



Organic Trade – Protecting Organic Integrity

USDA Agricultural Marketing Service

National Organic Program

Miles McEvoy, Deputy Administrator





Part 1 –

- Global Organic Control System
- USDA's National Organic Program and oversight of organic trade
- Fraudulent organic grain
- Actions taken

Background



- Organic trade expanding
- U.S. and EU organic market over \$90 billion
- Many governments have established organic standards and control systems
- Fraudulent certificates continue to be identified
- Alleged violations in foreign countries can be complex and challenging to investigate and enforce.

Global Organic Control System



1. Organic standards
2. Certifiers verify that organic farmers and handlers comply with organic standards
3. Accreditation body ensures that certifiers are conducting thorough and complete inspections, have qualified personnel, and are meeting all aspects of their responsibilities as certifiers
4. Enforcement
 - Certifiers enforce the standards under their authority (Notice of Noncompliance, Notices of Suspension/Revocation)
 - Competent authorities (governments) provide oversight and enforcement.

Certifiers Are Central to Organic Control



What certifiers do:



Ensure compliance of existing regulations

Accreditation



- Organic certifying agents follow rigorous and public accreditation requirements.
- The USDA National Organic Program audits its accredited certifying agents around the world twice every 5 years, and reviews management practices annually.
 - Assess effectiveness of the organic control system
 - The audit process effectively targets risk areas
 - Includes observations of certifier's inspections
 - Compliance audits are conducted as needed



- Certifiers issue noncompliances, suspensions and revocations
- Competent authorities may suspend or revoke accreditation of certifiers
- Competent authorities may suspend, revoke and fine operations that violate organic standards
- Some competent authorities have stop sale authority

The USDA National Organic Program (NOP)



- **Mission:**
Ensure the integrity of USDA organic products throughout the world
- **Vision:**
Organic Integrity from Farm to Table,
Consumers Trust the Organic Label
- **Core Role:**
Implement the Organic Foods Production Act and the USDA organic regulations

Quick Facts About NOP



Oversight Responsibility:

- 80 NOP-accredited certifying agents worldwide
- 38,000+ certified organic operations in over 120 countries
 - 25,000+ in the United States
- Over \$47 billion in U.S. organic sales

• **Staffing:**

- 35 employees in three Divisions and the Office of the Deputy Administrator
- Mostly based in Washington DC

• **Budget:**

FY 2012: \$6.919 million

FY 2013: \$6.369 million

FY 2014, 2015 thru 2017: \$9 million

What Does the Program Do?



- Develop and maintain organic standards
- Accredite and oversee third party organic certifying agents, who review, inspect, and approve organic producers and handlers
- Implement international organic trade agreements
- Investigate complaints of violations (example: uncertified farmer selling food as organic, selling conventional food as organic)
- Support the work of the National Organic Standards Board

Organic Imports into the U.S.



Three options

- USDA certification – direct by AMS accredited certifier
- Equivalency arrangements – NOP Import Certificate or attestation (Canada)
- Recognition Agreements – NZ, India, Israel

Importance of organic integrity



- Organic integrity from farm to market is key to
 - protecting farmers and handlers,
 - ensuring consumer confidence in the organic label
- USDA organic regulations require handlers of organic products to comply with requirements
 - Audit trail, verification of organic supply
- Penalties of not complying include loss of certification, ability to sell organic products, and civil penalties

Eastern European organic supply concerns



In 2016 AMS received reports from organic trade and USDA Foreign Agricultural Service

- Turkish organic corn imports exceed Turkish organic production
- Concerns about fraudulent organic certificates

Investigation has found falsified documents and non-organic product represented as organic

- Complex supply chain, many countries, handlers, certifiers involved

Eastern European organic corn imports



2016 – reports from USDA Foreign Agricultural Service (FAS), OFARM, OTA, others

- Turkish organic corn imports exceed Turkish organic production
- Significant increase in quantity of organic corn and soy exported from Turkey
- Concerns about fraudulent organic certificates

AMS and certifier actions



- Late 2016 - AMS directed certifiers operating in Eastern Europe/Turkey to:
 - Conduct unannounced inspections, additional mass balance audits, verify audit trail
 - Sample and verification of each organic corn shipment to the U.S.
- April 2017 – AMS issues proposed revocations, notifies U.S. importers of non-organic status of some imported shipments
- June 2017 – Beyaz Agro's certification is revoked

AMS and certifier actions



- July 2017 - Control Union suspends Aram Foods
- July 2017 - AMS modifies certifier directive-
 - Limits countries to Turkey, Russia, Kazakhstan, Ukraine, Moldova, and Romania
 - Expands directive to include soy, wheat, dry edible beans, flax and sunflower meal
- July 2017 - Hakan Organics DMCC (Dubai) Administrator Decision denying appeal of proposed revocation
- August 2017 - AMS directs certifiers operating in U.S. to conduct additional oversight for imported organic products from these countries.

