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RURAL ECONOMY

Preferences About Marketing Organic Grain in Alberta

Chantelle L'Hoir, Ellen Goddard, Desmond Ng, and Mel Lerohl

Project Report #02-05

Project Report



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Abstract

The organic industry in Canada is growing and Alberta organic grain producers have expressed a concern that the marketing system for organic grains in Alberta is poorly organized. This poorly organized system may hinder producers from optimizing market potential. This paper assesses different organizational structures that might assist Alberta organic grain producers in optimizing market potential. The choice of organizational structures that could potentially be used to market organic grain in Alberta is based on the types organizational structures that currently exist in the market, producer motivations, and the obstacles that exist in the market. In performing the assessment; existing organic organizational structures are identified, producer motivations are defined, underlying market forces are revealed, and organizational critical success factors are specified. In the conclusions an assessment is made as to which organizational structure is presently the most suitable option to assist organic grain producers in Alberta. The judgment of appropriate marketing structure may well change as the organic market matures, which it shows promise of rapidly doing.

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1. INTRODUCTION

1.1. INTRODUCTION

The organic food industry in Canada is relatively small, but growing. Specifically, Alberta's organic grain market is in its infant stages. The producers in the Alberta organic grain market face various obstacles and have varying motivations for producing organic grain. They face obstacles such as limited marketing options, lack of price and market information, geographic diversity, institutional rigidities, and standards. For instance, the lack of a mandatory Canadian national standard and certification allows for the market to have over 40 different certification bodies (AAFC 2001, p. 1). All have some variance in their standards. This leads to a lack of pricing and marketing information in the identification of organic premiums. In addition, the lack of established marketing institutions creates further obstacles in the marketing of organic grain. Alberta organic grain producers are concerned that the current single desk marketing system of the Canadian Wheat Board (CWB), for marketing organic grain in Alberta, is not ideally suited for this new niche market. As a result, Alberta organic grain producers may not be optimizing market potential. Hence, there may be alternative options for producers to cooperate and organize themselves to lessen these marketing problems/obstacles. Since grain growers have been accustomed to the single desk selling authority of the CWB, selling organic grain may be more of a challenge. These obstacles hinder organic grain producers in Alberta from maximizing their return(s) from the market.

1.2. PROBLEM DEFINITION & RESEARCH OBJECTIVES

The motivation for this research is then to assess different organizational structures that might assist Alberta organic grain producers in optimizing market potential.

The research objectives are to:

1. Establish what types of organizational structures are used in the marketing of organic grain in Alberta, the rest of Canada and other countries.
2. Define the organizational structures that could potentially be used to market organic grain in Alberta.

3. Understand forces creating organizational challenges and opportunities in the Alberta organic grain industry.

- Determine what motivates Alberta organic grain producers to pursue organic production methods.
- Define the opportunities and obstacles that exist in the organic grain market.
- Evaluate different organizational structures proposed through interview with industry members; given producers' motivations and the underlying market forces.

Producers are aware of the demand for organic products in Canada; however, the marketing system is poorly organized (Henning, Baker and Thomassin, p. 881). More specifically, Alberta organic grain producers have expressed a concern that the marketing system for organic grains in Alberta is poorly organized. "There is little cooperation among producers, or between producers and the distribution system, and there has been a lack of continuity of firms at the wholesale level. The result has been a chronic pattern of market disequilibrium." (Henning, Baker and Thomassin, p. 881). Being that that market is in a state of disequilibrium, Alberta producers' may not be optimizing market potential.

Producers' choice of organizational structure is greatly reliant on their internal motivations, external underlying market forces, and the other players in the market. Given that the success of producers' marketing efforts is greatly reliant on various participants in the market, it is essential that the attitudes of these other participants are assessed as well. If the other participants in the market reject the structure that the producers choose then the chances of the producer structure being successful are greatly diminished.

1.3. REPORT SUMMARY

The first two research objectives are addressed in Chapter 2. Existing organizational structures used in the organic market are identified. Taking into consideration these existing structures and the current situation in the Alberta organic grain market, potential options for marketing organic grain in Alberta are identified and defined.

Chapter 3 provides an explanation of the methodology used in this research.

Chapter 4 presents the findings from the focus groups. Producer motivations, opportunities and obstacles, and producer, government, and industry's preferences of organizational structure are derived from these findings. This chapter addresses the first two points presented in the third objective.

Chapter 5 is an analysis of each organizational structure. Taking into consideration internal motivations, underlying market forces, critical success factors, and focus group preferences on choice of organizational structure the different organizational structures are evaluated.

In Chapter 6, the conclusions of the results are presented and an assessment is made as to which organizational structure is presently the most suitable option to assist organic grain producers in Alberta.

2. LITERATURE REVIEW

2.1. INDUSTRY OVERVIEW

In Canada, there has been an active organic sector since the early 1970's. Agriculture and Agri-Food Canada (AAFC) has been involved in supporting the development of the organic industry since 1989 (AAFC 2000, p. 1). In 1992 the Canadian Organic Advisory Board (COAB) was established and in 1996 it was incorporated into a national, non-profit organization. The COAB was established (represented and elected by members of provincial certification bodies and other diverse stakeholder groups) as an advisory body. One of its purposes was to develop an industry driven standard. This standard was established with the assistance of the Canadian General Standards Board (CGSB). In June 1999 the National Standard for Organic Agriculture was approved by the Standards Council of Canada (SCC) and published. The COAB also applied for accreditation to the Standards Council of Canada (SCC) to meet the capability requirements of being a national certification body. However, recently this application has been withdrawn, COAB's Board of Directors are currently still registered, but inactive in their goal to be the national certification body for Canada.

The National Standard for Organic Agriculture is a voluntary standard, so at present there are no mandatory national requirements for certifying organic products in Canada. In Alberta there are 4 certification bodies that can certify producers. However, it should be noted that British Columbia and Quebec have their own provincial standards that are enforced by the province. The United States Department of Agriculture (USDA) has a mandatory national organic standard, which was implemented in April 2001. All certification bodies in the United States have until October 2002 to comply with the USDA's national organic standard (USDA 2000, p. 2)

Canada exports the majority of its organic grain and oilseed production to the United States, Europe and Japan. A large portion of organic products sold to the United States is processed and resold to other markets. Europe is a net importer of organic grains and oilseeds, the majority of which are from Canada and the United States. Canada and the United States are considered to be an ideal source of organic foodstuff, giving reason to Europe's imports of about 7,500 tonnes of Canada's annual organic wheat production (AAFC 2000, p. 8).

Presently, there are approximately 2500 organic producers and 150 organic processors and handlers in Canada (AAFC 2001, p. 1). It has been estimated that there are approximately 350 organic producers in Alberta. “Total production of organic grains and oilseeds in Canada is estimated to be about 140,000 tonnes, valued at \$400-500 million” (AAFC 2000, p. 7). This compares to total Western Canadian grain and oilseed production of 62.0 million tonnes (Mt), of which organic grains and oilseeds occupies far less than 0.5 percent (AAFC 2000, p. 7). The majority of the grain production is in Western Canada. Wheat, durum and rye are the largest crops produced in Western Canada.

Canada accounts for approximately 2% of the world’s organic production area. Willer and Yussefi (2001) estimate world organic production area to be approximately 38 million acres. Certified organic production area in Canada is estimated to be around 839,252 acres. In the provinces of Alberta, Saskatchewan and Manitoba in the year 2000 there were estimated to be 743,752 acres of land used for organic production. Of that total amount, Alberta has 344,587 acres (AAFRD, p. 3), Saskatchewan has 362,165 acres (CWB, p. 1), and Manitoba has approximately 37,000 acres (Macey, p. 1). The number of acres used for organic grain production is 29,910 in Alberta (AAFRD, p. 3), over 10,000 in Manitoba (OPAM, p. 1), and 160,376 in Saskatchewan (CWB, p. 1). In the 2000-2001 crop year there were 58,184 metric tonnes of organic wheat, barley and durum sold through the CWB, a 101% increase over the previous crop year’s sales of 29,005 metric tones (CWB, p. 1). For a detailed description of organic production area in Alberta, Canada and the rest of the world see Appendix 8.1.

When marketing their grains that fall under the category of CWB grains, organic producers have four options:

- 1) They can sell their grain to a local organic grain company. In this case the producer or the company can administer the Producer Direct Sale (PDS) with the Canadian Wheat Board (CWB).
- 2) They can find their own export market and market their grain directly to an end user. In this case the producer does the PDS with the CWB and obtains the export license.
- 3) They can sell to a broker who finds a market for them. Either the producer or the broker does the PDS transaction with the CWB and obtains the export license.
- 4) They can sell their grain on the conventional market.

If the grains that the producers are selling are not CWB grains, producers still have the same four options as stated above. However, there are no transactions that must take place with the CWB. In reality, there may be other options for marketing organic grain in Alberta, such as cooperative or individual marketing strategies. These options may include setting up a private company, association or new generation cooperative.

Lack of current market information is a large challenge facing organic sellers, particularly new entrants to the market. The lack of structure in the market leads to lack of transparency in prices and lack of information on markets and their demand. Knowing whether they are receiving the best organic market price for their product is difficult. Producers claim that they do not always get a price premium for their product, or that the premiums are not reliable (Henning, Baker and Thomassin, p. 881).

Without knowing the demand for a product, it is difficult to make production decisions. A potential risk for organic producers is market volatility. Demand for organic products is not consistent nor is it easily predictable. When supply is low, premiums are high. When there is an over-estimation of demand this has been known to create oversupplies, which put downward pressure on organic prices. In general, the organic market has a poorly organized marketing system with little cooperation between producers, or between producers and the distribution system (Henning, Baker and Thomassin, p. 881).

The most important concerns or motivations for Canadian organic producers are; 1) negative effects of the use of chemicals, 2) preserving the environment, 3) own health and safety, and 4) profitability (Henning, Baker and Thomassin, p.880). In terms of the information sources that Canadian organic producers use, it was found that “organic farmers ranked other farmers as the most relevant, understandable and trustworthy information source” and that organic farmers rank government as a moderate information source on relevance, understandability and trust (Egri, p. 62). In contrast, conventional producers ranked government and other producers very high on all three criteria (Egri, p. 63). Thus, Egri concluded that government (in Canada) is not perceived by organic farmers as providing highly valued services in terms of the advisory and informational needs of producers.

Another challenge for marketing organic grains is the cost of container shipping. Currently organic grain in Canada is shipped either by truck, rail or container. Depending on arrangements with the buyer, transportation costs can be very high. Alberta producers are geographically dispersed across the province, which makes co-ordination efforts even more costly. Conventional producers also face this problem, but there appear to be two factors that ease their transportation issues, those being large volume production and more infrastructure.

In terms of larger volume, if it is assumed that volume is based on acres, it appears to be an accurate claim. Egri (1999) found the average size of conventional operations (Canadian) in her survey to be 1,029 acres and the average size of organic operations to be 413 acres. Her survey encompassed 83 conventional and 118 organic producers from British Columbia, Saskatchewan and Ontario. Of the producers present at the OCIA-Chapter #1 Annual Meeting in 2001 the acreage ranged from 0.5-4000 acres; specifically the production acres for grain crops ranged from 80-1150 acres. While comparing organic and conventional producers, Egri also established that both types of producers have similar levels of farm product diversity, with organic producers have 2.43 products and conventional having 2.11 products.

2.2. THE SUPPLY CHAIN

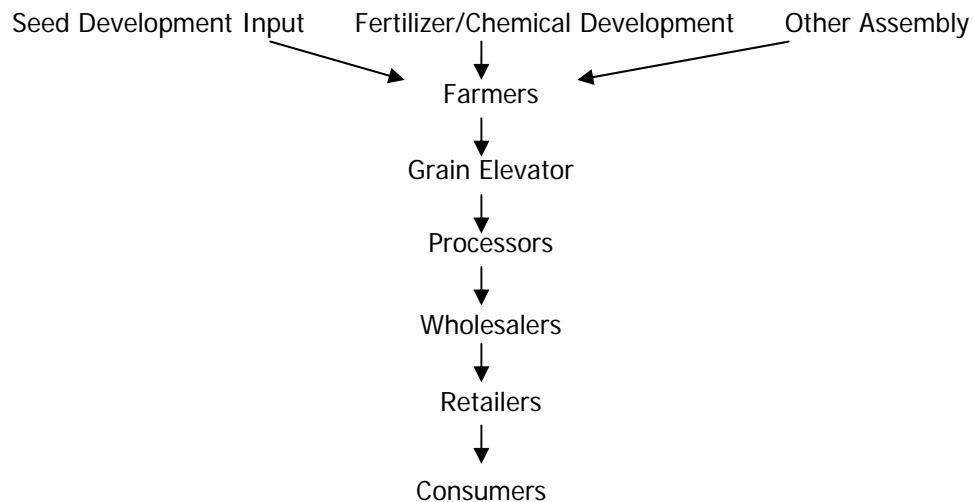
Organic producers/farmers face obstacles such as limited marketing options, lack of price and market information, geographic diversity, institutional rigidities, and standards. In assessing different organizational structures that can help producers overcome or minimize these obstacles it is important to define where an organic grain producer is situated in the supply chain. By choosing specific organizational structures producers can vertically integrate along the supply chain. Consequently, producers can eliminate middlemen, move closer to the market place, and obtain a greater profit. It is the choice of organizational structure that determines the degree of vertical integration.

The marketing of agricultural commodities has been evolving to a system of increasing coordination and control among agribusiness firms; these changes have been described as the industrialization of agriculture (Sporleder, p. 1226). Specifically, the agricultural commodity market is changing from one of undifferentiated products and open markets to a market with differentiated products and contractual or integrated and

controlled-supply markets (Sporleder, p. 1226). One of the driving forces behind the move to tighter vertical linkages is consumer demand; agriculture is moving from a business that produces commodities to one that manufactures food products. The underlying impetus today is how to manufacture the product that consumers demand by using the lowest-cost approach. Traditionally, the impetus was to produce the greatest quantity of a commodity.

When referring to the “supply chain”, it refers to the entire vertical chain of activities that takes place from the production of a product until it reaches the consumer. To better understand the various stages of the supply chain, Figure 1 has been provided for the grains and oilseeds sector. As shown, the top of the supply chain is the first stage and at the bottom is the final stage (consumer). The nature of the chain varies as the industrialization of agriculture changes the production and processing of products. Stages may be combined or coordinated and other stages may be added to the supply chain.

Figure 1: Supply Chain for Grains and Oilseeds Sector



Source: *Fulton and Andreson, 2001*

Producers are faced with the need to control more steps along the supply chain in order to obtain a greater return. By vertically integrating along the supply chain farmers eliminate middlemen and move closer to the marketplace (consumer). Thus, we are seeing a trend toward greater coordination along the supply chain. The degree of vertical integration depends on the choice of organizational structure that producers choose. It

should be made clear that vertical integration occurs when a single firm owns several stages of the supply chain (Hobbs, Cooney and Fulton, p. 9).

The term “value chain refers to a vertical alliance or strategic network between a number of independent business organizations within a supply chain.” (Hobbs, Cooney and Fulton, p. 9). So a value chain is “a strategic network of independent organizations/businesses – producers, processor(s), distributor, retailer – who recognize their mutual need for one another, will work together to identify strategic objectives, are willing to share the associated risks and benefits, and will invest time, energy and resources to make the relationship work” (Amanor-Boadu, p. 5).

As attention is placed on the total supply chain the importance of efficiency and minimizing the costs throughout the total supply chain has increased (Fulton and Andreson, p. 131). In some stages efficiencies have been achieved through separation of production. Other stages have seen a move from spot market transactions to a system of negotiated coordination. The trend is towards using contracts and other business arrangements to facilitate movement of product from one stage in the supply chain to the next (Fulton and Andreson, p. 136). This movement towards using contracts creates a new type of risk, relationship risk with other agents in the supply chain. Thus, information becomes a valuable input and a new source of power and control.

With respect to this research, Alberta organic producers perceive that there are few grain elevators and processors in the organic market. Thus, price and market information are not transparent. The lack of transparency coupled with other factors has led to a lack of trust between organic producers and the other players in the market. If organic grain producers in Alberta choose an organizational structure, such as a New Generation Cooperative, that allows for greater vertical integration these information and trust issues may be overcome.

2.3. EXISTING ORGANIZATIONAL STRUCTURES IN THE ORGANIC MARKET

In order to define organizational structures that could potentially be used to market organic grains in Alberta it is essential to define what types of organizational structures currently exist in Alberta and to define what types of organizational structures exist in other countries and the rest of Canada. For Alberta, Canada (excluding Alberta), and the

rest of the world organizational structures have been identified for marketing organic grain and other organic products. These companies are merely a sample of the structures that exist in this industry; however, this description provides an overview of what structures exist in the industry and what structures are available to organic producers in Alberta.

The description of existing organizational structures has been compiled into tables and can be found in Appendix 8.2. The types of organizational structures present in the organic industry include private companies, public companies, sole proprietorships, cooperatives (traditional and new generation), marketing associations, and partnerships. In Alberta and Canada the most common structure appears to be a private company. In the rest of the world, cooperative forms of organization appear to be the most common, especially in the United States. The type of organizational structure that is dominant in the grain industry varies; in markets that are somewhat developed (such as the United States) marketing cooperatives emerge as a popular choice and in infant markets (such as Alberta) private companies appear to be dominant.

This description of existing organizational structures provides a foundation to evaluate and define potential organizational structures that are most relevant to Alberta organic grain producers at this time.

2.4. OPTIONS FOR MARKETING ORGANIC GRAINS IN ALBERTA

2.4.1. OVERVIEW

A variety of companies exist in Alberta, Canada and the rest of the world for the purposes of marketing organic grain and each company has its own organizational structure. Given that certain organizational structures currently exist in Alberta for marketing organic grain (of which some have been identified) the purpose of this research is to identify and assess different organization structures that might assist Alberta organic grain producers in optimizing market potential.

Boehlje (1992) identifies a number of criteria that should be considered when choosing a financial and organizational structure. They include control, cost, risk, and maturity/permanence/liquidity. Control is “linked to the desire for independence and the focus on individual decision making” (Boehlje, p. 1). The cost objective focuses on organizing the

operation in the most cost-efficient manner. Risk is that of financial loss and the consequences of failure. The maturity/permanence/liquidity objective is mainly the permanence or longevity of the organization. When presenting the organizational options to producers, industry members and government in this research, these four criteria are an important consideration.

Before identifying the potential organizational structures that can be used to market organic grain in Alberta, it is essential to identify the critical success factors for business organizations. Several authors have addressed this area of success factors. Bruynis, Goldsmith, Hahn, and Taylor (2001) identified key success factors for agricultural marketing cooperatives. Witwicki, Krogman, Brooks, and Krahn (2000) identified success factors for marketing clubs. Schutjens and Wever (1999) identified determinants of a new firms success.

Bruynis et al. (2001) concluded emerging agricultural marketing cooperatives would increase their chances of success by adhering to the following recommendations:

1. The emerging cooperative needs to handle sufficient business volume to remain economically viable. Insufficient business volume does not permit a cooperative to generate the income needed to cover operating costs.
2. The new cooperatives should implement a management training process for the management team (manager and board members) regardless of the level of previous management experience. A Board of Directors with previous cooperative experience should be assembled whenever possible. Involving and hiring individuals experienced in working with a business structure similar to the new cooperative will increase the probability of success.
3. If business volume and equity permit, a full-time general manager experienced with the cooperative operating structure should be hired. Additional experience with a specific management skill matching the cooperative's needs such as marketing or purchasing, will be beneficial to the business.
4. Accurate financial statements need to be prepared and distributed on a timely basis to the management team. For the management team to effectively manage the new cooperative, the financial statements need to be used on a regular basis.

5. The new venture should secure sufficient total equity prior to the initial operation of the cooperative. The critical level of total equity needed should be identified through the feasibility study and planning process.
6. Emerging cooperatives need to use marketing agreements to secure business volume commitments from the members or customers before initial operation. These agreements will eliminate some of the risk and can assist in market entry. The business owners should be prepared to enforce the marketing agreements when necessary.

It should be noted that the effect of cooperative principles could not be determined from the study. However, Bruynis et al. (2001) go on to conclude that member equity, limited returns, patronage refunds, democratic voting, and open membership are all considered essential for an emerging cooperative to be successful. A defining characteristic of a new generation cooperative is that membership is restricted/closed to producers. Thus, the last characteristic of open membership to be successful cannot apply to new generation cooperatives.

Witiwicki et al. (2000) examined the factors most strongly associated with the perceived success of agricultural marketing clubs in Alberta. “Marketing clubs are agricultural producer groups that facilitate the exchange of information among members and help maintain and upgrade individuals’ marketing skills” (Witiwicki et al, p. 311). The literature review conducted by Witiwicki et al. (2000) suggests that members’ perceptions of club success are a function of structural, process and outcome factors. Structural factors being group development, group diversity, meeting structure and outside support. Process factors included goal formation, network formation and member commitment. Outcome factors are economic benefits. Witiwicki et al. (2000) collected and analyzed data from marketing clubs in Alberta in order to examine the relationship between these factors and members’ perception of success. Their findings were that the most important factors are the process factors of goal and network formation, with the goal attainment factor being the stronger of the two.

