

Preventing, detecting, addressing frauds in the organic supply chain

What the trade can do

In the context of this topic, 'the trade' encompasses exporters, importers, processors, packers, wholesalers and brand owners who are certified as organic operators. Primary organic producers and retailers are considered to be sufficiently different and are therefore excluded from this proposal.

In combating fraud there are preventative measures each actor can do unilaterally; there are activities that need to be coordinated between different parties; there are measures that need to be undertaken by a third party, as a service for the trade. This paper assumes that there is a common recognition that there are particular areas of risk where something needs to be done about fraud, furthermore that there is agreement that any action is supported by a broad constituency, not just by a few.

This is a first discussion paper that is intended to get a discussion going among the participants of the FiBL workshop that it to take place October 2 and 3, 2007. See www.fibl.org

It is felt that it can be somewhat dangerous to suggest actions that are then imposed as requirements across the board. There are already plenty of regulations and standards that all certified operators need to comply with, one should be cautious with inventing new rules. Last but not least, it is recognised that the vast majority of actors are complying with the regulations and standards and they should not suffer from the actions of a few that don't. Special action should be targeted at where it is needed, where the risks are greatest, not across the board.

The DIY approach

The primary responsibility for organic quality rests with those who work with it every day; not the certification bodies (CBs), not the authorities. Each partner in the chain needs to exercise due diligence and has to accept responsible for the organic integrity of the products dealt with.

The best approach is to work through known and reliable chains. The companies having the least problems with frauds are those that have established permanent relationships with their supply chain partners. Although this approach is quite an investment, it has many advantages, far beyond the single issue of avoiding frauds.

The trade can play a role in facilitating better enforcement of those elements in the inspection and certification requirements; the regulation, that are important to it. There should be more communication from the trade towards the authorities and a more constructive dialogue with the CBs about key issues and concerns. See the separate papers with recommendations for the CBs and those for the authorities.

The trade has some leverage through their choice of CBs. Among the certifiers there are good and not so good service providers; the obvious choice is always to work with the best. The trade can coax the CBs to act more responsibly:

- * insist that they publish decertified operators (even when they say that they can't; they can),
- * ask whether they do unannounced inspections, ask them for results
- * ask them to investigate complaints or suspicions, ask them for results.

The trade can question the attitude and qualifications of inspectors, demand that CBs communicate with fellow CBs in the case of fraud, insist that the CBs respond to requests for information (certificate trace back). If dissatisfied with the CBs response, change certifier.

The trade can often improve itself, for example on lot tracking systems, on input-output consolidation, so that less mistakes are made in the warehouse, traceability is easier and CBs can conduct more effective inspections. If an operator has parallel production, the CB should be allowed, invited or better, required to check the non-organic production processes and assess the risk of commingling, even if they think this is not their concern, as is the case in some countries. It is important that each trade actor provides for good transparency to protect their operation.

A key test could be for a trader to evaluate how their operation would score when their CB is asked which companies are the best organised, cooperative, responsible, trustworthy?

Do things together

It is good to join or organise common residue testing schemes such as those in Germany and the Netherlands. However, it should be noted that although residue testing is good it clearly has its limitations because many non-organic raw materials do not have residues either.

One should look for ways to better communicate inside and outside the supply chain, locally and internationally. Share information/suspicions on fraudulent practices with your CB but also fellow traders, particularly across borders. If you decide not to buy a product because of your suspicions others will probably follow your lead.

If you have some proof, document suspicions and/or evidence of fraud, take it up with your CBs, hand over dossiers to authorities, inform your trade organisation, file a complaint with the IOAS when IFOAM accredited certifiers are involved, and **–new!–** submit your information to a Warning System.

The Warning System (grey list)

One approach is to have a website that is accessible to subscribers, which identifies problem products, origins, suppliers, certifiers, like:

- * Product x produced in y, supplied by z, originally certified by a, recertified by b, traded through c, offered on the market by d, and/or
- * Person 1, dealing in products x, y and z, associated with company 2, suspicion of fraud raised by 3, decertified by 4, convicted of fraud by 5, operating on the market under the name of 6.

Such a website needs to be carefully moderated; there should be sufficient evidence to warrant information to be posted. It is first of all a warning mechanism, not a blacklist. Clearly a cautious approach is required as there may be possible legal implications.

Identify focus areas - undertake special action

The information coming in for the Warning System helps to set priorities for special actions. There are often certain products, certain origins that cause problems. These can be identified and appropriate action defined in a joint effort of certifiers, authorities and traders, until the situation improves. These priorities and actions must be reviewed on a periodic basis.

Pressure on areas of identified risk can be increased through the inspection-certification system and/or special investigation. It is possible to make CBs apply some extra measures in case there is suspicion of fraud and work towards improving the system.

This can be described as the soft approach. A separate paper discusses this and suggests what certifiers can do. In other cases a hard approach is inevitable, resulting in an investigation and possible imposition of a stop to certain products and/or suppliers altogether.

A complaints mechanism

Often suspicions are translated into complaints. These are about fellow traders, or certain CBs. Parties should be willing to subject themselves to some sort of a complaint mechanism. Investigations should be done by persons respected in the organic sector and should be managed well. Of course no trader is waiting for a waterfall of complaints or allegations against his or her company. It is not the intention to disrupt the business; it is the very threat that a complaints investigation is possible that should do the trick.

A trade action body

If the process outlined above is to be followed, there is a clear need for a body to administer it. To be efficient and effective, such a body would need to be controlled by the trade. A working title for such a trade action body could be “the Anti Fraud Committee”.

Clearly more discussion is required as to how it is to be run, housed, financed. It would take an effort to set it up and once it is formed, the ‘AFC’ would obviously have a certain cost, requiring a membership fee, associated with certain rights and obligations (code of conduct). There is a proposal to develop a fund that is used to investigate fraud cases that affect many players, and to support subsequent (international) court cases. Trade members of such a body may advertise the ‘AFC’ logo on their web site. Brand owners and retailers may eventually demand it.

In short:

- More responsibility in your day to day business
- Demand more responsibility from the partners in the chain
- Apply pressure on certifiers to do a better job, where necessary
- When you come across fraud, notify this to the appropriate authority
- Assist in prioritising areas of greatest risk
- Cooperate in any investigation
- Subscribe to the Anti Fraud Initiative that
 - Prioritises risk
 - Runs a Warning System
 - Contracts experts to do investigations
 - Works with the certifiers
 - Maintains contact with the authorities
 - Organises meetings about fraud issues at various organic trade shows