

AFI Workshop

'Improving Integrity of Organic Arable Production in Ukraine'

24-25 September 2015 | Anti-Fraud Initiative

[Click here for final Agenda](#) | [Click here for Participants List](#) | [Click here for the workshop declaration](#)

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Introduction

Introduction.

Beate Huber, FiBL

Beate opens the workshop. She introduces AFI, the Anti Fraud Initiative, and her two colleagues, Jochen Neuendorff of GfRS and Bo van Elzakker of Agro Eco – LBI. AFI has organised this workshop because in summer and autumn 2014 different shipments of Ukrainian organic sunflower cake were found to be contaminated with unapproved pesticides. The sunflower cake was used for making animal feed compound and was already widely distributed in North-Western Europe. The feed and in some instances the animals and eggs had to be withdrawn from the market. This caused an important damage to the organic poultry, pork and beef industry but also to the image of Ukraine as a source of organic products. Ukraine is the biggest supplier of sunflower worldwide. It was reported that one certifier has certified 120'000 ha of sunflower - an area equalling the total organically certified area in Switzerland. Though not only sunflower but also other protein crops and grain are important export crops which made Ukraine a very important supplier of feeding crops in Western Europe, e.g. Germany and the UK.

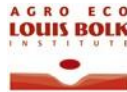
Welcome.

Volodymyr Topchiy, Ministry of Agricultural Policy and Food.

There are around 175 organic companies in the country, farming close to 400.000 hectares which is 1% of the surface. With that Ukraine is among the top 20 largest organic producers in the world. Grains, oilseeds and pulses are exported to the European Union, the United States and to a lesser part to Asia. The sector has grown very fast without any control by the ministry. In 2013 an organic regulation was approved but it is still being prepared for implementation. Mr. Topchiy announces that the Ministry is to appoint an organic expert soon in the Ministry. The development of organic agriculture has become a priority for the ministry and as such it is included in the rural development strategy for 2015-2020. The ministry wants to be involved.

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From a strong certification body to a supportive legal framework.

Viktor Shutkevych, Swiss Cooperation.

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The Swiss Cooperation has supported the development of the organic sector in Ukraine with different projects, currently the *Organic Market Development Project* ([pdf \[4\]](#)) and the *Consolidation of the local Organic Certification Bodies Project* ([pdf \[5\]](#)). There are 300 organic products on the domestic market. Exports have increased fourfold between 2012 and 2015. The organic sector is not consolidated in one voice. Not everyone is participating in the organic movement in the country.

Promotion of Ukrainian exports.

Gennadiy Chyzhykov, Chamber of Commerce & Industry (UCCI).

The president of the UCCI welcomes the participants to the workshop, reminding them that the Ukraine is facing hard times, with an ongoing war in the East and an economic meltdown. However, this is an opportunity to reset the country and turn the economy around, an economy in which the EU plays an important role. Ukraine was and is the breadbasket of Europe. Small and medium enterprises are the drivers of economic development, also for the organic sector and that is what the UCCI supports. He stresses the need for an organic sector (business) association. The UCCI is setting up EU Export Support Centres, where exporters can get assistance. The country can be among the world's top 5 organic producers.

Framework for organic markets

Organic agriculture; facts & figures.

Eugene Milovanov, Organic Federation Ukraine.

[Click \[6\] for presentation.](#)

Dr. Milovanov confirms that there are around 180 companies farming around 400.000 hectares. Ukraine is among the top ten countries in the world with the largest surface of arable soil. For the moment most of organic production is raw materials but there is some processing (oil milling). He mentioned the exports to Switzerland and Japan, besides EU and US. He points out the development of the domestic market, where the EU leaf is widely used as the organic logo. Farmers' markets are very popular and are criticised for being sold out already around noon.

Organic agriculture policy development.

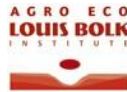
Natalie Prokopchuk, FIBL Ukraine.

[Click \[7\] for presentation](#)

There is an organic regulation. The bylaws are under development; this is done in consultation with the stakeholders. There are 16 certification bodies active in Ukraine, for different product categories. According to the regulation they need to be accredited. There is a local accreditation body, the

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National Accreditation Agency of Ukraine, NAAU. The competent authority for the organic regulation will be the State Service of Ukraine for Food Safety and Consumer Protection. It is expected that implementation of the regulation becomes effective in 2016. Natalie shows the national logo that has been developed. This logo will be used besides the EU leaf. Organic agriculture is one of the priorities mentioned in the 2015-2020 Strategy for Agriculture and Rural Development.

