

Organic certification today and in the future

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This paper looks at what I believe **will happen**, based on current trends in organic certification, what I consider to **be desirable developments**, and finally it includes some thoughts on what **might happen**. Unfortunately these three futures are not always identical.

A look at the **current trends** in organic certification reveals the following points:

From branded certification to commoditisation: The pioneers in organic certification developed their own standards and their own certification mark. In some markets, such as in Switzerland, Sweden and the UK, the mark of the dominant certification body became almost synonymous with the organic claim, or possibly even better than the organic claim. Some of these certification brands will certainly remain strong, but they have all seen their heyday. They have been threatened by the introduction of regulations and by the supermarkets. Supermarkets have launched their private brands for organic and with them the dependence on a branded certification is normally reduced. The introduction of organic regulations has been more significant. They have meant that many new certification bodies have not bothered developing own standards. In addition, where there is also a public mark, such as the NOP mark in the US, there is little reason or demand for a branded certification service. Certifiers have become as anonymous as auditors – how often does anyone know the auditor of any company? Auditors only become famous when they are involved in a scandal – look at Enron or Parmalat.

Consolidation: As a consequence of commoditisation within the certification industry, there has been a tendency for mergers and acquisitions resulting in the consolidation of certification bodies. For more than a decade the traditional actors have been nervous about the entry of giant auditing firms such as the SGS in organic certification. They have entered, but in most cases have failed to capture any large market share. One reason is probably that the profitability in organic certification is low, certainly a lot lower than many producers may believe. Regulations normally leads to an increase in the number of certifiers the coming years, but in most cases the numbers drop after a few years. This is showed clearly by the example of Japan. There will be more mergers and acquisitions in the coming decade as well as more strategic alliances between certifiers. Despite this, the total worldwide number of certification bodies is likely to remain the same; many countries are still without a local service provider, and there seems to be a strong wish to establish domestic bodies.

Professionalisation: The original certification bodies were established within the organic sector, most of the work was voluntary and the organisations were clearly part of the organic movement, in many cases an integral part of an organic association, e.g. in Germany. A combination of several forces (development of full time staff, conflict of interest regulations, government interventions, diverging business interests, etc.) have separated the certifiers from the movement. Not only is this process still

continuing, it is likely to increase when the first generation of pioneers in the organic certification industry leaves the business.

Widening of service offer: Organic certification bodies have started to offer certification to other schemes such as EurepGAP, Utz Kapeh, HACCP and 'country of origin'. Conversely, certification bodies specialising in other schemes are now certifying to organic standards. There are synergies and competitive advantages here and this is likely to continue. No farmer wants to have several inspectors and bureaucratic procedures to follow. This also underscores that organic certification is just a certification activity like all the others.

Integration with governmental control systems: Through the introduction of regulations, organic certification has become increasingly integrated into government control systems. This has reached such an extent that organic certification bodies are viewed as government agencies rather than private sector service providers, quite different from most other certifications.

Technology development: Through the increased use of IT instruments the certification process is becoming increasingly automated, a trend that is likely to continue. The internet-based interface, available not only for inspectors but also for operators, will reduce work in the offices and hopefully costs. Hopefully they will not lead to that there will be nobody picking up the phone and that there will be somebody still taking responsibility.

Increased use of risk analysis: Many certification bodies question the value of routine inspections e.g. of producers that have been organic for two decades without any substantial non-conformity. While initially being hard to accept, risk analysis and a risk-based approach to inspection is now being increasingly accepted, e.g. by the EU and IFOAM. This is opening a system of more differentiated inspection procedures, so more energy can thus be spent on the problematic cases. The limiting factor here is mainly the lack of trust between certification bodies, i.e. they will all suspect that the others are classifying all producers as low risk, just to be able to keep fees low.

Alternatives to certification: For a while, alternatives to third party certification was brushed under the carpet, or if discussed ridiculed. Lately, though, they have received increased attention and are very likely to be found more and more relevant, in particular, in conjunction with direct market solutions and local brands. Participatory Guarantee Systems is currently the most prominent alternative. However, in the anonymous mass-markets third party certification is likely to remain the dominant quality assurance.

Some of the above trends described above are positive, some are less so. In my opinion the biggest threat to organic certification is the integration of organic certification into public food safety controls systems and the further separation of the certifiers from the organic movement.

