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Training group certification under EU 2018/848

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South Eastern Europe SWG RRD Regional Rural Development Standing Working Group

GFA CONSULTING GROUP General Agent BMEL Berlin Office

With support from Federal Ministry of Food and Agriculture by decision of the German Bundestag

Organic Working Group, APD SEE, 25 November, 2024

Overview

- **09:30 – 10:00** | 1) Introduction to the Topic
- **10:00 – 11:00** | 2) Overview of Group Certification Requirements
- **11:00 – 12:00** | 3) Detailed Discussion on Certification Challenges
- **12:00 – 13:30** | Lunch Break
- **13:30 – 14:30** | 4) Q&A Session
- **14:30 – 15:00** | 5) Impact of EU 2018/848 Regulation on Exports to Europe
- **15:00 – 15:30** | 6) Summary and Call to Action

Credits of content and slide deck support: Florentine Meinshausen, FiBL (f.meinshausen@fibl.org)

Disclaimer: all data and information presented has been compiled at the best of FIBL's knowledge based on the data available and are provided for information purposes only. Information may be updated as more information becomes available.

Block 1 // Introduction

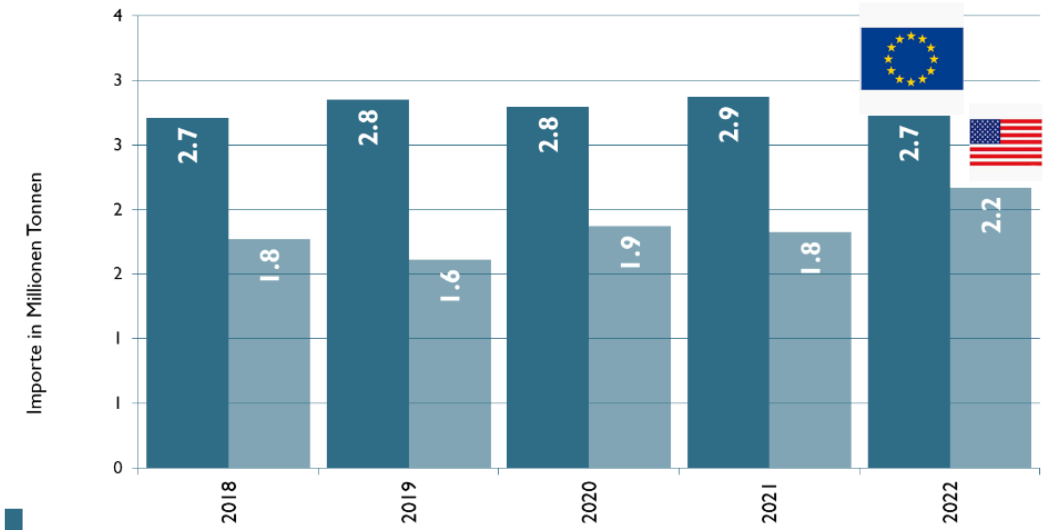
The EU organic import market – unfortunate timing for new rules

EU organic agri-food import volumes in 2023 dropped by 9.1%, the lowest level since 2018.

Other organic markets outside Europe are developing more dynamically and will become a more attractive alternative for producers who struggle to align to the new EU regulation.

Not the best timing to implement a complex new EU Organic Regulation

Change EU- und US- Organic Imports 2018-2022
Quelle: EU/TRACES, USDA GATS



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Review organic market development

- Organic market in EU and imports grew over decades and imports too.
- With growing import volumes the number of non-conformities increased and several fraud cases shattered the trust in organic products in Europe
- Actually, very few weakly inspected operators caused big problems
- With new Organic Regulation, EU wanted to force and strengthen integrity of organic production and certified products

Bigger market – bigger integrity problems

ORGANIC FRAUD

2 kind of major problematic actors / actor groups

Long and/or complex supply chains

Very large producer groups

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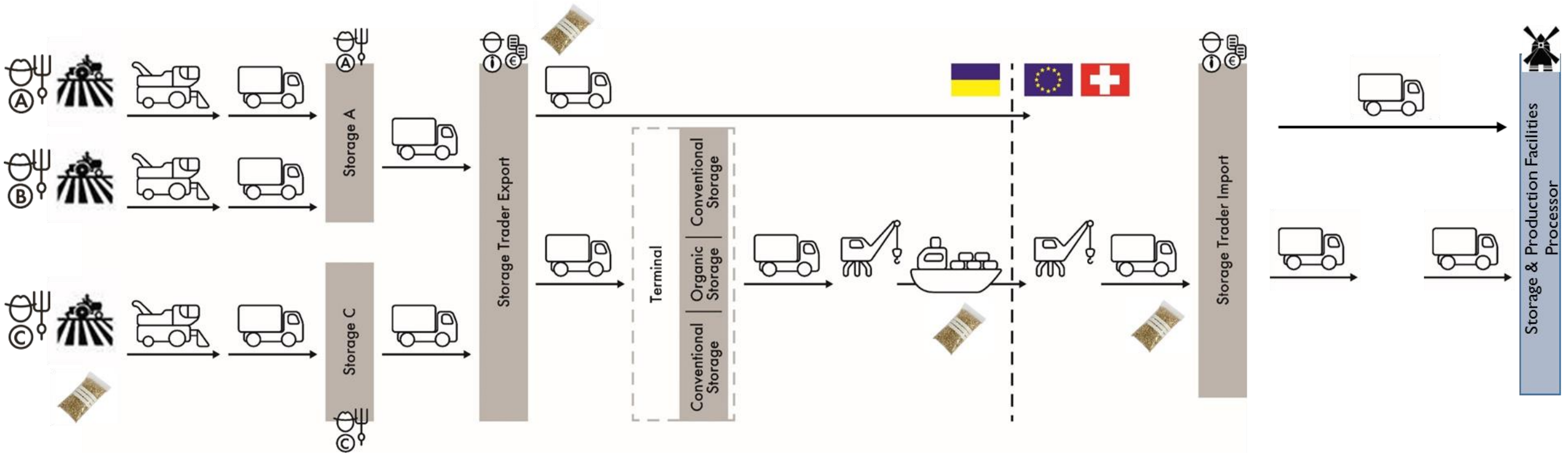
Examples of suspicious or fraudulent activity

- **Agriculture/processing:** use of non-approved substances.
- **Trade:** Mixing/stretching of organic products with conventional products without residues (to improve product quality or enlarge sales volumes).
- **Trade:** Conventional lots are re-declared as organic by intermediaries.
- **Double certification** of the same operator by different CBs
- **Immediate issuance of a new certificate** by a new CB after the operator has been decertified by the previous CB.
- **Exchange of certificates** between trading companies belonging to the same owner.

Long and/or complex supply chains



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Long and/or complex supply chains

Risk factors

Contamination with unauthorised substances

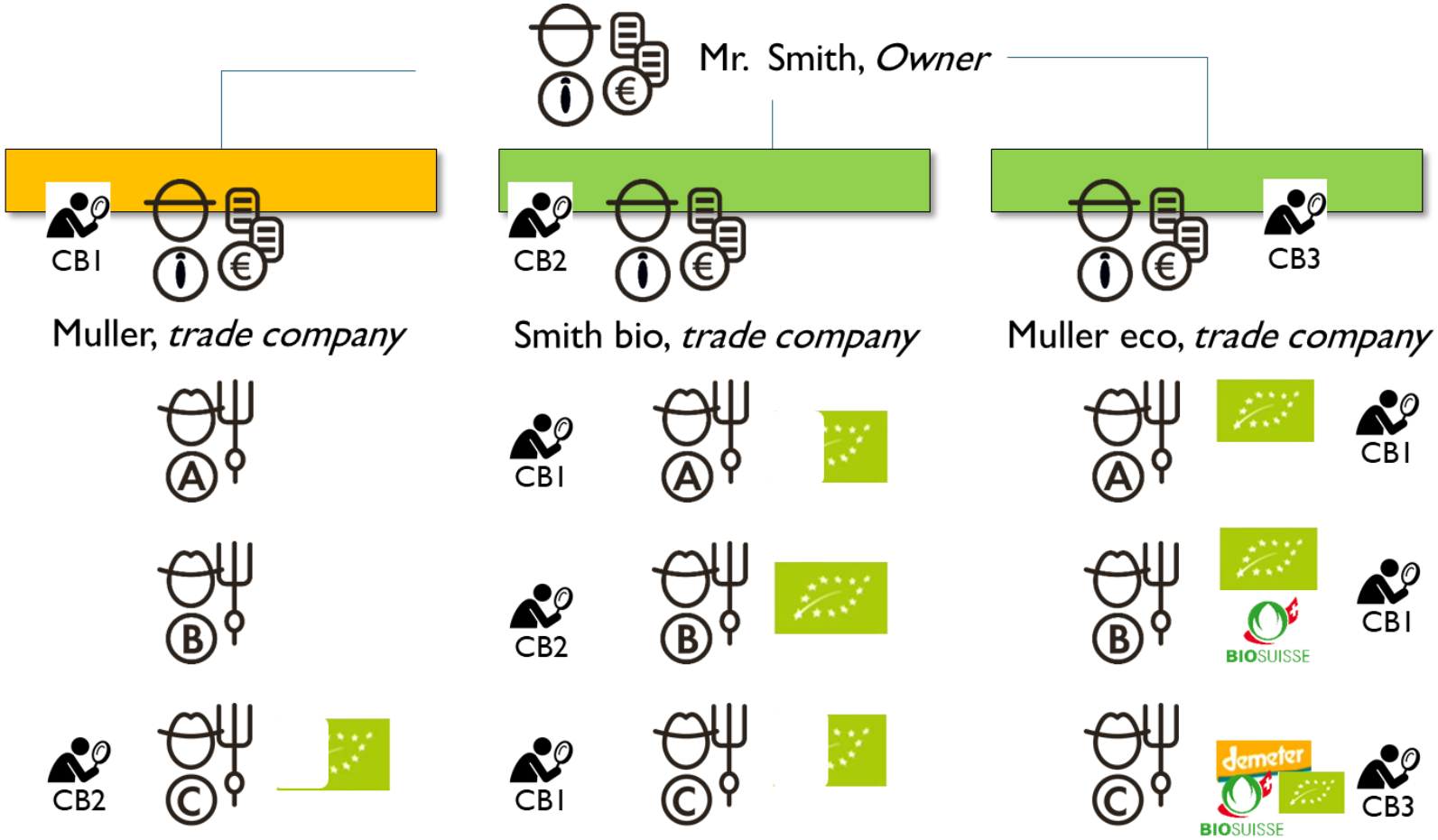
Insufficient quality management

Comingling, substitution, counterfeiting

Fraud

Long and/or complex supply chains

Example / 1 owner with different trade companies



Example / 2 trading companies of the same owner are sharing office, equipment and storage

Mr. Smith, *Owner*

A

B

C

A

B

C

Problems with certified (large) groups

Weak Internal Control Systems (ICS)

- Group certification relies heavily on the effectiveness of the internal control system (ICS), where the group itself conducts internal inspections of its members. If the ICS is poorly implemented or lacks transparency, it can lead to undetected non-compliance.
- Impact: Fraudulent practices or unintentional non-compliance damage consumer trust in organic products.

Problems with certified (large) groups

Large and Diverse Groups

- As group size increases, maintaining consistent control and oversight becomes challenging. Diverse geographical locations or practices within a group can exacerbate this issue.
- Impact: Larger groups might struggle to ensure that all members comply with organic standards, increasing the risk of irregularities.

Problems with certified (large) groups

Limited External Audits

- Certifying bodies perform fewer external inspections in group certification systems compared to individual certification (only small sample of group). Finally, the sample was too small (square root approach)
- Impact: If the sampling strategy is inadequate, non-compliant members might be undetected, undermining the integrity of the group certification.

Problems with certified (large) groups

Conflicts of Interest

- In group certification, internal inspectors are often members of the group or work closely with members. This close relationship can lead to biased inspections or pressure to overlook non-compliance.
- Impact: This compromises the reliability of internal audits, making the system vulnerable.

Problems with certified (large) groups

Traceability Challenges

- Group certification can make it difficult to trace products back to individual producers, particularly when group members are diverse or spread over a large area.
- Impact: A lack of traceability increases the risk of contamination or mixing with non-organic products during production, processing, or distribution.

Problems with certified (large) groups

Inconsistent Application of Rules

- The interpretation and implementation of group certification rules can vary across certifying bodies or regions, leading to inconsistencies in standards and enforcement.
- Impact: This can create loopholes that some groups may exploit, weakening the credibility of organic certification as a whole

Problems with certified (large) groups

Market Pressure and Oversight Fatigue

- "Too big to fail" - phenomenom
- Groups may face pressure to expand membership quickly to meet market demand, potentially at the expense of rigorous oversight. Inspectors may also experience fatigue when auditing very large groups.
- Impact: This can result in lax enforcement of organic standards.

Mitigating Strategies

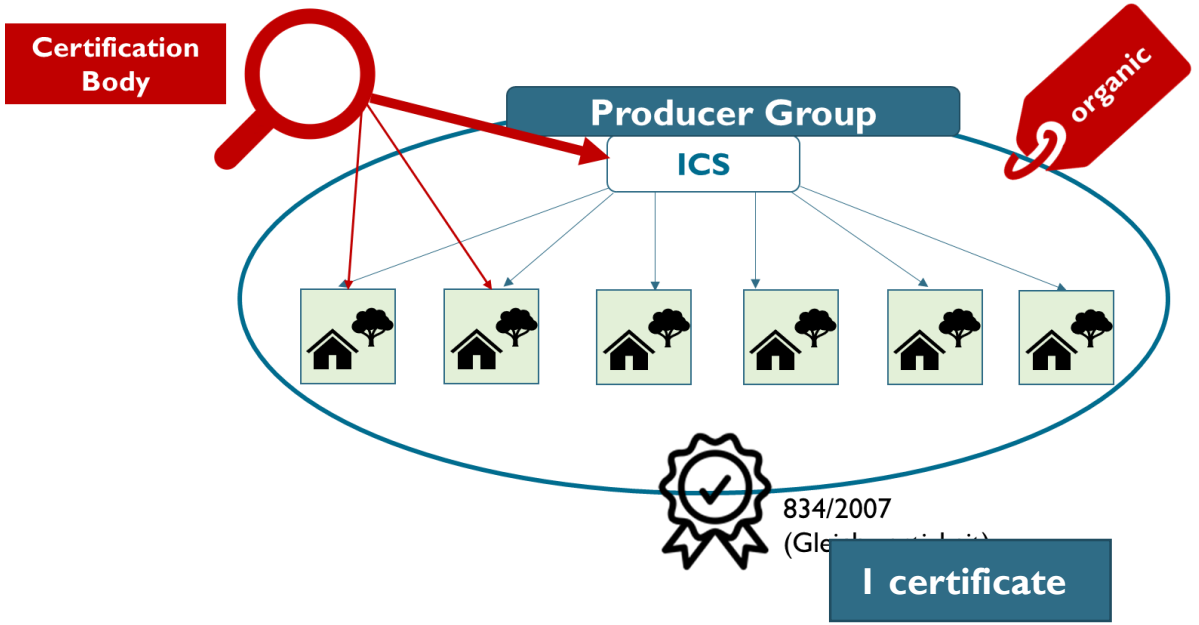
To address these issues, regulatory frameworks like the EU's Regulation (EU) 2018/848 have implemented measures such as:

- Strict requirements for ICS setup and management.
- Mandatory external audits of a bigger sample of group members in big groups.
- Clear limits on group size and geographical scope.
- Improved traceability systems.
- Penalties for non-compliance to deter fraudulent practices.

