

International Trade & Conformity
Assessment
Certifying Organic

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Outline

- I. Introduction: Conformity assessment and its role in facilitating trade
- II. Certifying “organics”: what’s involved
- III. Existing accreditation schemes
- IV. Certification industry
 - Few examples of developing country involvement
- V. Challenges and opportunities for DC involvement
- VI. Ways forward

Conformity assessment

CA: “procedure used to determine that relevant requirements in technical regulations or standards are fulfilled...”

- Procedures for sampling, testing and inspection;
- Evaluation, verification and assurance of conformity;
- Registration, accreditation and approval ...

Conformity assessment

CA comprises :

- Inspection
- Testing and calibration
- Product certification
- System certification or accreditation

And there are thus many CA players in the market

- Inspection body
- Testing laboratory
- Certification body
- Accreditation body

Conformity assessment in WTO Agreements: TBT

▪ Technical Barriers to Trade Agreement

Art.5 Addresses CA procedures:

- access on non-discriminatory basis
- not stricter than necessary to give confidence
- Information requirements limited to what is necessary
- Confidentiality of information respected
- Fees same for imported and domestic products
- Siting location must not cause unnecessary inconvenience to applicants
- Procedure for complaints
- Prompt publication; following changes reasonable time for adaptation
- Testing systems to avoid Delay, Ungrounded rejection, Excessive information, Excessive cost, Remote inspection points, etc.

Conformity assessment in WTO Agreements : SPS

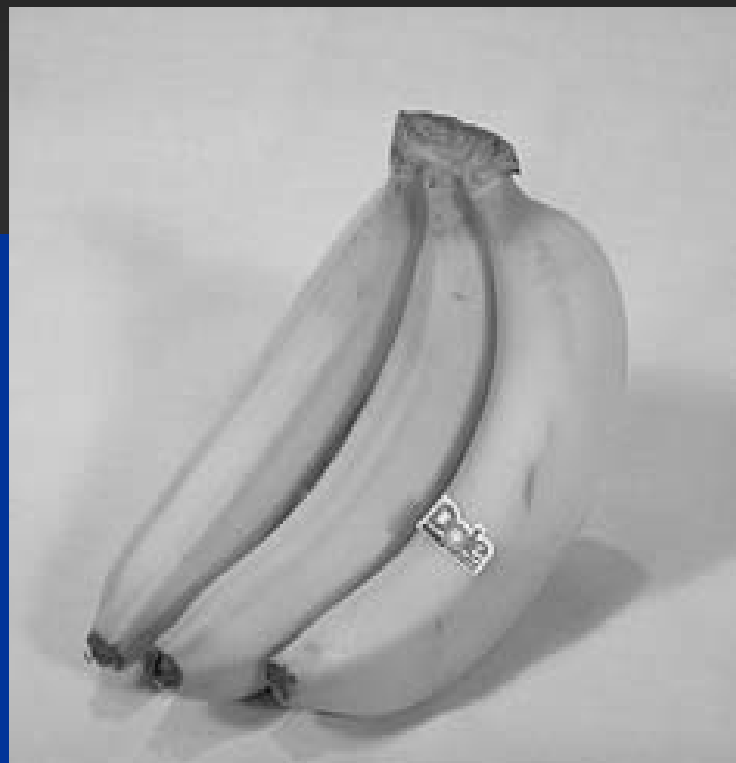
While SPS does not use the expression “CA”, it speaks of “control, inspection and approval procedures.” In practice, the two mechanisms are very similar with much the same criteria applying

- *“Members shall ensure, with respect to any procedure to check and ensure the fulfilment of sanitary or phyto-sanitary measures, that...such procedures are undertaken and completed without undue delay and in no less favourable manner for imported products than for like domestic products...” SPS Annex C ¶ 1*

Organics & certification services

- Global organics sales: USD 20-30 billion
- Often cited as new dynamic sector for DC exports
- Developed from a private sector affair to one regulated in some 60 countries
- Standards generally well known & relatively close
- 385 Certification Bodies (CBs): combined turn over of USD 300-400 mn
- What are barriers and opportunities for DCs?

Are these bananas organic?



... and these ?



Can they be tested ?



and who says that these are organic?



Certifying organics: governments get involved

- Originally to :
 - Increase the image and identity of organic products
 - Increase consumer confidence in labelling claims
 - Protect legitimate producers from misleading or fraudulent claims made by competitors
- Governments became involved:
 - EU regulation of 1991 (EEC 2092/91)
 - US NOP in 2002
 - Japan in 2004
 - Total of **60 gov't schemes and climbing**: (37 fully implemented; 8 Final; and 15 in draft)

Key definitions of CA for organics

- **Inspection:** visit on site to verify that the performance of an operation is in accordance with set of production or processing standards
- **Certification:** procedure by which a certification body (CB) gives written assurance that a clearly identified process has been methodically assessed so that specified products conform to specified requirements
- **Accreditation:** procedure by which an accreditation body gives recognition that a certification body is competent to carry out specific tasks

Accreditation schemes

- **IFOAM accreditation:** accreditation by the International Organics Accreditation Service (IOAS) of CB to IFOAM norms (founded 1972; Basic Standards published 1980)
- **ISO 65 accreditation:** a general (non-organic specific) accreditation of a CB for compliance with ISO 65
- **NOP accreditation:**...to NOP requirements for CBs by USDA
- **JAS registration:** formal approval of CBs by MAFF
- **EU regulation:** Council Regulation EEC 2092/91
 - **Third country list :** list of countries recognised as having an “equivalent” organic regulation as the EU (Art. 11.1)

Accreditation of certification bodies

The different kinds of approvals or accreditations of certification bodies in different regions

Country	IFOAM Accreditation	Japan R(F)CO	ISO 65 accreditation	EU Approval	NOP Accreditation (USA)
Africa	0	0	2	0	0
Asia (incl'g Japan)	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
Total	30	95	96	132	112

Source: The Organic Standard, 2004, MAFF 2004.

