

North American Organic Industry



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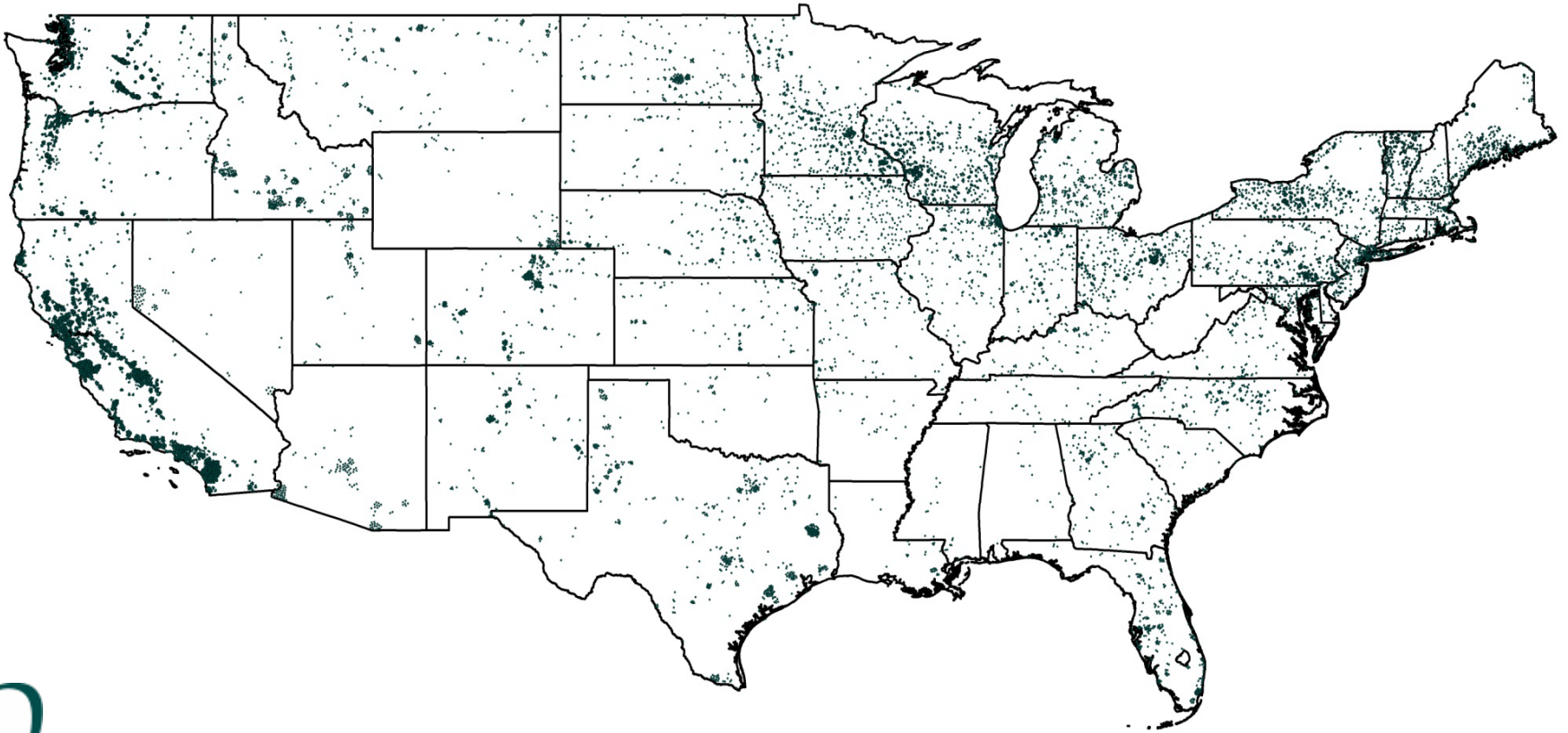
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Merida | Mexico | October 21, 2011

