

## **GROUP CERTIFICATION FOR ORGANIC FARMERS**

### **1. SUMMARY**

Group certification could offer a significant improvement of the way organic farming is organised and inspected in Greece, without introducing any risks to the integrity of the system.

### **2. INTRODUCTION**

The reasoning to justify for this option relates mostly to economic elements derived from organic olive tree growing. This offers a suitable case, as it is quoted to account for almost 35% of the area of all organic crops and 6,6% of all olive groves in Greece. This could be expanded further, as conversion of olive groves to organic would be beneficial for the farmers as well as for the environment, especially under a regime of group production.

The benefits of group production for the farmers are mostly of organizational nature.

First, it has to do with gathering a marketable volume of organic olive oil. At present the average production of an olive oil producer can be as low as 1.000-2.000 lit in some of the areas of high olive oil quality. Such a low volume needs a lot of intermediate hands in order to reach the market, suppressing thus farmer's income. The target is to achieve a volume of at least 100.000 to 200.000 lit of standard quality organic olive oil. This can only be guaranteed under a common management scheme.

The second benefit has to do with sharing the cost of technical as well as for marketing services. Especially technical service is considered to be of paramount importance for organic olive growing, as compared to the non organic one.

The benefit for the environment is the promotion -by common management- of clusters of land-parcels (e.g. 20-30 Ha) in which non organic olive growing is discouraged to exclusion, by communicating the effectiveness of good practices for organic growing, under the same exactly conditions.

The above benefits have start to become evident in four areas of southern Greece, three in central Crete and one in west Peloponnese, where group farming for olive oil production has been practiced for a number of years. All four groups have been ISO 14001 certified for their environmental management system. A common environmental objective for all four is the gradual conversion of the olivegroves to organic, with variable results so far. The main constraint -especially in Crete- is the high certification cost, coupled to the poor commercial perspective due to the small volumes produced.

### **3. ECONOMIC DATA FOR ORGANIC CERTIFICATION**

All information refers to 47 olive growers, individually registered in 3 Certification Bodies.

They are members of the aforementioned 4 groups of farmers. Group A (284 farmers altogether, *i.e.* organic and non-organic) is in north-central Crete, groups B1 & B2 in north-east Crete (115 farmers) and group C (196 farmers) in Peloponnese (Messinia). Farmers are. All organic farmers of each group that had provided adequate and accurate data are included in the population of the 47, while some critical data are still outstanding for another 22 farmers

Data refer to the year 2007-2008. Due to the bienniality of olive trees production all the information provided cannot be considered conclusive (it would need 3-5 years at least). It is adequately accurate however to provide a realistic picture of the given period, for what it is worth.

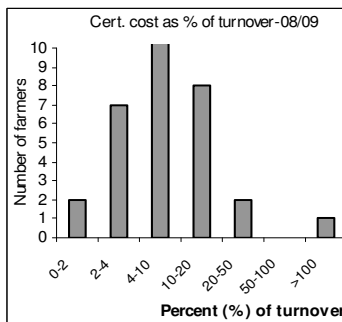
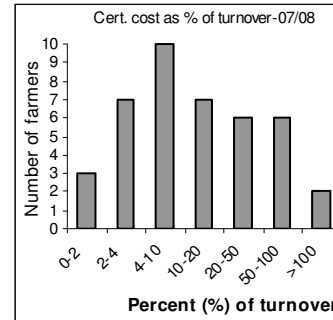
The full list of data is appended as an .xls file.

### 3.1 Turnover and Certification cost

Economic difficulties linked to the inspection of small scale organic growers has been the core argument in the “Guidance document for the evaluation of the equivalence of organic

producer group certification schemes applied in developing countries” (AGRI/03-64290-00-00-EN of 6 November 2003). A benchmark used to distinguish between small and large farms, is if the external certification cost that is higher or lower than 2 % of farmers turnover. So, this parameter was examined for the 47 farmers. As shown in the adjacent diagram, only 3 of the 47 farmers meet the 2% figure. It is worth noting that this is affected by the low selling prices. Prices were low for two reasons

- most of farmers do not enjoy a premium for organic oil as they are yet in the transition period, while some few had just been registered only late in 2007.
- Small “volume effect “ mentioned in introduction. There is a faint positive correlation between the volume produced and the price a farmer achieve but altogether, even the highest volume (6930 lit) falls short of the range of volumes that would be commercially attractive.



Another factor for low turnover has been low yields. Of course, 2007 -exceptionally hot and dry- has not been a normal year. So, now that harvest is close and yields are more predictable, farmers were asked for their forecasts for 2008-2009. In spite of a 15% yield increase anticipated, the situation remains essentially the same, as shown in the diagram of 2008-2009. For simplification reasons oil prices and certification fees were kept the same.