The EU perspective.

Serge Massart, European Commission DG Agri.

[Click \[8\] for presentation.](#)

Mr. Massart gives an overview of alleged fraud cases. In 3 of the 5 cases Ukraine is mentioned as a country of origin. As a result of the sunflower cake case, the European Commission launched an alert (RIF notification). Ukraine-Eastern Europe is classified as a high risk area and the certification bodies active in those countries should receive extra supervision from their accreditation bodies. The certification body responsible for the sunflower cake was suspended and later withdrawn from the list of recognised CBs for EU imports. As a result of the sunflower cake scandal, the Commission is proposing extra measures. From now on, each operator must be certified itself. This means that farms can no longer be part of the certificate of the exporter, they need their own certification. The Commission stresses once more that inspections should be risk based and cover the whole chain. Risk based means that those operations with higher risks are inspected more frequently and more thoroughly. Operators can no longer be certified by different CBs. There is also attention for frequent change of CBs. The Commission wants the different Commission and national controls to cooperate better, along the supply chain, in order to exercise their control. The Commission found irregularities with the certificates which encourages the Commission to pursue electronic certification. The DGs AGRI and SANTE are working with TAXUD, to develop electronic certification for imported organic products under the TRADE Control and Expert System (TRACES). This means that the operator's certificate is uploaded and that transaction certificates are generated from the system by authorised persons. The website is 24/7 accessible to check the validity of certificates. This system would allow the Commission to monitor organic imports (product and volumes) into the EU. It would also be linked to RASFF, the Commission's Food and Feed Safety Alerts.

During his presentation Mr. Massart referred to the [EU regulation \[9\]](#), the [guidelines for organic imports \[10\]](#) and the [European Accreditation Policy for the accreditation of organic certification bodies \[11\]](#)

What do EU member states expect.

Paul Severens, Vanessa de Raedt & Julien Viau, competent authorities of NL, BE and FR.

[Click \[12\] for presentation.](#)

Mr. Severens explains the impact of the sunflower cake case in the EU. As the raw material is used as an ingredient in compound animal feeds and distributed in low concentrations over many countries, many farms, many animals, many markets, from Norway to Spain, from the UK to Romania. The

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organic feed sector hit rock bottom. He explains the measures taken by the different Competent Authorities at the time and the new regime of increased sample taking by the CB at the time of submitting the TC. The alleged fraud caused financial losses, loss of confidence in Ukraine, loss of confidence of the public in organic farming. To improve integrity along the supply chain different actors have to do a better job. Ukrainian operators need to know what organic agriculture is and how organic products should be handled. The farms need to have a proper rotation. Operators need to have preventive measures in place, a quality management system. CBs need to look more carefully at subcontracting, conversion period, parallel production, traceability/separation, the existence of preventive measures. There are different roles for the Ukrainian Ministry of Agriculture to prevent similar cases in the future: to make sure that the organic operators are aware of the rules, the supervision of control bodies on its territory, sanctioning non-conforming behaviour, the presence of accredited laboratories for testing. Building trust requires the efforts of all stakeholders.

The organic regulation.

Volodymyr Lapa, Ministry of Agrarian Policy and Food.

The Deputy Minister expresses his serious worries about the few bad operators who damage the reputation of the country. The ministry and many Ukrainians had not heard of the sunflower case before and the ministry did not receive any notification from the EU. Ukraine has a strong will to combat fraudulent practices in the Ukraine. The government is working on the implementation of the organic regulation. Since its adoption in 2013 the ministry has been working to prepare for its implementation which is not easy as the ministry itself is in reorganisation. Mr. Lapa is very motivated to start implementation as Ukraine has an important potential in organic farming which is underutilised. The contribution of organic agriculture to rural development is evident. There are very limited funds and therefore subsidies are not to be expected but even so, access for organic farmers to low interest loans can be a great stimulation.

Certification

Towards reliable quality: buyer-supplier relationships in export activities.

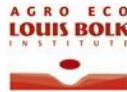
Maria Ligotska, Galeks-Agro.