US Organic Operations

Organic is a **\$29 billion** per year industry, with more than **16,000** certified operations nationwide



Opportunities for Farmers and Businesses

- More than **16,000** certified organic operations
- More than **14,500** organic farms and ranches
- Almost **11,000** certified organic farms and ranches
- More than **4 million** organic acres
- **78%** of farms report planning to maintain or increase organic production levels over the next 5 years



Rural Economic Livelihood



Operating Profit Organic Farms
\$45,697



Operating Profit All Farms
\$25,448



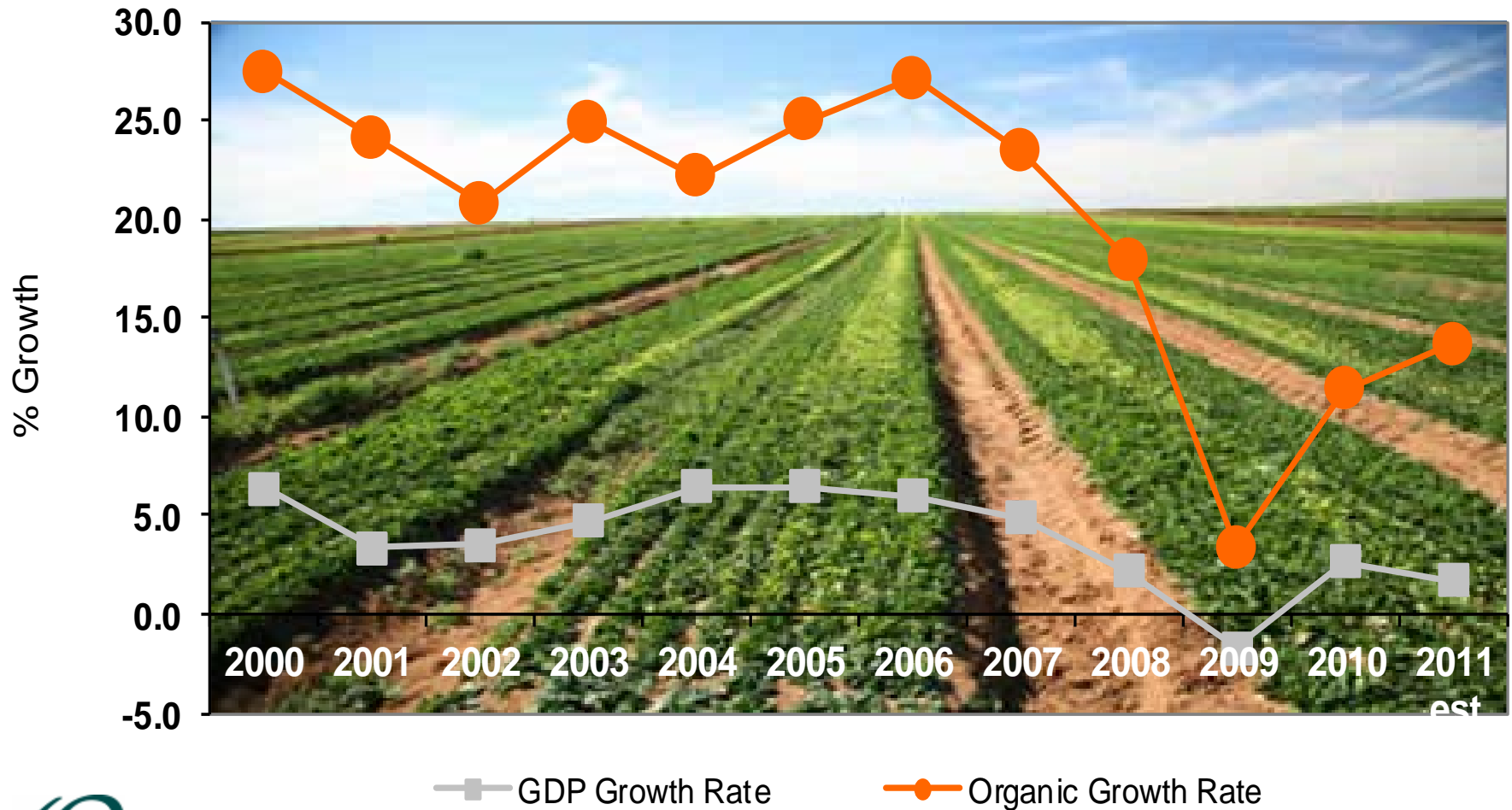
Trends in US Organic Agricultural Production