Thus, members are most likely to perceive their club as successful if their club is clearly goal oriented; they must establish, evaluate and achieve goals periodically. As well, members who enhance their contacts through the club, who form business

relationships through the club and who feel those relationships are important to their operations view the club as successful. To relate this specifically to an informal association the members will view it as successful if the goals are clearly defined and attained, and members have the opportunity to network.

Schutjens and Wever (1999) identify three key pointers for policy measures targeted to new entrepreneurs to become more successful and to stimulate the growth of employment:

- 1) The importance of work experience. Inexperienced starters are advised to attain some work experience before setting up their own firm.
- 2) The importance of a business partner. Inexperienced, young entrepreneurs are advised to look for a business partner.
- 3) The importance of thorough preparation. Prepared entrepreneurs more often realize growth, with respect to employees and turnover level.

From these three publications, general critical success factors for a business organization focused on organic marketing are derived. These critical success factors are:

- 1) The organization must plan thoroughly before commencing operations and must continue to plan. This entails that the organization be focused and goal oriented, markets must be identified and secured, products should be secured from producers, equity for the organization should be secured prior to initial operation, and a thorough feasibility analysis and business plan should be developed.
- 2) The organization must handle sufficient business volume to be economically viable.
- 3) Accurate financial statements should be kept and reported. Realistic financial planning is essential.
- 4) Governance and control issues are important. Management should have specific skills that meet the organization's needs, they should have previous experience in the industry and preferably previous management experience.

Specifically, for organizations that are member based, such as cooperatives or marketing associations, communication should be open between management, members and potentially the Board of Directors.

For this research project, four specific options for marketing organic grain in Alberta have been identified. The choice of these four options is based on the types of organizational structures that currently exist in the organic market, producer motivations (Henning, Baker and Thomassin), and the obstacles that exist in this market. Preliminary focus group discussions ascertained that these structural options, although not a complete characterization of structural options, appear to be the most relevant options to the organic grain industry in Alberta at this time. Of the structures that have been identified, three are collective options and one is an individual option. The collective options are a new generation cooperative, marketing association and a private company. The individual option is a private company with one owner or a sole proprietorship.

With each of the three collective marketing options producers' grain product will be marketed collectively; however, with the individual marketing option the producer will market his/her own product individually to a buyer, without any involvement from other agents. The individual option is presented as two structures because individual producers have the option to operate as a sole proprietorship or to incorporate. For the purposes of this research it not relevant which structure they choose; therefore, the two structures are regarded as one option, an individual marketing strategy.

All four options are explained in this section and a specific example of each structure is given for each option.

2.4.2. COLLECTIVE MARKETING STRATEGIES

2.4.2.1. NEW GENERATION COOPERATIVE

New generation cooperatives are an option for producers to organize themselves collectively. New generation cooperatives (NGC) are closed membership cooperatives that are being established in niche and traditional commodity markets in the agricultural industry. Fulton (2001) states two potential reasons for the formation of NGC's are: 1) a need for market information and coordination and 2) a need to restructure existing markets to provide producers an increasing share of the consumer's food dollar. A NGC would store, clean, sell, and transport grain, conduct market research, perform invoicing to buyers, and make payments to producers if its operation is focused on a primary product. If the NGC is to focus on further processing the grain, it can perform tasks such as milling flour, and would deal with all logistics related to further processing and sales of the processed product. A

NGC allows for movement up the supply chain. The producers are part owners of the NGC and if the NGC processes a product then producers will move closer to the marketplace.

A producer will purchase delivery shares in a NGC. The delivery shares give the producer the right to deliver product and the right to vote. A NGC maintains a one member, one vote policy and membership is restricted to producers (closed membership). The Board of Directors for the NGC is elected from the membership, by the membership. Investment shares can be made available to the general public, but purchase of these shares does not make the investor a member of the NGC. Thus, ownership is restricted to producers. The excess earnings or profits at the end of the year are distributed to shareholders (members and investors) based on the number of shares held by the shareholders.

The delivery shares purchased by producers are allocated so that the member must deliver one unit of product per share held. The delivery shares can be transferred if the member cannot fulfill his/her contract. If the member simply does not deliver product to the NGC, the NGC will purchase the product from elsewhere and charge it to the member's account.

It is the capacity of the NGC's facility that determines the amount of product that producers can deliver; thus the number of shares available to producers is determined by plant capacity. The price of each share is established by taking the required amount of start-up capital that needs to be raised and dividing it by production capacity (number of products that can be absorbed by facility). The NGC will set a minimum and maximum number of shares that can be purchased by members. NGC's will normally try to raise 30-50% of their capital requirements through member equity.

In terms of taxation, a NGC is taxed similar to a corporation; however, there may be some additional tax considerations for NGC's. Thus, the NGC's earnings are taxed at a corporate level and the members are taxed on earnings from the NGC at an individual level as well. The profits of the NGC are distributed as patronage to shareholders. This patronage is deductible to the NGC, but taxable to members. Members and shareholders of a NGC have limited liability. Directors and management may not have limited liability.

A successful example of a new generation cooperative is the Dakota Growers Pasta Company (DGPC) of Carrington, North Dakota. In January of 1992 a group of North Dakota durum growers held an information meeting and two years later DGPC began

production. The DGPC mills durum wheat into semolina and then produces pasta in an adjacent plant.

This group developed a business plan and began their equity drive. The equity drive raised \$12 million equity capital to build a \$40 million pasta processing plant. A total of 1,040 members invested. The initial share price was set at \$3.85 US and a minimum of 1,500 shares had to be purchased. Each share entitles a member to deliver 1 bushel of durum. Shares are restricted and can only be purchased by durum growers.

In 1996 the market value of the shares for DGPC was \$5.50 US/share. In that year there were 3.5 million bushels of durum delivered to the plant and there was 118.8 million pounds of pasta produced. In 1997, sales were close to \$70 million and up to that date \$2.7 million had been paid out to farmers. Table 1 further illustrates the financial situation for Dakota Growers Pasta Company.

Table 1: Financial Data for Dakota Growers Pasta Company (in thousands of dollars)

	1997	1996
Revenue	69,339	49,558
Cost of Product Sold	58,357	43,318
Net Income	6,926	2,618
Total Assets	68,739	49,894
Long-term Debt	30,218	19,752
Working Capital	6,329	8,184
Property and Equipment Additions	17,837	1,489
Members' Investments	29,956	24,866
Total Patronage Distributions	1,800	935
Patronage Dividends per share Distributed*	0.485	0.300

* - The patronage dividend reported represents the amount allocated from the previous year. In 1997, the Board allocated a distribution of \$1.00 per bushel, which will be distributed in fiscal year 1998.

Source: Zeuli et al., 1998

2.4.2.2. MARKETING ASSOCIATION

Associations are an option for producers to organize themselves collectively. For the purposes of this paper, an association is a marketing association for producers, or in other

words a collaborative marketing group. A collaborative marketing group focuses on marketing, is managed by its members and exists for their benefit. An association can organize itself as a business organization or an informal association. Due to the ability of associations to structure themselves formally or informally there is no specific organizational structure an association will take. An association may form in order to: 1) fulfill a need for market information and coordination and 2) increase market options for selling product due to larger volume and steady flow of product available through the association. An association would sell grain, conduct market research, perform invoicing to buyers, and make payments to producer members. An association does not allow for movement up the supply chain, rather it allows producers the benefit of having the association move the product from producer level to market.

The amount of financial investment a producer must commit to an association depends on how the association is structured. However, it is likely to be a membership fee or it is possible the producer would pay a percentage to the association of each sale made by the association for the producer. Members of the general public do not have the opportunity to join the association, as membership is restricted to those who produce products consistent with those the association markets. The excess earnings or profits at the end of the year are distributed in various ways, depending on how the association structures itself. However, some options include investing it in the association, or returns to members based on shares in the association or sales made through association.

As a member of the association, the producer is not committed to delivering a certain amount of product to the association. The producer has the option to sell their grain through the association. It is likely that the association also has the option to source product from producers outside of the association if it cannot find the quantity or quality of product required for a sale from members within the association.

Since the association focuses on marketing the products of producers, the capital requirements to start an association are minimal, as there is no storage or processing facility required for operation. The capital requirements pay for hiring of staff to conduct the marketing operations of the association.

The taxation and liability of the members of the association depend on the type

of organizational structure used to facilitate the association. Members may receive single taxation or they may be taxed at various levels. Members may be liable for the actions of the association or only the management of the association may be liable for its actions.

An example of an association that has been formally organized as a cooperative is the Marysburg Organic Producers, located in Spalding, Saskatchewan. This producer group is a marketing association of grain, oilseed and pulse producers, and it consists of approximately 50 members/shareholders and two staff. A marketing and accounting director are employed and are provided with a certain percentage revenue from each sale. The products are sold by the marketing director and product is acquired from members external to the association if the marketing director cannot obtain the product within the association. Each member pays 2.5% of each sale to the association. The association offers spot market contracts and forward contracts to producers.

The shareholders elect a board of directors and vote on policy. The board of directors consists of the marketing director, accounting director, and three other directors. The board of directors is responsible for policy development, communication with shareholders, and the contracting and supervision of the marketing and accounting directors.

The products sold by the Marysburg Organic Producers are: barley, buckwheat, canola, flax, lentils, oats, mustard, peas, triticale, rye, durum, HRS wheat, soft wheat, winter wheat, alfalfa seed, clover seed, and radish seed. The products sold by this association are all certified organic by either the Organic Crop Improvement Association (OCIA) or Quality Assurance International (QAI). Their markets include Canada, the United States, Europe, and Asia.

2.4.2.2. PRIVATE CORPORATION (COMPANY)

For the purposes of this research a private corporation (company) is considered another method for producers to organize themselves collectively. A corporation allows different parties to contribute capital, expertise and labor, for the maximum benefit of all parties. A private corporation may form in order to: 1) fulfill a need for market information and coordination and 2) provide a consistent buyer for producers' grains. A private company would conduct the same activities as a NGC. A private company allows

for movement up the supply chain similar to the NGC. However, producers will only fully benefit from this vertical integration if they own the company.

One shareholder or many shareholders can own the company. These shareholders do not necessarily have to be producers. The shareholders can also be local entrepreneurs. For producers, unless they are establishing the company, there is no up-front investment. This is weighed against the possibility that no local entrepreneurs will find it feasible to establish the company. The company would collectively market the producers' product(s) and if the producer were a shareholder in the company, they would receive a distribution of the company's profit, based on shares owned. If a producer is not a shareholder, then the producer simply receives market price for product delivered to the company.

In Alberta, a corporation can have one shareholder or thousands of shareholders (Alberta Law Reform Institute, p. 44). Individuals with voting shares control the company. These individuals elect the Board of Directors, and the Board of Directors determines who manages the company. Thus, ownership and control of the company is separated from management. The Board of Directors hires a manager, who is put in place to manage the company in the best interest of the owners. Shareholders are entitled to a share in the profits of the enterprise, as shareholders of the corporation. For a private company, shares cannot be sold to the general public.

If the private company is owned by one or more local entrepreneurs, producers have no commitment to deliver their product to the private company unless otherwise contracted to that company. If producers own the company, they are not committed to deliver product to the private company, unless otherwise contracted to that company. However, it may be that producer owners could be committed to delivering product to the company, depending on the terms of agreement of the company's formation.

The collective effort of various parties makes it easier for the corporation to raise capital. However, unless there is a group of local entrepreneurs or producers that is willing to invest enough capital to establish the private company, the private company will not be formed. Corporations are regulated and record keeping is necessary.

A corporation's income is taxed at two levels: 1) in the hands of the corporation and 2) in the hands of shareholders when it is paid out in dividends. The corporation is treated as a separate taxpayer. In Alberta there is a "small business deduction" that some corporations may be eligible to claim. This deduction can reduce the income tax paid by the corporation and shareholders. If a corporation can claim this deduction, the tax paid by the corporation

and shareholders is equivalent to the tax that would have paid on the income if it had been earned by a partnership. However, if the corporation cannot claim this deduction, the tax paid by the shareholders and the corporation will exceed the tax that would have been paid on the same chunk of income if it had been earned by a partnership (Alberta Law Reform Institute, p. 46).

A corporation is regarded as a distinct legal entity; thus it has a continuous existence. Shareholders of a corporation incorporated under Alberta's Business Corporations Act have no liability for its obligations. In a corporation, the liability of the corporation's shareholders is limited to the money they paid to buy the shares. Creditors of a corporation cannot enforce their claim against shareholders of a company. In the course of carrying out managerial functions, the managers and the Board of Directors of a corporation may incur liability.

An example of a private company in the organic grain industry is Growers International, located in Wilcox and Wolesley, Saskatchewan. Growers International was established in 1985, is a private company that acts as a merchant, and is owned by an organic farmer. It is the first company to be given permission by the Canadian Wheat Board to trade organic grain privately. It now has a grower base of over 200 farms, and has traded over 50,000 tonnes of grain to overseas customers since its inception. In the fall of 1999, Growers International entered a joint venture with N.M. Patterson and Sons Ltd. to create Growers International Organic Sales Inc (GIOSI).

GIOSI operates three modern certified organic grain-handling facilities where grain can be collected, graded, stored, and loaded for transportation. Products are identity preserved and the facilities are certified by the OCIA International and QAI. Producers who deal with GIOSI must have organic certification from a recognized third party certification body. GIOSI exports primarily to Europe and offers Fall production contracts to producers for HRS wheat and amber durum.

2.4.3. INDIVIDUAL MARKETING STRATEGIES

If a producer wishes to market his/her product individually, there are essentially two alternatives for structuring the organization; they are as a sole proprietorship or a private company with only one shareholder (owner). In both cases the producer will work individually to find a buyer for his/her product. The primary differences between these two individual marketing strategies are liability and taxation. A private company with

one owner or a sole proprietorship may form in order to: 1) fulfill a need to market product at an individual level and 2) maintain a system of marketing that requires no investment or commitment to deliver besides that required of the production operation. A private company with one owner or a sole proprietorship can sell grain, store grain and research markets. It can also, if the producer operates a large-scale operation and has the cash flow, transport grain, clean grain and even mill grain. An individual strategy does not allow for movement up the supply chain. Continuing to pursue this options means a producer accepts his/her current position in the chain.

2.4.3.1. PRIVATE CORPORATION (COMPANY)

When the private company is used as an option to market product collectively, there is one or more shareholders. However, now it will be that there is only one owner/shareholder and there is no collective marketing, thus an individual marketing strategy is employed. Since there is only one shareholder, there is a large financial investment required by the one shareholder. It is the one owner/shareholder that owns the corporation who, for the maximum benefit of that owner contributes all expertise, labor and capital. All profit is distributed to the sole owner/shareholder. The sole owner/shareholder would conduct all managerial functions.

The owner of the company is not committed to deliver product to any buyer, unless the owner has otherwise contracted product to a buyer. It is the individual owner who must raise the capital needed in order to conduct operations.

The private company with one owner is taxed the same as the private company with one or more owners, as discussed. A corporation is a distinct legal entity; thus, it has a continuous existence. The liability of the owner of the corporation is limited to the money invested in the corporation by that owner. However, the sole owner of the private company is liable for money invested in the company and can be liable for the way in which managerial functions are carried out.

2.4.3.2. SOLE PROPRIETORSHIP

In a sole proprietorship, the business is unincorporated, is owned by one person and has few or no employees. The proprietor is the firm and the firm is the proprietor. The sole proprietor personally owns all the assets of the business. The proprietor is not considered an

employee of the business and is not paid a salary by the business. It is the sole proprietor that owns the operation and contributes all expertise, labor and capital. All profit is distributed to the sole proprietor. The sole proprietor conducts all managerial functions.

The owner of the company would not be committed to deliver product to any buyer, unless the owner has otherwise contracted product to a buyer. It is the individual owner who must raise the capital needed in order to conduct operations.

The sole proprietorship is not regarded as a separate taxpayer. The income of the proprietor from other sources is calculated and then lumped together with the income of the business for the year. The proprietor is taxed on the two sources of income (other and business) at the appropriate rate or rates. Under the law, the business and the owner are considered to be one entity. Thus, if the business incurs a liability it is the proprietor's personal liability.

An example of an individual marketing strategy is an organic grain producer who sells his/her grain product to a specific company. This producer does not work with other producers to sell product in a larger quantity (collectively), but instead sells a smaller quantity to a specific buyer. The producer must take the time to find a market for his/her product and work to establish a relationship with a buyer.

2.4.4. SUMMARY

The table below summarizes the collective and individual marketing strategies discussed.

Table 2 – Characteristics of Collective and Individual Marketing Strategies

	COLLECTIVE MARKETING STRATEGIES			INDIVIDUAL MARKETING STRATEGIES	
<i>Characteristic</i>	<i>NGC</i>	<i>Association</i>	<i>Private Company</i>	<i>Private Company with one owner/shareholder</i>	<i>Sole Proprietorship</i>
Objective	Profit maximization for producer owners of value added processing organization.	Profit maximization on primary commodity product for producer members of the association.	Profit maximization for owners of value added processing company.	Profit maximization on primary commodity product for sole owner.	Profit maximization on primary commodity product for sole proprietor.
Financial Investment	Set minimum number of shares to purchase at a specified share price, price based on start-up costs of facility.	Could be nothing besides a percentage of sales if structured informally. It could also be a membership fee.	Requires investment by owners, either producers or local entrepreneurs. If from local entrepreneurs then no producer investment required.	Single owner will own all assets of the business. Assets will vary with the level of processing and that will depend on the producers' cash flow.	Proprietor will own all assets of the business. Assets will vary with the level of processing and that will depend on the producers' cash flow.
Market Information Sharing	Market information is collected and coordinated through central management of NGC.	Market information is shared between producers and marketer(s) of association.	Information specialized among management, and passed onto shareholders.	Information is only shared with employees of company, if there are any. No information shared specifically with other producers.	Information is only shared with employees of company, if there are any. No information shared specifically with other producers.
Price Information Sharing	Price information would be shared with all producers, as they are the owners.	The marketing director who is an employee of the association would share price information with all members.	Only producers that are owners would likely have access to price information.	The sole owner would have to collect his/her own price information.	The sole proprietor would have to collect his/her own price information.
Membership vote	One vote per member	Depends on organizational structure used to facilitate association.	Shareholders vote in proportion to the number of voting shares held.	Owner has complete control over business operations.	Proprietor has complete control over business operations.
Membership size	Unlimited	Unlimited	Unlimited	Limited to one owner (shareholder)	Limited to one proprietor (owner)
Single taxation	No	Depends on organizational structure used to facilitate association.	No	No	Yes
Distribution of Profit	Dividends paid on shares. Based on the amount of shares held by shareholders.	Depends on organizational structure used to facilitate association. Could be based on sales through association, shares, etc.	Dividends paid on shares. Based on the amount of shares held by shareholders	All profit paid to the owner.	All profit paid to the sole proprietor.
Ownership	Restricted to producers, the general public can purchase investment shares.	Restricted to producers	Restricted to shareholders, shares cannot be sold to the general public.	Restricted to sole owner	Restricted to sole proprietor
Owner involvement	High	High	High	Very High	Very High
Membership restrictions	Restricted to material participants.	Restricted to individuals who produce product consistent with association's markets.	Restricted to shareholders.	Restricted to the owner.	Restricted to the proprietor.
Annual profit restrictions	Limited to the rates set by the Board of Directors for dividends or/and to the rates set by the province.	Unlimited	Limited to the rates set by the Board of Directors for dividends.	Unlimited	Unlimited
Liability	Limited. Directors and management may be liable.	Limited or Unlimited. Depends on organizational structure used to facilitate association.	Shareholders limited to share subscription. Directors and management may be liable.	Owner may be liable	Proprietor is liable.

3. RESEARCH METHODOLOGY

3.1. RESEARCH DESIGN

This research is exploratory in nature. Focus groups were used to obtain data from producers, industry members and government. Given that the success of producers' marketing efforts is reliant on various participants in the market, it is essential that industry members and government employees are included in the research. An interview schedule (see Appendix 8.3) was developed and designed to retrieve information on the underlying forces creating the organizational challenges and opportunities, to determine what organic producers want to achieve and to determine the potential success of various organizational structures. All participants were provided with industry and organizational structure background information and the focus group questions ahead of time (see Appendix 8.4).

Taking into consideration the criteria identified by Boehlje (1992), three key characteristics were emphasized in the focus group to differentiate the choices of organizational structure. Those characteristics are activities performed, financial investment and commitment to deliver. These characteristics are summarized in Appendix 8.5. Taking into consideration the external critical success factors for an organization, the internal forces present in the market and the focus group results with respect to preferences for different organizational structures, recommendations concerning organizational structure can be provided at the end of the project.

3.2. DATA COLLECTION METHOD

Primary data was collected from producers, industry and government through the qualitative method of focus groups, one for producers and two that combined industry and government. The same moderator and recorder facilitated the focus groups, and all were held within a period of one week. Each focus group was tape-recorded and the recorder used these tapes as a reference when recording the final results. The focus groups took place in different locations (producer group in Edmonton and government and industry groups in Calgary and Edmonton) in order to obtain a cross-section of the population. The size of the focus groups was from 6-12 people and each session lasted

approximately 2-3 hours. Since this issue is relatively fresh, the focus groups allowed individuals to stimulate new ideas and thoughts toward the issue.

3.3. SAMPLE POPULATION

There are three populations for the purpose of this research. The first population is organic grain producers in Alberta. The second population is all those industry members (in purchasing and processing organic grain, for example) who are somehow involved in organic grain marketing in Alberta. The third population is government employees who are involved in organic grain marketing in Alberta.