Import Instructions



- Importers and Exporters must maintain audit trail, records to verify products comply with organic standards
- On-site inspections must include non-organic parts of operations including records
- Certifiers must conduct thorough mass balance audits and trace-back products to origin.
- Certifiers must cross-check documents



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Part 2

- 10 Points of Organic Integrity
- Equivalency and enforcement
- Import Instructions
 - Trade's responsibilities
 - Certifiers responsibilities
- Weaknesses in system
- Strengthening the system



10 Points of Organic Integrity

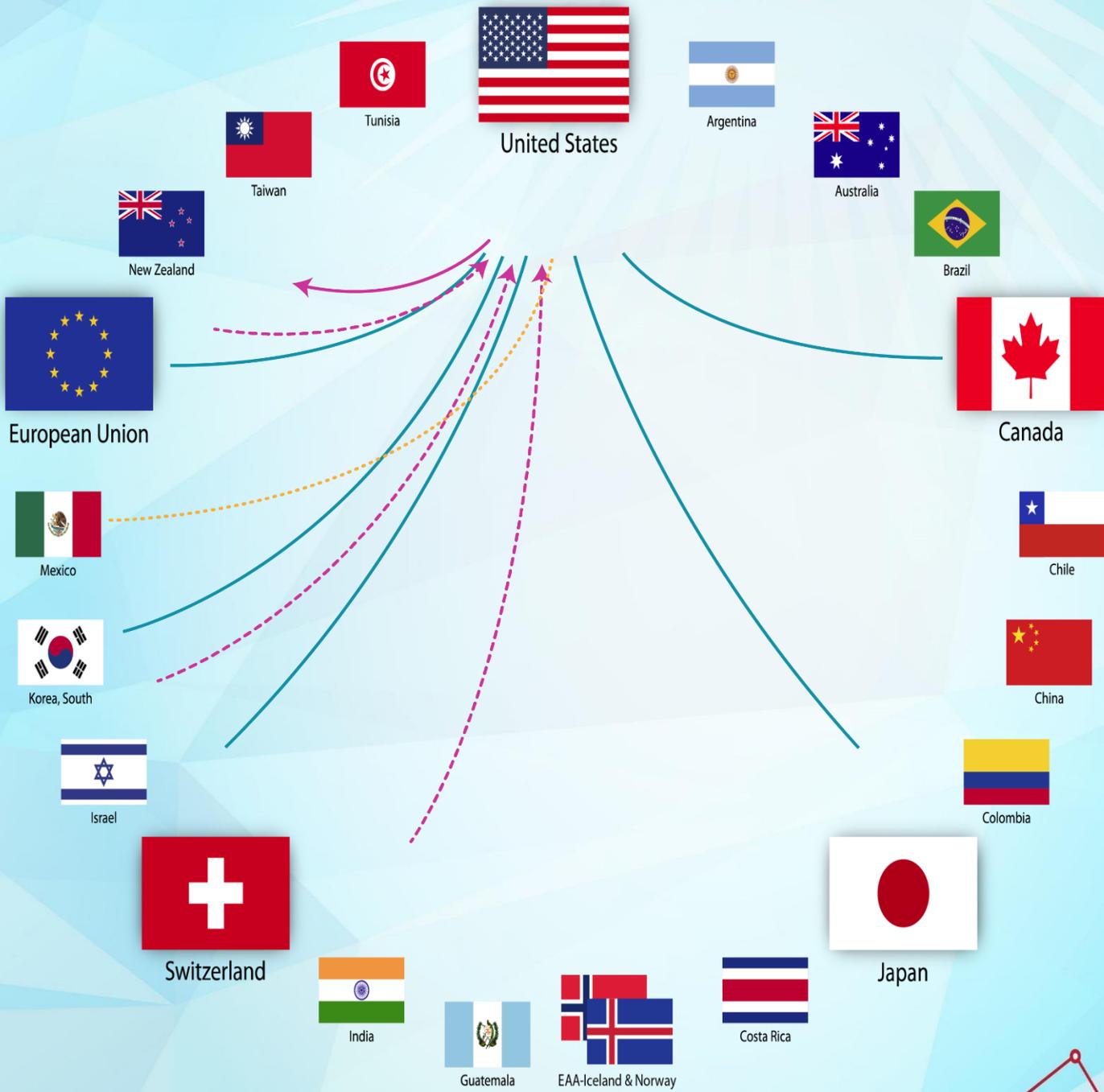
1. Clear/enforceable standards
2. Communication
3. Transparency
4. Certification
5. Complaints
6. Penalties
7. Market surveillance
8. Unannounced inspections
9. Periodic residue testing
10. Continual improvement

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US Organic Arrangements



5 BILATERAL ARRANGEMENTS

4 UNILATERAL ARRANGEMENTS

1 PROSPECTIVE ARRANGEMENT

KEY

- Bilateral Arrangement
- Unilateral Arrangement
- U.S. Recognition
- Prospective Arrangement

Exporting Beneficiary Country Importing Grantor Country



Equivalence and enforcement



- Strategy to strengthen compliance and enforcement
- Import certificates – CODEX guidelines
- US-MX Organic Compliance Committee
 - Track complaints
 - Monitor trends in non-compliances
 - Training for certifiers
 - Market surveillance residue testing
 - Support certifiers working in high security risk areas

