.

The organic sector is both larger and growing faster in Quebec than it is in most other regions of Canada. While some evaluation of transition support programs has been conducted separately under the current project, it would also be useful to examine carefully exactly what factors have led to this success particularly in places like Quebec, Vermont, New Hampshire or New York State.

- **Foster Value-Added Supply Chains**

There are only few buyers of many organic commodities, posing significant market risks. Value-added opportunities through processing infrastructure and joint marketing efforts may help to mitigate this risk.

Market development efforts, for both domestic and export markets, would take advantage of greater local organic production in areas with lower population density. Supply-chain development could also be advanced by developing infrastructure needed for processing of organic food, including small abattoirs, feed mills, or organic fruit processing facilities.

- **Transition Program**

Many of the other recommendations in this report have been addressed to varying degrees at regional or provincial scale. However, if the intention is to foster an environment that drastically increases both the number of growers and the average size of organic farm operations, a holistic transition program with national scale should be considered.

It would be expected that implementation of some of the above recommendations would increase the number of larger-scale farm operations that would consider transition. This would prompt the need for improved access to capital and insurance, both of which are less readily available to organic producers. There is a high degree of optimism in the industry that a significant increase in total organic production could be accomplished through a combination of extension efforts and such support programs.