



NEWSLETTER

December 1, 2009

2009 – The Year of Tumult!

Regulatory changes, stalled organic exports, reduced cash flow and general pessimism were the hall-marks of 2009. In the aftermath of the global economic recession (which may or may not be over) will the organic movement/industry be among those left standing? We remain optimistic; our clients are not bailing out; our bills are being paid; there are new applicants in both producer and processor categories. We are proceeding with our medium term business plan and investing heavily in expanding our scope of services in North America and in human and physical resources as discussed below. Please read the rest of this letter for a further sense of optimism and for updates on organic regulatory matters.

Pro-Cert Organic Update Meeting

The 7th annual Pro-Cert Update Meeting and Tradeshow are at hand:

Focus: Organic Marketing and Production

Location: Regina, Saskatchewan
Salon B & C, Queensbury Centre
Evraz Place

Date & Time: Saturday, January 30, 2010 - starting at 8:30 am

Agenda: Keynote Speakers:

- **Dag Falck – Nature's Path**
- **Tom Cowell – Growers International**
- **Eric Johnson – Agriculture Canada, Scott**
- **Ken Bruce – Canadian Organic Office, CFIA**
- **Dwayne Smith – Grainworks and Organic Trade Association in Canada**

Registration & Cost:

The registration fees will be the same as 2009. Pre-registration will reduce your cost by \$20/person! See the attached Pre-registration Form and for accommodation information.

NOTE: Eastern Canadian and American Organic operators; if you want to consider an exhibit in the Tradeshow contact Head Office at the address below.

29th Annual Guelph Organic Conference Expo and Tasting Fair

Location: Guelph University Centre
Guelph, Ontario

Date: January 28 - 31, 2010

For those of you in Eastern Canada, see the attached information on this excellent annual event.

USA Organic Update Meetings

Minnesota Organic Conference – St. Cloud, MN, January 15 & 16, 2010

14th Annual Vermont Grazing Conference – Fairlee, VT, January 22 & 23, 2010

Celebrating the Heart of Organic, 28th Annual Winter Conference – Burlington, VT, February 13 – 15, 2010

Organic Farming Conference – La Crosse, WI, February 25 – 27, 2010

All Things Organic Conference & Tradeshow – Chicago, IL, June 16 & 17, 2010

Pro-Cert Implements Business Plan

A five year business plan evolved by Pro-Cert's senior management team in May of 2009 is being implemented. The over-all intent is to stabilize Pro-Cert in an ever-changing business environment. The key elements of interest to Pro-Cert's clients are outlined below.

1. Succession Plan – A sophisticated and viable plan for inter-generational transfer of this family owned business is now fully evolved and in place at the time of writing.
2. Office and Field Staff Complement – Pro-Cert has successfully recruited and trained a full complement of highly qualified professionals for both of its offices in North America.
3. Electronic Data Management – “Less paper” is the theme! More, faster, electronic data communications to reduce the cost of the annual certification cycle is the goal.
4. Internal Training Program – Pro-Cert continues its policy of internally training all its salaried and contract organic inspectors and evaluators on an annual basis. This program is now in its 19th year, and is one of a kind.
5. Expanded Scope of Services – closing the “circle of services”. See the article below.

6. Reasonable Fee Schedules – Pro-Cert remains and intends to remain one of the most reasonably priced organic certifiers in North America. Operating cost control via efficient data management and lean office costs are the key elements of this initiative. Pro-Cert shareholders own both its office buildings which are located in semi-rural areas.
7. Continued Good Client Services – “Live” telephone answering and “quick” email responses by competent, responsive professionals remain the goal here.
8. Office Upgrades – Both of Pro-Cert’s semi-rural office facilities are undergoing renovations to improve efficiency and working conditions.
9. Organic Industry Evolution – Senior Pro-Cert professionals will continue their presence in Canadian, USA and international organic industry advisory and liaison bodies.

Pro-Cert intends to “stick around” despite and perhaps because of the ever increasing complexity of the international organic trade regulations. “Survival” is an implicit part of Pro-Cert’s business plan.

Pro-Cert Expands Certification Scope – JAS, etc.

Pro-Cert is “closing its circle” of organic certification services.

JAS Accreditation

Pro-Cert expects to receive Japan’s MAFF accreditation to its Agricultural Standard (JAS) regulations in early 2010. The on-site audit is scheduled for mid-January 2010. Fee schedules and operator training opportunities will be announced in late January, 2010. If you are interested in JAS Certification in 2010 contact one of our offices now!

