

# GUIDELINES FOR SMALLHOLDER GROUP MANAGEMENT OF ORGANIC AND FAIRTRADE CERTIFICATION

(FAO Draft, 25 January 2010)

## INTRODUCTION

This document defines operative procedures and minimum requirements for building smallholder groups' management capacity for organic agriculture and fair trade certification.

It is to be recalled that any certification and systematic approval internal to a company or group cannot be other than an on-going management process. In the case of large groups (i.e. payable over 50 operators), on-going management is best implemented under an Internal Control System (ICS). Therefore, the continuous management system that uses an ICS assures a constant control of the group management and hence, the possibility of continuous improvements, in particular:

- compliance with the production standards of the marketed products;
- product integrity;
- chain of custody;
- traceability, inclusive of the physical separation, depending on needs.

A group run under an ICS offers, first of all, self-assurance on the declared quality of the products – be it organic, fair trade or other claims. Second, in case of any requested certification, the concerned third party certification body can use this constant “control system” to reduce the cost of direct inspection and control.

These guidelines propose requirements for establishing a credible and efficient group management system, including also ICS, which could be used by any kind of certification scheme. In addition to group management *per se*, this document singles-out requirements specific to organic agriculture and fair trade. However, the structure of this document is conducive to the addition of further certification schemes requirements (e.g. GlobalGAP, Protected Denomination of Origin (PDO), Protected Geographical Indication (PGI), ISO 22000, IFS), with a view to offer a tool for multiple certifications.

While operative procedures and requirements for group management constitute the bulk of this document, requirements specific to particular certification schemes, such as organic agriculture and/or fair-trade are written in *italics*. A font type and colour distinction is made when a proposed requirement refers to a particular certification scheme: *Comic Sans MS and orange for fair-trade; Times New Roman and green for organic agriculture.*

The drive for multiple certifications is on the increase. For producers to effectively meet requirements, it might be likely to create a common mechanism for multiple inspections. With this draft document, the authors hope to foster a constructive dialogue between the organic and fair trade communities.

## 1. SCOPE OF THE GUIDELINES

- 1.1. To guarantee that specific certification standards (e.g. organic agriculture, fair-trade) are met through appropriate management.
- 1.2. To facilitate marketing of certified products, and more specifically of organic products that are also fair trade.
- 1.3. To ease economic hurdles faced by smallholders for inspection.
- 1.4. To recommend steps for a complete and constant inspection work by internal inspectors in the framework of an ICS set-up by the smallholders group.
- 1.5. To have an efficient chain of custody and traceability.
- 1.6. To offer a mechanism for the third party certification body(ies) verification and evaluation of the effectiveness of the ICS, hence for the smallholders group certification as a whole.

## 2. DEFINITIONS AND IDENTIFICATION REQUIREMENTS

### 2.1. Smallholders Group (hereinafter referred to as “Group”)

- 2.1.1. The Group is self-organised, i.e. as a co-operative or association.
- 2.1.2. The Group must be established formally, based on agreements among its members in order to ensure real awareness. The form of the agreement, whether written or not, must be the legal and significant for the specific cultural context.

*2.1.3. The Group should have a democratic and participatory management, in particular with regards decisions proper to the organic or fair trade production standard to be followed, including the distribution and use of the income coming from the fair trade sales.*

- 2.1.4. The Group shall have a central management, established decision procedures and a legal capacity.
- 2.1.5. The size of the Group has to be large enough to support a viable ICS and a coordinated Group marketing or exports i.e. is normally payable if over 50 smallholders member

### 2.2. Members of the Group

2.2.1. *Only smallholders* can be members of the Group covered by the group' certification. Smallholder refers to a subject (producer or other Group member) managing project activities mainly with their own labour and their family's labour.

2.2.2. The producers or members of the Group must apply similar production systems and they should be in geographical proximity.