Block 2 // Overview of Group Certification
Requirements under EU Organic Regulation 2018/848

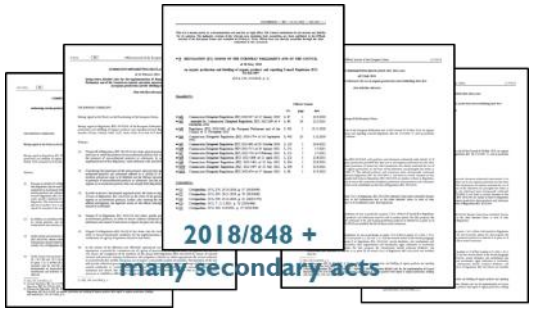
Organic certification of producer groups

80% of all organic farmers are smallholders and not certified as individual farms but as producer groups with an internal control system (ICS).



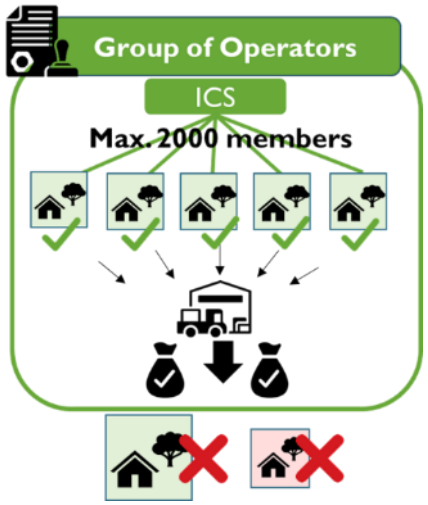
- The new EU Organic Regulation 2018/848 for the first time includes group certification directly in the regulation, applicable to production within the EU and Third countries.
- The requirememts for group certification have been fundamentally changed due to integrity reasons.

Conformity - a major change for producer groups



31.12.2024: EU organic import system changes from «Equivalence» to «Compliance» for majority of third countries

- 43 Control bodies recognized for «compliance» by 31.10.2024
- Most producer groups and operators have not yet been inspected against the new EU regulatory requirements;
- Most operators as well as experts do not yet understand all rules



Entirely new rules for producer groups

- Definition of a «Group of Operators»
- Detailed ICS requirements

Stricter and word for word applicable EU organic production rules for producers

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Other key changes: strengthened control in third countries

New rules for control of Groups of Operators

All Operators and Groups of Operators

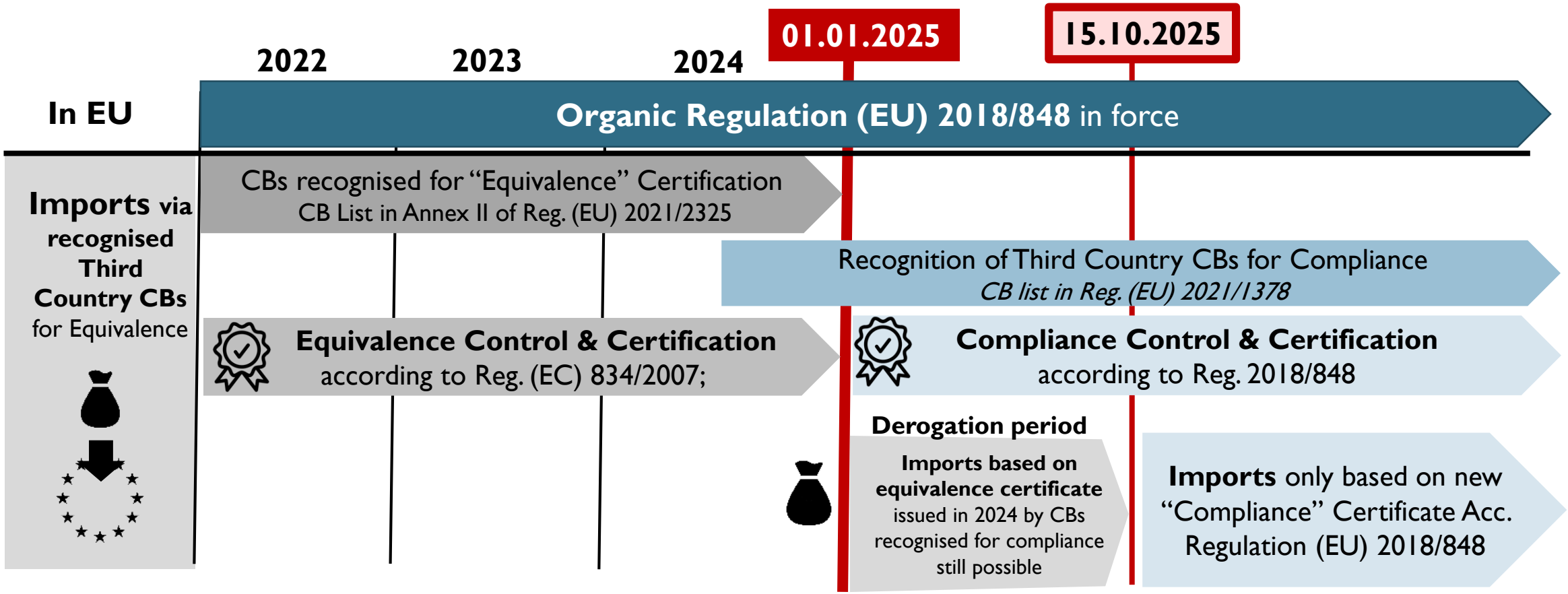
Strong focus on (documented) precautionary measures to prevent contamination & commingling of organic products and product traceability

Measures in case of detection of any unauthorized substances by operations & CBs. Blocking products while investigating in case of suspected or confirmed presence of non-authorized substances. Official investigation to determine the source & cause.

The EU is defining a list of "high risk third countries/products" which will be subject to control twice a year and more intense sampling (in origin and in the EU; % will be defined per product)

The transition from equivalence to compliance

The EU import system for most third countries changes to compliance on 1.1.2025



Imports from the 14 "equivalent countries" listed in Annex I of Regulation 2021/2325 (e.g. Switzerland, USA, Japan, India, Tunisia) have a transition period until end if 2026 to negotiate a trade agreement on organic products or change to compliance. Products not covered by the third countries equivalence recognition must be controlled and certified according to compliance from 1.1.2025

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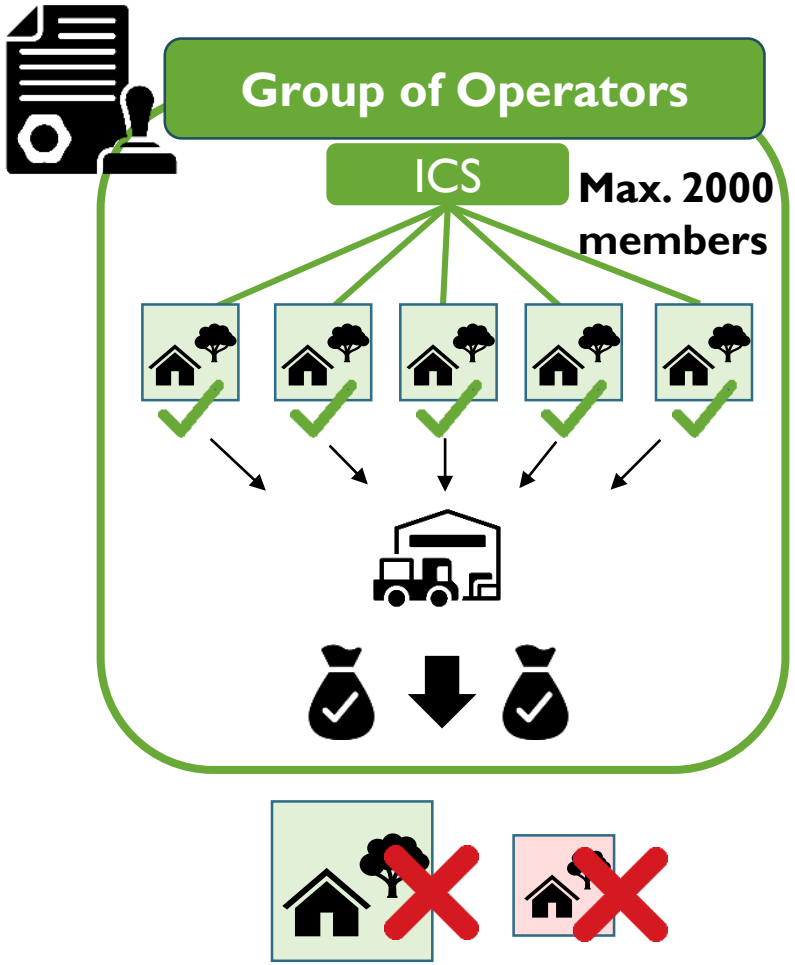
EU recognised CBs for Moldova (Nov. 2024)

- A Cert
- Bio Inspecta
- CCPB
- CERES
- Control Union
- Ecocert
- Kiwa BCS
- Organic Standard

New concept: Group of Operators (Art. 36)



Regulation (EU) 2018/848 Art. 36.1 (a-e)
+ Regulation (EU) 2021/279 Art. 4 & 10

A Group of Operators (GoO)

Is composed only of members
- ✓ **who are organic/in-conversion farmers**
- ✓ **under a maximum size/turnover limit**
  (<5 hectares total land OR <25,000 € organic turnover).

Has a maximum size of 2000 members per GoO

Has 'legal personality'

Operates an Internal Control system (ICS)

Has a system of joint marketing

GoO members shall be in geographic proximity.
A member shall register only for one GoO for a given product.

Block 3 // Detailed Discussion on Certification Challenges

How to interpret the max. farm size / turnover?

GoO Member is farmer
with ≤5ha total land
OR ≤ 25'000€ organic turnover*

** Simplified summary; valid in all countries where the cost of organic certification for a single farm of that size would be more than 500€/year, i.e. almost all countries worldwide.*

§ Reg. 2018/848 Art. 36.1 (b)

Check size of organic farms
Do they qualify for Group of Operator membership?

Total holding ≤ 5 ha?
All land managed by the member for agricultural production

NO

Turnover organic production ≤ 25'000€ ?
(for all countries where individual farm certification > 500€/yr)

YES
No check of turnover needed

YES

Eligible to be GoO member and certified in the GoO.

NOT eligible as GoO member; only individual organic certification;

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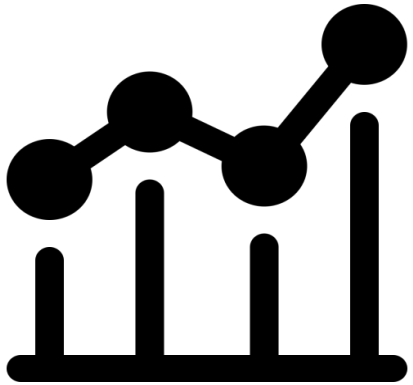
How to calculate turnover from organic production?

What is the member's 'turnover from organic production'?

= The member's annual value of organic sales to the group

- **Accumulated total sales** per accounting year in local currency
- **Based on the price as actually paid** to the member for the products delivered; after market price deductions by the coop
- **Price paid for the product before deductions** for inputs or services provided to the member
- **Subsidies do not count as turnover**

Question: maximum turnover from organic production



What about significant or sudden fluctuations in sales volumes, prices and exchange rates?

The ICS shall define rules and procedures to ensure member eligibility in their group; to be reviewed and approved by the Certification Body.

Additional considerations:

- *Intention of Art 36.1 (b) = continuity in GoO membership, not annual in / out.*
- *Annual average currency conversion to € is normal EU practice, e.g. EU's Exchange rate (InforEuro) converter's 12 months value*
- *Groups are advised to manage compliance with the rules carefully and apply a safety margin in their internal rules for membership.*

How is the farm land (holding) calculated?

What is a members "Holding"? Does it mean only the organic land?

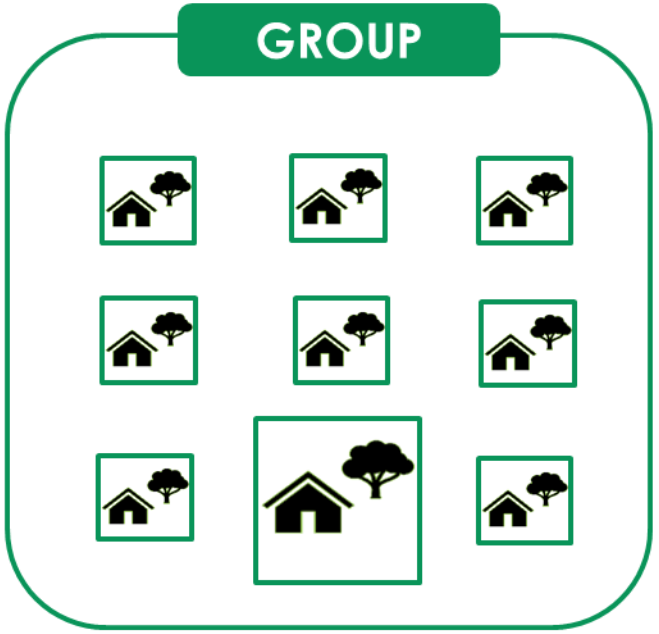
Holding = all production units operated by the member for the purpose of producing agricultural products, including products from aquaculture and beekeeping

- i.e. organic fields as well as non-organic or fallow land for rotation
- Forest plots are not included, unless used for organic beekeeping

This limitation applies to the whole holding, not just the organic part. Moreover, ***even the parts intended for self-consumption will be included in the size of the holding*** *(e.g. meadow for the self-consumption of livestock).*

The "total land surface under the management of the member" = compulsory GoO member list element. It must be registered by the ICS & kept up to date for each member (Reg. 2021/279, Art 5 (a) (iv)

What when GoO has more than 2'000 members?



