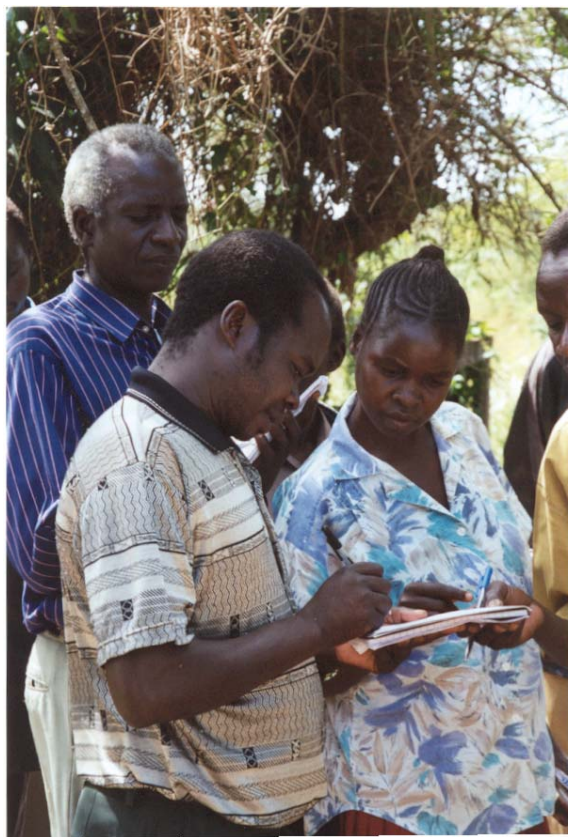




## *Smallholder Group Certification*

### *Compilation of results*



*Proceedings of three workshops [February 2001, February 2002, February 2003]*

*Bo van Elzakker and Gerbert Rieks, Agro Eco*



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*Weighing, at various stages, a critical exercise when smallholders' produce is gathered. Sesame, northern Uganda.*

# 1 Introduction

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It was estimated in 2001 that in Less Developed Countries, close to 350 different smallholder groups exist, comprising close to 150,000 smallholders, whose organic products are exported to markets in the North. Some estimates say that volume wise, 60-70% of what is imported into Europe is produced by smallholders. It may be similar for North America. With that, organic smallholder farms contribute greatly to the growth of the organic sector in the North, while, even more important, this premium price market offers opportunities for smallholder families to improve their livelihood.

Given the size of their holding, it is impossible for most of these producers to pay for an annual inspection visit by an external certification body as is required in the EU, US and Japanese regulations. Especially when inspection must be done by a northern inspector due to absence of local certification bodies or import market requirements. Since the mid-eighties a system has developed, using the fact that the smallholders were organised, that there was an internal support structure, that there was a *de facto* inspection in place, that allowed for group certification. IFOAM, in its Criteria for Certification Bodies, regulated this exception for the first time in 1996.

However, different certifiers had different approaches as to what the internal control should include and developed different ways of how to inspect smallholder situations. By the year 2000, systems seemed to vary from

- Inspecting one third of the growers each year so that all would be externally inspected after three years, to
- At random sampling of a sufficient number of producers to be confident that 100% of them comply with the standards, to
- Inspecting at least all in conversion producers externally, to
- Inspecting as many smallholders in the few days given (up to 45/day seemed to be the record), to
- Addressing any request for more information an importing authority was requiring, or
- Making risk assessments and a few but very targeted inspections.

In the meantime, competent authorities in importing countries set different requirements for the documentation required, for example with or without dates of birth and/or maps of the holdings and different requirements for the rate of external inspection. In 2000, there were various reports that showed that many smallholder groups were utterly confused as to what was required from them, especially when they were exporting to different markets and being certified by different certification bodies.

The situation of fast growth had resulted in confusion, frustration, high costs, multiple certification and restrained market development.

IFOAM thus decided to call the stakeholders together to develop a consensus on the requirements for smallholder groups, for an internal control system and how such an ICS should be evaluated with the hope that agreement would be reached to have one global harmonised set of requirements.

Under the auspices of IFOAM and with representatives of the fair trade sector, workshops were organised in February 2001, 2002 and 2003 on the topic of smallholder group certification. The first workshop called together the certification bodies involved in smallholder group certification and producer groups operating an internal control system while competent authorities were invited to participate as observers. That workshop concentrated on the definition of smallholder group certification and the minimum requirements for an internal control system that allows group certification. In the second workshop the certification bodies and competent authorities exchanged their views on how to inspect/evaluate smallholder group schemes. At the third and final workshop mainly certification bodies and competent authorities reached consensus on the issues of smallholder definition, group non-compliances and sanctions and the rate of re-inspection.

The results of this process are laid down in this document that serves as reference for producer groups, certification bodies and authorities.

Other documents generated within the project are:

- Proceedings of the workshop, February 14, 2001
- Proposal for an evaluation protocol, December 2001
- Proceedings of the second workshop, February 13, 2002
- Internal Control System; example document, December 2001<sup>1</sup>

The information of the first three is summarised in this document. The last document is revised to become a manual/guide for producer groups.

