

# **Understanding Organics and the Regulations Governing this Market**

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## **Abstract**

Once available only through specialty outlets, organic products are fast becoming part of mainstream America. While organics represent a small and relatively less tracked market than well established conventional markets, this young but rapidly growing market offers almost unlimited opportunities. The organic industry grew 20% to reach \$10.8 billion in consumer sales in 2003. Organic foods, by far the largest and most clearly defined part of the organic industry, grew 20.4% and account for the majority of organic sales. Sales of organic foods have nearly tripled since 1997, and growth rates of 17% to 21% since 1997 are expected to continue in coming years. In order to help growers, producers and handlers understand what is required to enter and be successful in this new market, this presentation will better define the laws and processes that must be complied with in order to maintain a certified organic operation. It will explain the USDA National Organic Program and how to comply with current regulations. We will discuss requirements to become certified organic, labeling requirements for organic products, and organic certifying agencies. This presentation will also discuss audit trails that are required for full traceability of organic materials from the farm to the finished product.

## **Introduction**

Organic certification and standards were the development of the organic movement within the private, non-government organizations which were based on voluntary practices. The growth of organic markets has forced the organic sector to become a public-private partnership as governments are establishing requirements and legal definitions for what is considered as “organic”.

In 1991, the creation and adoption of the European Union (EU) Council Regulation 2092/91 and its amendments were put in place to address all food products marketed as “organic”, “biologic”, “ecologic”, “biodynamic”, or similar terms throughout the 15 member states of the EU. These regulations covered all imports as well as exports.

The regulations set forward by various agencies such as European Union, and the USDA-National Organics Program (NOP) are regulations that set the minimum standards required to be certified as organic in those respected regions of the world. The United States implemented the Organic Food Production Act (OFPA) in 1990 and the final rules were implemented in December 2000. In addition to the standards enacted by the EU and USDA-NOP, there are other countries also developing or recently introducing the regulations that define the term “organic”. Such countries include Asia, Africa, Eastern Europe, Canada, and Mexico to name a few. Additional resources are also available for these governments to use that will help guide them through the process of developing the regulations required for organic production in their respected countries. The Codex Alimentarius Commission has developed such guidelines for the production; processing, labeling and marketing of organically produced foods to prevent the misleading use of the term “organic”. These guidelines are available for government agencies dealing with the creation of organic standards as reference and are not mandatory as part of the development of regulations.

ISO 65 is the standard developed by the International Standards Organization for the use as and an established standard accreditation for the ISO 65. The ISO standards do not set specific standards for areas like processing organics; rather it focuses on areas like inspection, accreditation, certification and analytical testing. The current certification bodies such as the US, EU and Japan have all established their accreditation requirements based on the ISO 65. The creation and use of the ISO 65 standard plays a major part of the organic certification process worldwide as the ISO standard allows a structure to be in place that allows for the confidence in the certifications. The ISO standard indicate that the inspector(s) shall not make certification decisions and the inspector must not give advice or provide consultation on how operators can bring operations into compliance.

## **Organic Standards**

The organic standards define the minimum requirements for the handling and processing that must be followed in order to label the agricultural materials or finished product as organic. These standards are a development of the stakeholder (i.e. producers, growers, consumers) and the administrative and enforcement agencies that will oversee the certification of designated organic certifying agencies. The development and existence of many standards are in place to cover many areas of the certification process as the IFOAM (International Federation of Organic Agricultural Movements) standards are an international standard derived by a private entity.

An example of an inter-governmental standard would be the Codex Alimentarius Commission and the Codex Guidelines as this guideline provides a background for government based standards and provides a foundation for the development of standards.

The European Union Regulation 2092/91 sets a legal requirement for the European government and the private sector as these regulations are to be used directly as a certification standard by certification or inspection bodies.

## **Organic Certification Process**

### **General Overview**

For the purpose of this paper we will not go into every structured standard as they apply to crops, livestock, processing, handling, and approved materials. Rather we will focus on the processing and handling as part of this paper.

