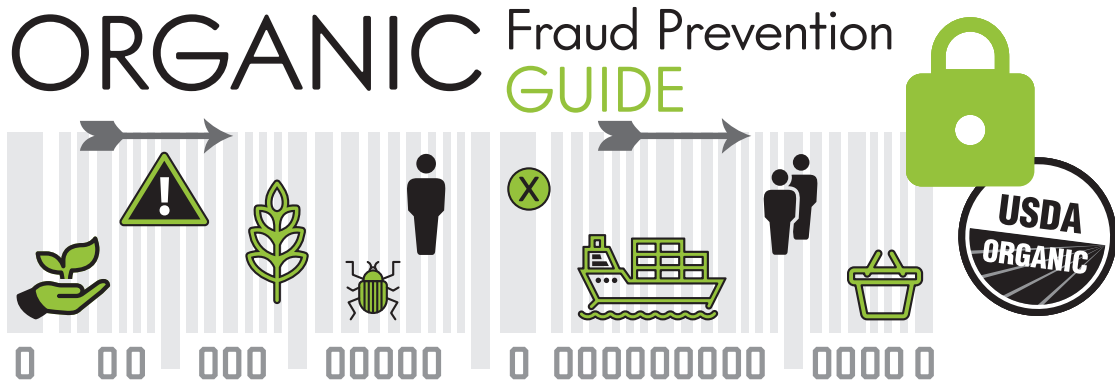


EXECUTIVE SUMMARY



ENSURING GLOBAL ORGANIC SUPPLY CHAIN INTEGRITY

A Guide to Developing an Organic Fraud Prevention Plan



An Organic Trade Association Resource

Ensuring Global Organic Supply Chain Integrity

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A Guide to Developing an Organic Fraud Prevention Plan

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- iii. Food Fraud Think Tank and GFSI Food Fraud Initiative

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OVERVIEW

The success of the organic sector relies on consumer trust of the United States Department of Agriculture's (USDA) Organic seal. The organic certification system, under the oversight of USDA's National Organic Program (NOP), is designed to deliver organic products that are uniformly certified to a single federal standard by a third-party USDA accredited certifying agent (ACA). Organic certification is also designed to create a linked system of compliance providing complete source-to-sale traceability of organic products and accountability of each operation in the global supply chain. To date, the organic label remains the only regulated eco-claim with third-party certification, federal oversight and enforcement.

Recent activities and USDA investigations have revealed products fraudulently labeled as organic and gaps in the complex organic supply chain, specifically as it relates to organic imports. Compromised supply chains due to fraud can erode consumer trust in the integrity of the organic brand. Strong action is needed to improve the effectiveness of controls throughout the organic product supply chain. In addition to the number of steps currently being taken to strengthen NOP oversight of imported organic products, further actions include oversight and training of ACAs, improved collaboration with other agencies to better oversee organic products at U.S. Ports of Entry, and encouraging the private sector to be proactive and take responsible steps for improving systems that will help mitigate and avoid the risk of fraud.

Everyone has a role in organic fraud prevention. It is critical that producers, handlers, processors, distributors, traders and holders of organic brands have systems and measures in place that adequately support the promise of providing organic food that people can trust. This Best Practices Guide, as adopted by businesses engaged in organic trade, will become the industry standard reference for achieving integrity across complex organic supply chains.

Purpose of the Best Practices Guide

The purpose of this Guide is to provide businesses engaged in the organic trade with a risk-based approach for developing and implementing a written Organic Fraud Prevention Plan (OFPP) to assure the authenticity of organic products by minimizing vulnerability to organic fraud and mitigating the consequences of occurrence.

By outlining systematic approaches to the organic certification process and verification procedures carried out by ACAs and certified operations, the Guide's recommended practices are intended to establish an industry standard for businesses to create continuously improving internal programs and processes for achieving organic integrity throughout their associated supply chains.

DEFINITION OF ORGANIC FRAUD

For the purposes of this Guide, organic product fraud can be defined as an intentional misleading or deceptive action carried out for illicit financial gain. Fraudulent acts may include adulteration, substitution, falsified records and the deliberate mislabeling of goods, as well as false statements made on applications, organic system plans, and during

inspections. Of primary concern are intentional and economically motivated substitutions and the fraudulent mislabeling of organic products, including fabrication of fraudulent organic certificates. Such misrepresentation may occur at any point along the value chain from the product source to selling point.