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<sup>1</sup> Co-funded by GTZ Germany

## 2 Smallholders

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### 2.1 When is a group a smallholder group?

Reference is made to the IFOAM Accreditation Criteria. Those were reviewed and the participants agreed on the following criteria:

- The cost of (individual) certification is disproportionately high in relation to the sales value of the product sold.
- The farm units are mainly managed by family labour
- There is homogeneity of members in terms of
  - geographical location,
  - production system<sup>2</sup>,
  - size of the holdings<sup>3</sup> and
  - common marketing system.
- No maximum amount of hectares per farmer is set<sup>4</sup>.
- Minimum size of the group
  - Must be large enough to sustain a viable ICS
  - Practical guideline is a minimum of 30 to 50 smallholders but
  - Do not fix the minimum numbers, it depends on the situation
- Maximum size of the group
  - Group's own concern, depends on their structure, capacity, communication
  - Is an element in the risk assessment

### 2.2 Information needed to decide on smallholder status

The above and some additional information (below) is needed to allow a certification body to assess whether the operator meets the criteria to be considered as “smallholder group”. This assessment takes place mainly in case of new projects but it is good to update it once in a while as the smallholder group develops.

Additional information required before a certification body can decide on the application status of a smallholder group:

- General description of the operator with the definition of the type of producer organisation (like co-operative, association, exporter with producers on contract).
- Clear identification of the farmers/farm units.
- Description of the administrative system (like through regional centres or centralised in town).

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<sup>2</sup> There is consensus that these should be very similar but in some situations farmers produce different secondary cash crops. In that case a qualified decision has to be made by the certification body as to whether there is sufficient homogeneity.

<sup>3</sup> The second workshop ruled that as a rule of thumb, the disparity in production volume should not exceed 1:50.

<sup>4</sup> Farmers (or their family) often have potentially large tracts of land of which only a small part is cultivated. Land can be owned by the community. Usually ownership is not documented.

- Relation of the central administration with each of the members of the group, relation between farmer members, balance of interest.

## 2.3 Definition of smallholder

The definition of smallholder in the context of group certification is somehow complex because one has to give one classification to a diverse group of people.

Land size was specifically left out of the criteria for defining a smallholder. Land size varies per region (in Mexico a smallholder has less than 20 acres while in Haiti less than 2,5 acres) and per crop (5 acres of carrots versus 5 acres with some cashew trees).

Producer groups were of the opinion that a definition should incorporate an upper limit of income and an upper limit of the capacity to earn that income. Furthermore they felt that the value of the export crop should be considered. That has to do with the cost of certification.

Farmers would qualify as smallholders when the expenses of direct certification of their product would be more than 2% of the value of the commodity produced. Say if an external inspector costs USD 500 a day and the inspector can inspect 4 holdings in a day the cost of inspection for one farmer would be USD 125. That would mean that when the value of the commodity (s)he produces is less than USD 6,250, the farmer is to be considered a smallholder. When it is over USD 6,250 the farmer would have to go for certification in his/her own right.

If the inspection costs 25 US\$ per farmer, the threshold is at USD 1,250. This criterion is thus very situation specific.

Producer groups themselves also argued that smallholders generally do not have the ability to establish her/his own marketing channels, bookkeeping, finance and receive training/education. Other participants added the lack of good communication, and absence of storage and processing.

It is interesting to note that ICS were originally developed to assist smallholders in marketing, record keeping, all kinds of paperwork, communication with the certifier and competent authorities, so actually addressing those issues which a smallholder can not deal with him/herself.

To cover all mentioned aspects in the definition of a smallholder in a group certification exercise, it was agreed to use a matrix with the following definition:

*A farmer in a group certification scheme is considered a smallholder when her/his holding meets at least 6 of the 8 criteria from the matrix.*

Low-tech production system	X
Based on family labour	X
Limited capacity of marketing on his/her own	X
Limited capacity of farm administration	X
Limited capacity of communication in the language of the certifier	X
Limited capacity of storage / processing	X
The average annual income from the certified product is below approximately 5,000 US\$ taken over a number of years (eg 5years).	X
Would spend over 2% of commodity export value on external inspection when not certified in a group. Also taken over a number of years (eg 5years).	X

The different criteria should be measured as an average over some period of time. It is not the idea that farmers are smallholder on and off over the years.

Certification bodies can use the matrix to assess whether the farmer meets the criteria to be considered a “smallholder”. The matrix is a flexible (soft) tool and certification bodies can adjust it to their views, as long as they justify their decision. Certification bodies can also add other criteria where they feel that they are relevant to the situation.



*Are these smallholders? Cotton farmers in Benin.*

## 3 Internal Control Systems

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### 3.1 Introduction

It is only 15 years ago that the first smallholder groups started to export coffee. It was a challenge for foreign inspectors and certification bodies to adopt themselves to a situation where often hundreds of smallholders did more or less the same thing, and address this situation with an appropriate methodology. This came to be known as an Internal Control System (ICS).

