

# FiBL



## SECURBIO

### Integrity of third-country organic imports

Toralf Richter, Department Meeting on 25<sup>th</sup> July 2023

# Introduction

Organic production and exports in third countries with higher risks due to

- different socio-cultural conditions and attitudes of producers and traders ("we might not follow all, but manage the organic standards"),
- lack of knowledge among farmers and processors about good organic production and processing practices,
- Quite often partially converted organic holdings or groups,
- Frequent practice of retroactive recognition in conversion period,
- Complex and large structures are challenging for inspections or are "too big to fail" to impose a hard sanction by CBs.

# Project background information

- Objective: Improving integrity of third-country imports of organic products
- Duration: 01.03.2021 – 30.09.2023
- Project partner: FiBL and GfRS (German CB)

## Concept is developed

on how information and data from different sources can be linked to identify possible risk structures, products and countries

## Concept will be tested/validated

using selected products and countries

## Updating of different guidelines

for importers and German control bodies

## Special training courses

for organic inspectors, competent authorities and assessors of accreditation bodies on the ground



## Risk factors



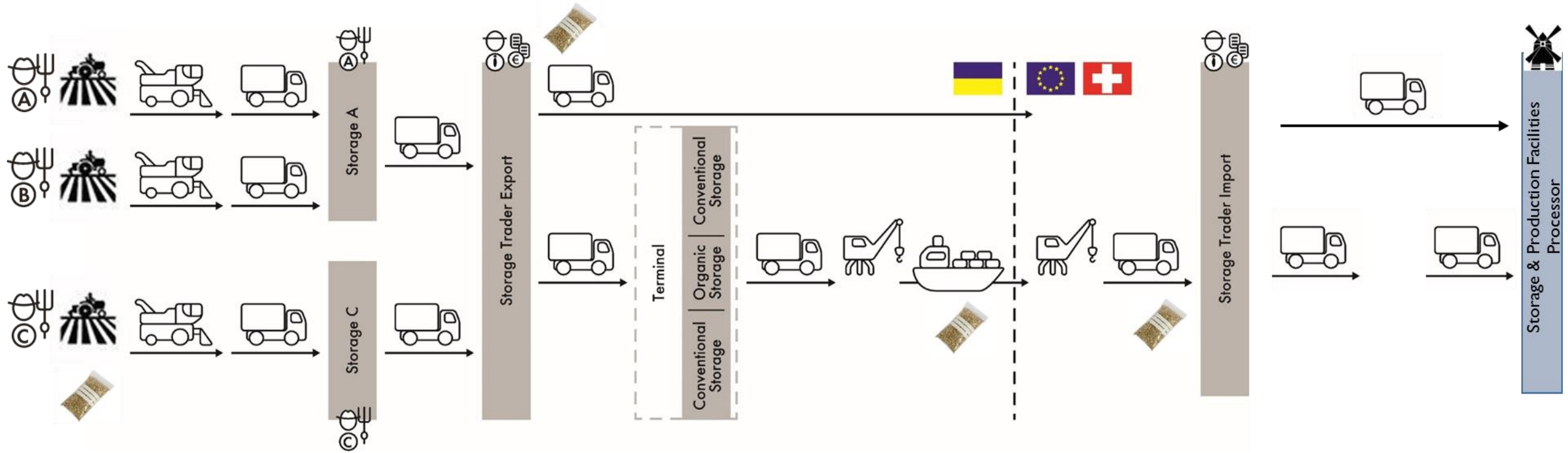
Contamination with unauthorised substances

Insufficient quality management

Comingling, substitution, counterfeiting

Fraud

# Example: Complex Supply Chains



## What else: big export lots = higher criminal energy = higher risks



Vessel shipment with organic certificate 1-2 million \$ added value than without certificate

# Risk factors which promote fraud

- When ownership of holdings are less transparent,
- When premium products or products with big price differences are traded (e.g. organic),
- When large volumes are traded,
- When quality differences are visually indistinguishable,
- When inspection services in countries are weak or even corrupt.



