

Break-out Group: The Role of Certification Services in Organic Produce Market

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Certified Organic: Reducing Barriers to Developing-Country Exports of Conformity Assessment Services

Executive Summary

This report looks into a narrow segment of professional services, that of services to certify that a product is produced according to organic production rules in short, organic certification.² The demand for that service emerges from a need for truthful labelling. The market for organic products has grown rapidly since 1990 and global sales today are estimated to be between USD 20 and USD 30 billion annually. Organic certification has developed over 30 years from a purely private-sector affair into something that is regulated in some 60 countries. The number of organic certification organisations is less than 400 and their combined annual turn-over is in the range of USD 300 to 400 million. An internationalisation of the service has taken place over the last decade. Most developing countries have no local service providers.

Regulations, and accreditations linked to regulations, have created growing entry barriers and to a large extent favoured the export of certification services from the main, developed-country markets for organic products to producing supplier countries, mainly developing countries. The strong market presence of these foreign service providers, combined with growing technical barriers, also low capacity, both human and financial, makes it difficult to establish local service providers in developing countries. The survey conducted for this report shows that only a handful of companies have succeeded in establishing a competitive business. For newcomers, a partnership with a foreign certification body is more or less a prerequisite. The exceptions are the few countries with a strong domestic market and no organic regulation in force, or a regulation that is friendly to small, new operations.

A few of the surveyed companies in developing countries have been able to export their services, mainly to adjacent developing countries. Only two examples were found in which certification bodies in developing countries were able to export services to an OECD country. In both cases the lack of mutual recognition between the OECD countries was their window of opportunity. For individuals in developing countries, there are numerous examples of them selling their service as independent organic inspectors to foreign certification bodies. Qualification requirements form certain, but not insurmountable, obstacles for this kind of service.

The report suggests that current regulations are more onerous than necessary and integrates the organic certification service in the work of the government in such a way that it limits the entry of newcomers,

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² Organic certification is a new industry and as such presents classification challenges. Commentators have different views on whether organic certification could be classified as a professional service or more broadly as a business service.

stifles innovation and limits competition. One could imagine a system that uses locally adapted standards, based on an international baseline (IFOAM or Codex Alimentarius), where organic certification is seen as a professional market service, where organic certification bodies worked in mutual recognition among each other based on agreed requirements (e.g. the IFOAM norms). The government's role would mainly involve oversight based on truthful marketing (labelling) claims and a focus on fraudulent and deceptive practices.

Failing changes in regulations or a multilateral solution, regional trade agreements and other regional co-operation, both in the private sector and between governments, could facilitate regional trade in organic products and certification services. Over the longer term, regional agreements could form the basis of equivalence negotiations with major importing markets, not only for products but also for the service.

Glossary

Acronyms and abbreviations

DAP	Deutsches Akkreditierungssystem Prüfwesen
IAF	International Accreditation Forum
IFOAM	International Federation of Organic Agriculture Movements ³
IOAS	International Organic Accreditation Services, inc
ISO 65	ISO/IEC Guide 65: 1996(E), General requirement for bodies operating product certification systems. In the European standardisation it is called EN 45011.
JAS	Japan Agriculture Standard
MAFF	Ministry of Agriculture, Forestry and Fisheries (Japan)
MLA	Multilateral Agreement (between countries, certification or accreditation bodies)
NOP	National Organic Program (of USA)
OFIS	Organic Farming Information System (EU database)
USDA	United States Department of Agriculture

Terms

The following terms are used in this report and in the organic sector with the following meaning:

Accreditation: Procedure by which an accreditation body gives a formal recognition that a body or person is competent to carry out specific tasks.

Approval: Procedure by which a body (other than an accreditation body) gives a formal recognition that a body or person is competent to carry out specific tasks, or that a product fulfils certain requirements.

Certification: The procedure by which a certification body gives written assurance that a clearly identified process has been methodically assessed such that adequate confidence is provided that specified products conform to specified requirements.

Certification body: Organisation offering certification services. It can be a limited company, a producers' association or co-operative, or a government agency.

³ A sector association with 750 member organisations in 108 countries.

EU regulation: Council Regulation (EEC) no 2092/91, with amendments and additional regulations.

IFOAM norms: The IFOAM Basic Standards for Production and the Accreditation Criteria for Certification, which form the basis for IFOAM Accreditation.

IFOAM accreditation: Accreditation by the IOAS of a certification body to the IFOAM Norms. The status of which is often referred to as “IFOAM Accredited”.

Inspection: Visit on site to verify that the performance of an operation is in accordance with a particular set of production or processing standards. In other sectors of conformity assessment, this is often referred to as auditing (e.g. environmental auditing) or assessment.

Inspection body: Normally a body performing inspection services. In the context of this paper it is used synonymously with “certification body” because of the way the term is used in the EU regulation on organic farming.

ISO 65 accreditation: Accreditation (by an accreditation body) of a certification body for compliance with the ISO 65. The status is often referred to as “ISO 65 accredited”.

JAS certification: Certification of producers to the JAS standards.

JAS registration: The formal approval of certification bodies by MAFF.

NOP certification: Certification of producers according to the NOP production standards.

NOP accreditation: Accreditation of a certification body to the NOP requirements for certification bodies, by the USDA.

Recognition: Used mostly in its common sense, if not linked to a specific expression such as Mutual Recognition.

Third-country list: The list of the non-EU of countries that have been recognized as having an equivalent organic regulation as the EU, according to Article 11.6 of the EU regulation.

Note: The terms “IFOAM accredited”, “NOP accredited” and “ISO 65 accredited” are used throughout this report as abbreviated forms of the more complete phrasing, such as “Accredited by the USDA to the NOP”. This kind of use is widespread not only in the organic sector but also in other sectors, e.g. “ISO 9001 certified”.

Background

The global market for all professional services was worth over USD 1 trillion in 2002. Professional services are among the fastest-growing sectors in economies worldwide. Employment in those services has been increasing more rapidly than in agriculture or manufacturing. At the same time, professional service providers have witnessed the internationalisation of production, and the growing importance of regional trade, South–South trade, and competition-related concerns. While services contribute increasingly to gross domestic product in developing countries, their share in total trade is still behind that of goods, especially in comparison with developed countries (UNCTAD, 2005).

This report looks into a narrow segment of professional services, that of services to certify that a product is produced according to organic production rules. The demand for that service emerges from a need for truthful labelling. An organic product usually fetches a higher price — often in the range of 20% to 100% higher — than a similar non-organic product. Consumers want assurance that products labelled “organic” are indeed produced according to organic production methods, and producers want to ensure that other producers also claiming to produce organic products are competing fairly. Certification of organic products is mainly certification of the system of management and the process rather than of the end product. The “organicness” of a product cannot be established by looking at the harvested product or even by testing it chemically. Rather, it is ascertained through documentation and inspection of the whole production process. This means that most certification activities take place at the point of production and not by testing the final products. In addition, organic certification requires full traceability of the products throughout the supply chain, involving inspection and verification at each step. In most cases the certification system has a strong labelling component, allowing producers to use a certification mark for products produced within that system.

The organic market and the development of organic certification services

The market for organic products has grown rapidly since 1990 and global sales today are estimated to be between USD 20 and USD 30 billion annually. The biggest market is the USA, followed by Germany, United Kingdom, France, Japan and Italy. The share of organic products in total food sales exceeds 4% in Denmark, Sweden, Austria and Switzerland, while in the larger markets it is about 2-3%.⁴

Certification of organic products has a 30-year history and has been practised in most OECD countries for more than 20 years. Initially, products were sold without any formal, third-party certification. Certification of organic products was initiated as a means for organic producers to:

- Increase the image and identity of organic products in the market place.
- Increase consumer confidence in labelling chains.
- Protect legitimate producers from misleading or fraudulent claims made by competitors.

In a few countries and in some US states, governments became involved quite early in establishing a regulatory framework for the organic market in order to protect consumers from misleading claims and producers from unfair competition. The table below shows key events in the development of organic standards and certification.

⁴ The market statistics for organic products are still fairly unreliable in most countries.

Table 1. From ideology to legislation

1924	Demeter biodynamic label founded
1940	Sir Albert Howard publishes <i>An Agricultural Testament</i>
1942	J.I. Rodale publishes the first issue of <i>Organic Farming and Gardening</i>
1943	Lady Eve Balfour publishes <i>The Living Soil</i>
1946	Soil Association founded in the UK
1967	Soil Association publishes first organic standards
1972	Founding of IFOAM
1974	Oregon State (US) adopts organic legislation
1979	First California Organic Foods Act adopted
1980	IFOAM Basic Standards published
1985	France adopts organic legislation
1990	Organic Foods Production Act passed in the United States
1991	EU Regulation 2092/91 adopted
1992	Establishment of the IFOAM Accreditation Programme
1999	Codex Alimentarius guidelines adopted
1999	EU organic livestock regulation published
2000	Japanese organic regulation published
2000	US national organic standards published
2002	US National Organic Programme in force

Source: Rundgren, 2002

In the early days of organic certification, the standards were simple. In 1985, for example, the Swedish organic certification body, KRAV, could describe its standards on one page; today KRAV's standards cover 135 pages. Most certification bodies started out as producers' organisations or other organisations promoting organic farming; there were neither national nor international norms regulating the performance of these bodies, nor any approval or accreditation mechanisms in place. All in all this meant that it was quite easy to set up an organic certification body and start to offer the service.

Late in the 1980s and early in the 1990s international trade in organic products picked up. Food companies in major importing markets sourced mainly raw materials for processing, or fresh products such as fruit and vegetables. Either through regulations or in response to market demand, a need emerged to certify these products also. This was done primarily by importers contracting (and paying) the certification body that already certified the importer to make inspections and certification of the production abroad. In this way the concept of organic certification was introduced into developing countries — a service by foreign service providers to exporters for requirements set in the importing market.

Governmental regulation of the organic sector

Following the establishment of a common EU regulation on organic agriculture and the Organic Food Production Act in the USA, quite a large number of governments embarked on regulating the sector, often with the aim of facilitating market access for their exporters into other markets. By 2004, 60 countries had organic regulations in various stages of implementation (Table 2).

While government regulations have become more important in the organic sector, they have also become more complex. The first regulations normally contained some basic production standards and very simple rules for certification, if any. Regulatory objectives such as strengthening the competitive position of domestic producers, increasing farm income, and protecting the environment have been added to the initial ones relating to truthful labelling. Most notably, in the EU, the regulation for organic marketing also forms the foundation for directed support to organic farmers under the agri-environmental programs of the Common Agriculture Policy.