- 2.2.3. The Group organization must have a democratic structure, including:*
- *membership must not be discriminating with regards to race, colour, sex, religion, political opinion, national extraction or social origin;*
  - *main decisions are taken in a general assembly (or its equivalent ) with voting rights for all members;*
  - *each member must have one vote within the general assembly;*

- *the general assembly is the supreme decision-making body;*
  - *all elective boards and positions must be elected in the general assembly (i.e. president, director, ICS manager, etc.);*
  - *the general assembly is formally held at least once a year;*
  - *the annual budget and balance are presented to, and approved, by the general assembly. The balance has to be clear, transparent and coherent with the reporting requested by the certifying body.*
- 2.2.4. Processors and traders (including exporters) who are part of the Group, or sub-contractors, should follow the policies approved by the general assembly (e.g. manual, standard, etc.).
- 2.2.5. Processors and traders are monitored by the ICS to ensure the chain of custody and traceability.

### **2.3. Internal Control System (ICS)**

An ICS is a documented quality assurance system that allows an external certification body to delegate the annual inspection of individual group members to an identified body/unit within the group of certified operators.

## **3. MANAGEMENT OF THE GROUP**

The Group shall have a defined and documented structure and an internal management system with established procedures. The scope and objectives of the internal management system shall be defined and the system shall reflect the specific characteristics of the Group. Group managers and members shall each understand their respective responsibilities.

### **3.1. Description of Internal Management**

- 3.1.1.** Definition of roles, responsibilities and competencies of staff, distinguishing between committees, *elected persons* and appointed persons.
- 3.1.2.** The Group staff should comprehend the management responsibilities for the different activities, including the distinct mandates of the Group Manager, Director and ICS Manager undertaking all the monitoring and controls. Simple criteria and/or term of reference have to be defined to control or avoid conflict of interest by all means.
- 3.1.3.** Adequate financial resources must be secured to cover management costs (including also the ICS costs), with annual approvals general assembly or the Group.
- 3.1.4.** A procedure must be established for the first approval of new members, as well as the annual renewal of Group members, complete of criteria for the acceptance of members within the Group.
- 3.1.5.** *A procedure must be developed to approve and identify the status of the plots (i.e. organic or in- conversion). This procedure is obligatory for the “on-going” process of organic certification only but is recommended for fair trade as well, with a view to identify plots cropped according to FLO standards.*
- 3.1.6.** A procedure is needed to train the Group members on the standard requirements in order to ensure awareness and competence for applying the

specific standard requirements in all phases of implementation (handing-over papers is not sufficient). Training provides continued qualifications to all the persons managing the Group activities, including committees, internal inspectors, buying staff and any new staff and elected person, as a support to their successful fulfillment of tasks.

- 3.1.7. A chain of custody must be defined in order to keep the product' flow viable, including the identification and separation of the out-coming products, as expected by the requested certification. *For organic certification, organic and in-conversion products must be identified and kept separated from conventional (non-organic) products.*
- 3.1.8. *A procedure must be established to monitor that the "Fair trade income turn over" gives the "better payments" for the members, as defined and voted by the Group in the general assembly.*
- 3.1.9. *A method must be defined to monitor, through the ICS, the effectiveness of the use of the Premium Price received, as decided by the Group.*
- 3.1.10. Group and Group members are required to keep records.
- 3.1.11. An Internal Control System Manual must be approved by the Group.

### **3.2. Documents Related to the Group Management**

- 3.2.1. A brief description of the legal status of the Group.
- 3.2.2. The Group approved "internal standard" of production/farming must have a summarized version of the standard requirements relative to the applied scheme of certification. This "internal standard" should be simple and comprehensible for the producers, with *evidence of the key points of the chosen organic standard (e.g.(EU Reg., NOP, JAS, etc.) and any restriction of the FLO standard for specific products.*
- 3.2.3. An organizational chart with names, qualifications and experience of the board of Directors, the Manager or Director, and ICS Manager formally approved by the Group.
- 3.2.4. Group members' list under the responsibility of the ICS. *For organic certification, the list must be connected the plot's list.*
- 3.2.5. The procedure for managing the documentation related to the Group members.
- 3.2.6. An organisational chart showing lines of authority, responsibilities and allocation of functions.
- 3.2.7. A description of the full product flow that covers all steps of the production chain for which the Group is responsible. The Group management shall have full control and overview of the products' flow at each of these steps. The product shall be tracked at each step of the product flow.
- 3.2.8. A procedure for conducting the management reviews, with a view of improvements.
- 3.2.9. An Administrative procedure including document control.
- 3.2.10. A procedure for the selection and training of staff.

