Organic Imports: Where things go wrong, and what can be done
NOSB Panel Organic Imports
Why is fraud in the organic industry so widespread in some countries?
1. Very long supply chains
Processor

Intermediary

Exporter

Trader in Third Country

Importer

Intermediary

Repacker

Retailer
2. Hot markets
Super Nutrition Made Simple

- 50 Organic Superfoods
- 5 Billion Probiotics
- 7g Fiber
What do customers buy after viewing this item?

**Best Selling**

truRoots
Organic Quinoa 100% Whole Grain
Premium Quality, 4 lbs
⭐⭐⭐⭐⭐ 654
$19.99  ✓prime

**Top Rated**

Kirkland Signature
Organic Gluten-Free Quinoa from Andean Farmers to your Table - 2.04kg,
4.5lb
⭐⭐⭐⭐⭐ 69
$17.75  ✓prime
3. Certifiers are businesses
Integrity

$
Consumers are distant
Lack of supervision
Social hierarchy
Competition
Corruption
Counterproductive remuneration models
Fear of losing accreditation
Fear of losing reputation
Personal Integrity
Consumers are distant

Lack of supervision

Competition

Social hierarchy

Corruption

Consumers are distant

Fear of losing reputation

Counterproductive remuneration models

Fear of losing accreditation

Personal Integrity

Remuneration models

Competitive markets

Social hierarchy

Corruption

Consumers are distant

Lack of supervision

Competition

Social hierarchy

Corruption

Consumers are distant

Fear of losing reputation

Counterproductive remuneration models

Fear of losing accreditation

Personal Integrity
Some things that are being done in the EU to deal with fraud:
### Compulsory Certificates of Inspection

**Certificate of Inspection for Import of Products from Organic Production into the European Union**

<table>
<thead>
<tr>
<th>1. Issuing control body or authority (name, address and code)</th>
<th>2. Council Regulation No 684/2007, Article 35(2) or Council Regulation No 854/2007, Article 35(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CERES Certification of Environmental Standards GmbH - DO-802-140</td>
<td></td>
</tr>
<tr>
<td>Wundernachcstr 1, 91238, Ruppersburg, Germany (DE)</td>
<td></td>
</tr>
<tr>
<td>3. Serial number of the certificate of inspection</td>
<td>4. Exporter (name and address)</td>
</tr>
<tr>
<td></td>
<td>Fernández Bajo Agricola</td>
</tr>
<tr>
<td></td>
<td>C/Remanso de la hacienda, 6, 61120 Guía, San Francisco de la hacienda, Dominican Republic (DO)</td>
</tr>
<tr>
<td>5. Producer or processor of the product (name and address)</td>
<td>6. Control body or control authority (name, address and code)</td>
</tr>
<tr>
<td>Fernández Bajo Agricola</td>
<td>CERES Certification of Environmental Standards GmbH - DO-802-140</td>
</tr>
<tr>
<td>C/Remanso de la hacienda, 6, 61120 Guía, San Francisco de la hacienda, Dominican Republic (DO)</td>
<td>Wundernachcstr 1, 91238, Ruppersburg, Germany (DE)</td>
</tr>
<tr>
<td>Dominican Republic (DO)</td>
<td>Dominican Republic (DO)</td>
</tr>
<tr>
<td>Redentor Hasbarg-Waldesdorf - DE504851</td>
<td>Germany (DE)</td>
</tr>
<tr>
<td>Frankfurter Str. 4, 20135, Hamburg, Freie und Hansestadt, Germany (DE)</td>
<td></td>
</tr>
<tr>
<td>11. Importer (name, address and BDI number)</td>
<td>12. First consignee in the Union (name and address)</td>
</tr>
<tr>
<td>Samanta Trade GmbH - DE36690-029504-CD</td>
<td></td>
</tr>
<tr>
<td>Hamburger Str. 14, 70599, Stuttgart, Germany (DE)</td>
<td></td>
</tr>
<tr>
<td>DIB: DE366900295042948</td>
<td></td>
</tr>
<tr>
<td>13. Description of products</td>
<td></td>
</tr>
<tr>
<td>14. CN code</td>
<td>Trade name</td>
</tr>
<tr>
<td>18010000</td>
<td>Organic (Cocoa Beans 100% Hipervida) Also NOSB certified in 100% Organic</td>
</tr>
<tr>
<td>Notification</td>
<td>Ver.</td>
</tr>
<tr>
<td>------------</td>
<td>-----</td>
</tr>
<tr>
<td>INTC-374/2017</td>
<td>1</td>
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<tr>
<td>INTC-378/2017</td>
<td>1</td>
</tr>
<tr>
<td>INTC-378/2017</td>
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<td>INTC-385/2017</td>
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<td>INTC-53/2018</td>
<td>1</td>
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<td>INTC-53/2018</td>
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</table>
Details of Reply on Notification n. INTC-399/2017

Reply Evaluation

Status: ACCEPTED

Reason: Many thanks for the investigations and conclusions. We propose to close this case.