In general crop standards require a proactive, long term program for the ecological management of the crops produced that will be labeled as organic. This principle also applies to all other areas of organic farming, processing and handling. The long term ecological management program is the foundation to the total organic program that the organic producer, processor and handler use to manage everyday organics.

### **Certification Process**

The organic application process is just one of the many steps it takes to become a certified organic grower or processor. The whole process begins with choosing the certification agency in which you as the certified want to work with. Many factors play key roles in choosing the right certification agency as things such as cost, willingness to be a resource and assistance with first time certified companies are an important first step. Once the certification agency is determined then the next step is to complete the application submission process to be certified as organic. Once the application is submitted for certification then the review process by the certifying agency will take place. Generally there will be questions and or follow up steps and perhaps a supplement questionnaire will be requested as well as part of the initial screening process. Once the supplement information is completed and returned the certifying agency will review the documentation and if satisfactory will assign an inspector for a site visit. As part of the on site visit by the assigned inspector the requesting company or individual will need to review all appropriate documentation as well as the process for certification. Once the inspection process is completed then the inspector will complete his or her report detailing the findings from the inspection process and submitted the report for review from the certification agency. Once the report is in house then the certification agency will review and ask for any non-compliance issues are addressed with a written corrective action that addresses the non-compliance issues. Once the non-compliance issues are addressed to the satisfactory of the certification agency then the certificate for organic certification can be generated.

The definition of a processor is a person or company who performs any type of processing operation, including cooking, baking, heating, drying, mixing, grinding, churning, separating, extracting, cutting, fermenting, slaughtering, eviscerating, preserving, dehydrating, freezing, or otherwise manufacturing, including packaging, canning, jarring, or otherwise enclosed in a container, other than normal post harvest packing of crops performed by a producer.<sup>1</sup>

In order for a processed product to be labeled as an organic product it must start with organic materials as conventional materials cannot be processed in an organic facility and labeled as organic. The organic standards require that only mechanical, thermal, and or biological processes be used in organic processing facilities. The extraction process is very limited to only include extraction with water, ethanol, and natural oils. The standards established for processors are mainly in place to protect the integrity of products from commingling with conventional products, contamination from sanitation and or pest control chemicals, and other non-approved organic materials. The organic regulations set forward by a private, government or private-government partnership clearly state what can be used as processing aids and still maintain an organic label. In addition there are regulations that state what the allowable amounts of non-organic materials are to still call a product organic.

## **Organic Process Inspection**

The primary role of an organic inspector is to verify the information provided by the applicant to be true and accurate as described in the application process. As part of this verification process the inspector must inspect the premises, evaluate all information and observations, and inform the applicant on the organic requirements. As part of the inspection process a report will be generated and communicated back the certification agency for review and disposition. Ultimately the organic inspectors are the eyes and ears of the certification agency as they are on site to make sure the systems are in place to comply with the organic standards as defined by the USDA-NOP.

As part of the inspection process the organic auditor will want to evaluate several types of documents that pertain to the flow of product throughout the process. Documents that will be evaluated could include purchasing records such as invoices and purchasing contracts in addition to the supplier's organic certificates. One of the more important documents you should have and maintain is the organic certificates for all organic suppliers that organic materials are purchased from. Once the purchasing records have been reviewed then the next step is to evaluate all documentation associated with the receiving, inventory, production and sale of the finished organic product. Examples of these documents for receiving are Bills of Lading (BOL); inspection reports/receiving reports, weight tickets, clean truck affidavits, wash certificates and inventory reports.

## **Organic Process Inspection**

The process of moving organic materials into the processing section of an organic production facility should generate documentation that will need to be reviewed by the organic inspector. These documents are ones that will show movement from raw storage to production such as an inventory movement report. Other documentation will include recipe and or formulation sheets which will allow for the process of documenting the finished product formulation. As part of the verification process one will want to show what and how much was added to produce the finished product as it will need to be verified that if your recipe states 10% of an organic ingredient then the product actually has 10% of that ingredient as stated. Additional documentation will include such things as lot number designation, yields from processing, packaging report, shipping reports and sales records. In addition an inventory flow spreadsheet would be helpful to track organic material movement throughout the process as it can show the process loss as well as quantities produced and sold.