## 4. INTERNAL CONTROL SYSTEM (ICS) REQUIREMENTS

### 4.1. Scope of the ICS

The ICS shall give the Group management the possibility to determine if: (a) an individual group member is fulfilling the standards and other requirements related to the certification scheme(s) chosen by the Group; (b) any certified product is in compliance with the chosen standard.

4.1.1. ICS carries-out regular inspection (depending on the chosen standard) and relative evaluation to each individual member.

4.1.2. *For organic certification, the control is carried-out at least once a year, including all the production and processing facilities, based on a risk assessment plan.*

4.1.3. A procedure must be defined to manage conflicts of interest.

### 4.2. ICS Manager

The ICS shall be managed by an ICS Manager designated by the Group to carry-out decisions and all relevant manager activities.

### 4.3. ICS Inspectors

4.3.1. Internal inspectors are designated by the Group to carry-out internal controls.

4.3.2. Inspectors must receive suitable training on the chosen standard (e.g. organic agriculture, fair trade) and on internal inspection management. Training activities for all inspectors shall be documented.

4.3.3. Inspectors shall have available clear job descriptions of their duties and responsibilities.

4.3.4. The ICS includes effective rules to avoid or limit potential conflicts of interests of the internal inspectors.

4.3.5. All the ICS staff must be adequately remunerated and have their operation expenses covered.

### 4.4. ICS Documents

#### 4.4.1. ICS Manual

The ICS shall be documented in a comprehensive ICS Manual and associated procedures and forms. This Manual must be approved by the Group (or General Assembly). The ICS Manual must contain the following:

- an organisational chart showing lines of authority, responsibilities and allocation of functions stemming from the ICS Manager;
- procedures for conducting the Manual reviews;
- identification of all the critical points along the complete products' flow, with a view to plan the needed control. The product shall be tracked at each step of the product flow. *In the case of organic certification, particular attention must be given to the separation of the in-conversion and organic product.*
- a procedure for recruitment, selection and training of inspectors, including monitoring of their competence;
- a procedure for managing the documents related to members or approved production unit and products;
- procedure and forms to execute internal inspections;

- a procedure for planning, based on a risk assessment, to carry-out and report internal inspections;
- procedure to grant or deny approval, deciding conditions;
- procedure to communicate the decision, be it positive or not;
- a procedure for handling non-conformities and for assuring the effectiveness of any corrective and preventive action taken;
- a procedure for dealing with sanctions and appeals.

**4.4.2. The Inspection Report** should include at least the following information:

- name of the person farming the land, name(s) of anyone else helping to farm the fields, member ID and date of the inspection;
- description of the total area under management of the farmer (including conventional fields), the list of organic crops with their respective area and prior years' crops;
- coverage of all aspects related to the chosen standard, such as: crop rotation plan; use of inputs; fertilisation and soil management practices; plant protection measures; source/use of propagation material; separation and prevention of contamination during harvest and post harvest handling; animal husbandry; etc;
- *coverage of additional requirements related to the organic standard, such as: separation of in-conversion and organic during harvest and post harvest handling; organic animal husbandry; etc;*
- *uses of neighbouring land and comments regarding the application of materials by neighbours;*
- *management of buffer zones between fields and neighbouring field;*
- *potential contamination dangers: probability of contamination on a map and state reasons for concern; potential for contamination mitigation; whether the potential contamination would jeopardize the integrity of the field itself or just the product produced for the current year; existence of a plan of action; and action taken.*
- degree of maturation of crops at the time of the internal inspection;
- estimated date of harvest, estimated production and harvest plans;
- comments of the producer regarding the certification and management of the Group.

**4.4.3. The Group Members List** must be implemented and, at least, made available completed of:

- member's names;
- member' s codes;
- position and role in the Group;
- village/location;
- referred to the plots:
- *total area and area under organic farming;*
- *internal approval status: organic or in-conversion;*
- date of first approval;
- crop/product;
- volume of potential production;
- date of the last use of non permitted substances.
- dates of internal inspections;
- any scheme-specific data needed.