§ Reg. 2021/279: Art. 4&10

A GoO may have a max. 2'000 members

- **Groups with > 2000 certified members will need to re-organise into smaller group entities** for EU certification.
- Each new smaller GoO needs **„legal personality"**

! *Certified groups have a **Transition Period until 1/2025** for complying with this rule (2021/715, Art 10).*

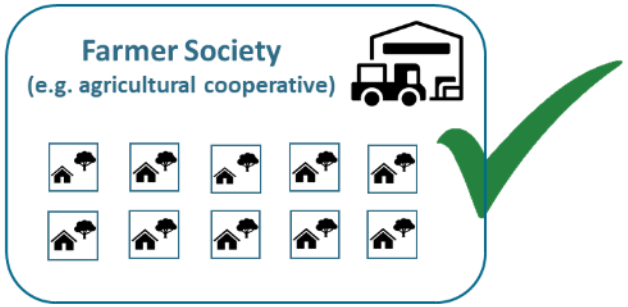
Important Implications of Art 36.1 for Groups

Art 36.1 requires that for organic certification the „Groups of Operators“

- **shall be composed only of farmers as members and needs to have „legal personality“.**
- **It is the explicit intention of the EU that “group certification is only for small farmers**, not for companies”.

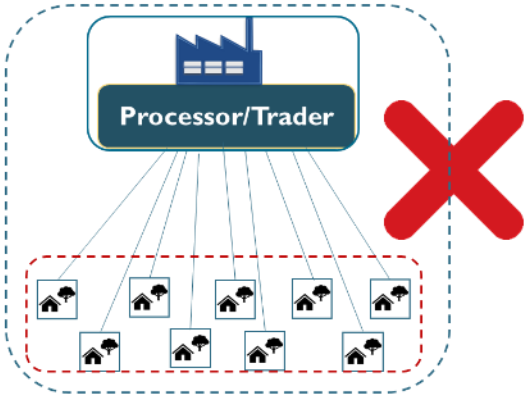
→ This has significant implications for currently certified organic groups depending on their current organisational set-up.

A. Farmer Cooperative Societies and other Farmer Member Associations



Overall in line with Art 36.1, but some aspects need consideration and attention

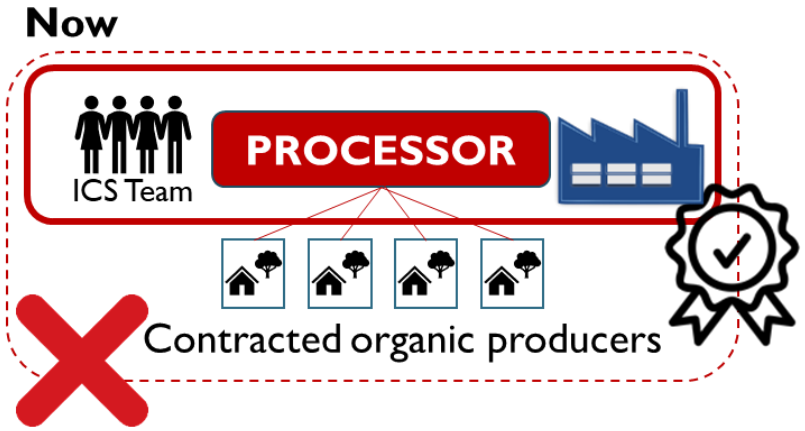
B. Processor/Exporter Organized Group (Contract Production)



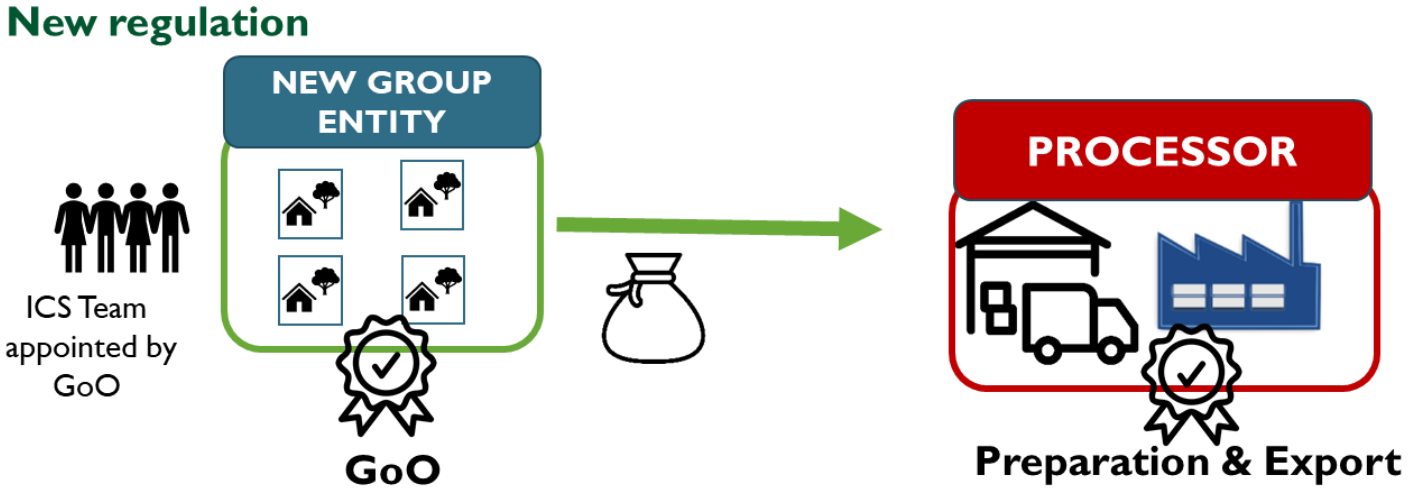
NOT in line with Art 36.1 as the legal entity is not composed of farmers

→ certification as Group of Operators only if organized as a group with separate legal personality.

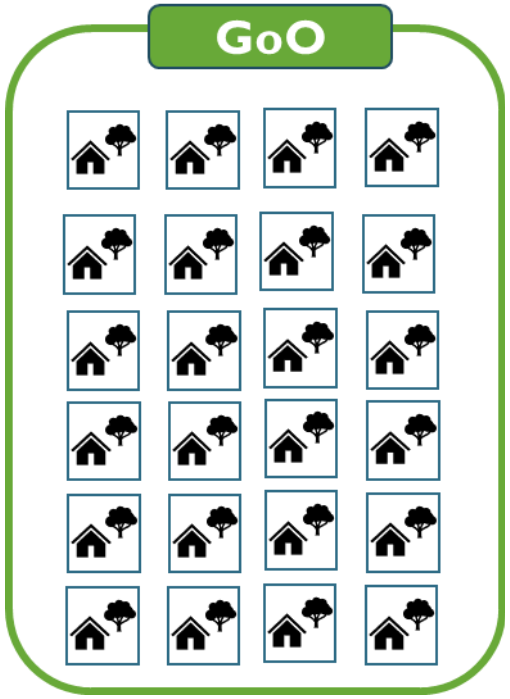
… that means a separation of processing companies is needed



- **A separate "farmer composed" group entity is registered with legal personality and the organic farmers as GoO members.**
- **The certified processing company can still buy, process & sell products from the GoO** based on contractual agreements.
- **The Company could also still operate the ICS on behalf of the GoO to ensure continued quality**, if the GoO "appoints" the processor's ICS manager and ICS inspectors.



Additional kind of possible activities of the farmer group



Members can:

- Have a centralized processing unit managed by the group
- Prepare/process their own product and those of other members
- Subcontract preparation/processing of members' products to a certified unit.

“Legal Personality” – are all forms accepted?

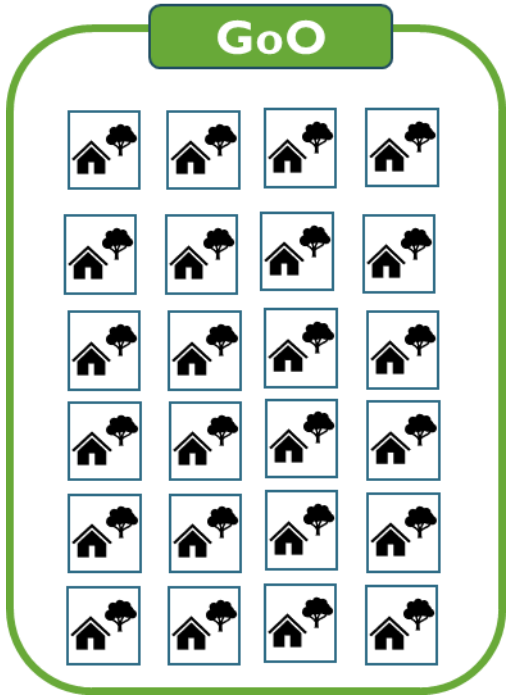
The Group of Operators has „legal personality“

- **The aim is to have a clearly defined entity** that can
  - **do business** (operate the joint marketing system)
  - **own the certificate**, **sign** GoO membership agreements with farmers and appoint the ICS manager.
- **No legal form is excluded**, but the legal personality must be „established“, e.g. by official registration

Note: Additionally, Art 36.1.(a) requires the GoO to be “composed for members who are farmers” → A GoO legal entity can have any legal form but it needs to be “composed of farmers”.

§ Reg. 2018/848 Art 36.1 (d)

Geographical proximity of a group – what does it mean?



There is no defined perimeter or distance between farms defined in the Regulation. However farms must be located close enough to each other to facilitate effective and efficient ICS management. Specifically, this implies:

- **Proximity for effective ICS management -** farms should be near enough to allow the group to manage and oversee the organic production practices effectively. This includes the ability to conduct regular inspections, share resources, and provide support to ensure compliance with organic standards.
- **Logistical efficiency** - Proximity helps in reducing logistical challenges and costs associated with transporting organic products, inputs, and personnel between farms.
- **Consistent organic practices** - Close proximity allows for more consistent application of organic farming practices across the group.

Joint marketing system – what does it mean?

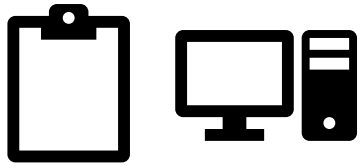
It means that a group of operators must establish a collective approach to marketing their organic products.
This system is designed to ensure that all products produced by the group are marketed together, following a unified strategy.

- **Collective Marketing Strategy** - that applies to all members. Includes common branding, pricing, distribution, and sales of organic products produced by the group
- **Uniform Standards and Practices** - All products marketed by the group adhere to the same organic standards and practices. This consistency is crucial for maintaining integrity of organic products.
- **Shared Resources and Infrastructure** – e.g. shared storage facilities, transportation, and marketing personnel.
- **Centralized Coordination** - It requires a centralized person to oversee and coordinate marketing activities.
- **Transparency and Accountability** - Joint Marketing System must be transparent and accountable. This means that all members of the group must have access to information about the marketing activities and the performance of the group's products in the market.

Clearer & More Detailed ICS Requirements

The new EU regulatory requirements for a System of Internal Control (ICS) are not fundamentally different from the key procedures and requirements for Internal Control Systems as defined by IFOAM in 2003/2004, and many other schemes.

Documented ICS Procedures and Rules

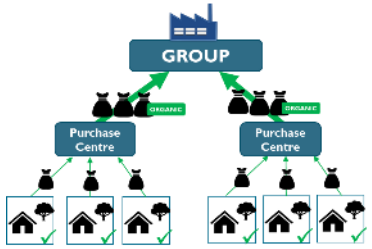


ICS Documents and Records

ICS Staff:
ICS Manager and ICS inspectors

100 % Annual Internal inspection

Managing Non-Compliances



Traceability and Product flow control and records

Training of Farmers and Staff

Many ICS requirements are defined in more detail or very specifically. Also, the rules are now directly applicable legal requirements, which need to be verified more consistently by CBs.

Overview ICS requirements in the new EU Regulation

§ In the regulatory texts, the applicable new requirements and rules for the Internal Control System are defined in the following structure and regulatory acts:

Reg. 2018/848, Art 36.
(Consolidated Version) *

- **36.1.(g) Documented Procedures of the ICS**
- **36.1. (h) Role of the ICS Manager** and ICS Inspectors
- **Art 36.2 Deficiencies of the ICS**

Reg. 2021/279

- **Art 5. Documents and records** of a GoO
- **Art. 6 Notifications from the ICS Manager**

Reg. 2021/771
(external control)

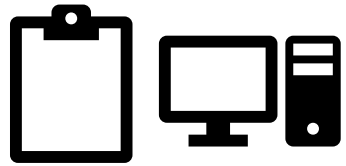
- **Art. 2 Evaluation of the ICS**

*including amendmends by Reg. 2021/715

Details for internal farmers training

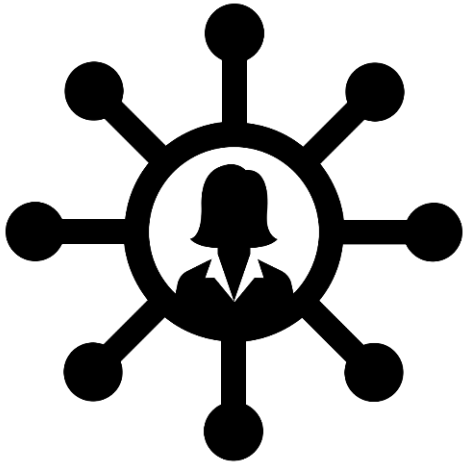
- The new regulation clarifies the Group's internal training requirements.
- First, the ICS should draft written procedures on the management of the training of growers and internal auditors and keep detailed records of the trainings carried out.
- These training courses have to take place annually and be accompanied by an annual assessment of the knowledge and skills of the ICS internal auditors.

ICS required documentation



The ICS shall have documented procedures on:			
(i) Registration of GoO members	**(ii) Internal inspection** of all group members	**(iii) Approval of new members** or new units/activities	**(iv) Training of ICS Inspectors**
(v) Training of GoO members	**(vi) The control of documents and records**	**(vii) Measures in case of non-compliances**	**(viii) Internal traceability of products**

The new key role of the 'ICS Manager' in the new EU Regulation



The role of an ICS manager is a senior position within the organisation and requires authority and management capacity as well as technical skills to understand the regulation and manage compliance!

§ Reg 2018/848 Art. 36.1 (h)

The 'ICS manager' has many new important **responsibilities**

- Verify eligibility of GoO members, approve new GoO members or new production units or activities of members.
- Develop ICS procedures, documents and records and ensure that they are kept up to date, incl. update list of members.
- Schedule internal inspections and ensure adequate implementation.
- Is contact person to the CB; decide on notifications to the CB.
- Ensure trainings for ICS inspectors; annual assessment of competencies and conflicts of interests.
- Decide on measures in case of non-compliances and ensure measures are followed up.
- Decide on subcontracting activities and sign agreements.

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Key position: ICS inspectors

The ICS shall appoint an ICS manager and one or more ICS inspectors who may be a member of the group. Their positions shall not be combined.

