

How to approach the problem?

- **Initial reaction is to turn to CBS**
 - ❖ They are ones on site
 - ❖ They apply auditing procedures
 - ❖ They conduct unannounced visits
- **Talk of “gold standard” CBs**

What can be done to improve?

- **What is being required of CBs**
 - **ISO Guide 65**
 - **Need more specific requirements re**
 - **Organic**
 - **Fraud detection**
 - **Need different (better) training of inspectors**

“Higher” level certification

- **Already exists in IFOAM accreditation**
 - 266 additional requirements to ISO Guide 65 - many relate to fraud
 - Compulsory minimum unannounced visits
 - Compulsory input /output analysis

Is quality certification the answer?

- **Organic Certification is about comparing a detailed standard against complex management system**
- **Most of the inspection is about whether operator complying with these detailed standards**
- **Time constraints means the limited fraud auditing is inadequate no matter how well carried out**

What alternatives ?

- **One way is to change system of annual inspections**
 - **Management inspection**
 - **Comprehensive integrity audits**
- **Difficult to achieve such a change**
- **Another way is for the trade to set up something different from certification**

Project Progress Report

**Program for organic supply
chain integrity protection
IOAS/ NCGA**



NCGA

- The National Cooperative Grocers Association (NCGA), represents 110 consumer owned food co-ops nationwide
- Products largely organic and natural
- Members operate over 130 storefronts with annual sales of over \$1 billion
- Members sizes range from <1 Million to 100 million in sales

FOR MORE INFO...

<http://ncga.coop/>

IOAS

- **International Organic Accreditation Service operates 4 programmes globally.**
- **IFOAM accreditation (41CBs); ISO/IEC Guide 65 accreditation (24 CBs) Canada programme (21 applicants) and new EU equivalency program (21 applicants)**
- **Conducts educational courses in organic accreditation and certification**

FOR MORE INFO...

www.ioas.org

Additional Sponsors



- **Puget Consumer Cooperative (PCC) operates eight stores with over \$100M in annual sales**
- **Unified Grocers founded in 1922 by 15 independent grocers – \$4 billion sales**
- **Hanover Co-op Food Store – two stores & 30,000 members**

Aim of the Project

- **Place a protective envelop over the supply chain**
- **Do this by applying specific measures that will prevent and detect intentional breaches of integrity**
- **Implement these measures on an ongoing basis**

Constraints

- **Measures must have a positive cost/effectiveness ratio**
- **Program should use existing resources to reduce costs**
- **System for identification of the supply chain must be easy and flexible**
- **Overall program must be low cost/low burden – using sampling**

Some points

- **This is not a certification or accreditation program**
 - No verification of standards
 - No review of management system
 - Some suppliers may never be subjected to anything
- **Once developed it will be open for other retailers, brand owners and larger traders**
- **A critical mass of program adopters will increase efficacy**

1 Identifying the measures

Unannounced visits

Trace-back with cross-check

Spot check uncertified entities

Upgrading inspector quality

Centralized complaints system

Input/output balance

Residue testing

CB cooperation

Fraud proof certificates

Perspectives

Description

Inclusion in field trails

Familiarity

Conclusions

Implementing body

Cost and challenges

Effectiveness re: detection

Effectiveness re: prevention

Some points that emerged

- **Unannounced visits are very effective but costly as additional to normal**
- **Input-output reconciliation is a crucial tool but need to tackle more complex products**
- **Trace-back audits need crosscheck follow-up**

Some points that emerged

- **Different measures may be appropriate for systematic fraud versus circumstantial fraud**
- **Some measures suitable for risk-based approach others could be percentage or across the board**

Field trials and surveys

- **Conducted some field trials on:**
 - **Complex input/output reconciliation**
 - **Cross checks**
- **Conducted surveys of CBs on:**
 - **Unannounced visits**
 - **Inspector quality**

Summary results field trials

- **Complex reconciliations may fail due to unknown reasons**
- **Cross checking can be accomplished with minimal effort though language may be a hurdle**

Summary results of surveys

- **70% of the CBs reported that they had uncovered at least one case of fraud as result of unannounced visit**
- **All were of opinion that unannounced visits useful tool**
- **Only one of the CBs required use of accredited inspectors**
- **All CBs of opinion that quality of inspectors has improved over 5 years**

The likely initial measures

Unannounced visits

Trace-back with cross-check

Spot check uncertified entities

Upgrading inspector quality

Centralized complaints system

Input/output balance

Residue testing

CB cooperation

Fraud proof certificates

2. Development of program

- **Retailers /sponsors require the supply chain to register**
- **Registered certification bodies apply some of the measures to registered suppliers on a sample basis**
- **Most may be applied at time of normal inspection**
- **Some measures to be implemented by sponsors themselves (residue analysis)**

Role of the oversight body

- **Carries out random checks on CBs globally to ensure program implementation**
- **Coordinates centralized complaints system**
- **Coordinates investigation of residue tests above defined limits**
- **Acts as registrar of suppliers and certification bodies**

3. Supply chain identification

- **Suppliers required to complete a simple registration**
- **Certification bodies required to complete simple registration**
- **Web based system with fallback for LDC suppliers**

3. Supply chain identification

- **New suppliers will have time period for registration so sourcing unaffected**
- **System will generate coded registration numbers**
- **Suppliers required to use numbers on invoices**
- **Annual update system.**

Basic
contact
details

Supplier registration

Name of company

Unwholesome Grains Inc

Current CB

Contact person

Shady Sam

Address

In The middle of Nowhere
South Dakota

Country

USA

E-mail

Shady @daknet.net

Category

Farmer
Manufacturer
Trader/broker

If your current CB does not appear on this list please inform them that you need them to register at the following web address: www.cbregister.com. Once they have registered they will appear in this list and you will be able to complete your registration