The Group member's List must be reviewed on a regular basis and updated when necessary.

#### **4.5. ICS Documentation Related to Members**

The ICS must ensure that appropriate documentation related to members is available, including at least:

- 4.5.1.** A contract or an adequate (usually in written form) commitment declaration between each member and the Group, which contains at least: the description of the chosen standard (the description could be reported in an enclosed document); obligation to fulfil the standard(s); the allowance for inspectors to access to the operational location (i.e. farm) and facilities; sanctions in case of violations and appeal rights.
- 4.5.2.** *A Basic Record (member entrance form) for each member to be approved. The Basic Record shall contain at least: description of all fields (including conventional fields); and date of the last application of not allowed substances. This Record is useful to other kind of production quality claims (e.g. GlobalGap, PDO, PGI).*
- 4.5.3.** An overview map (village or community map) which shows the location of each farm (all fields) with code numbers for each producer.
- 4.5.4.** *Maps of production/farming areas, plots, etc, (dated and signed).*
- 4.5.5.** *A production plan for each farmer/processor.*
- 4.5.6.** A copy of each inspection report.
- 4.5.7.** Records of infractions or violations, sanctions and follow-up actions arising from both internal inspections and external audits.
- 4.5.8.** Records of any eventual complaint and appeal.
- 4.5.9.** Records showing that the ICS has reviewed the inspection including comments about the inspection and management of violations noted by the inspector.

#### **5. IMPLEMENTATION OF THE MANAGEMENT SYSTEM**

Basic actions to establish a Management System with an ICS:

- 5.1.** To analyze the Group, management and awareness on the members on the objectives of the certification.
- 5.2.** To prepare, discuss and approve the production standard in the most summarized way possible among the members of the group.
- 5.3.** To define and document the chain of custody and develop a traceability chain to ensure that all the organic/fairtrade certified products are physically traceable from the farm to the final product to be marketed (one up – one down system); particular attention must be paid to intermediate points, such as for example village stores, in order to avoid any change of product.
- 5.4.** To develop the ICS Manual, with the relative procedures and forms.
- 5.5.** To undertake the training in villages/subgroups on the application of the production standard.
- 5.6.** To train people in villages/subgroups to set-up the chain of custody and keep the needed records.
- 5.7.** To make the first complete internal control inspection to all the members/producers. All new members *and the new plots* must be inspected and

assessed before including them into the ICS Member List. The Inspection Report must be dated, signed by the inspector and confirmed by the inspected member.

- 5.8. The ICS Manager makes the first evaluation of all members/producers. Results of any inspection and decision must be clearly documented by the ICS Manager.
- 5.9. The decision and eventually the non-conformities must be communicated by the ICS Manager to the concerned Group member and to the Director in a proper time.
- 5.10. The ICS Manager must compile the Members List, as required. *For organic certification, the plot's status and conversion period must be specified.* It is essential that the potential production coming from each producer/village/subgroup be approved by the ICS Manager.
- 5.11. The Director should communicate these results in time to the buying staff, or part of the chain of custody, in order to avoid or reduce any possible risks.

**As part of the on-going process:**

- 5.12. To continue training producers and those responsible of the chain of custody in the villages/subgroups, in order to improve the management and solve emerging problems.
- 5.13. Undertaking the second and following internal control in line with the control plan, based on the risk assessment of the ICS. At least one complete internal control to all the members/producers must be undertaken every year. *For organic certification, all the plots must be inspected and assess before including them into the ICS Member List.* The ICS Manager makes the re-evaluation of all the members/producers at least once a year.
- 5.14. The decision and eventually, the non-conformities of the re-evaluation must be communicated to the member and to the Director in a proper time.
- 5.15. From time to time, the ICS Manager updates regularly the Member List, as required. *For organic certification, the plot's conversion status and period must be specified.* The update covers the potential production coming from each producer/village/subgroup by the ICS Manager.
- 5.16. The Director should communicate the updated results of the ICS (Member List and potential production) to the Buying staff, or part of the chain of custody, in time and properly to avoid or reduce any possible risks.