### 3.2 Definitions

*“An Internal Control System is a documented quality assurance system that allows the external certification body to delegate the annual inspection of individual group members to an identified body/unit within the certified operator. (As a consequence, the main task of the certification body is to evaluate the proper working of the ICS.)”*

- **Operator:** the actor who signs the contract with the certification body and which is responsible for maintaining the ICS. The operator should have a legal form and structure. Main types of operators are co-operatives, farmers’ associations or exporters that contract smallholder farmers.
- **(Group) production unit:** The area for which the operator is responsible, including production, processing and export.
- **Farming unit:** the area and/or facilities (both organic and non-organic) for which the individual farmers/member of the groups are responsible.

### 3.3 Elements of an ICS

The following are the basic elements of an ICS. There must be:

- A documented description of the ICS
- A documented management structure
- One person responsible
- An internal regulation (production standard, conversion rules, sanctions etc.)
- Conversion rules i.e. traditional farming/virgin land/known field history
- A contract between the group and the certification body
- Identified internal inspectors
- Training of personnel, internal inspector
- Some form of formal commitment of growers
- Field records, maps
- Annual inspection protocols
- A farm inspection report/form, filled in per farm
- An approval committee that decides to enter the producer on the Growers List
- Use of internal sanctions

- Regularly updated Growers List
- Use of risk assessment to address risks, threats to integrity
- Use of social control/community surveillance (depending on culture)
- Documented post harvest procedures/product flow/quantities

This appears to be quite a long list. However, if a producer group wants to demonstrate that there is an Internal Control System, that the group knows what it is doing, it is difficult to do that with less.

### **3.4 When to start certifying a new smallholder group**

That a group wants to apply for smallholder group certification should be indicated in the application to the certification body. It was agreed that a certification body can not move towards inspection/ evaluation and certification of a group unless the internal control system is in place and almost complete (80%). The minimum requirements before smallholder group certification can take place are:

- There are competent personnel implementing the internal control system.
- The core documentation is complete, which includes:
  - completed farm or site maps/sketches
  - a completed grower identification system
  - some form of farm/field records
  - farmer agreements
  - yield estimates
- The internal inspection protocol is described & implemented.
- There is a monitored and documented conversion period in place.
- The mechanism to remove non-compliant farmers from the Growers' List is in place and executed.

Please be aware that no one expects an 80 page document at this stage. Experience shows that the basics can be described in a 7-10 page document, with some forms and contracts as annexes. That is a good start. However, these elements must not just be described but they must be operational, otherwise it is difficult to speak of a functioning Internal Control System.

Any other rules and procedures can be written in even more rudimentary form, but it is not necessary that they are all implemented yet.

It is widely understood that an internal control system cannot be put in place in one day. In fact internal control systems develop continuously.

## 4 Non-compliances and sanctions

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### 4.1 Introduction

As the ICS and delegated annual inspection function are exceptions to the normal rule, it has to be realised that a smallholder group may have non-compliances different from a traditional operator and with that, different sanctions applied to them by the certification body. A matrix was developed to identify non-compliance and sanctions for the smallholder group certification situation.

### 4.2 Non-compliance matrix

The matrix is given below. The matrix lists values for the relative importance of each factor, and then a rating which must be achieved. It should be seen as a “Guide” and not an absolute system and each certification body can adapt it.

Some sanction should be applied in cases where the group does not achieve a minimum value. A scale of sanctions needs to be applied, depending on the degree of non-compliance.

First it needs to be clear what the requirements are, before one can look whether the non-compliance of a requirement is a minor or a major infringement or just a deficiency, following which one can decide on a sanction to address the non-compliance.

### 4.3 Sanctions

An important aspect is that it must be determined who is responsible for the non-compliance, the individual producer, the ICS or the project holder/operator/licensee. The interrelationship of the parties is a very important factor. The guilty actor should be punished = sanctioned. In a number of cases, the producer group itself is not the licensee, but an exporter even foreign importer. There is often an important hiatus in terms of communication between the two. This complicates the issue of responsibilities.

It is often that the communication of the external certifier does not trickle through from the licensee to the people implementing the ICS. The idea of sanctioning a whole group for a serious non-compliance (like malfunctioning of the ICS) becomes a destructive and an unfair tool when the producer group is not really to blame, but rather a not so communicative importer who happens to pay for the inspection/certification. It is thus imperative that in smallholder group situations, the certification bodies make sure that the certification decision, the conditions to certification, get through to the people who should deal with them, rather than just mailing the decision out to the licensee.