The production documentation is just a part of the total paperwork that is in need of being reviewed as the organic inspector will also need to evaluate the audit trail from start to finish as there is a need to track a single material throughout the whole process. In addition special attention is paid to sanitation and pest control practices with regards to chemicals used and the Standard Sanitation Operating Procedures (SSOP's) for the facility that is applying for certification. The areas of interest for the inspector are the use of non-approved synthetic chemicals for cleaning, boiler additives, and pest control practices. An audit process will also focus on general cleaning practices not only addressing equipment cleaning but also cleaning practices to control pest activities with in the facilities that is inspected. One important

document that can assist with the whole organic management practices is an Organic Control Plan (OCP) which some certifying agencies require but will use your application as the control plan.

## **Organic Product Labeling**

As part of the organic inspection process the inspector will need to review and verify labels used to identify organic products for the proper information. These requirements focus on the 100% Organic, Organic and Made with Organic statements. The inspector will also evaluate the USDA symbol as well as the statement made with regards to the agency certifying the product. When labeling organic products if the product contains 100% organic materials it can be labeled as “100% organic”. If the finished product has <5% non-organic materials the product can only be labeled as “organic” because it contains 95% organic materials. The last option is if the product contains at least 70% organic materials the product can be labeled as “made with organic”

## **Summary**

The process of becoming a certified organic grower, producer or handler is not as difficult as one might think as many companies or growers already have programs in place to address traceability, sanitation practices, pest control and the prevention of commingling. These are the basic requirements for any food producing business in today’s society. Over the years we as food producers have been improving the procedures we use in every day operations that include addressing Good Manufacturing Practices (GMP), Hazard Analysis of Critical Control Points (HACCP), Standard Sanitation Operating Procedures (SSOP’s) and Standard Operating Procedures (SOP’s). These programs in combination with an Organic Control Plan can allow for a growers, processors and handlers to become certified for the production of organic materials with some minor document additions. The necessary foundations are in place that allow for the organic certification process to take place with limited resources for the applicant.

## **References**

- 1 American Organic Standards, Organic Trade Association, 1999. § 4.127: Definitions, pg 21.