3.4. SAMPLE FRAME

Since the organic industry in Alberta is primarily driven by the private sector, there are no accurate lists of population elements from which to select units to be sampled. Thus, finding an accurate sample frame is difficult. For the first population of interest, the organic grain producers, the sample frame is the annual general meeting of the OCIA – Chapter #1, where members were orally asked to participate in the focus groups after being given an overview of the project. Since this method was not 100% successful in obtaining candidates for the focus group, a list of organic grain producers from the Organic Crop Improvement Association (OCIA) – Chapter #1 was used to contact producers directly by telephone. The OCIA – Chapter #1 is the body that approached the University of Alberta to conduct this research and thus using their group as a sample frame is likely to provide a group of willing participants. Of the approximated 350 organic producers in Alberta, OCIA – Chapter #1 certify 138. For the second and third population of interest, the sample frame used is a list of individuals involved in the organic grain industry in Alberta. This list has been compiled throughout the process of this research, with aid from Agriculture and Agri-Food Canada (AAFC).

3.5. SAMPLE

Since both sample frames do not include all members defined in the populations, not all members in the defined populations had an equal chance of being selected. Thus, both samples are non-probability samples. By attending the annual meeting of the

producer population, all members present had an equal chance of being selected. Using the judgement from an individual external to and an individual internal to the organic grain industry in Alberta increases the chances of obtaining a sufficient cross-section of the defined population for industry and government.

3.6. SAMPLE SIZE

The sample size for a focus group is ideally 6–12 individuals. Although the producer meeting represents a body that certifies 138 producers, not all of the producers are grain producers. The sample from which grain producers were asked to participate was much smaller than 138 producers. Producers were invited to participate at the public meeting held on October 27, 2001. Follow-up telephone conversations were held to confirm producers' participation and to ensure their understanding of their commitment.

An information package (see Appendix 8.4) was distributed after the confirmation. Industry and government participants were invited based on their availability and a similar process was followed. The results from the three samples have been used to state facts with respect to the particular objective at hand. In total there were 10 producers and 14 government and industry participants in the focus groups.

3.7. SUMMARY OF RESEARCH METHODOLOGY

Table 3 – Research Methodology Summary

Research Design	Exploratory/Basic Research
Data Collection Method	Primary data through the use of the qualitative method of using three focus groups.
Population	1) Organic grain producers in Alberta 2) All those industry and government members that are somehow involved in organic grain marketing in Alberta.
Sample	Non-Probability – primarily judgement method. Not all members of the defined populations have the same probability of being selected.
Sample Frame	1) List of organic grain producers in the OCIA – Chapter #1 and annual meeting. 2) List of industry and government members established by the researcher, with input from AAFC.
Sample Size from the Population	Recruit 12-20 individuals for each focus group in order to have 6-12 attend the focus group. The size of each focus group will vary, depending on the response of the individuals.

4. RESULTS

4.1. PRODUCERS' MOTIVATIONS FOR PRODUCING ORGANIC GRAINS

A consideration in this research is to determine why producers are following organic production methods, as it is these internal motivations that will have an influence on the producers' ultimate choice of a preferred organizational structure. Data obtained for this question from the focus group can be found in Appendix 8.6. These results are based on producer responses; this question was not posed to industry and government.

The motivations for these producers to produce organic grain are primarily because of health concerns, financial reasons and philosophical or holistic reasons. Other motivations for producing organic grains are that it is a good diversification opportunity, there is less risk with organic (versus conventional) production over time, and there is a consumer demand for organic products. The producers defined "risk" to encompass; risk to health, less risk of chemical bills to pay, and higher prices received (less price risk).

With respect to health concerns, all producers stated a concern for the health of themselves, their family and the consumers of their products. Consumers demand the product for health reasons. As well, they believe that in the process of producing grain with conventional methods, they are jeopardizing their own personal health. Organic grain producers want to produce a product that is clean and chemical free, for their personal and their family's consumption.

There were varying issues addressed around financial concerns. The main issue was around the economic return on investment (ROI). These producers indicated that they needed a "fair" or "greater" return on investment, thus organic production was an attractive option. As well, producers alluded to the fact that by producing organic grain they are independent from large companies selling inputs at high prices. An underlying factor in this discussion was the issue of "fewer input costs"; however, not all the producers were in agreement that input costs are lower. One opinion was that input costs were lower with organic production, but the other opinion was that if you accounted for all input costs (machinery, summerfallow, etc.) over a five-year period then the input costs are the same as conventional. However, there is a greater "spread in price" for organic grain. It should be noted that the price difference was discussed but the difference in yields was not.

The third main theme arose around producing for philosophical or holistic reasons. More specifically, the focus was on nature and the soil. Producers in this group believe that organic production stops the degradation of the soil and contributes to environmental sustainability. One comment was also made that synthetic chemicals do not work and that is why organic production is a better option.

4.2. OPPORTUNITIES AND OBSTACLES IN THE ORGANIC GRAIN MARKET

In order to determine the underlying forces creating organizational challenges and opportunities in the Alberta organic grain market, all three focus groups were asked to identify opportunities and obstacles that organic grain producers face when marketing their grain. The results are summarized in Table 4. Data obtained for this question from the focus group can be found in Appendix 8.7.

4.3. MARKET STRUCTURES – PRODUCER, INDUSTRY AND GOVERNMENT ANALYSIS

The next step in the research was to determine what organic grain producers want to achieve in marketing their grains, with respect to market structure. Thus, all groups were asked to evaluate the pros and cons of each potential structure. The summarized results for each market structure have been summarized in Tables 5-8. Data obtained for this question from the focus group can be found in Appendix 8.8. It should be noted that when the private company – collective strategy was analyzed the assumption was made by the majority of participants that this structure would be a large corporation. Specifically, for the collective strategies it was emphasized that there needs to be a leader in order for the organization to be successful.

Table 4 - Opportunities and Obstacles of Marketing Organic Grain in Alberta

	Government and Industry	Producers
Opportunities	<ul style="list-style-type: none"> - <i>Diversification</i> – this niche market allows for a higher price premium, small farmers can be profitable and identity preservation is important. - <i>Marketing Structure</i> – there is opportunity for producers to work together and gain access to markets, there is opportunity for the private sector to provide marketing services, and the current structure allows for close relationships between parties involved. - <i>Market Demand</i> – there is a growing demand and there is opportunity for branded products of consistent quality and supply. - <i>Information/Communication</i> – chance to inform consumers as to what organic is. - Canada already has a national organic certification standard. - Organic production methods are consistent with producers' personal philosophy. 	<ul style="list-style-type: none"> - There is an organic premium available in the market. - There is potential for a value-added product. - The internet. - Selling through a broker.
Obstacles	<ul style="list-style-type: none"> - <i>Information/Communication</i> – there is a lack of price information thus price discovery is difficult, market information for new entrants is difficult to obtain, marketing channels can be difficult to find, producers lack marketing skills, and there is a lack of trust in the market (producers are overly independent). - <i>Government/Regulations</i> – the federal government has not taken an active role like the USDA has and some participants felt the CWB adds a level of administration to the marketing process that adds no value. - <i>Standards</i> – the lack of clear guidelines and varying certification bodies contribute to confusion on standards. - <i>Lack of Infrastructure</i> – limited handling and processing facilities and no central marketing agency. - <i>Production</i> – it is difficult to produce organic grain on a large scale and the transition period to certification is a barrier to entry. - <i>Consistency</i> – difficult to provide a consistent product with a guaranteed supply. 	<ul style="list-style-type: none"> - <i>Information/Communication</i> – producers feel there is a lack of demand and supply information in the organic market, there are great disparities between prices offered, and there is a lack of trust in the market. Not all buyers are trustworthy and the middlemen are not being honest, thus profiting off producers'. - <i>Government/Regulations</i> – producers feel they are not be assessed fairly by crop insurance, government is not taking an active role at all, and the CWB takes a cut of their profits and they do not even handle the grain. - <i>Standards</i> – the lack of clear guidelines and varying certification bodies contribute to confusion on standards. - <i>Lack of Infrastructure</i> – lack of handling and processing facilities lead to economies of scale and transportation issues. - Without large volumes of product producers must pay the transportation costs.

Table 5 – Pros and Cons of a New Generation Cooperative

	Government and Industry Focus Group #1	Government and Industry Focus Group #2	Producer Focus Group #2
Pros	<ul style="list-style-type: none"> - Eliminate middlemen - Transfers responsibilities (marketing) to people other than members - Can provide a guaranteed supply to buyers. - Shared risk taking - Great branding opportunity - Attractive and easy to set up - Closed/limited membership. Allows for appreciation of shares and growth of equity. - Ability to raise funds - Equality, coop philosophy 	<ul style="list-style-type: none"> - Profit back to producers. Producer may be able to keep more value from a larger company. - Cash-flow or a dollar benchmark is guaranteed to the producer. - Economies of Scale - Individuals come together to meet a common need; more commitment and input from producers. - NGC performs a specific function. Objective & purpose are clear. - Wonderful name - Allows for a greater understanding of who the customer really is, what they want and how the customer will be service (Note: with proper management skills). 	<ul style="list-style-type: none"> - Move up the value-chain (eliminate middlemen) - Profit share back to participants - Selling as a larger unit with a better price - Producer controlled/run - Potential for value-added premium - Consistent delivery point for product - Greater access to information, learning opportunity - Stable and fair dollar return
Cons	<ul style="list-style-type: none"> - May not run according to regular business practices (if producer run) - All members have the same voting power - Financial commitment by producers - (Producer) Must provide a guaranteed supply to NGC - This is just another structure in the marketing system - This requires that organic producers must work together. 	<ul style="list-style-type: none"> - Producer bias, problems balancing producer price and market demand. - NGC big initial commitment & high risk to investors. - Shares expensive, long return window. Huge buy-in necessary. - Politics in Administration. Producers are the Board. - Coop may be more product driven and less responsive to market. - Risk of sharing losses - Need high number of members, there for the right reasons. - Need leader to get the ball rolling - Producer could be stuck with delivery commitment. - Short-term versus long-term visions - NGC is not the only game in town - Barriers to entry (Financial return in short-term) 	<ul style="list-style-type: none"> - Producer controlled/run (poor management by producers) - Investment required by producers (membership fee, shares) - Creating capital to establish high cost facilities - Concern with decision making process lead to breakup of NGC - Equitable ownership – one person one vote not equitable - Delivery commitment

Table 6 – Pros and Cons of a Marketing Association

	Government and Industry Focus Group #1	Government and Industry Focus Group #2	Producer Focus Group
Pros	<ul style="list-style-type: none"> - It is designed specifically to market - One stop shopping for buyers - The Alberta Organic Assoc. already exists. Could use this as a base for the structure? - There is low financial commitment 	<ul style="list-style-type: none"> - Collective marketing benefits those on a small scale of production, greater supply collectively. - Flexibility of structure, producer not committed to deliver - Low exit barriers - Buy marketing services for a fair price - Small up-front money - low entry costs - Many pooling opportunities - Marketer can outsource product - Marketer is accountable - commission based - Springboard to further commitment - More information back to producer 	<ul style="list-style-type: none"> - Market information shared more freely - No obligation to deliver, can deliver elsewhere - Cheap to start, no facility to build, no buy-in required - Controlled by the producer (members) - Move up the value chain
Cons	<ul style="list-style-type: none"> - May not be as effective because of its "looser" structure, producers are not committed to deliver. - There may be liability issues, is this a legal entity? - Size matters - This requires that organic producers must work together. - There will be a cost associated with hiring a marketing team. - Much work by producer if producer driven. 	<ul style="list-style-type: none"> - Lack of commitment by producers, may be hard for association to survive without mandatory participation or contractual agreement. - No guaranteed supply - supply shortage situations - Accessing market potential - adequate size/scale - Hard to achieve consensus on marketing goals, standards, expenses, etc. 	<ul style="list-style-type: none"> - No commitment by producer to deliver product - Labor intensive (marketing) - No value-added premium (raw product sold)

Table 7 – Pros and Cons of a Private Company (*Collective Strategy*)

	Government and Industry Focus Group #1	Government and Industry Focus Group #2	Producer Focus Group
Pros	<ul style="list-style-type: none"> - Releases producers from responsibility of marketing - Faster decisions - A known entity (tax and law) - Coop is a dirty word in Alberta - Develop great business leaders (those that know the business and are focussed) 	<ul style="list-style-type: none"> - No obligation by producer to deliver - Company assumes the risk, not the producer - Larger company have processes for handling, etc. - can reduce costs to individual producer - Investors in a company will receive ROI with less effort (than NGC) - Opportunity is there - joint venture opportunities - Doesn't require a critical mass, if enough money is available. - If producer owned then price discovery - Greater capital raising potential 	<ul style="list-style-type: none"> - No obligation to deliver (assume no producer investment) - No risk to producer, not an exclusive market - Some give good price to producers if you provide good product
Cons	<ul style="list-style-type: none"> - Profits will go to the company rather than the producer - Money - where is the capital? - There could be great philosophical differences between the producer and the investor - There may be no security commission exemptions 	<ul style="list-style-type: none"> - High risk that not for producers benefit if investor owned, dollar premium to the company. - Farmers dealing with large corporations lose autonomy. - If investor owned; does it meet philosophical aspect of organic? - Large company removes price and consumer signals back to producer - Possibility for single corporation to dominate market 	<ul style="list-style-type: none"> - Less profit to producer if investor owned, investor wants profits - Producer no input if investor owned - Some are sharks, less price stability - No sharing market information

Table 8 – Pros and Cons of an Individual Strategy

	Government and Industry Focus Group #1	Government and Industry Focus Group #2	Producer Focus Group
Pros	<ul style="list-style-type: none"> - Independence and flexibility for the producer - Currently operating within the organic industry 	<ul style="list-style-type: none"> - Can respond quickly. Faster and more simple decision making. - Most direct contact with consumer and buyers (relationships are established). - Meet small niche - Good testing grounds for potential markets - Probably the lowest cost option with greatest control. Independence to producer, versatility as to when producer markets. - Maintenance of product identity - branding - Benefits to producer based on marketing skills - Does not require a critical mass - Producers are independently minded - have lack of consensus so individual may be the better option 	<ul style="list-style-type: none"> - Sell your own grain at your own price - Top dollar returns on product - Less marketing fees, such as membership
Cons	<ul style="list-style-type: none"> - Producer must be a "jack of all trades" - Producer assumes all of the risk 	<ul style="list-style-type: none"> - Must assume that owner has a good marketing knowledge, if can't market then can not sell successfully - Price discovery is limited - Must build relationships - Can't guarantee large volume deliveries 	<ul style="list-style-type: none"> - May sell at too low of a price due to market information - Less sales information - Lack of marketing opportunities

5. ANALYSIS

This analysis combines the producer, government and industry results. It takes into consideration the external critical success factors, internal motivations, attitudes of producers, industry and government, and the underlying forces in the organic grain market. The analysis of the producer group and the industry and government groups is the same, unless otherwise stated.

5.1. NEW GENERATION COOPERATIVE

The New Generation Cooperative (NGC) overcomes information and communication challenges in various ways. Since market research is performed by a centralized management team, producers benefit from the research and the prices paid to producer members should be competitive market prices; however, the centralized management must be qualified to perform this function. Market demand for producers' product is known to a certain extent, as producers are contractually obliged to deliver product to the NGC. Price discovery is performed through the NGC; and the price quoted by the NGC can serve as a benchmark price when producers are trying to market their remaining product. The NGC can eliminate dealing with a middleman and producers move up the supply chain. Thus, communication is improved between stages of production, but the producers have to trust the management team of the NGC and there has to be open communication between the two. The government and industry participants noted that marketing channels are often hard to find for new entrants, and a NGC may not overcome this at all, especially if all delivery shares are already allocated.

A NGC can improve structure for these producers. It adds infrastructure, whether it is a handling or processing facility, to which the producers can deliver. Producers expressed that the economies of scale issue would be solved for the product that the producer is delivering to the NGC, and transportation would be lower since the NGC would likely have a close delivery point. Government and industry were cautious as to the extent of the NGC's ability to overcome the issue of not having a critical mass of product, as they noted the ability of the NGC relies greatly on its capacity. Essentially, the NGC would need sufficient business volume to be economically viable.

Producers felt the NGC would maintain an organic premium to producers and may even enhance that premium, as producers can add value and volume that they could not add before. Since the producers own the NGC they will share in its profits, if it is profitable. However, all the above will not occur without a cost.

All groups realize that producers must commit financially to the NGC in its development stages and they will be contractually obliged to deliver to the NGC. The financial investment and delivery commitment adds an element of risk to a producer's operation. Thus, if they do not have the product they will have to find it and if the NGC is not offering the best price they will still have to take it.

Producers saw further problems if the Board of Directors does not hire competent management, then there could be problems in operations, planning and financial management. A drawback is that the NGC has a one member, one vote policy that some producers do not think is equitable. Government and industry stated this may be a problem with producers. Government and industry were also cautious of the fact that producers may bias the company in its operating decisions. However, it should be noted that with a NGC structure, the producers would have the opportunity to ensure their environmental and health concerns are satisfied through the operations of the NGC.

Government and industry also noted that a NGC would market and differentiate producers' products for them, thus addressing the issue of producers not being able to perform these tasks. Also stated by government and industry was the opportunity for producers to work collectively and provide a well packaged, consistent supply and quality product; but only if there is a leader to take on the initiative. However, the NGC must thoroughly plan before commencing and during operations in order to overcome any obstacles and to capitalize on any opportunities.

5.2. MARKETING ASSOCIATION

The extent to which the marketing association would overcome information and communication obstacles would depend greatly on how it is structured and on the "marketer" of the association. To ensure success, this marketer must be skilled and have experience in this area. If product is not contracted ahead of time then production decisions may not be made any easier; however, if the marketer is aware of the markets

for the association's product then he/she could provide producers with information. The marketer would be a source of price and market information, as this is his/her job. Thus, price discovery and market information could be accessed through the marketer.

Communication is improved for the producer if he/she trusts the marketer. Government and industry feel this trust could be developed over time, given that delivery is not mandatory. Government and industry also noted that this option would be great for new entrants, as they could have the association market their products while they familiarize themselves with the marketplace.

An association does not address the issue of lack of infrastructure; however, it does improve economies of scale for producers and transportation is pooled, thus may cost less. The association would maintain an organic premium to producers and may even enhance that premium, as producers can add value and volume that they could not add before. The association would essentially act as a broker for all members.

Government and industry participants expressed that the challenges with respect to certification and standards could be somewhat overcome if the association members are certified by the same certification body. As well, the association provides for a flexible marketing strategy; thus, the association is flexible in its decisions and can choose not to sell products that are genetically modified (GM).

The financial commitment from the producers is minimal to support the marketing operations. Producers have the opportunity to sell their product elsewhere, if they can obtain a better price. Due to this lack of commitment by producers, the association needs to keep accurate financial records and always monitor its financial position. The key issue with this association is that there is going to have to be a leader who is a very effective marketer. If the proper marketer and other staff are chosen, producers' concerns of the environment and health can be satisfied through the operations of the association. The marketer has to be able to secure supply from producers, in order to do so he/she has to gain producers' trust and get them the best price for their product. In securing sufficient supply from producers and sufficient buyers, the marketer ensures economic viability.

Government and industry foresee other opportunities with this organization. They are as follows: Delivery commitment not being mandatory is a challenge that can be

overcome with the right marketer running the association and with the right organization of the association. This structure may benefit producers who cannot supply large volumes of a product and who are willing to work cooperatively. It provides great “pooling” opportunities for producers and this can be a structure that acts as a “springboard” into other organizational structures.

5.3. PRIVATE COMPANY

When all participants commented on the private company, they assumed that it would be a large company owned by investors; therefore, this is how it is analyzed. The communication and information obstacles are overcome similarly to the NGC but to a lesser extent. The market research performed by the company may not necessarily be passed onto producers, but prices are offered. Producers have to determine if those prices are competitive. Producers do not eliminate middlemen if they do not own the company. If they do not trust the company, communication issues are not solved.

Government and industry further commented that the private company, if large enough, can provide a consistent quality and supply to buyers. It has to handle enough product to be economically viable. The company is able to diversify away from products where a GM product exists, if it is large enough. A large company would be an obvious market for a new organic grower.

Both groups felt that a private company would be another structure to deliver to but only if the investors are there! The organic premium would still be available to the producers, but the company would be looking for a profit as well. This structure, if investor owned, would mean no financial commitment by producers and no delivery commitment either. But this comes at the cost of less access to price and market information, and potential profit.

Government and industry also expressed persistently that there is an opportunity in the market for the private sector to provide such a service; it just needs to be acted upon! As well, a private company, if investor owned, would be able to make fast corporate decisions and act on them in due time. But the management team would have to be competent to make these decisions. There is the risk that a single corporation could end up dominating this market; thus, producers could end up being price takers. Another

issue is the fact that the philosophical motivations driving organic grain producers are not met by a large profit maximizing company that does not share the same philosophical attitudes or health concerns.

5.4. INDIVIDUAL STRATEGY

Essentially all producers in this focus group operate under this strategy at the present time. An obvious benefit of this strategy is that producers' underlying motivations for producing organic grain are likely also fulfilled in the marketing of their grain if they are working individually. The obstacles of communication/information and lack of structure still remain for the producer if this strategy is chosen. The extent to which each producer overcomes these obstacles is greatly dependent on their marketing skills and capabilities. Producers must take time to market their product.

