National Organic Standards Board
Compliance, Accreditation & Certification Subcommittee (CACS)
Oversight Improvements to Deter Fraud:
Modernization of Supply Chain Traceability Spring 2022 Discussion Document
February 14, 2022

Introduction:
The NOSB and the CACS subcommittee, in particular, appreciate the level of community engagement received regarding the Fall 2021 discussion document focusing on the Modernization of Supply Chain Traceability. Since the Fall 2021 NOSB meeting, the Board has looked to identify opportunities to lay a strong foundation for what we all hope will become a continuously improving traceability system. The overall goal is to have organics be able to claim the title of the most traceable food system in America and the world one day. The organic seal derives trust from the consumer due to the assumption that the organic supply chain is transparent. As one commenter from the Fall meeting mentioned, "the NOSB makes the important point that we need key information regarding traceability and volume cataloged, and we need this to be readily accessible."

More consistent data reporting across the supply chain is a priority for the NOSB. Reflecting in oral and written comments at the Fall meeting, commenters indicated some steps that the community and the USDA can take in short order to enhance traceability efforts. In this discussion document, we highlight two key elements that are a low burden to the community and can aid in deterring fraud: 1) reporting acres per crop on a certified operation's certificate and 2) a universal bill of lading. Based on the Strengthening Organic Enforcement (SOE) proposed rule, it appears acres reporting on organic certificates would not be required as part of the final SOE rule.

Reporting Acres per crop:
Protecting integrity is foundational, and one commenter asked the question regarding the proposed rule on Strengthening Organic Enforcement (SOE), "Will the final rule require mandatory data reporting to NOP by crop type, acreage, and location; and number of animals by livestock type and location, at least on an annual basis to the Organic Integrity Database (OID)? A requirement for certifying agents to report production area certified by crop/livestock and location, on at least an annual basis, to the OID is one of the most impactful single actions that can be taken to increase the integrity in the global organic control systems." The commenter goes on to ask, "will the OID provide for global use? If not, then we recommend investing in some additional system that gives organic operations and certifying agents access to the same type of information about certified operations around the world that are operating under equivalency arrangements and selling products into the United States." The NOSB agrees with both comments from the community.

Is this currently being done?
As one commenter stated, "Currently, certifiers report acreage data from certified operations to the USDA's Organic Integrity Database (OID), but that data is incomplete because reporting acreage data is not mandatory for certifiers and is not reported in a consistent way by all certifiers." The commenter goes on to say that they "believe the NOP should make product and acreage reporting mandatory for certifiers."

At present, SOE appears to be poised to require the reporting of acres by crop into the OID. However, this information will not be public-facing in the OID. Since the NOP considers acres "confidential

business information", It is understood that disclosure of acreage by crop will only be available to certifiers, leaving buyers and inspectors of organic crops, two of the key reporters of fraud, in the dark.

Why is reporting acres by crop important?
It is long acknowledged that fraud in organics is most often exposed by individuals reporting red flags to certifiers and the NOP. With this acknowledgment, the NOSB implores the USDA to elevate the ability of organic inspectors and buyers of organic crops to identify, in real-time, volume of sales. One means of doing this is to list the number of acres per crop on the organic certificate. Some innovative organic certifiers, specifically Ohio Ecological Food and Farm Association (OEFFA) and Organic Crop Improvement Association (OCIA), have already undertaken the practice of listing the number of acres per crop on organic certificates. In real-time, inspectors reviewing purchase records where this information is disclosed can identify any inconsistencies between sales levels and production capacity.

Furthermore, buyers of organic crops will be able to cross-check if the operations from whom they are buying have the ability to produce the volume of crops purchased. At the aggregation point, reasonably considered the first most risky point in the supply chain, aggregators of crops from multiple producers would supply all organic certificates to the inspector who can quickly check if the capacity of the supplying operations could support the buying levels.

The NOSB calls on the organic certifier community to report crops by acreage across all certifiers. Furthermore, the NOSB implores the NOP to make acreage reporting on organic certificates mandatory for all certifiers of all operations certified to the NOP, both foreign and domestic.

Reporting product and acreage data and displaying it on the organic certificate is a low burden and provides additional opportunities to identify red flags in the organic supply chain. Fraud Prevention Plans are being discussed amongst the community. Greater transparency can be achieved with incremental steps within the certified operations if size and certified organic products grown are captured in the OID, visible to certifiers, and displayed on the certified operation's organic certificate. With acres displayed on the certificate, needed insight can be provided to inspectors, handlers, importers, and brokers to help identify potential fraud in the supply chain. Under current organic certificates, most certifiers list the crops an operation is certified to grow in a given year, but not the number of acres. To not "lose the forest for the trees," auditing an operation's entire production capacity, not just a single field, would allow buyers and inspectors to identify concerning sales levels more effectively and efficiently than auditing just a single field.   One commenter from the Fall stated, "Additionally, accurate operation-level organic acreage data that is segregated by crop would assist in conducting high-level, big picture mass balance audits, in addition to those performed during inspections, to determine if the output from a specific region matches production levels or is an indication of fraudulent activity."