## Certification Process Flow

Step 1: Application for Certification with Certification Agency

Step 2: In house screening by Certification Agency

Step 3: Additional questionnaire from Certification Agency

Step 4: In house screening by Certification Agency

Step 5: Organic inspector assigned

Step 6: Organic Inspection

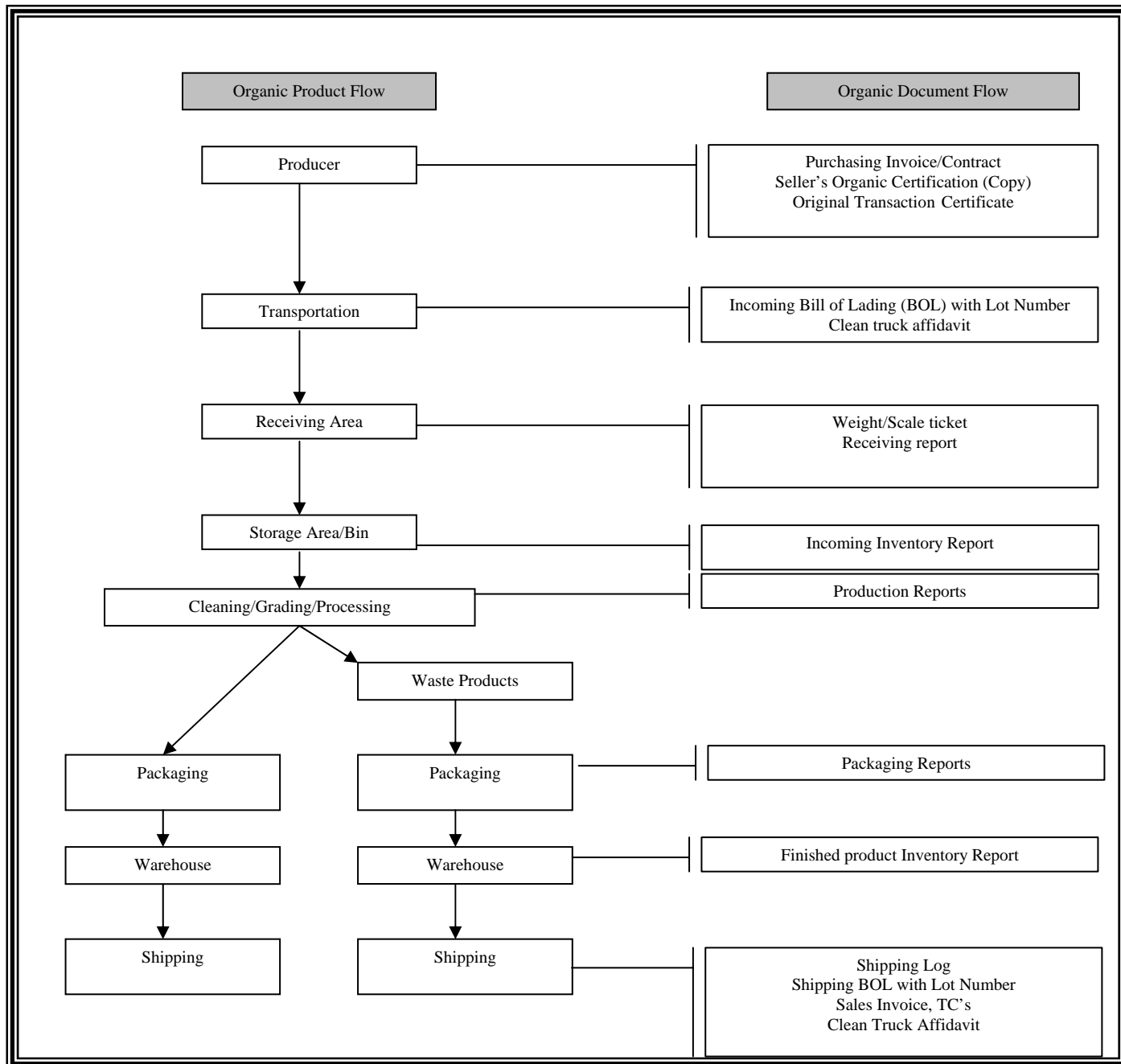
Step 7: Organic inspection report to Certification Agency

Step 8: In house review by Certification Agency

Step 9: Addressing of any non-compliance issues

Step 10: Certification issued

## Documentation Process Flow



## Organic Control Plan

CP	Critical Limits	Monitoring Procedure	Corrective Actions	Verification	Records
OCP 1 (Receiving)	<b>Identification and segregation of organic materials</b>	A large red stamp or yellow highlighter will be placed on all documents to indicate <b>Organic</b>	If documentation fails reject product for Organic	Employee training and documentation review.	Maintain training records
OCP 2 (Processing)	<b>Segregation of organic materials</b>	<b>Production</b> A large red stamp or yellow highlighter will be placed on all documents to indicate <b>Organic</b>	If documentation fails reject product for Organic	Employee training and documentation review.	Change over procedure, production documents and training is documented for
OCP 3 (Pest Control)	<u>No</u> residual sprays to be applied 72 hours prior to	<b>Production</b> Maintain pest logs and have Pest Control operator document what has been applied. In addition Pest Control Operator must have manager's approval prior to applying any forms of residual sprays.	If documentation fails reject product for Organic	Pest logs	Organic products.
CP 4 (Sanitation)	Organic production SSOP's followed to prevent contamination of organic products	Document all cleaning practices prior and during organic productions. In addition monitor sanitation practices with regard to organic product storage.	If documentation fails reject product for Organic	Sanitation Logs	Change over procedure, production documents and training is documented for Organic products.