[Click \[13\] for presentation](#)

Galeks-Agro started in 2008 on 20 year long fallow land. It is now one of the best established organic operators in the Ukraine. It has an export focus for crops, mainly to Switzerland, Germany and the Netherlands, and a local market focus for dairy and meat. The company has a broad perspective of integrity and of quality. That is expressed by its certification to both the EU regulation but also private standards like Bio Suisse and Bioland. But its quality goes beyond certification. It welcomes its buyers and their buyers. It produces on contract (some pre-financing). Some of the current harvest is sold on the open market. It benefits from transparency. It regularly invites fellow Ukrainian operators to open days, where they share experiences and learn the basics of organic production. It exports a

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series of grains and this year it will have some soya for the first time. The company continues to develop.

Best certification practices for Ukraine.

Sergiy Galashevskyy, Organic Standard.

[Click \[14\] for presentation.](#)

Organic Standard is the only local certification body in Ukraine. Organic Standard was visited recently by representatives of the EU Food and Veterinary Office (http://ec.europa.eu/food/food_veterinary_office/index_en.htm) who wanted to witness an audit of Organic Standard (of Galeks-Agro). Organic Standard is growing. It currently services 250 clients with 14 staff. They make a great effort in maintaining the quality of the work. He stresses the need for a good risk assessment. Sergiy mentions some other risk factors like the use of synthetic nitrogen, 'bio' growth regulators and the use of treated seed. He claims that 90% of organic crops in Ukraine are grown from treated seed, as seed treatment is mandatory. He argues that when the organic operators pool their requirements for non-treated seeds, exceptions might be achieved. He argues that it is necessary to work with local inspectors. Only they can communicate, read documents, make unannounced visits, visit regularly during the growing season and take samples at the right time. He stresses that the CB should also have access to the bookkeeping of the operator to cross check information from the field, silo or grain depots. Organic Standard cooperates with the certification bodies from outside Ukraine. Sergiy is chairman of the EOCC Ukraine platform.

Proposals for a risk based approach of organic products produced in Ukraine.

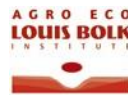
Tom Nizet & Antoine Fauré, European Organic Certifiers Council EOCC.

[Click \[15\] for presentation.](#)

The EOCC is the cooperation between all organic certification bodies at least in Europe. It is a professional association. Due to the sunflower case it has a Ukraine platform since June 2015. It has also a taskforce on residues and a taskforce on risk assessment. In the Ukraine there are problems with contamination of products (storage), with selling non-organic as organic (fraud) and there is insufficient knowledge about organic agriculture and its rules throughout the supply chain. The EOCC is for a steady development of the sector. Until the end of 2015 all activities in the Ukraine are considered high risk and that includes the trade in old stocks that are allegedly still available. Real time inspection is required. The EOCC proposes and the Commission agrees that all CBs active in Ukraine provide a report at the end of 2015 activities of their experiences. The Commission has also ordered increased sample taking but there are quite some issues in the sampling of large volumes, to have the required homogeneity. The next day the EOCC Ukraine platform will have a meeting, the results will be communicated tomorrow. They propose a harmonised approach, in concertation with the European Commission.

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Residue testing as a tool for verification of organic.

Jochen Neuendorff, GfRS.

[Click \[16\]](#) for presentation.

Jochen argues that residue testing as a tool for verification of organic quality is a myth. This is due to a variety of problems with sampling, choice of analytical methods, quality of labs and interpretation of the results. This is particularly problematic in the case of bulk transports (also mentioned by EOCC above). Jochen shows some results of research. To be below 20% probability of false results there is a need to take and analyse 30 samples. To be below 10% probability (or 90% confidence) 50 samples are needed. Taking samples is an art in itself. The right (clean) equipment should be used, contamination of the sample once pulled avoided. A sampling protocol should be written (description/condition of the location, time of sampling –related to potential use of prohibited substances-, sampler and witness, identification of the batch, volume, storage method, storage cleaning method, previous locations, photos, other important observations or abnormalities) that should accompany the sample to the lab. Background information is important for the lab as the lab should comment on the limitations/validity of its analyses. Results in Switzerland, of cereals and spices confirmed the presence of traces of phosphine in certified organic products, but results depend on the analytical method. There are astonishing results of the analyses of the same sample by different (accredited) labs. Dr. Neuendorff wonders why isotope analyses are not used 1) to confirm origin of the goods and 2) to detect use of synthetic nitrogen. Such a test does not cost more than a residue analysis. He argues that certification of organic products is a process certification, that inspection should take place around the time/just after non permitted substances can be used, that preventive measures are in place. Residue testing has become an enormous cost for operators, but absence of residues is no sufficient proof of organic production or processing. Risk based inspections and real time comparison of physical locations with documentation are more useful.