South Korea Accreditation

Pro-Cert has applied to the South Korean government for accreditation to its new Act described below. In the mean-time Pro-Cert certified organic products continue to flow to this country.

Organic Body Care Products

Pro-Cert will expand its certification program for body care products in 2010. The annual certification cycle will be similar to that now in place for food products. More information on the service will be published early in the New Year.

Organic Textiles

Pro-Cert will also begin accepting applications for the certification of textile products derived from organically produced fibers in 2010. The certification policies and procedures again will be similar to those for food. We are reviewing evolving textile standards to determine which is the most compatible and in line with Pro-Cert’s organic philosophy. More information in the New Year.

Pro-Cert Certification Program Reminders

Request for Seed Rule Exemption (SRE)

The National Standard of Canada, (CAN/CGSB-32.310-2006 Amended October 2008), states in 5.3.1 that *"The operator shall use organic seed, bulbs, tubers, cuttings, annual seedlings, transplants and other propagules produced in accordance with this standard."*

There are permitted exceptions; however, the higher cost of organic seed versus conventional seed at present is not one of them. Par. 5.3.2.1 states that *"a **variety** of non-organic untreated seed and planting stock or seed treated only with substances in accordance with this standard, may be used provided that the organically produced seed or planting stock **variety** - a. is not available from the enterprise, and b. is not commercially available, and a reasonable search involving potential, **known organic suppliers** has been conducted."*

Common seed for many crops should be available as organic seed. Requests for Seed Rule Exemptions (Doc. 5.3.4.1) for unavailable types and varieties should be completed and submitted to Pro-Cert **prior** to purchase and planting of conventional, non-GMO, untreated seed on organic lands. The National Standard now also prohibits the use of seed produced on buffer zones.

Previous Non-Compliance Issues

Pro-Cert includes a transmittal letter of 'Organic Conformity Status' and Organic Products Summary (OPS) with each certificate, outlining the current organic compliance status of your operation and its products. Non-compliance issues, if any, are listed and time frames for correction are indicated.

Please ensure that non-compliances are corrected in the time frames indicated in the Pro-Cert letter accompanying your certificates. Recurring non-compliances are not permitted and will jeopardize your eligibility for organic status in 2010.

Parallel Production

The National Standard of Canada, defines parallel production as *"The simultaneous production, preparation or handling of organic and non-organic (including transitional) crops, livestock and other organic products of the same or similar, visually indistinguishable varieties."* Par. 5.1.2 further states, *"Parallel production (where the products of the organic and non-organic system are indistinguishable) is not allowed. The enterprise can be converted one unit at a time, and each converted unit shall respect the requirements of this standard."*

This means that growing the same crop on both transitional/conventional fields and on an organic field in the enterprise, is not permitted. Organic and transitional/conventional crops must be visually distinguishable from each other so that there can be no risk of comingling.

Careful planning is required when adding new lands to your organic enterprise so that parallel crop production does not occur.

The complete prohibition of parallel production is under review by the Canadian General Standards Board (CGSB)'s Committee on Organic (COA) at the time of writing. We are on this committee and the Crops Working Group. We welcome your opinions on this controversial rule.

Canadian Organic Program Update

The new Canadian Organic Products Regulations (OPR) has been in effect since June 30, 2009. The immediate effect on Pro-Cert clients has been minimal as they were previously certified to the Canadian Organic Standard by Pro-Cert and because Pro-Cert already operates as an ISO Guide 65 compliant system – a requirement under the new OPR.

The immediate impact of the new OPR on Pro-Cert and otherwise certified operations has been further minimized by the 24 month Transition Policy (often called Stream of Commerce Policy) implemented by the CFIA. **This transition period ends June 30, 2011!** After that date full compliance will be required.

Quick Overview

A “thumb nail sketch” of the new Canadian **mandatory** system which replaces the previous **voluntary** system is as follows:

1. Legislated Basis
The Canadian Agricultural Products (CAP) Act.
2. Regulatory Basis and Scope
The Organics Product Regulation (OPR). It applies only to products traded interprovincially and internationally. Intra-provincial organic trade (trade within provinces) is not included. Each province must pass complimentary (or other) regulations to regulate internal organic trade. At this point in time, Quebec, Manitoba and British Columbia have passed such a regulation.
3. Competent Authority and Accreditors of Certification Bodies
The Canadian Food Inspection Agency (CFIA) via its new Canadian Organic Office (COO)

Phone number: 613-773-6218

Contact: Michael Saumur, Executive Director

The CFIA is responsible for the enforcement of all aspects of the OPR and is involved in surveillance of organic products on store shelves.