- U.S. organic farms on average have higher sales, higher production expenses, and higher operating profits than the average for all U.S. farms

	ORGANIC FARMS	ALL FARMS
Gross sales	\$217,675	\$134,807
Production expenses	\$171,978	\$109,359
Operating profits	\$45,697	\$25,448



GDP Annual Growth vs. Organic Industry Annual Growth



The Global Broadening of the Trade



The New Era of Regulated Organic

- 2002: approximately 32 regulated systems
- 2011: approximately 70, with as many as 20 more partially implemented or drafted
- This provides the benefit of enforcement and trust, but the challenge of redundancy, cost and trade barriers
- Creates burdens in addition to other non-tariff trade barriers



US & Canada: Equivalent Systems

- 2009: Canada–US Equivalency Arrangement = world’s first full organic equivalency determination
- Complements current trade and integrated markets; Increased efficiency & reduced cost
- Industry-led evaluation, government-led review & negotiation
- “Certified to the terms of the US-Canada Organic equivalence arrangement”



EU & Canada Equivalency

- Announced June 2011 shortly before the end of Canada's phase-in, following 4 years of negotiation and full vertical peer review & inspection



- NO critical variances (standards or enforcement), allows logo use

- However, EU regulatory language limits recognition to:

A) Canadian-grown ingredients / commodities

B) Canadian manufactured products made from ingredients



- This raises concerns and may not benefit processors, an important part of the Canadian sector, but COTA is working with the government to broaden the scope of the agreement

