CERES Policy

**Group Certification and Internal Control Systems (ICS)**

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<th>Aims</th>
<th>This policy establishes the guidelines for smallholder group certification by CERES.</th>
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<td>Background</td>
<td>The cost of certification is a serious obstacle for many growers, especially smallholders, making access to organic markets for them difficult. Since nearly 20 years ago, group certification with internal control systems have been developed as an alternative. These systems have now obtained a certain level of official acknowledgement.</td>
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| 3 | Normative framework | • The EU Regulation (EC) 834/07 and JAS prescribe that each single operation, independent from its size, has to be inspected individually by an independent certification body. Nevertheless, on November 6, 2003, the EU commission published a "Guidance document for the evaluation of the equivalence of organic producer group certification schemes applied in developing countries" (AGRI/03-64290-00-00-EN). As the name says, this is a guidance document, not a legally binding regulation. Nevertheless, several competent authorities in EU countries use this guidance as a basis, e.g. for approval of import licenses for organic products. According to the CERES interpretation of the new Regulation (EC) 834/07, group certification can only be "equivalent", not "compliant" with the Regulation (see also CERES Policy Third Country Certification).  
• In Nov. 2008, the US National Organic Standard Board (NOSB) published a final recommendation for "Certifying Operations with Multiple Production Sites". As long as there is no final ruling by the NOP on this issue, this recommendation must be considered as the binding normative reference for grower group certification according to NOP.  
• CERES has been informed by the Japanese Ministry of Agriculture (MAFF) that group certification is allowed for organic grower groups according to JAS.  
• From 2001 to 2003, the International Federation of Organic Agricultural Movements (IFOAM) organised three workshops on group certification, with stakeholders from all over the world. The result was a "compilation" document (IFOAM ICS Compilation 03-03), which is a rich source of ideas, experiences, and proposals for producer groups and certifiers. |
| 4 | Terms | • **Internal Control System (ICS):** is a tool of quality assurance, where the external certifier delegates part of his work to the organisation. The proper work of the certifier is then to evaluate the ICS' performance.  
• **Group:** Groups can be organised on their own, but also by external entities, like e.g. processing or trading companies. They must have a formal structure, and, as a minimum, internal exchange of information.  
• **Re-inspection rate:** The sample, which is inspected by the external certifier, to evaluate the ICS' performance. |
| 5 | Policy | **5.1 For which groups ICS can be used?**  
Obviously, any producer group can and should have its tools for quality assurance, independently from requirements of, or acknowledged by external certifiers. In the context of group certification, however, CERES requires that a group must fulfill the following conditions, to use an ICS as a tool for group certification:  
• The group must have at least 15 members  
• Producers must be within geographic proximity and have similar production and recording schemes. |
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The group must be structured, although not necessarily legally established, and have at least two meetings per year, where issues of organic production and marketing are discussed, among others.

CERES does not consider group certification in organic production as something limited to smallholders. Similar as e.g. in GLOBALGAP, from our point of view, this tool can be used for farms of any size, as long as the other criteria are fulfilled. For groups interested in EU certification, however, we highly recommend to follow the definition of the EU guidance, according to which the group must be composed of producers, for whom the cost of individual certification would exceed 2% of the annual turnover, which they obtain with the certified crop. The NOSB recommendation does not propose such a limit.

The NOSB recommendation emphasizes that producer groups must operate according to a common "organic system plan" and use the same kind of inputs, sharing the same input supply!

We believe that group certification should be possible anywhere in the world, where these conditions are fulfilled. Nevertheless, groups should be aware that some EU authorities keep strictly to the EU guidance, and allow group certification only in countries defined as "developing countries" by the OECD (i.e. all countries listed in http://www.oecd.org/dataoecd/23/34/37954893.pdf).

ICS can be applied for crop or livestock production, including beekeeping.

Collective farms with a centralized decision structure, where the individual farmer has no power of decision on crop management, do not need formalised ICSs.