4. Confirmation Verification Bodies (CVB's)
Several agencies including the Standards Council of Canada (SCC) which is Pro-Cert's previous and current accreditor, have been licensed as accreditors of certification bodies (CB's). These CVB's make accreditation recommendations to the CFIA and are responsible for surveillance of the CB's.
5. Certification Bodies (CB's)
Private (and government) agencies accredited by the CFIA on the basis of recommendations from a CVB to have the competence to certify products to the OPR.
6. Accreditation Criteria
 - a. ISO/IEC Guide 17011 – General Requirements for Accreditation Bodies Accrediting Conformity Assessing Bodies - is referenced by the OPR as the criteria for the accreditation of CVB's. The SCC (Pro-Cert's CVB) is already compliant with this criteria and is also a member of the International Accreditation Forum (IAF).

- b. ISO/IEC Guide 65 – General Requirement for Bodies Operating Product Certification Systems - is designated by the OPR as the criteria for the accreditation of CB's. Pro-Cert has been accredited to ISO 65 by the SCC since 2002.

7. The Organic Standards

The National Standard of Canada – Organic Production System; General Production and Management Standard (CAN/CGSB-32.310) and Organic Production System Permitted Substance List (CAN/CGSB-32.311) is the organic standard which organic operators must comply with in order to use the term “organic” and/or use the Canada Organic logo on their product.

Pro-Cert certified clients have been certified to this standard since 2001. This standard is often called the Canadian Organic Standard (COS).

8. Canada Organic Logo

The use of the logo below can be licensed by CB's for qualifying products. See OPR 3, Secs 21 to 25.



The CFIA controls the use of this logo for advertising purposes. See the COO Operating Manual, Part D.

9. COO Operating Manual

This document is under revision at the time of writing. When finalized, it will, reflect how the OPR operates at the ground level. References and contacts for the manual are as follows:

Contact Person: **Valeriya Staykova**, Lead Auditor
Canada Organic Office
Telephone: 613-773-6222 Fax: 613-773-6282
Valeriya.Staykova@inspection.gc.ca

10. Certification Costs

Pro-Cert already includes certification to the COS under the OPR in its basic certification fee which also includes certification to the USDA NOP, the EEC Regulation, and the Quebec Organic Regulation (where applicable). Therefore, there will be no Pro-Cert changes or increases due to the implementation of the new Canadian Organic regulation.

11. Certification Process

Essentially the same as under the voluntary system except that:

- a. Certificates will be effective for 12 months plus a 3 month grace period;
- b. Certificates will be worded differently than in previous years;
- c. Adverse actions (withdrawals, denials, etc) may be different.

The Canada-USA “Equivalency Agreement”

The Canadian and USA government agencies responsible for organic regulation, almost simultaneous with the proclamation of the Canadian OPR, entered into “import-export” agreements more recently also called an “export arrangement” with each other. This agreement/arrangement deems both the country’s conformity assessment system and its standards as being “equivalent”.

Under this agreement/arrangement, an imported product would be certified through the other country’s conformity assessment system to the other country’s standards (with exceptions where applicable) and would be considered to meet the importing country’s requirements.

Exceptions to the Agreement (Critical Variances)

1. Imports from the United States into Canada

- a. Agricultural products produced with the use of sodium nitrate shall not be sold or marketed as organic in Canada;
- b. Agricultural products produced by hydroponic or aeroponic production methods shall not be sold or marketed as organic in Canada;
- c. Agricultural products – animals must be produced according to Canadian requirements particularly as it relates to stocking density and pasture area.

2. Exports to the United States from Canada

- a. Agricultural products derived from animals treated with antibiotics shall not be marketed as organic in the United States.

3. Labeling Requirements

The CFIA and NOP have stated that “The labeling requirements of the two programs are non-negotiable. The products have to meet the labeling requirements of the country in which they are intended for sale.”

Since the two labeling requirements are quite different, this means that CB’s will have to continue assessing product compliance with both countries’ standards. Therefore, please continue to submit to Pro-Cert in advance of use all new or revised labels for products sold in either jurisdiction.

Certification of Compliance

Certification bodies are required to determine compliance with this agreement/arrangement. Pro-Cert is already doing this and will work with the COO and the NOP to make this challenging concept functional in 2010 and beyond.

Canada/Europe Equivalency?

Canada and the EU continue to have advanced talks on a possible equivalency agreement. A meeting between Canada and the EU took place in Ottawa in early November. (From Organic Trade Association in Canada). Ken Bruce of the COO is our lead person on this initiative. He is working closely with members of the

Committee on Organic of the Canadian General Standards Board on critical variances between the two programs. Mr. Bruce may speak to us on January 30, 2010 in Regina, Saskatchewan.