Government and industry participants expressed the view that the capabilities of a producer will determine if he/she can provide a consistent quality and consistent supply product. However, the volume issue will still remain an obstacle with an individual strategy. Being that this group (government and industry) perceived producers as being overly independent, this option is very viable as it gives the most independence.

Both groups stated that producers do have the opportunity to add value to their product, but it does come at a cost that they must pay. The organic premium is still available to them; however, they must be able to market well enough to access it. There may be less marketing opportunity due to the lower volume they are selling as an individual. Government and industry also noted that new entrants to the market will have to spend great amounts of time discovering prices, accessing markets and finding buyers.

Government and industry note that a producer marketing his/her product individually can brand their product and form profitable relationships if he/she is a good marketer. Both groups noted that with an individual strategy, producers have no commitment to deliver (unless contractually obliged) and there is no additional financial commitment required. The risk however, is that they may not sell their product at a premium and that time is spent searching out buyers, markets and prices. Thus, producers have to keep accurate financial records and constantly analyze their operation.

6. CONCLUSIONS

There is a consensus among producers, industry and government as to the underlying forces creating challenges in the organic grain industry. These groups identified the primary obstacles to marketing organic grain in Alberta as being lack of price and market information, poor communication, lack of government involvement, constraining regulatory bodies, lack of consensus on standards, and lack of local marketing infrastructure. They identified the primary opportunities as growing demand in the industry, the organic premium obtained from this high income niche market and the potential to work collectively.

Henning, Baker and Thomassin (1991) assert that the poorly organized marketing system and lack of cooperation in the organic market has resulted in a chronic pattern of market disequilibrium. A literature review substantiated that organic markets are poorly organized. The focus group results further confirmed lack of cooperation in the market, which appears to stem from a lack of trust between participants in the market. Thus, if one of the collective strategies is chosen, producers must be willing to switch from working independently to working collectively. The implications are that producers appear to want the benefits of working collectively, but unless willing to work together, an individual strategy may be the only option. Control is one of the underlying forces guiding producers' attitudes towards choice of organizational structure. Financial investment and commitment to deliver, which reflect the objectives of cost, risk and maturity/permanence/longevity as identified by Boehlje (1992), appear to be key factors underlying producers' decision of organizational structure.

The NGC addresses many of the underlying issues present in the market; however, the financial investment and delivery commitment increase the risk, cost, and permanence of the producers' position in the organization. Producer control is a positive aspect for producers, but government and industry see it as a potential problem area. Both groups note there would be a problem with the one member, one vote policy. Thus, despite the fact that the NGC addresses many current market issues, producers are hesitant to choose this option.

The marketing association addresses many of the underlying issues in the market; however, only if the marketer of the association is effective at securing product and

markets for that product. This marketer is effective only if he/she can gain the trust of producers. This organization allows for great producer flexibility; there is less financial investment, no delivery commitment, and more control for the producer to make decisions. The marketing association can act as a “springboard” into other organizations.

The private company was only analyzed as an investor owned large company. Producers would like to have the structure, but it needs investors. This structure gives producers a market, but they likely receive fewer benefits from this option than from the NGC or marketing association.

All producers are currently using the individual strategy and appear to favor this strategy because it involves no delivery commitment or financial investment. In the opinion of industry and government, producers are independently minded and likely to view this as the only realistic option.

To this point, the results of this research have addressed the issue of critical success factors in general terms. It is essential to assess the results with respect to specific critical success factors, as identified by Bruynis et al. (2001), Witiwicki et al. (2000), and Schutjens and Wever (1999). From these three articles, significant critical success factors are presented and the current ability of these organic producers to attain each success factor is given (Table 9).

Table 9 suggests that organic grain producers can best address the critical success factors with a marketing association, since no success factor for a cooperative structure or a new firm is currently attained. The certification bodies provide a structural foundation for an association. As well, a network among producers and industry participants is already established. The only factors not presently attained are goal consensus and commitment. An effective leader within the association could potentially foster goal consensus. This association will only be successful if the marketer can generate sufficient business volume that will, in turn, benefit members and ensure the association’s economic viability.

Information gaps are large among producers, and their marketing skills could be improved. By definition, a marketing club (association) can “facilitate the exchange of information among members and help maintain and upgrade individuals’ marketing skills” (Witiwicki et al., p. 311). Thus, if producers are willing to work collectively, then

a marketing association appears to be the organizational structure of choice as it best addresses the underlying issues with the least amount of investment and commitment by producers.

Table 9 – Critical Success Factors and Their Relation to Alberta Organic Grain Producers

Source	Critical Success Factors	Alberta Organic Grain Producers
Bruynis et al. (2001)	1) Use marketing agreements to secure volume commitments.	Producers appear to want flexibility. It seems that mandatory commitment to deliver is not an acceptable option for these organic producers.
	2) Management and Board of Directors with previous experience.	Some producers have experience marketing their own organic grains; however, it appears that no producers in the OCIA - Chapter #1 have vast experience marketing large quantities of organic grains.
	3) Hire a full-time general manager experienced with cooperatives.	The equity required to hire a full-time general manager does not exist at the present time.
	4) Accurate and timely financial statements.	Given that no organization exists, this success factor does not apply at the present time.
	5) Secure sufficient total equity prior to initial operation.	Producers' aversion to financial commitment will likely diminish the possibility of securing sufficient total equity.
Witiwicki et al. (2000)	1) Structural factors - group development, group diversity, meeting structure, and outside support.	Within each certification body, group structure exists. Each certification body has its own meeting structure and within the group producers are diversified.
	2) Process factors - goal formation, network formation, and member commitment.	Producers do not have a consensus on their goals; however, members have networks formed within their certification bodies and within the industry. Organic producers appear to be adverse to delivery or financial commitment.
Schutjens and Wever (1999)	1) Work experience.	Some producers have experience marketing their own organic grains; however, it appears that no producers in the OCIA - Chapter #1 have vast experience marketing large quantities of organic grains.
	2) Thorough preparation.	These organic producers are not thoroughly prepared to form a new business entity at this point-in-time.

Producers' attitudes towards working collectively appear to be influenced by an underlying lack of trust of other players in the market. This lack of trust can be

diminished if there is open communication among the parties involved. Collective behavior will only occur if producers can establish trust within the new formed organization.

Although the association appears to be the choice of each of the focus groups, it is a constraining optimum that is focused on acceptability to producers and perceived lack of willingness to develop a more formal structure. The judgment of appropriate marketing structure may well change as the organic market matures, which it shows promise of rapidly doing.

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8. APPENDICES

8.1. ORGANIC PRODUCTION AREA

8.1.1. WORLD PRODUCTION OVERVIEW

The amount of land designated to organic production was approximately 37.72 million acres or 15.67 million hectares in the year 2000 (Willer and Yussefi, p. 22). The summation of the information is show below in Table 8.1A. Since data obtained for each geographic area is often an estimate based on the current data available from various countries, no figures should be interpreted as being exact representations.

Table 8.1A – World Organic Production Area

	Hectares	Acres	Percentage of Total
North America	1,100,000.00	2,718,148.07	7.02%
Latin America	3,200,000.00	7,907,339.84	20.42%
Europe	3,700,000.00	9,142,861.69	23.61%
Africa	20,000.00	49,420.87	0.13%
Asia	50,000.00	123,552.19	0.32%
Oceania	7,600,000.00	18,779,932.12	48.50%
<i>Total World</i>	<i>15,670,000.00</i>	<i>38,721,254.78</i>	<i>100.00%</i>

Source: Willer and Yussefi, 2001

A table illustrating the top countries with land designated to organic production was created. The organic land total summation of these ten countries accounts for approximately 95% of organic land in the world. The top ten countries and their production area are shown in Table 8.1B.

The data presented in Tables 8.1A and 8.1B will help provide an idea of where Canada, Western Canada and Alberta fit into world organic production area. The following sections will define the area designated to organic production in Alberta, Western Canada and the rest of Canada. Specific production information will be given where possible.

The data presented, is at best an estimate and due to the nature of the organic market, statistics vary from report to report, thus results are not always consistent. For the remainder of this report data will be presented in acres, however, if you wish to convert the given numbers to hectares simply multiply the amount given in acres by 0.4046873. It should be noted that different countries represent organic data using different criteria. For example, Canada and the United States only report certified organic land, not in-

conversion land. European countries and Argentina include in-conversion land in their statistics. The other countries do not state what is/is not included in their statistics. These differences make for great inconsistencies in the data, but with such limited data available they must be overlooked for the purpose of reporting the data.

Table 8.1B – The Top Ten Nations of Organic Production Area

Country	Hectares	Acres
Australia	7,654,924.00	18,915,651.72
Argentina	2,682,255.01	6,627,969.32
Italy	1,040,377.00	2,570,817.03
USA	900,000.00	2,223,939.33
Germany	546,023.00	1,349,246.69
U.K.	527,323.00	1,303,038.18
Spain	380,838.00	941,067.34
France	370,000.00	914,286.17
Canada	339,634.63	839,252.00
Austria	271,950.00	672,000.33
Sweden	171,682.00	424,233.72
<i>Total</i>	<i>14,885,006.63</i>	<i>36,781,501.85</i>

Sources: Willer and Yuseffi, 2001. Puppi and Ramirez (National Service of Sanitary and Agricultural Food Quality), 2001. Anne Macey (Canadian Organic Growers), 2001. Canadian Wheat Board, 2001. Alberta Agriculture, Food and Rural Development, 2001. Organic Producers Association of Manitoba, 2001. Organic-Europe, 2002.

It should also be noted that all data reported are merely estimates of organic production and should not be interpreted as being the actual organic production area. Data reported is often missing producers or is just estimated by industry experts. Since the governments in many countries do not collect this data, it is left to organizations within the industry to collect; therefore, the data reported is often incomplete.

8.1.2. ALBERTA

Alberta Agriculture Food and Rural Development (AAFRD) conducted a survey of the Alberta organic industry for the year 2000. Although this information is representative of the organic production area in Alberta, it is not likely to represent all organic production area in Alberta. Table 8.1C represents some of the information derived from this survey. The information is broken down into crop/pasture acres designated to organic production and average organic crop yield.

Table 8.1C – Alberta Organic Production Acres and Yield by Crop/Pasture

Crop/Pasture	Organic (acres)	Average Organic Crop Yield	Unit/acre
Alfalfa seed	613	248	lbs
Barley	3,957	42	bu
Canola	2,908	31	bu
Clover	808	214	lbs
Echinacea	10		
Flax	2,086	24	bu
Fruit	111		
Greenfeed	1,380	1	tonne
Green Manure	1,972		
Hay	29,006	2	tonne
Herbs	307		
Industrial Hemp	60	460	lbs
Kamut	880	11	bu
Oats	7,421	66	bu
Other Crops (1)	817		
Pasture (2)	251,949		
Potatoes	135		
Pulses (mostly peas)	3,126	23	bu
Rye	1,921	39	bu
Summerfallow	17,838		
Silage	1,337	3	tonne
Triticale	413	21	bu
Vegetables	214		
Wheat	15,318	31	bu
Total Crops	344,587		

(1) Other crops includes Borage, Buckwheat, Chick Peas, Corn, Mustard, and Spelt

(2) Pasture includes Improved Pasture, Native Pasture, Native Pasture/Bush, Bush, Forage and Pasture (not specified)

Source: Alberta Agriculture, Food and Rural Development, 2001

If one takes this data and compiles it into categories then the information presented in Table 8.1D is obtained. These categories will be used to compare Alberta production area to Manitoba and Saskatchewan. In Table 8.1D “Other cereals” includes kamut, oats, rye, and triticale. The category “Other – SMF, Pasture, etc.” includes other crops, herbs, horticulture, pasture, summerfallow, and forages. Summerfallow and Forages include alfalfa seed, clover, greenfeed, green manure, hay, and pasture. Herbs include herbs and

echinacea. Horticulture includes vegetables, fruit and potatoes. Oilseeds include canola and flax.

Table 8.1D – Categorized Organic Production Area in Alberta

Crop (acres)	AB
Wheat	15,318
Barley	3,957
Other cereals	10,635
Oilseeds	4,994
Pulses	3,126
Other crops	877
Herbs	317
Horticultural	460
SMF, Forages	304,903
Total Grains	29,910
Total Oilseed & Pulse	8,120
Other – SMF, Pasture, etc.	306,557
Total Acres	344,587

Source: Alberta Agriculture, Food and Rural Development, 2001

To gain an idea of how much total crop is being produced in Alberta in a given year the information provided by AAFRD has been manipulated. Taking the amount of acres sewn to each cereal crop and multiplying it by the average yield that was provided by AAFRD for each crop, the total cereal crop production was estimated for the year 2000, as shown in Table 8.1E.

Table 8.1E – Estimated Alberta Cereal Crop Production Output

Crop (acres)	Alberta	Average Organic Crop Yield	Unit/Acre	Total Yield (bushels)	Total Yield (tonnes)	<i>Conversion Factor</i>
Wheat	15,318	31	bu	474,858	12,924.82	36.74
Barley	3,957	42	bu	166,194	3,618.42	45.93
Other cereals:	10,635					
Kamut	880	11	bu	9,680	245.87	39.37
Oats	7,421	66	bu	489,786	7,553.76	64.84
Rye	1,921	39	bu	74,919	1,902.95	39.37
Triticale	413	21	bu	8,673	220.29	39.37

Source: Adapted from Alberta Agriculture, Food and Rural Development, 2001

8.1.3. WESTERN CANADA

Now that the information for Alberta has been presented we can compare it to Saskatchewan and Manitoba. Unfortunately, the category specific production information was not accessible for Saskatchewan; however, category information was. The Organic Producers of Manitoba (OPAM) provided specific product acres; however, the information provided by OPAM only represents the producers that they certify (145 in the year 2000) and they also include 11 Saskatchewan producers. Despite this discrepancy, the data provided by OPAM will be used for the purpose of comparison among the Prairie Provinces. It should be noted that Manitoba's production acres are estimated by Anne Macey, of the Canadian Organic Growers, to be approximately 37,000 acres for the year 2000; this figure includes production acres certified by OPAM and other certification bodies. Table 8.1F below shows the specific products under each category for the OPAM production area.

Table 8.1F – Organic Producers Association of Manitoba Production Acres

Category	Crop/Pasture	Organic (acres)
Wheat	Wheat	5,559
Barley	Barley	441
Other Cereals	Oats	3,224
	Rye	764
	Triticale	140
Oilseeds	Flax	1,684
	Canola	130
	Mustard	30
Pulses	Lentils	278
	Peas	220
	Soybeans & beans	17
Other Crops	Hemp	153
	Sunflowers	41
	Buckwheat	257
	Quinoa	20
Herbs	Fruit, Herb & Veggie	85
Horticultural	Fruit, Herb & Veggie	55
SMF, Forages	Hay, green manure & pasture	15,937
	Millet	67
<i>Total</i>		<i>29,102</i>

Source: Organic Producers Association of Manitoba, 2001

By compiling Saskatchewan, Alberta and Manitoba production acres, production areas in the Prairie Provinces (Canadian Wheat Board provinces) can be compared. Table

8.1G represents production for each province and the total in the Prairie Provinces; however, this table should be used only to compare how production area is distributed within each province.

Table 8.1G –Prairie Province Organic Production Area for the Year 2000

Crop (acres)	MB	SK	AB	Total
Wheat	5,559	94,940	15,318	115,817
Barley	441	13,178	3,957	17,576
Other cereals	4,128	52,258	10,635	67,021
Oilseeds	1,844	35,000	4,994	41,838
Pulses	515	39,000	3,126	42,641
Other crops	471	14,000	877	15,348
Herbs	85	287	317	689
Horticultural	55	502	460	1,017
SMF, Forages	16,004	113,000	304,903	433,907
Total Grains	10,128	160,376	29,910	200,414
Total Oilseed & Pulse	2,359	74,000	8,120	84,479
Other – SMF, Pasture, etc.	16,615	127,789	306,557	450,961
Total Acres	29,102	362,165	344,587	735,854

Source: Organic Producers Association of Manitoba, 2001. Canadian Wheat Board, 2001. Alberta Agriculture, Food and Rural Development, 2001.

Since the Manitoba production figures are not accurate in reflecting a proper estimate of total organic production area in Manitoba, the total acres in Table 8.1G should be ignored. Replacing the OPAM figure of 29,102 acres with the estimate by Anne Macey of 37,000 acres, a more accurate estimate of production in the Prairie Provinces can be obtained. This information is displayed in Table 8.1H below.

Table 8.1H – Estimated Prairie Province Organic Production Acres

Year 2000	MB	SK	AB	Total
Total Acres	37,000	362,165	344,587	743,752

In terms of collecting data on how much product is sold in any given year it is very difficult, as statistics are not often kept. Fortunately, the Canadian Wheat Board (CWB) provided information on the total organic sales for board grains (wheat, barley and durum) for two crop years. Total Organic Sales represent the total of all organic board grains sold by producers in all three Prairie Provinces in the stated years. It should be noted that data is not available on organic grain that was sold as conventional. This data is shown in Table 8.1I.

Table 8.1I – Total Organic Sales Reported for Wheat, Barley and Durum through the Canadian Wheat Board (*Data presented in metric tonnes*)

Year	Organic Sales by Organic Processors or Exporters	Organic Producer Direct Sales	Total Organic Sales
1999-2000	21,618.390	7,387.486	29,005.876
2000-2001	47,353.172	10,831.302	58,184.474

Source: Canadian Wheat Board, 2001.

8.1.4. CANADA

To complete the production area for Canada, acreage information from the other Canadian provinces was needed. This data is very difficult to obtain, since the provincial and federal governments do not have the information it is left to industry to collect this data. Production estimates for the other Canadian Provinces were received from Anne Macey of the Canadian Organic Growers for the year 2000. The data she provided is shown in Table 8.1J. As well, information was obtained from the Organic Crop Producers and Processors Ontario Inc. (OCP) on the organic production area of their members. Of the estimated 55,000 production acres in Ontario the OCP members represent 37,838 acres. Thus, it may be useful to show how the OCP's members' production acres are distributed, as shown in Table 8.1K.

Table 8.1J – Estimates of Canadian Provinces Organic Production Area (excluding Prairie Provinces)

Province Production (in acres)	Year 2000
Ontario	55,000.00
New Brunswick	4,000.00
Nova Scotia	1,500.00
PEI	1,500.00
British Columbia	23,500.00
Quebec	10,000.00
Total	95,500.00

Source: Anne Macey (Canadian Organic Growers), 2001

Table 8.1K - Organic Crop Producers & Processors Ontario Inc. Production Acres

Crop (in acres)	Year 2000	% of Total
Fruits & vegetables	1,246	3.3%
Grains	11,063	29.2%
Soys	7,977	21.1%
Mixed	17,057	45.1%
Herbs	311	0.8%
Special	184	0.5%
Total acres	37,838	100%

Source: Larry Lenhardt (Organic Crop Producers and Processors), 2001

In order to establish a Canadian total production estimate for the 2000, the data submitted by Anne Macey was compiled with the data obtained for the Prairie Provinces. Thus, by compiling this data an estimate for organic production area in Canada is obtained, as shown in Table 8.1L.

Table 8.1L – Estimate Canadian Organic Production for the Year 2000 (in acres)

Province Production Area (in acres)	2000
Ontario	55,000.00
New Brunswick	4,000.00
Nova Scotia	1,500.00
PEI	1,500.00
British Columbia	23,500.00
Quebec	10,000.00
Alberta	344,587.00
Saskatchewan	362,165.00
Manitoba	37,000.00
Total	839,252.00

Sources: Anne Macey (Canadian Organic Growers), 2001. Canadian Wheat Board, 2001. Alberta Agriculture, Food and Rural Development, 2001.

8.1.5. AUSTRALIA

Willer and Yussefi (2001) report total area designated to organic production to be 18,915,651.72 acres (7,654,924 hectares) for the year 2000, which is the largest amount of land designated to organic production by any country in the world. This production estimate is accurate with what other sources in Australia have reported. The land designated to organic production in Australia is mostly pastoral land for low intensity grazing, thus one organic hectare in Australia should not be compared to one organic

hectare in Denmark (Willer and Yussefi, p. 128). The pastureland is used for cattle and sheep. Other products include fresh fruit, vegetables, grain, milk products, and meat.

After an extensive information search this information is all that could be obtained on organic production area in Australia. Contact was made with associations, certification bodies and government bodies; but, of all the individuals contacted not one of them could provide this information. Many stated that such information does not exist at the present time.

8.1.6. UNITED STATES OF AMERICA

Willer and Yussefi (2001) report that organic production area in the United States for the year 2000 is estimated at 2,223,940.10 acres (900,000 hectares). Given that no information was found to support or refute this statistic it will be used for the year 2000 estimated organic production area. The most recent statistics for organic production in the United States (U.S.) are for the year 1997, but the information presented in these statistics is quite extensive. This data represents certified organic land area in the U.S. and is reported by the United States Department of Agriculture. Total production area in the U.S. was 914,800 acres for 1995 and 1,346,558 acres for 1997. It should be noted that in the table the total reported data for each category does not match the U.S. total reported, no explanation is given. However, in order to apply this information to the year 2000 estimated production area, the total reported acres for each year are given and each category is shown as a percentage of the total reported acres. Data is shown below in Table 8.1M.