Reply n. INTC-399/2017 to Notification

<table>
<thead>
<tr>
<th>Notification Number</th>
<th>View Notification</th>
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<tr>
<th>Version of reply</th>
<th>2</th>
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</table>

A) INVESTIGATION:

1) Which authority(-ies) and/or body(-ies) are/were in charge of the investigation?

Cerbsys (CB of Beanworks) Ceres (former CB of Dalian Domore), Kiwa (CB of Dalian Domore)

2) Describe cooperation between the different CERES was in exchange with Cerbsys and Kiwa BCS since 24.11.2017

Institute and bodies involved in the

NOSB Panel Organic Imports
Reg. EC 889/08, Art. 91(2):

Where a control body has a substantiated suspicion that an operator intends to place on the market a product not in compliance with the organic production rules, this control body can require that the operator may provisionally not market the product with this reference ... This decision shall be supplemented by the obligation to withdraw from this product any reference to the organic production method is the control body is sure that the product does not fulfil the requirements.
What is not being done, neither by the EU Commission, nor by the NOP:
Consumers are distant from effective supervision because of:

- Competition
- Social hierarchy
- Corruption
- Consumers are distant
- Counterproductive remuneration models

On the other hand, personal integrity and fear of losing accreditation and reputation support effective supervision.

- Fear of losing accreditation
- Fear of losing reputation

These factors indicate the importance of personal integrity and accountability in ensuring effective supervision in the context of organic imports.
Silke Fuchshofen
Independent Organic Processing Inspector
Disconnect between Departments?
If we focus on procedures,

1. We can determine high risk areas in ingredients, suppliers, operation, etc.

2. During review of records, a well-chosen sample will show us, if the procedures are adhered to and if they are effective.
3. The staff at the certified operation usually appreciates thorough vetting of their procedures because that helps them understand strengths and weaknesses -

4. and the operation can work on improvements and will be better able to fulfill their responsibility of maintaining organic integrity at their plant.

Certified Organic Operations can be our best allies when it comes to protecting organic integrity.
Records vs. Procedures

understand the operation’s procedures

and then

use records to verify that the procedures work
Six Suggestions:

1. That certified organic operations need to submit comprehensive written organic procedures and that reviewers and inspectors are trained to verify them in detail.
That organic processing and handler inspectors should be trained and authorized to take samples, if they encounter a high-risk situation. For example, if the audit trail cannot be linked back to a certified entity and the raw material is still in storage, we should be authorized, or even required, to take a sample.
3. That Certifiers are required by the NOP to report uncertified vendors that appear to be repackaging or relabeling. And that the NOP applies the same scrutiny to those as to certified entities.
4.

Research and development of a system that is geared to identify and target high risk operations. Right now we are focusing on the areas where fraud had been discovered. If we want to be proactive, where do we need to look for fraud and how do we best employ resources? The Pareto Principle, also called 80:20 rule, could provide a very useful tool and I hope we will be able to speak more about this.
5.

To address the issue of inspection qualifications, we need to talk about trainings, but also about the work environment. It is engrained in the organic industry that organic inspections should not cost much. Therefore, most organic inspectors will try to be fast. But one cannot rush and be thorough at the same time and the industry does not want quick inspections any more. This needs to be addressed by and with the certifiers.
6.

Higher quality inspections will come at a cost to the certifiers. To make it possible, a risk-based approach can be useful here too. Inspectors can be grouped into different skill levels and areas and they can be dispatched according to type of operation and risk level. High risk operations are matched with highly skilled inspectors.
Silke Fuchshofen
Independent Organic Processing Inspector
Risk Based Approach

• We talk about risk based approach, but what does that mean?
• Is there a system to organize your operation and your resources around?
• The regular work of annual inspections needs to continue, so how do the extra efforts, such as cross checks, unannounced audits and testing fit in?
• Right now we are reacting to cases of detected fraud, but how can we be pro-active?
Pareto Principle

Also called:

80/20 Rule

Law of the Vital Few

Principle of Factor Sparsity
• Sales (20% of clients account for 80% of the sales)
• Occupational health and safety (20% of hazards account for 80% of injuries,
• Errors in software (Microsoft fixed 20% of the most reported bugs and addressed 80% of the errors)
PARETO PRINCIPLE

- 80/20 is a rule of thumb.
- The actual distribution is a bit different.
- It does not have to add up to 100.

Distribution of GDP 1989

- 82%
- 11.75
- 2.3
- 1.85
- 1.40
We can find 80% of the fraud in 20% of the operations.

What do we need?

• Industry Cooperation to
• Define general high risk criteria.
• Define red flags at individual operations
We can find 80% of the fraud in 20% of the operations.