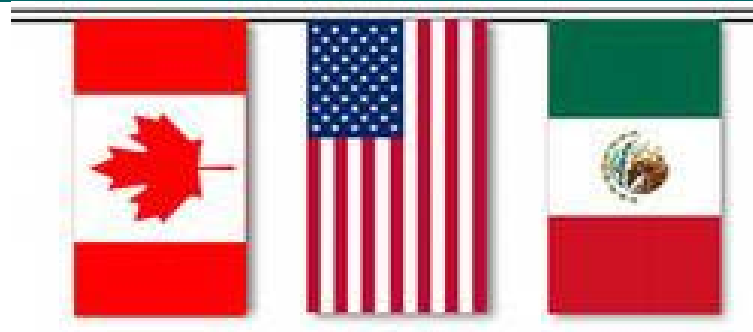


US | EU Discussions

- United States and European Union in trade arrangement discussions



North American Organic Trade




Canada | **US** | **Mexico**

Interdependent organic sectors

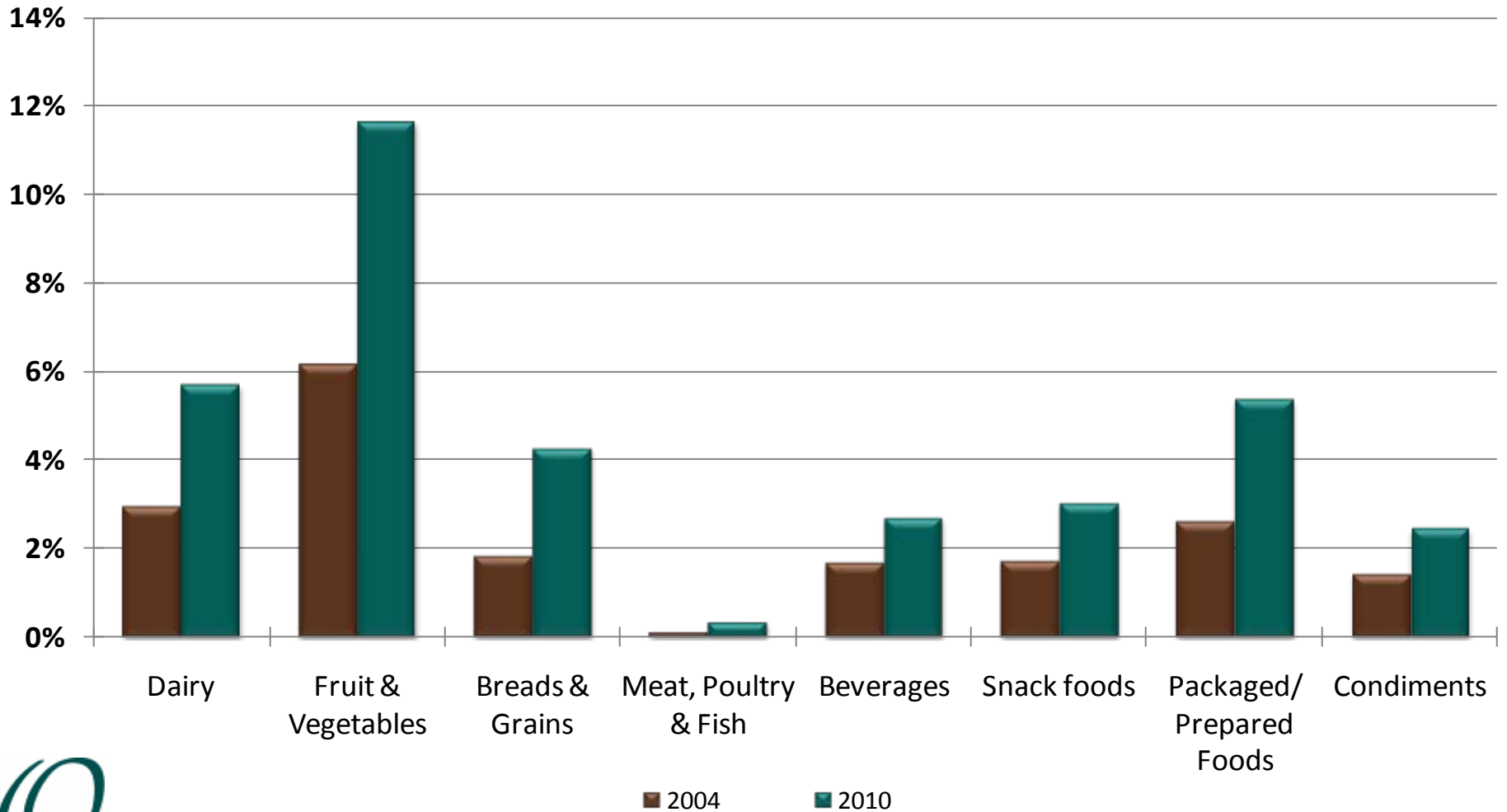
US – largest market for organic goods, surpassed the EU in 2010