Given that there is no data yet available for the year 2000 (as confirmed by Catherine Green, Agriculture Economist, USDA) the 1997 category percentages were applied to the estimated 2,223,940.10 acres (900,000 hectares) of production for the year 2000. Thus, by combining this information the estimated certified organic land area in the U.S. for the year 2000 is established, this data is shown in Table 8.1N. Catherine Greene (2001) also confirmed that the statistics for the year 2000 are currently being compiled.

Table 8.1M - Certified Organic Land Area in the United States

Category	Crop (acres)	1995 (ac)	% of Total Reported	1997 (ac)	% of Total Reported
Grains:	Corn	32,650	10%	42,703	6.36%
	Wheat	96,100	29%	125,687	18.72%
	Oats	13,250	4%	29,748	4.43%
	Barley	17,150	5%	29,829	4.44%
	Rice	8,400	3%	11,043	1.64%
	Spelt	12,350	4%	1,704	0.25%
	Millet	18,550	6%	12,285	1.83%
	Buckwheat	13,250	4%	7,616	1.13%
	Rye	2,900	1%	4,365	0.65%
Oilseeds:	Flax	5,850	2%	8,053	1.20%
	Sunflowers	14,200	4%	10,894	1.62%
Beans:	Soybeans	47,200	14%	82,143	12.23%
	Dry beans	na		4,641	0.69%
	Dry peas and Lentils	5,900	2%	5,187	0.77%
Hay & Silage:	Alfalfa	na		62,460	9.30%
	Haylage silage	na		11,579	1.72%
Herbs, Nursery & Greenhouse:	Herbs, culinary & medicinal	na		6,407	0.95%
	Herbs, wildcrafted	na		83,388	12.42%
Vegetables:	Tomatoes	na		3,780	0.56%
	Lettuce	na		5,743	0.86%
	Carrots	na		3,323	0.49%
	Mixed Vegetables (< 5 ac)	na		2,699	0.40%
	Mixed Vegetables (> 5 ac)	na		14,131	2.10%
Fruits:	Tree nuts	na		4,908	0.73%
	Citrus	na		6,099	0.91%
	Apples	na		8,846	1.32%
	Grapes	na		19,299	2.87%
Other cropland:	Cotton	32,850	10%	9,974	1.49%
	Peanuts	na		2,969	0.44%
	Potatoes	na		4,335	0.65%
	Trees for maple syrup	10,200	3%	13,858	2.06%
	Fallow	na		31,798	4.74%
Total Reported Above		330,800	100%	671,494	100%
Complete Totals					
Total Cropland		638,500		850,173	
Total pasture & rangeland		276,300		496,385	
U.S. Total		914,800		1,346,558	

na – not available

Source: United States Department of Agriculture, 1998.

Table 8.1N – Estimated Certified Organic Land Area in the United States for 2000

Category	Crop (acres)	2000 (ac)	% of Total Reported
Grains:	Corn	141,429.28	6.36%
	Wheat	416,266.35	18.72%
	Oats	98,523.25	4.43%
	Barley	98,791.51	4.44%
	Rice	36,573.63	1.64%
	Spelt	5,643.53	0.25%
	Millet	40,687.04	1.83%
	Buckwheat	25,223.65	1.13%
	Rye	14,456.57	0.65%
Oilseeds:	Flax	26,670.96	1.20%
	Sunflowers	36,080.15	1.62%
Beans:	Soybeans	272,051.74	12.23%
	Dry beans	15,370.66	0.69%
	Dry peas and Lentils	17,178.97	0.77%
Hay & Silage:	Alfalfa	206,863.05	9.30%
	Haylage silage	38,348.82	1.72%
Herbs, Nursery & Greenhouse:	Herbs, culinary & medicinal	21,219.53	0.95%
	Herbs, wildcrafted	276,175.09	12.42%
Vegetables:	Tomatoes	12,519.09	0.56%
	Lettuce	19,020.41	0.86%
	Carrots	11,005.54	0.49%
	Mixed Vegetables (< 5 ac)	8,938.89	0.40%
	Mixed Vegetables (> 5 ac)	46,800.86	2.10%
Fruits:	Tree nuts	16,254.94	0.73%
	Citrus	20,199.45	0.91%
	Apples	29,297.32	1.32%
	Grapes	63,916.91	2.87%
Other cropland:	Cotton	33,033.17	1.49%
	Peanuts	9,833.12	0.44%
	Potatoes	14,357.21	0.65%
	Trees for maple syrup	45,896.70	2.06%
	Fallow	105,312.70	4.74%
Estimated U.S. Total		2,223,940.10	100%

Source: Adapted from United States Department of Agriculture, 1998 and Willer and Yussefi, 2001.

8.1.7. ARGENTINA

Willer and Yuseffi (2001) report Argentina as having 7,413,131.1 acres (3,000,000 hectares) of land designated to organic production. A report on the situation of organic agriculture in Argentina was published by SENASA (National Service of Sanitary and Agricultural Food Quality) in May 2001. This document provides compiled information from the certification bodies in Argentina. This document is very current and will be used to define organic production in Argentina. SENASA reports that in the year 2000 there were 6.4 million acres (2.6 million hectares) of land designated to livestock and 588,106.4 acres (238,000 hectares) of land designated to agricultural crop production. This means that the land designated to organic production in Argentina was around 6.9 million acres (2.8 million hectares) in the year 2000.

SENASA states that these amounts represent the area that is under the certification process, so it is assumed that these figures include certified and in-conversion organic land area. However, it should be noted that the figures given only show 6.4 million acres (2.6 million hectares) of organic production area; this could be because these statistics do not include organic production area used for honey or it could be for other unknown reasons. The number of certified organic producers in Argentina for the year 2000 was 1,632 and this was an increase from the 1,422 certified organic producers in 1999 (Puppi and Ramirez, p. 4).

In searching for Argentina's organic production area, there were many statistics that varied from year to year. These variations in statistics are significant due to the fact that organic production area in Argentina has increased drastically over the past two years. In essence, the variation in statistics is not necessarily an error in reporting, just a result of the increasing organic production area in Argentina. Table 8.10 below shows the area destined for organic production from the years 1995-2000.

Table 8.10 – Organic Production Area in Argentina (*in acres*)

Years	1995	1996	1997	1998	1999	2000
Livestock	257,870.71	533,251.23	512,988.67	666,850.68	2,439,547.78	6,531,059.93
Agricultural	30,052.83	45,467.20	53,485.74	53,718.02	58,583.50	96,909.39
Total	287,923.54	578,718.43	566,474.41	720,568.70	2,498,131.28	6,632,911.41

Note: Does not include area destined for organic honey.

Source: Puppi and Ramirez (National Service of Sanitary and Agricultural Food Quality), 2001

The land area designated to organic agricultural production can be further broken down into specific categories of production, as is shown in Table 8.1P below. It should be noted that the specific figures reported for each category do not match the total acres reported for each category. The total reported acres for each category will be used for the purpose of reporting a final amount of organic production area.

Table 8.1P – Categorizes Organic Production Area in Argentina for the Year 2000

Crop	Specific Crop Acres	Reported Acres
Livestock production		6,531,059.93
Crop production:		
Crop production: Cereals and Oilseeds		
<i>Corn</i>	17,368.97	
<i>Wheat</i>	8,875.99	
<i>Oats</i>	2,337.61	
<i>Millet</i>	1,645.72	
<i>Other Cereals</i>	1,769.27	
<i>Soybean</i>	15,112.90	
<i>Sunflower oil</i>	11,705.33	
<i>Sunflower confection</i>	8,670.89	
<i>Flax</i>	4,198.30	
Total Cereals and Oilseeds	71,684.98	71,731.93
Crop Production: Industrial Crops	-	
<i>Olives</i>	9,286.18	
<i>Sugar Cane</i>	2,609.42	
<i>Yerba Mate</i>	1,707.49	
<i>Caratamo</i>	1,191.04	
<i>Tea</i>	299.00	
<i>Tobacco</i>	61.78	
Total Industrial Crops	15,154.91	16,165.57
Crop Production: Herbs	284.66	224.86
Crop Production: Vegetables	3,047.04	2,871.35
Crop Production: Fruits	6,117.81	5,154.60
Crop Production: Others	-	761.08
Total Crop Production		96,909.39
Total Organic Production Area		6,627,969.32

Source: Puppi and Ramirez (National Service of Sanitary and Agricultural Food Quality), 2001

8.1.8. EUROPE

Seven of the top ten organic producing countries (in terms of area) are in Europe. Europe has great records of organic production. Data from the internet site of the Organic Centre Wales at www.organic.aber.ac.uk/stats.shtml was used to obtain land area in European countries for the years 1994-2000. This information is shown in Table 8.1Q.

Table 8.1Q - Certified and Policy-supported Organic & In-conversion Land Area in Europe (reported in acres)

Country	94	95	96	97	98	99	2000
Austria	475,273.13	829,937.09	763,772.43	853,436.72	711,413.48	716,602.67	659,768.67
Belgium	6,629.81	8,364.48	10,529.12	16,442.32	29,019.94	45,892.22	50,075.70
Denmark	52,250.22	101,026.15	114,090.56	159,051.20	245,031.16	362,465.05	408,359.74
Finland	63,807.29	110,443.30	208,941.57	252,891.55	311,786.41	337,705.19	364,288.68
France	234,269.77	292,554.28	338,740.55	408,722.98	540,639.65	780,849.81	914,286.17
Germany	672,467.36	764,755.90	875,172.02	962,948.43	1,029,234.18	1,117,601.17	1,349,246.69
Germany	427,806.85	375,751.85	300,417.14	149,021.23	-	-	-
Greece	2,935.60	5,932.98	13,019.93	24,710.44	38,059.02	43,243.26	61,281.88
Ireland	13,318.93	31,219.17	50,646.51	58,294.39	70,928.84	80,254.56	79,950.62
Italy	380,837.26	505,313.61	825,761.03	1,584,307.20	1,941,592.93	2,368,957.47	2,570,817.03
Luxembourg	1,329.42	1,410.97	1,467.80	1,527.11	1,920.00	2,475.99	2,545.18
Netherlands	28,021.64	31,898.70	35,721.41	41,908.90	47,747.98	53,154.62	68,744.44
Portugal	17,957.07	26,487.12	22,711.36	30,129.44	61,533.93	118,545.85	123,552.19
Spain	42,521.72	59,500.26	256,333.72	375,858.10	665,859.79	870,212.63	941,269.97
Sweden	118,706.47	206,307.44	281,686.63	292,015.59	314,637.99	384,677.26	424,233.72
Sweden	16,832.75	8,238.46	119,393.42	215,005.51	287,449.10	373,298.10	494,208.74
U. Kingdom	80,249.62	119,717.13	122,403.15	261,930.63	678,348.45	965,851.91	1,235,521.85
Total	2,635,214.90	3,478,858.87	4,340,808.34	5,688,201.75	6,975,202.85	8,621,787.76	9,748,151.26

Source: Schmidt and Willer, 2001

Foster and Lampkin (2000) have then provided a breakdown of these production acres into specific categories for each country. The most recent year they have done this for is the year 1998, this information is presented in Table 8.1R.

Table 8.1R – Distribution of 1998 Certified and In-Conversion Land Area by Crop Type for European Countries (*reported in acres*)

Country	Arable	Horticulture	Grassland & fodder crops	Other*	Total
Austria	135,166.09	6,918.92	568,340.05	988.42	711,413.48
Belgium	1,465.33	247.10	24,285.42	3,022.09	29,019.94
Denmark	95,844.37	2,693.44	115,748.63	30,744.73	245,031.16
Finland	87,927.15	2,112.74	87,096.88	134,649.64	311,786.41
France	88,710.47	33,606.19	216,463.43	201,859.56	540,639.65
Germany	345,946.12	26,193.06	546,100.66	110,994.34	1,029,234.18
Greece	4,475.06	33,492.53	521.39	91.43	38,059.02
Ireland	637.53	237.22	43,596.62	13,823.02	58,294.39
Italy	444,787.87	383,011.77	872,278.43	241,514.87	1,941,592.93
Luxembourg	425.02	27.18	1,435.68	32.12	1,920.00
Netherlands	12,226.72	2,676.14	30,104.73	2,740.39	47,747.98
Portugal	10,084.33	38,105.96	11,606.49	1,737.14	61,533.93
Spain	65,895.32	276,302.22	302,324.78	21,337.46	665,859.79
Sweden	82,844.21	1,954.60	194,616.93	35,222.26	314,637.99
U. Kingdom	20,381.17	3,864.71	447,152.65	206,949.91	678,348.45
Total	1,396,816.76	811,443.80	3,461,672.76	1,005,707.37	6,675,640.69

Other* = unallocated adjustment figure may include other crops, in-conversion land (France) or crops where regions/certification bodies are not included in the main categories due to lack of data (e.g. Germany, Great Britain).

Source: Foster and Lampkin, 2000

In terms of arable crops the production can be further broken down for the countries Austria, Denmark, Finland, France, Germany, and Italy. Arable crops are broken down into cereals, pulses, oilseeds, and root crops; however, the specific products are not given. To give a more accurate representation of production, data for the years 1998, 1997 and 1996 are presented in Tables 8.1S-8.1U.

Table 8.1S – European Total Certified Arable Crops with Breakdown into Specific Products (*reported in acres*)

1998	Total Arable	Certified Cereals	Certified Pulses	Certified Oilseeds	Certified Root Crops
Austria	135,166.09	nd	nd	nd	nd
Denmark	95,844.37	83,558.34	7,272.28	2,293.13	2,720.62
Finland	87,927.15	31,503	1,656	1,815	609
France	88,710.47	26,300	4,200	5,400	-
Germany	345,946.12	nd	nd	nd	nd
Italy	444,787.87	nd	nd	nd	nd

nd = no data

Source: Foster and Lampkin, 2000

Table 8.1T – European Total Certified Arable Crops with Breakdown into Specific Products (*reported in acres*)

1997	Total Arable	Certified Cereals	Certified Pulses	Certified Oilseeds	Certified Root Crops
Austria	80,402.82	63,878.95	9,103.32	3,516.30	3,904.25
Denmark	65,962.04	56,700.57	4,129.11	3,019.62	2,112.74
Finland	47,280.95	41,810.06	1,677.84	22,523.56	1,371.43
France	91,023.37	69,940.42	3,518.77	2,421.62	nd
Germany	291,998.29	221,959.03	36,714.77	17,564.18	10,801
Italy	358,301.34	nd	nd	nd	nd

nd = no data

Source: Foster and Lampkin, 2000

Table 8.1U – European Total Certified Arable Crops with Breakdown into Specific Products (*reported in acres*)

1996	Total Arable	Certified Cereals	Certified Pulses	Certified Oilseeds	Certified Root Crops
Austria	75,848.69	57,006.98	7,007.88	7,675.06	4,158.77
Denmark	41,118.17	35,251.91	1,969.42	2,458.69	1,438.15
Finland	28,587.50	26,242.48	425.02	768.49	1,151.51
France	82,411.78	64,496.71	3,261.78	14,653.29	nd
Germany	224,094.01	200,821.72	nd	12,174.83	11,097.46
Italy	154,227.72	119,692.41	15,851.75	16,118.62	2,564.94

Nd = no data

Source: Foster and Lampkin, 2000

8.2. EXISTING ORGANIZATIONAL STRUCTURES IN THE ORGANIC MARKET

8.2.1. ALBERTA

TABLE 8.2A – ORGANIC ORGANIZATIONAL STRUCTURES IN ALBERTA

ORGANIZATION	STRUCTURE	EXPLANATION	STATUS	LOCATION
Advanced Mills Ltd.	Company	Advanced Mills is a supplier of various organic products. They sell various organic products, such as wheat, peas, durum, canola, rye, flax, oats, mustard, barley, coriander, lentils, and fenugreek.	Currently Operating	Medicine Hat, Alberta
Artesian Acres	Private Company	Artesian Acres is home of the following products: Kamut, Just Barley, Inca-Rice, and Green Kamut. These products are offered in various forms, such as: kernels, flour, flakes, pasta, and other forms. Artesian Acres introduced the organic Kamut® Brand Wheat and Inca-Rice™ Golden Quinoa to the Canadian Market and currently organic producers from across the Prairies grow the products.	Currently Operating	Lacombe, Alberta
Brokerage	Varies	There are certain individuals in the province that will broker product on behalf of other producers.	Currently Operating	Various locations
Highwood Crossing	Private Company	Highwood Crossing is a certified organic grain and oilseed farm. They produce crops that include wheat, rye, flax, canola, oats, barley, peas, hay and sweet clover. On their farm they produce and package food products from the crops that they grow. These products include cold pressed flax and canola oil, organic granola, flaxseed muffin and pancake mix, stone ground flour, as well as whole grains and cereals. Sometimes they must buy grain and oilseeds from other organic farmers to keep up with demand.	Currently Operating	Aldersyde, Alberta
Little Red Hen Mills (LRHM)	Sole Proprietorship	LRHM produces grains, oilseeds, hay, some potatoes, seed grain and sells organic fertilizer on their 1920 acre farm. LRHM also mills flour and seed, which it sells locally. When selling their product, it is either sold locally, nationally or exported. LRHM is a certified organic operation.	Currently Operating	New Norway, Alberta

TABLE 8.2A– ORGANIC ORGANIZATIONAL STRUCTURES IN ALBERTA CONTINUED

ORGANIZATION	STRUCTURE	EXPLANATION	STATUS	LOCATION
Sun Prairie Mills Ltd.	Private Company	“Sun Prairie Mills Ltd. is a small family-owned enterprise. They built the mill in 1982 with the intent to provide nutritious, unadulterated, wholesome food to their community. For this reason, all their flour products are stone-ground and undergo a minimum of processing and alteration. They mill grain from their own farm and from other organic producers in the area” (http://www.sunprairie-organic.com). Their products include baking mix, whole-wheat flour, sifted wheat flour, and whole wheat pastry flour.	Currently Operating Operating since 1982	Nanton, Alberta
Paintearth Organic Grains Community Project	Not yet defined	The project has been initiated by the Paintearth Economic Partnership (PEP). The PEP has had a plan developed that focuses on organic grain marketing; specifically, looking at an organic grain marketing company that is owned by local producers. This project can potentially make use of elevators in Coronation or Castor. After various consultations it appeared that the producers in this area would form a NGC that would transport, clean, store, and sell producers’ grain products. However, it is not clear whether or not the cleaning equipment would be purchased by the NGC or whether a local cleaning facility would be used. A challenge facing this project is that some producers that will potentially be members are not yet certified organic and would have to go through this process. At present it appears that there is enough interest and in January 2002 it will be proposed that the producers form a society (association) as an interim step to forming a NGC.	In development stages.	Paintearth Area in Alberta (Castor, Coronation, etc.)