# Classification of Organic Fraud

## A) *Fraud by Substitution*

Replacing organic products by cheaper or better quality conventional goods.





# Classification of Organic Fraud

## B) Counterfeiting fraud

### Fake certificates



# Classification of Organic Fraud

## B) Counterfeiting fraud

### False Claims Fraud



- Country of origin
- Welfare friendly
- Organic
- Fair Trade



# But how is fraud possible in third countries when accredited control bodies operate there?

Let's assume that the CBs on the ground try doing their best. But...

- High competitive pressure between individual CBs
- Fear that a wrong decision to decertify a holding could have massive legal consequences for the CB
- Inspectors believe information given instead to cross-check
- The quality of individual inspectors could be insufficient (little experience, they do not make complete reports, lack of understanding of possible sources of fraud, corruption, conflicts of interest, time pressure)
- Not all accreditation bodies work on the same quality level

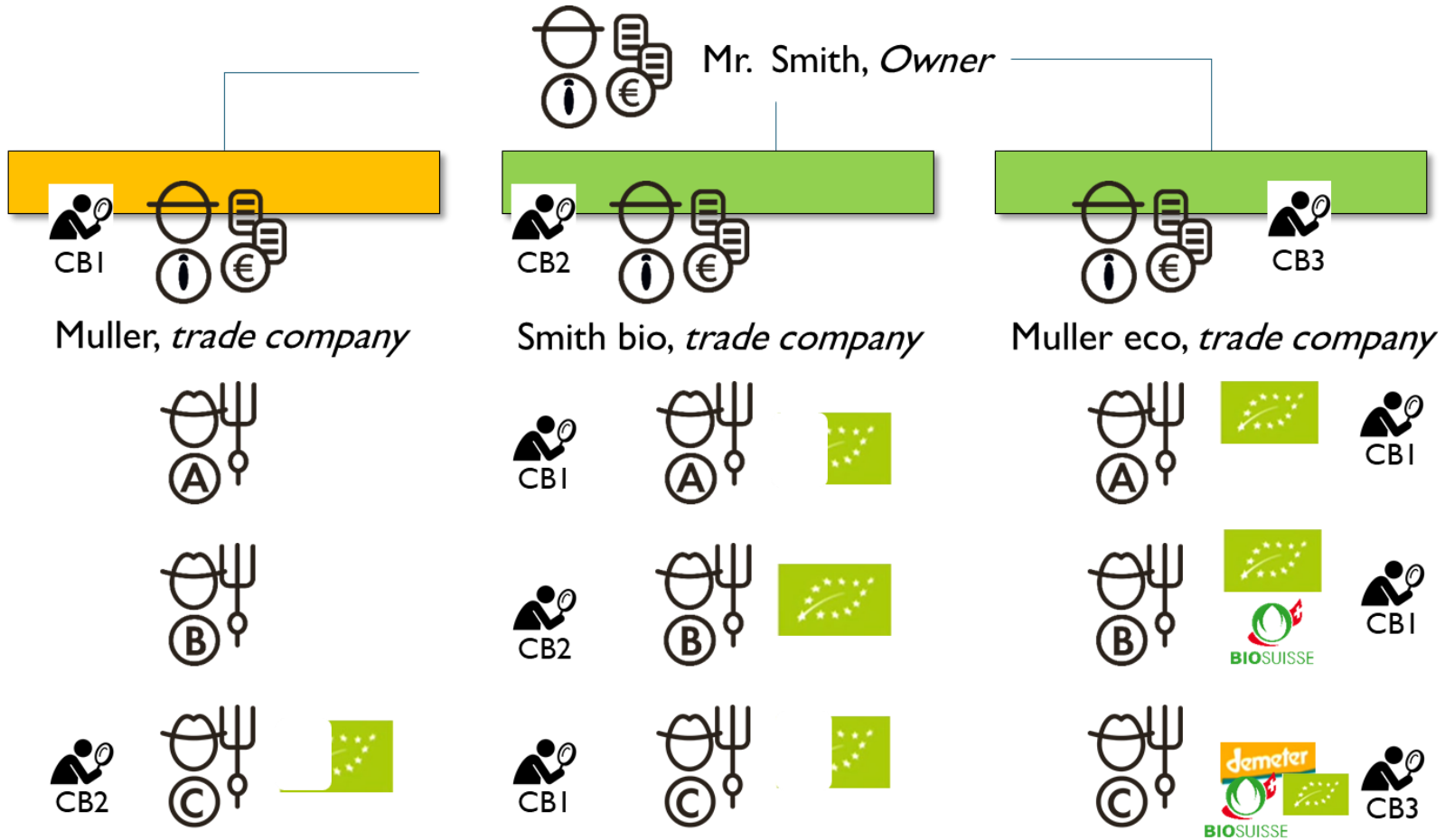
Source: German CB in interview with German magazin Spiegel, 2018