Although the criterion is the turnover of the farms, it is interesting to point out that the production cost is very high i.e 4,7 € / Lit of

olive oil, exceeding by far the selling price!. This is due to a combination of low yields and poor practices, especially with regard to water management and tree nutrition. Both need special attention and technical support in the arid greek countryside, even more so for organic growing.

Whatever the reason, the net income of a farm is at a discouraging level for the farmers, hence there is no motivation for a number of growers to adopt organic oliveculture. The relative expansion of organic agriculture so far seems to have been based on subsidies, i.e. a rather fragile base.

Things could improve by joining farmers' forces. They could share the cost for the technical support to improve yield and reduce production cost. They could do the same to share marketing services cost. All this could be feasible if certification costs were reduced. What is more interesting is that the same time inspection integrity could be enhanced and certification bodies could improve their business. Reasons are explained in next paragraph.

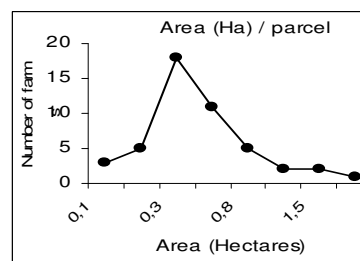
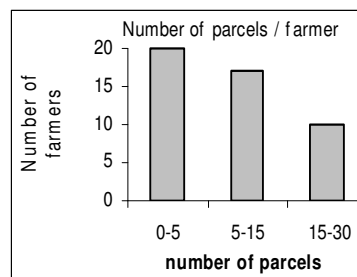
### 3.2 Efficiency of inspection

So far it has been attempted to show that the reason that the certification cost is a high proportion of the turnover is mainly due to the poor turnover of the farms.

The average yearly certification cost of € 336 / farmer is not outrageous. Especially if one takes account of the structure of olive culture in Greece. Quite a few olive groves are difficult to reach as they occupy mountain and hill slopes. This of course is of paramount environmental value, namely for biodiversity by a native plant species as well as for protection from erosion and desertification by an evergreen plant.

But it also means parcels difficult to drive to through rough dirt roads. On top of that, social reasons have led to fragmentation of land to many owners. The values for the parameters shown in the graphs and the table below depict the situation of the 47 farms cited here.

According to the established interpretation in Greece (of par. 5 of General Provisions of Appendix III of Reg. 2092/91) each individual parcel of a farm has to be inspected yearly. It is obvious that this approach inflates the cost of the Certification Bodies by consuming fuel and idle time of inspection personnel, devoted only to travelling from site to site. Of course, there are exceptions towards the lower end of farm fragmentation, but it is the exceptions on the high end that diminish the efficiency of inspection procedure, as this could be measured by the amount of information verified vs time taken for it.



	Farm area	N° of parcels	Size of parcels	Travelling distance	Travelling time to visit <sup>1</sup> all parcels of the farm
At best	2,1	3	0,7	0,2 Km	0,1 Hours
<b>Average</b>	<b>0,347 Ha</b>	<b>8</b>	<b>0,043 Ha</b>	<b>28,1 Km</b>	<b>1,4 Hours</b>
At worst	16,8	18	0,093	50 Km	8 Hours

<sup>(1)</sup> inspection time is not included

Given the conditions described above, it is not expected that a certification body would do more than the minimum of one inspection visit per year to a highly dispersed farm. Such a visit would normally be scheduled at harvest time (Dec-Jan) so that most of information could be verifiable, especially the one related to yields and traceability. These are indeed of crucial important to prevent fraud. But, at harvest time it is impossible for an inspector of olive farms (not only in Greece) to verify recorded information for weed treatments (Feb-Apr) or for plant health problems (Mar-June). Inspection time might overlap to some extent only with fertilization of olive-groves (peak in Jan-Feb).

In fact, at any given period, the amount of information that can be verified by “surveillance of production” (par. 1.2 of the standard ISO/IEC Guide 65) during a site visit is not more than 20% of the production activities of the whole year. Even so, this is adequate whenever a robust “quality system” is established, to cope for the remaining 80% of the activity. Experienced organic growers have managed over the years to develop adequate record keeping. Newly registered farmers though, struggle hard to meet this requirement.

So, documentation systems<sup>1</sup> have been established by the Certification Bodies to help farmers with their quality system. Although results are acceptable, this is on the verge of violation of the anti-consultancy provisions of clause 4.2.o) in the aforementioned standard.

All of the above problems encountered in Greece could be taken care of by group farming under a proper management system based on a) central management, b) technical support and c) internal control system, as proposed in next page.

<sup>1</sup> This consists of the forms needed to record farmer’s activities in relation to Reg. 2092/91

## 4. Proposed Group Certification

### 4.1 Terminology

Farmers Group is a legal entity to which farmers-members are linked through legally binding contracts which include the commitment for production according to the rules laid down by the group (e.g. organic production). For the purposes of Reg 2092/91 the legal entity "Farmers' Group" is a single "operator". A person is nominated to represent all the farmers-members, being in parallel the Food Business Operator for the Group, in the sense of Reg 852/2004.