8.2.2. CANADA

TABLE 8.2B – ORGANIC ORGANIZATIONAL STRUCTURES IN CANADA

ORGANIZATION	STRUCTURE	EXPLANATION	STATUS	LOCATION
Organic Milling Co-operative	Member owned cooperative for grain cleaning and sales.	Formed to meet growers and customers needs. Started primarily to process spelt. It buys grains from its own members as well as other cooperatives and growers. It has a fifteen-grower membership and grows a range of organic crops. The members share equipment and marketing is done cooperatively since buyers require more grain than can be produced by a single grower.	Currently Operating Incorporated in June 1999.	Armstrong, British Columbia
Great Lakes Organic Inc.	Marketing Company	Great Lakes Organic Inc. was formed by a group of producers from the Canadian Organic Growers. Interest from European and other buyers, and meetings with these buyers led to having a group of 40 farmers that wanted to work together. Great Lakes Organic Inc. was then formed. It has 5 Board of Directors, 1 administrator, 3 marketers, and 5 divisions covering – product quality, value added, volume buying, financial, and livestock. Their membership base is open to all organic farmers and they have a shareholder base of 40. Their products include grains, soybeans, and others. Great Lake Organic Inc. is a member of Organic Farmers Agency for Relationship Marketing (OFARM).	Currently Operating Incorporated in January 2000.	Parkhill, Ontario
Marysburg Organic Producers Inc.	Marketing association organized as a cooperative.	A marketing and accounting director staff this association. The marketing director markets the members' products; however, will source product outside the association if the associations' members cannot fulfill an order. Grain, oilseed and pulse products are sold through this association. The group consists of about 50 members. The shareholders elect a Board of Directors and vote on policy.	Founded in 1993.	Spalding, Saskatchewan

TABLE 8.2B— ORGANIC ORGANIZATIONAL STRUCTURES IN CANADA CONTINUED

ORGANIZATION	STRUCTURE	EXPLANATION	STATUS	LOCATION
Canadian Organic Producer Co-operative Ltd.	New Generation Cooperative (NGC)	This NGC is to be operated out of a former Agricore elevator and will buy and process organic grain for Canadian and export markets. The operation will store, clean and bag organic grain. It will also be equipped to mill flour. The estimated cost for the project is \$650,000. Shares were being sold to producers and the community at a price of \$100 for 10 shares.	In start-up stages.	Arden, Manitoba
FarmGro Organic Foods Inc.	Public Company	FarmGro is an organic mill that produces white and whole wheat flour, durum semolina, wheat germ and bran, as well as bagged grains, lentils and peas. It is a CWB agent so producers are paid as they deliver. FarmGro has formed strategic alliances with various companies. Eventually the company wants to create an “organic food processing village” (Gerry Liski, President-FarmGro).	Currently Operating Facility built in 1999.	Regina, Saskatchewan
InfraReady Products Ltd.	Private Company with various investors/owners	InfraReady produces a wide variety of grain, oilseed and pulse products. They purchase cleaned organic grain from producers.	Currently Operating Incorporated in 1998.	Saskatoon, Saskatchewan
Growers International Organic Sales Inc. (GIOSI)	Private Company owned by Neil Strayer.	GIOSI operates three modern certified organic grain-handling facilities where grain can be collected, graded, stored, and loaded for transportation. Products are identity preserved. GIOSI exports primarily to Europe and offers Fall production contracts. In the fall of 1999 Growers International entered a joint venture with N.M. Patterson and Sons Ltd. to create Growers International Organic Sales Inc.	Currently Operating. Establish in 1985 as Growers International and became GIOSO in 1999.	Wilcox & Wolesley, Saskatchewan
Homestead Organics Ltd.	Private Company with one owner	Homestead Organics is an organic farm service business. They receive and market certified organic grains produced in Eastern Ontario and Western Quebec. This company stores, cleans and dries organic grain. As well, they provide certified pedigree seed. They work with livestock farmers to supply mixed feeds. Homestead Organics also has a store through which they offer various organic products.	Currently Operating Incorporated in 1997.	Berwick, Ontario

8.2.3. THE REST OF THE WORLD

TABLE 8.2C - ORGANIC ORGANIZATIONAL STRUCTURES IN THE REST OF THE WORLD

ORGANIZATION	STRUCTURE	EXPLANATION	STATUS	LOCATION
Heartland Organic Marketing Cooperative (HOMC)	New Generation Cooperative (NGC)	HOMC is a NGC that transports, stores, cleans, and bags organic soybeans and corn. HOMC was formed in order to meet the large quantities and guarantee prices that a foreign buyer was promising. In 1993 the coop began operations with 12 members and in 1999 the membership had grown to 120 members.	Currently Operating. Commence operations in 1993.	Greenfield, Iowa
Coulee Region Organic Produce Pool (CROPP)	Marketing Cooperative	CROPP is the largest organic farmers' cooperative in North America, with over 404 farmers/members. CROPP members produce dairy, eggs, meat, and vegetables; and each of these "pools" has guidelines for membership and production. CROPP's products are distributed under the Organic Valley label in all 50 states. Projected revenues will total \$30 million in 1999.	Currently Operating. Created in 1988 as a supply cooperative but is now a marketing cooperative.	LaFarge, Wisconsin
Great Grains Milling Co.	Private Company	This company is owned by a producer. He grows hard red spring wheat and packages it whole or grinds it into flour on his farm in Montana. His products include whole-wheat flour, golden wheat flour, wheat bran, pancake and waffle mix, and wheat berries.	Currently Operating	Scobey, Montana
Organic Farmers Agency for Relationship Marketing (OFARM)	Marketing Agency in Common (MAC)	OFARM is a MAC that consists of six organic marketing associations who have agreed to share price and inventory information on several commodity crops. Those crops are organic corn, soybeans and wheat. Each member group with more that 10 members pays \$500, plus \$10 per individual in the organization to become a member of OFARM. Membership gives the right to join the communication loop and allows 1 vote for every 10 members at the annual meeting. The organization is run by "Commodity Coordinating Committees". These committees serve as the communication mechanism for producers in setting policies and pricing goals. OFARM's mission is to "coordinate efforts of producer marketing groups to benefit and sustain organic production".	Currently Operating. Created December 2000.	Member Associations from Michigan, Ontario, Illinois, Minnesota, and Kansas.

TABLE 8.2C – ORGANIC ORGANIZATIONAL STRUCTURES IN THE REST OF THE WORLD CONTINUED

ORGANIZATION	STRUCTURE	EXPLANATION	STATUS	LOCATION
Kansas Organic Producers Association (KOP)	Marketing Cooperative	“The KOP is and organic grain marketing cooperative with about 45 active members marketing organic corn, wheat and soybeans. They are examining organic dairy production on existing Kansas family farm dairies. The organic milk could be marketed and distributed through an alliance with the CROPP.” (Edward Reznicek, General Manager –KOP)	Currently Operating and is a member of OFARM.	Goff, Kansas
Casalare Gourmet Pasta	Partnership not registered as a Company	Casalare are manufacturers and wholesalers of gourmet pasta, wheat-free gluten-free pasta and organic pasta. They offer kamut, spelt and Australian native bush pasta. Casalare only purchases from producers who can mill their grains in flour or semolina.	Currently Operating. Commenced operations in 1998.	Victoria, Australia
New Zealand Organics Ltd.	Public Company	New Zealand Organics is a division of The Fresh Fruit Company of New Zealand Ltd., and an exporter of a diverse range of fruit and vegetables. This company saw an opportunity to be involved in the international trade of organic produce and initially exported organic squash, kiwifruit, avacados, and berryfruit. Their product line now also includes apples, pears and persimmons.	Currently Operating. Established in 1991.	Auckland, New Zealand

8.3. FOCUS GROUP INTERVIEW SCHEDULE

Producer Questions

Assumptions: Participants have been presented with information on cooperative and individual marketing strategies ahead of time. Participants have also been presented with the questions ahead of time.

PRODUCERS WILL BE ASKED EACH QUESTION AND ONE QUESTION WILL BE ADDRESSED AT A TIME. THEY WILL BREAK OUT INTO GROUPS TO COLLECT THEIR THOUGHTS ON PIECES OF PAPER (ONE THOUGHT PER PIECE OF PAPER) AND THEN THEY HAVE AN OPPORTUNITY TO PRESENT THEIR RESPONSES TO THE ENTIRE GROUP. THE PIECES OF PAPER WILL BE POSTED AND GROUPED ON THE WALL.

1. Why are you producing organic grain?
2. What opportunities and/or obstacles are you facing when initially marketing your grains and what opportunities and/or obstacles remain throughout the marketing process? How have these opportunities and/or obstacles influenced the way in which you currently market your product?

PROVIDE CHART ON FINANCIAL INVESTMENT, COMMITMENT TO DELIVER AND ACTIVITIES PERFORMED. CHART WILL BE DISPLAYED IN THE ROOM ON THE WALL. AS WELL, PARTICIPANTS WILL HAVE A COPY OF THIS CHART PROVIDED TO THEM. EACH GROUP WILL BREAKOUT INTO GROUPS AND IDENTIFY THE PROS AND CONS OF EACH OPTION.

3. Prior to attending the focus group you were provided with information on five options for marketing grain.

The three collective options are to market through a new generation cooperative, an association or a private company. The two individual options are to market the product by yourself to a buyer, either through a sole proprietorship or a private company with one shareholder/owner.

Three of the main differences between these five options in the long-term are financial investment, commitment to deliver and the activities performed through each option. In the long-term, given that these differences exist between each option, which option is most appealing to you as a producer to market your organic grain and why?

ASK THIS QUESTION ONLY IF THERE IS TIME LEFT.

4. In terms of choosing which organizational structure to use in the long-term, are there any other key characteristics that would play an important role in the decision making process?

Government/Industry Questions

Assumptions: Participants have been presented with information on cooperative and individual marketing strategies ahead of time. Participants have also been provided with the questions ahead of time.

1. What options do you think organic grain producers in Alberta **currently** have for marketing their organic grain product(s)?

GOVERNMENT AND INDUSTRY WILL BE ASKED EACH QUESTION AND ONE QUESTION WILL BE ADDRESSED AT A TIME. THEY WILL BREAK OUT INTO GROUPS TO COLLECT THEIR THOUGHTS ON PIECES OF PAPER (ONE THOUGHT PER PIECE OF PAPER) AND THEN THEY HAVE AN OPPORTUNITY TO PRESENT THEIR RESPONSES TO THE ENTIRE GROUP. THE PIECES OF PAPER WILL BE POSTED AND GROUPED ON THE WALL.

2. What opportunities and/or obstacles do you think organic producers are facing when marketing their organic grain? How do you think this affects the way in which their products are marketed?

PROVIDE CHART ON FINANCIAL INVESTMENT, COMMITMENT TO DELIVER AND ACTIVITIES PERFORMED. CHART WILL BE DISPLAYED IN THE ROOM ON THE WALL. AS WELL, PARTICIPANTS WILL HAVE A COPY OF THIS CHART PROVIDED TO THEM. EACH GROUP WILL BREAKOUT INTO GROUPS AND IDENTIFY THE PROS AND CONS OF EACH OPTION.

- 3 Prior to attending the focus group you were provided with information on five options for marketing grain.

The three collective options are to market through a new generation cooperative, an association or a private company. The two individual options are for the producer to market the product by themselves to a buyer, this will be through a sole proprietorship or private company with one shareholder/owner.

Three of the main differences between these five options in the long-term are financial investment, commitment to deliver and the activities performed through each option. In the long-term, given that these differences exist between each option, how do you foresee producers operating and marketing their organic grain? How would you support these marketing activities or how do you foresee yourself purchasing organic grain from producers?

ASK THIS QUESTION ONLY IF THERE IS TIME LEFT.

4. In terms of choosing which organizational structure to use in the long-term, are there any other key characteristics that would play an important role in the decision making process?

8.4. INFORMATION PROVIDED PRIOR TO FOCUS GROUP SESSION

Estimated Organic Production in Canada

Below a table is given which illustrates *estimates* on what organic production acres were for the Prairie Provinces in the year 2000. The statistics for Manitoba are only those from the Organic Producers Association of Manitoba (OPAM) and unfortunately they do not encompass all of Manitoba's organic production acres. As well, these statistics include approximately 11 Saskatchewan producers. However, these statistics will stay in the table for the purpose of comparison; but it should be noted that Manitoba's production acres have been estimated to be approximately 37,000 acres for the year 2000 (Macey, p. 1)

Prairie Province Organic Production Acres for the Year 2000

Crop (acres)	MB	SK	AB	Total
Wheat	5,559	94,940	15,318	115,817
Barley	441	13,178	3,957	17,576
Other cereals	4,128	52,258	10,635	67,021
Oilseeds	1,844	35,000	4,994	41,838
Pulses	515	39,000	3,126	42,641
Other crops	471	14,000	877	15,348
Herbs	85	287	317	689
Horticultural	55	502	460	1,017
SMF, Forages	16,004	113,000	304,903	433,907
Total Grains	10,128	160,376	29,910	200,414
Total Oilseed & Pulse	2,359	74,000	8,120	84,479
Other - SMF, Pasture, etc.	16,615	127,789	306,557	450,961
Total Acres	29,102	362,165	344,587	735,854

Source: Alberta Agriculture Food and Rural Development (2001), Organic Producers Association of Manitoba (2001), Canadian Wheat Board (2001)

In terms of collecting data on how much product is sold in any given year it is very difficult, as statistics are not often kept. Fortunately, the Canadian Wheat Board (CWB) provided information on the total organic sales for board grains (wheat, barley and durum) for two crop years. Total Organic Sales represent the total of all organic board grains sold by producers in all three Prairie Provinces in the stated years. This data is shown in the table below.

Total Organic Sales Reported for Wheat, Barley and Durum through the CWB
(Data presented in metric tonnes)

Year	Organic Sales by Organic Processors or Exporters	Organic Producer Direct Sales	Total Organic Sales
1999-2000	21,618.390	7,387.486	29,005.876
2000-2001	47,353.172	10,831.302	58,184.474

*Note: Data not available on organic grain sold as conventional on farm.
Source: Canadian Wheat Board , 2001*

To complete the production area for Canada, production information from the other provinces in Canada was needed. This data is very difficult to obtain as well, since the majority of provincial and federal governments do not have the information and thus it is left to industry to collect this data. Production estimates were received from Anne Macey of the Canadian Organic Growers for the year 1999. Since this data is representative of 1999 and the Prairie Province data is representative of 2000, there is an inconsistency in the data. In order to establish a Canadian total production *estimate* the 1999 and 2000 data were compiled together to give a representation of the year 2000. Since the organic market is growing the assumption was made that production acres would not be lower in 2000 than they were in 1999. Thus, by substituting the 1999 estimates given by Anne Macey into the year 2000 data, a conservative estimate for the year 2000 total organic production area was Canada obtained, as shown below.

Estimate Canadian Organic Production Area for the Year 2000 *(in acres)*

Province	2000
Ontario	55,000.00
New Brunswick	4,000.00
Nova Scotia	1,500.00
PEI	1,500.00
British Columbia	23,500.00
Quebec	10,000.00
Alberta	344,587.00
Saskatchewan	362,165.00
Manitoba	37,000.00
Total	839,252.00

Research Proposal to Industry – Background Information

The organic food industry is a maturing industry in Canada; the market is relatively small, but growing. More specifically, Alberta's organic grain market is also in its infant stage. The producers in the Alberta organic grain market are facing various obstacles; such as limited marketing options, lack of price and market information, geographic diversity, and standards. These obstacles may be hindering the organic grain producers in Alberta from maximizing their return(s) from the market. The CWB acts as a single desk seller for the Prairies in the conventional grain (barley, wheat and durum) market. When organic producers face not having single desk selling of their organic grains, selling their product(s) may be more challenging.

Alberta's organic grain producers face many marketing challenges. When marketing their grains that fall under the category of CWB grains, organic producers have four options:

- 1) They can sell their grain to a local organic grain company (i.e. Prairie Sun Grains, Growers International)
- 2) They can find their own export market and market their grain directly to an end user by doing a Producer Direct Sale (PDS) with the Canadian Wheat Board (CWB).
- 3) They can sell to a broker who finds a market for them. (Either the producer or the broker does the PDS transaction with the CWB and obtains the export license.)
- 4) They can sell their grain on the conventional market.

If the grains which the producers are selling are not CWB grains then producers still have the same four options as stated above, however there are no transactions of any sort that must take place with the CWB. In essence, there may be other options for marketing organic grain in Alberta, such as cooperative or individual marketing strategies. These options may include setting up a private company, association, or new generation cooperative.

Lack of current market information is a large challenge facing organic sellers, particularly new entrants to the market. The lack of structure in the market leads to lack of transparency in prices and lack of information on markets and their demand. Knowing whether you are receiving the best organic market price for your product is difficult. As

well, without knowing the demand for your product it is difficult to make production decisions. A potential risk for organic producers is market volatility. Demand for organic products is not consistent, nor predictable. When supply is tight premiums will be high. When there is an over-estimation of demand this has been known to create oversupplies, which pressures down organic prices.

Another challenge for marketing organic grains is the cost of container shipping. Currently all organic grain is either shipped by truck, rail, or container. Depending on arrangements with the buyer, transportation costs can be very high. Alberta producers are quite geographically dispersed across the province, which makes co-ordination efforts even more perplexing.

Finally, the lack of a mandatory Canadian national standard serves to further complicate matters. This lack of mandatory standard allows for the market to have over 40 different certification bodies, that all have some variance in their standards; however, similarity among these standards does exist. More specifically, there are four major certification bodies in Alberta that all have general similarities between them. With many certifiers in Canada, buyers may not accept all of them; thus potentially making local, national, and international trade difficult for producers.

Taking into consideration the stated information on Alberta organic grain production, **the research problem is to assess different organizational structures that might assist Alberta organic grain producers in optimizing market potential.**

Research Objectives

1. Define the organizational structures that are currently used to market organic grains in Alberta and to also define the organizational structures that could potentially be used to market organic grains in Alberta.
2. Establish what types of organizational structures are successfully used in the marketing of organic grain market in other countries, as well as the rest of Canada.
3. Determine what Alberta organic grain producers want to achieve in terms of marketing their organic grains and evaluate the potential success of different organizational structures proposed, through interview with industry members.

Potential Organizational Structure Options

Producers may choose a *collective or an individual marketing strategy*. Given below are five potential organizational structures that could be used to market organic grain in Alberta.

- 1) ***New Generation Cooperative (NGC)*** – a *collective marketing strategy*. A NGC is a closed membership cooperative that is being established in niche and traditional commodity markets in the agricultural industry.
- 2) ***Association*** – a *collective marketing strategy*. It is defined as a collaborative marketing group (CMG). A CMG focuses on marketing, is managed by its members, and exists for their benefit.
- 3) ***Private Corporation (Company)*** – a *collective marketing strategy*. A private corporation allows different parties to contribute capital, expertise and labor for the maximum benefit of all parties.
- 4) ***Sole Proprietorship*** - an *individual marketing strategy* in which producers will market their product(s) by themselves to a specific buyer.
- 5) ***Private Corporation with One Owner*** - an *individual marketing strategy* in which producers will market their product(s) by themselves to a specific buyer.

All three collective marketing strategies and the two individual marketing strategies are explained with examples in the following document.

Collective Marketing Strategy - New Generation Cooperative

New generation cooperatives are an option for producers to organize themselves collectively. New generation cooperatives (NGC) are closed membership cooperatives that are being established in niche and traditional commodity markets in the agricultural industry. Fulton (2001) states two potential reasons for the formation of NGC's could be: 1) a need for market information and coordination and 2) a need to restructure existing markets to provide producers an increasing share of the consumers food dollar. A NGC would store, clean, sell, and transport grain, conduct market research, perform invoicing to buyers, and make payments to producers if its operations were focused on a primary product. If the NGC were to focus on further processing the grain, it could perform tasks such as milling flour and would deal with all logistics related to further processing and sales of the processed product.

A producer will purchase delivery shares in a NGC. The delivery shares give the producer the right to deliver product and the right to vote. A NGC maintains a one member, one vote policy and membership is restricted to producers (closed membership). The Board of Directors for the NGC is elected from the membership, by the membership. Investment shares can be made available to the general public, but purchase of these shares does not make the investor a member of the NGC, thus they cannot vote at the election of directors. Thus, ownership is restricted to producers. The excess earnings or profits at the end of the year are distributed to shareholders (members and investors) based on the number of shares held by the shareholders.

The delivery shares purchased by producers are allocated so that the member must deliver one unit of product per share held. The delivery shares can be transferred if the member cannot fulfill his/her contract. If the member simply does not deliver product to the NGC, the NGC will purchase the product from elsewhere and charge it to the member's account.

It is the capacity of the NGC's facility that determines the amount of product that producers can deliver; thus the number of shares available to producers is determined by plant capacity. The price of each share is established by taking the required amount of start-up capital that needs to be raised and dividing it by production capacity (number of products that can be absorbed by facility). The NGC will set a minimum and maximum number of shares that can be purchased by members. NGC's will normally try to raise 30-50% of their capital requirements through member equity.

In terms of taxation, a NGC is taxed similar to a corporation; however, there may be some additional tax considerations for NGC's. Thus, the NGC's earnings are taxed at a corporate level and the members are taxed on earnings from the NGC at an individual level as well. The profits of the NGC are distributed as patronage to shareholders. This patronage is deductible to the NGC, but taxable to members. Members and shareholders of a NGC have limited liability. Directors and management may not have limited liability.

A successful example of a new generation cooperative is the Dakota Growers Pasta Company (DGPC) out of Carrington, North Dakota. In January of 1992 a group of North Dakota durum growers held an information meeting and two years later DGPC began production. The DGPC mills durum wheat into semolina and then produces pasta in an adjacent plant.

To begin, this group developed a business plan and began their equity drive. The equity drive raised \$12 million equity capital to build a \$40 million pasta processing plant. A total of 1,040 members invested. The initial share price was set at \$3.85 US/share and a minimum of 1500 shares had to be purchased. Each share entitles a member to deliver 1 bushel of durum. Shares are restricted and can only be purchased by durum growers.

In 1996 the market value of the shares for DGPC was \$5.50 US/share. In that year there were 3.5 million bushels of durum delivered to the plant and there was 118.8 million pounds of pasta produced. In 1997, sales were close to \$70 million and up to that date \$2.7 million had been paid out to farmers. The table below further illustrates the financial situation for Dakota Growers Pasta Company.

TABLE 2: FINANCIAL DATA FOR DAKOTA GROWERS (in thousands of dollars)

	1997	1996
Revenue	69,339	49,558
Cost of Product Sold	58,357	43,318
Net Income	6,926	2,618
Total Assets	68,739	49,894
Long-term Debt	30,218	19,752
Working Capital	6,329	8,184
Property and Equipment Additions	17,837	1,489
Members' Investments	29,956	24,866
Total Patronage Distributions	1,800	935
Patronage Dividends per share Distributed*	0.485	0.300

* - The patronage dividend reported represents the amount allocated from the previous year. In 1997, the Board allocated a distribution of \$1.00 per bushel, which will be distributed in fiscal year 1998.

Source: Zeuli et al, 1998

Collective Marketing Strategy - Association

Associations are an option for producers to organize themselves collectively. For the purposes of this paper an association will specifically be a marketing association for producers, or in other words a collaborative marketing group. A collaborative marketing group focuses on marketing, is managed by its members and exists for their benefit. An association can organize itself as a business organization or an informal association. Due to the ability of associations to structure themselves formally or informally there is no specific organizational structure an association will take. An association may form in order to: 1) fulfill a need for market information and coordination and 2) increase market options for selling product due to larger volume and steady flow of product available through the association. An association would sell grain, conduct market research, perform invoicing to buyers, and make payments to producer members.

