

Sharing responsibility

This paper is written as an input for the AFI workshop 'Improving Integrity of Organic Arable Production in Ukraine' 25-25 September 2015 in Kyiv, Ukraine. See <http://www.organic-integrity.org/meetings/afi-kyiv-2015/#c2686> for the invitation and agenda.

Amongst others, the workshop addresses what measures need to be taken to allow for a thriving export of certified organic grains, oilseeds and pulses from the Ukraine, raw material or partly processed, for human consumption and as ingredients for animal feed mixtures, to European and other markets.

This paper combines experience with converting former coops and state farms in Central Eastern Europe to trustworthy suppliers of quality organic materials to the EU, the AFI-Hamburg Code of Good Organic Practice and the Trade Risk Assessment, the AFI-Brussels Sensitivity to Fraud paper, UNEP-Exporter training for buyer questioning during Biofach ppt, and fraud suspicion investigations. It addresses what buyers can do-should do to build robust supply chains. The entry point is the buyer assuming responsibility for the product. See the ppt slide from an AFI workshop in 2011 on the right.

- Approach**
- > **The trader is responsible for the product**
 - > **Do not hide behind a certificate, a CB**
 - > Value of inspection, of certificate is limited
 - > **Go long term, go efficient, not cheap**
 - > **Residue analyses is not enough**
 - > **Know your suppliers, and their suppliers**
 - > Secure 'transparency' in the chain
 - > **Identify CCPs, insist on improvement**
 - > Work with the supplier and client to improve ('integrate')



This paper forms a guideline for discussions between buyers and suppliers. Ideally during buyer field visits, at different times of the year, until a stable supply chain is developed,

- to build trust in the relationship and in the quality of the goods,
- to build the capacity of supplier (and its staff),
- to entice the supplier to continuously improve, and
- to build the confidence of, to be able to answer questions from downstream buyers.

Or: what are the potential bottlenecks, the topics that need attention, where can the buyer assist the supplier, how to behave responsibly.

A supplier has a good product for a good price and a certificate, delivers on time, etc. A robust, trustworthy supplier also has

- A vision, is future oriented ;
- An efficient, known value chain ;
- Management system, incl. but not only a QMS;
- Financial stability;
- Robust farming system, incl. inputs.

Vision

- How old is it and status of company: is it in set-up, is it steadily or haphazardly growing, in survival mode or consolidated. What is the expectation short and long term. Any ambition.
- Is company aware of, sensitive to corporate image. Is exporter visible on trade fairs, participating in conferences and workshops. Does he have a good story, does he participate in, contribute to the organic movement, or are it all enemies and is the company isolated.
- Who holds the vision, is it one person or is it shared and alive throughout the company.
- Is there interest in building a lasting business, perhaps a partnership, or just one-off deals.
- Does it deal with products with specification, is there a quality track record to show for it.
- Is there awareness, knowledge of the markets, the requirements, are they interested where the product will be used for.
- What are their problems, are risks analysed, is there an interest in sharing, in learning, in assistance to solve them. Is there openness to provide experiences of earlier business deals and what they learned from it.
- Can the supplier do a situation analyses and/or a SWOT analyses of the operation. Does supplier have ideas and interest to improve, what has it improved in the past, what will it do the coming year(s). Does supplier invest in improving the operation. Is there a plan. Is it implemented.

Value Chain

- Is there a transparent, efficient value chain. In a VC each operator performs an activity, provides an essential link that others cannot perform. Is the role of each partner defined, what it does and does not do, is this properly paid, so that all are motivated, committed to develop this VC further (no tensions on the business part).
- Is there loyalty or do operators step in and out, do partners try to cheat each other.
- Are the parties in the value chain known: various input suppliers, primary production sites, cleaning/drying places, transporters, storages, aggregator, processing, stevedore. Is it an efficient VC (e.g. driving distances). How are the relations. Is participating in the value chain profitable for all the actors. Do they know and share the vision. Is the VC, are operators, is ownership of all operations stable. Are operators loyal. Is the business secured by seasonal contracts, what happens when one operator does not perform.
- Will the VC, will the relationships hold when all operator' names are published on a website.
- Is the buyer's order assigned to production from own farms-fields or is it subcontracted to farms belonging to outsiders. How old, how solid is that relationship?
- Is use made of local and/or foreign knowledge centres/advisors or is the company isolated, not communicating with the outside world, not known, hiding.

Management

- What is the management system: production planning, provision of inputs, contracting, documentation needs, certification process, product specifications, product flow (logistics, storage), quality management, export mgt., financial management. What is the structure, the units. The mandates of those responsible, the staff, the CEO.
- Are there checks and balances, is everybody managed/supervised by somebody else. Are there regular team meetings, do units report to each other (know what the other is doing).