# 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.

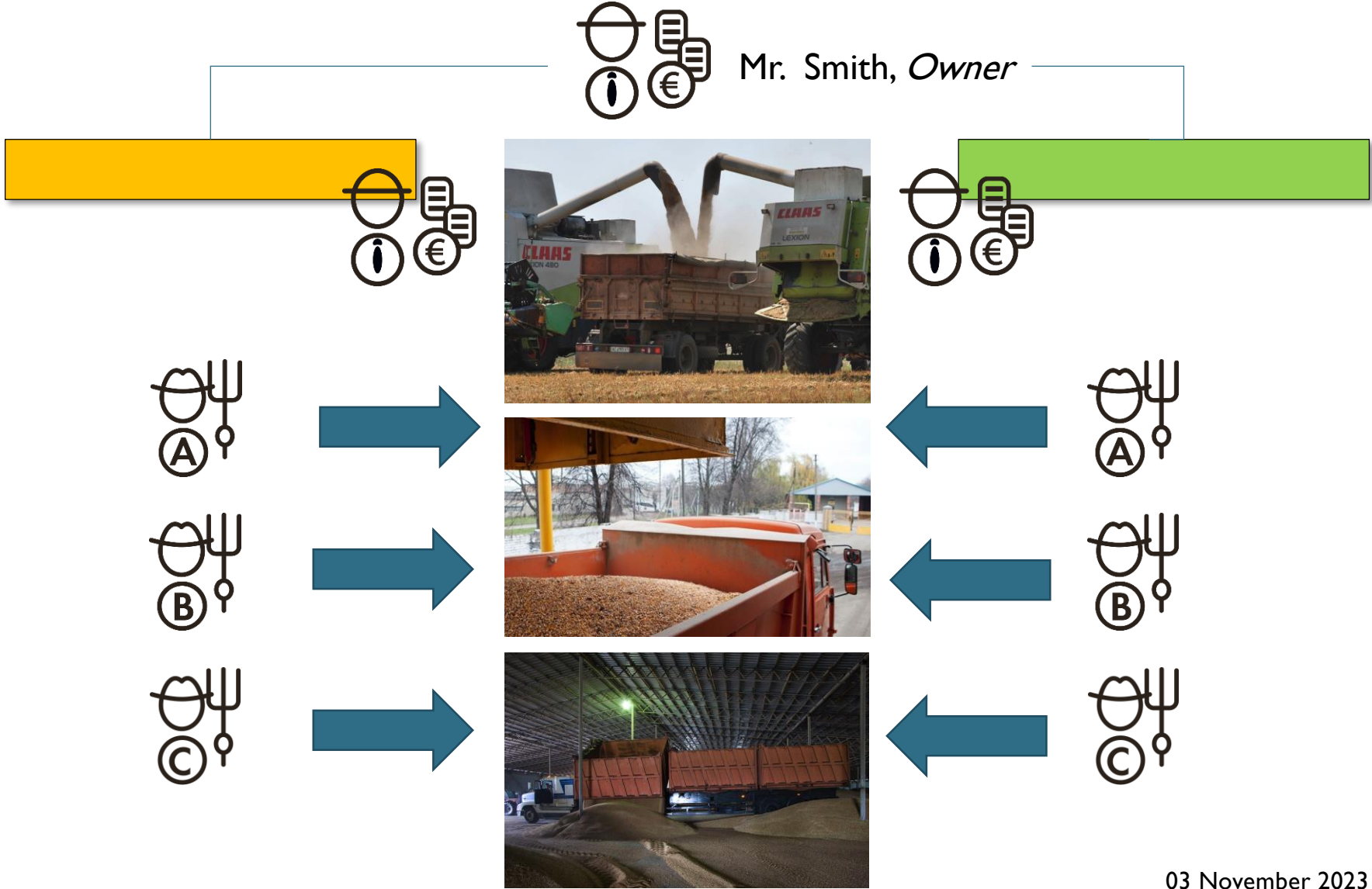
# Example complex Supply Chain

Example: 1 owner with different trade companies



# Example complex Supply Chain

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



# Key role of CBs in third countries

## What is expected to strengthen the integrity:

- More unannounced inspections of operators.
- More risk-oriented controls and samples.
- Take a closer look and ask critical questions instead of just believing.



# Data based approach to identify risky supply chains and countries

## Objective:

- Analysing data between 2018 – 2020 from different sources to identify conspicuous countries and product groups
- **Indicators:**
  - Number of OFIS cases (EU) and decertification/suspension cases (USA) per country
  - Big volumes exported of a certain product
  - Area under cultivation of a product in relation to export volume
  - Drastic annual change in export volumes and area under cultivation
  - Corruption index of countries



# Criteria for Country List

Indicator	Conspicuous if	Data source
Total quantity of exports to EU and USA	> 100,000 tons OR Increased >50%/y	TRACES, USDA
Imbalance between production and trade volume	$T \gg P$	WOA, TRACES, USDA
Imbalance between production volume and certified area	$P \gg A \times \emptyset Y$	WOA
OFIS cases occurring	>1	OFIS
Total number of USDA revoked or suspended cases/companies (Integrity Database)	>1	USDA
Corruption index	<40	Transparency International