- And a tool set of investigative methods:
  - Sampling & testing
  - Cross checks
  - Trained inspectors and reviewers
  - Documents
  - Complete Audit Trails
  - Unannounced inspections

Thank you.
Our Deep Roots

CCOF is a nonprofit organization governed by the people who grow and make our food. Founded in California more than 40 years ago, today our roots span the breadth of North America and our presence is internationally recognized.
Three Primary Issues for Certifiers

1. The majority of certifiers do not report acreage to NOP.

2. Certifiers are not fully collaborating with each other.

3. Certifiers are not always tracking and reporting exports.
Solution 1

All certifiers should report crop acreage to Integrity Database
Certifiers Report Acreage to NOP Integrity Database

Acreage Reporting by ACAs for Crop/Wild Crop Operations

**Certified Operations**

<table>
<thead>
<tr>
<th>Region</th>
<th># with NO acreage reported</th>
<th># with acreage reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>GLOBAL OVERALL</td>
<td>5,651</td>
<td>21,086</td>
</tr>
<tr>
<td>USA 28%</td>
<td>5,019</td>
<td>12,627</td>
</tr>
<tr>
<td>Rest of World Combined</td>
<td>632</td>
<td>8,458</td>
</tr>
</tbody>
</table>

Regions and Percentage of Operations that Have Acreage Reported

Source: NOP Integrity Database 04/23/2018
Solution 2

NOP should direct certifiers to collaborate on investigations
Solution 3

Certifiers should track and report export activity to NOP.
Organic is in a Strong Position for Oversight

• Fraud is rare, but any incidence must be taken seriously and addressed quickly.

• We can work together to create effective tools and solutions to prevent future fraudulent imports.
Three Critical Solutions

Acreage Reporting

Collaborative Investigations

Trade Tracking
Example of Solutions in Action

Alleged Fraudulent Activity:
- Large shipment of grain imported from Turkey.

NOP Action:
- NOP verifies organic acreage from region where grain grown
- Certifiers immediately share information.
- NOP looks at overall export activity in region
Thank You!

Jake Lewin, President,
CCOF Certification Services, LLC
jake@ccof.org
Arrival in Port of Stockton, CA
March 6, 2018
Origin-Turkey  Corn and Soybeans
The Ince Atlantic is expected to arrive at the Port of Olympia's Marine Terminal on September 13, 2016. After unloading cargo, it is expected to depart around September 19, 2016.

**Steamship Line:** Tiryaki  
**Vessel Flag:** Istanbul  
**Cargo:** Organic Grain  
**Volume:** 15,000 metric tons
“The labels said ‘organic’. But these massive imports of corn and soybeans weren’t,”
Arrival in Port of Stockton, CA
March 6, 2018. Corn and soybeans; Origin-Argentina
WHAT IS OFARM ASKING FOR?

1. NOP TO REQUIRE ANY ENTITY THAT IMPORTS GRAIN TO BE CERTIFIED

2. PUTTING A SYSTEM IN PLACE FOR INSPECTION AT U.S. PORTS

3. PROTOCOLS FOR RESIDUE TESTING
4. Putting in place a warning system of special protocols of imports from “High Risk” countries similar to the EU

5. Strengthen Accreditation of Certifiers

6. Improved transparency on the part of NOP

7. Examination of ships Captains Logs
8. USDA submits to an outside audit as called for in OFPA (Not skirting the issue by using peer review.)

9. NOP to submit a full report on compliance with the OIG recommendations.
Cost to U. S. Organic Producers

Over $400 Million

Who should be held responsible?
MISSION STATEMENT

To Coordinate Efforts of Producer Marketing Groups to Benefit and Sustain CERTIFIED ORGANIC PRODUCERS.
OFARM pricing goals:

- The full recovery of all input costs for grain and livestock
- A return to labor and management that provides adequate family income
- Return to investment
- Income enhancement to provide for the community support for schools and churches
- Organic premium for production of healthy wholesome food that is environmentally responsible
OFARM provides services to:

- Promote the exchange of pricing, contracts and marketing information
- Facilitate negotiations and terms of the contracts
- Educate policy makers such as legislators
- Assist organic farmers with adoption of new crops and agronomic practices
“Organic Federation Seen As A Strategy For Family Farm Survival, Regional Competitiveness”  USDA- Dr. Thomas Gray January 2012
Dr. Gray cites a study by Clarkson University authors Richard Welsh and Amy Guptil, which concluded this:

“OFARM is the largest single organized block of producers growing organic field crops in North America.”
CHEAP GRAIN =

CHEAP MILK

MEAT

EGGS
ORGANIC IS PROJECTED TO GROW OVER THE NEXT 3 YEARS AT 14% ANNUALLY

CONVENTIONAL FOOD SALES AT 2.5% PER YEAR
Concerns and Issues

Food Imported from Low-GDP Nations Poses Higher Safety Risks Study Finds

Source: PR Newswire

Jan. 26, 2015
IMPORTS SINK U.S. ORGANIC GRAIN PRICES

Large increases in organic corn and soybean shipments, especially from Turkey, have dropped prices dramatically for U.S. producers.

