ROLE OF CERTIFICATION AGENCIES IN THE ORGANIC MARKETPLACE

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TAKE HOME MESSAGE

Organic certification is a critical component of the USDA's National Organic Program. Certification provides consumers, both at the retail level and throughout the distribution channel, with reasonable assurance that the product has met the requirements of the standard. Organic certification is based on an annual, scheduled inspection of firms' production processes. Product testing is not a requirement of the organic standard. As the organic standard is essentially a label law, documentation and traceability are paramount. Firms that meet the requirements of the standard enjoy the benefits of participation in the rapidly growing organic marketplace.

INTRODUCTION

Stories about the quantity, type, and quality of food available to and consumed by Americans are a daily part of life. For example, there are frequent mentions of the causes and consequences of, and cures for, obesity. Once reserved for agricultural publications, topics such as Bovine Spongiform Encephalopathy (mad cow disease) are now front page news stories. Debates about the introduction of genetically modified (GM) ingredient sources occur in the popular press rather than corporate boardrooms.

Regardless of whether consumers are as a result better informed, it is ultimately they who must make food purchase and consumption choices. In light of this, firms must decide what food products to produce and make available and how to price and promote them. Success in doing so depends largely upon their ability to understand and competitively satisfy consumers' preferences.

Of increasing interest to consumers are credence attributes of the ingredients used in the production of their food or of the food itself. One credence attribute of particular interest because of its increasing consumer demand is organic.

Organic production is a system of production that uses methods which minimize the use of synthetic inputs. Certified organic means that agricultural products have been grown and processed according to the United States Department of Agriculture's (USDA) National Organic Program (NOP), and certified as such. The requirements apply to the production process rather than being measurable characteristics of the product itself. Organic certification is a process certification.

The term "Organic" has been used in food production for many years. Only recently, October of 2002, has there been a clearly defined standard for organic food production and processing. In October 2002 the USDA unveiled the NOP (National Organic Program). The NOP is a regulation that is based on language from the 1990 Farm Bill. The NOP is an "all encompassing" regulation that serves as the guidelines for organic food production and processing across all geographic regions (national and international). It can be and has been challenged and will continue to evolve with the organic food industry.

The NOP spells out the procedure for granting certification. The USDA currently does not provide certification services to the marketplace. Instead, the USDA has in place a system of granting accreditation to agencies that provide certification services. Agencies must provide the USDA with proof that they and their respective staff are qualified in the scope and nature of operations they wish to certify. Qualification is based on sufficient training, education, and experience in each scope of certification requested. Scopes of certification include livestock, food production and handling, crop production, and wild crop production.

Once granted initial accreditation by the USDA, accredited certification agencies (ACA's) must participate in audits and ongoing oversight by the USDA. Furthermore, many ACA's choose to follow ISO Guide 65 standards and become ISO accredited. ACA's are held to a defined standard of performance and consistency.

The NOP is in place to provide the marketplace with assurance that certain undistinguishable characteristics of food and food ingredients are being met. ACA's provide the marketplace with independent, unbiased, third party verification that such standards are indeed followed. The certification process has come a long way in four short years; prior to the USDA's involvement the term organic was often used incorrectly and there was a complete absence of any consistent standard and definition.

CERTIFICATION PROCESS

As previously discussed, the NOP is a standard written to meet the needs of all firms involved with the production of organic food and organic food ingredients. This begs the question: How do firms go about achieving this certification? The certification process may differ slightly amongst ACA's, however it still can be broken down into three major areas. Those areas are: 1.) application and review, 2.) annual on-site inspection, and 3.) file review.

First applicants are required to submit an "organic plan." This plan is what the entire certification process will revolve. It must include all aspects of the organic system. Procedures, records, and many other things are required in most cases. Oftentimes firms already have an adequate plan. HACCP, or other internal quality control procedures can be easily amended or pulled out to be included in the organic system plan. Basically ACA's need to know what firms are doing, when they are doing it, how it is being done, and where is it recorded. Most companies have this information somewhere within their own quality management system, but it needs to be made available to the ACA to proceed with organic certification.

Once an organic system plan is received by the ACA it is reviewed by staff to try to clear up any glaring omissions. If the plan is inadequate or not enough information is present the ACA will return it to the firm and ask for the corrections to be made. As soon as an organic system plan is determined to be ready for inspection, the ACA will then send it to an inspector for the annual on-site inspection.

The annual on-site inspection is a scheduled event wherein the ACA's qualified inspector will inspect an operation and see if they are adequately following or have the capability to meet the requirements of the NOP. The inspector's responsibilities include auditing traceability procedures and records, sales records and other financial documents, pest control procedures and records, clean out procedures and records, staff training documentation, and all other things that would pertain to the firm's organic system plan.