Table 2. Overview of countries with organic regulations

Region	Fully implemented	Final implemented	not	In draft
EU-15	15			
Rest Of Europe	11	2		4
Asia & Pacific	7	1		3
Americas & Caribbean	3	4		4
Africa	1	1		2
Middle East	-	-		2
Total: 60	37	8		15

Source: Commins, 2004.

The situation for exports of organic products to OECD countries and the possibilities to perform services under these regulations.

The regulatory situation

Most OECD countries have regulated the imports of organic products to their countries. The three most important markets, the European Union, Japan and the United States already have regulations in place. Canada has no federal regulation, but the province of Quebec has an organic regulation. Australia has an export regulation, i.e. products exported from Australia as organic should comply with the regulation, but there is no regulation yet for the domestic market.⁵ The organic regulations typically specify both production standards applicable for the producers and handlers, and requirements (norms, standards, criteria) for certification bodies wanting to certify production according to the regulations. The scope of the regulation is normally for food products of agriculture origin. This means that market segments such as textiles and body-care products normally are not regulated, and the regulatory requirements as presented below would not apply. As the food sector dominates, aspects relating specifically to other segments are not elaborated here.

In the USA there is no requirement that the certification body that certifies domestic production be registered in the country, so a foreign-based organisation that has acquired the needed accreditation can offer its services there. In Japan, certification of producers [in Japan] is reserved for organisations legally registered in Japan.

The European Regulation EEC 2092/91 does not per se regulate this, but indirectly it does. The regulation says that member states have to have a system whereby certification is either performed by a governmental “inspection authority” or by a private “inspection body”⁶ that is approved by the government. In a few EU member states, such as Denmark and Finland, governmental inspection authorities operate and there is no option for private service providers. In Spain there are mainly governmental bodies, but some regions have also authorised private bodies. In the Netherlands a private body has been granted a statutory monopoly. In most other member states private bodies can work, but only if they are registered and approved by the authority in that particular member state. In almost all member states this is implemented in such a way that the inspection body has to be legally registered in the country, and undergo an approval process in that country. This means that a certification body from one EU member state is not necessarily able to offer its

⁵ Both Canada and Australia are in the process of developing domestic regulations.

⁶ In the EU regulation the term “inspection body” is used for what is normally called a “certification body”.

certification services⁷ in another member state, unless it registers and applies for government approval in that member state.⁸

The import regulations for organic products to the markets in the European Union, Japan and the United States share some similarities and some differences. A detailed description of these regulations is found in Annex 4. All three markets have a process for recognising other countries as having an equivalent organic regulation system and by that allowing imports of organic products. The European Union currently has Argentina, Australia, Costa Rica, Israel, New Zealand and Switzerland on its list of approved “third countries” according to Article 11.1 of the regulation. The United States has not as yet concluded any such equivalency agreements. Talks between the EU and the USA were held over several years, but seem to have stalled. The USA also has the option of accepting a foreign government’s competence to accredit certification bodies to the NOP (see annexe 4). As of November 2004, the USDA had approved four foreign-government entities and their accredited organic certification bodies: Denmark, New Zealand, United Kingdom, and the Province of Quebec, Canada. Imports to Japan can come from countries with an equivalent regulatory system, but the body certifying the products must register, pay a fee and obtain prior approval from the Japan’s Ministry of Agriculture, Forestry and Fisheries. Certification bodies from 10 countries have so far been approved under this regime. None of these is from a developing country.

The USA has also the option for foreign based certification bodies to apply directly to the USDA for accreditation to the National Organic Program (NOP).⁹ Some 97 certification bodies from 18 countries, of which 7 are developing countries (all in Latin America), were approved under this procedure as of March 2005 (USDA, 2005). Notably, once accredited, a certification body can certify to NOP standards in any country. Unable to streamline the equivalence option, which had led to few countries on the third-country list, the European Union introduced 1992 a derogation¹⁰, which allows the member states to accept imports deemed to be equivalent to the EU regulation. This has become the main vehicle for imports, and 108 countries were able to export organic products to the EU under this provision in 2004 (OFIS). However, for developing countries the overwhelming majority of permits are issued for products certified by a European certification body.

Private-sector standards and labelling schemes

Labels are what most consumers look for when buying organically produced foods. Government regulations have often been introduced with the assumption that once they are in force there will only be one definition of what is organic in that particular market and that private-sector standards would be redundant and disappear. In the NOP this premise is given a legal backing by rules that prohibit private certification bodies (i.e., those that want to be accredited by the USDA) from making claims that producers certified by them fulfil additional organic standards besides the NOP. Nevertheless, there are some markets where private labelling schemes, representing additional standards¹¹, enjoy a very strong position. In Sweden, for example, almost all organic products sold will carry the private KRAV label, and importers seek KRAV’s acceptance of organic products certified under other systems, even if they are from other EU countries. Similarly strong schemes exist in the UK (Soil Association) and Switzerland (Bio Suisse). This means that producers and certification bodies outside of these markets face a double challenge, both to get

⁷ This relates to the certification according to the European Regulation. They can (and some of them do) inspect and certify production in other member states, but the producer will still have to have a separate certification from a body approved in the Member State where the producer is operating.

⁸ There was a case (1999/5057) before the European Court against Germany and Austria regarding this.

⁹ This is referred to as NOP accreditation further in the text.

¹⁰ Article 11.6 of the regulation EEC 2092/91. The timeline for its expiry has been extended many times and is currently set to expire at the end of 2005. Recent proposals suggest it will once more be extended.

¹¹ Examples of such additional requirements can be a more restrictive list of approved fertilisers or additives, higher animal welfare standards and in a few cases also social standards.

legally accepted and to get accepted under private-sector labelling schemes. Most European large retailers also have their own labelling schemes for organic products; however, there are very few that have linked their schemes to additional standards, or to certification by a particular body.

There are also governmental labelling schemes such as in Denmark, where products produced according to the EU regulation can be labelled with the Danish “Ø” logo, but only on the condition that the final preparation (processing or packing of the product) has taken place in Denmark. The German organic logo, by contrast, is available for any producer outside Germany that complies with the EU regulation. There is also an EU-wide organic logo which is available only for products grown in the EU.¹²

Accreditation, registration, approval and supervision

As with many other professions, there are mechanisms established to ensure that the organic certification service is reliable. In the private sector, the International Federation of Organic Agriculture Movements (IFOAM) established an international accreditation programme in 1992. The programme, referred to as IFOAM Accreditation, is implemented by International Organic Accreditation Services, Inc. (IOAS) and is voluntary. It differs from most (national) accreditations in that it covers both the qualification of the certification body as well as the standards to which the certification body certifies. The main function of this programme is to serve as a basis for mutual recognition between accredited certification bodies. IFOAM and the IOAS also desire that governments use this programme as a basis (one of many) for their approval of certification bodies. As of April 2005, only South Korea and Republica Srpska (Bosnia & Herzegovina) had formally recognised IFOAM Accreditation as sufficient proof for approval of imports as organic. There is some use of IFOAM Accreditation or reports generated by the IOAS for approvals under Article 11.6 by EU governments. As of April 2005 there were 32 organisations that were either accredited to the IFOAM standard or had applied for IFOAM accreditation (IOAS, 2005). The number of IFOAM accredited certification organisations in developing countries is still fairly small, but proportionally bigger than under the other mentioned governmental approval systems.

All governmental organic regulations include some kind of approval mechanism for certification bodies, often by the Ministry of Agriculture. In some cases this approval has the form of a special accreditation programme, such as in China, India and the USA. Within the EU, the individual member states are in charge of approval and supervision. The regulations lay down basic requirements for the certification bodies. Since the introduction in 1997 of a reference to ISO 65 (see more in Annex 2 and 3) in the EU regulation 2092/91, some Member States¹³ insist that certification bodies also obtain ISO 65 accreditation, in addition to approval by the competent authority. This has subsequently also been required for imports to the EU. Accreditation to ISO/IEC 65 is provided within the EU by national accreditation bodies, which are members of the European Accreditation (EA) and the International Accreditation Forum (IAF). In Annex 3, the ISO 65 requirements are outlined and discussed in more detail.

Some of the EU based accreditation bodies also provide accreditation to certification bodies in other countries, mainly in connection with imports to the EU. For example, Germany’s Deutsches Akkreditierungssystem Prüfwesen (DAP) has accredited 11 organic certification bodies outside of Germany (DAP, 2005).¹⁴ The IOAS also offers ISO 65 accreditation, but it is yet to be seen if that accreditation is recognised by the EU member states.

¹² There are proposals to extend the right to use the EU logo also to producers outside the EU.

¹³ Less than half of the EU member states currently demand such.

¹⁴ It is only for organic certification that DAP accredits organisations in developing countries, except for one organisation in Kenya accredited for EurepGap certification.

In Table 3 there is an overview of how many certification bodies have received which kind of approval (April 2004). With “EU approval” is meant either approval by the competent authority in the EU member state or in one of the countries on the “third-country list”. See more in Annex 2 about the various approval regimes. With NOP Accreditation is also included the certification bodies accredited by foreign governments recognised by the USA.

Table 3. The different kind of approvals or accreditations of certification bodies in different regions.

Country	IFOAM Accreditation	Japan R(F)CO	ISO 65 accreditation	EU Approval	USA, NOP Accreditation
Africa	0	0	2	0	0
Asia	4	66	2	1	2
Europe	14	16	62	120	31
Latin America & Caribbean	4	0	9	4	9
North America	4	6	18	0	66
Oceania	4	6	3	7	4
Sum	30	95	96	132	112

Source: The Organic Standard, 2004, MAFF 2004.

There are currently no internationally agreed norms for how organic certification shall be done. The basic principles are the same in the regulations in the EU, Japan and the USA as well as in the IFOAM system. But there are quite some differences in the more detailed requirements. The ISO 65 standard forms a common ground, but many stakeholders believe that ISO 65 places unnecessarily strict demands in some areas, while lacking detail for things considered important (e.g. how to perform inspections). See more in Annex 3.

The nature of the service and current trends

Organic certification as a professional service

A distinction is often made between free exercise professions and accredited professions (UNCTAD, 2004). To some extent organic certification services involve a mixture of both. Normally, there are no regulatory requirements set for organic certification bodies per se, but rather on the marketing of organic products. From that starting point rules are set for how these products shall be produced, processed and handled as well as rules for how these stages should be verified, i.e. inspected and certified. In such a regulatory context there are no formal obstacles for any certification body to offer organic certification services. But the certified producers will not be able to sell their products based on that certification, unless the certifier is approved in the country in which the products are sold.