- If a criterion is met, the country gets one point and these points are added up to a total score.
- Ranking list of conspicuous countries

# USDA – Integrity Database

## Advanced Operation Search

Search

Reset

Certifier ▲

Certifier

Search for a Certifier ▼

Operation Information ▲

Operation Name (Incl Other & Former)

Structured Name Search

NOP Operation ID

Certifier Client ID

### Search Summary

 [Search Tips](#)

**Country:** Ukraine







**Operation Status Effective Start Date:** 1/1/1900

**Operation Status:** Revoked, Suspended

**Scope:** Crops, Handling

*Note: Up to 1000 certificates can be downloaded. Up to 20000 rows can be exported to Excel.*

 [Download Certificates](#)  [Export to Excel](#)

Program	Operation	Certifier	I...	Status	City	State/Pr...	Country	Certified ...
USDA-NOP	<a href="#">"Unimar Logistics" LLC</a>	<a href="#">[EKOAGROS] Ekoagros</a>		Suspended	Odesa	Odesa	Ukraine	
USDA-NOP	<a href="#">Agricultural LLC "Tokmachany"</a>	<a href="#">[LETIS] LETIS S.A.</a>		Suspended	Chernihivka	Zaporiz'ka Oblast'	Ukraine	
USDA-NOP	<a href="#">Aljabban Mohamad Omar</a>	<a href="#">[BCS] Kiwa BCS Oko-Garantie GmbH</a>		Revoked			Ukraine	
USDA-NOP	<a href="#">AQUA JUICE LLC</a>	<a href="#">[CUC] Control Union Certifications</a>		Suspended	Lviv		Ukraine	
USDA-NOP	<a href="#">Bartnik LLC</a>	<a href="#">[CUC] Control Union Certifications</a>		Suspended	Delray Beach		Ukraine	
USDA-NOP	<a href="#">De Trade House</a>	<a href="#">[---] Transitioning to New Certifier</a>		Suspended	Kherson	Kherson	Ukraine	