USDA National Organic Program (NOP) Update

New Deputy Administrator for the National Organic Program

Miles McEvoy in his new role as Deputy Administrator of the National Organic Program, continues to show his long standing dedication to the Organic Movement/Industry. McEvoy brings with him a substantial resume of organic experience, coming to this position from the Washington State Department of Agriculture where he served as Program Manager for the department's Organic Food efforts, including the organic certification program. In recent years McEvoy has participated as a member of the Organic Trade Association Canada-U.S. Equivalency Task Force and the Fertilizer Verification Task Force, as well as participation in forums on aquaculture, farm suppliers, international trade and U.S. governmental affairs.

McEvoy has wasted no time in settling into his new position, with draft policies already being issued regarding label claims, compost ingredients and permitted substance usage as described below.

The Deputy Administrator position is new to the program and is an extension of the numerous steps taken by the Obama Administration to provide support for organic agriculture and to build the National Organic Program. In May of this year, it was announced that the Program would be evolved into a stand-alone division within the USDA structure. The upgrade will include additional staffing and funding. Historically, the program has been handled as a part of the Transportation and Marketing Program of the Agricultural Marketing Service (AMS).

Use of "Organic" in Brand Names

Concerns regarding the use of the term "Organic" as part of a product's brand name have stimulated regulatory response on both sides of the Canada/US Border. This attention is due to an increasingly liberal use of the term "Organic" on the principle display of retail products containing less than 95% organic content. Primarily, the abuse is being found in the inclusion of the "Organic" claim as part of the brand name.

Earlier this year, as part of the implementation of the Canada Organic Regime (COR), the CFIA's Canada Organic Office (COO) stated that production of non-organic products for sale under a brand including the term organic (e.g. Zesty Organics), would be considered fraudulent and could be subject to action by the CFIA.

Last month, the new Deputy Administrator of the USDA's National Organic Program, Miles McEvoy published a draft policy regarding the use of the term "Organic" as part of the product brand name. The policy states that the use of "Organic" in the brand name can imply that products in the 70-95% category meet the higher "organic" threshold and thereby is "misleading to consumers and injurious to the organic sector."

The policy goes on to provide a comparative example as follows:

- 1) Zesty Organics "Organic Portobello Pasta Sauce"
- 2) Zesty Organics "Portobello Pasta Sauce made with organic tomatoes and mushrooms"

While the actual product names make appropriate use of organic claims, it is clear that the product in the second example could easily be misconstrued as an "Organic" product.

At the time of writing McEvoy's policy remains in draft form for comment, however will be presented to the National Organic Standards Board (NOSB) for ratification and implementation in the near future.

While both the NOP and the COR regulations do not specifically prohibit the use of the term organic in company/brand names, both programs acknowledge the need to take action to preserve consumer confidence in the term "Organic."

To avoid any non-compliance situations, and increased costs in reprinting of labels, **Pro-Cert reminds all processors/handlers and brand owners, to submit your labels to Pro-Cert for review and approval prior to printing.** Please allow some time for the approval process as all labels are handled on a "first come first serve" basis and approved application volume is high due to changes for the new Canada Organic logo.

Pasture Rule Moves Forward

USDA Undersecretary Edward Avalos announced at the recent NOSB meeting that he had signed off on the final rule for access to pasture. The Office of Management and Budget has received it for review; if there are concerns, these will have to be addressed by the USDA. If not, the final rule will be cleared for publication in the Federal Register. Deputy Administrator Miles McEvoy stated that NOP intends to develop a training program prior to the rule's implementation, which he hopes will be by the end of the year. (From Organic Trade Association – Canada)

This rule, which we understand has been modified from its original wording, will have substantial implications for US (and Canadian) dairy farms whose land base does not meet the principles of organic livestock production.

Quebec Organic Program Update

Products produced in the Province of Quebec and sold in the province of Quebec must be certified in accordance to the Quebec Organic Reference Standards (QORS) by an accredited certifying body. However, with the exception of products resulting from organic aquaculture, a category not covered under the Canadian Organic Products Regulation (COR), certification to the QORS (or CARTV) is not required outside of the province of Quebec. Organic products produced outside the province of Quebec and sold in the Province of Quebec must comply with the following:

1. Certified in compliance with the Canadian Organic Standards by a CFIA accredited body.
2. Products resulting from organic aquaculture must be certified by a certification body recognized as compliant by the CARTV.
3. When perishable fruits or vegetables are labeled individually or by units of sale, the identification means (sticker, rubber band labels, etc.) must indicate the certificate holder (company name) as well as the certification body name. Perishable fruits and vegetables on which organic status is not plainly indicated are nevertheless tolerated when their transportation container displays the entire mandatory labeling information.