The certification process normally follows three main steps:

- Application, which will normally include payment of a fee, a commitment by the producer to follow the relevant standards, and an extensive description of the production unit.
- Inspection, i.e. a visit to the site to verify that the production follows the standards and is consistent with the declaration of the producer.
- Evaluation of the inspection result and the formulation of a certification decision. This decision often includes a number of corrective actions to be taken by the producer. A certificate is issued.

This process is repeated annually. In addition there will be ongoing updates via communication, such as when a processing company wants to produce a new product using the certified facilities, or when a producer or processor needs to issue a transaction certificate.¹⁵ Other processes can include appeals, the licensing of a mark, or market surveillance.

Owing to international norms and regulations, organic certification can not be a single-person service.¹⁶ This represents a marked difference between many other professional services. Parts of the service can, however, be performed by individuals, most notably inspection. Inspection is sometimes made by independent professionals, but the trend is rather that inspectors become employees of the certification bodies.¹⁷ Roughly half of the revenues of a certification body typically derive from inspection and the other half to the certification process.¹⁸ Except for accounting, web-site design and publication work, opportunities for outsourcing the functions carried out by certification bodies are limited by the norms and regulations for organic certification. The industry appears to be more interested in automation¹⁹ to save on costly administrative work than with outsourcing. Many organic certification bodies are too small to invest in and manage outsourcing.

Table 4. Organic certification and the four modes of supply for international trade in services

GATS Mode	Examples
Mode 1: Cross-border supply The supply of a service “from the territory of one [WTO] Member into the territory of any other [WTO] Member”.	The FULL service cannot be supplied in this way; however, the administration and the decision making involved in certification often takes place in another country than where the client (usually a farmer or exporter) is located. It <i>could</i> take place as a form of outsourcing.
Mode 2: Consumption abroad The supply of a service “in the territory of one Member to the service consumer of any other Member”.	It happens, but not very often. For example, a European importer travels to Senegal and contracts with a local certifier for the certification of local growers. Today most importers prefer the exporters to pay for their own certification.
Mode 3: Commercial presence The supply of a service “by a service supplier of one Member, through commercial presence in the territory of any other Member”.	This is rather common in organic certification. Companies such as BCS, Ecocert, IMO and SGS all have branch offices in other countries. Few, if any, certification bodies in developing countries have branch offices in any other country.
Mode 4: Presence of natural persons The supply of a service “by a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Member”.	This is a common mode in organic certification. Originally the main example was EU and US based inspectors inspecting in other countries. Today, this also happens with inspectors from developing countries inspecting in other developing countries, mainly on behalf of a certification body in the EU or USA.

¹⁵ This is a statement of conformity following individual shipments.

¹⁶ For example, the ISO 65 standard demands that there be separation between the functions of inspection, certification and appeals, which would imply that there could never be less than three persons involved. In addition, it asks for balanced representation of stakeholders in the accredited organisation.

¹⁷ There are some examples of where the certification function has been split fully from the inspection service, and inspection services are bought from inspection companies that are recognised by the certification bodies. In most cases it is the certification body and not the client that determines which inspection body is used.

¹⁸ This includes the administration and registration as well as the certification decision making, the follow up of non-conformities, and the licensing of labelling.

¹⁹ Certification bodies increasingly use on-line application and declaration by producers or OCR application processing, palmtop inspection tools, and even computerised decision-making tools for determining conformity to the standards.

The organic certification industry – from branded service to commoditisation

Initially organic certification services were performed mainly by producer associations, who in a similar way as other professional associations certified their own members. These organisations provided not only certification services, but also were engaged in promotion, lobbying, and capacity building. Most of the early certification bodies had defined their own standards for organic production and their certification also gave the certified producer access to the use of a certification mark. One could say that the certification was “branded”. Certification bodies, even those not formed by a professional association, played a very important role in the early stages of development of the organic sector. They are often the only organisations that are staffed and are available for queries from producers, the government or the public. Most of the time they are the ones developing standards and thereby all technical discussions take place within their organisations, and the certification body becomes a focal point for co-operation.

For various reasons, but mainly as a result of government regulation²⁰, the model with certification bodies as professional organisations is today less common. When this link to producers and processors, and to the movement at large,²¹ was broken, organic certification became more like a “profession” and also attracted interest from other commercial actors. It has gone from a strongly branded service to commoditisation: few producers today choose their service provider based on access to a particular mark. A few certification bodies have internationalised their activities. For example, the German-based Ecocert performs certification in some 60 countries. A few transnational general inspection and certification companies, such as the Swiss based company Société Générale de Surveillance (SGS), started offering organic certification services when they saw an emerging market opportunity. Already, several mergers and acquisitions have taken place (e.g. in USA, Germany, Belgium and the UK). The annual value of the certification services involved in the organic market can be estimated to be on the order of USD 300-400 million.²² The bigger organisations specialised in organic certification (e.g. KRAV, Soil Association, and Bio Suisse) achieve annual turnovers above 5 million euro each. Governmental bodies also provide organic certification, e.g. in Denmark, Finland and a number of states in the USA. Sometimes governments subsidise certification services.²³

Existing certification capacity in the world, with a focus on developing countries

Certification organisations

According to the *Organic Certification Directory* there are 385 certification bodies in the world that offer organic certification (as of mid-2004). Of those, the vast majority has their head office in the EU, United States or Japan. Of these 385, 293 are based in an OECD country and 73 in a developing country. There are only 65 countries that have a home-based certification organisation. Most of Africa and Asia still lack local service providers. There are only 9 certification bodies in Africa (in Egypt, Kenya, South Africa, Tanzania, Tunisia and Uganda). Asia has 91 certification bodies, of which 66 are based in Japan; the others are mainly in China and India. Many certification bodies offer their certification services also in foreign

²⁰ US regulations prohibit any producer from playing an active role in the certification body by which it is certified. The ISO 65 standard establishes strict requirements for independency, which often are interpreted to imply (but does not necessarily mean) that sector bodies cannot comply with this norm.

²¹ The development of organic farming to a large extent has been value-driven and only recently has adopted more business-like models and behaviours.

²² The cost of certification at the producer level will often be in the range of 1% to 2% of the wholesale price, but occasionally it can amount to more than 10%. Certification costs are charged in each step in the value chain, and are therefore added to the total costs.

²³ For example, a number of states in the USA are providing a subsidy (supported by federal funds) that can cover up to 75% of an individual producer’s certification costs, up to a maximum of USD 500. For many years, Denmark provided certification free for its organic farmers.

countries, and a dozen are truly international in their scope. These include IMO, ICS, Ecocert, BCS, ICEA, QAI, OCIA, SKAL International and SGS. Half of the currently active certification bodies began offering certification services after 1996, i.e. they are fairly new as service providers. The first organic certification bodies in developing countries were established in 1990 in Brazil (Instituto Biodynamico) and Egypt (COAE), followed by Argentina (Argencert) in 1992. Annex 1 lists all countries having an organic certification body.

Table 5. Number of certification bodies by region

Africa	9
Asia	91
Europe	143
Latin America & the Caribbean	34
North America	97
Oceania	11
Total	385

Note: the listing includes also branch offices that are registered in the country of operation, but not agents that are not legal entities.

Source: TOS, 2004.

Inspectors in developing countries

While 10 years ago most inspections for organic certification in developing countries were performed by nationals travelling from an importing OECD country, today most but not all of that work is performed by locally based inspectors, often expatriates. These inspectors have received training in various ways: by the International Organic Inspectors Association (based in the USA); by IFOAM; by a few consultants specialised in the field; or by certification bodies intending to use their services. A few of these local inspectors develop into commercial representatives of foreign bodies and finally into managers of branch offices.

Local bodies' importance for the development of the sector

As discussed above, locally based certification bodies often play an initially big role in the local development of the sector and for the formulation of locally adapted standards. A branch of a foreign body is rarely engaged in local development in the same way, and as the service they offer is mostly uniquely for the export market, they have little interest in developing the local market. For producers wanting to access the home market, the only certification thus available is to foreign standards and to a cost level more adapted to the export sector. Therefore there are some development arguments to support local bodies. In some regards a local body can also exercise more efficient controls; only an organisation with local presence can follow the market on a day-to-day basis and react quickly to important developments — such as pest outbreaks, government pesticide distribution programmes — that can affect the certification.

Survey of domestic certification capacity in developing countries

As can be seen from Annex 1, a minority of developing countries have local service providers. A survey carried out for the purposes of this study was sent to 11 selected certification bodies; 9 of them responded. Most of the selected bodies were known to engage in some activities outside their own country, and most of them were already established 10 years ago. They are therefore not representative of the normal certification body in a developing country. A few recently founded certification organisations were also included in the survey.

The following paragraphs provide a short overview of the surveyed bodies and the extent to which they work outside their own country. Thereafter their experiences and situation are discussed in greater depth. To explore to what extent the acceptance of the certification bodies under Article 11.6 of EU Regulation 2092/91 is operational (i.e. imports take place) the EU's Organic Farming Information System (OFIS) database was analysed. All import authorisations issued by the EU Member States are supposed to be listed there.

Argentina

In Argentina there are currently four bodies approved for certifying conformity with organic standards. The oldest and most established is Argencert, a private limited company founded in 1992. Argencert, and one other Argentine certification body, OIA, also work outside of the country. Argentina has an organic regulation, which was established primarily for the purpose of supporting exports to the European Union. It established itself on the EU's "third-country list" in 1994, and Argencert is one of the certification bodies approved under that system.

Argencert certifies production in Chile, Paraguay to local standards, and in Nepal, Vietnam, Portugal and Belgium to the NOP. In addition, it provides inspection services for other organic certification bodies, namely JONA from Japan and Bio Suisse from Switzerland. Significantly, EU approval is valid only for the work Argencert and OIA undertake in Argentina, and not services that these bodies perform elsewhere. In the latter cases Article 11.6 rather than Article 11.1 applies. Argencert has obtained IFOAM accreditation, approval by the national authorities in Argentina, NOP accreditation, recognition by Quebec (Canada) and ISO 65 accreditation by the German DAP. Argencert's annual costs of obtaining accreditation total USD 24 000 (Table 6). In addition, the annual in-house costs to assist the evaluator, translate and submit all needed documents and so forth are calculated to be USD 10 000. Argencert has experienced conflicting demands from accreditation bodies: in order to fulfil requirements from one accreditation body, it sometimes comes into non-conformity with another.