**ORGANIC CORN IMPORTS**

- 2013: 800,000 tons
- 2014: 605,426 tons
- 2015: 400,000 tons
- 2016: 200,000 tons

Imports by country in 2016:
- Turkey: 72.6%
- Argentina: 10.2%
- Other: 3.3%

Feed-grade organic corn, Midwest price per bushel (Weighted monthly avg.):
- Aug. 2014: $13.72
- Jan. 2017: $7.54

**ORGANIC SOYBEAN IMPORTS**

- 2011: 415,073 tons
- 2012: 400,000 tons
- 2013: 200,000 tons
- 2014: 100,000 tons
- 2015: 0 tons
- 2016: 0 tons

Imports by country in 2016:
- Turkey: 43.9%
- India: 21.8%
- Argentina: 12.9%
- Ukraine: 8.3%
- Canada: 4.7%
- China: 3.8%
- Other: 8.4%

Feed-grade organic soybeans, Midwest price per bushel (Weighted monthly avg.):
- July 2014: $26.68
- Jan. 2017: $18.34

Source: Agricultural Marketing Service, U.S. Dept. of Agriculture

MARK BOSWELL • Star Tribune
SO WHAT ARE BUYERS SAYING ABOUT YOUR PRICES?

“WITH IMPORTS NOW FILLING IN THE GAPS, IT LOOKS AS THOUGH THERE WILL BE ENOUGH SUPPLY TO FILL THE GROWING ORGANIC DEMAND. WITH SUCH GROWTH, THE FUTURE FOR THE ORGANIC MARKET LOOKS STRONG AND PRODUCERS SHOULD CONTINUE TO SEE GREAT PRICE PREMIUMS COMPARED TO CONVENTIONAL MARKETS.”
Historic Organic Grain Prices
2011-2017

- Corn
- Soybeans
“As organic production and consumption in Turkey, so too do the concerns about fraudulent organic products and lack of inspections.”

The report went on to state:
“Although inspections and transparency in the Turkish organic food sector are improving, the integrity of organic farming, production, shipping and marketing are not always guaranteed.”
ETKO DECERTIFIED MARCH, 2016 BY THE EU JUNE 7, 2016 BY CANADA
NOP AND ETKO REACHED A SETTLEMENT IN APRIL 2016
OFARM FILED A FREEDOM OF INFORMATION REQUEST WITH USDA ON JANUARY 18, 2017 ASKING FOR ALL TRANSCRIPTS AND DOCUMENTS RELATED TO THE ETKO CASE.

ETKO beats USDA to a draw and settles
80% of Ukraine soy grown illegally from GM seed  Source: Agrimoney May 24, 2016

Malta is at the center of a $220 M organics fraud case in Italy  Source: The Independent April 12, 2016

Romania-Grown men working 12 hours per day for a loaf of bread  Source: Arc 2020 July 2, 2014
Profits in Organic Fraud

USA $ 4 MILLION $

+ $3-$4 Million at origin

More Profits than drugs
What procedures does NOP have to assess the EU’s process for accreditation and certification are adequate to ensure the integrity of bulk shipments of commodities that are pooled from many farms?

Does the NOP have an adequate system to track bulk commodity shipments produced in other countries outside the EU that are certified by EU-based certifiers or shipped through EU countries?

What other data collection should NOP set up to have a better understanding of the source of imports, back to the certifier and farm level?
USDA’s Office of Inspector General Found

“AMS was unable to provide reasonable assurance that NOP required documents were reviewed at U.S. ports of entry to verify that imported agricultural products labeled as organic were from certified foreign organic farms…”
India
No. 1 exporter of soybeans to U.S

Organic agreement with India

Put inside a nuclear treaty option in 2008 that is secret

No opportunity for audit
“USDA’s Pineapple Center Ring Organic Circus Fraud Continues”
The Milkweed, January, 2018

IF USDA Can’t Keep Your Pineapple Straight, What about a shipload of organic grain?
Cost to produce a bushel of organic corn based on our farmers numbers:

$9.50-$10.50 per bushel

Current losses

$300.00 per acre
Cost to U.S. Organic Producers

Over $400 Million in losses
EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT

Directorate B. Multilateral relations, quality policy
B.4. Organics

Version 3 December 2015

GUIDELINES
on additional official controls on organic products imported from Ukraine, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Uzbekistan and Russian Federation

Applicable from 01/01/2016 until 31/12/2016

This document has been conceived as a working document of the Commission Services. It has been elaborated in co-operation with the Member States. It does not intend to produce legally binding effects and by its nature it does not prejudice any measure taken by the Commission or by a Member State within the implementation prerogatives under Article 32 and 23 of Council Regulation (EC) No 854/2007 and of Commission Regulation (EC) No 1235/2008, nor any case law developed with regard to this provision.