## Sample Non-Compliance Matrix

	ICS-elements	Value (out of 100)	Minimum value
<b>1</b>	<b>Functioning of the ICS:</b>		
<b>1.1</b>	<b>Implementation of Internal Regulation</b>	<b>5</b>	<b>3</b>
a.	How developed is the Internal Regulation?	1	
b.	Can the Standards of the Certification Body be applied through it?	2	
c.	How well understood is the internal regulation by the staff of the ICS who are supposed to implement it?	2	
<b>1.2</b>	<b>Staff requirements:</b>	<b>10</b>	<b>6</b>
a.	Is there a function for Internal Approval?	2	
b.	How qualified are the Internal Inspectors? (Are they literate?).	2	
c.	Are there enough Internal Inspectors to do 100% inspections?	2	
d.	Is there one clear responsible person for the ICS?	2	
e.	Do the Internal Inspectors get sufficient support with trainings and transport to maintain the internal control system?	2	
<b>1.3</b>	<b>Internal Inspections</b>	<b>15</b>	<b>15</b>
a.	Have at least 100 % of the internal inspections taken place, with the purpose of checking the compliance with the internal regulation		
b.	Have appropriate safety measures been taken to ensure that there are no potential conflicts of interests? (e.g. that inspectors come from different regions and have not inspected family members)		
c.	Have 100% of the inspections taken place within the year in question?		
d.	Have the ICS made a separation between internal inspections and technical advice?		
<b>1.4</b>	<b>Documentation of the ICS</b>	<b>20</b>	<b>14</b>
a.	Is there an up-to-date list of farmers registered to the ICS/Organic programme. (with relevant information including name and farmer code, surface, product, organic crop estimation, date of internal inspection.).	2	
b.	Is there a written internal inspection report for the annual visit at each farm?	2	
c.	Is there a documented review by the approval function?	2	
d.	Is there a list of sanctioned farmers?	2	
e.	Is there a list of farmers in conversion and what year of conversion they are in?	2	
f.	Is there a copy of the last inspection report from the External Certification Body?	2	
g.	Is there clear labelling on all documentation to ensure separation between organic and non-organic product documents?	2	
h.	Is the ICS described in an ICS-document?	2	
i.	Are there contracts between the group and the individual farmers?	2	
j.	Is there an area/village map indicating location of each farm?	2	
<b>1.5</b>	<b>Product Flow</b>	<b>20</b>	<b>12</b>
a.	Is there a documented purchase system with records on farmers sales to the group and product flow from farmer to export?	4	
b.	Is there clear separation between all product qualities? (e.g. organic v non-organic)?	4	
c.	Is there clear labelling for easy differentiation between all product qualities? (e.g. organic v non-organic)?	4	
d.	Does the ICS have a product recall procedure or system?	4	
e.	Is there a procedure for identifying infiltration from excess deliveries?	4	
<b>1.6</b>	<b>External Re-Inspections</b>	<b>10</b>	<b>5</b>
a.	Does the information gathered by the external re-inspections correspond with the information from the internal inspections?	5	
b.	If there are differences, how far do they differ?	5	
<b>2</b>	<b>Social Control or responsibility of the Community</b>	<b>10</b>	<b>5</b>
a.	Are loyalty promoted as a common responsibility?	2	
b.	How is this promoted?	2	
c.	What are the potential for infiltration of non-organic products?	2	
d.	Do the neighbours realise what organic is?	2	
e.	What is the communication / understanding and agreement between organic and non-organic farmers?	2	
<b>3</b>	<b>Training and Advice</b>	<b>10</b>	<b>6</b>
a.	Is there sufficient training of producers?		
b.	Is sustainability of the farming system monitored?		
c.	Is potential conflict of interest managed?		
	<b>TOTAL</b>	<b>100</b>	<b>66</b>

From the matrix exercise a certification body can determine non-compliances and put in place corrective actions (conditions), impose sanctions or ultimately decide on de-certification. Possible sanctions are:

- Various specific corrective action requests or (pre)conditions (within a time frame).
- Need for additional inspections
- Removal of individual growers
- Suspension of certification until certain problems have been sufficiently addressed
- Revert to conversion
- Lengthening of the conversion period
- Fines
- De-certification
- Product or batch re-call

Major non-compliances leading to de-certification (and/or suspension) and/or product recall are:

- Fraud of any kind
- Mixing organic and non-organic (deliberate or not)
- Persistent non-compliances and failure to improve
- High level of non-detection of field non-compliances by the ICS
- Serious general non-functioning of ICS
- Non-achievement of 100% inspection (derogations possible; floods, landslides)
- No up to date farmers list

Generally the whole group should be sanctioned for individual or sub-group non-compliances. But if the failure is specifically traceable to one sub-group (e.g. a field officer) and the organic integrity was not yet compromised, then there could be a derogation to whole group sanctions, and the sanction is applied in that unit only.

It is important to stress that the certification body should always look at the overall picture when assessing potential cases for de-certification. Factors that should be taken into account are:

- The history of the ICS – has this happened before?
- The organic integrity of the product – has it been compromised?
- Intentional or un-intentional – did the ICS know of the infringement, what was done?
- Any other relevant factors.

An identified non-conformity must be seen in function of the risk assessment (low-medium-high) and the percentage of growers re-inspected that confirm the non-conformity. This relates to the so-called re-inspection rate, chapter 7.

## 5 Evaluation protocol

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### 5.1 Evaluation procedure

Following are, in short, the different steps of an evaluation visit.