5.2 Internal regulation:

- The group must have written internal rules (also called ICS Manual), which can be very brief. Rules must include the basic requirements of the respective organic standard(s) for the specific crop(s) and local conditions, but can, of course, go far beyond this.
- These rules must include a catalogue of sanctions for different infringements of the rules. The group should work out sanctions, although the certifier must check, whether the infringements are adequately defined.
- Furthermore, the internal regulation should include:
  - A short description of the organization and its structure
  - A short description of responsibilities and duties
  - A short description of the steps, which the product undergoes from farm to final sale, including the measure taken at each step in order to assure traceability and avoiding infiltration of non-organic products, and the persons responsible at each level.
  - Templates of the forms to be used (farmer contract, farm registration form, internal inspection report, etc.)

5.3 Internal inspectors:

- The group must have a sufficient number of internal inspectors.
- Internal inspectors must be adequately trained. They must have appropriate knowledge of:
  - Their role as inspectors
  - The essential requirements of organic farming standards
  - Management techniques of the respective crop(s) or livestock
  - Inspection procedures
  - Sanctions established by the group
  - Report writing.
- Besides their knowledge, internal inspectors must have a high level of personal integrity and reliability.
- Conflicts of interest:
  - In case that internal inspectors are producers themselves, they should perform inspections in other villages or subgroups, not in their own.
  - In case they are farm advisors, they should, if possible, not perform inspections in the same villages or subgroups where they do consulting. As a minimum requirement, consulting and control activities must be clearly separated, concerning time, budgets, etc.
5.4 Farmer registration and contracting:

- When a group is newly established, or new members join the group, their farm must be properly registered. It is advisable, that a separate form is used for this purpose, not the internal inspection report, because this basic information remains the same (as long as no major changes occur on the farm), while the inspection report will be different every year. The whole farm must be registered, including all fields and relevant buildings, and a sketch of plots belonging to the farm. Also fields with non-certified or conventional crops must be registered, including their management history. It is especially important to register all fields with the crop requested for certification!

- The certifier has a contract with the group, not with the individual farmer. A contract must be signed between the organization and the individual member. This contract must cover, as a minimum, the basic applicable rules for organic production, and the farmer's agreement to give access to internal and external inspections.

5.5 Performance of internal inspections:

- As a minimum, internal inspections must take place once a year. When new groups start, or in high risk situations, CERES may request that more inspections per year take place. In high-risk situations, at least 20% of internal inspections must take place without previous announcement.

- Internal inspections are not just a matter of "filling in forms". Internal inspectors must basically perform the same control procedures as external inspectors, including double-checking of information provided by the operator.

- Depending on the size and complexity of the farms, inspectors should spend sufficient time on a farm unit for inspection. For normal smallholdings with a single crop to be certified, this will be between 1 and 2 hours. For bigger, more complex or high risk farms, a lot more time must be spent. This means that the group must have a sufficient number of internal inspectors. Big groups must be subdivided in appropriate subgroups.

- Internal inspections must cover the whole operation, including plots in other places, and at least a sample of crops, which are not requested for certification.

- During announced inspections, the farmer or another responsible person must be present.

- An inspection report must be written, containing all relevant information concerning the holding, and outlining non-conformities and corrective actions to be taken. We recommend the use of CERES forms, but own forms can be used, if they contain equivalent information. The report must bear a date and be signed by the producer and by the inspector.

- The internal inspector must carry the previous report during the inspection, in order to give follow-up to the implementation of corrective actions. The form must provide a specific space for recording such follow-up.

- If there are changes on the farm (new plots, new crops, change in ownership, etc.), the farm registration form and the farm sketch must be updated.

5.6 Internal approval body:

- The internal approval body can be a group of persons, e.g. the management board of the organisation. Nevertheless, in many situations it may be more functional that only one or two persons are assigned to perform this role.

