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OANZ's Response to Minister of Food Safety David Bennett in August 2017:

Regarding issues surrounding the proposed national standard and regulation for New Zealand certificated organic product

On Wednesday 2nd August 2017, a meeting was held between Organic Aotearoa New Zealand (OANZ) and Minister David Bennett. The Minister raised several issues about proceeding with a regulation for certified organic product. This paper sets out OANZ's response to the Minister regarding those issues.

Executive Summary

OANZ believes that implementation of a national regulation for organic standards (scheme) would:

- Significantly reduce the costs of compliance for certifying bodies in New Zealand
- Significantly reduce the number of standards and procedures that organic producers are currently required to comply with, therefore increasing productivity and growth
- Support trading relationships with our trading partners
- Support the overall growth of the organic sector by encouraging investment
- Increase consumer confidence in organic products made and sold in New Zealand, and prevent 'greenwashing'.

We propose that:

- A national scheme for organic produce and products which would be implemented over a 3-year period (After 3 years to implement the new scheme after which the OOAP would be dismantled.)
- The new national standard would be based on the existing MPI Technical Rules, to which most of the large organic producers are currently certified, and ISO 17065 for accreditation of export certifiers.
- An advisory board of sector representatives would oversee development and management of the regulation standards during and after implementation
- A fund would be required to allow ensure the implement of the scheme during the 3-year period. This would include rebates for producers' certification costs. Costs could be lowered if current export levy funds are redirected into this fund.

Sector support for a national scheme

Getting the balance right between domestic and export

Since 2000, the organic sector has worked closely with the Ministry of Primary Industries (MPI) to ensure that certified organic produce and products made in New Zealand have market access to the EU, the U.S., Japan and Taiwan. Despite ensuring this access, compliance costs are extremely high,

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when compared to certification body costs in other countries. Certification body compliance costs in NZ are an average of NZD\$100,000 annually, due to the OOAP requirements and multiple accreditations to manage access to multiple markets (in comparison, certification body compliance costs are between NZD\$3,000 for certifiers in Japan and NZD\$25,000 for certifiers in Canada). This is one of the motivations for a national standard that would include imports, domestic sales and exports.

The organic sector has supported a domestic standard and regulation since 2000. An organic standard was developed (NZS 8410:2003.) but was not implemented, (although it had wide consultation) since it would have jeopardised export markets that had been certified to the MAF (MPI) Technical Rules for Organic Production.

The organic sector reluctantly supported the MPI Technical Rules through the Organic Exporters Association of New Zealand (OANZ) as the response to the EU requirement changes in 1998 that came into effect in 2000. Further, the United States Department of Agriculture National Organic Program (USDA NOP) was implemented in 2002, and the Japan organic standards (JAS) were implemented in 2001 while the sector was working to consolidate the existing standards being used by BioGro and the New Zealand Bio Dynamic Farming and Gardening Association.

Today, in 2017, most certified organic producers, processors and exporters are certified to the MPI Technical rules. The four-main organic and biodynamic certifiers -ASUREQuality, BioGro New Zealand Ltd, Organic Farm New Zealand (OFNZ), and the New Zealand Bio Dynamic Farming and Gardening Association - have all agreed to the MPI Technical rules for organic production to become the basis for a New Zealand organic standard. These would encompass the various certifications currently being done in New Zealand.

OANZ members include many large exporters and sector organisations such as Bostock Organics, Organic Pipfruit Growers and the Certified Kiwifruit Growers Association, Zespri International, HortNZ, Soil and Health and the Organic Winegrowers Association, all support this move to a national standard and regulation. The Organic Exporters Association of New Zealand were members of OANZ when this proposal was made and continue to support it wholly. We are unaware of any organic sector group opposed to this arrangement. We are unified in our approach.

Including existing organic and biodynamic schemes

The OOAP covers most of the commercial organic operators, but not all. OFNZ runs a low-cost certification service for small producers, with costs ranging from NZD\$250 - \$500 annually. BioGro also has a domestic program for organic producers that costs NZD\$795 for a single producer, whilst



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AsureQuality also has a similarly priced program. The New Zealand Bio Dynamic Farming and Gardening Association also has a program.

ISO17065 is the accreditation standard that our trading partners use to accredit certification bodies. Both BioGro and AsureQuality use the International Organic Accreditation Service (IOAS) for their EU and Canadian government accreditations, which require ISO17065 accreditation. These are direct accreditations with these governments. The proposed scheme would accredit certifiers to ISO17065 and remove the need to comply with additional 'layers' of Rules e.g. the OOAP.

In addition, we are aware that there are a considerable number of operators who grow and sell products as organic without certification. We believe that by including the OFNZ Participatory Guarantee System (PGS) into a New Zealand national scheme, as well as a NZD\$5,000 exemption for very small growers who wish to sell from their farm or at a local market or retailer, we can ensure that there are avenues for full acceptance of this regulation. There are many opportunities for non-certified producers to get certified within one of these schemes. With a national standard, all certifiers will be able to provide certification to one standard, simplifying the process for producers.

OOAP status for exports

OANZ encourages the government to keep the OOAP in place for exports as it is for three years, to allow official organic assurances to be issued across the markets it covers. The recommended duration of three years to implement the new scheme means the OOAP can be dismantled effectively. Our trading partners do not issue export verifications and do not require them between each other.

New Zealand certified organics would be better served by not having an OOAP after the proposed scheme is fully implemented; this would restore balance to domestic business that will not need to provide any government verification.

Organic certificates issued by government approved certification organisations is the way forward.