Supplier registration

Can only
choose from
registered CBs

Name of company

Unwholesome Grains Inc

Contact person

Shady Sam

Address

In The middle of Nowhere
South Dakota

Country

USA

E-mail

Shady @daknet.net

Category

Current CB

Good Cert
Easy Cert
Best Cert
Very Easy Cert Inc
Slick Cert

If your current CB does not appear on this list please inform them that you need them to register at the following web address: www.cbregister.com. Once they have registered they will appear in this list and you will be able to complete your registration

Before continuing please click one of the buttons to read the document "measures undertaken under the Supply chain integrity enhancement program"

English

Spanish

French

Mandarin

German

In selecting the Yes button below we agree

- 1) That we have read the document "measures undertaken under the Supply chain integrity enhancement program"
- 2) That we accept that our certification body may apply these measures to our operation and will provide all necessary access for that purpose.
- 3) That in the course of investigation of complaints representatives of the program may find it necessary to inspect your premises and/or review your records and that you will provide all necessary access for that purpose.
- 4) That we will use our supply chain ID number (you will be provided the number on completing this form) on all invoices of produce that might enter the supply chain covered by this program
- 5) That failure to fulfill these obligations may result in your operation being deregistered and your buyers being informed that product sold by you may not enter the supply chain

I AGREE

Once you have clicked the agreement button you will be sent your ID number plus more information on the program

Certification Body registration

Certification body name

QuickCert

Contact person

Shifty Sam

E-mail

Shifty@daknet.net

Address

In the middle of Nowhere
South Dakota

Country

USA

Existing Accreditation/approvals

NOP

National accreditation body

IOAS

My government authority

NOP

None

If more than one choose any one of them

CBs with no oversight of any kind may not be able to register

Before continuing please click one of the buttons to read the document "Measures undertaken under the supply chain integrity enhancement program" and "Obligations of certification bodies in implementing the measures"

English

Spanish

French

Mandarin

German

In selecting the Yes button below we agree

- 1) That we have read the document "measures undertaken under the supply chain integrity enhancement program"**
- 2) that we have read the document "Obligations of certification bodies in implementing the measures"**
- 3) That we agree to apply these measures in accordance with the sampling levels indicated to those of our clients identified as being registered in the program**
- 4) That we will undertake investigations where complaints or high residue levels cast doubt on integrity of particular products**
- 5) That we will check a sample of invoices of suppliers to the operation to ensure that they carry the program ID number**
- 6) That failure to fulfill these obligations may result in your body being deregistered and your clients being informed that they must use another certification body if they wish to continue within the supply chain**
- 7) To charge clients no more than that indicated in the document on implementation**

I AGREE



Current Work

- **Doing some trials of sending samples to labs for broad spectrum analysis in US**
- **Determine risk analysis system for sampling**
- **Further develop concepts for common complaints system**
- **Develop system for delivery of the measures to non certified traders**

Future work

- **Further develop the program elements and the registration system**
- **Develop financial model**
- **Approach potential program adopters**
- **Create registry database**
- **Education of parties involved**

Thank you for your attention

**We invite any traders or retailers
interested in their supply chain being
included to meet with us**



What should a retailer do now?

- What do I have to do?
- What should or can I tell my customers?
- How should I communicate this in-store, out of store?

What will I need to do later?

- **What will the project do? (extra measures taken)**
- **Do I contact every distributor that I receive from: Produce, Grocery, HBC, Deli, Local?**

The project

- **Motivation is a concern about the imbalance of supply and demand**
- **Protection of the consumer (and producer) from problems resulting from this imbalance including fraud**
- **Increasing concern of trade regarding anomalies – high price = sudden supplies**

Sponsors

- **National Cooperative Grocers Association (NCGA)**
- **International Organic Accreditation Services (IOAS)**
- **PCC Natural Markets**
- **Hanover Co-op Food Store**
- **Unified Grocers**



Hanover Co-op Food Store

- **Founded in 1936**
- **Sells a variety of conventional products alongside natural & organic SKUs**
- **Over 30,000 members**
- **Operates a service station offering fuel and automotive repair**
- **Two grocery locations: Hanover and Lebanon, NH**

FOR MORE INFO...

www.coopfoodstore.com



Unified Grocers

- A retailer-owned wholesale grocery co-op
- Founded in 1922 by 15 independent grocers in California
- \$4B in sales
- Service territory covers El Paso and Boise to San Diego and Seattle, Alaska, Hawaii and Pacific Rim

FOR MORE INFO...

www.uwgrocers.com

Progress to date

We have:

- Identified and analyzed a number of measures
- Developed an outline of a program to deliver these measures
- Developed an outline of the supply chain identification system

1. Identification of measures

- Document of measures identified as being potentially effective against fraud was drafted
- Feedback from number of sources
- Considered 9 measures against specific criteria

Implementing measures

- For some measures implementation should be risk-based
- Other measures could be applied across the board or on a percentage basis

Current Work

- **Field trials**
 - **Complex multi-ingredient input/output reconciliation**
 - **Trace-back but with crosschecks with suppliers**
 - **Conduct trials at both manufacturer and trader/broker stages of the supply chain**
 - **Conduct trials using experienced and new inspectors**

Current Work (cont.)

- **Conduct Surveys**
 - **Of CBs who currently carry out unannounced visits under IFOAM accreditation re: cost and effectiveness**
 - **Of IOIA and others on accreditation of inspectors or additional training programs**

Methodology

- **Identify and analyze auditing and other measures not currently being utilized effectively**
- **Field test these measures where knowledge is insufficient**
- **Design an ongoing program with stakeholder input that will selectively apply the measures**
- **Devise system to identify the supply chain**