Commission européenne/Европейская Комиссия, 1049 Brussels/Bрюксель, BELGIQUE/BЕГИЛЯ - Tel. +32 22891111
A verified audit trail back to the field on all organic imports!
WHAT IS NOP DOING?
1. HIDING BEHIND “EQUIVALENCY” AGREEMENTS OR SIMPLY TAKING WORD THAT COUNTRIES MEET NOP STANDARDS. TURKEY? UKRAINE?
2. CAN ONLY RESPOND TO COMPLAINTS-ENFORCEMENT RESPONSE OF FARM FILED A FORMAL COMPLAINTS ON SEPTEMBER 7, 2016 AND NOV. 15, 2016
Who washed the cargo hold, elevators, conveyors?
Importers required to be certified to Canada and/or the EU

Organic inspection at the ports

Warning system of higher risk countries

Testing protocols for banned substances

Just now talking about it. Setting up an NOSB Subcommittee.
To the Rescue

Organic Trade Association

NOP

Certifiers
LEGISLATION
AND
RULE MAKING
WHAT ROLE MIGHT STATES’ ATTORNEY’S GENERAL PLAY IN ORGANIC FRAUD INVESTIGATION AND PROSECUTION?
Currently the market is signaling to farmers with low prices no more production is needed!

**Additional acres needed to replace imports to bring stability:**

- Corn - 200,000 acres
- Soybeans - 400,000 acres
If you are a buyer of organic grain for your farm, you should be asking for verification of whether the grain is produced in the U.S. or imported.
THE IMPORT ISSUE IS NOT GOING AWAY ANYTIME SOON.

U.S. PRODUCERS NEED TO WORK TOGETHER TO BE ABLE TO PUT TOGETHER UNITS OF U.S. PRODUCED GRAIN IN SUFFICIENT QUANTITIES TO BEGIN REPLACING IMPORTS.
The future depends on maintaining “ORGANIC INTEGRITY”

Producing to the highest standards in the world and maintaining those standards!
Filing a Formal Complaint with NOP

- **Email:** NOPCompliance@ams.usda.gov
  - **Phone:** 202-720-3252
  - **Fax:** 202-205-7808

- **Mail:** NOP Compliance and Enforcement Branch
  Agricultural Marketing Service
  United States Department of Agriculture
  1400 Independence Avenue, S.W.
  Mail Stop 0268, Room 2648-S
Currently a lot of producers in the face of collapsing conventional commodity prices are considering transition to organic.

How do we orderly transition them so they don’t put themselves and everyone who is already at risk of collapsing organic prices?
The Milkweed
Organic Producers can take the route of being “rugged individualists” doing their own thing.

We only need to look at our conventional neighbors to see how well that has worked.
OR???

We can work together to solve these problems.
Organic
The Real Natural

A MESSAGE FROM FARM
OFARM.ORG 785-337-2442
Web: www.ofam.coop
www.ofam.org

Facebook: Organic Farmers’ Agency for Relationship Marketing

Videos: www.organictherealnatural.com
In many cases OFARM writes the terms of contracts to the buyers for its farm members.

A further study done by Iowa State University shows that prices received by OFARM member farmers can be 22-24% higher than those farmers who market alone.
Organic Producers

- How to get consumers to consienciously buy more U.S. organic food
- 75% of global respondents cite country of origin as the most important criteria to buy
“Farmers who do have a marketer seem to access the markets more fluidly. Those who don’t “seem to be less aware of the marketing opportunities out there.” Also, “they may not know what the markets are for their rotation crops. And I think that is where a marketer might really come in handy.”

Nate Lewis, Organic Trade Association

Source: Agripulse.com  February, 2016
Improving Your Organic Profits

ofarm.org
Organic Farmers’ Agency for Relationship Marketing
Country of Origin Labeling-

OFARM was one of 200 signers of a letter to Congress supporting COOL.

GMO contamination - partnered with Food and Water Watch to survey members on the costs.

> USDA’s solution - organic farmers should buy crop insurance to protect themselves.

Organic Seed Alliance survey - asking organic farmers about the problems they face with obtaining organic seed.
Dry Baltic Index

Say What???????
Where all the ships are located!
<table>
<thead>
<tr>
<th>Country of Origin</th>
<th>$6.50 delivered to port</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipping</td>
<td>$8.00 delivered to a US port</td>
</tr>
<tr>
<td>Deliver to PA and NY</td>
<td>$10.50</td>
</tr>
<tr>
<td>Potential Margins</td>
<td>$2.00-$2.50/ bushel</td>
</tr>
</tbody>
</table>
“Eight ways to get consumers to buy organic.”

We asked consumers what they wanted to know and then found farmers to tell their story.