Canada – US and Mexico top suppliers

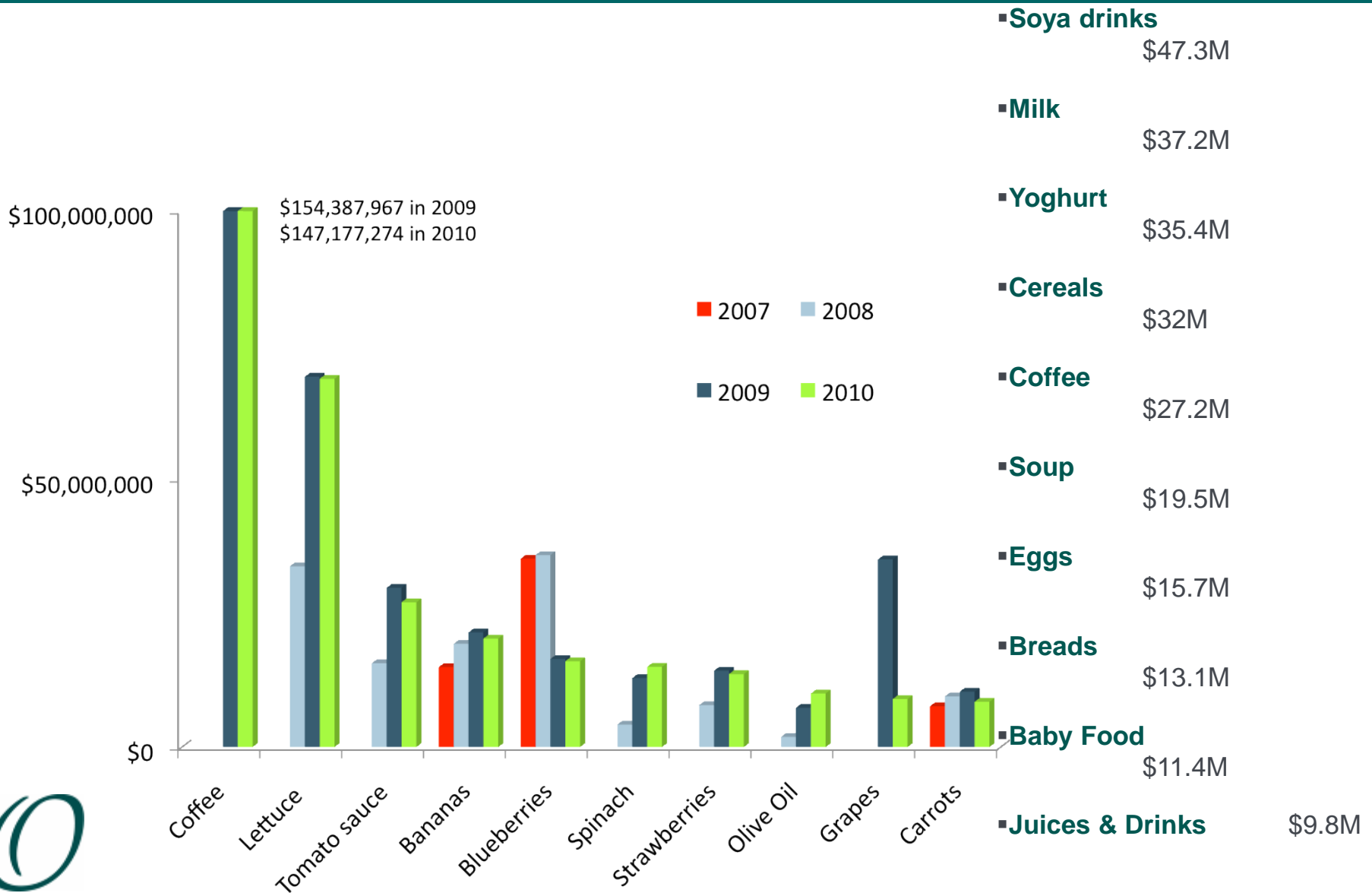
 **Mexico** – top 3 supplier to the US

Organic Food Penetration

US Organic Food Penetration of Total Food Market by Category 2004 vs. 2010



Canada - Major Imports, Major Grocery



United States - Major Imports, Major Grocery

- Approximately \$2B per year



- Organic coffee largest commodity



- Mexico 2nd largest organic supplier to the US



Produce: Fresh Fruit & Vegetables

- Largest consumer category in US – 40% of organic sales
- California, Florida and Midwest – large production regions
- Mexico – critical role in counter seasonal production: both U.S. and Mexico based companies
- Organic trade in North America critical to all economies



Resolution of Seed Treatment Issue

Critical to continued growth in trade, agricultural economies, and consumer trust



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