The competition from PGS and other systems is only healthy for the organic certification industry. Hopefully it generates pressure to:

- reduce costs

- make certifiers less arrogant and more inclined to respect the producers
- acknowledge increased self-controls in the sector
- increase transparency

It is problematic that most regulations don't acknowledge PGS systems.

What should happen

On the wish-list for **what should happen** in the coming ten years I foresee:

Governments to take a step back: The organic industry is increasingly over-regulated by governments (and accreditors), who seem to confuse organic labelling with food safety issues and, therefore, insist on a very high level of government involvement and control. This benefits nobody. Even if government regulation is here to stay, governments should re-consider how they interact with the private sector. Certification bodies should remain responsible for certification decisions and sanctions, and appeals should not be handled by authorities¹. In the case of international trade there would be a lot to gain if governments accepted mutual recognition between certification bodies as a basis for import approval. That would save a lot of work for governments, for certification bodies and for the operators.

Fixing the problems of equivalence: It is tragic that, despite years of discussions about facilitating market access, harmonisation and equivalence, so little progress has been made to date. I believe the issue is mainly one of political will and that solutions therefore should be looked for in the political sphere rather than the technical sphere². The proposal for revision of the EU regulation is a step in the right direction, but still not enough. The proposals from the International Task Force for Equivalency and Harmonisation in Organic Agriculture, the ITF, should be implemented.

Transparency: We need real transparency – signs on all organic fields and workplaces, public access to the production side, open books – thus, shredding some of the confidentiality and giving the public better insight into the production and the certification process. Why not make inspection reports publicly available? It is done in some other controls systems (e.g. MSC and the Danish food inspections). The quality of inspection reports would have to increase dramatically if inspection reports were made public – the current state of inspection reports is deplorable in many cases. Transparency is key to maintaining trust in organic foods and organic certification.

Automated, self governed system for transaction certificates: The big challenges to organic integrity is in the trade, and in particular in trade between different certified systems. To deal with fraud in the trade, in particular trade between actors monitored by different certification bodies, a self-governing system using electronic transaction certificates should be established. It could be built a system similar to the one used for credit cards (as outlined by Brian Baker in TOS issue 13, 2002). This would require global cooperation, preferably under the auspices of IFOAM.

¹ According to ISO 65 the CB should be responsible for its certification, however this is impossible if appeals are resolved by another body.

² This issue merits a paper on its own as it very complex. It has been the subject of so many speeches, conferences and papers already. The point is rather that it is time to look at this mainly as a political issue and not a technical one. The technical approach to this, which has been tried for a decade, has failed.

Market surveillance: In most cases, market surveillance is weak. No-one seems to take on the responsibility and it eventually ends up on nobody's desk. It is quite obvious that certification bodies should monitor the market place for the improper use of their certification mark. I doubt, though, that many spend a lot of energy on it. It is less obvious who is really checking all the other organic claims within the market place. Strangely enough, organic regulations, which were supported by the organic sector exactly because the sector wanted such surveillance, are in most cases silent on this, and leave the question of responsibility for monitoring the market open. In most countries, the public control authorities have put it low on their agenda even though they were supposed to take care of it. Perhaps the sector, including the multiple retailers themselves, needs to be more active in developing a surveillance mechanism for their own market; a mechanism that has a different focus to the current shop certification schemes.

Delegation of more responsibility to the operators: Ultimately, operators are responsible for decisions and conduct within their own system. Despite this, some certification bodies insist on formal approval for all kind of minor management decisions, such as new recipes, new labels etc. Also the authorities and accreditors add to this by imposing more and more requirements on the operators and the certification bodies. E.g. the EU insists on transaction certificates that are issued by the certification bodies (for imports from outside the EU). This needs rethinking. Operators should be allowed to issue their own transaction certificates. Certification bodies can always check them afterwards. Accepting the internal controls of a company as part of the quality assurance should be normal practise and not an exception. Linked to this issue is the further development of the group certification concept for the North. In general we need to reduce the weight of the oversight pyramid of governments, accreditors and certifier and recognise that the organic integrity starts and ends with the operators!

Democratisation: Even if there is no way to turn the clock back to producer-controlled certification bodies (which is probably not desirable in the first place) it is critical that the future development of organic certification is not left to the certifiers, accreditors and regulators. In the same way that stakeholders have been encouraged to contribute to the debate on standards, producers and processors need to question the rules, need to propose their own ideas for how certification should develop etc. Far too easily criticism from producers is rejected with a reference to the ISO 65 or to an organic regulation. Operators should be encouraged to participate in the formulation of rules for certification, and operators themselves should demand more influence.