Number and qualification of Inspectors

- **The number of ICS inspectors shall be adequate and proportional** in particular to the type, structure, size, products, activities and output of organic production of the group.
- **The ICS inspectors shall be competent** with regard to the products and activities of the group

The ICS Inspectors shall:

- (i) **carry out internal inspections** of the members of the group according to the schedule and the procedures provided by the ICS manager;
- (ii) **draft internal inspection reports** on the basis of a template and submit it within a reasonable time to the ICS manager;
- (iii) **submit at appointment a written and signed statement on conflict of interest** and update it annually;
- (iv) **participate in trainings**.

§ Reg 2018/848 Art. 36.1 (h)

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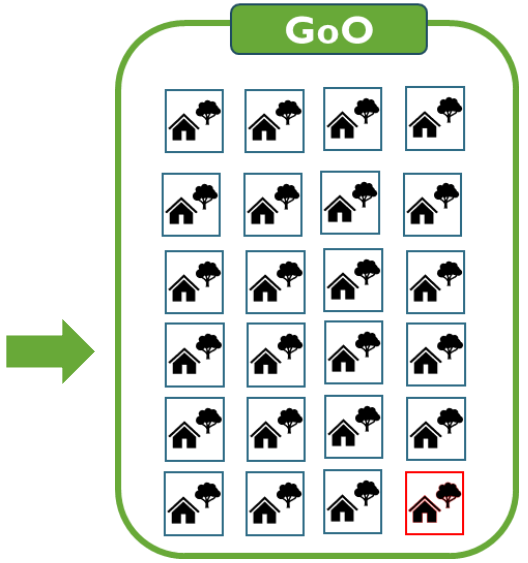
Annual inspection of the purchase / collection center

- Required to audit all collection centers in the grower group annually by the ICS, in addition to the annual audit of 100% of members.
- These audits will be formalized through the issuance of internal audit reports that are recorded and available for external CB upon request.

Risk based additional internal inspections of members

- Additionally, the new Reg. foresees the planning of risk based additional internal audits at **members or units identified by the risk assessment**. The IC**S therefor needs to have an internal risk assessment in place** which takes into account the potential problems that may occur **and identifies measures to minimize them**: e.g. members using unallowed pesticides if government programs supply free inputs and how the ICS intends to prevent this (e.g. additional internal audits for members at risk).



Reinforced traceability

- More accurate internal traceability, **allowing the products of all members to be traced back at any stage within the group**.
- It should also make it **possible to evaluate the yields achieved compared to those estimated for each member of the group**

- The **quantities should be reported** corresponding to the following activities:
  >> Group's purchase and distribution of agricultural inputs and plant reproductive material
  >> Production (harvesting), storage, preparation of products
  >> Delivery volume and date of each member's products to the collection centers and to the group
  >> The marketing of products by the group.

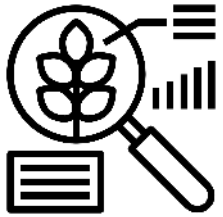
Storage of Organic Cashew nuts of 50 farms of a cooperaive in Togo without any declaration of the origin

Core ICS procedures (I)

The ICS manager is responsible to develop all relevant ICS procedures and document and keep them up to date.

Registration of **GoO members and their data**

- Verify eligibility
- Membership agreements
- Approval of new members/ managing conversion
- Members list
- Yield estimates



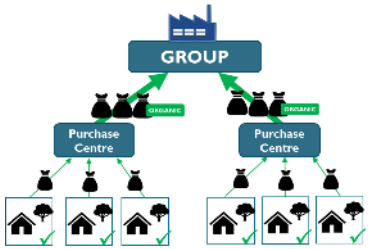
Internal inspections

- Basic requirements
- Risk-based internal inspections
- Training of internal inspectors

Internal approval and sanction procedures

- Measures in case of non-compliances
- Update of records (members list, notifications to the CB)
- Follow-up on non-compliances

Core ICS procedures (II)

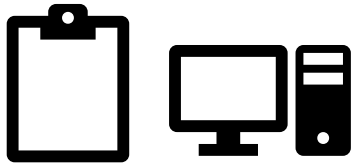


Traceability and product flow

- Control of product flow from GoO members to group to market
- Internal inspection of purchasing centers
- Cross-checking yield estimates
- Traceability records

Training of GoO members

- Training on ICS procedures
- Training on organic production rules



Control of documents and records

§ Reg 2018/848 Art. 36.1 (g)

New re-inspections and sampling rules for groups!

The certifier will need to re-inspect at least 5 % of group members each year (not less than 10)

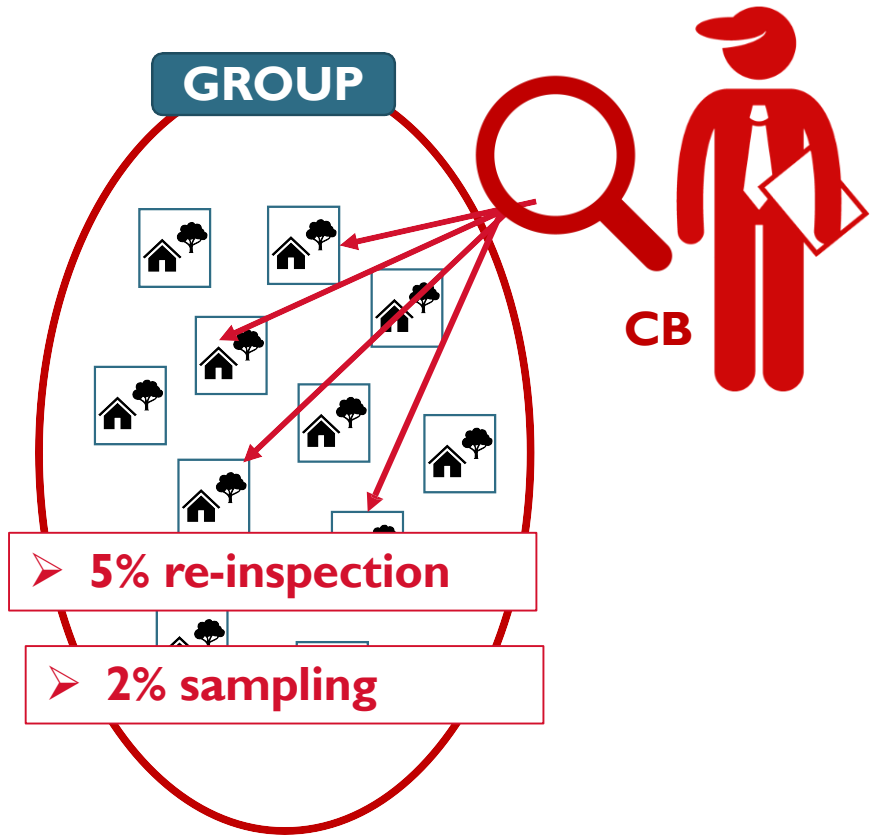
- New rule will increase control rate for all normal risk groups >400 members, strongest effect for very large groups.

At least 2 % of members are 'subject to sampling' by the CB

- Implementation to be defined in CB's sampling policies to be approved by the EU
- Likely to include a risk-based mix of individual and composite samples.

Control of purchase centres

- GoO purchase centres that handle the also non-organic products, need to be inspected each year (2021/1698 Art 9.9)



§ Reg. 2021/279: Art. 7
Reg. 2018/848: Par 35, &38
Reg. 2021/1698

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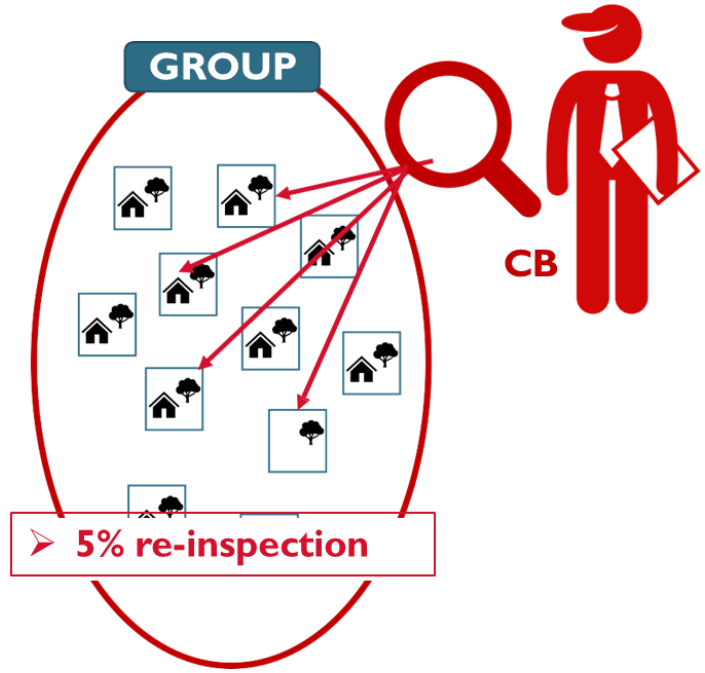
New EU Regulation not suitable for very small groups!

Simulation of re-inspection costs by group size (excl. costs for sampling and ICS operation)
- Assumption: external re-inspection cost per farm = 300 Currency Unit)

Group size	5% Re-Inspection (at least 10 farms)	Simulated ext. inspection cost group	Simulated ext. inspection cost per farm
5	5	1'500	300
10	10	3'000	300
20	10	3'000	150
50	10	3'000	60
100	10	3'000	30
200	10	3'000	15
500	25	7'500	15
1'000	50	15'000	15
2'000	100	30'000	15



General changes in control and certifications for GoO

Organic Certificate
Group of Operators

Physical inspection of the GoO <u>at least</u> once a year

- **plus unannounced checks (10 % of Operators and GoOs certified by the CB; 10% unannounced).**
- **EU will define list of high risk products ➔ for high risk products: 2 physical inspections per year** (2021/1698, Art 8) and higher sampling requirements

The new EU GoO (and operator) certificates

- Defined format and content (Reg. 2021/1378 Certificate for Third Countries).
- Issued via TRACES data base.
- The GoO certificate contains the list of members.

§ Reg. 2021/1698: Control in Third Countries
Reg. 2021/1378 Certificate in Third Countries

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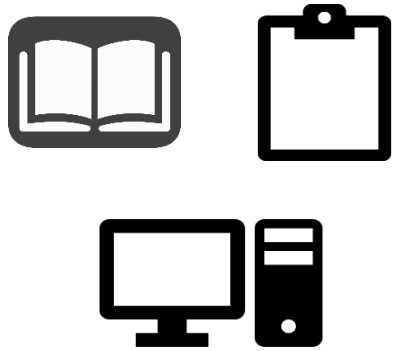
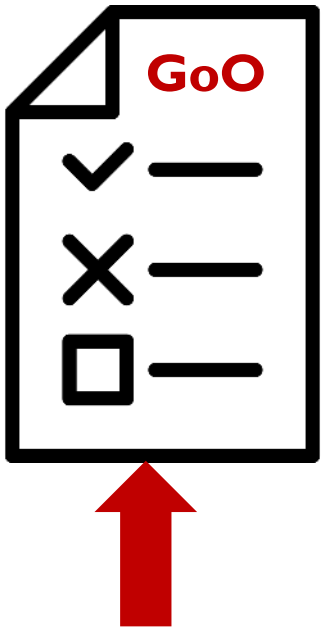
Overview of the external inspection of a Group of Operators

GoO ICS OfficeVisit



- ✓ ICS Manager Interview
- ✓ ICS Procedures & Records
- ✓ Member List Check
- ✓ Review NCs & measures

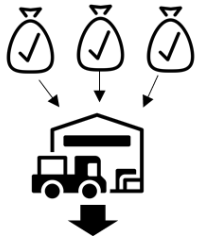


Re-inspection of 5 % of Members

Selected by inspectors, risk based

- ✓ Full organic farm inspection
- ✓ Cross-check ICS findings & data
- ✓ During some visits: sampling; witness ICS inspection

Visit of Purchase Centres



- ✓ Internal traceability handling & records
- ✓ Separation
- ✓ No Contamination

§ Reg. 2021/279: Art. 2
Reg. 2021/1698 Chapter III (Control in Third Countries)

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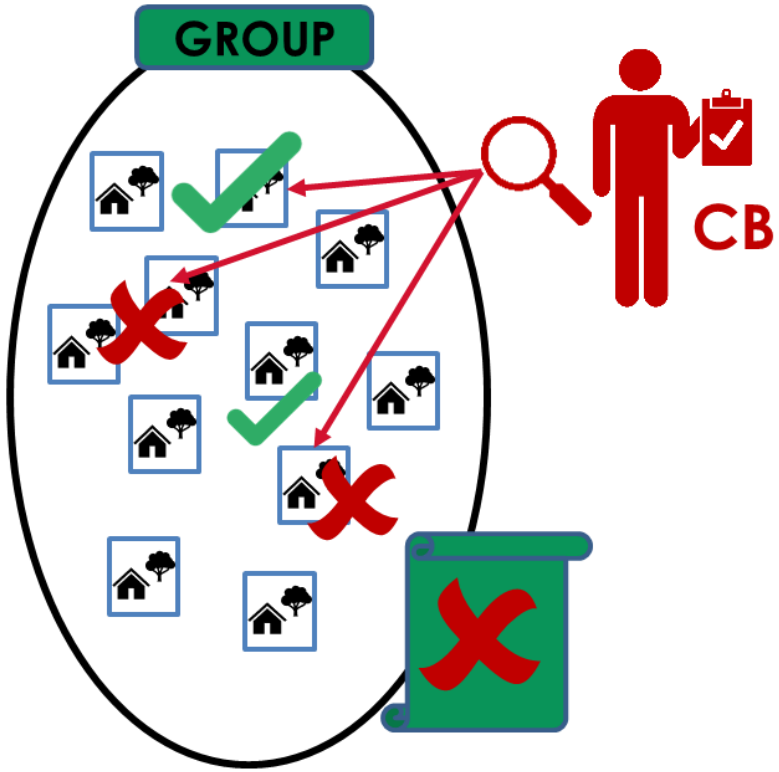
ICS Deficiencies / Implication of ICS Failure



§ **Reg 2018/848 Art 36.2**
(added by 2021/715)

Art 36.2: Control bodies shall withdraw the certificate for the whole group where deficiencies in the set-up or functioning of the ICS affect the integrity of organic and in-conversion products - in particular,failures to detect or address non-compliance by individual members of the GoO.