- The functions of the internal approval bodies are:
  - To supervise permanently the internal inspectors.
  - To evaluate the internal inspection forms, keep the grower list updated, and, based on this, work out the organic management plan.
  - The organic management plan must contain a summary of the non-compliances detected during the internal inspections. In case of severe infringements found during the internal inspections, the certification body must be informed immediately.
  - To establish corrective actions and sanctions for the members, and give a follow up to their implementation.
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5.7 Producers’ list and map:

- A complete, updated and transparent list of producers is one of the most essential requirements for group certification.
- As a minimum, the list must include the following information for all farmers:
  - Complete name
  - Complete address
  - Whole farm area
  - Area of crop(s) to be certified
  - Potential yield
  - Really harvested quantities, at least for the last harvest
  - Dates of the first and the last internal and external inspections
  - Dates of the last use of chemical inputs
  - Certification status.
- Besides, it is recommended that the producers’ list is managed as a real database, including complete information on:
  - Harvested and delivered quantities throughout the years
  - Dates of all internal and external inspections performed
  - Non-conformities, corrective actions, and their fulfillment.

The group should establish privacy rules for access to this database. The information must be available for the certifier, but not necessarily for all group members.
- The internal approval body can suggest the inclusion of new members in the producers’ list, but the external certifier must approve the new members, before their products can be purchased as organic. The producers’ list approved by the certifier is an essential attachment to the group certificate. Only in the case of very experienced and reliable organisations, the certifier can concede the power of temporary approval of new members to the internal approval body.
- A regional map must be provided, highlighting locations of all farmers (or, in case of big organisations with several subgroups, at least location of these groups), wholesale points, storage rooms, and processing or packing units.

5.8 Parallel production:

- Parallel production in the stricter sense means that the same crop is planted within the same farm on organic and conventional plots. In producers groups with internal control systems, CERES does not allow this form of parallel production, because we consider the risk of commingling too high.
- Parallel production of fields with organic and transitional status within the same farm is possible, in case that a conversion plan exists, and complete separation during and after harvest is assured and supervised by the organisation.
- Transitional and organic producers can be part of the organisation, if harvest and post-harvest separation is assured.
- In case that the organisation includes both organic and conventional producers (the conventional producers not planning to convert to organic in the near future), the organic producers have to establish some kind of subgroup, which assures separate post-harvest handling, specific organic consulting, training, and internal control.

5.9 Conversion period:

- Conversion normally starts with the first documented internal inspection – except for the cases explained in CERES Policy on Organic Conversion Period.
- In the case of producer groups (besides sufficient proofs on non-use of chemicals, sufficient
knowledge about organic farming, and good soil management), a consolidated ICS is necessary, if a reduced conversion time is to be considered.

### 5.10 Post-harvest handling:

- In many cases, the really critical points in farmer groups are not so much related to crop management, but to post-harvest handling. Risks of commingling certified and non-certified products exist on the farms (farmers, who also trade with the respective products), during transport, storage, packing, processing, etc. Farmers are often not even aware of this problem, especially in cases, where no major differences exist between crop management on certified and non-certified farms.
- All post-harvest facilities have to be visited by the external inspector. Nevertheless, the organisation is responsible for assuring and supervising correct separation, documentation, and traceability at all these points. In the case of very advanced and reliable ICSs, CERES can reduce external control of post-harvest facilities to a sample, which has to be determined by the inspector in coordination with the certification officer.
- The organisation is responsible for training all members, explaining them, how important it is, to keep certified and non-certified products separate.
- Approved farmers lists must be available at all wholesale points, where farmers deliver their products, as well as in mobile purchase units. The organisation has to establish reliable mechanisms, which allow responsible staff at wholesale points to assess realistic quantities, which can be delivered by each producer.
- From the moment on, where the product leaves the farm, it has to be transported in some kind of closed container (e.g. bags or boxes) and labeled. Transports have to be accompanied by way-bills.
- Farmers, who trade with the same products, for which they request certification, must be dealt with as traders. They have to keep records on purchased, stored, processed, and sold quantities. Some kind of "invoice", signed by the producer/seller of the product, has to be filed. These "trading farmers" have to be subject to annual external inspections.
- "Trading farmers" are allowed to handle both certified and non-certified products only in case that they have achieved a high level of professionalism, concerning separation, record keeping, labeling, and traceability.