#### *Step 1. Examination of documentation*

Prior, or at the beginning of the visit, the inspector reviews the following documents.

- description of the ICS
- internal regulations and procedure
- former inspection reports/certification decisions/conditions

#### *Step 2. Verification that the group meets smallholder group criteria*

This is especially important during the first evaluation. It may be updated during next inspections.

#### *Step 3. Visit to the office*

- interviews with managers and staff responsible for ICS and organic production
- review of the list of conditions imposed by previous evaluation and follow up
- documentation review, for example to check correctness in follow up to infringements found, sanctions applied in the group
- determination of inspection of regional centres, storages and first round of producer visits.

#### *Step 4. Inspection of facilities and inspection of producers*

Facilities like storage and processing have to be visited. The purpose of the producer visits in this step is to get to know the situation and to see that the information in the office correctly reflects the situation in the field.

At this stage, of the producer visits, +/-

- 25% is at random
- 75% is 'targeted', based on criteria such as characteristic of collection area, geographical area, risk related, importance related, opinion of internal control staff.

When deviations are found from the standards, it is checked back in the office whether the ICS has flagged these as well and that appropriate action was undertaken.

#### *Step 5. Risk Assessment*

At this time, the inspector sits back and assesses the major risks that threaten the product's integrity. The risk assessment can be done alone or together with the ICS staff. The outcome of the risk assessment determines the next step.

#### *Step 6. Complementary re-inspections*

In most cases, the inspector will check additional producers. This is partly at random to get an idea of the general situation, or specifically targeted to get to know how bad something can be. The purpose is to confirm that risks are understood and have been minimised by the quality assurance system. Secondly, when deviations from standards are found, it is investigated that these were appropriately dealt with in the ICS.

### *Step 7. Final Meeting*

- with the management of the producer group and person responsible for the ICS
- main results of inspection conclusions, recommendations, potential conditions
- clarify next steps for certification and procedure to obtain certificate

## **5.2 Elements of evaluation report**

When evaluating an internal control system with the view to certify a group as a whole, a number of elements, components must be evaluated. Below a short summary is given. This may be longer or shorter depending on the situation.

### *General description of the operator and the ICS*

This may be taken from the information provided to the inspector/evaluator. The evaluator needs to assess whether all involved are aware of the system. Or, ‘does the group know what they are doing and how they are doing it’?

### *Training and advice*

- general, in organic agriculture and how the group deals with it
- the staff of the operator, in standards, ICS, inspection techniques
- the producers, in standards, in farming techniques, (social responsibility)

### *Functioning of the Internal Control System*

- responsible persons (do they know what they are doing)
- the farmers (are deviating farmers sanctioned ?)

### *Collection/intake of the product*

- quantity and identity check
- record keeping
- labelling, trace-ability, separation

### *Social control or responsibility of the community*

This element differs depending on the culture and the group dynamics. In general it is seen as important to promote adherence to standards as a common responsibility (is it experienced that this is the case?)

### *Documentation of the Internal Control System*

- is a minimum present and easily retrievable
- is what is written known to those implementing the system
- is there proper decision making, proper recording and follow-up

### *Compliance with previous conditions*

Every visit likely results in some conditions or Corrective Action Requests (CARs). The groups should have followed up on those; the inspector verifies that it is done so they can be closed out.

### *General qualification of functionality of ICS*

- detection of infringements and the imposed sanctions
- insight in economic viability of the ICS, to keep it up
- are there sufficient field agents

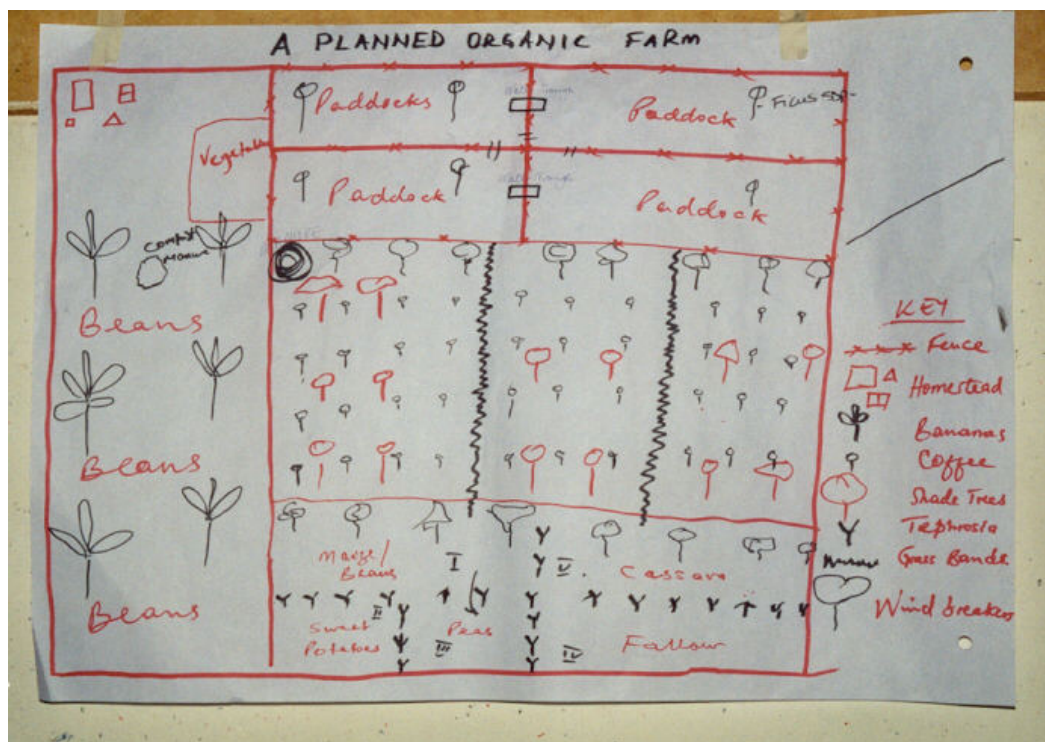
A qualification system can be used when reviewing the various elements, like compliant, partially compliant, condition necessary, acceptable, not acceptable, recommendation.