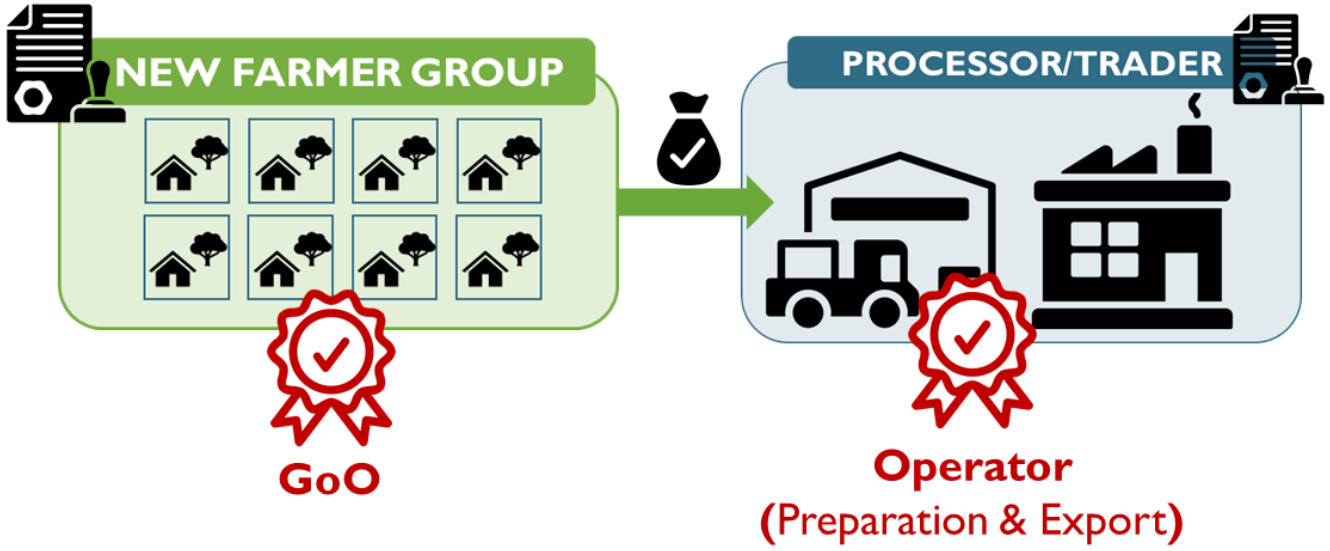
New regulation includes a long list of 'ICS deficiencies' considered as critical non-compliance.e.g.

- Not carrying out annual physical internal inspections of 100 % of members
- Serious deviations between external and internal inspection findings
- Serious deficiencies in imposing appropriate measures in case of NCs
- Processing/selling products from suspended or withdrawn members;
- Adding new members to the list without following due procedures,
- Failing to indicate suspended/withdrawn members in lists
- Inadequate number or competency of internal inspectors

Adaptations for processor/exporter organized groups

All processor/exporter organized groups must change their organic business and certification set-up

- set up one or several new legal entities composed of organic farmers as separate group of operators
- and/or transfer certification and more commercial roles to existing farmers organizations in their supply chains



GoO entity may subcontract ICS & traceability system to exporter

Considerable commercial risks, tax implications, supply and quality concerns

Is there any possibility to subcontract tasks of the ICS?

When implementing the ICS, it is possible to subcontract **executive tasks that do not lead to decision-making**, such as:

- The drafting and proposal of an ICS procedure
- Management of the list of members, units, purchasing center, storage center
- Conduct and propose a risk assessment at producer level
- Training and maintaining the skills of ICS staff
- Plan and carry out internal controls
- Management of records and updates at the ICS level

Organic producer groups' challenging road towards compliance

Certified organic small producer groups who do not meet the EU Group of Operator (GoO) definition can NOT be certified as a group for organic exports to Europe in compliance with Reg. (EU) 2018/848.
Individual certification of each farm is not an option for most groups.

Organic Group ≠ GoO

Will adapt legal/organisation set-up

Stop EU organic or de-certification

Adapt

No more organic exports to EU after 31.12.24

Organic Group = GoO

Higher costs for maintain organic certification viable?

Stop

2025/2026

Adapt

Adapt & strengthen ICS
Strong precautionary measures
Production acc. to all EU rules

2025/2026

Higher risk of non-compliance

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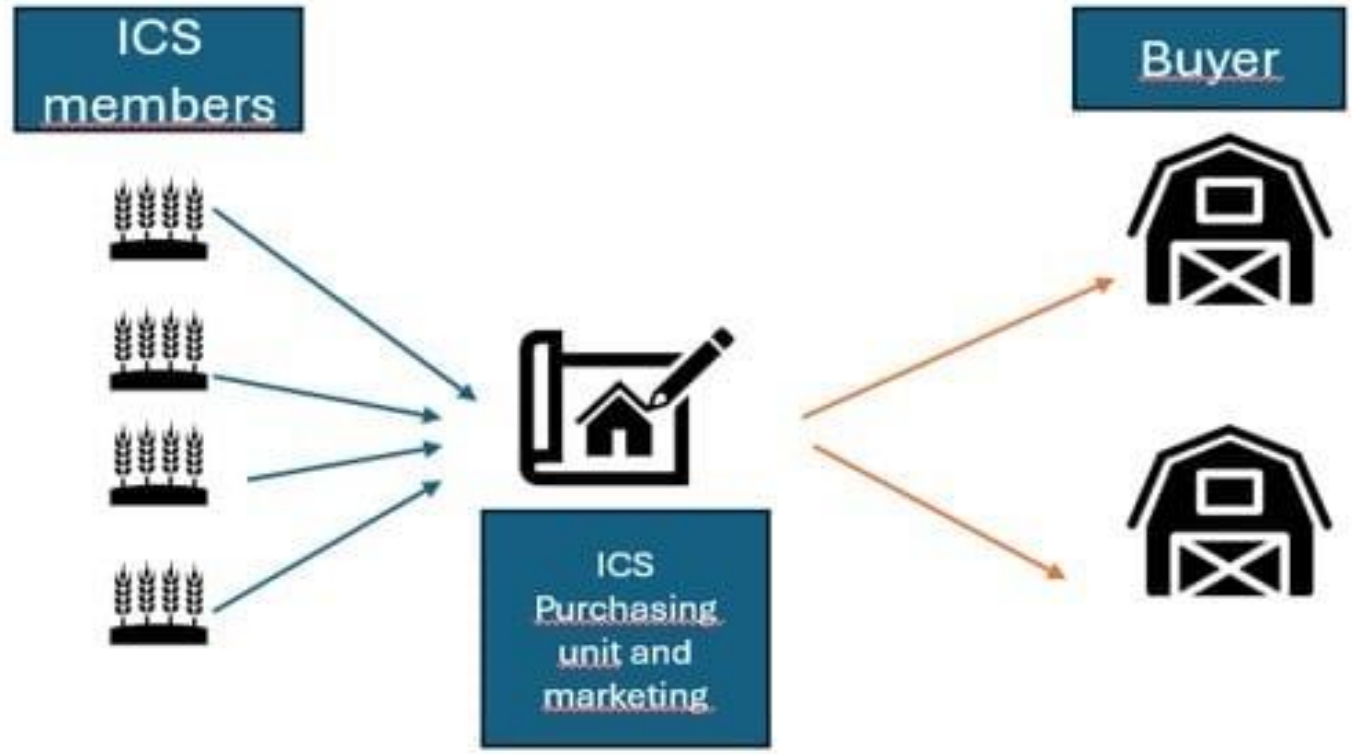
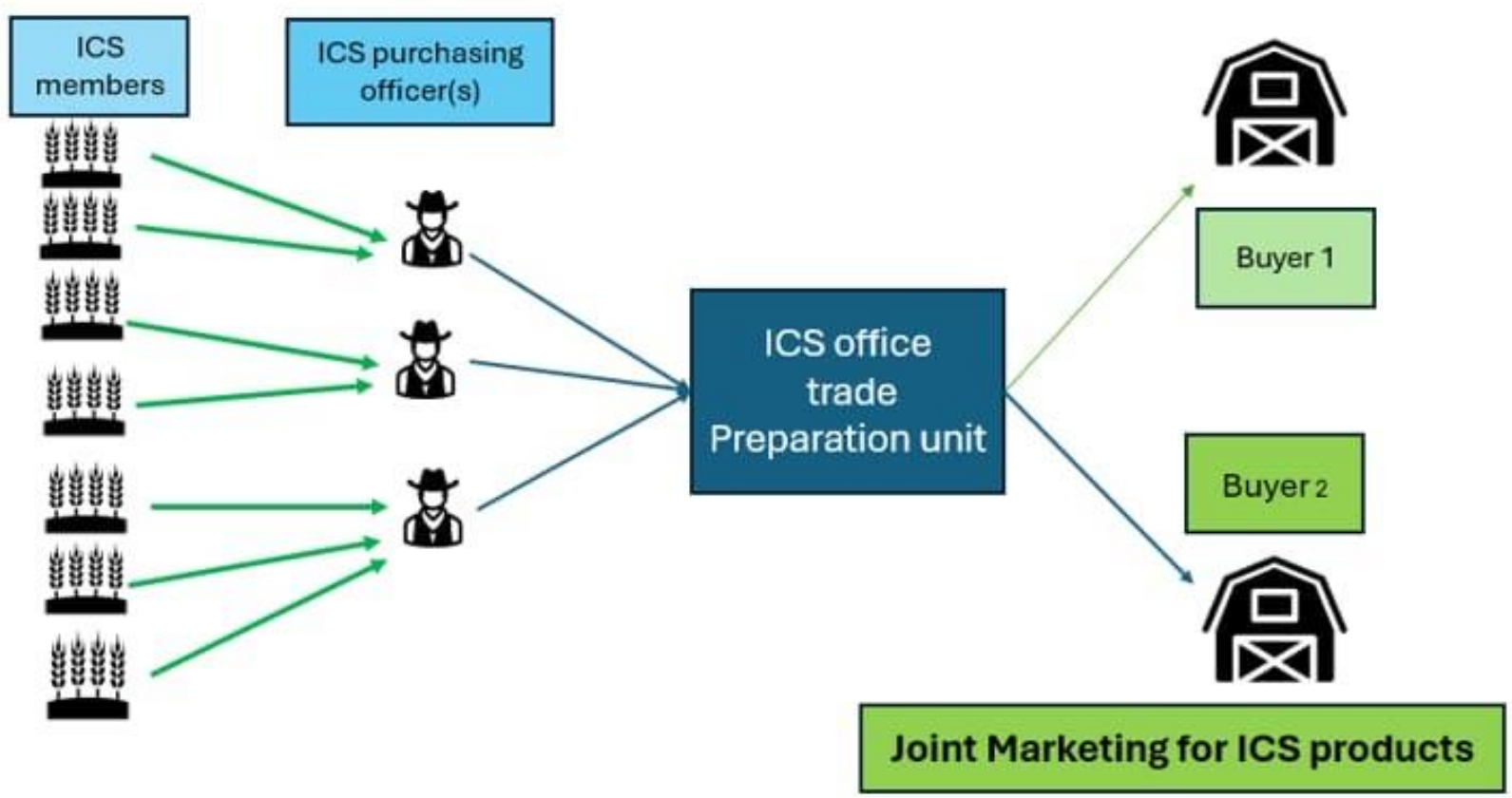
Block 4 // Q&A about Group Certification

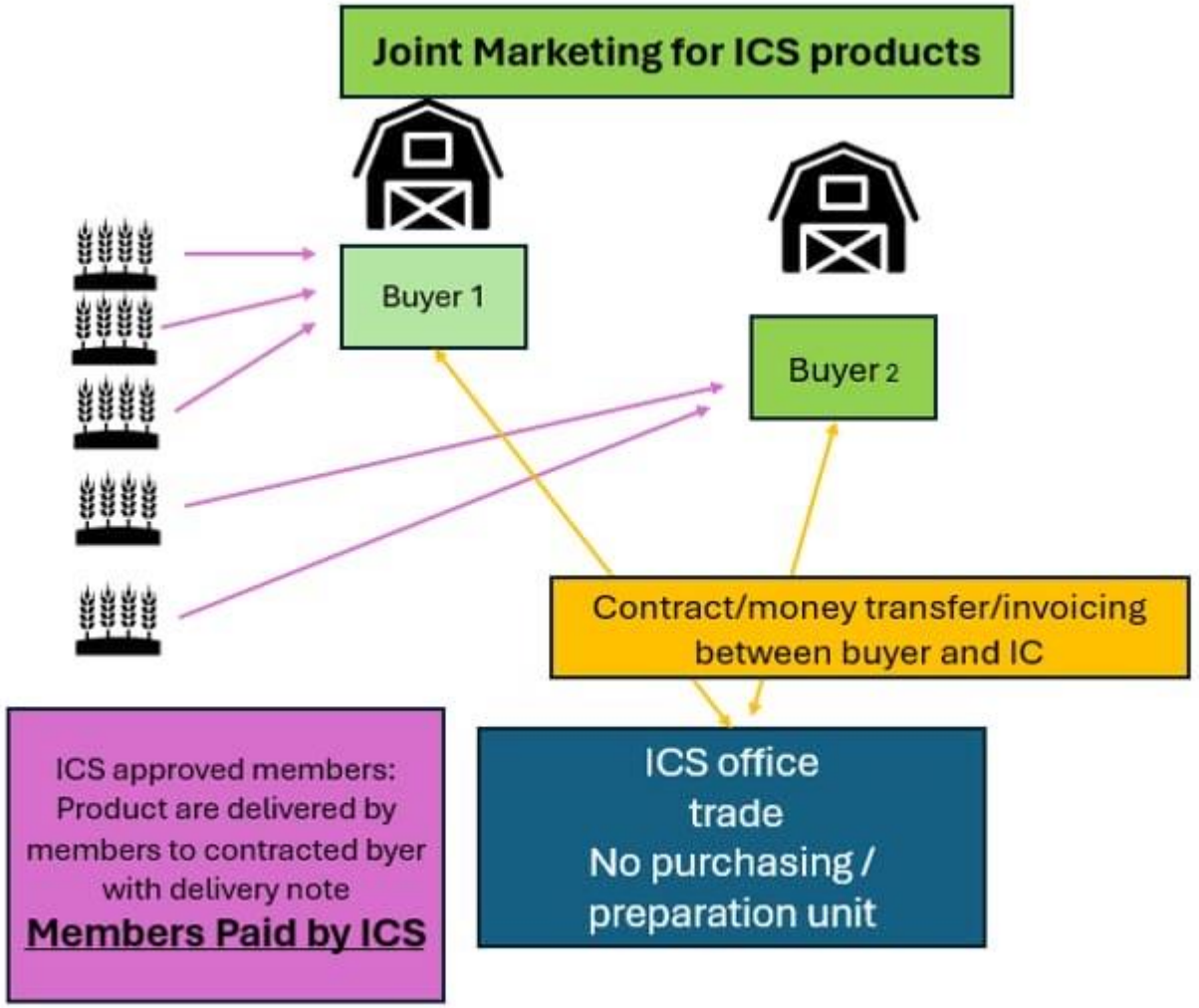
3 Models of Joint Marketing Systems (1)