Table 6. Argencert's direct annual costs for obtaining and maintaining accreditation

Accreditation body	Fees (USD)
IOAS (IFOAM Accreditation)	8 000
Deutsches Akkreditierungssystem Prüfwesen (ISO 65 Accreditation)	7 000
USDA (National Organic Program, USA)	6 000
Servicio Nacional de Servidad y Calidad Agroalimentaria (National accreditation)	3 000
TOTAL	24 000

Brazil

Brazil has a substantial domestic market for organic products. It has not yet established an organic regulatory framework, but a law has been passed and the government is busy setting up the implementing regulations. The country is home to 17 certification bodies, most of them established recently and only a few of them servicing the export sector. Instituto Biodinamico (IBD), established in 1990, is the largest. IBD also certifies production in Bolivia, Uruguay, Paraguay and Argentina. The IBD is IFOAM accredited, NOP accredited and ISO 65 accredited. In addition, it co-operates with a Japanese IFOAM Accredited certification organisation for market access in Japan.

Brazil is planning to accept so-called “participatory certification” within its system. This is a system for certification that emphasises the participation of stakeholders, including producers, in contrast with the “objective and independent” approach favoured under international norms (IFOAM, 2004).

China

Organic certification in China was pioneered in 1994 by the Organic Food Development Centre of the State Environmental Protection Administration, one of the few governmental certification initiatives in developing countries. The OFDC was also the first domestic organic certification body in China. The number of certification organisations in China are growing (six are reported in *The Organic Certification Directory 2004*) and a national accreditation framework has been established. The OFDC currently has 21 full and part-time staff, and an additional 16 inspectors work under contract. The OFDC is IFOAM accredited. Products certified by the OFDC, which works only in China, gain acceptance in the Japanese and US markets through co-operation with another certification body that is approved in those markets. For the EU market, products certified by the OFDC gained market access until the introduction of the ISO 65 requirements in 1998. Currently the OFDC certification is not readily accepted by importers, but two imports of OFDC-certified products have been accepted into Sweden (Source: OFIS). The OFDC has received technical assistance through Germany’s GTZ. The domestic market for organic products and therefore also for certification in China appears to be expanding rapidly.

A regional certification body in Latin America

Biolatina S.A.C has its main office in Columbia. Biolatina is a for-profit company that was created in 1998 by four independent Latin-American certification bodies. It currently has 13 employees and 40 contracted inspectors and certifies production in Bolivia, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Peru and Venezuela. Biolatina currently has ISO 65 accreditation by the German DAP as well as NOP accreditation. Exports to the EU (under Article 11.6) seem to pass unhindered as there are many authorisations issued for Biolatina-certified production from the countries mentioned above. For a short period Biolatina also provided NOP certification for a few clients in Germany.

Box 1. Biolatina²⁴

Co-operation was established in 1995 between some of organic certification bodies in Latin America: Bio Muisca (Colombia), Biopacha (Bolivia), Cenipae (Nicaragua) and Inka Cert (Perú). As part of this work, they shared inspection visits and exchanged information and experience. These four certification organisations met in Lima, Peru in December 1996 and agreed to constitute Bio Latina as an association, which was incorporated as a company in 1998.

Bio Latina has as its objectives, among others, to strengthen organic agriculture in the members’ countries, support its development and consolidate members as certifiers (through the execution of joint programmes). It also works to standardise procedures and certifying instruments, establish among its members an internal control and credibility system, and achieve international recognition for Bio Latina and its members.

Bio Latina has harmonised standards, quality management and procedures, inspection forms, and inspection and certification programmes. Its “Basic Standards for Ecological Agriculture” includes the standards that producers, processors and traders of organic products should comply with. Reference has been made to international standards and regulations (particularly to those of IFOAM, the European Union, and the United States), applying them to the reality and problems of Latin American agriculture. Joint training for inspectors and personnel of its members is conducted regularly. The establishment of Biolatina was supported by the GTZ especially to comply with ISO 65 and to receive accreditation.

Source: Rundgren (1999).

²⁴ Based on Rundgren (1999).

Egypt

Egypt has a long tradition of organic farming and exporting to the European Union even though its government does not regulate organic farming. Initially organic producers were certified by EU-based certification bodies, but over time two Egyptian organisations, COAE and ECOA, have taken over most of the business. The Centre of Organic Agriculture in Egypt (COAE) was established in 1990 in co-operation with a certification body based in Europe (which retains 30% of its shares) and has certified 170 producers. COAE has ISO 65 accreditation and has applied for NOP accreditation. It currently employs 13 people. COAE certifies production in Egypt, Sudan, the United Arab Emirates and Iran, and plans to expand into Lebanon, Tunisia and Morocco. The approval for imports to the EU apparently works well for Egyptian exports as there are many entries in the OFIS database for COAE, though none of these entries pertain to products from farms certified by COAE outside of Egypt. However, if imports are going through an Egyptian company, they would be registered by OFIS as Egyptian rather than under the country of origin.

India

The domestic market for organic products in India is still not very well developed. India established a National Organic Program in 2001 that allowed the export of organic products only if they are produced, processed or packed under a valid organic certificate issued by a certifying body accredited by one of the Accreditation Agencies designated by the Government of India. These are currently the Agricultural and Processed Food Products Export Development Authority (APEDA), the Coffee Board, the Spices Board and the Tea Board. There are 11 accredited certification organisations operating in India, of which four are domestic, i.e. not branch offices of foreign bodies. The Indian Organic Certification Agency (INDOCERT) was established in 2001 and also provides inspection services in Kyrgyzstan and Bhutan. INDOCERT has been supported by Switzerland's Directorate for Economic Development Co-operation. Exports to the EU are currently certified by 5-6 EU-based organisations, and none of the local certification bodies has managed to get any product accepted for import as organic by the EU. INDOCERT received ISO 65 accreditation by DAP in February 2005. India has applied to the EU to become an approved third country according to Article 11.1. The status of its application is not known.

South Africa

South Africa has a long tradition of organic farming. It has also a growing domestic market for organic products, and imports some products from neighbouring countries. The government embarked on regulation of the sector with the aim of facilitating exports to the EU. But when it became clear that exports continued to flow, and that the process to get on the EU third-country list was quite cumbersome, the initiative petered out. The standards developed by the government are de facto working as a national standard even without regulatory backing. There are two domestic certification organisations, of which the dominant one is Ecocert-Afrisco Pty Ltd. (Afrisco), established in 2001. It is a private company owned by the Europe-based organisation Ecocert and local shareholders. Through Ecocert, products are accepted on the EU market. The company provides two services: Afrisco certification, mainly for the domestic market, and Ecocert certification according to the EU regulation, NOP or JAS for exports. Afrisco is active in South Africa, Malawi, Lesotho and Zambia. In 2003 Afrisco began the process of obtaining ISO 65 accreditation, which is still pending.²⁵

²⁵ An initial accreditation process quite regularly takes 1-2 years to complete, even though it theoretically can be completed in half a year.

Thailand

In Thailand an organic regulation recently came into force and it is just about to be implemented. Organic Agriculture Certification Thailand (ACT) was established in 1995, and is the only domestic certification organisation. ACT certifies production in Laos, Thailand and Vietnam, and provides inspection services for other certification bodies in China, Indonesia, Laos, Malaysia and Vietnam. It employs 5 full-time and 2 part-time staff and 12 part-time inspectors. ACT is IFOAM accredited and ISO 65 accredited by the IOAS and is in the process of being accredited by the National Office of Agricultural Commodity and Food Standards to the Thai national regulations. ACT has not yet managed to get an own acceptance for exports to the EU. Some products have been accepted through co-operation with a certification body in Sweden. ACT has received support from various sources, including the Danish Development Corporation. There are at least five European certification bodies active in Thailand.

Uganda

In Uganda certified organic production has taken place since 1993, and it is the African country with the largest area under certified organic production. Some 35 000 farmers (almost all of them small-holders) produce organic cotton, coffee, sesame and other products on more than 100 000 hectares. Certification is performed mainly by two Europe-based organisations. One of them uses mainly local inspectors. Ugocert was founded in 2003 and it is currently busy putting its organisation in order. It has entered into an agreement with a Swiss certification organisation and acts as an inspection service for them. In that role it has also performed inspections outside of Uganda, in the Democratic Republic of Congo. It employs two staff and a dozen free-lance inspectors. In addition, Ugocert offers certification to the Uganda Organic Standards, a private-sector consensus standard. Ugocert plans to apply for IFOAM accreditation during 2005. The development of Ugocert is supported by the Swedish International Development Co-operation Agency.

Challenges and opportunities for organic certification bodies established in developing countries

Certification in the home country

With few exceptions²⁶, having a strong domestic demand for certification services is almost a precondition to be competitive in the export of certification services. Therefore one needs first to explore the domestic situation of these organisations before looking at their export opportunities. What strikes a certification body when it first seeks to gain international recognition is the complex reality it must face. Almost all certification bodies will have to obtain external advice in order to complete the process of NOP accreditation, JAS registration or getting the first certified products accepted under Article 11.6 of the EU regulation. Certification bodies servicing only a local unregulated market have few problems with acceptance, but these markets are often too small to sustain an export operation.

Approval or accreditation requirements by importing markets

There are major hurdles for an organic certification organisation to get accepted in major import markets, or rather for products certified by them to be accepted. As of May 2005, only two developing countries have been recognised by the EU according to the procedure in Article 11.1.²⁷ The EU's procedure set out in Article 11.6 does not in essence constitute an approval of the certification body but of consignments of

²⁶ The exceptions are mainly found in a few "non-organic" auditing companies that already have an international network, and a couple of the big international organic certification companies, e.g. IMO and Ecocert. Both of them had a strong home market at their time of international expansion.

²⁷ The procedure for granting equivalence to a country under Article 11.1 is discussed in the Annex 2 and further ahead in the report. This option is no short-term option for the service providers.

imports, and is not invoked on the request of the certification body but by the importer. When an importer is assessing whether to buy a product certified by an organisation in its own country, who speaks the same language and is familiar with the import approval procedures set by the government, or a product certified by an organisation in a developing country, its choice is very likely to favour a certification body in the home country. In addition, in many cases organic farms in developing countries are set up as projects, wherein contacts with importers are made in the early stages. These importers will normally recommend the use of a “reliable” organisation based in the EU, rather than taking a chance on using a local body that is not yet recognised.