- Is subcontracting of farms-fields based on annual contracts (bigger and smaller) or long term commitments from both sides. Are the annual orders reflecting a reasonable rotation or forcing into monocropping.
- What happens with product not sold as organic (buyer also in conventional product).
- Is there an internal communication system (web based platform)
- Is there a product tracking/supply and quality management system in place, or in construction.
- HRM: It is usually not easy to have qualified, motivated staff, both in management and work force. Is there understaffing like multiple farms under same management (= limited presence) or too many management responsibilities with one person. Is staff stressed. How long does senior and junior staff stay on.
- Was, is staff skilled, trained, motivated. What is the job perspective, the incentive system for staff on farm and exporter level.
- Training of staff: in organic ag, organic market(s), in company, business, quality management, English.
- What is management culture; old fashioned, top down, command or modern, open minded, sharing problems in a team that decides?

Financial stability

- What kind of volumes of crop finance, of trade finance are at play, the interest rate. Would the operation benefit from advance contracting. This is where a better relationship between buyer and seller may have most benefits (and some risks).
- What is the financial system in the company. Trading terms. Self-financing, credits, release of funds. Who has which mandate. How does the financial situation limit the operations, what are improvements, solutions.
- Are there options for buyer-seller to engage in projects together, like PPP.
- How does bureaucracy, corruption influence record keeping, the need for shadow record keeping, both farms and company.
- Use of comprehensive and stable software, access to banking, intranet. Can old records be checked with new software.

Agriculture

- Farm lay-out; is there a stable map: fields, roads, storages, office, staff. Is it a logical farm unit.
- What is ownership, is it stable. Are same fields-acreages used every year.
- What is the normal, appropriate rotation. Where is the area famous for.
- Basic agronomy: is it stockless farming or is there a structural link with animal husbandry where feed and manure are exchanged. Rotations, soil cultivation, suitable varieties, use of organic or non-treated seed, nutrient cycling, soil analyses, soil fertility management, nutrient balance, weed-pest-disease management, equipment needs, benefit/cost calculations. Are all potential problems identified, are measures in place to mitigate them all. = the Farm Plan.
- Farm inputs programme:
 - Is there a strategy for use of non-treated and organic seed. Is there screening, testing of different varieties of grains, oilseeds and pulses for their suitability for OA. Is there a need for a selection or breeding program (with others) for some crops;

- What are the sources of materials for composting, the compost making process, use of amendments, application of liquid manure/foliar fertiliser, is there experimentation with the benefit/cost of green manures;
- What are preventative and curative measures for pest and disease management; Is there experimentation with minimum tillage, weeding equipment.
- Is there some cooperation with a research institute and/or local experts/advisors

QM

- Is there a Quality Manager, is there a QMS, or in construction.
- How is product quality assured (varieties, fertilisation, testing, blending).
- How is organic quality assured (training/instructions of all staff, organic status communicated on fields, trucking notes, warehouse doors, store records). Is it possible to do a trace back. Is it done.
- Is the product certified by a reputable CB. Did CB visit farms at the right times. Were there some unannounced inspections. Are inspection reports available for buyers.
- Does the supplier have a good name with the CB (communications follow-up, pays on time)
- Does CB communicate with fellow CBs in case of handover of files when an operator changes CB, in case of cross checks of certificates, in case of suspicions. What is its track record.
- Does the CB have a budget for investigations. Does CB participate in relevant conferences, in workshops, discussions, is it visible.
- Is there a sufficient documentation of all activities, dual language.
- Can supplier provide buyer a track record of how the product bought was grown, dates, activities, product flow, locations, etc.
- When are samples taken by the seller: on the farms, in the warehouse, for what purpose (humidity, protein, acceptable residue levels, foreign matter). Is there a good identification of samples, are same samples stored (how, for how long), which are the labs used, has exporter an archive where he can refer to (traceability). Can he show.
- Is there some sort of organised documentation regarding:
 - Guidelines of Good Agricultural Practices (GAP);
 - Production and Quality manuals;
 - Farm system design plan with nutrient balance;
 - Farm inputs plan.
- Do the right people have these documents or are they on file. Are they used, discussed, revised with those who work with them.
- Is the work force trained-instructed. Is adherence to the plan, to the guidelines part of staff performance management.
- Do agronomists of different farms exchange experiences, consult each other in case of problems.
- Is seller willing to communicate the product's background information to buyer, is seller open for field visits by (potential) buyer, for technical advice by the buyer.