### *New conditions for certification*

The inspector/evaluator can recommend new conditions. Each condition should have a timeframe, for example pre-certification or one year to comply. Recommendations can also be made.

### *Recommendation for certification*

- summarize the areas and products to be certified
- details on each of the producers in annex
- indicate status, organic, transition (year 2,1,0), conventional



Aha, a farm plan, but what about the scale? (good maps are often difficult to come by).

## 6 Risk assessment

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### 6.1 Introduction

Very different situations have very different sorts of risks. The evaluation and re-inspection must be tuned to the risks just as the Internal Control System itself should be tuned to the risks. For the certification body a risk assessment improves the effectiveness of the evaluation visits and is a more efficient use of time. For that it is necessary to be aware of risks. That can be done by making a risk assessment.

It is recommended that risk assessments are made by the producer group itself, as the risks determine to quite some extent how the internal control system is designed. Ideally it should be a separate chapter in their description of the ICS.

A risk assessment is also made by the inspector/evaluator. Risks may change over time so it should be done thoroughly every (few) years.

Risk assessment is done for two levels:

1. of the production environment and product chain
2. of the quality of the ICS

The checklists as presented below are not complete or conclusive but can help the evaluator/inspector but also the ICS staff itself ‘to get their heads around the topic’.

### 6.2 External risks<sup>5</sup>

- Is there parallel production in the larger family. What is the definition of the farm unit, is there an ‘extended’ family situation, what is family consumption (of the cash crop). Is the whole farm and/or family unit organic.
- Is there parallel production in the community. Is the whole family, is the whole village organic. What kind of peer pressure exists.
- Do the neighbours realise what organic is. What is the communication, understanding and agreement between organic and non-organic farmers, for example regarding marketing channels but also drift.
- What is done in terms of buffers and what is their necessity.
- How solid is the harvest estimate, how easy is it to add a 20% extra.
- Is the price differential between conventional and organic large and would that in that culture particularly trigger attempts to increase the ‘organic’ volumes
- What is the availability of agrochemicals. Are there government or commercial programmes to promote their use. Are free seeds treated. Is use or purchase of agrochemicals (within credit systems) mandatory. Is there a malaria or other eradication scheme.
- Is there support, tolerance or opposition from the extension service.
- Does anyone know about GMOs. Is for example emergency food aid maize, rice and soy used for food or is it used for sowing.
- What is the situation regarding land rights, is the land rented or is it owned, or are there illegal squatters. Are fields/farms shifting depending on land pressure.

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<sup>5</sup> some of which are also internal

### 6.3 Internal risks

- What is the structure and objective of the organisation. Is there a genuine commitment at different levels to organics, or is the only interest the better price.
- Is there a commitment to integrity. What is the culture regarding trust, honour, keeping promises, being smart, becoming rich, tampering with the truth, etc.
- Are ICS personnel on top of the issues. Is there an information flow on organic topics e.g. changes in EC Regulation, changes in rules, internal audit.
- Intensity of training. Do the farmers know about organic, are all family members involved in farming know that they are organic. Are gender issues dealt with or do the men simply order the women to work harder without the women knowing where it is about. What is at farmer's level the understanding, care about organic integrity.
- Intensity of the group's presence/support/ pressure in the community.
- Is there a community responsibility, surveillance, social control.
- How homogenous is the community, are there particular social groups/families in the community that are pro or contra organic. Is it possible to identify pioneer farmers, followers, laggards, and outcasts. Who farms, young, old, women. Are they all involved, not just some leaders.
- Differences between areas/homogeneity within catchment area.
- What % is bought organic. Demand and supply pressure. Timely start of buying. Middle men presence and power (informal credits). Buying procedure, storage administration. Is there a sufficient, timely control of books. Is reconciliation of the books done between stores. Are there transport or other losses. What happens in case of disqualification of batches; 'replacement' of goods.
- Are the non-organic farmers relying heavily on agrochemicals. Is there a perception that farmers 'need' agrochemicals. Can farmers afford and easily obtain agrochemicals. How difficult is it to get them.
- How is the independence of the internal inspector/field agent regulated. Is there a dependence on the internal inspector. Do they farm themselves. What are the conflicts of interest inside the group and inside the internal control system. Is rotation of staff seen as a good or as a bad thing.
- What is the authority/hierarchy inside the organisation/leadership (does the chairman always decide)
- Is there security of internal control registers and restricted access to documentation; what is the risk of falsification.