There are some differences in the application of Article 11.6 among the EU member states, which can be confusing, but can also create opportunities. For example, products certified by China’s OFDC have been approved for import to Sweden. Once such an approval has been given by one member state it should be easy(ier) to get approval also by the other member states. When a certification organisation in a developing country has surpassed a certain threshold these problems fade away. IBD and Bio Latina, for instance, appear to be so well known and established that they encounter few obstacles: “Often any resistance is based on the lack of knowledge from the importer or exporter about the company. As soon as you can prove accreditation to the NOP and the DAP and give detailed information on your certification program and your accreditations, this initial resistance fades.” (Biolatina comment in survey)

In a number of EU member states the application of Article 11.6 has included a requirement that the certification body shall be accredited to the ISO 65 standard, and that this accreditation shall be made by an organisation that participates in a peer-review program. Yet many developing countries have no national accreditation body at all, or their accreditation body is not yet a member of the IAF (only two African countries, Tunisia and South Africa, have an IAF member) or is not part of the peer-review program. Therefore, a number of certification bodies in developing countries have obtained such accreditation from EU-based accreditation bodies, an accreditation that is both costly and demanding.

For access to the US market, the only realistic short-term option open to a foreign certification body is to apply for direct accreditation by the USDA (NOP accreditation). To date, mainly Latin American organisations have sought NOP accreditation, while many of the EU-based organisations still do not have NOP accreditation, and no African and few Asian organisations have it. In the initial round of accreditation this was provided for free and was based on a desk review of applications. However, in 2005 the USDA started requiring on-site evaluations²⁸, which have to be paid in full by the applicant. This adds substantially to costs, as a team of two evaluators normally spend a week or so for each evaluation. On top of that comes office work, travel costs, etc. The full cost can easily amount to USD 10 000. Another hurdle is that NOP accreditation is based on direct certification according to the NOP and full compliance with the NOP. The certification body has to design a distinct programme for this, which must be implemented parallel to the programmes for domestic certification, certification to the EU or any other programme, which leads to substantially increased administrative costs.

No developing country has the needed agreement with Japan to allow their certification bodies to be approved in Japan.

Market requirements

Certification organisations in developing countries also experience problems with “re-certification” requirements for markets where strong private labels dominate. Most of the strong private labels are held

²⁸ In the desk review the organisations are assessed only based on the paperwork that they submit. With a site evaluation the assessment also includes how they implement their system in reality. A site evaluation also includes visits to producers as well as monitoring the performance of the inspectors in the field, a so-called “witness audit”.

by organisations that are IFOAM accredited. For getting acceptance of products they certify, IFOAM accreditation is a clear benefit, and those lacking it can experience substantial problems in gaining acceptance. Similar to the accreditation by EU-based national accreditation bodies, IFOAM Accreditation is costly and demanding. In rare cases retailers express preference for certain types of certification or certain certification bodies. More often, importers express strong preferences for a certification body in their home country based on their experience in working with them.

Standards

Another challenge is that the production standards in the EU regulation, JAS and the NOP are written for the growing conditions found in the EU, Japan and the USA and are not fully applicable to the conditions found in many developing countries. While the EU regulation acknowledges that products can be produced under equivalent standards, it is clear that to make such an assessment for each approval under Article 11.6 is a daunting task. In addition, in many developing countries there are no domestic standards that could form the basis for an equivalency assessment. Therefore, de facto, the EU regulation applies more or less in its entirety also under this provision.^{29, 30} NOP accreditation requires that certification bodies certify production directly to the NOP standards, and provides no scope for equivalency assessment. The use of a not-fully appropriate standard is not only a problem for the producer but also for the certification bodies as they have to deal with a number of complicated issues in those standards,³¹ or have to chose between “bending the rules” to be able to certify, and thereby risk their approval, or to stick literally to the rules and as a consequence refuse certification for a large number of producers.

Administrative procedures

As for procedures for individual shipments, there are substantial differences between the USA and the EU. For imports of organic products to the USA there are no special “organic” procedures at the border. The goods should be accompanied by a so-called transaction certificate, but the accuracy of those is only checked at the time of annual inspections of the importers. For imports to the EU, each shipment under Article 11.6 has to be cleared by the customs authorities, who will not release the good for circulation unless there is (a) a valid import permit issued by the member state and (b) an original “certificate of inspection”. The requirement for the certificate to be in original form (no fax or e-mail is allowed) creates logistical challenges and constitutes a disadvantage for a certification body located far away compared with one having its office in the importing country.³²

Qualification requirements for individuals

Currently there are no internationally agreed training curricula or qualification requirements for organic inspectors or certification personnel. Of the regulations in the USA, the EU and Japan, it is only in Japan

²⁹ The willingness to accept variations from the EU regulation varies among the member states.

³⁰ It becomes more of a challenge for the certification bodies to try to interpret the regulation in a setting for which it was not written. The ability to feel comfortable in doing this is much higher for the organisations based in the EU than for those outside the EU.

³¹ One such example is the use of organic seeds. According to the EU regulation seeds from organically grown plants shall be used whenever available. In the EU countries there are quite a number of varieties of organic seeds available and there are even public databases that list which seeds are available, assisting the producers and certification bodies alike. None of this is normally available in a developing country, and the certification body has to spend a lot of time making clear for the import authorities the actual situation in the country. Another example are the requirements in the NOP for composting of manure, which are virtually impossible for small-scale producers in developing countries to fulfill to the letter.

³² As the certificate has to have a reference to the actual bill of lading, it cannot be issued in advance of the actual shipment.

that there are explicit qualification requirements for individuals holding key positions in a certification body (MAFF 2000). The ISO 65 and the IFOAM Norms require that persons should have relevant qualifications. But they do not specify required levels of education or experience requirements. Among the survey responses also, there is no indication that qualification requirements for individuals (e.g. requirements for diplomas, qualification or certain experience) pose an important initial obstacle for certification organisations to get recognition or accreditation.

However, before an organic certification organisation can act as an inspection service provider for another certification organisation, it is common that its inspectors will have to undergo special training and sometimes a formalised approval process in order to be accepted. This means, effectively, that it is the foreign certification organisation that decides which inspectors will be used to perform the service. A few certification bodies require an annual supervised inspection as a condition for maintaining the status of an inspector. One particular qualification that would work in favour of local staff is the ability to speak the language of the farmers. Most farmers in developing countries speak a local language different from the languages normally mastered by international inspectors. It is well known in the sector that performing an inspection of a farm operation through the use of an interpreter — sometimes even through two steps of interpretation — is a very difficult task. Despite this, none of the existing organic regulations or accreditations sets the ability to converse in the local language as a criterion.³³

Prospects for export of organic certification service

The challenges described above apply almost equally to the situation wherein an organic certification body in one developing country works in other countries. The major difference is that, in the case of exports to the EU, the approval under the EU's Article 11.1 procedure applies only for certification in the country put on the list, which means that any certification done outside the country is subject to the Article 11.6 procedure. The only surveyed body in such a country, Argencert, noted that they had experienced some initial problems trying to provide certification services in Chile for exports to the EU. A similar limitation could apply under the option for equivalency under the system in the USA — a discussion that for the time being is purely theoretical as no country has been granted such equivalence. By contrast, the approval of an R(F)CO for Japan can include their work also in other countries.

Even if it is hard to compete with an OECD-based certification body in the home country of a developing country certification body, a local body can still possess some advantages — mainly lower prices, local presence, inspectors familiar with local production methods and growing conditions, staff fluent in the local language, and sometimes a desire by the producers to support a local business rather than a foreign one. Some of these advantages disappear when the same body wants to export its services.

Some regional markets of importance are not regulated by governments, and are generally open for certified products, and do not specify requirements for the certification bodies. The Gulf states, Singapore, Malaysia and South Africa are examples. The absence of regulation means free access for products certified by bodies in developing countries and can even form the basis for the export of the certification service. In the case of South Africa, Afrisco certifies production in surrounding countries intended for exports to South Africa, using the draft South African organic standard as a basis for its certification. Unless the current trend of more and more countries regulating the organic trade is reversed, this opportunity will rather diminish than expand.

For an organic certification body from a developing country to offer services to clients in OECD markets there are many obstacles. For an NOP accredited body there are no legal obstacles, but none of the

³³ Such a requirement could pose a real challenge also for local bodies in countries with a multitude of local languages.

surveyed bodies offers its services in the US market – it is simply not seen by them as a interesting option (no EU based bodies have ventured to do that either, except for one partnership). In Japan it is legally impossible for a foreign organisation to certify Japanese producers unless they open a branch office in Japan and get a separate approval for that office. In the EU it is a similar situation.

One advantage that an organic certification body in an exporting developing country can have, over a certification body operating in a market where most production is for domestic use (e.g. the EU), is that it may be more familiar than the local certifiers with the requirements set by other countries' buyers. Most EU-based certification organisations were not prepared to seek NOP accreditation when the NOP was implemented. Even those with substantial exports to the USA expected their government or the European Union to negotiate equivalence and to solve any market-access problems. When this did not happen a number of producers in the EU had to search for partnership with other certification organisations, often another certification body operating in its own country, or an arrangement with a US certification body. The survey showed two examples (Argencert and Biolatina) where certification bodies from a developing country have been able to successfully offer certification according to the US NOP for EU exporters (in Germany, Belgium and Portugal). In both these cases the business was a result of close co-operation between the organisations in the developing country and partners in the EU. The examples did not include inspectors from these countries travelling to the EU countries, but rather that the certification organisations reviewed inspection reports from partners in the EU. This appears to be the only situation in which a developing-country certification body has had any chance to export the certification function to a customer in an OECD market. The few examples of exports of services to other OECD countries by firms in developing countries are rather anomalies than promising future business prospects, given current circumstances.

Join-ventures or branch offices of internationally active certification bodies are in many cases able to export their services, but as (if?) more countries regulate their sector in a similar way as the many OECD countries, there will be fewer opportunities for that in the future. Most likely they have to establish branch offices in each country where they inspect.

Inspectors and inspection services

Another service opportunity is to supply inspection services to foreign certification bodies, something that is practiced by most of the surveyed bodies (and is also common between EU-based certification bodies, for example). Contrary to those for acceptance as a certification body, the requirements for individuals are usually not seen as onerous (see above under qualification requirements).³⁴ There is no obstacle for an inspector that is seen as qualified in the home country (of the inspector) to work also in another country as long as there are no unique regulatory obstacles in that other country. Remaining obstacles are either those common for all travelling professionals (visa requirements or restrictions on rights to perform services in general) or those relating to language ability or knowledge of the particular agricultural conditions in other countries.