You have to tell your story in 60-90 seconds.
6 Shocking Reasons Why You Can Never Trust “Organic” from China

1. Organic Products from China Can Contain an Unlimited Amount of Heavy Metals
2. China Has Almost No Environmental Regulations
3. Agencies and Government Departments in China are Not Operating Properly
## Dollar Value of US Imports by Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Com</th>
<th>Soybeans</th>
<th>Wheat</th>
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<tbody>
<tr>
<td></td>
<td>($1,000)</td>
<td>($1,000)</td>
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<tr>
<td>2011</td>
<td>41,790</td>
<td>695</td>
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<tr>
<td>2012</td>
<td>90,177</td>
<td>9,528</td>
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<tr>
<td>2013</td>
<td>36,620</td>
<td>110,237</td>
<td>16,037</td>
</tr>
<tr>
<td>2014</td>
<td>35,700</td>
<td>184,341</td>
<td>16,663</td>
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<tr>
<td>2015*</td>
<td>106,313</td>
<td>224,293</td>
<td>14,279</td>
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</tbody>
</table>
4. Supplements and Herbs from China Are Often Contaminated with Lead

5. Corruption: China Has Forged Organic Certification Label and Other Documents

6. Organic Products in China are Often Certified by Third Party Agencies

*NOTE: Organic products sent to the U.S. are supposed to be certified by a USDA Certifier, there are not enough certifiers to meet the need.

Source: Althealthworks.com January 8, 2016
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</tr>
</thead>
<tbody>
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<tr>
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</tbody>
</table>
Challenges:

- Joint venture of ConAgra and Ardent Mills
- 35% of the flour milling market for all wheat including organic
Ardent Mills to Help Farmers Double Organic Wheat Acres by 2019

Source: prnnewswire.com  Dec. 15, 2015
2016 Imported Organic Durum Wheat by Volume

- Argentina: 58%
- Canada: 40%
- Lebanon: 2%

Legend: Canada - Orange, Argentina - Brown, Lebanon - Blue
2016 Imported Organic Volume by Country

- Turkey: 73%
- Romania: 11%
- Argentina: 8%
- Netherlands: 5%
- Canada: 3%
- UAE: 0%
- Panama: 0%
- Mexico: 0%
6-year Rolling Average Organic Premium

Organic Wheat Premium over Conventional Wheat

enquiries@organicarable♦ @organicarable♦ 08456 521 706♦ 07980 955490
ANTI-FRAUD WORKSHOPS CONDUCTED BY IOAS, MONTANA

SEPTEMBER AND DECEMBER, 2015
UKRAINE AND TURKEY
When something isn’t working, try more of the same?

Organic producers are looking at alternative crops.

Corn and soybean acreage could decline.
WHERE IN THE WORLD IS ORGANIC Headed?
Mike Dill
Organically Grown Company- Food Safety & Compliance Manager
Organic Produce Wholesaler Coalition- Coordinator
mdill@organicgrown.com
Typical produce packaging. Unsealed and not tamper-evident.
Bulk produce with Brand and Distributor clearly identified
Incoming Product Inspection
- A function of every produce handler
Quality Control
- A function of every produce handler
Produce storage in a typical produce warehouse or distribution center
Receiving Produce

Shipping Produce
### Organic Purple Sprouting Broccoli

**18 Bunches**

*Grown By: Nuevo Amanecer, Eugene, OR, 97404*

*Produced of the USA*

**Lot/Date:** 109804

**Distributed By:** Organically Grown Company

**Certified Organic by:** Oregon Tilth

**www.organicgrown.com**

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### System Plan Summary

**Organically Grown Company**

- **1800 B Prairie Road, Eugene, OR 97402**
- **Portland Facility:** 20075 NE Sandy Blvd., Portland, OR 97230

- **Certificate Issue Date:** 02/28/2017
- **Certified by OTCO since:** 4/16/1996

### Location(s) and Facilities Inspected:

<table>
<thead>
<tr>
<th>Location/Facility Name</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organically Grown Company</td>
<td>1800 B Prairie Road, Eugene, OR 97402</td>
</tr>
<tr>
<td>Portland Facility</td>
<td>20075 NE Sandy Blvd., Portland, OR 97230</td>
</tr>
</tbody>
</table>

### Certified Product (100% Organic)

#### Fruits:
- **Blueberry**
- **Cranberry**

#### Vegetables:
- **Broccoli**
- **Purple Sprouting Broccoli**

### 100% Certified Organic Land, fields and crops:

<table>
<thead>
<tr>
<th>Parcels</th>
<th>Crops</th>
<th>Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nuevo Amanecer</td>
<td>Broccoli (Purple), Broccoli, Cabbage, Cabbage (Brd), Cabbage (Rel), Cabbage (Green), Cabbage (Red), Cauliflower, Carrot, Kale, Lettuce, Pepper, Shallots, Szechuan, Winter Squash</td>
<td>NOP-Crop</td>
</tr>
</tbody>
</table>

**Named as a Partner:** Organically Grown Company
Generic boxes used for non-organic and organic growers in Oregon and the Northwest.