3 Models of Joint Marketing Systems (2)

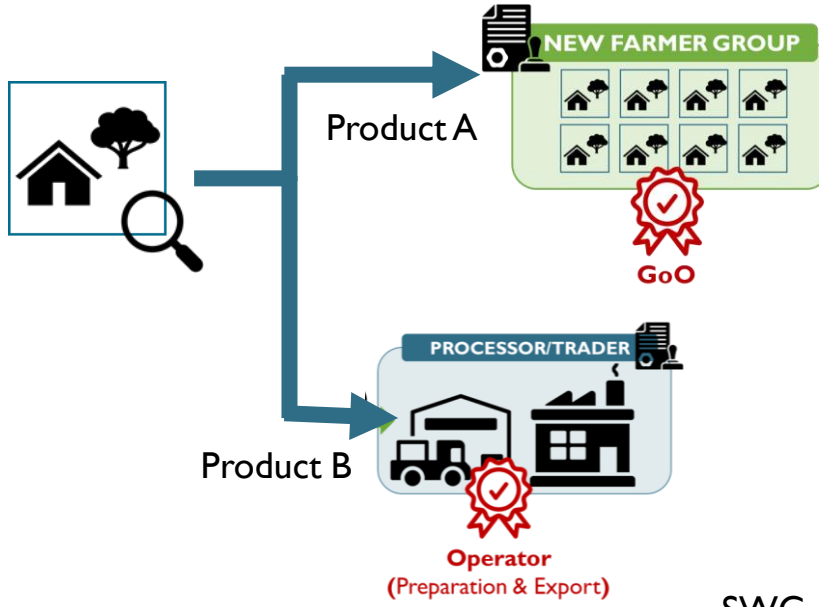


3 Models of Joint Marketing Systems (3)



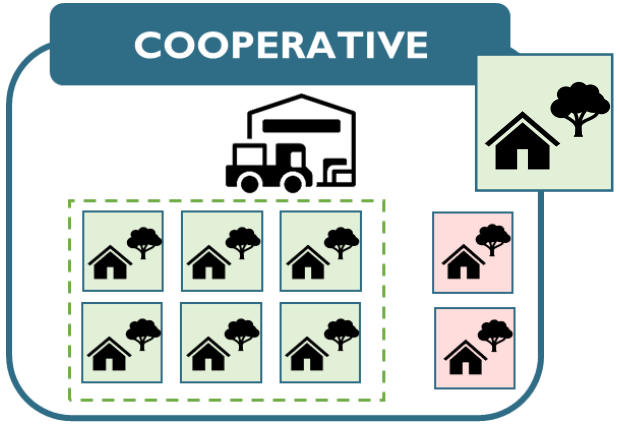
Can farmers be members of different GoO?

- Yes, but not for the same product
- EXCLUSIVITY OF THE SALE OF PRODUCTS TO A GROUP (Article 4 of R(EU) 2021/279)
- Same as in past, group members will still be required to sell **a given product to only one grower group**.
- For example, a **member will not be able to sell organic berries to two different groups**.
- However, if a producer grows two different organic products (e.g. berries and MAPs), each product can be sold to a different group or trader (berries to one group/trader and MAPs to another group/trader.



What about non organic or bigger members in a cooperative?

- Members of the group **must have plots either conducted as organic or in conversion**.
- They cannot have conventional production. In this case, they are not compliant and cannot be part of the certified Group of Operators.
- The **same applies with too large members**. They cannot be part of the certified Group of Operators.



Summary – what is possible/not possible under Group Certifcation?

Possible is …

- Grow apples organically and sell organic apples to the group and grow conventional vegetables and sell it individually as farm
- Grow apples organically and sell them as conventional on the farm
- Grow apples organically and if the group accepts, sell them to the group as in-conversion products after 12 months
- Grow apples organically and sell your organic apples juice to the group

Not possible is …

- Grow apples organically and vegetables as conventional and sell both as organic to the group
- Grow apples organically and sell them as organic on the farm
- Grow apples organically and sell them as organic to the group in the first year of organic production
- Join more than one group to sell the organic apples

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EU Commission FAQs

When members of a certified group of operators no longer comply with the requirements set out in Article 36(1)(a) and (b) of Regulation (EU) No 2018/848 can they remain a member of the group of operators?

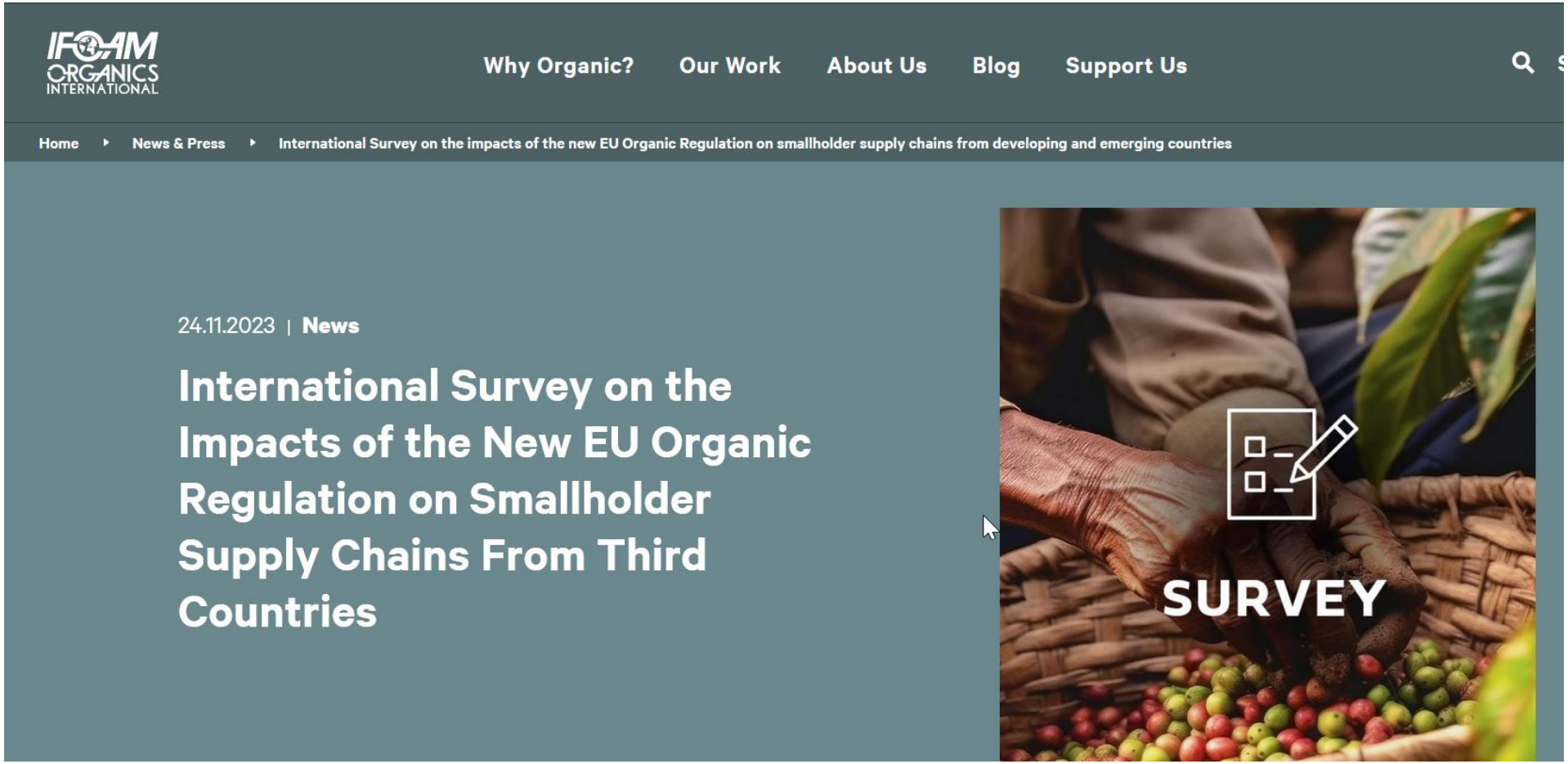
No. Article 36(1) of Regulation 2018/848 provides that each group of operators "shall only be composed of members" fulfilling, among other requirements, the conditions set out in points (a) and (b). Consequently, an operator who does not fulfil the requirements of Article 36(1), points (a) and/or (b) of Regulation 2018/848 cannot be a member of the group of operators if that group is intended to be controlled and certified as a group of operators within the meaning of Article 36 of Regulation (EU) No 2018/848.

Your reflection is requested

Mentimeter

Please go to Mentimeter / www.menti.com / 4937 8271

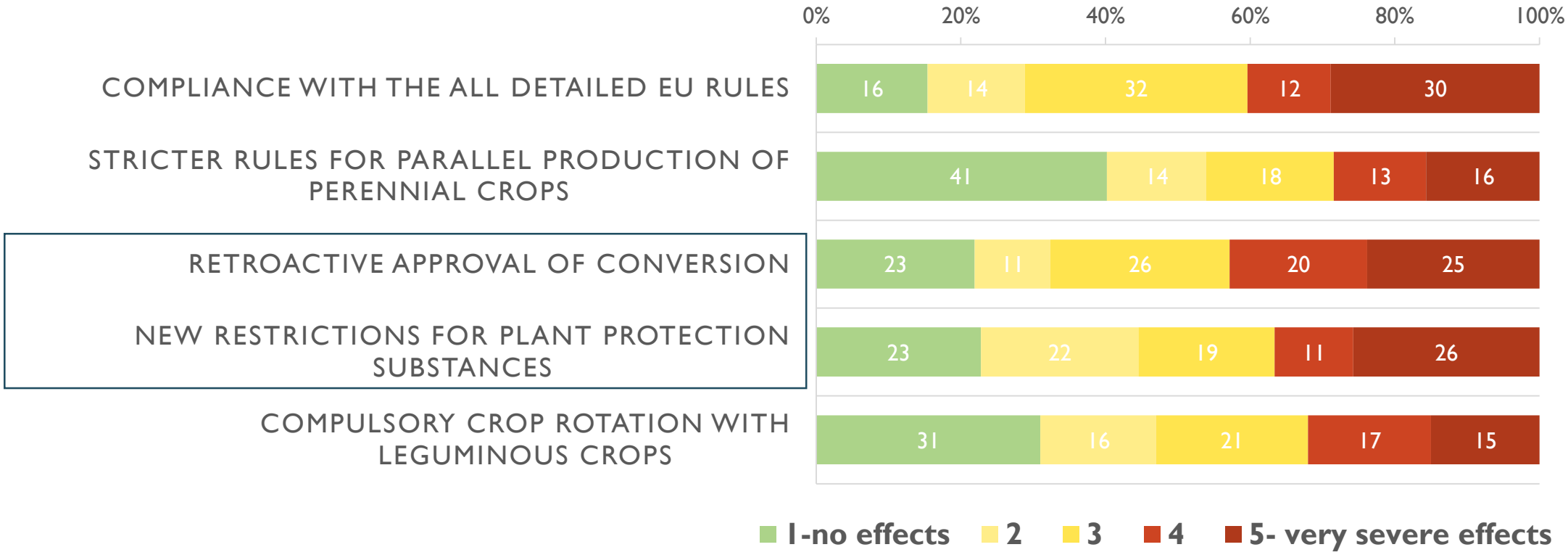
Block 5 // Impact of EU 2018/848 Regulation on Exports to Europe



A) Producer group perspective

Stricter production rules - effects

Survey for producer groups and farms in third countries



Interviews: Neither experts nor producers yet understand the implications of literally complying with complex new EU regulations after decades of EU "equivalence" certification.

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Expected effects on certification costs

Survey for groups and companies in third countries

12 % expect <10 % higher certification costs

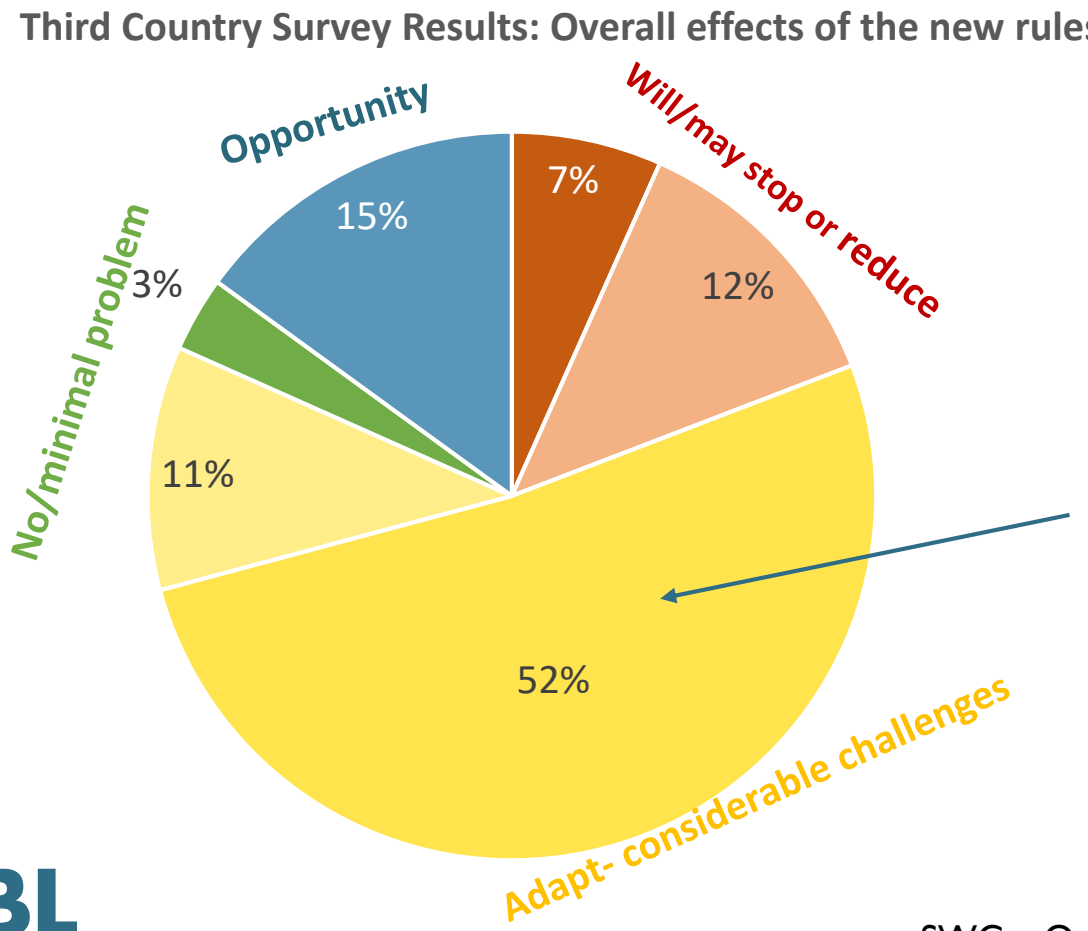
43% expect > 50% to more than 200% higher certification costs

Strongest expected cost effects

- Multiple units, individual certification
- 2% Sampling
- Control of 5% of members in very large groups