The survey focussed on the use of organisations to perform such inspections, but even more common is the engagement of individuals. Ecocert, for example, has one inspector based in Madagascar and one in Zambia, and they both perform inspections in eastern and southern Africa. IMO has inspectors stationed in Uganda and Tanzania, covering eastern and southern Africa. There appear to be commercial or

³⁴ Some certification bodies appear to have qualification requirements that are so high, or insist on so much training and supervision of distant inspectors, that they in reality end up having almost no inspectors operating at a distance. This reflects negatively on their price structure compared with those that more willingly use distant inspectors. Thus the market share of the former is declining.

psychological barriers to the same inspector working for several certification bodies, which would be natural if they were acting as commercial representatives, but less obvious if that is not the case.

Possible ways forward

Development strategies for service providers in developing countries

Within the current market and regulatory conditions, there are not so many options available for local service providers in developing countries. Most of the conditions are externally set and not within the reach of a local provider to change.

Developing local standards

One strategy for developing countries is to develop local or regional standards³⁵, and certify production based on those instead of the less appropriate standards in the importing countries. However, in relation to the USA this is fruitless as NOP compliance is required. In the case of exports to the EU, certification to a local standard sometimes takes place. But as has been pointed, out judging equivalence is a huge task and transactions are just so much simpler when the certification is made directly to the EU regulation. Local standards therefore play their major role in the development of local markets and not as a tool to facilitate exports in products or services.

Establishing a local certification organisation or setting up branch offices

In developing countries with no or a very small domestic market, it is difficult to establish an organic certification body from scratch. In order to get clients a company needs to have the necessary approval, such as NOP accreditation or de facto acceptance through Article 11.6 under the EU system. But to get this accreditation or acceptance they need to be already in operation and to have established all the procedures. And it is only the export market that can support the fees needed to operate a professional service complying with external demands. Those starting early (also the few in developing countries, such as Argencert, COAE and IBD) were able to gradually adapt to the increasing demands.

There are advantages to either setting up a branch organisation of one of the international certification bodies (which is the case of 7 of the 11 certification bodies in India) or establishing a joint venture (e.g. Afrisco and COAE). Through this a recognised certification service can be offered already at the onset. As been mentioned earlier, branch offices in developing countries are often developed through a process whereby local inspectors develop into managers of such offices. Another strategy is to enter into co-operative agreements with foreign certification bodies, providing inspection services for them as a step in the direction of an own certification service (e.g. UgoCert and ACT). The challenge here is that most certification bodies are reluctant to enter into such deals as they know that the ultimate objective of the local body is to take over the business fully.

When there is a substantial domestic market or an unregulated regional market the situation is different. In those cases the early stages of developing the business can be supported by income from domestic or regional certification. Certification systems for the local market can be adapted to the local market size, the capacity of the producers and their purchasing power. In such a way local service providers can gradually learn the trade and slowly grow into a position where they can offer an internationally compatible service. They can also place themselves in a good bargaining position should they want to consider forming joint ventures with foreign certification bodies wanting to enter their market. However, there are only a few

³⁵ This could be either as a private-sector standard or as part of a regulation.

developing countries (Brazil, China and South Africa, for example) that currently have a large enough domestic market to support local certification bodies.

For individuals in developing countries there are good prospects to work as inspectors for organic certification organisations established in their home countries, in another developing country or in the export market. It is mainly a matter of acquiring the necessary training and establishing the trust of key players in the industry.

It should be apparent from the above that certification bodies based in developing countries face major hurdles to become commercially viable in their home country, and even more so to export their service. One conclusion can be that it is not a needed development in the first place. Branch offices of a few international certification bodies, or inspectors simply working for them, have some advantages, especially their ability to deal with complex situations the possibility to distribute overhead costs for the needed accreditations on many producers.³⁶ Regional co-operation, following the example set by BioLatina, which combines local development aspects and commercial strength, could perhaps work elsewhere as well.

Capacity building and other assistance

Many of the recently founded organic certification bodies in developing countries (in the survey, Biolatina, ACT, INDOCERT, OFDC and Ugocert) have received substantial funding and technical assistance from a few OECD countries, most notably Germany, Sweden and Switzerland.³⁷ Capacity building for organic certification services can involve training of inspectors, training of certification staff, development of quality systems, coaching of the service providers to achieve the needed approvals or accreditation, and business planning. From the aspect of making the service available for producers, one could ask if the efforts needed are justified compared with the main alternative — the formation of joint ventures and branch offices — at least with the current regulatory setting. On the other hand, the development aspect of local bodies, as outlined earlier, may justify the investment. Many of the current branch offices or joint-ventures for organic certification have also been established with substantial development cooperation assistance from OECD countries, either directly through investment schemes, public-private partnership projects or indirectly by covering such costs as the training of local inspectors.

Regulations in developing countries

A number of developing countries have started regulating the organic sector, mainly in order to facilitate access to the EU market. Other motives for organic regulations could be to develop the domestic market strengthen the general credibility of the sector, and protect or favour local service providers. But a critical analysis suggests that these regulatory strategies have not generally been successful. Only one of the surveyed certification bodies has gained access to the EU market as a result of adopting a domestic regulation; many others have gained access without a regulation. Experiences from developed countries do not support the supposition that a regulation is essential for developing a market or for the development of the sector at large. Using regulations to protect local service providers also rarely works. In the worst case it results in foreign certifiers being denied access to the market while the local certification body is still not able to provide certification for exports, leading to a situation in which nobody has gained and the producers have lost. In most cases, however, a regulation does improve the image and the credibility of the sector by providing a kind of acknowledgement of its relevance. But such acknowledgement could also be signalled by introducing policies, programmes, curricula and plans supporting organic agriculture (Rundgren 2002b).

³⁶ The cost for accreditation is not so strongly linked to the volume of the business, so a small organisation usually pays a lot more per producer than a large organisation.

³⁷ Costs in the range of 100 000 to 400 000 euros per organisation are reported.

Equivalence and mutual recognition agreements

Central to the development of trade in organic products and certification services is the aspect of equivalence or mutual recognition. Mutual recognition agreements (MRAs) can take place at three different levels:

- between two or more countries;
- between accreditation bodies;
- between certification bodies.

There is already a system in place for mutual recognition in private-sector certification between organic certification bodies within the framework of the IFOAM Accreditation Programme. Such an agreement at the level of certification bodies would provide a simple solution for acceptance of certification bodies, with the strong point that it would not be bound to any particular geographic area or legal system. To date, this MRA has not played any direct formal role for imports to the major markets, as the current regulations do not provide for this as an option for import approval, with the exception of a partial relevance in the system used by Japan. An MRA on certification would foster direct co-operation between the certification bodies (e.g. that a certification body approved in one market can certify based on inspection reports from another signatory), co-operation in services (e.g. using the same inspectors) as well as capacity building in the sector. One limitation with the IFOAM MRA is that it is based on accreditation by the IOAS, which makes it politically difficult to accept in countries where national accreditation bodies play a strong role. The cost for IFOAM accreditation is also likely to be higher than the costs for a national approval system, but obviously lower than for multiple accreditations (e.g. one or more national, ISO 65 and NOP), which is common today.

Mutual recognition between accreditation bodies exists already within the IAF framework, for areas of certification where there is a peer-review program. This MRA³⁸ means that one accreditation body will accept the accreditations made by the other accreditation bodies. The IAF MRA builds uniquely on the ISO 65 standard, which is not an integral part of all organic regulations. The practical implications of this is smaller than might be expected, in the current regulatory setting, as it is not normally the accreditation body that decides to accept or not to accept foreign certification bodies for imports to the respective markets. For the EU an accreditation by a signatory of the IAF MRA helps — but is never sufficient by itself — to obtain approval by the competent authority, or to be placed on the third-country list. The “organic accreditation body” in the USA, the USDA, is not part of the IAF MRA.

A further limitation of the IAF MRA approach is the lack of accreditation bodies in most developing countries. This means that solutions based on the IAF MRA approach work very much in favour of the established international, mainly Europe-based, certification bodies and the national accreditation bodies in OECD countries. An accreditation MRA that included the USDA, the IOAS, the IAF members and other relevant approval bodies could play a bigger role. But again, as long as other mechanisms are still needed for full recognition, this role would be limited. An MRA on accreditation would make it easier to establish an MRA at the operational level, i.e. at the level of certification. In some sectors accreditation as a process is made redundant through peer review between the certification bodies themselves.

At the level of the nation-state, there is to date no mutual recognition agreement in the sector, though there is unilateral determination of equivalency (e.g. the EU third-country list). In many cases it appears that responsible government agencies struggle with how to establish equivalency between the domestic regulation and the situation in the other countries. A major limitation for mutual recognition between

³⁸ Referred to by the IAF as a Multilateral Agreement (MLA).

countries is the substantial effort it takes to pursue such agreements. Another is that most developing countries do not have domestic regulations that could form the basis for such an agreement. Most countries will simply not consider organic agriculture to be a sector that is important enough to get the substantial resource allocations needed to first establish a regulation and then pursue equivalency agreements with a number of important import markets. A multilateral agreement could be more practical, but again it would leave out all those countries that have no regulations.

Are regulations creating unnecessary obstacles?

Central to the discussions on future prospects and the possibility to remove current obstacles is clearly the question: to what extent are the regulatory requirements in major OECD markets fair and not more restrictive than necessary? It is outside the scope of this report to analyse in detail what is the “right” level of regulation for organic products, or if regulations at all are necessary. However, it can be useful to summarise the major obstacles resulting from the current regulatory situation

The approval and accreditation requirements: Requirements for certification and accreditation, e.g. ISO 65 accreditation or NOP accreditation, appear to be more onerous than necessary for this kind of certification, and favour certification bodies from OECD countries. The approval processes for certification bodies also disregards the existing private-sector mechanism, IFOAM Accreditation.

Lack of mutual recognition and equivalence: Under the current design of regulatory systems, there is little chance of rapid progress on equivalency agreements at the country-to-country level. Regulations block the use of mutual recognition of certification as a tool for market access. Prospects for mutual recognition on the accreditation level also seem to be very slim.