Commonly used by split operations and Brokers.
This is how imported organic produce is shipped and handled.
Organic Integrity Assurance

Presented to the NOSB by Erin L. Heitkamp
April 25, 2018
Who We Are

Pipeline Foods is a global organization with a vision to accelerate the availability of non-GMO, organic and regeneratively grown food. We are bringing best-in-class sustainable supply chain solutions to build a better future for our farmers, customers and partners.

We are experts in our respective areas, united by integrity and respect for relationships and the earth. Our teams promote transparent and collaborative business practices while working towards our goal to meet current demand for organic and non-GMO crops grown in the Americas.
Issues in Current Organic Supply Chains

- Fragmented supply chain
- Lack of price transparency
- Lack of supply chain transparency
- Fraudulent product entering supply chain
- Lack of enforcement within a regulated market
Risks of Fraudulent Product

- Supply chain disruption
- Counterparty financial risk
- Recall risk
- Headline risk
What We Do
Commitment to Organic Integrity

- We commit to and will work to leverage new technologies to enable full transparency and traceability in all that we do.
- We ensure we have “boots on the ground” in all locations from which we source organic crops.
- We require transaction certificates on all product transfers when importing product from outside the U.S. or Canada.
- We third-party test all products to be imported into the U.S. prior to loading and shipment.
- We will assess and implement risk-based preventive controls.
Steps We Take to Ensure Organic Integrity

- Supplier Screening Program and Classification
  - Audits, certification checks, flowchart checks, traceability checks, allergens, FSVP compliance
  - Approve or deny suppliers based on the assessment
  - Classify approved suppliers into multiple categories

- Product Risk Profile
  - Categorize products by specific uses and risks
  - Create testing and assurance programs based on specific product risks

- Country of Origin Risk Profile
  - Identify macro risks within specific countries, i.e, corruption risk, political risk
  - Meet with local certifiers to determine specific risks the country is facing

- Product Inspections
  - 4 stage testing program: Pre-shipment, loading inspection, unloading inspection, continuous inventory inspection
  - Analyze based on specific product risks, customer requirements, and food safety risks
Recommended Agency Action

- Prosecute and hold accountable bad actors
- Close certification requirement gaps
- Require transaction certificates
- Create a system for and conduct mass balance reconciliation
- Investments in technology solutions/blockchain
- Inter-agency collaboration
- Alarm system
Recommended Industry Action

- Formalize industry and organizational commitment
- Vulnerability assessment and mitigation process
- Shorten supply chains
- Transaction certificate requirements
- Physical oversight of product transactions
- Product testing at high-risk points in the supply chain
- Communicate concerns
Contact Us

eheitkamp@pipelinefoods.com
612.900.9499

Erin L. Heitkamp
TOP 10 IMPORTS / TOP 10 ORIGINS

• Imports reached $2.08 billion, up 21% compared to 2016

**Top 10 Countries**
- Mexico
- Turkey
- Brazil
- Argentina
- Spain
- Italy
- Peru
- India
- Ecuador
- Canada

**Top 10 Imports**
- Soybeans
- Coffee Arabica not roasted
- Bananas (fresh)
- Extra Virgin Olive Oil
- Avocado (fresh)
- Honey
- Yellow Dent Corn
- Sugar
- Apples (fresh)
- Blueberries (fresh)
<table>
<thead>
<tr>
<th>Risk Factor</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excluded Operations - Uncertified</td>
<td>Ingredient/product has crossed multiple borders</td>
</tr>
<tr>
<td>Long and Complex Supply Chains</td>
<td>Ingredient/product is sourced from multiple sources in an open market with limited knowledge about the supplier</td>
</tr>
<tr>
<td>Imports</td>
<td>Supplier will not disclose sources and/or provide certificates for those sources</td>
</tr>
<tr>
<td>History of fraud (region or operation)</td>
<td>Compliance documents submitted are not verifiable</td>
</tr>
<tr>
<td>Long and/or complex supply chain</td>
<td>Violations of fraud found by NOP from product type and/or region</td>
</tr>
<tr>
<td>No formalized supplier approval process</td>
<td>Sudden change in volume or market price</td>
</tr>
<tr>
<td>New supplier / short history</td>
<td>Certified company or certifier is not listed on the NOP Organic Integrity Database</td>
</tr>
<tr>
<td>Use of uncertified handlers (brokers, traders) in the supply chain</td>
<td>Supplier company operates under multiple names</td>
</tr>
<tr>
<td>Supplier handles both conventional and organic</td>
<td>Bulk product with a valid organic certificate but not identified as organic on paperwork</td>
</tr>
<tr>
<td>Imported from areas of known risk (history of fraud)</td>
<td>Missing certificate from originating farm or intermediate handler</td>
</tr>
<tr>
<td>Ingredient/product comes from multiple suppliers</td>
<td>Evidence of falsification – changed operation name on certificate to protect proprietary information</td>
</tr>
<tr>
<td></td>
<td>Known production challenges and need for use of pesticides</td>
</tr>
<tr>
<td></td>
<td>Lack of clarity about whether product was fumigated</td>
</tr>
</tbody>
</table>
TOP PRIORITIES