Certification Requirements

- Handlers must meet three criteria
 - Organic System Plan – complete and addresses all organic requirements including system for verifying organic imports
 - Recordkeeping – Adequate to verify compliance
 - On-site inspections – must allow access to non-organic parts of operation including records

Certifier responsibility

- Conduct annual inspections
- Collect and test samples
- Review the handling operation to verify it is maintaining appropriate records for imports and exports
- Confirm that the handler maintained organic integrity

Organic System Plan

- Handlers that import or export organic products
 - List each product and source of product
 - Recordkeeping system that are adequate to fully demonstrate compliance
 - Procedures for verifying that imported organic products comply with the USDA organic regulations
 - Procedures for preventing commingling, contact with prohibited substances, clean-out of containers

Organic System Plan

- Certifier responsibility
 - Determine whether operation imports organic products
 - Are the recordkeeping systems adequate to fully demonstrate compliance?
 - Are the procedures for verifying that imported organic products comply with the USDA organic regulations adequate?

Audit trail records

- Records must fully disclose all activities and transactions in sufficient detail as to be readily understood and audited – 205.103
- Certifiers are responsible to verify that the operation is implementing an effective recordkeeping system
 - Meet USDA regulations
 - Meet any requirements under equivalency arrangements
 - Provide for a complete audit trail to last certified handler to verify organic integrity

Inspection

- Complete access to facility and records – both organic and nonorganic parts of operation
- OSP is up-to-date and accurate
- Proper documentation for imported products that verifies the validity of imported product
- Verify the validity of certifier that issued documentation for imported product
- Verify that the operation took measures to maintain organic integrity in the supply chain, especially regarding fumigation and irradiation

Handling Instructions

- 7 CFR 205.307(a)(3) allows operations to include “special handling instructions needed to maintain the organic integrity of the product” on nonretail labels.
- NOP recommends exporting operations include a statement such as “Organic product, do not fumigate or treat with irradiation” on the bulk label and other import documentation where the instructions may be read by government officials
- Treatment may be required – if treated, a product may not be sold, labeled or represented as organic

Certification – from farm to market

- All production **fields and handling facilities** inspected
- Mass balance audits
- All handlers certified except those excluded from certification
 - Handlers that repackage or physically move product from one container to another must be certified (e.g. transport from rail car to shipping hold)
 - Excluded: Importers, brokers, **closed** transport

Records for non-certified operations

Who keeps records for organic products, if the supplier is not certified?

- If the supplier is uncertified, the **records must be kept by certified parties.**

The certified operation responsible for the product (buyer or seller)

- Records must have enough detail
- Must maintain traceability, demonstrated through an audit trail,
- Document prevention of contamination and commingling,
- Records must be available for inspection.

Operations may be “Excluded” from certification if only selling organic labeled products:

- Products are packaged or enclosed in a container
- Remain in the same package or container
- If not processing the product
- If not labeling the product



Bulk organic rice

Certification
→
required



Retail organic rice

Certified Operation Requirements

- Certified operations **MAY NOT** accept organic products without verifying source and certification of the product
 - Especially critical when receiving products from uncertified handlers
- Certified operations **MUST** clearly identify organic products in their records
 - Examples: Receiving documents, inventory records, manifest, bill of lading, purchase orders

Concerns

- Inspections that are not sufficiently thorough
- Handlers pressuring inspectors to shorten inspection time
- Handlers not allowing access to non-organic portions of operations
- Operations frequently changing certifiers
- Untimely enforcement
- Allowance of handlers who move products from one container to another (e.g. moving from rail cars to shipping containers, moving from barge holds to ship holds) to not be certified
- Certifiers complaining that other certifiers are easier, not as thorough

Inspectors conduct trace-back audits and mass balance audits to verify traceability and record-keeping requirements.

NOP has noted weaknesses in this requirement –

- Minimal mass balance audits
- Inspection reports without any description or details on how inspector conducted mass-balance audit.

Best practices

- Transaction certificates that are thoroughly verified prior to issuance
- Certifier maintaining running inventory of organic products
- Sampling and verification of shipments
- Cross checking audit trail documents, especially lot codes from phytosanitary certificates

Strengthening the control system

- Holding organic handlers responsible for verifying organic products they purchase/receive
- Block chain technology
- Anti-forgery authentication of certificates
- Standardized certificates and records
- Improved qualifications and expertise of organic inspectors
- Sufficient resources (people and funding) for certifiers and competent authorities to oversee organic trade

Resources

- **Organic Integrity Database:**
<https://organic.ams.usda.gov/Integrity/>
- **NOP regulations, handbook, training:**
<https://www.ams.usda.gov/about-ams/programs-offices/national-organic-program>
- **APHIS Fruit and Vegetables Import Requirement (FAVIR)** <https://www.aphis.usda.gov/favir/>

Thank you for listening



www.ams.usda.gov/nop