The link between certification and regulations: As a consequence of regulations, certification bodies have changed from being service providers for their clients to being control agents of governments, and in some cases they have to follow the same rules as the public civil service. Such integration has not taken place in comparable services, such as environmental auditing and eco-labelling, and is making private-sector solutions either redundant or possibilities for their use much more limited. It also constrains the possibilities for trade in the service, limits competition and stifles innovation.

The use of a non-adapted standard for production: Organic agriculture is by definition based on local conditions and use of local resources. Existing regulations, especially those of the EU and USA, are very detailed and written primarily for the agricultural conditions in those countries. The use of these standards under very different conditions creates obstacles for producers as well as major challenges for certification bodies.

Many representatives of the organic sector question if the current development of organic regulations serves their purposes. “There is less risk involved in organic agriculture than in conventional production systems. Why ask so much more?” asks the manager of one of the organic certification bodies (Bächi, 2003). Certification of organic production is mainly a market differentiation tool, where the “risks” of a non-conforming product is very small from the perspective of society. The same societies are considering non-organic products to be perfectly safe, and organic products have to fulfil the same requirements as any other product on the market. Accordingly, the environmental, health and social consequences of a failure in the certification process are not very high. One could argue that there are other things involved that motivate this high level of government control. For example, organic farmers in some OECD countries get support for organic farming and governments need to keep claims on such support within limits. But again, there are many other farmers that get environmental subsidies without being subject to that rigour of

control, and there are some OECD countries that support organic farming without linking it to certification.³⁹

For the organic market itself, there are apparent risks involved with non-organic products being sold as organic, in terms of their effects on competition, and once such events become publicly known the result is likely to undermine confidence in the sector as a whole and not only on the culprits. Therefore there are strong self-regulatory motives for the sector to design the instruments needed to keep the market credible. If the sector seeks the government's assistance, as it did in both the EU and the USA, the government should be responsive, but rather limit its intervention to the essentials and to the matters that the private sector cannot handle.⁴⁰

One could imagine a system that uses locally adapted standards, based on an international baseline (IFOAM or Codex Alimentarius), where organic certification is seen as a professional market service and not an integrated part of government regulations, where organic certification bodies worked in mutual recognition with each other based on agreed requirements⁴¹ (e.g. the IFOAM norms) and where the government's involvement is to provide oversight based on truthful marketing (labelling) claims and focusing on fraudulent and deceptive practice, rather than the current micro-management of the sector. Such a scenario would be friendlier to new entrants as service providers, but is not likely to stop the internationalisation and consolidation currently taking place, perhaps even the opposite.⁴²

Recent developments and initiatives

Changes in the regulations

A few recent developments point in a positive direction for developing-country service providers. The European Union is revising its regulations for imports of organic products. The European Action Plan for organic farming, adopted in 2004, states that:

“The future equivalency regime should be built on the experience of the existing assessment systems, should address their disadvantages, facilitate imports from developing countries, take into account the different climate and farming conditions and the stage of development of organic farming in developing countries, avoid duplication of work and integrate better the work of the private sector notably by assigning recognised bodies to carry out technical evaluations.”

Such a new system might be based on amendments of the current EU regulation, which would establish a list of recognised inspection bodies, complementing the current system of recognised third countries. The Commission also wants the EU logo to be made available to all imported products. The Action Plan also mentions that more co-operation with the private sector, e.g. IFOAM and the IOAS, will be sought (TOS, 2004b). Japan's system is also undergoing revision, in such a way that certification bodies will not have to have their head office in a country with equivalent regulations, but can be headquartered in any country (MAFF, 2005).

Government and private sector co-operation

The FAO, UNCTAD and IFOAM have embarked on an ambitious effort to reduce barriers to trade in organic products, and therefore also implicitly barriers to trade in certification services. In the International

³⁹ For example in Sweden.

⁴⁰ For example, the private sector has limited ability to act on fraudulent organic market claims made by non-organic and not certified producers.

⁴¹ Such a system could work with the additional support of accreditation or peer-review or simply through mutual co-operation, building trust.

⁴² In an unregulated situation, the bigger actors might in the end be more able to work on a truly international scale.

Task Force for Harmonisation and Equivalency in Organic Agriculture (ITF), the three organisations invited governments, private-sector bodies and international organisations (e.g. OECD, UN/ECE, WTO) to analyse the current situation (the Review Phase) and seek solutions (the Proposal Phase). The ITF was initiated in 2002, and has conducted a number of studies and meetings. The ITF is currently reviewing the relevance of the ISO 65 standard as an international norm for organic certifiers; the possibilities for a more direct co-operation between certification bodies; possibilities for establishing common regulatory objectives; and the practical experiences from equivalency assessments and agreements. The ITF meeting in November 2004 concluded that important aspects for a solution are (ITF, 2004):

- the use and adaptation of existing structures and mechanisms of regulation, both private and public sector;
- production standards equivalent to a single international standard;
- one international requirement for conformity assessment;
- common international procedures for approval or accreditation of conformity-assessment bodies which reduce duplication of work and enhance access to markets including by countries in which regulatory infrastructure is absent or less well developed.

It is premature to assess what concrete agreements that might spring directly out of the ITF⁴³, but it is already evident that the ITF has created a dialogue that is influencing both private-sector actors (in particular IFOAM) and regulatory authorities.

IFOAM

IFOAM is undertaking on a thorough review of its Organic Guarantee System — i.e. the norms, the conformity assessment procedures, accreditation and agreements among the participating bodies. The ambition of IFOAM is to create a system that is more accessible for producers and service providers alike. More direct co-operation between the certification bodies and an extended, more-inclusive mutual recognition agreement are suggested. IFOAM also wants to find ways to integrate existing regulatory systems into one coherent system. While IFOAM's efforts are directed to improve market access for producers and certification bodies alike, it will have little practical value unless the IFOAM system, or parts of it, is recognised by the main importing markets.

Regional trade agreements and regional co-operation

Failing any grand international agreement on organic certification, governments in developing countries could consider including organic standards and organic certification services in regional trade agreements. They should learn from the experiences of other regulations and try to work out simple procedures that do not create unnecessarily obstacles for the establishment of local bodies. The development of regional standards can form a basis for regional trade. It is also more likely that there will be larger possibilities to negotiate equivalence (with importing OECD countries) on the basis of a regional standard than on the basis of a multitude of national standards. Currently there is an effort to establish a regional organic standard for eastern Africa.⁴⁴ In Central America there is co-operation between the authorities in Costa

⁴³ The agreements in the ITF are not binding for the participating organisation, but can be seen as negotiated proposals.

⁴⁴ Supported by UNCTAD and the Export Promotion of Organic Products from Africa, a programme of the Swedish International Development Cooperation Agency.

Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Dominican Republic around organic regulations (Alonso, 2005).

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www.ams.usda.gov/nop/CertifyingAgents/Accredited.html

ANNEX 1: NUMBER OF ORGANIC CERTIFICATION BODIES PER COUNTRY⁴⁵

Country	No of Certification bodies	Country	No of Certification bodies
Argentina	4	Luxemburg	2
Australia	7	Malaysia	1
Austria	10	Malta	1
Belgium	2	Mexico	1
Bolivia	2	Netherlands	3
Bosnia and Herzegovina	1	New Zealand	4
Brazil	17	Norway	1
Bulgaria	1	Paraguay	1
Canada	26	Peru	1
Chile	2	Philippines	1
China P.R.	6	Poland	6
Colombia	1	Portugal	3
Costa Rica	2	Russia	1
Croatia	1	Serbia & Montenegro	1
Cyprus	1	Slovakia	1
Czech Republic	1	Slovenia	1
Denmark	2	South Africa	2
Dominican Republic	1	Spain	20
Egypt	2	Sri Lanka	1
Estonia	4	ST Lucia	1
Finland	5	Sweden	2
France	6	Switzerland	4
Georgia	1	Tanzania	1
Germany	29	Thailand	2
Greece	4	Tunisia	2
Guatemala	1	Turkey	2
Hungary	2	Uganda	1
Iceland	1	United Kingdom	11
India	9	USA	71
Indonesia	1		
Ireland	3		
Israel	2		
Italy	11		
Japan	66		
Kenya	1		
Lithuania	1		

⁴⁵ TOS 2004

ANNEX 2: IMPORT REGULATIONS IN THE EUROPEAN UNION, JAPAN AND THE UNITED STATES OF AMERICA

The European Union: Council Regulation (EEC) 2092/91

Article 11 of the EU Regulation 2092/91, as amended, specifies requirements for importing products from countries outside the EU. These requirements apply to all processed and unprocessed food products from plants or animals, including animal feed and products harvested in the wild. Currently there are two methods for meeting the requirements for importing organic foods into the EU.⁴⁶

Approval of third countries. Article 11 of Regulation 2092/91 establishes the basic system for approval of third countries for the purpose of importing organic products. More detailed rules for implementing the arrangements are laid down by Commission Regulation (EEC) No 94/92 of 14 January 1992. This regulation enables the EU authorities to evaluate and approve a third country's organic standards and to recognise its organic inspection system. In cases where inspections are carried out by private certification bodies, the EU must evaluate the exporting country's system for approval and supervision of private certification bodies. The evaluation of the third-country system includes physical visits by the Commission's own experts. Approved countries appear on a list annexed to Commission Regulation (EEC) No 94/92, the so-called "third-country list". Through this method, inspection bodies are approved by the EU only for their work within the country on the Article 11 list, and not for certifications carried out in another country.

Member-state authorisation of products: Council Regulation (EEC) No 2083/92 amended Regulation 2092/91 (Article 11.6) so as to enable governments of individual EU Member States to authorise an importer to import products from a country not included in the Article 11 list. This provision is commonly referred to as the "importer derogation" and is scheduled to expire on 31 December 2005.⁴⁷ In order for imports to be approved under this method, the importer must furnish the Member State with sufficient evidence to show that:

- the imported product was produced according to organic production rules equivalent to EU standards;
- the imported product was subject to inspection measures equivalent to EU inspection requirements;
- the inspection measures will be permanently and effectively applied; and
- the certification body operates according to ISO/IEC Guide 65 (EN45011).⁴⁸

⁴⁶ The texts regarding the EU and US regulations are based on Bowen, 2004.

⁴⁷ The expiry date of the importer derogation has been extended several times. In its organic action plan of 2004, the European Commission expressed its desire to install a new system effective 1 January 2006. However, lately the Commission has proposed to extend the deadline one more year, as the new system will not be finalised during 2005.

⁴⁸ It should be noted that the regulation does not state how this fulfilment shall be proven.