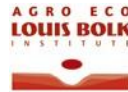
World Café session

Participants could take part in 2 rounds of 20 minutes to provide input on 5 topics.

1. For the write up of how to achieve good farming practices in Ukraine, [click \[17\]](#);
2. For the write up on cornerstones of effective control and certification, [click \[18\]](#);
3. The how to achieve transparency and communication World Café did not yield that many useful information, the main points are covered in the speech from Ksenia Gladchenko, later.
4. For a write up on how to act in cases of severe irregularities and fraud, [click \[19\]](#);
5. Most points raised in the supplier-buyer relationship World Café sessions were incorporated- summarised in the finding of the next day work group, except two points, [click \[20\]](#).

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Best Practices in Supplier-Buyer Relationships

Towards reliable quality: buyer-supplier relationships in import activities.

Roland Düring, Steiner Mühle AG.

[Click \[21\] for presentation.](#)

Mr. Düring was initially very sceptical about buying organic products from Ukraine. At that time Ukraine was best known for the Chernobyl disaster (1986). He started with contacts in 2008, with the mediation of FiBL. At that time he was purchasing organic foods from China (and US) and in principle it looked very attractive to buy products in Europe closer to Switzerland. The process to build trust in the byer-supplier relationship took some years. Steiner Mühle started with simple products, later more specialised products. He was pleasantly surprised when the Ukraine business partner (Galeks Agro) developed the value chain of buckwheat primary production and hulling within one year. He makes an agreement before the season and gives a buying guarantee. In his experience it is important for the supplier to know where his product goes to, who the end user is.

Supply chain management of organic arable crops in Ukraine.

Ivan Tomenko, Agrofirma Pole.

Mr. Tomenko is in the organic business for some years. In the beginning he had difficulty understanding that he received for example 65 for a product while the world market said 100. He wonders why UA prices are often 20% the price of a similar European product. He has achieved 50, but also 20 or 30% price premiums which should go to the farmers. He has recently built a new elevator/silo that can hold 7.500 tonnes. He spends over 100.000 euros a year on residue analyses.

Experiences with exports from Ukraine.

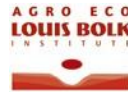
Olga Gathmann, Bioland Markt.

[Click \[22\] for presentation.](#)

Olga Gathmann's company, Bioland Markt, was started as a marketing company owned by German Bioland farmers, for their product. Processors are also part of the Bioland network and experience shortages. Hence Bioland Markt is looking for producers in other countries, originally in Central Europe (Czech Republic, Slovakia or Poland). Sometimes prices in those countries are higher than for products from Ukraine. The farmers are good and experienced organic farmers and they are located closer by. The Ukraine sunflower case brought a lot of economic damage; about 60 poultry and pork producers were temporarily suspended. However, the European market continues to grow at least for some products. Since 2013 Bioland is buying organic products from 'own' farms in Ukraine. These farms need to have own storage for their crops. Bioland provides consultancy on agro technical measures. Besides certification to the EU regulation the farms are also certified in accordance with Bioland standards. This double-check has shown some cases of noncompliance with EU Regulation EC 834/2007 and 889/2008. She stresses the need for personal contacts. "Behind each lot is a face". She notes, that processors try to buy directly from the farmers, undermining the relationship the farmers

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have with Bioland. Nevertheless it seems important to her, that the farmers/suppliers understand the market in Europe and know where their products go to. It is of great practical importance to inspect and examine the supply chain, besides the required certification routine. They check compliance in practice, not on (only) paper. Organic crop is delivered by truck in big bags.

Safeguarding Integrity; Importers Perspective.

Wouter Floot, Tradin.

[Click \[23\] for presentation.](#)

This is a joint presentation of the importers Tradin, Doens and BioCore from the Netherlands, all importers affected by the sunflower case. They somehow feel that the importers are blamed for the alleged fraud, whereas they have a big interest to do things right. They are importers, providing a service for example for feed mills which rather not take the risk. The importers carry an enormous risk. The financial interests are great and uncertainty cannot take too long. They complain about the lack of information from the competent authority and particularly from the Commission. They are not aware that documents has been falsified. It takes very long before a case is concluded. The importers find it strange that there is not yet a root cause analyses of what went wrong in the sunflower cake case. They would like to see a team of experts, of wise men, who are mandated to research a case and come to a conclusion within weeks.