1. **NOSB → Recommend NOP require certification of currently excluded operations;**
   1st Step: clear terms and definitions on operation types

2. **NOSB & NOP → improve timing & communication around NOP’s complaint procedures**
   1st Step: develop an alert system that identifies products or regions where heightened vigilance is needed.

3. **NOSB → Recommend NOP require ACAs to harmonize a method & develop a report for mass balance,**
   1st Step: understand existing methodologies and reporting differences.

4. **NOSB & NOP → Prioritize creation of organic HS codes**
   1st Step: collaborate w/ industry on identifying key products to track
EXISTING ORGANIC HTS CODES – 49 for import

1. lemons
2. oats
3. quinoa
4. soybean flour
5. dried yellow peas
6. dried green lentils
7. barley
8. specialty sugars
9. yellow dent corn
10. garlic in fresh whole bulbs
11. shelled almonds
12. bananas
13. mangoes, if entered Sept. 1 to May 31
14. mangoes, if entered at any other time
15. ginger, not crushed or ground
16. flaxseed (linseed) for use as oil stock
17. virgin olive oil, weighing < 18 kg
18. other virgin olive oil
19. sparkling wine
20. red wine < 2 liters
21. white wine < 2 liters
22. honey
23. Greenhouse sweet bell-type peppers
24. Other sweet bell-type peppers
25. Hass & Hass-like avocados
26. apples valued over 22¢ kg
27. pears & quinces, entered 4/1 to 6/30
28. other pears and quinces
29. cultivated blueberries
30. Arabica coffee, not decaf
31. other coffee, not decaf
32. decaffeinated coffee
33. coffee, not decaf, in retail containers 2 kg or less
34. Other coffee, roasted, not decaf, in retail containers more than 2 kg
35. decaf coffee in retail containers weighing 2 kg or less
36. green tea, of a content not exceeding 3 g, flavored
37. other green tea, of a content not exceeding 3 g, not flavored
38. Other green tea
39. black tea, in packing not exceeding 3 kg, in tea bags
40. durum wheat, grade 1, with specified hard vitreous content >84%
41. durum wheat, grade 1, with specified hard vitreous content not exceeding 84%
42. durum wheat, grade 2, with specified hard vitreous content >84%
43. durum wheat, grade 2, with specified hard vitreous content not exceeding 84%
44. Other durum wheat
45. Other long grain rice
46. Other med. grain rice
47. Other short grain rice
48. Other mixtures of rice
49. soybeans, whether or not broken
50. cultivated blueberries
51. Arabica coffee, not decaf
52. other coffee, not decaf
53. decaffeinated coffee
54. coffee, not decaf, in retail containers 2 kg or less
55. Other coffee, roasted, not decaf, in retail containers more than 2 kg
56. decaf coffee in retail containers weighing 2 kg or less
57. green tea, of a content not exceeding 3 g, flavored
58. other green tea, of a content not exceeding 3 g, not flavored
59. Other green tea
60. black tea, in packing not exceeding 3 kg, in tea bags
61. durum wheat, grade 1, with specified hard vitreous content >84%
62. durum wheat, grade 1, with specified hard vitreous content not exceeding 84%
63. durum wheat, grade 2, with specified hard vitreous content >84%
64. durum wheat, grade 2, with specified hard vitreous content not exceeding 84%
65. Other durum wheat
66. Other long grain rice
67. Other med. grain rice
68. Other short grain rice
69. Other mixtures of rice
70. soybeans, whether or not broken
**ACTIONS w/ IMPACT**

**NOP REGULATORY IMPROVEMENTS**
- Require certification of currently excluded entities
- Require ACAs to execute and report mass balance, rolling up to a countrywide report.
- Increase oversight of inspectors.

**ACTIONS FOR INDUSTRY**
- Adopt and implement the GOSCI Best Practices Guide
- Improve and harmonize training of inspectors and ACAs
- Require that all documents created by direct parties to an organic transaction include organic ID

**NOP PROCESS IMPROVEMENTS**
- Improve the timing and communication around NOP’s complaint system
- Increase coordination and access to available data cross border documentation systems administered across other
- Better utilize the organic equivalency relationships to help prevent fraud.

**OTHER U.S. GOVERNMENT ACTIONS**
- Support HR 3871
- Prioritize ORGANIC hs codes
- Determine whether a 332 should be pursued.