# Results – Ranking Third Countries with conspicuous cases 2020

1. China
2. Turkey
3. Ukraine
4. Mexico
5. Argentina

# Results – Ranking Products / Countries with conspicuous cases 2020

Product	Country
Soybeans	Mexico, China, Togo, Kazakhstan
Corn	China, Mexico, Turkey, Ukraine
Sunflower	China, Moldova, Russia, Turkey
Wheat	Argentina, Kazakhstan, Moldova, Russia, Turkey, Ukraine
Lin	Argentina, China, Kazakhstan, Russia, Turkey, Ukraine
Bananas	Mexico, Ecuador, Ivory Coast, Dominican Republic

# Data sheet - examples

# Data check – Soy from Mexico

## Conspicuous organic soy data

- Potential production < Exports 2019      0.84 < 1
- Soy area increased 2019-2020            275%
- Soy exports increases 2019-2020        345%

## Conspicuous general data Mexico

- CPI score (Corruption Perception Index: 100 = no corruption):            31
- OFIS cases 2019 [No.]:                    14
- OFIS cases 2020 [No.]:                    19
- USDA revoked operations 2019:           101
- USDA revoked operations 2020:           51

## General Soy Data

- Organic soy area 2019 [ha]:                1144
- Organic soy area 2020: [ha]                3145
- Export to EU+USA 2019 [MT]:              2180
- Export to EU+USA 2020: [MT]               7519
- FAOSTAT calculated (conv.) yield in Mexico 2019 [MT/ha]: 1.6

# Data check - Soy from Togo

## Conspicuous organic soy data

- Potential Production < Exports 2019 81%
- Potential Production < Exports 2020 33%
- Exports: strong increase 2018-2019: >100%
- Exports: strong increase 2019-2020: >50%

## General Soy Data

- Organic soy area 2018 [ha]: 36'448
  - Organic soy area 2019: [ha] 30'949
  - Organic soy production 2018 [MT]: 59'649
  - Organic soy production 2019 [MT]: 77'286
  - FAOSTAT calculated (conv.) yield in Togo 2019 [MT/ha]: 0.4
- 

## General data Togo

- CPI score (Corruption Perception Index: 100 = no corruption): 29

# Data check – Bananas from Mexico

## Conspicuous organic banana data

- Potential Production < Exports 2018: 63%
- Potential Production < Exports 2019: 35%

## Conspicuous general data Mexico

- CPI score (Corruption Perception Index: 100 = no corruption): 31
- OFIS cases 2019 [No.]: 14
- OFIS cases 2020 [No.]: 19
- USDA revoked operations 2019: 101
- USDA revoked operations 2020: 51

## General Banana Data

- Organic banana area 2018 [ha]: 2'173
- Organic banana area 2019: [ha] 1'177
- Export to EU+USA 2018 [MT]: 104'059
- Export to EU+USA 2019 [MT]: 97'753
- Export to EU+USA 2020: [MT] 130'833
- FAOSTAT calculated (conv.) yield in Mexico 2019 [MT/ha]: 29.1





## Summary and conclusion

- In certain countries higher risks (fraud, poor quality management)
- Data analysis about conspicuous cases can give hints about risk countries and supply chains
- Authorities in Germany were highly interested in receiving the data sheets
- There is actually a need for a permanent update of such data analysis

# Thank you !