Furthermore, all organic maple products coming from the United-States to Quebec, cannot be identified as "Organic" or with any other similar designations, unless they have been certified organic according to a maple

product specification manual as stated in the Canadian Organic Standards. Maple products certified only to the USDA-NOP cannot be sold as organic in the province of Quebec.

South Korea Update

The South Korean Ministry of Food, Agriculture, Forestry & Fisheries (MIFAFF) has published the Environmentally Friendly Agriculture Promotion Act with an implementation date of January 1, 2010. This Act has major implications for organic exports to S. Korea. Our information is that the Act covers only finished products and not raw produce, e.g. grain. The Act requires designation of organic certifiers as Foreign Certification Bodies (FCB) and hence application by certifiers. Pro-Cert applied on a timely basis to the MIFAFF for FCB status and is awaiting their assessment decision.

The major exporting countries including Canada and the USA are concerned about some of the provisions and of course, the imminent deadline in this Act and are actively lobbying for changes and delayed implementation. We are hopeful that organic exports to S. Korea will not be disrupted on January 1, 2010!

Taiwan Recognizes Canada Organic Regime

The Canadian Food Inspection Agency has announced that Taiwan deems the Canada Organic Regime as equivalent to its own organic regulation. For the time being, the agreement is one-way for Canadian exports to Taiwan. More details will be released as they become available. (From Organic Trade Association in Canada)

Canadian Organic Growers (COG) Training Sessions

COG is hosting a series of organic operator training sessions across Canada. One of the sessions will take place Friday, January 29, 2010 the day prior to our Update Meeting and will be held in the same facility. Visit www.cog.ca for more information and to pre-register.

Prairie Workshops 2009-2010

Lethbridge, AB

- Making the Transition to Organic Crop Production, Instructor Bernie Ehnes, **February 25, 2010**
- Going Organic Seminar, Instructors Brenda Frick and Peter Eggers, **February 26, 2010**

Grande Prairie, AB

- Making the Transition to Organic Crop Production, Instructor Sam Godwin, **date TBA**
- Making the Transition to Organic Livestock Production, Instructor Jerry Kitt, **date TBA**

Saskatoon, SK

- Making the Transition to Organic Crop Production, Instructor Ian Cushon, **January 10, 2010**
- Making the Transition to Organic Livestock Production, Instructors Ken and Gene Kessler, **January 11, 2010**

Regina, SK

- Understanding the New Organic Regime: A Primer for Farmers, Instructor Pat Gerwing, **January 29, 2010**

Brandon, MB

- Making the Transition to Organic Crop Production, **January 16, 2010**

Portage La Prairie, MB

- Making the Transition to Organic Crop Production, **January 20, 2010**

Winnipeg, MB

- Exploring Your Small Farm Dream, Instructor Clint Cavers. This course will run over four 3 hour evening sessions from **January 27 – February 24, 2010**

Arborg, MB

- Record Keeping for Organic Farms, Pricilla Reimer, **March 12, 2010**

Eastern Canada Sessions 2010

Cornwall, ON

- Eco Farm Day 2010, **February 27, 2010**

Ottawa, ON

- Ottawa Go Green Expo, **March 20 & 21, 2010**

Charlottetown, PEI

- 10th Annual ACORN Conference & Tradeshow, **March 4 – 6, 2010**

Pro-Cert Certification Fees 2010

Our 2010 certification fee schedule for all types of organic operations will remain unchanged as promised! If you are not with Pro-Cert please take the time to compare our schedule (available on request) with that of your current certifier. Remember: (1) we do not charge royalties; (2) we are highly competitive as well as highly competent. Our fees for JAS, Body Care Products and Textile certification in 2010 will be competitive and, as usual, reflect certification cost and risk rather than the volume and value of your sales!

Next Newsletter/Visit

Our January, 2010 newsletter will include updates on regulations as well as other interim developments. We look forward to seeing you in Regina or Guelph or any of the many venues we visit each year. Also, feel free to meet our office staff at one of the locations below:

Head Office

475 Valley Road
Saskatoon, Saskatchewan S7K 3J6

Eastern Branch Office

2311 Elm Tree Road
Cambray, Ontario K0M 1E0

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E: infoebo@pro-cert.org



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