STRUCTURE OF THE BEST PRACTICES GUIDE

This booklet presents a systematic approach to developing and operationalizing a written organic fraud prevention plan that can be summarized by a five-step process:

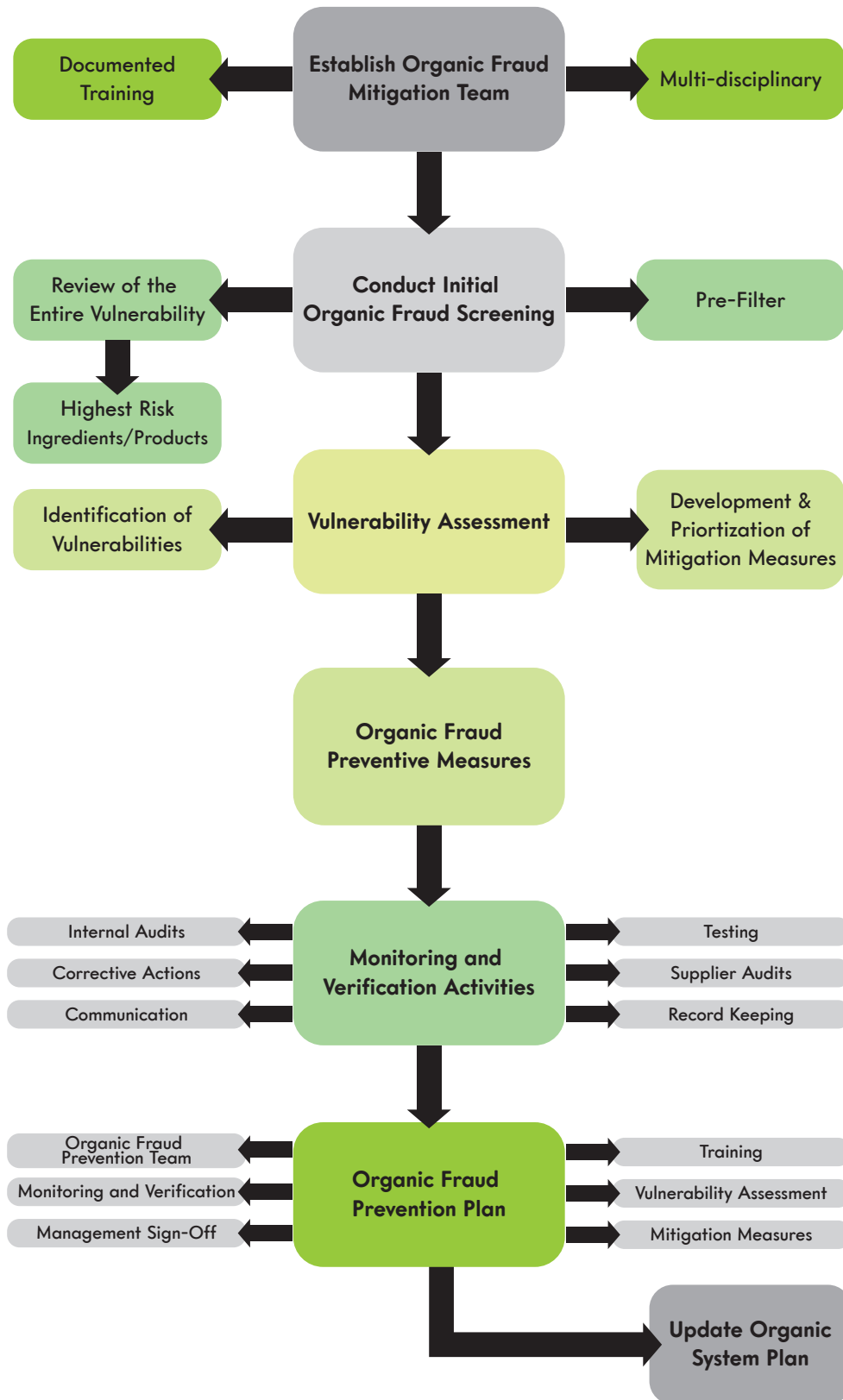
- Conduct a vulnerability assessment, including
 - Know your products and risks (history, economic and geographical factors)
 - Know your suppliers (manufacturer, broker, certified/uncertified, history)
 - Know your supply chain (length, complexity, supply and demand)
 - Know your existing verification measures and identify the gaps
- Design and implement internal mitigation measures including a robust supplier approval program that involves internal audits and second-party supplier audits
- Ensure practices are effective through monitoring practices and verification tools such as internal audits and control testing
- Document the vulnerability assessment, mitigation measures and monitoring practices in an Organic Fraud Prevention Plan
- Integrate mitigation measures into the Organic System Plan (OSP)

In Summary, this Guide:

- Provides businesses engaged in organic trade with a risk-based approach for developing best practices for improving the resilience and overall integrity of global organic supply chains
- Is intended for individual businesses engaged in the selling, buying, producing, processing or packaging of certified organic products
- Provides background on the participant's responsibilities and organic requirements for a simple and complex organic supply chain
- Aims to set a standard industry practice that complements and reinforces the organic certification process and verification procedures carried out by ACAs and MROs as authorized by USDA-NOP
- Presents a process for carrying out a vulnerability assessment to design and implement appropriate mitigation practices that can be integrated into the annual organic certification system
- Provides guidance on developing and implementing a written organic fraud prevention plan to assure the authenticity of organic products by minimizing vulnerability to organic fraud and mitigating the consequences of occurrence
- Recommends monitoring procedures and verification tools that will ensure the practices and procedures are effectively implemented
- Includes detailed information on what to do when you suspect or detect fraud and the process for filing a complaint to the National Organic Program
- Provides additional resources and helpful tools for identifying and or deterring fraud.