The amount of financial investment a producer must commit to an association depends how the association is structured. However, it could likely be a membership fee or it could be that the producer would have to pay a certain percentage to the association of each sale made by the association for the producer. Members of the general public would not have the opportunity to join the association, as membership would be restricted to producers that produce products consistent with those that the association markets. The excess earnings or profits at the end of the year could be distributed in various ways, depending on how the association structures itself. However, some options could include investing it in the association or returns to members based on shares in the association or sales made through association.

As a member of the association the producer would not be committed to delivering a certain amount of product to the association. The producer would have the option as to whether or not they wanted to sell their grain through the association. It is likely that the association would have the option to source product from producers outside of the association if it could not find the quantity or quality of product required for a sale from members within the association.

Since the association focuses on marketing the products of producers, the capital requirements to start an association would be quite minimal, as there would be no storage or processing facility required for operation. The capital requirements would be in the hiring of human resources to conduct the marketing operations of the association.

The taxation and liability of the members of the association would depend on the type of organizational structure used to facilitate the association. Members may receive single taxation or they may be taxed at various levels. Members may be liable for the actions of the association or only the management of the association may be liable for its actions.

An example of an association is the Marysburg Organic Producers Inc. This producer group is a marketing association of grain, oilseed and pulse producers. The group consists of approximately 50 members/shareholders and two staff. A marketing and accounting director are employed by the association and are provided with a certain percentage revenue from each sale. The products are sold by the marketing director and product is acquired from members external to the association if the marketing director cannot obtain the product within the association. Each member pays 2.5% of each sale to the association. The association offers spot market contracts and forward contracts to producers.

The shareholders elect a Board of Directors and vote on policy. The Board of Directors consists of the marketing director, accounting director, and three other directors. The Board of Directors is responsible for policy development, communication with shareholders, and the contracting and supervision of the marketing and accounting directors.

The products sold by the Marysburg Organic Producers Inc. are: barley, buckwheat, canola, flax, lentils, oats, mustard, peas, triticale, rye, durum, HRS wheat, soft wheat, winter wheat, alfalfa seed, clover seed, and radish seed. The products sold by this association are all certified organic by either the Organic Crop Improvement Association (OCIA) or Quality Assurance International (QAI). Their markets include Canada, the United States, Europe, and Asia.

Collective Marketing Strategy - Private Corporation (Company)

For the purposes of this research a private corporation (company) will be considered as another method for producers to organize themselves collectively. A corporation allows different parties to contribute capital, expertise and labor, for the maximum benefit of all parties. A private corporation may form in order to: 1) fulfill a need for market information and coordination and 2) provide a consistent buyer for producers' grains. A private company would conduct the same activities as a NGC.

One shareholder or many shareholders could own the company, these shareholders would not necessarily have to be producers. The shareholders could also be local entrepreneurs. For producers, unless they are establishing the company, there is no up-front investment. This is weighed against the possibility that no local entrepreneurs will find it feasible to establish the company. The company would collectively market the producers' product(s) and if the producer were a shareholder in the company then they would receive a distribution of the company's profit, based on shares owned. If a producer was not a shareholder, then the producer would just receive a price for their product delivered to the company.

In Alberta, a corporation can have one shareholder or thousands of shareholders (Alberta Law Reform Institute, p. 44). It is those individuals with voting shares that control the company. As these individuals name the Board of Directors, and the Board of Directors determines who manages the company. Thus, ownership and control of the company is separated from management. The Board of Directors hires a manager, who is put in place to manage the company in the best interest of the owners. Shareholders are entitled to a share in the profits of the enterprise, as shareholders of the corporation. For a private company, shares cannot be sold to the general public.

If the private company was owned by a single or many local entrepreneurs then the producers would have no commitment to deliver their product to the private company, unless it is otherwise contracted to that company. If producers owned the company, then the producers that deliver to the company would not be committed to deliver product to the private company, unless otherwise contracted to that company. However, it may be that producer owners could be committed to delivering product to the company, depending on the terms of agreement of the company's formation.

The collective effort of various parties makes it easier for the corporation to raise capital. However, unless there is a group of local entrepreneurs or producers that are willing

to invest enough capital to establish the private company, the private company will not be formed. Corporations are closely regulated and extensive record keeping is necessary.

A corporation's income is taxed at two levels: 1) in the hands of the corporation and 2) in the hands of the shareholders when it is paid out in dividends. The corporation is treated as a separate taxpayer. In Alberta there is a "small business deduction" that some corporations may be eligible to claim. This deduction can reduce the income tax paid by the corporation and shareholders. If a corporation can claim this deduction then the tax paid by the corporation and shareholders is equivalent to the tax that would have paid on the chunk of income if it had been earned by a partnership. However, if the corporation cannot claim this deduction the tax paid by the shareholders and the corporation will exceed the tax that would have been paid on the same chunk of income if it had been earned by a partnership (Alberta Law Reform Institute, p. 46).

A corporation is regarded as a distinct legal entity; thus it has a continuous existence. Shareholders of a corporation incorporated under Alberta's Business Corporations Act have no liability for its obligations. In a corporation the liability of the corporation's shareholders is limited to the money they paid to buy the shares. Creditors of a corporation cannot enforce their claim against shareholders of a company. In the course of carrying out managerial functions, the managers and the Board of Directors of a corporation may incur liability.

An example of a successful private company that collectively markets grain and has only one owner is Growers International out of Saskatchewan. Growers International was established in 1985, is a private company that acts as a merchant, and is owned by an organic farmer (Neil Strayer). It is the first company to be given permission by the Canadian Wheat Board to trade organic grain privately. It now has a grower base of over 200 farms, and has traded over 50,000 tonnes of grain to overseas customers since its inception. In the fall of 1999 Growers International entered a joint venture with N.M. Patterson and Sons Ltd. to create Growers International Organic Sales Inc (GIOSI).

GIOSI operates three modern certified organic grain-handling facilities where grain can be collected, graded, stored, and loaded for transportation. Products are identity preserved and the facilities are certified by the OCIA International and QAI. Producers who deal with GIOSI must have organic certification from a recognized third party certification body. GIOSI exports primarily to Europe and offers Fall production contracts to producers for HRS wheat and amber durum.

Individual Marketing Strategies - Sole Proprietorship and Private Corporation (Company)

If a producer wishes to market their product individually there are essentially two alternatives for structuring the organization; they are as a sole proprietorship or a private company with only one shareholder (owner). In both cases the producer will work individually to find a buyer for his/her product. The primary differences between these two individual marketing strategies are in liability and taxation to the owner. A private company with one owner or a sole proprietorship may form in order to: 1) fulfill a need to market product at an individual level and 2) maintain a system of marketing that requires no investment or commitment to deliver besides that required of the production operation. A private company with one owner or a sole proprietorship would sell grain, store grain and research markets. It may also, if the producer operated a large-scale operation and had the cash flow, transport grain, clean grain and even mill grain.

Private Corporation (Company)

When the private company was used as an option to market product collectively there was one or more shareholders. However, now it will be that there is only one owner/shareholder and there is no collective marketing, thus an individual marketing strategy is employed. Since there is only one shareholder, there is a large financial investment required by the one shareholder. It is the one owner/shareholder that owns the corporation who, for the maximum benefit of that owner contributes all expertise, labor and capital. All profit is distributed to the sole owner/shareholder. The sole owner/shareholder would conduct all managerial functions.

The owner of the company would not be committed to deliver product to any buyer, unless the owner has otherwise contracted product to a buyer. It is the individual owner who must raise the capital needed in order to conduct operations.

The private company with one owner would be taxed the same as the private company with one or more owners, which has already been explained in this document. A corporation is a distinct legal entity; thus it has a continuous existence. The owner of the corporation is limited to the money invested in the corporation by that owner. Thus, the sole owner of the private company would be liable for money invested in the company and can be liable for the company by way of carrying out managerial functions.

Sole Proprietorship

In a sole proprietorship the business is unincorporated, is owned by one person and has few or no employees. The proprietor is the firm and the firm is the proprietor. The sole proprietor personally owns all the assets of the business. The proprietor is not considered an employee of the business and is not paid a salary by the business. It is the sole proprietor that owns the operation and contributes all expertise, labor and capital. All profit is distributed to the sole proprietor. The sole proprietor would conduct all managerial functions.

The owner of the company would not be committed to deliver product to any buyer, unless the owner has otherwise contracted product to a buyer. It is the individual owner who must raise the capital needed in order to conduct operations.

The sole proprietorship is not regarded as a separate taxpayer. The income of the proprietor from other sources is calculated and then lumped together with the income of the business for the year. The proprietor is then taxed on the two sources of income (other and business) at the appropriate rate or rates. Under the law, the business and the owner are considered to be one entity. Thus, if the business incurs a liability it is the proprietor's personal liability.

Individual Marketing Strategies - Example

An example of an individual marketing strategy is an organic grain producer that sells his/her grain product to a specific company. This producer does not work with other producers to sell product in a larger quantity (collectively), but instead sells a smaller quantity to a specific buyer. The producer must take the time to find a market for their product and work to establish a relationship with a buyer.

The collective and individual marketing strategies discussed above have been summarized in the following table.

Collective Marketing Strategies

Individual Marketing Strategies

<i>Characteristic</i>	<i>NGC</i>	<i>Association</i>	<i>Private Company</i>	<i>Private Company with one owner/shareholder</i>	<i>Sole Proprietorship</i>
Objective	Profit maximization for producer owners of value added processing organization.	Profit maximization on primary commodity product for producer members of the association.	Profit maximization for owners of value added processing company.	Profit maximization on primary commodity product for sole owner.	Profit maximization on primary commodity product for sole proprietor.
Financial Investment	Set minimum number of shares to purchase at a specified share price, price based on start-up costs of facility.	Could be nothing besides a percentage of sales if structured informally. It could also be a membership fee.	Requires investment by owners, either producers or local entrepreneurs. If from local entrepreneurs then no producer investment required.	Single owner will own all assets of the business. Assets will vary with the level of processing and that will depend on the producers' cash flow.	Proprietor will own all assets of the business. Assets will vary with the level of processing and that will depend on the producers' cash flow.
Market Information Sharing	Market information is collected and coordinated through central management of NGC.	Market information is shared between producers and marketer(s) of association.	Information specialized among management, and passed onto shareholders.	Information is only shared with employees of company, if there are any. No information shared specifically with other producers.	Information is only shared with employees of company, if there are any. No information shared specifically with other producers.
Price Information Sharing	Price information would be shared with all producers, as they are the owners.	The marketing director who is an employee of the association would share price information with all members.	Only producers that are owners would likely have access to price information.	The sole owner would have to collect his/her own price information.	The sole proprietor would have to collect his/her own price information.
Membership vote	One vote per member	Depends on organizational structure used to facilitate association.	Shareholders vote in proportion to the number of voting shares held.	Owner has complete control over business operations.	Proprietor has complete control over business operations.
Membership size	Unlimited	Unlimited	Unlimited	Limited to one owner (shareholder)	Limited to one proprietor (owner)
Single taxation	No	Depends on organizational structure used to facilitate association.	No	No	Yes
Distribution of Profit	Dividends paid on shares. Based on the amount of shares held by shareholders.	Depends on organizational structure used to facilitate association. Could be based on sales through association, shares, etc.	Dividends paid on shares. Based on the amount of shares held by shareholders	All profit paid to the owner.	All profit paid to the sole proprietor.
Ownership	Restricted to producers, the general public can purchase investment shares.	Restricted to producers	Restricted to shareholders, shares cannot be sold to the general public.	Restricted to sole owner	Restricted to sole proprietor
Owner involvement	High	High	High	Very High	Very High
Membership restrictions	Restricted to material participants.	Restricted to individuals who produce product consistent with association's markets.	Restricted to shareholders.	Restricted to the owner.	Restricted to the proprietor.
Annual profit restrictions	Limited to the rates set by the Board of Directors for dividends or/and to the rates set by the province.	Unlimited	Limited to the rates set by the Board of Directors for dividends.	Unlimited	Unlimited
Liability	Limited. Directors and management may be liable.	Limited or Unlimited. Depends on organizational structure used to facilitate association.	Shareholders limited to share subscription. Directors and management may be liable.	Owner may be liable	Proprietor is liable.

Focus Group Questions

When reviewing and preparing yourself to answer these questions, please keep in mind what the focus of this research is. **The purpose of this research is to review and evaluate the potential success of different organizational structures that might assist organic grain producers in Alberta to optimize market potential and attain industry's goals.**

It may be advantageous to make note of the strengths and weaknesses you see with each marketing option prior to your attendance at the focus group. Any information you collect prior to attending the focus group can be brought into the focus group session.

Government/Industry Questions

Assumptions: Participants have been presented with information on cooperative and individual marketing strategies ahead of time. Participants have also been provided with the questions ahead of time.

Note: The questions may not be asked specifically as written. They may have some variation when posed at the focus group session.

1. What options do you think organic grain producers in Alberta **currently** have for marketing their product(s)?
2. What opportunities and/or obstacles do you think organic producers are facing when marketing their organic grain? How do you think this affects the way in which their products are marketed?
3. Prior to attending the focus group you were provided with information on five options for marketing grain.

The three collective options are to market through a new generation cooperative, an association or a private company. The two individual options are for the producer to market the product by themselves to a buyer, this will be through a sole proprietorship or private company with one shareholder/owner.

In the long-term, given that differences exist between each option, how do you foresee producers operating and marketing their organic grain? How would you support these marketing activities or how do you foresee yourself purchasing organic grain from producers?

4. In terms of choosing which organizational structure to use in the long-term, are there any other key characteristics that would play an important role in the decision making process?

Producer Questions

Assumptions: Participants have been presented with information on cooperative and individual marketing strategies ahead of time. Participants have also been provided with the questions ahead of time.

Note: The questions may not be asked specifically as written. They may have some variation when posed at the focus group session.

1. Why are you producing organic grain?
2. What opportunities and/or obstacles are you facing when initially marketing your organic grain and what opportunities/obstacles remain throughout the marketing process? How have these opportunities and/or obstacles influenced the way in which you currently market your product?
3. Prior to attending the focus group you were provided with information on five options for marketing grain.

The three collective options are to market through a new generation cooperative, an association or a private company. The two individual options are for the producer to market the product by themselves to a buyer, this will be through a sole proprietorship or private company with one shareholder/owner.

In the long-term, given that differences exist between each option, which option is most appealing to you as a producer to market your organic grain and why?

4. In terms of choosing which organizational structure to use in the long-term, are there any other key characteristics that would play an important role in the decision making process?

8.5. KEY CHARACTERISTICS OF MARKETING OPTIONS

Collective Marketing Strategies

Individual Marketing Strategies

<i>Characteristic</i>	New Generation Cooperative (NGC)	Association (Marketing)	Private Corporation (Company)	Private Company with One Owner	Sole Proprietorship
<i>Activities Performed</i>	<u>Basic operations:</u> <ul style="list-style-type: none"> - Store, clean, sell, and transport grain. - Conduct market research. - Perform invoicing to buyers and make payments to producers. <u>Possible other operations:</u> <ul style="list-style-type: none"> - Processing grain, such as milling flour and all logistics related to further processing and selling the processed product. 	<u>Basic operations:</u> <ul style="list-style-type: none"> - Sell grain - Conduct market research - Perform invoicing to buyers and make payments to producers. 	<u>Basic operations:</u> <ul style="list-style-type: none"> - Store, clean, sell, and transport grain. - Conduct market research. - Perform invoicing to buyers and make payments to producers. <u>Possible other operations:</u> <ul style="list-style-type: none"> - Processing grain, such as milling flour and all logistics related to further processing and selling the processed product. 	<u>Basic operations:</u> <ul style="list-style-type: none"> - Sell and store grain. - Conduct market research. <u>Possible other operations:</u> <ul style="list-style-type: none"> - Transport and clean grain. - Process grain, such as mill the grain. 	<u>Basic operations:</u> <ul style="list-style-type: none"> - Sell and store grain. - Conduct market research. <u>Possible other operations:</u> <ul style="list-style-type: none"> - Transport and clean grain. - Process grain, such as mill the grain.
<i>Financial Investment</i>	Set minimum number of shares to purchase at a specified share price, price based on start-up costs of facility.	Could be nothing besides a percentage of sales if structured informally. It could also be a membership fee.	Requires investment by owners, either producers or local entrepreneurs. If from local entrepreneurs then no producer investment required. IF THERE ARE NO INVESTORS THEN THERE IS NO COMPANY.	Single owner will own all assets of the business. Assets will vary with the level of processing and that will depend on the producers' cash flow.	Proprietor will own all assets of the business. Assets will vary with the level of processing and that will depend on the producers' cash flow.
<i>Commitment to Deliver</i>	Members/Farmer patrons must deliver one unit of farm product per share owned. If they cannot fulfill then they must source the product themselves (delivery rights are transferable). If members do not deliver then the NGC will source the product and charge it against the member's account. Non-voting/preferred shares have no delivery commitment.	Producers would only likely be committed to delivering product if it is contracted to the association. However, depending on structure, members may not have to deliver to the association at all.	If entrepreneur owned then no commitment to deliver, unless contracted to company. If producer owned then the producers who own the company may be committed to deliver. However, other producers would not be committed to deliver, unless contracted to the company.	The single shareholder/owner is the producer. Thus, the single shareholder/owner will be responsible to deliver all product committed to buyers through marketing efforts. However, if no product is committed to buyers then there is no commitment to deliver.	The proprietor is the producer. Thus, the proprietor will be responsible to deliver all product committed to buyers through marketing efforts. However, if no product is committed to buyers then there is no commitment to deliver.

8.6. QUESTION: MOTIVATIONS FOR PRODUCING ORGANIC GRAIN

QUESTION : WHY ARE YOU PRODUCING ORGANIC GRAIN?

Responses are presented as they were written on the pieces of paper in the focus group session. The responses are numbered as to the groupings that they were given during the focus groups sessions. If there was a discussion around a particular subject or additional information was needed to clarify the response, it has been included and written in capital letters. The comments written in capital letters are either written comments by the recorder or were obtained from the tape.

PRODUCER RESPONSES:

1. - Diversification of the economy
2. - Financial independence from companies selling inputs at high prices
 - We needed a greater economic return on investment
 - Affordability ratio: inputs to returns. LESS INPUT COSTS.
 - Fair economic return
 - Economically attractive
 - FREE YOURSELF FROM DEALING WITH MULTINATIONALS
 - DISCUSSION AROUND THE “LESS INPUT COSTS”. COMMENT: NOTED THAT OVER A FIVE-YEAR PERIOD OF FARMING THE LAND THAT ORGANIC INPUT COSTS WERE EQUIVALENT TO WHAT THE CONVENTIONAL INPUT COSTS WOULD HAVE BEEN. HOWEVER, THERE IS A LARGER SPREAD IN PRICE PAID AND PRICE RECEIVED WITH ORGANIC. RISK IS DECREASED OVER THE YEARS. WITH THE PREMIUM PAID ON THE OUTPUT PRICE A PRODUCER NEEDS LESS OUTPUT FOR A RETURN (AS COMPARED TO CONVENTIONAL).
3. - Less risk. LESS RISK TO HEALTH, LESS BILLS, GREATER PRICE (LESS PRICE RISK)
4. - Philosophical (environmental sustainability)
 - We want to stop the stripping the soil of its nutrients
 - Holistic relationships to nature
 - Degrading soil conditions
 - Better stewardship of the environment (water, soil, air, feedlots, factory farms, wells, wildlife protection)
5. - Consumer demand. PREMIUMS PAID AND THERE IS A MARKET NEED FROM CONSUMERS.
6. - Healthy, quality product
 - Produce chemical free food, re: health problems, quality, family & consumer
 - Occupational safety hazard to work with herbicides
 - It's a good thing to do for family, health and future.
 - Clean food – health reasons
7. - Synthetic chemicals don't work – degrading soil conditions over time

8.7. QUESTION: OPPORTUNITIES AND OBSTACLES IN THE ORGANIC GRAIN MARKET

QUESTION : PRODUCERS WERE ASKED QUESTION 1 AND GOVERNMENT/INDUSTRY WERE ASKED QUESTION 2.

- 1) WHAT OPPORTUNITIES AND/OR OBSTACLES ARE YOU FACING WHEN INITIALLY MARKETING YOUR GRAINS AND WHAT OPPORTUNITIES AND/OR OBSTACLES REMAIN THROUGHOUT THE MARKETING PROCESS? HOW HAVE THESE OPPORTUNITIES AND/OR OBSTACLES INFLUENCED THE WAY IN WHICH YOU CURRENTLY MARKET YOUR PRODUCT?
- 2) WHAT OPPORTUNITIES AND/OR OBSTACLES DO YOU THINK ORGANIC PRODUCERS ARE FACING WHEN MARKETING THEIR ORGANIC GRAIN? HOW DO YOU THINK THIS AFFECTS THE WAY IN WHICH THEIR PRODUCTS ARE MARKETED?

Responses are presented as they were written on the pieces of paper in the focus group session. The responses are numbered as to the groupings that they were given during the focus groups sessions. If there was a discussion around a particular subject or additional information was needed to clarify the response, it has been included and written in capital letters. The comments written in capital letters are either written comments by the recorder or were obtained from the tape.