### 6.4 Minimum information required

To make a start with a risk assessment, the following basic information must be available before the inspection:

- Clear identification of the farmers/farm units
- Sufficient detailed maps/easy location of fields and stores etc.
- Neighbour's activities

In short, an overview of the situation.

### 6.5 Process of Risk Assessment

For example:

- Check correctness and analyse the basic information.
- Identify a first list of risks.
- Discuss the issues with the persons responsible for ICS.
- Check whether the staff is aware of the risks.

- Which risks have been addressed in the ICS knowingly or unknowingly.
- Use checklist to determine major risks.
- Document findings.
- Confirm this risk assessment in the field.
- Determine: are these risks sufficiently addressed in the ICS, are risks missing.
- Check procedure followed in case of farmers found to be non-compliant due to major or minor risks. Are such farmers weird exceptions, or the rule?

## 6.6 The external evaluator/inspector's worth

The success of using risk assessment as a tool depends on:

- Training of the inspector as ICS evaluator (including risk assessment)
- Knowledge of area, culture, people's behaviour
- Capacity/interest/keenness to identify/evaluate risks
- Diplomacy when making risk assessment



*This is mine and this is my brother's, can't you see? Drying cocoa, Uganda/Congo border*

## 7 Re-inspection rate

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### 7.1 Introduction

In the smallholder group certification methodology, each producer is inspected at least once annually by an internal inspector as part of the Internal Control System. When an external inspection/certification body comes to inspect the group scheme, the inspector performs an evaluation of the ICS. Part of that evaluation is a re-inspection of a number of producers, to see whether the ICS works properly or not.

These re-inspections are also used to see whether the information obtained from the office corresponds with the reality in the field. Re-inspections are a way of measuring the quality of the internal inspections.

### 7.2 Differences among smallholder groups

It is important to recognise that situations can be very different. There may be differences in the numbers of producers, in the variability among the producers, in how they are mentored by their support organisation, in how they are supervised by the ICS and/or by their peers. Some smallholder groups operate in an almost completely chemical-free environment (as if that is organic agriculture), others have conventional neighbours that regularly use sprays that may drift, and again others may or may not be illiterate and prone to pesticide pushing. The number of producers to be re-visited should therefore be risk based.

### 7.3 Variability within the group

Another important element is the variability within the group of producers. The usefulness of re-inspection is not so much in visiting a large numbers of producers, but in the identification of the different situations that prevail in a group, and the different risks they face. At one side of a project area there may be fears of pesticide usage because non-organic producers use fungicides on their tomatoes. On the other side of the project area the largest risk is co-mingling with non-certified produce. In another section of the project area the producers have not been attended so well due to a long illness of the field officer, or because his motor cycle broke down. The quality of the work of the various internal inspectors may differ very much. They all fill in the same form but as this is not the most challenging kind of work, the investigative nature of the internal inspection may vary a lot.

## 7.4 Previous performance

The number of re-inspections should vary also depending on the ICS' previous performance. When it is performing well and there is no change in personnel, there should be less producer re-inspections the next time. When the performance is questionable there should be more re-inspections. Please note that increasing the number of visits can also be used/seen as a sanction.

## 7.5 Calculating the re-inspection rate

Various methods have been discussed to determine the minimum rate of re-inspection. After long discussions the method based on ISO62 was seen as the most appropriate in smallholder group certification.

With the ISO 62 square root approach the calculation of the re-inspection rate is based on a simple formula ( $x=\sqrt{y}$ ). This approach is used in all kinds of inspections, also in agriculture, like for example Eurep GAP. The approach is efficient because one can still concentrate on risk sensitive areas. A lot of people thought that the number might not be enough in higher risk situations. Therefore, multipliers were introduced with which the square root should be multiplied.

Do not forget, the table below gives a minimum rate of re-inspection. Additional inspections may be added and should be added when necessary.

With the square root approach one has an official ISO 62 standard as a reference point. Based on a proper risk assessment the inspection body can target its re-inspections and decide, with proper justification, whether to increase these through multipliers, resulting in the number of growers to be re-inspected as in the table below. The number of re-inspections is increased, multiplied with a factor in medium and high risk situations. It was suggested that a medium-risk situation warrants an increase to 1,2x and a high-risk situation an up to 1,4x higher rate of re-inspection. The CB has to document how the risks are weighed and how it arrives at a certain multiplier.