If an importer imports the same product from different countries or with certifications from different certification bodies in the same country, a separate authorisation must be obtained for each. Member States are required to notify the Commission of each authorisation, and other Member States are subsequently notified. Member States implement this provision differently with respect to the nature of the evidence that must be supplied and the length of validity of the product import authorisation.

As of August 2004, six countries were listed on the EU's third-country list: Argentina, Australia, Costa Rica, Israel, New Zealand and Switzerland. Most organic products currently imported to the EU Member States are authorised through Article 11.6 procedures. In 2004, 108 countries were able to export organic products to the EU under this provision (OFIS).

United States: the US National Organic Program (7 CFR Part 205)12

There are three official methods for meeting the requirement for importing organic products into the United States.

1. *Direct accreditation by the USDA.* Section 205.500 of the Final Rule for the National Organic Program (NOP) empowers the United States Department of Agriculture (USDA) to accredit "a qualified domestic or foreign applicant in the areas of crops, livestock, wild crops, or handling or any combination thereof to certify a domestic or foreign production or handling operation as a certified operation." Accreditation by the USDA (called "NOP Accreditation" in the industry) covers the operations of the accredited certification body worldwide, regardless of where the certification body is located. Certification bodies and the operations they certify must comply with the requirements of the Organic Foods Production Act of 1990 and with the Rule in order for the products they certify to be sold in the United States. The Rule covers both the technical regulation and the performance of conformity assessment.
2. *Accreditation by a foreign government.* In lieu of direct accreditation by the USDA, the USDA will accept the accreditation of a certification body by a foreign government if the USDA, upon the request of the foreign government, determines that the government's conformity assessment system meets the requirements of the Organic Foods Production Act and the Final Rule. In this scenario, the USDA recognises the equivalency of a foreign government's conformity assessment system for certification bodies, but the certification those bodies perform for products exported to the United States must be for full compliance with the NOP. As of November 2004, the USDA had approved four foreign-government entities and their accredited organic certification bodies: Denmark, New Zealand, the United Kingdom, and the Province of Quebec, Canada.
3. *Negotiation of an equivalency agreement.* Under this option, a foreign government authority that accredits a foreign certification body must operate under an equivalency agreement that is negotiated between the United States and the foreign government. No such equivalency agreement had been concluded as of 1 April 2005.

Japan-The Organic JAS label

In contrast with the EU and the USA, Japan has embedded its organic regulation within an existing regulatory and administrative framework, the Japan Agriculture Standards, or JAS. There are currently three ways for agricultural products to get the JAS Organic mark (OECD, 2002):

1.a Certification by a MAFF Registered Certification Organisation (RCO) in Japan. An RCO in Japan certifies the production processing in the exporting country. The certified foreign operator can then affix the Organic JAS label for export to Japan. About 16 organisations currently offer certification of foreign operators (MAFF, 2004).

1.b Certification by a MAFF Registered Foreign Certification Organisation (RFCO) in the exporting country. For registration as an RFCO, the foreign organisation must have established its business in a country that is deemed to have a system equivalent to that of Japan by MAFF. It is not sufficient for there to be an equivalency agreement between Japan and the country in question: the actual certification organisation must also register, pay a fee and become approved. Approximately 22 foreign organisations were registered as an RFCO in 2004 (MAFF 2004). None of them was registered in a developing country. An RFCO can also certify in countries other than the country of its business establishment (excluding Japan) provided the said foreign countries are included in “the area where certification service is carried out” at the time of application of registration.⁴⁹ There is no requirement that such countries have an equivalent system.

2. Recertification of imports. Certification of the production and processing of organic *raw material* is carried out by a certification organisation in the exporting country. The Japanese importer is certified by an RCO in Japan. The RCO assesses conformity to organic JAS for organic ingredients to be used for organic processed foods. The certified Japanese processor (who is also the importer) affixes the Organic JAS label. This option applies only to raw materials for processing, i.e. it is not an option for ready-made products, or for products that are being re-packed in Japan.

3. Use of contracted inspection services. R(F)COs may delegate inspections to certification organisations in exporting countries through a “trust contract of providing inspection data”, provided that the certification organisation conforms to the following requirements:

- The organisation is recognised or registered as a certification body by the government of the country, the local government or an international organisation with an established reliability system such as ISO and IOAS.
- The organisation has considerable experience as a certification body for organic foods.
- The JAS system is currently under revision and there will be changes in the system above. Most importantly, it is foreseen that certification bodies can get recognition also without their country having an equivalent system.

⁴⁹ NASAA (an Australian certifying body) is registered by MAFF to certify anywhere in the world. For example, NASAA can certify in Sri Lanka for exports to Japan.

ANNEX 3: ISO 65

Since the introduction of a reference to the European Norm EN 45011 in the regulation (EEC) 2092/91, this norm, which in its international version goes under the name “ISO/IEC Guide 65: 1996(E), General requirement for bodies operating product certification systems”, has played a large role in the certification of organic products. As a result of this reference, the IFOAM Criteria for Accreditation also were amended to fulfill the requirements of the ISO 65 standard. The NOP and JAS regulations make no explicit reference to the ISO 65 standard. The discussion around the norm need to differentiate between the norm itself and the procedures to ascertain conformity with the norm as well as the implications on the service provided to clients.

Some key requirements of the ISO 65 are:

- provisions about independency;
- provisions for organisational structures;
- the establishment of a quality system with numerous required procedures;
- internal audits and management reviews;
- qualification of staff.

Even though the scope of ISO 65 does include process certification it is oriented predominantly towards product certification in the industrial and manufacturing sector and not to the certification of a process or production method, which is what determines the character of organic certification. See, for example, the description under Scope 1.2, which provides for an explanation what elements the certification system may include: “a) type testing, b) testing or inspection of samples ... , testing or inspection of every product ...”, whereas no specific provisions are provided for certification of a process related system.

The Guide itself indicates that amendments related to a specific sector may be needed. The introduction includes the general understanding that the ISO Guide 65 specifies requirements “to be considered as general criteria for organizations operating product certification systems” and that “they may have to be amplified when specific industrial or other sectors make use of them ...”.

Most⁵⁰ of the requirements in the ISO 65 standard are regarded by certifiers as reasonable, and conform to the general agreement in the sector. Nevertheless, the totality of all the requirements brought together is seen by many as being too demanding, especially for smaller, newly established companies. In particular the details about the quality system, internal audits and management reviews require substantial resources and competence to implement properly, and their relevance for small organisations is questionable. Liability coverage is also not easy to obtain, as very few insurers are able to supply it. At the same time, the ISO 65 standard does not address a number of the issues that the practitioners believe are essential

⁵⁰ There are a few requirements that are seen as redundant, e.g. the ISO 65 demands that the certified producers must have a complaints register. This clearly makes sense when speaking about a factory in an OECD country, but not really when it applies to an illiterate farmer in a developing country, or hardly even for small scale farmers in Europe.

requirements, in particular regarding inspection practices, group certification and other special features in organic certification. The EU regulation, which makes a reference to the ISO 65 standard, specifies a number of additional inspection measures that needs to be complied with, supporting the notion that ISO 65 by itself is not a sufficient basis for international agreement on requirements.

As important as the Guide itself is how conformity with the Guide is established. The system of national accreditation is well developed in the EU, but not yet in many parts of the world. There is non international agreement between countries on who can accredit certification bodies to the ISO 65 standard, or if accreditation at all is necessary. As has been mentioned in this report, in a number of EU member states accreditation by a national accreditation body is the only way to establish that an organisation conforms to the norm. The IOAS recently offered accreditation to ISO 65 standard, but it remains to be seen if this will be accepted by importing countries.

ANNEX 3: LIST OF IAF MEMBERS ⁵¹

ANAB: American National Standards Institute - American Society for Quality National Accreditation Board LLC
BAS: Bureau of Product Standards Accreditation Scheme (BAS) (Philippines)
BELCERT: BELCERT (Belgium)
BMWA: Federal Ministry for Economic Affairs and Labor (Austria)
CAI: Czech Accreditation Institute (Ceský Institut pro Akreditaci, o.p.s.)
CNAB: China National Accreditation Board for Certifiers
COFRAC: Comite Francais d'Accreditation (France)
DANAK: Danish Accreditation
DAR: German Accreditation Council (on behalf of TGA, DAP and DATech)
DSM: Department of Standards Malaysia
EMA: Mexican Accreditation Entity (Entidad Mexicana de Acreditacion)
ENAC: Entidad Nacional de Acreditacion (Spain)
FINAS: Finnish Accreditation Service
HKAS: Hong Kong Accreditation Service
IAS: Iran Accreditation System
INMETRO: National Institute of Metrology, Standardization and Industrial Quality (Brazil)
JAB: Japan Accreditation Board for Conformity Assessment
JAS-ANZ: Joint Accreditation System of Australia and New Zealand
JASC: Japan Accreditation System for Product Certification Bodies of JIS Mark
KAB: Korea Accreditation Board
KAN: Accreditation Body of Indonesia (Komite Akreditasi Nasional)
KAS: Korea Accreditation System
MAURITAS: Mauritian Accreditation Service
NA: Norwegian Accreditation
NAA: National Accreditation Association of DPR of Korea
NAB: Irish National Accreditation Board
NABCB: National Accreditation Board for Certification Bodies (India)
NAC: National Accreditation Council of Thailand, The Office of
OAA: Organismo Argentino de Acreditacion (Argentina)
PCA: Polish Centre for Accreditation
PNAC: Pakistan National Accreditation Council
RENAR: Romanian Accreditation Association (Asociatia de Acreditare din Romania)
RvA: Dutch Accreditation Council (Raad Voor Accreditatie)
SA: Slovenska Akreditacija (Slovenia)
SAC: Singapore Accreditation Council
SANAS: South African National Accreditation System
SAS: Swiss Federal Office of Metrology and Accreditation, Swiss Accreditation Service
SCC: Standards Council of Canada
SINCERT: Sistema Nazionale per l'Accreditamento degli Organismi di Certificazione e Ispezione (Italy)
SNAS: Slovak National Accreditation Service, (Slovenská Národná Akreditačná Služba) (Slovakia)
SWEDAC: Swedish Board for Accreditation and Conformity Assessment
TAF: Taiwan Accreditation Foundation
TUNAC: Tunisian Accreditation Council (Conseil National d'Accréditation, CNA)
UKAS: United Kingdom Accreditation Service

⁵¹ Source: IAF, 2005, NB: not all of these members are part of the IAF Multilateral Agreement.