Market Transparency

Tools for market intelligence and transparency in Ukraine.

Ksenia Gladchenko, QueS.

[Click \[24\] for presentation](#)

Ksenia was working with a certification body before. She saw that perhaps farmers can grow organic products but most of the times they have no idea how to sell it. Hence she, with a colleague, recently started Ques, to link farmers with buyers. They are working on product quality and matchmaking. They cooperated in writing the 'Export manual for starters in organic exports' (in UA, no link). She organised sourcing mission for EU and US buyers. They have started a monthly price bulletin which is based on market information from AMI in Germany. They provide organic trainings for company staff. She would like to work for sector organisations. She too, stresses the human factor.

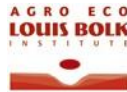
Monitoring of supply chain transactions based on grain yield.

Gerald Herrmann, Organic Services. [Click \[25\] for presentation.](#)

Mr. Herrmann is a long time activist in the organic movement. His consultancy company recently made a market survey of organic products from Ukraine for the European market. Part of his current activities is in developing software for certification bodies, to manage certification better. They have developed a tool to safeguard the integrity once the farm and the products are certified, called Check Organic. It provides reliable information about the status of goods according to certification bodies

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(not the seller). The system allows the certification staff to monitor the volumes of organic food, moving through the supply chain. A buyer can see information about a certain lot or a certain certificate. It is currently rolled out in Italy, where the accreditation body expects all certifiers to enter their data, and the retailers insist on the traders to participate in the system. It is an interesting example of an improvement that requires all operators to act at the same time, not only the good but also the weak ones. This year the system will be filled with data of Italian production but imported products will follow soon. When Moldovan producers asked Italian importers to come back, the importers insisted that certification bodies active in Moldova use this system, to guarantee the integrity of their organic products and the validity of their certificates once they have been certified.

Misleading labelling in Ukraine.

Olena Berezovska, Union of organic certified producers ‘Organic Ukraine’.

[Click \[26\] for presentation.](#)

Olena Berezovska talk is about labelling and mislabelling of organic products in Ukraine. There are various certifiers’ logos but the green EU star-leaf is the most popular indication of a certified organic status. The problem is that there is so far no surveillance on the market and there various examples where companies have promoted their products as organic but were not able to provide valid certificates from approved certification bodies. There is for example a ‘organic’ wodka that was even promoted in TV which has only been certified by an international certification body for short period of time. There is so far no effective protection of the EU leaf against misleading labelling. The words eko and natural are also often used in a misleading way. Olena stresses that the consumer needs to be protected - by Ukrainian authorities but also by the European Union, the owner of the EU leaf.

Tools for transparency – bioC.info.

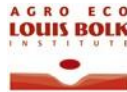
David Gould, IFOAM Organics International.

[Click \[27\] for presentation](#)

David introduces the database bioC.info – the directory of certified organic operators. The International Federation for Organic Agriculture Movements is promoting the system since it helps to increasing market transparency and thus fostering organic integrity. The database is easily accessible, designed in a way that allows also certification bodies outside the EU and US to easily upload the certification data. It already covers around 60’000 organically certified farmers and companies. The bioC-online search tool is free of charge to any internet user. One can verify the status of certified producers; can see the CB who certified them. The production is linked to the farm’s certificate. A trader can save a supplier list for a small charge. There is a notification mail in case the validity of the certificate is in doubt ore a monitored product or product group is lost on a new certificate. Traders pay for this information, certification bodies earn a little for entering their data. It makes the trade of organic products safer.

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The way forward

There were two big working groups, a closed one for Certification bodies and authorities on effective control and certification in Ukraine, and an open one on buyer-supplier relationships.

For the recommendations on supplier-buyer relationships, [click \[28\]](#)

For the results on certification of the 2015 season and old stocks, [click \[29\]](#)

Closure

A workshop declaration is read and agreed by the participants.

[Click for the declaration.](#)

The workshop took place in the building of the Ukrainian Chamber of Commerce & Industry. Organic lunch was provided by the Union of Organic Certified Producers 'Organic Ukraine'. The workshop could take place because of funding from SECO in its *Consolidation of the Local Organic Certification Bodies Project* - thanks a lot for this. The AFI team organised this workshop mostly on a voluntary basis.

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