DEVELOPING AN ORGANIC FRAUD PREVENTION PLAN



DEFINITIONS

Mitigation Measure:

Measure taken to decrease vulnerability to organic fraud in a given supply chain.

Mitigation Strategy:

Selected set of mitigation measures aimed at preventing food fraud in a given supply chain that are incorporated into the Organic Fraud Prevention Plan.

Organic Critical Control Points (OCCP):

A step or procedure at which controls can be applied to prevent the organic integrity of an organic ingredient or product being compromised. Control points are essential components of an Organic System Plan, and identify the places in a product process flow or in the supply chain where the organic integrity of a product could be compromised.

Organic Fraud:

For the purposes of this Guide, organic product fraud can be defined as an intentional misleading or deceptive action carried out for illicit financial gain. Fraudulent acts may include adulteration, substitution, falsified records and the deliberate mislabeling of goods, as well as false statements made on applications, organic system plans, and during inspections. Of primary concern are intentional and economically motivated substitutions and the fraudulent mislabeling of organic products, including fabrication of fraudulent organic certificates. Such misrepresentation may occur at any point along the value chain from the product source to selling point.

Organic Fraud Prevention Plan:

A company plan that documents the vulnerability assessment, mitigation measures and verification procedures that will be performed and maintained to verify that the plan is effectively implemented.

Organic System Plan:

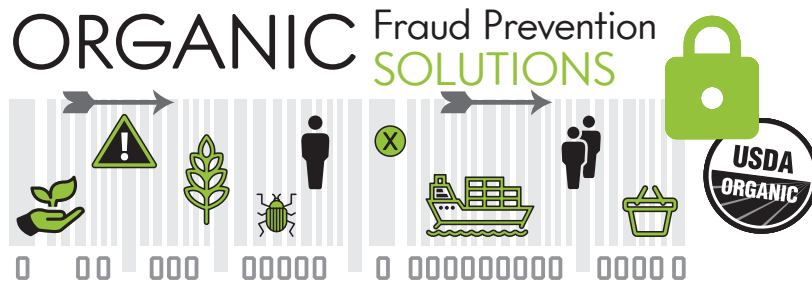
A plan of management of an organic production or handling operation that has been agreed to by the producer or handler and the certifying agent, and that includes written plans concerning all aspects of agricultural production or handling described in Title 7 CFR 205 (National Organic Program Regulations.)

Vulnerability Assessment (or vulnerability characterization):

Within a food fraud management system, the step aimed at reviewing and assessing various factors that create vulnerabilities in a supply chain (i.e. weak points where fraud has greater chances to occur).

- Note: A *vulnerability* is a weakness or gap in protection efforts. *Risk* – The potential for loss, damage or destruction of an asset as a result of a threat exploiting a *vulnerability*. *Risk* is the intersection of assets, threats, and *vulnerabilities*.

The Organic Trade Association has developed the **Organic Fraud Prevention Solutions** private-sector program to help protect your business, and grow consumer confidence in organic.



Organic Fraud Prevention Solutions improves your internal quality assurance programs.

- ✓ It helps **prevent organic fraud** in your supply chain
- ✓ It provides a **business-to-business marketing advantage**

The program provides step-by-step training and resources.

- ✓ Identify **weaknesses** and gaps
- ✓ Design internal **mitigation** measures
- ✓ Implement **monitoring** and verification tools
- ✓ Update your **Organic System Plan**

The program complements and reinforces the U.S. Department of Agriculture's Organic standards and the work of the accredited certifying agencies.

- ✓ It is a quality assurance program, **not a certification** or verification program

Organic Fraud Prevention Solutions is designed and tested by the organic sector. It minimizes vulnerabilities for organic farmers, handlers, traders, processors, distributors and retailers.

Organic Fraud Prevention Solutions is open for enrollment*

- ✓ Be **publicly recognized** as an Organic Fraud Prevention Solutions enrollee
- ✓ Receive the comprehensive Organic Fraud Prevention **Best Practices Guide**
- ✓ Secure your **training slot** (free to Organic Trade Association members)
- ✓ Receive **business-critical updates** on program developments and fraud news

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*Pre-enrollment is available for Organic Trade Association members. All program participants must be certified organic or listed by a USDA recognized Material Review Organization.

Learn More: OTA.com/OrganicFraudPrevention



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