As the NOP is a label law one of the main aspects of the inspection is an audit of records. The audit is done to make sure that firms that are selling organic goods are simply not just labeling conventional products as organic and receiving a huge markup. Given the disparity between organic prices and conventional prices there obviously is a large incentive to shirk. Also included in the audit are assurances that the incoming product has been certified organic to the USDA NOP standard and the outgoing product is labeled and represented correctly. Essentially the NOP requires a "one step backward and one step forward" traceability system. This system of traceability must be exhibited during the on-site inspection.

At the conclusion of the on-site inspection the inspector conducts an exit interview in which they fully disclose all findings relevant to the certification process. The inspector will then write an inspection report disclosing the results of the inspection and send it to both the ACA and the firm. Once received by the ACA, the ACA will review the file and get back to the firm with one of three results. As most often is the case, the ACA will require the firm to fix whatever problem or lack of information was found during the inspection and/or review process. Secondly, if everything appears to be in order and the firm is capable of following their organic system plan the ACA will grant certification. Lastly, if fraud is detected during the inspection and review process the ACA will immediately dismiss the file and begin proceedings for enforcement.

Since the organic certification process is entirely a process certification documentation and traceability are paramount. As has been said of organic certification it is important to tell the certifying body what will be done and then show them that it was done that way. Product testing is not a requirement to become certified organic. ACA's role is to provide the organic marketplace with reasonable assurance that these products have met the requirements of the NOP. This can only be done through documentation and the presence of a clear paper trail throughout the distribution channel.

RESULTS OF CERTIFICATION

The end result of organic certification is the ability to make an organic product claim. The most obvious result is the capability to use the organic label on firms' organic products. This label has become widely recognized by consumers throughout the world. Oftentimes goods with this label may receive highly coveted shelf space, access to new markets, and increased demand. Consumers often associate organic products as being healthier, better for the environment, and providing a higher level of social welfare (Anderson et al., 2005). These perceptions are all part of the USDA Organic Label's brand equity.

The benefits are not only at the retail shelf. Several intermediaries are finding new markets and increased profit by entering the organic marketplace. Dairy in particular has been experiencing tremendous growth. The organic dairy and egg sector sales grew at a rate of 23.6% to reach a level of $2.14 billion which represents a market share of 3.5% of total sales of that sector (Organic Trade Association, 2006). NOP regulations require that organic dairy operations use organic feedstuffs. This has created large shortages in the organic feed market. The regulation also requires that feed additives and supplements from approved sources be used in organic dairy rations. There is a tremendous need for convenient, effective, and allowable feed additives and supplements for the organic livestock industry.

There are some drawbacks to organic certification. Firms are faced with added recordkeeping requirements, increased levels of dedication to quality management, and obviously higher costs. Organic certification is the cost to participate in the organic marketplace; it is significant, both in terms of monetary outlays and staff commitment.

However, many firms that were fearful of the disadvantages of their initial organic certification have come to realize that it helps their company on a more macro level. Increases in traceability and closer attention to quality management, once seen as a burden, have transformed into an asset. Often times the costs associated with organic certification are easily recovered by the image portrayed in the marketplace.

CONCLUSION

ACA's provide the organic marketplace with independent, unbiased, third party verification that certain production and processing parameters have been met. This is done entirely through process verification and certification. It is a critical role wherein the standard must be monitored at every step in the distribution channel. Without third party verification the NOP would lose much of the credibility it has garnered in four short years.

The certification process itself can be summed up in three steps. First is the application stage. The firm applying for certification should disclose any and all information pertinent to its organic system plan. The ACA needs to know what the firm is doing and how it is being monitored and documented. The ACA will then determine if the firm is capable of meeting the NOP requirements. Secondly the on-site inspection takes place. Here the ACA will send an inspector onsite and they will determine if the firm is following the organic system plan or has the capability to follow the plan. The inspector will fully disclose the results at the end of the inspection and then will write a report to be filed with the ACA. Finally the review process takes place. This is where certification decisions take place. The ACA will review the file and do one of three things. 1.) They may deny certification all together if some form of fraud is detected and begin preparing for future proceedings. 2.) They will give the firm ample opportunity to correct any problems in their plan and then proceed with certification. This is most often the case. 3.) The ACA will immediately grant certification. The certification process is something new to most firms. Many in the food industry have grown accustomed to rigorous testing and product quality performance auditing, however organic certification is solely based on a clearly defined and auditable process.

Organic certification is an industry all in its own. Pre 2002 many certification organizations were certifying to an undefined standard. After the advent of the NOP, the certification industry became much more consistent in its rulings and interpretations. While the certification industry and the NOP continue to grow and change, the organic marketplace is much better off today than it was prior to USDA's involvement. Certification is a vital role in the production and distribution of organic products.

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