Minimum amount of growers to be inspected by external inspectors			
Number of group members	Normal risk factor 1	Medium risk risk factor 1,2	High risk risk factor 1,4
Minimum	10	12	14
50	10	12	14
100	10	12	14
200	14	17	20
500	22	27	31
1000	32	38	44
2000	45	54	63
5000	71	85	99
10000	100	120	140

## **7.6 Re-inspection rate per sub-group**

Some larger producer groups are split in ‘departments’ or ‘sections’, sometimes per field agent, sometimes because of differences in area (high/low) or distance (other side of mountain or river). In such cases it may be better to establish re-inspection rates per department and not for the group as a whole.

## 8 Implementation issues

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In this chapter a number of typical smallholder group issues are dealt with.

### 8.1 Conversion

It must be recognised that the situation in many smallholder groups is not comparable with any European or North-American situation. The requirement for long conversion periods in tropical conditions, especially with a non-chemical history, is difficult to defend. Making the farmers convert while not paying them a premium is often not accepted. It was recommended that in smallholder situations:

- Virgin lands can be certified with a one-year conversion period that is monitored by the Internal Control System.
- When producer groups switch certifiers, there should be no need for a new monitored conversion period<sup>6</sup>.
- When a new farmer is included in the producer group, the monitoring of the conversion (period) can be done by the ICS.

Please note: when we are talking about conversion period we talk about the “monitored” conversion period, including internal inspection, with a proven ICS in place.

### 8.2 Extension agent vs internal inspector

The original reason why an internal structure is set up in producer groups was that it is a practical way to train farmers how to farm organically and how to comply with the organic standards. The same ‘agent’ can be used to verify that farmers follow up on the training. This was a sort of internal control and it became a formal internal control when CB’s realised they could use this in order to keep the external certification costs low. Other roles for the support structure came up like post-harvest quality improvement and on-farm research. Often, the field agent also has the role of “messenger”. This implies that the extension function and internal inspection are embodied in one and the same group, often using the same documentation.

Having a support structure is the best guarantee that the farmers understand and comply with organic standards. Having the internal inspection integrated with the support structure provides the system with more information about the performance of the farmers than when the internal inspection is a separate entity.

However, it was agreed that conflict of interests is a concern that can seriously compromise the organic integrity.

To control this conflict of interest the following mechanisms are recommended:

- inspectors to inspect different areas than their extension area

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<sup>6</sup> Assuming that the group was certified by the earlier certification body and assuming that the earlier certification body forwards basic information about the group to the new certifier, (mandatory for IFOAM accredited certifiers).

- have separate budgets for training and inspecting activities
- presenting training and inspection as clearly separate events (different hats).

In any case, normal vigilance should be applied by the certification bodies to detect and prevent conflict of interest. Most certification bodies have well-developed policies on their own inspector's conflicts of interest. They should develop guidelines for the internal inspectors and verify that these are kept.

### **8.3 The level to which the certification body can train a producer group**

In principle, certification bodies should not be seen as training or advising the entity that they are inspecting. However, there is a “natural” need (if not moral obligation) to do just that when a group is starting up. However there must be a limit on the external inspector explaining how for example sanctions should be implemented. This can't go too far, that is not a certifier's job.

It is strongly recommended that Certification bodies have guidelines of how groups/ICS should function, what an ICS includes<sup>7</sup>. This information should be sent to the groups when they are applying.

Initial training prior to inspection is another approach, during a pre-assessment visit. The training should be generic, using the above information or a standard ICS guide/training manual.

### **8.4 Minimum knowledge of external evaluator/inspector**

Often there are voices of concern heard over the knowledge of the external (often) foreign inspector or evaluator visiting a smallholder project.

The following points were identified:

- The inspector/evaluator should have knowledge of the crop.
- The inspectors should have an open mind on the farming system and be flexible to consider things “outside of the box,” such as polyculture versus rotation and the impossibility to compost in some situations.

Apart from the above, it was agreed that

- inspector training organisations like the IOIA include in their training specific issues on ICS, or that specific ICS trainings are organised
- the use of local inspectors as ICS evaluators/inspectors should be promoted
- basic information about the inspector/evaluator (CV, experience) is sent to the producer group so that they have an idea of who is coming and/or there must be a proper introduction at the start of the visit.

A successful evaluation visit requires a certain level of trust and mutual respect. See also 6.6

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<sup>7</sup> The Naturland manual and forthcoming IFOAM-GTZ guide may be a good help

## 9 The way forward

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This document is a reflection of the stage we have reached in regulating, harmonising smallholder group certification. It represents the opinion of the parties that participated in the process either through attending one, two or all workshops or through participating in the discussion by other means of communication. Because it was not easy for grower groups to attend the workshops, this document was sent to a series of grower groups to get their confirmation/endorsement of the results.

This Compilation Document, which IFOAM will use to advocate harmonization on this topic in the government and private sectors, is also a manual for CBs to adapt their own system. The IFOAM/GTZ manual for producer groups will be translated and published separately. This should lead to a harmonisation of the approach to smallholder group certification throughout the organic movement worldwide.