Client satisfaction: Both regulators and accreditors should allow³ certification bodies to concentrate on client satisfaction. The IFOAM Criteria and ISO 65 do not expressly address the importance of clients' interest as a quality issue, which should be fundamental for all certification bodies. The quality management systems that have been installed, often due to pressure from accreditors, need to be more client-oriented. They need to focus more on the certification process, as such, and on the service delivery, than on adherence to ISO 65. The IFOAM criteria even state that a quality

³ Of course they have nothing against client satisfaction, but the constant pressure, demands, and lack of market understanding from these parties leaves certification bodies very little time and energy for the client interface. In addition, some rules are directly harmful to the CB-client relationship.

policy can simply consist of a statement of adherence to the IFOAM Accreditation System – not a word on client satisfaction, which is the basis for quality management systems. Instead of defining quality criteria for certification services from the perspective of the public good or from theoretical discussions on what makes a certifier reliable, IFOAM should encourage operators to define it from the perspective of its clients.

Cooperation between certification bodies: From the producers' perspective, the lack of cooperation between certification bodies is a substantial obstacle for successful market penetration. Even when there is formal cooperation, such as with the IFOAM accredited certification bodies' (ACB) multilateral agreement (MLA), cumbersome and costly procedures still remain for operators wishing to become certified by an agency other than the primary agency. This has several reasons, ranging from pure tribalism and competition, to the fact that the norms (e.g. the IFOAM Criteria) do not allow a flexible transfer of certification or joint certifications. This also favours the multinational certification companies rather than business models built on alliances of national/regional certifiers. Delegation of certification decisions as well as other types of cooperation between certification bodies should increase and norms should be adapted accordingly. And let me again underline that mutual recognition between certifiers could be a very useful mechanism for import approval, complementing equivalence between governments and direct accreditation.

Added value of certification: I and many others have long predicted that the premium prices organic produce can demand will fall. I must admit that I have been wrong so far. Nevertheless, there will come a time then organic premiums will be smaller. The challenge for the certification industry is to keep the cost of certification on a level where the added value of being certified is considerably higher than the direct and indirect costs for certification.

Benchmarking: For the certifiers themselves, and for clients wishing to compare certifiers it would be useful to have some key indicators, benchmarks, to measure efficiency and service in the industry. Factors could include average time from application to certification, the work hours involved in specified processes, cost per client, cost per inspection, proportion of overhead costs, etc. A rating of client satisfaction would also be useful.

Standards: Many things could be said about organic standards, and perhaps they fall a bit outside the scope of this article. Therefore, I mention only one aspect: the most important general improvement would be to re-orient organic standards more to achieving goals and performance and less to a prescriptive direction. In particular, the concept of positive lists is archaic and hampers innovation. The only other standards I know that prescribe production methods in a similar are those for traditional products where the objective is specifically not to innovate or develop but rather to preserve. It is particularly unfortunate that natural substances need to be in the positive lists in order to be allowed, e.g. as in the EU regulation.

Finally, what might happen

One of the main questions concerning organic certification is whether organic producers in the future will still seek certification and whether they will continue to

market themselves as organic. The value of a generic organic certification is mainly in the competition with conventional products. With an increased volume of organic products, and increased competition between organic producers, one can expect some producers to just let their brands speak for themselves without necessarily calling themselves organic. One option is that certifiers start certifying to the specific claims made by the producers, i.e. to a company's or a group of farmers' own defined standards. This would allow increased market differentiation, and promote best practise. Whether these products may be called organic or not within the context of say the EU regulation is perhaps of minor importance. Having said that I want to underline that a unified organic standard and a unified organic mark have proven to be really essential in the early stages of organic.

For years, I and others have claimed that it is weird and unfair that producers who do not use toxic agro-chemicals, who do not use GMOs, who do not use cruel methods in animal husbandry, that these producers should have to be inspected and pay for certification, while other producers do not. Nor is it right that organic products should be specially labelled and kept separate, when it should be the conventional products that should have warning signs and be kept on special shelves (and pay the costs for separate handling). Ultimately, organic production should become the normal system. Where that leaves organic certification remains to be seen.