Another commenter stated, "acreage data must be collected, if we don't have a system of good production data, any OLS (Organic Link System) will fail. Crops should be listed on the certificate or in the Organic Integrity Database, or both, with more specificity. The OID is a very important tool for inspectors and certifiers, and we greatly value it".

Listing an operation's acres by crop will be a significant aid to inspectors and other supply chain participants in the effort to identify fraud before it becomes pervasive.

Universal Bill of Lading:
To draw parallels when considering standardization of key data, it is important to consider the pending Origin of Livestock rule. With the pending Origin of Livestock rule, the certification community will necessarily be innovating their forms and auditing requirements to satisfy the requirements outlined in the rule. This is a potential opportunity for certifiers to collaborate and draft best practices so that on all dairy operation inspectors know to ask consistent questions no matter the record-keeping system. Also, inspectors can expect specific data, so rigorous audits on the origin of livestock can be completed. In turn, this same spirit of collaboration could reasonably be applied to a "universal bill of lading" for all agricultural commodities.

The expectation of what information is essential to confirm traceability can vary from one certifier to the next. "Sufficient in detail and readily understood and audited" can be a point of inconsistency in the certification process, especially for growers who are transitioning or are new to organic. One way to embrace the bespoke nature of record-keeping is to consistently require key reporting information in transactions between operations where bulk goods change form and lots of bulk goods are aggregated. For example, the provenance of organic grain may be lost if the grower operation provides key information to their buyer and if the buyer does not record that information in transaction documents that move down the supply chain. For this reason, we call on the organic community to require inspectors and reviewers to confirm that the following data points are identified on transaction documents from grower to buyer/aggregator:

- unique lot number
- crop year grown
- date of transaction
- crop
- buyer name
- seller name

Why is a universal bill of lading important?
Record keeping is unique from operation to operation, which is notable, as it allows record-keeping to be maximally well suited to each operation.

As one commenter in the fall mentioned, "Keep in mind that it is the responsibility of the operation to demonstrate the integrity and robustness of their record-keeping system to inspectors and certifiers. Site-specific and adaptable record-keeping systems do not excuse or allow operators to keep poor records. If records are not sufficient in detail to be readily understood and audited and sufficient to demonstrate compliance, as required by 7 CFR 205.103, the inspector will note the issue of concern for the certifier to address."

Additionally, a commenter added, "right now, record-keeping systems vary widely across production and handling operations, with systems often specifically suited to the type of operation. Choosing any one system for all operators to adopt will inevitably be more or less burdensome for each operator depending on a host of variables."

We, as a board, agree with this comment; however, there are core pieces of information that are or should be "standardized" that can move the community collectively in the same direction. With the implementation of SOE, certifiers are aware that additional scrutiny will be placed on assessing whether record-keeping by an operation is sufficiently auditable. As a community, greater cooperation amongst the certification community assessing what is "sufficient" will be a significant step forward to building a

more robust traceability system. The NOSB calls on the certification community to embrace consistent key data reporting on transaction documents.

In Closing:

As one commenter mentioned, "The integrity and future success of the organic system are dependent on the awareness, collaboration, and cooperation of everyone involved--the regulators, the certifiers, and the certified operations. Similarly, the prevention, detection, and eradication of fraud must be a cooperative effort, endorsed and implemented." Both acreage reporting by crop and universal bills of lading are viewed as fundamental steps for increased consistency in the community, ultimately aiding in increased transparency. Both are minimally burdensome to certified organic operations and certifiers while offering the potential to be significant contributors to improving fraud detection and building a consistent, transparent, traceable system.

Questions:
1. Should acreage by crop be included on organic certificates?
2. In addition to total certified acres should acres per crop also be included on the organic certificate and be public-facing in the Organic Integrity Database?
3. How can the community better educate inspectors and certified operators on what is sufficiently auditable record-keeping? (e.g., organic learning center, etc.)
4. What opportunities are there for stakeholders to collaborate in creating additional resources (e.g., forms, etc.) for use by organic operations that incorporate key data elements?
5. How can the NOP assist certifiers in issuing non-compliances for insufficient record keeping?

Vote in Subcommittee:

Motion to accept the discussion document on Oversight Improvements to Deter Fraud: Modernization of Organic Supply Chain Traceability - Spring 2022
Motion By: Amy Bruch
Seconded By: Nate Powell-Palm
Yes: 5 No: 0 Abstain: 0 Absent: 0 Recuse: 0