Certification industry: limited developing country involvement

- 385 CBs in world
 - majority in EU, US, Japan
 - 18% in DCs
- Africa: 9
- Developing Asia: 25
- Latin America & Caribbean: 34

An evolving certification Industry

- 10 years ago, most inspections in DCs were performed by OECD nationals travelling abroad
- Today by locally based inspectors, often done by expats
 - Some are receiving training -- IOIA (US); IFOAM; specialised consultants or CB intending to use their services
- Locally based offices help to develop sector and locally adapted standards
 - More efficient controls
 - Can follow local market & react to developments (pests, gov't pesticide regs, etc.)

Certification capacity in few Latin American countries

- For this study a survey sent to DC CBs – known to have operations abroad (so results have bias)
- Argentina: 4 CBs, 2 of which work outside the country (Chile, Paraguay—local stds; & Nepal, Vietnam, Portugal & Belgium to NOP)
 - Conflicting demands from accreditation bodies
- Brazil: 17 CBs
 - IBD certifies in Bolivia, Uruguay, Paraguay, Argentina
 - IFOAM; NOP; ISO 65; working with Japan

Certification capacity in few Latin American countries

■ Biolatina

- Created in '98 by 4 independent Latin American CBs
- Certifies production in Bolivia, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Peru & Venezuela
- Received ISO 65 accreditation by German DAP; +NOP accreditation
- Exports into EU markets
- Joint training for inspectors
- Supported by GTZ, especially to comply with ISO 65

Challenges and opportunities for DC

Complex reality of regulation in export markets

- EU:

- Generally, EU-based importers favour EU-based CBs
- Reaching certain threshold helps: e.g IBD & Biolatina
- Accreditation by NOP & DAP helps (but costly & demanding)

Challenges and opportunities for DC

Complex reality of regulation in export markets

■ US

- Short term: apply for direct accreditation by USDA
- Some Latin American CBs have received accreditation
- No African
- Only a few Asians have NOP accreditation
- Since 2005, site evaluations required, & “witness audit”
 - Paid for in full by applicant (ca. USD 10K)

Prospects for exports of cert. services

- DCs in principle should possess advantages
 - Lower prices
 - Local presence
 - Familiarity with local production & growing conditions
 - Fluency in local language

Ways forward

Regulating the *domestic* organic sector as a way forward?

- *Objectives:*
 - Develop local market
 - Strengthen general credibility
 - facilitate access to EU market (in order to obtain “equivalence” from EU)

Ways forward

- *Develop local or regional standards & certify production based on more appropriate local stds*
 - EU: *theoretically* through EU's "equivalence"
 - but transaction costs high and lengthy
 - So, in fact, easier to certify to EU regs
 - US: but fruitless as compliance with NOP is required
- *Conclusion: development of local standards serve to develop local markets for organic products – not to facilitate exports*

Ways forward

- Setting up a local Certification Body
 - Without a thriving domestic market, hard to ensure financial viability of CB
 - Need NOP accreditation or *de facto* EU acceptance
 - But only an export market can support fees needed to comply with external demands
 - Only those in the business early on (Argencert, COAE and IBD) have been able to adapt to increasing demands

Ways forward

- Setting up branch offices
 - JV (Afrisco & COAE) or a branch of int'l CB (India)
 - Enter into co-operative agreement with foreign CBs providing *inspection* services on way to own certification
 - (UgoCert and ACT)
 - Resistance from mother company knowing objective of local body is to take over business

Ways forward

- Capacity building
 - Substantial funding and TA to Biolatina, ACT, INDOCERT, OFDC & Ugocert (from De, Se & CH)
 - Training of inspectors, certification staff
 - Developing quality systems
 - Advice for needed approvals or accreditation
 - Business planning
 - Worth the effort in current regulatory setting?
 - alternatives exist through JVs & branch offices
 - these also supported by development cooperation

Ways forward

- Extent regulatory requirements: *unnecessary obstacles?*
 - ISO 65 & NOP accreditation more onerous than necessary for the organics sector & favour CBs from OECD countries
 - EU Reg's while in theory foresee recognition through equivalence, have not led to expected results

Ways forward

- And Mutual Recognition agreements?
 - Differing regulations on CA have shown that in practice they block use of Mutual Recognition of CBs as a tool for market access
 - MR on accreditation level: only slim prospects
 - IFOAM has been developing a MR instrument – but is not recognised by most governments.

Ways forward

- Link between certification and gov't regulations:
 - CBs no longer providers of services for clients; have become control agents of governments
 - Constrains possibilities for trade in these services, (as well as limiting competition)

Recent developments & initiatives

- EU: revising its regulations
 - May recognise inspection bodies (not just 3rd countries “equivalence”)
- Japan: CBs may no longer need to have head office in a country with equivalent regulations
- IFOAM rethinking: *i.a.* norms & CA procedures
 - Little practical effect if not recognised by main importing gov'ts
- **International Task Force on Harmonisation and Equivalency in Organic Agriculture (UNCTAD, IFOAM, FAO)**
 - *One international requirement for Conformity Assessment*

Some Useful References

- http://r0.unctad.org/trade_env/itf-organic.htm
(International Task Force on harmonisation and equivalence in organic agriculture)
- <http://www.inwent.org/ef/events/tbt/06714/index.en.shtml>
- (study on certification services in developing countries)
- Case studies on EU, Japan & US organics systems:
<http://webdomino1.oecd.org/comnet/ech/tradeandenv.nsf>
- *Environmental Requirements and Market Access*

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