Combination of all changes / continuation of organic certification

Approx. 80% of all producer groups and companies plan to adapt to the new rules

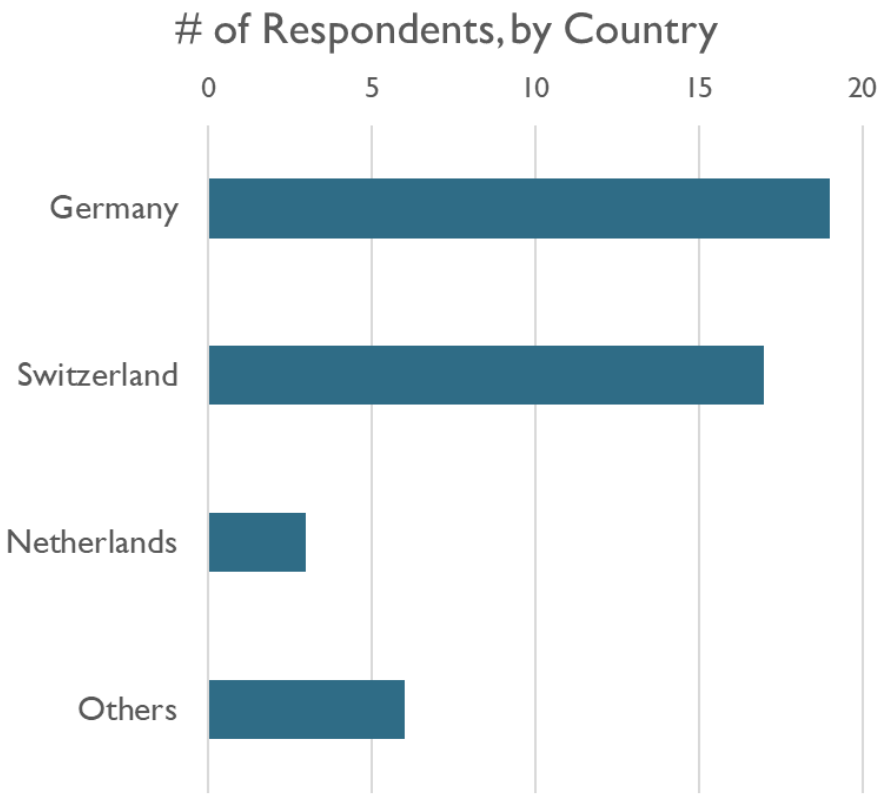


Many are still in the middle of the search for a solution, or do not know which specific changes are necessary

→ Some of these groups are expected to lose or give up organic certification in 2025/26

B) Importer perspective

FiBL EU Trader Survey about Impacts of new EU Organic Reg



- Survey started in Dec 2023, Deadline in early January, but still open (invitation to participate)
- Distribution and promotion via IFOAM-OI and other partners
- Feeds into global study on the impacts of the new Regulation to be published mid 2024
- Preliminary results received by 08.01.2024
- n = 34 (mainly Germany, Switzerland, Netherlands)

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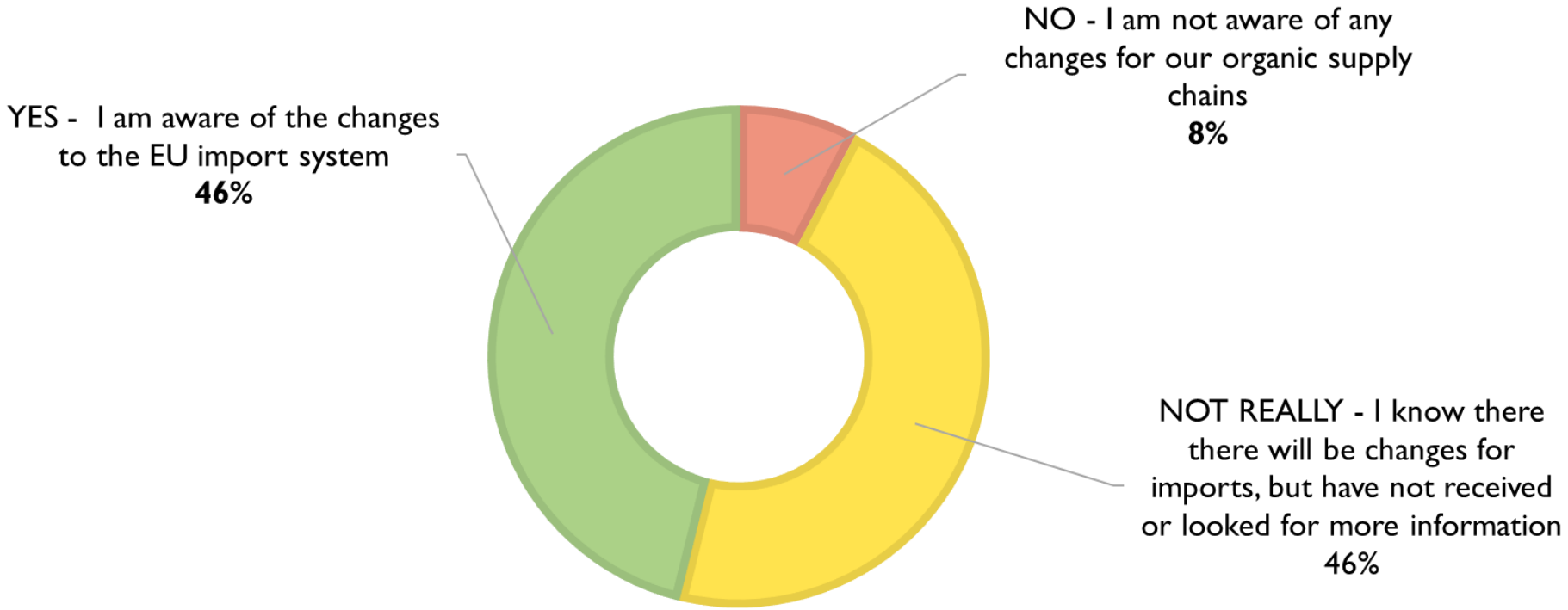
FiBL EU Trader Survey about Impacts of new EU Organic Reg

Have you received any information or are you aware of the significant changes for organic groups and operators in Third Countries ?

- Half of respondents haven't heard or are not informed well, i.e. they are not able to fully understand or evaluate possible consequences for their supply chains



FiBL EU Trader Survey about Impacts of new EU Organic Reg

If you source directly from smallholder groups (or operate own group projects in Third countries) - which elements of the EU regulation's new definition of a "Group of Operators" (GoO) are likely to have a strong effect on your smallholder supply chains ?

- Up to half of supply chains affected by various new requirements

1. Maximum 2000 members per group
2. Composed only by farmers (most are composed by farmers and processors/traders)
3. New size / Turnover limit
4. A group without ICS can not been certified (many groups too small to implement ICS)

How many supply chains are affected by other new rules?

- Up to 2/3 of supply chains affected by various new requirements
  (Severe effects: Compliance, Dealing with inputs, Retroactive approvals)

FiBL EU Trader Survey about Impacts of new EU Organic Reg

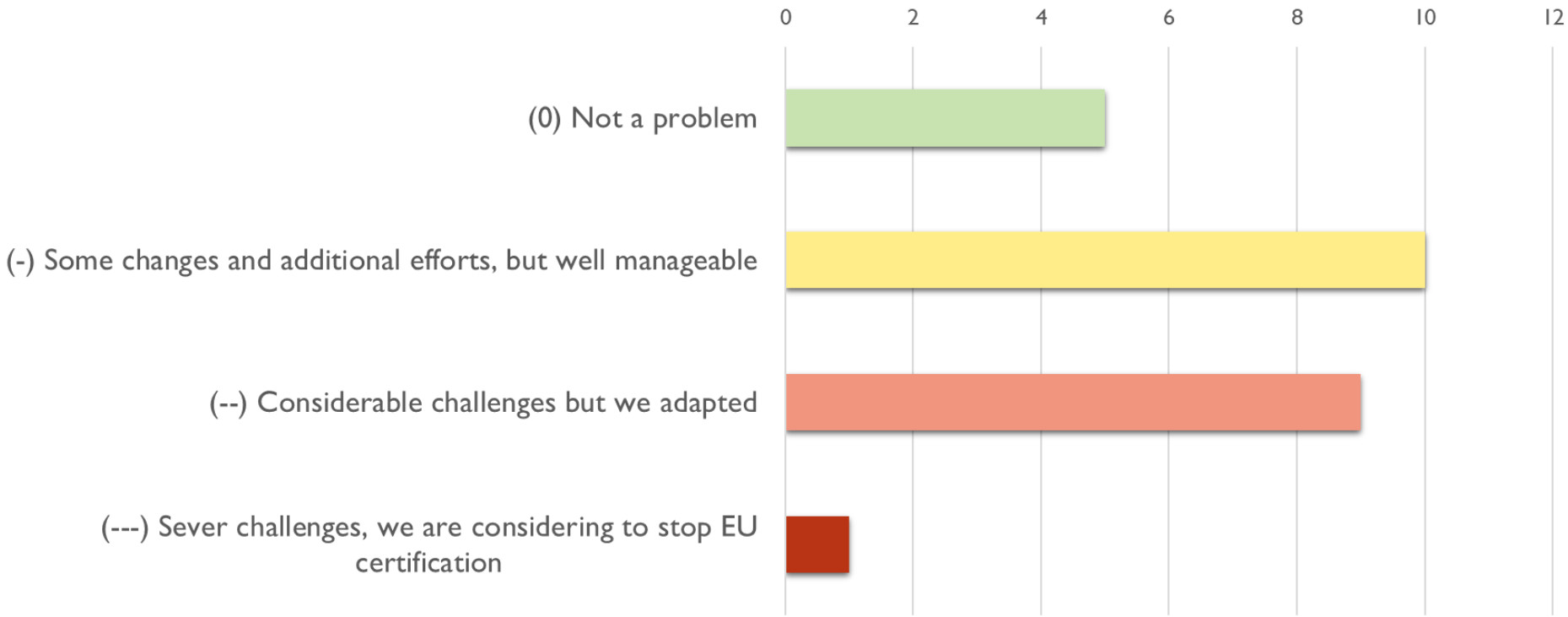
Are stricter measures in case of detection of any unauthorized substances a problem for your business last year?

- Majority of respondents report considerable problems or severe challenges

FiBL EU Trader Survey about Impacts of new EU Organic Reg

Expected impacts of new EU Org. Reg for importer/processors own business

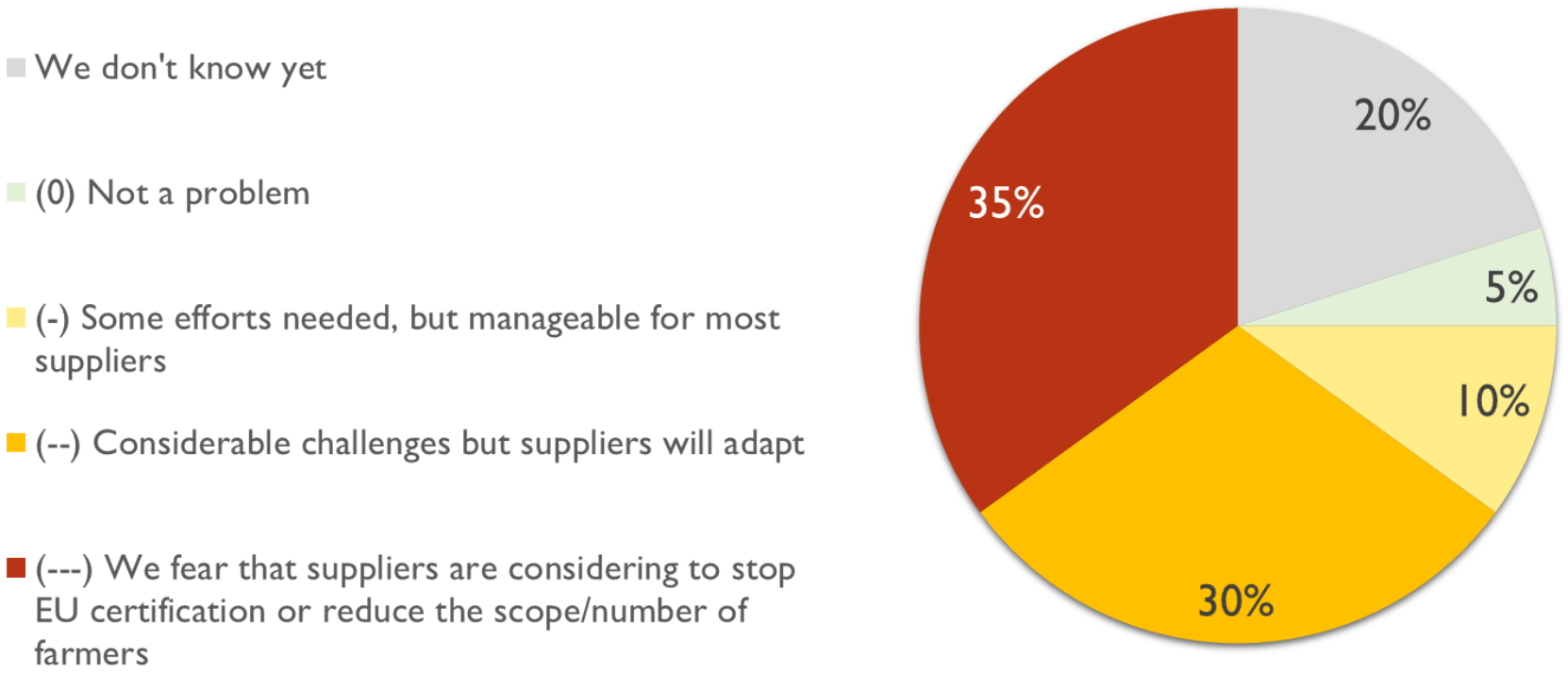
- Challenges yes, but will be mostly managed somehow