PRODUCER RESPONSES:

Obstacles

1. – Unfair assessment by government agencies e.g.: crop insurance
 - Crop insurance
 - CROP INSURANCE FAVORS CONVENTIONAL PRODUCERS. WEED COUNT IS AN ISSUE FOR ORGANIC PRODUCERS. ORGANIC PRODUCERS ARE COVERED ON SAME YIELDS AS CONVENTIONAL. ORGANIC PRODUCERS RECEIVE A CONVENTIONAL PRICE WHEN THEY HAVE A CLAIM. NOTED THAT WHEN AN ORGANIC PRODUCER TRIES TO GET CROP INSURANCE THEY FEEL THAT THE INSURERS AUTOMATICALLY PUT A RED FLAG UP AND THIS MEANS THAT ORGANIC PRODUCERS CANNOT GET INSURANCE COVERAGE SOMETIMES.
2. – Transportation: higher
 - Loading railcars difficult – must be clean. NOTED THAT CONVENTIONAL PRODUCERS FACE THE SAME PROBLEM; HOWEVER, ORGANIC PRODUCERS DEAL WITH IT FIRST HAND DUE TO THE LACK OF HANDLING INSTITUTIONS.
 - Economical crop size (minimum). No economies of scale. Larger more attractive. IF YOU HAVE A SMALL AMOUNT OF PRODUCT YOU MUST SHIP TO THE NEAREST COLLECTION AGENCY AT YOUR OWN EXPENSE; HOWEVER, IF YOU ARE LARGE ENOUGH THE BUYER WILL PICK YOUR PRODUCT UP AT YOUR GATE.

- THERE ARE LIMITED PLACES TO SHIP TO, THEY CAN BE SEVERAL HUNDRED MILES AWAY. THERE IS A LACK OF HANDLING FACILITIES.
- AN EXAMPLE WAS GIVEN BY A PRODUCER: THE PRODUCER STATED THAT SHE/HE WAS OFFERED A PRICE 70% ABOVE CONVENTIONAL FOR ORGANIC GRAIN. THE PRICE WAS QUOTED FOB WASHINGTON. WITH THIS PRICE THERE WAS STILL A PREMIUM AFTER PAYING THE CWB, BUT IT WAS THE TRANSPORTATION THAT WAS TOO MUCH.

3. – CWB buyback fluctuates
 - Canadian Wheat Board charges, but do not handle organic
 - THE CANADIAN WHEAT BOARD DOES NOT HANDLE ORGANIC GRAIN BUT THEY STILL GET A CUT OF THE PROFITS. NOTED THAT RECENT MODIFICATIONS HAVE BEEN MADE TO THIS SYSTEM.
 - NOTED THAT NOT ALL PRODUCERS HAVE NEGATIVE OPINIONS TOWARDS THE CWB.
4. – Lack of handling facilities
 - Not sufficient second stage processing of organic product in Alberta. There are some e.g.: local organic flax processor
5. – Producers and middlemen (brokers) sharing knowledge
 - Risk in marketing; are buyers trustworthy?
 - Some middlemen, (brokers taking too much out of the financial stream of benefits. Price to producer needs to be fair. ORGANIC BROKER WILL BUY FOR \$1.00 ABOVE CONVENTIONAL PRICE AND THEN SELLING FOR 300%.
 - WOULD SELL TO BROKER BECAUSE OF LACK OF MARKET/PRICING INFORMATION.
 - MIDDLEMEN USE THE MARKET INFORMATION THAT THEY HAVE TO THEIR OWN PERSONAL BENEFIT.
6. – Over production hard to identify. THE BUYER WILL NOT TELL YOU THE PRICE UNTIL YOU TELL HIM WHAT YOUR SUPPLY (AND OTHERS SUPPLY) IS.
 - Market requirements next year. Market research missing.
 - Market knowledge: prices, demand, information for planning i.e.: spring planting
 - Disparities in buyers prices
 - Transparency: market price for product not readily available
 - Lack of resources for information of market demand for planting or selling
 - PRODUCERS DO NOT KNOW WHO TO SELL TO, THEY ARE NOT SHARING INFORMATION WITH ONE ANOTHER ABOUT WHAT THEY ARE GETTING PAID FOR THEIR PRODUCTS.

Opportunities

1. – Can sell through a local marketing agent – broker
2. – Internet, NOTE: obstacle to receive payment if transact over internet

3. – Value-added, the value chain as promoted by the government
4. – Premium can be double over conventional

GOVERNMENT AND INDUSTRY FOCUS GROUP #1 RESPONSES:

Obstacles

1. – Genetically modified organisms
2. – High growth of organic industry may prompt market entry by large players (squeeze out small players)
 - Dealing with the high growth rate in terms of financing, systems of information, accounting and marketing to support the market growth
3. – Commoditization, falling margins in future (BECOME A PRICE TAKER)
4. – Lack of information (statistics, market, etc. for planning)
 - Lack of marketing knowledge and skills. How do you negotiate with miller or processor to take your product?
5. – Import/Export – greater negative effect on environment... holistic. COMMENT MADE THAT AS MARKET BECOMES MORE FOCUSSED ON IMPORT/EXPORT TO MAKE PROFITS, THEN DOES IT NOT START TO CONTRADICT THE HOLISTIC PURPOSE OF PRODUCING ORGANIC FOODS.
 - Inflation in local product prices if successful export.
 - How does a producer make the decision to jump to the next level (the next level being exporting)
6. – Transportation – dispersion of organic grain producers.
7. – Consistent quality
8. – Guaranteed supply
 - Difficult to supply, distribution consistency (HARD FOR SMALL PRODUCERS TO MEET BUYERS REQUIREMENTS YEAR ROUND, THUS LIMITS THEIR OPTIONS)
9. – How to differentiate their product?
10. – Organic certification (affect exporting of products)
11. – Financial risk (will the market be there when finally certified?)
12. – Could be taking smaller margin if working together

Opportunities

1. – Differentiated products, can command a higher premium
 - Good diversification opportunity

2. – Fits with personal philosophy
3. – Genetically modified organisms
4. – Work together to gain access to markets and to gain economies of scale

GOVERNMENT AND INDUSTRY FOCUS GROUP #2 RESPONSES:

Obstacles

1. – Hard to change marketing mindset from “passive” (e.g. CWB) to “active”.
 - Organic marketing channels can be hard to find.
 - New growers problems finding buyers, prices, info, etc.
 - Producers need to learn how to market and all the aspects (e.g. market analysis, price, packaging, consumer needs and demands, distribution). **PRODUCER IS TYPICALLY NOT A MARKETER, THE PRODUCER IS TRADITIONALLY INFORMED ON THE MARKETING PROCESS, THE PRODUCER MUST LEARN HOW TO MARKET AND ALSO LEARN WHAT MARKETING IS.**
 - Learning curve is significant to enter organic market.
2. – GMO wheat, canola...
 - Identity preserved
3. – Difficult for large farmer
4. – Premium prices that are currently afforded may not be available as organic market grows
5. – Confusion on standards
 - Accreditation costs via Standards Council of Canada
 - More money needed to support certification costs...level playing field with U.S.
 - Organic/natural/conventional...how consumer sorts its out
 - What is certified? Lack of clear guidelines
 - Regulatory restrictions
 - Lack of standardization: who says? Lot of groups.
6. - Takes three years to get to organic production (transition period)
7. – Barriers to entry
8. – Lack of government involvement in standards
9. – CWB adding a level of activity that adds no value
10. – Price discovery
 - Price discovery
11. – Immature industry
12. – Lack of structure in system. No central agency.
 - Lack of processing facilities

13. – Freight
 - Transportation
14. – Overly independent growers – fear of losing control.
 - Unrealistic expectations in terms of money.
15. – Lack of trust.
16. - Fragmented market, no concentrated production.
 - Geographic separation – no critical mass.
17. – Small local market.
 - Domestic market immature – unable to tap market.
 - Market demand is greater than supply in Canada/Alberta currently.
18. – Hard to change mindset from conventional to organic production. **THE PRODUCTION IS NOT A PROBLEM, IT IS MARKETING THAT'S THE PROBLEM WHEN SWITCH.**
19. – Alberta does not have a reputation, it is not well known. But Canada is.

Opportunities

1. – Identity preserved
 - Food safety risk with conventional
 - Identity preserved through transportation
2. – Quality is superior, Canada has a good reputation
3. – Closer relationship to buyers, with common beliefs (re: direct marketing)
 - Direct marketing reduces links in the chain – direct consumer feedback (market signals)
4. – Private sector to provide marketing services
 - Opportunity for growers and processors. **THERE IS A PROCESSING OPPORTUNITY FOR LARGE INVESTORS WITH A DIVERSE PRODUCT.**
5. – Growing demand.
 - Strong consumer demand – growing market for chemical free product.
6. - There is a market for: well packaged, well processed, consistent supply, quality product.
7. – Niche market – higher value.
 - Potential for greater return per unit of land – smaller farms more viable (if producing value added product).
 - Premium price potential.
 - Great potential for profit.
8. – Diversify from conventional system.
 - Diverse product (corn in the South to Barley in the North).

9. – Branding opportunities.
10. – Opportunity to educate consumer on what organic means.
11. – New organic agriculture center of Canada (OAC).
12. – Have a national standard – some above, some below.

8.8. QUESTION: PROS AND CONS OF EACH MARKETING OPTION

QUESTION : PRODUCERS WERE ASKED QUESTION 1 AND GOVERNMENT/INDUSTRY WERE ASKED QUESTION 2.

- 1) THREE OF THE MAIN DIFFERENCES BETWEEN THESE FIVE OPTIONS IN THE LONG-TERM ARE FINANCIAL INVESTMENT, COMMITMENT TO DELIVER AND THE ACTIVITIES PERFORMED THROUGH EACH OPTION. IN THE LONG-TERM, GIVEN THAT THESE DIFFERENCES EXIST BETWEEN EACH OPTION, WHICH OPTION IS MOST APPEALING TO YOU AS A PRODUCER TO MARKET YOUR ORGANIC GRAIN AND WHY?
- 2) THREE OF THE MAIN DIFFERENCES BETWEEN THESE FIVE OPTIONS IN THE LONG-TERM ARE FINANCIAL INVESTMENT, COMMITMENT TO DELIVER AND THE ACTIVITIES PERFORMED THROUGH EACH OPTION. IN THE LONG-TERM, GIVEN THAT THESE DIFFERENCES EXIST BETWEEN EACH OPTION, HOW DO YOU FORESEE PRODUCERS OPERATING AND MARKETING THEIR ORGANIC GRAIN? HOW WOULD YOU SUPPORT THESE MARKETING ACTIVITIES OR HOW DO YOU FORESEE YOURSELF PURCHASING ORGANIC GRAIN FROM PRODUCERS?

Responses are presented as they were written on the pieces of paper in the focus group session. The responses are numbered as to the groupings that they were given during the focus groups sessions. If there was a discussion around a particular subject or additional information was needed to clarify the response, it has been included and written in capital letters. The comments written in capital letters are either written comments by the recorder or were obtained from the tape.

PRODUCER RESPONSES:

New Generation Cooperative – Pros

1. – Potential for value-added premium
 - Profit shared back to participants
2. - Producer knocks middleman out of chain
 - Value added chain – important point to move product
3. – Selling as a big unit with better price
 - Stable and fair dollar return
4. – Producer run
 - Control by the producer (members)
5. – A consistent delivery point for ones product
6. – Greater learning opportunity. Marketing available. Shared information.

New Generation Cooperative – Cons

1. – Share purchase investment
 - Cost of Cooperative: membership fee, cost of managing operation, handling
 - Creating capital to establish

- Need to establish high cost facilities
- 2. – Delivery commitment
- 3. – Concern with decision making process leading to break-up of NGC.
- 4. – How to establish equitable ownership – Voting power.
- 5. – Producer run

Association (Marketing) – Pros

1. – Control by the producer (members)
2. – Value added chains. Important point to moving product.
3. – Can sell through/to association and others
 - No strict obligation to deliver
4. – Information is shared freely
 - Greater learning opportunity on marketing demand, etc
5. – Cheap to start
 - No facility to build - \$\$
 - No buy in required \$\$

Association (Marketing) – Cons

1. – No commitment by producer to deliver product
2. – Labor intensive (marketing)
3. – No value-added premium (raw product sold)

Private Corporation (Company) – Pros

1. – No obligation to deliver (if no producer investment)
2. – No risk to producers, not an exclusive market
3. – Some give fair price to producer (give them a good product and they come back to you)

Private Corporation (Company) – Cons

1. – Less profit to producer if no producer investment in company (less premium from value adding e.g.: cleaning)
 - Interested in their bottom line only
2. – Producer no input (assumption that investor owned)
3. – Some are sharks, less price stability
4. – No sharing of market information

Individual Strategy – Pros

1. – Sell own grain at your own price
2. – Top dollar returns on product(s)
3. – Less marketing fees, such as membership

Individual Strategy – Cons

1. – May sell product for too low of a price due to a lack of true market information
2. – Less sale information
3. – Lack of marketing opportunities

Broker – Pros

1. – Direct interaction with principle decision maker
2. – Overhead costs low

Broker – Cons

1. – More vulnerable because of lack of depth
2. – Less market exposure

GOVERNMENT AND INDUSTRY FOCUS GROUP #1 RESPONSES:**New Generation Cooperative – Pros**

1. – Limited membership
 - Closed/limited membership. Allows appreciation of shares and growth of equity.
2. – Equality
 - Coop philosophy e.g.: sharing, caring, etc.
3. – Shared risk taking
4. – Attractive and easy to set up
5. – Transfers responsibilities to people other than members (marketing)
6. – Great branding opportunities
7. – Ability to raise funds
8. – Eliminate middlemen
9. – Can provide a guaranteed supply. THIS IS A CON FOR PRODUCERS AND A PRO FOR THE COMPANY.

New Generation Cooperative – Cons

1. – May not run according to regular business practices. THIS COMMENT MADE ON THE ASSUMPTION THAT IT IS PRODUCER RUN.
2. – All members have same voting power (no matter how much money invested)
3. – Must provide a guaranteed supply to NGC. THIS IS A CON FOR PRODUCERS AND A PRO FOR THE COMPANY.
4. – Financial commitment by producers
5. – This is just another structure in the marketing channel (for producers to deal with)
6. – This requires that organic producers must work together. PRODUCERS DO NOT APPEAR TO WORK WELL WITH ONE ANOTHER AT THE PRESENT TIME.

Association (Marketing) – Pros

1. – The Alberta Organic Association already exists. SINCE THIS ORGANIZATION IS AN UMBRELLA ORGANIZATION FOR ALL ORGANIC CERTIFICATION BODIES IN ALBERTA, THERE COULD BE THE POSSIBILITY FOR A MARKETING ASSOCIATION TO FORM OUT OF HERE.
2. – One stop shopping. FOR BUYERS OF ORGANIC GRAINS, IF THEY PURCHASE VARYING TYPES OF GRAINS OR LARGE QUANTITIES.
3. – There is low financial commitment (ON THE PRODUCERS' PART).
4. – It is designed specifically to market.

Association (Marketing) – Cons

1. – This requires that organic producers must work together. PRODUCERS DO NOT APPEAR TO WORK WELL WITH ONE ANOTHER AT THE PRESENT TIME.
2. – May not be effective because it is a “looser” structure.
3. - Heavy commitment of growers – COULD BE MUCH WORK BY PRODUCERS IF PRODUCER DRIVEN.
4. - Size matters – MUST MEET A CERTAIN CAPACITY TO BE EFFECTIVE.
5. - There may be a liability issue(s). Is it a legal entity?
6. – There will be a cost associated with hiring a marketing team.

Private Corporation (Company) – Pros

1. – Develop great business leaders (take things a long way personally)
2. – Faster decisions
3. – A known entity (taxation and law)
4. – Releases producers of responsibility of marketing

5. – Coop is a dirty word in Alberta

Private Corporation (Company) – Cons

1. - \$\$\$ - where is the capital?
2. – Profits will go to the company rather than the producer
3. – There could be great philosophical differences between the producer and the investor.
4. – There may be no security commission exemptions.

Individual Strategy – Pros

1. – Independence and flexibility for the producer
2. – Currently operating within the organic industry

Individual Strategy – Cons

1. – Producer must be a “jack of all trades”
2. – Producer assumes all of the risk

NOTE: Comment made that there is room in the industry for an entrepreneur processor or marketer. As well, it was felt that the Broker category was missing from the organizational structures.

GOVERNMENT AND INDUSTRY FOCUS GROUP #2 RESPONSES:

General comments:

- All cooperative structures need a leader.
- Variations or each are plausible.
- Multiple options can/will work simultaneously.
- THE INDUSTRY DOES NOT APPEAR TO HAVE THE SAME GOALS (AS IN THE OBJECTIVE STATEMENT) SO MAYBE THE INDIVIDUAL STRATEGY IS THE ONLY OPTION.
- ASSUMPTION MADE BY PARTICIPANTS THAT A PRIVATE COMPANY UNDER THE COLLECTIVE OPTION IS A LARGE CORPORATION.
- THE REQUIREMENTS FOR EACH OPTION TO GET OFF THE GROUND OR THE CRITICAL SUCCESS FACTORS SHOULD BE DEFINED FOR EACH OPTION.
- ASSOCIATION A SPRINGBOARD ORGANIZATION FOR THE OTHER COLLECTIVE OPTIONS. THIS WAY YOU GET THE CRITICAL MASS OF PRODUCERS, THEN FINANCIAL INVESTMENT.

New Generation Cooperative – Pros

1. – Cash flow or a dollar benchmark is guaranteed to the producer.
2. – Profit back to producers
 - Producer may be able to keep more value and have better service from a larger company.

3. – Economies of scale
4. – Individuals come together to meet a common need; more commitment and input from producers.
 - Perform a specific function. Objective and purpose are clear.
5. – Wonderful name
6. – Allows for a greater understanding of who the customer really is, what they want and how the customer will be serviced. Note that only with management expertise.

New Generation Cooperative – Cons

1. – Coop may be more product driven and less responsive to market
2. – Producer bias. Stronger to production side, set price too high.
 - Politics in administration (one member, one vote).
 - Problems balancing market demand and producer price (N. Dakota Bison coop)
 - Board members are the producer/deliverers
3. – Shares expensive, long return window
 - Huge buy-in necessary (financial).
 - NGC is a big initial commitment (infrastructure).
 - Higher risk to investors, if coop doesn't have sufficient equity and scale to succeed.
4. – Risk of sharing loss.
5. – Need high number of members.
 - Need passionate critical mass, that are there for the right reasons.
6. – Need leader to get the ball rolling .
7. – Producer could be stuck with delivery commitment.
8. – Short-term versus long-term vision.
9. – NGC is not the only game in town.
10. – Barrier to entry (\$\$ return in the short-term?)

Association (Marketing) – Pros

1. – Low exit barriers.
2. – Buy marketing service for a fair price.
3. – Small up-front money: low entry costs.
4. – While organic production is on a smaller scale, may benefit by having marketing association to collectively market product.
 - Greater supply together

5. – Pooling opportunity (e.g. freight, grade, etc.)
6. – Marketer can outsource product
7. – Marketers accountable – commission based
8. – Flexibility of structure
 - Producer not committed to deliver
 - Flexibility to producer
9. – Springboard to further commitment
10. – More information back to producer

Association (Marketing) – Cons

1. – Lack of commitment by producers
 - May not succeed without mandatory participation
 - Needs a firm contractual agreement
 - If not mandatory, producers are not committed to deliver. It may be harder for association to survive
2. - No guaranteed supply
 - Supply shortage situations – no commitment to deliver
3. – Accessing market potential. Adequate size/scale
4. – Harder to achieve consensus on marketing goals, standards, expenses.

Private Corporation (Company) – Pros

1. - Flexibility to producer
 - Producer not committed to deliver, unless contracted product to company.
2. – Larger company have processes for handling, etc., can reduce costs for individual producers (economies of scale).
3. - Investors in a company will make a ROI with less efforts, where as investors in a NGC are more actively involved and have to work harder to achieve consensus and direction.
4. – Opportunity is there
 - Joint venture opportunities
5. – Doesn't require a critical mass if enough money is available.
6. – Private corporation assumes the risk, not the producer.
7. – If producer owned then price discovery.
8. – Greater capital potential.

Private Corporation (Company) – Cons

1. – Large company removes price and consumer signals back to producers.
2. – Information not transparent to producers, \$\$ premium to company
– High risk that not for producers benefit if investor owned
3. – If investor owned, does it meet philosophical aspect of organic?
4. – Possibility for single corporation to dominate market
5. – Farmers dealing with large companies lose autonomy

Individual Strategy – Pros

1. – Can respond quickly, faster and simpler decision making
2. – Most direct contact with consumer and buyers
– Buyers know the producer and the producer knows the buyer – Relationships
3. – Meet small niche
4. – Good testing grounds for potential markets.
5. – Probably the lowest cost option, with the greatest control.
– Independence
– Gives versatility to when producer markets.
6. – Maintenance of product identity – branding.
7. – Benefits to producer based on marketing skill. THIS IS A PRO FOR A GOOD MARKETER BUT A CON FOR A BAD MARKETER.
8. – Doesn't require a critical mass.
9. – Does this industry have a growth goal? Lack of consensus – PRO FOR INDIVIDUAL BECAUSE OF NO CONSENSUS.
– Producers are independently minded

Individual Strategy – Cons

1. – Must build relationships
2. – Must assume that owner has a good knowledge of marketing. Where do they learn?
– If can't market, can't sell
– Must have strong entrepreneurial ability to succeed
3. – Price discovery is limited
4. – Volume – can't guarantee large volume deliveries