As mentioned previously, current international procedures demonstrate that for international trade, ISO17065 accreditation to a national standard is best practice. As a result, MPI would require significantly less resource to manage the OOAP program, as this would be a new scheme outside of the food safety space, it would make sense for it to not be an official assurance program.

Managing products certified prior to implementation

To ensure that currently certified products can continue to be sold after implementation, OANZ recommends a subsequent three-year implementation process. This will allow processed products



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to move through the stream of commerce. Special rules for wine may need to be considered given its long shelf life (we do want to avoid 2012 organic wine becoming non-organic in 2020 due to this regulation).

OANZ believes that a national scheme mandating certification to a national standard would lead to further investment and growth in the organic sector. The worldwide market for certified organic products is over NZ\$100 billion in 2016 and growing (15%-20% annual growth over the past 10 years). It is the single most dynamic area in the food sector in New Zealand.

The current implementation of the OOAP is cumbersome for producers. For example, to export to the US, producers need to comply with the USDA NOP. They must also comply with the MPI Technical Rules for organic production. In some cases, if they want to apply for Korean or Chinese certification, they are required to have further audits by the importing county.

This multiple standard requirement severely limits growth in producers and specifically restricts dairy, beef, lamb and kiwifruit from growth. For example, organic kiwifruit production is limited by an issue related to the use of tanalised posts. Most of our organic dairy sector is certified to Chinese standards by foreign auditors that are different to the MPI Technical Rules. Culled dairy and beef cattle need to follow the NOP to keep market access to the US. This is not sustainable, and these sectors support a national scheme (and have memberships in OANZ and the OEANZ) because of this.

Although in some cases, producers currently have market access the sector has reached limits to grow under the current scheme. This can only be overcome by a national regulation and a national standard that would allow us to negotiate full equivalency to our own standards, rather than forcing New Zealand producers to comply with foreign regulations without any recourse.

Communication and Sector Support for a national scheme

Inputs and non-organic ingredient approval

One of the best practices we have seen in the organic sector is having a body focused on approving organic inputs. In the U.S, this is the Organic Materials Resource Institute. In New Zealand, BioGro has a certified input for organic production program. In Australia, the Australian Certified Organic also has an input for organic program. The proposed New Zealand scheme should allow for this to be subcontracted from a certifier to another certifier with an input verification or certification program.

Auditor training



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In the U.S and Japan auditors are trained by the International Organic Inspectors Association. This is a non-profit organisation that third party certification organisations can hire to do train their auditors. This allows small certifiers such as BioGro, Organic Farm New Zealand, and the Biodynamic Farming and Gardening association, to pool resources and contract to an organisation to train in the basic principles of inspection and organic inspection. This leads to a larger pool of trained auditors available, and reduces certification and compliance costs.

Transitioning to organic

There are several programs currently available to support farmers converting from non-organic to certified organic production. Zespri and kiwifruit growers have provided mentoring for new growers, as does the Organic Winegrowers Association for new members and new organic viticulturists. BioGro has a program to help new farmers understand certification called an 'Initial Contact Meeting', where an auditor will meet with a new customer to explain the standards and requirements. Fonterra has organic field days to support organic farmers starting out, as well as a collaboration with kiwifruit growers to see how they work with Zespri and how Fonterra can work between farmers and headquarters.

During the initial three-year start up only, a program to sponsor organic certification costs has internationally shown to be best practice. In addition, organic field days and organic training programs have been very successful both in New Zealand and the EU. France and Italy have the largest percentage of production in the EU due to support for farmers converting to organic production; this leads to many environmental benefits that are outside of the scope of this paper.

Communication

OANZ, OEANZ, OFNZ, Biodynamic Farming and Gardening Assoc., and Soil & Health/BioGro represent the organic sector and have done so in collaboration with MPI for years. We are all behind this paper and support this proposed scheme.

Food and Beverage First

Both in New Zealand and internationally, organic standards have included non-food products. We do not want to expand the scheme of the word 'organic' to non-food products, except to allow imported products or products certified to a private standard to be marketed as organic. BioGro and AsureQuality both currently certify non-food products such as health and body care, make up, feminine care products, and organic cotton products.

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Implementation

How to get uniformity in the market.

What do consumers look for? Consumers already look for the word 'organic' and expect products labelled organic to be certified. This scheme will require certification to the national standard by an authorised certification body, or an exemption. The word "organic" and a "certified by (certifier name)" statement next to the address of the producer or processor or distributor on a package or label would allow consumers to verify the product is certified.

Retailers would not need to be certified unless they are doing further processing. Retailers who contract to a packing house their brand would need a brand certification to allow traceability to be verified.

If a national seal were mandated, we would support this provided it could be used alongside the existing certification logos.

Management of the standards

A mechanism would be implemented whereby the organic sector would have direct input into new materials and issues raised. Internationally this is achieved by having an advisory board made up of sector representatives. OANZ has successfully used an organic sector representative model to develop the proposed scheme, this comprise the standards working group in order to a achieve sector wide consensus. Together with a smaller technical group to cover specialised technical detail.

Compliance costs

We propose a fund is set up for three years to offset 30% to 50% of certification fees for producers affected by implementation of the proposed national scheme. The producer would get certified, then apply for a rebate to a fund. All producers applying to be certified would be eligible. The current export funds could be redirected into this fund, as current certified exporters would be able to get back what they have paid.

Conclusion

OANZ is confident that the proposed scheme with a national regulation that refers to a national standard, which builds on the existing MPI Technical rules, will be widely supported by the sector, and consumers will have confidence when they purchase a certified organic product.



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