FiBL EU Trader Survey about Impacts of new EU Organic Reg

Expected overall implications on your organic smallholder supply chains

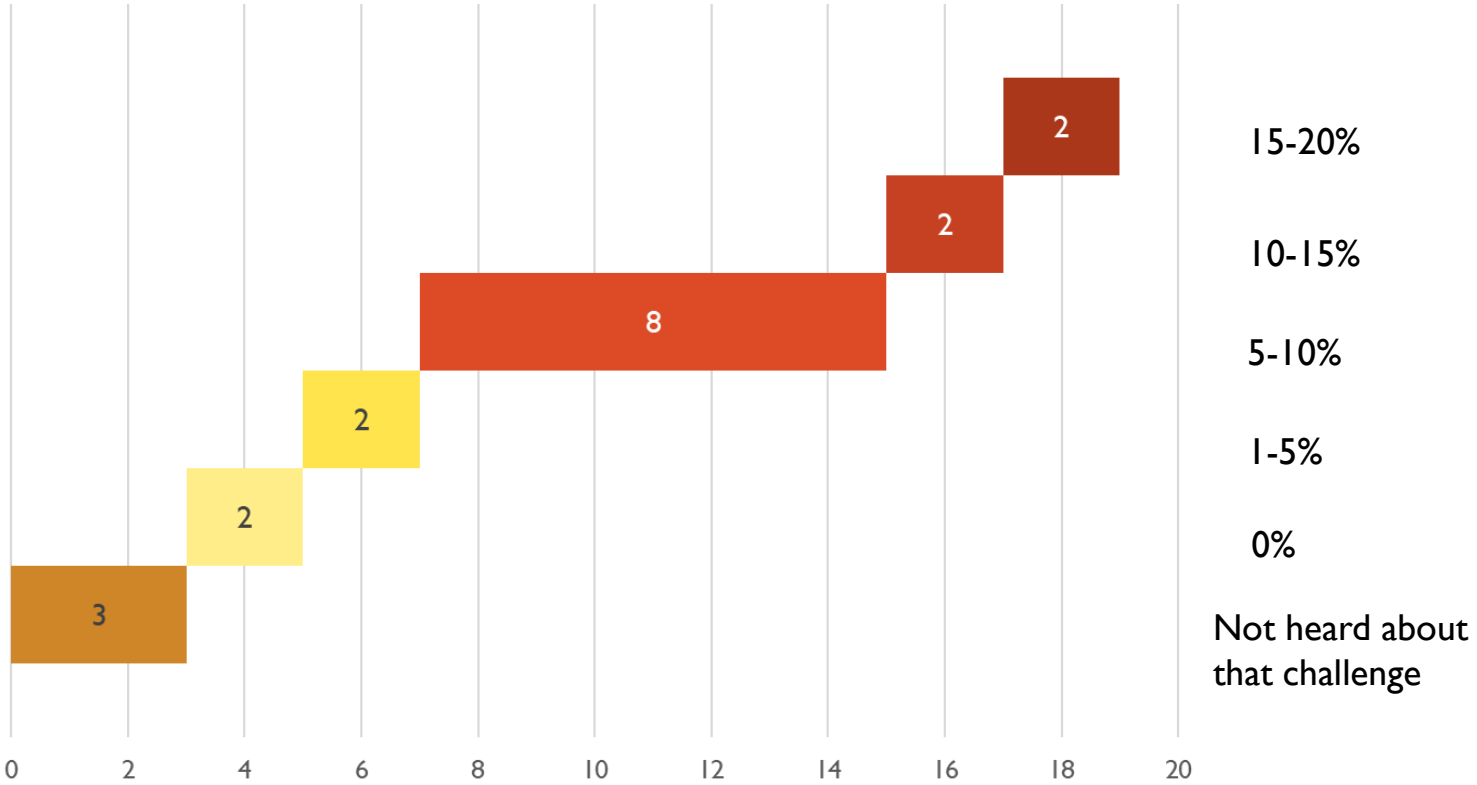
- More than 1/3 of respondents fear that their suppliers will stop or reduce EU certified organic production and only 15% consider no or minimal problems



FiBL EU Trader Survey about Impacts of new EU Organic Reg

Expected impacts of new EU Org. Reg for purchase prices

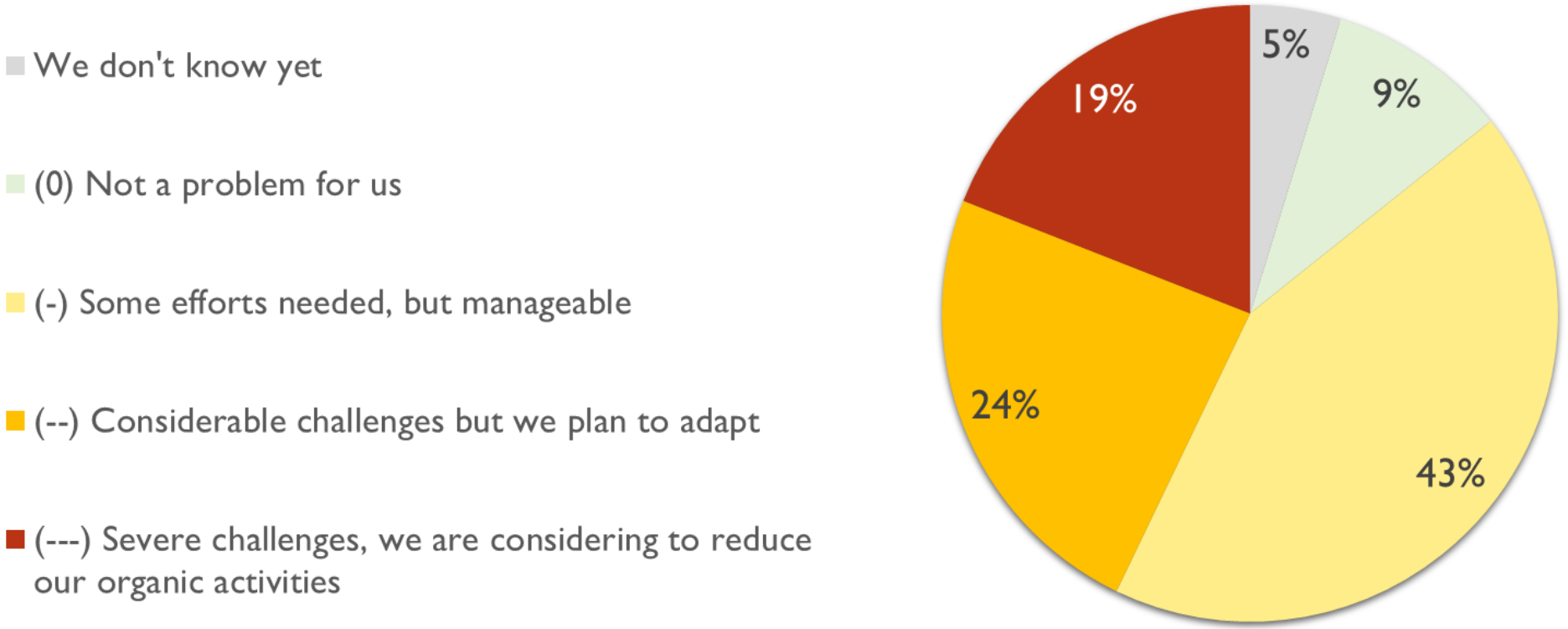
- Majority of respondents expect significant higher purchase prices



FiBL EU Trader Survey about Impacts of new EU Organic Reg

Expected overall implications on trader's organic business

- 19% of respondents consider to reduce their organic activities and only 9% consider no problems for the own trader business



FiBL EU Trader Survey about Impacts of new EU Organic Reg

Conclusion

Organic supply shrinkage likely in many commodities

- Needed changes too complex or costly for some supply chains
- From trader's perspective the main question is, who will pay the expected higher compliance costs
- Higher compliance costs either paid by the EU–market. If not the costs will probably be deducted from farmer's prices or production according to EU Organic Regulation will be reduced or stopped

Risks and challenges for smallholder groups

Risks and challenges

- Adjustments are usually not in the interest of the organic producers and may be rejected (e.g. in cooperative structures)
- The search for suitable legal solutions is complex
- Unknown economic effects
- Registration of new units often lengthy
- Many organisations lack the financial resources and expertise
- Increased complexity and commercial risk
- Reduced supply chain security

Summary

Stronger application of organic production and control **rules** in different third countries and between control bodies

Many small and medium-sized organic producers and some producer groups could lose or give up EU organic certification in 2025/26 due to a combination of necessary legal adjustments, price pressure, lower demand, higher costs and stricter new regulations.

- In particular, supply chains with low organic sales to the EU or organic as a secondary business or very small producer groups

Organisations and companies that are fully geared towards the EU organic market seem to be in the process of adapting.

Block 6 - Summary and call for action

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Adaption of groups to the 2018/848 needed for most groups

Around 70% of certified organic small producer groups on global level (in total 1300-1500) need to adapt their legal setup, group composition and/or certification setup in 2024 to continue supplying the EU organic market.

- For many farmer associations, the **required changes may be too challenging** (complex, with unforeseeable economic consequences). Many **lack the means to invest in the changes**.
- For companies working with smallholders, the complications and commercial risk for operating organic smallholder supply chains will increase

Overall opportunities and challenges of the new Organic Regulation

Expected to increase integrity of organic products in the EU and beyond by setting consistent harmonized rules and «levelling the playing field» and more risk mitigation

Many organic small & medium farm supply chains are likely to drop or lose EU organic certification in 2025/26, due to the combination of legal adaptations required, price pressure, lower demand, higher costs, and stricter new rules

- Esp. supply chains with low organic sales to EU / organic only side business
- Organisations and companies specialized in organic EU market will try to adapt; *but risk being too late or de-certified for non-compliances under compliance*
- *Adaption is complex; any extra month for implementation makes a difference*

Reduced smallholder farmers access to the EU market (though not intended).

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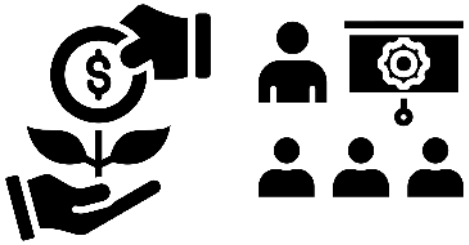
Recommendations to support adaptation

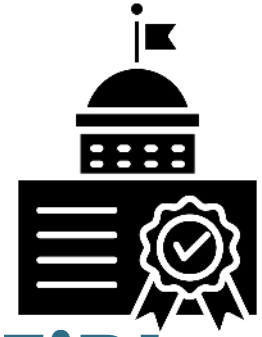
Recommendations to organic traders and the European organic sector

- Information to suppliers
- Consideration of the new challenges for producer groups in contracts and sharing risk
- Accommodating the higher compliance costs in the value chain



Additional support and training programs

- Urgent need for training and technical advisory programs in many countries, e.g. train the trainer programs and country/regional ICS courses,
- Regional and/or sector-specific organic practice guides for EU organic certification; Update of existing production guides and training resources.
- Target financial and legal support for smallholder producer groups for initial adaption



Policy makers

- Compilation of regulatory rules for organic production third countries and official training courses
- Adjustment of selected requirements in ongoing legislative process.
  (e.g. *temporary derogations or transitionary rules*)
- More detailed data on group certification shoud be gathered

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Report and further resources on the new Organic Regulation

For more information and full results see study report: at https://orgprints.org/54313

Further resources for producer groups and their trade partners

- **FiBL Training handbook on the new EU regulation for producer groups** https://www.fibl.org/en/shop-en/1270-eu-organic-regulation

  Module 1: Summary and new group of operator rules
  Module 2: New production rules
  Module 3: ICS requirements

- **AGRINFO: The new EU regulation explained**: https://agrinfo.eu/book-of-reports/new-eu-organic-regulation-explained/ (with introduction and links to secondary acts)

- **Naturland ICS Info Sheet** (updated to new EU Organic Regulation); published on https://www.naturland.de/en/producers/service-and-expertise/technical-information/ics.html

Thank you for your attention

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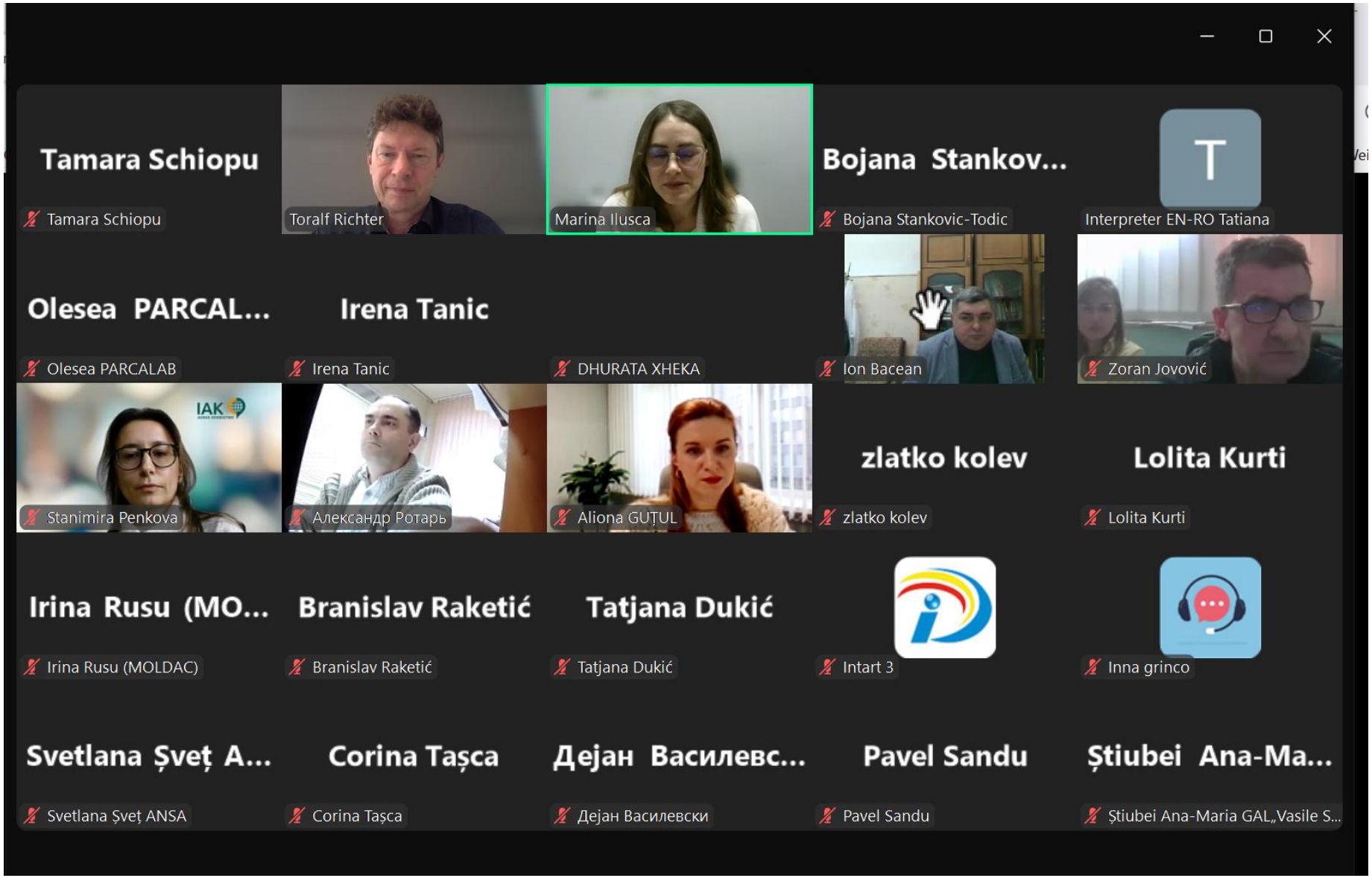
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