### 5.11 Re-inspection rate:

- As suggested by the EU guidance and by the IFOAM guidelines, we use the square root approach for establishing the re-inspection rate: as a minimum, the external certifier must inspect the square root of all members. Besides this, a "risk factor" is used to calculate the re-inspection rate:

\[
y = r \times \sqrt{x}
\]

(\(x = \text{total number of producers}\))

(\(y = \text{minimum number of producers to be inspected by certifier}\))

(\(r = \text{risk factor}\))

The minimum number of producers to be re-inspected is 10.

- Differing from the above-mentioned guidelines, our risk factors (\(r\)) vary not only from 1 to 1.4, but from 1 to 4. Risk assessment is based, among others, on the following criteria:
  - Uniformity of the group
  - Performance of the ICS: a good ICS means lower risk, a poor ICS high risk
  - Risk of commingling certified and non-certified products
  - Risk of use of non-allowed substances, especially chemical pesticides and fertilisers
  - Records: a good record system, from the level of the individual producer up to the export level, reduces risks
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<th><strong>Steps to certification:</strong></th>
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<td>Please see the CERES document &quot;Steps to organic certification for producer groups&quot;</td>
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<th><strong>CERES' role in preparation of ICS:</strong></th>
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<td>To avoid conflicts of interest, ISO Guide 65, which is the basis of our certification work, does not allow certifiers to get involved in performing consulting activities for the same clients, for whom we do certification. According to our understanding, however, this does not apply to the preparation of ICS and training of internal inspectors. Internal inspections must be conceived as part of the certifier’s control activity, delegated to the group or company. Thus, training internal inspectors is considered as equivalent to training our own inspectors. If we get directly involved in preparation of ICS and internal inspector training, we can expect that things are performed according to our policies and procedures. Nevertheless, the group responsible staff can obviously decide, whether these tasks are performed by own their staff, by CERES, or by external consultants.</td>
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<th><strong>Certification, corrective actions, and sanctions:</strong></th>
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<td>Group certification means that the organisation is treated as one entity. The group must be aware that this may lead to situations, where infringements by one or several producers are punished by sanctions or decertification affecting the whole group. This is especially the case, when products from different growers are mixed, making it impossible to separate the product proceeding from the growers, who do not comply with the standards. Conditions, which must be fulfilled, before the first group certificate is issued:</td>
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<td>• Internal inspectors have adequate knowledge</td>
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<td>• 100% of internal inspections have been performed, documented and evaluated.</td>
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<td>• The producers’ list with complete and reliable information (see 5.7) is presented</td>
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<td>• All producers have received at least some basic training in organic farming</td>
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<td>• Reliable information on last use of chemical inputs is available for all producers, and allows to assign a status (conventional, transition, organic) to each of them</td>
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<tr>
<td>• The organisation has established a system, which avoids post-harvest commingling with non-certified products.</td>
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In case that different group members have a different organic status, the group must also establish a system, which assures separate purchase and post-harvest handling of these products. If this is not possible, the whole group is assigned the lowest status (e.g. 1st year of transition, even though some members would already qualify for organic).
Besides the normal catalogue of remediation measures and sanctions, typical group measures are:
- Exclusion of members who do not comply with essential rules.
- Increase of the re-inspection rate.
- Obligation to improve training and/or supervision of producers and/or internal inspectors.

In case that CERES detects during the external inspection severe infringements, which had not been detected or adequately sanctioned by the ICS, there are the following options:

a) If it is obvious, that the problem is related to deficiencies in the ICS, then the whole group will be suspended from certification, until remediation of the problems is confirmed by a new external inspection.

b) If it is very obviously an individual, isolated case, while the ICS in general performs well, then only the individual group member has to be excluded or suspended.

c) If it is not clear, whether the problem is isolated or systemic, then the re-inspection rate and sample size can be increased. This normally involves additional costs. The certificate holder must be aware, however, that the result may be, that the ICS is deficient, leading to the same conclusion as described in (a).

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<td>Brief information on group certification</td>
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<td>Steps to organic certification for producer groups</td>
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<td>Organic management plan for producer groups</td>
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<td>Internal inspection report</td>
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