Group Production is the implementation by the Farmers Group of a centrally managed quality system for the production, consisting of:

- a) A regulation which deals with the relationships between farmers and management, the purchasing of inputs and the placing of the products produced by the farmer-members in the market by the legal entity.
- b) Documented procedures, instructions, programs etc to control the production process, according to the rules set by the organization.
- c) Internal control systems to ensure through inspections of farmers and internal audits that the system is effective and that production meets the rules set.

Group Certification is the statement of conformity provided by a Certification Body to the Farmers Group authorizing it to use indications referring to the organic production method on the products it sells as a legal entity. Attached to this statement is the list of the farmers-members that are compliant to the system, and their fields / areas for each crop.

### 4.2 Feasibility

Ample experience on group production and certification has been gained in the last decade in Greece, in non organic agriculture. Farmers have been encouraged to get organized in groups, in order to adopt environmental system certification for ISO 14001 and the greek standard AGRO 2-1/2-2. Some group production is practiced for organic olive oil production, but member-farmers are inspected and certified individually, by different certification bodies, sometimes.

Fruit and vegetable farmers have been urged by the market to be certified for EUREPGAP / GLOBALGAP standard (also EN 45011 accredited Certification Bodies). It has developed since 1999 by biannual updating of its rules which allow for two options available for the farmers. Option 1 is to be certified alone, while Option 2 is to be certified as a member of a group of farmers. All production rules are given in Option 1. Option 2 includes the additional requirements for the management system which are described in the "General Regulations". It is based on 'system audit' plus inspections of a sample of farmers. Option 2 requirements are now complex and elaborate enough, giving increased assurance to buyers with regard to farmers' compliance to good practices and legal requirements. Option 1 certification cost for a farmer is about € 300 / year, i.e. comparable to organic certification. For a group under Option 2 consisting of c. 100 farmers it can be as low as € 30-40 / year / farmer. Recently, the market pressure for EUREPGAP / GLOBALGAP certification has affected several organic producers, doubling their spending for certification. Some certification bodies tend now to hold two accreditations for both certifications (Organic + GLOBALGAP) of the same agricultural products, so as to compete for lower prices.

#### 4.3 Outline of the proposed approach for organic products

In order to avoid duplication of effort of the producers and certification costs it is proposed to introduce the concept of “minimum quality system requirements” for group organic farming. Such a system could make use of the core elements of GLOBALGAP general requirements standard, and/or elements of other established Management Systems (ISO 9001-Quality, ISO 14001-Environment) in order to demonstrate full compliance of each of the farmers and the group as a whole to EU Regulation (2092/91 – 834/05) for organic farming.

Certification bodies can upgrade their audit techniques to suit management systems audit requirements as needed, as the system element is essential for group product certification.

#### 4. Special Reference to the Inspection System

This, according to the # 1.2 of EN 45011 is based on assessment and surveillance of the operators’ quality management system, as described in term “Group Production” in page 1. One of the fundamental elements of the system is the Internal Control System, consisting of Internal Audit and Internal Inspections. This provides for all-year-round surveillance of the production processes followed by the farmers. Inspections and audits are executed by trained personnel which is not involved in the activity inspected.

Third party certification is essentially based on auditing the Internal Audit and sample audit the Internal Inspection System. Internal Audit is a system audit. Internal Inspection is the day to day inspection of farmers’ activities. Failure of the Internal Control System would mean that irregularities and/or infringements that have occurred have not been noticed. If third party audit verifies the findings of the internal control system, confidence in the compliance of the whole group is maintained. If, on the contrary, during a third party inspection process one of the farmers is found to have escaped the internal inspection system this will have a consequence to all the Farmers Group failing to be certified (shared responsibility of farmers).

#### 5. Benefits and problems of the proposed system

##### 5.1 Benefits

- ❖ Lower Cost of certification to the farmer. For a group of about 100 organic farmers the cost reduction per farmer could be of the range of 70% - 80% if sampling technique is employed, instead of visiting every farmer-member of the group and all his parcels.
- ❖ Enhanced inspection regime. A proper quality system offers higher assurance level, as compared to organic farmer’s own quality system. Also, if combined with other systems it could offer broader assurance, e.g. for the baseline requirements on food safety.
- ❖ Increased expansion possibilities for organic agriculture, which in turn may put farmers on tracks for a better commercial future, and introduce clusters of organic parcels that could have a sizeable effect to the local environment.

##### 5.2 Problems

- ❖ Reluctance of farmers to adopt group management because of the shared responsibility, the increased bureaucracy, and the loss of individuality in the market.
- ❖ Threat to the impartiality of Certification Bodies Pressure by large groups economically important for the CBs, something that a single small farmer is unable to do.