

Measures to reduce the risk of imported fraud cases from an importer perspective

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(AFI: www.organic-integrity.org)

What does the title mean?

- Reducing the risk of fraud in imports
- All UA imports, or limited to
 - the big commodities, the cereals, oilseeds
 - human consumption or mainly **animal feed**
- What is (causing) the fraud?
 - Weak farms, weak mgt, weak insp & cert
 - Aggregation, wrong volumes
 - Opportunism, wilfully or incompetence
- For the importer - or users
 - Pressure from further buyers is important
 - Just importer or supply organisor or trader-speculator

Background speaker

- Developing organic projects in CEE for EU importers since 1986, HU, PL, CR, RO, LT, still some export promotion, UA, MD, AM.
- Historical perspective. Majority of work in 3W countries.
- Since Biofach 2007 involved in AFI
- More analyses, some investigation, preventive measures, tools, multistakeholder dialogue
 - TR, DE, IT, UA
 - 2008 Hamburg Trade Risk Assessment 1p
 - 2008 Hamburg Code Good Organic (Business) Practice
 - 2011 Brussels Sensitivity to Fraud ppt
 - 2015 Kyiv Sharing Responsibility 4p
- (www.organic-integrity.org), voluntary work

Everything quiet on the Eastern front

- RO some stories
 - MD collapse 2012, starting up slowly
 - UA collapse 2014, starting up
 - Belarussia
 - Russia
 - Kazachstan
 - Turkey, USA
- The big potential is with Ukraine, proximity with EU
- Let's go sourcing in the Ukraine!
- With the serious producers
 - Get rid of the risky ones

Market analyses

- Do we know the exporters
 - The risky ones
- Do we know the importers
 - Analyses of irregularities
- Do we know feed industry
 - Its needs and how it is filled
- Do we know UA acreages and volumes, traffic
- 2014 known and unknown organic sector in UA
- Some sort of registration (FederBio IP?)
- The fraud branding

What importers should do I

- Assume responsibility for the product
- Do not hide behind a certificate or a no residue analyses
- Know the limitations of the CB, the system
- Go long term, quality, efficiencies, risk aversion
- Be serious, not cheap, quick and high risk
- Know very well what to do, individually but
- Not what to do as sector, pre-competitive
- EU screaming market, UA corruption, economy
- Stuck on the time scale

Indications of fraud situations

- Management behaviour
- Limited capacity of staff
- Lack of communication
- Software problems, changes
- Unusual market pressure
- Unrealistic pricing, surprise volumes
- Quality requirements
- New, irregular transactions

2011 Brussels ‘Sensitivity to fraud’

Self- Assessment of Risks in Organic Business Supplies to Use at One's Own Discretion (Version 13 Feb 09 CT)		Risk		
		high	medium	low
A) Product Level				
Country & Product	Name the country and the product and check at www.bioc.info for risk level			
	Multi-ingredient product: documentation provided+ checked for all ingredients?			
	Multi-ingredient product: recipe convincingly organic + strictly followed?			
Supply Status	Scarce			
	Normal Supply			
	Unusual Oversupply			
Sampling	No Sampling			
	Scarce Sampling			
	Regular Sampling			
Traceability	Not Sufficient			
	Normal			
	Good			
Product Specifications	Extremely strict product specifications			
	Rather loose specifications with considerable tolerance			
	Strict specifications but allowing reasonable tolerance			
Prices	We have to pay very low prices			
	We require low prices but accept reasonable margin for supplier			
	We are willing to pay higher (sustainable) prices			
B Supply Chain Level				
Quality Schemes	Are you working according to the Code of Good Organic Practice? No/so/yes			
	Are you working according to BRC, IFS, BNN, GlobalGAP, HACCP? N/s/y			
	Does your supplier work acc. to the Code of Good Organic Practice? N/s/y			
	Does your supplier work acc. BRC, IFS, BNN, GlobalGAP, HACCP? N/s/y			
Relationship with Supplier	Supplier unknown / Spot Purchase			
	Regular business with supplier			
	Do you have a long standing relationship with your supplier?			
	Have you never met the supplier in person?			
	Did you sometimes inspect the farm or received copies of inspection reports?			
Supplier Reputation	Have you regularly seen or heard from the farm and seen inspection reports?			
	Has the supplier a 'risky' reputation in the business?			
	Has the supplier received inspections from competitors?			
	Are irregularities known to control bodies?			
Further Points	Status of technical documentation on supplier (bad/medium/good)			
	Is there a protocol in case of pesticide residues found or organic origin in doubt			
	Does the supplier also deal conventional products + keep organics separate?			
	Has the control body specifically checked for not mixing conventional-organic?			
	How is the communication of your supplier (bad/medium/good)			
	How is the image and communication with the relevant control body (b/m/g)			
Do you know the details about the suppliers of your supplier?				

What importers should do II

- Assume upstream responsibility
- Start own sourcing/vertical integration or
- Work with exporter to develop
 - Longer term perspective
 - Management system
 - Financial stability
 - Known VC, planning
 - Good agriculture
 - Quality management

2015 Kyiv ‘Shared responsibility’

What importers could do III

- Communication of irregularities
 - With CB
 - With authorities
- Evaluation of past cases
- Better understanding of risky situations
- What the regulation can or cannot do
 - What guidelines might work or not
- Predicting the next situations
- Whistleblower, no repercussions
- Individual or as sector, national or EU level

What importers should do IV

- Act together
- Identify the risky ones
- Decide to stop buying from the risky ones, or phase out, internally communicate this
- Market sanitation, market discipline
- Work with serious producers/aggregators to build supply chains

Next step

- Work on this
- 2017 meeting Kyiv (or Cherson, Odessa?)
 - Sponsored by importers?
 - In time for COM to amend guidelines
- Focus on the problem
 - Cereals and oil seeds
 - **Animal feed ?**
- Growth for all
- UA 10% organic by 2025 ?