



Submission to the Primary Production Select Committee on the Organic Products Bill

From: Organic Farm New Zealand (OFNZ)

We wish to be heard in support of this submission

Date: 28th May 2020

Contact: Jim Bennett, Chair of the National Coordinating Committee of OFNZ

Organic Farm New Zealand (OFNZ)¹ is a certification agency that currently certifies 130 producers on approximately 1,000 hectares, based on a Participatory Guarantee System (PGS) approach (refer Annex 1). OFNZ is officially recognised as a PGS with IFOAM, the International Federation of Organic Agriculture Movements.² OFNZ was established in 2002 with a grant from the Ministry of Agriculture's Sustainable Farming Fund. Our organic certification system is designed to be a low cost option for growers supplying the New Zealand market only. The average property is 4 hectares in size (ranging from less than 1 hectare up to 100 hectares), with the total estimated market value from producers of \$4 million. OFNZ has a deep-seated philosophy of fostering the growth of organic production and consumption in New Zealand and our approach to certification reflects this.

OFNZ thanks the Select Committee for this opportunity to provide our views on the Organic Products Bill. We are also addressing serious issues in the draft regulatory proposal.

OFNZ supports the establishment of a mandatory national organic standard, and a national organic mark. However, we have concerns about how the Bill and proposed regulations will affect the OFNZ and Pacific Islands' Participatory Guarantee Schemes and the growers they currently certify, the integrity of organics as a whole, and the continued growth of organic production and consumption in New Zealand.

Summary of main requests:

- i) That the Bill recognises Participatory Guarantee Systems for small-scale production for the domestic market, and the Participatory Guarantee System used by 15 Pacific countries to allow export to the New Zealand market
- ii) That the process for approval and the associated costs for small-scale growers is not so prohibitive that it drives them out of the market

¹ <https://organicfarmnz.org.nz>

² <https://www.ifoam.bio>

- iii) That the Bill applies to all organic producers not just those with a turn-over above \$10,000
- iv) That the Bill recognise the nearly 80 years' experience of the organic sector including by establishing an Organics Authority which would bring the sector together with the government to oversee the organic standards, identify research needs, and support the development of the sector
- v) That the Bill be renamed the Organic Production and Products Bill
- vi) That the Bill recognises the public good benefits of organic agriculture, particularly relating to climate change and biodiversity
- vii) That the Bill contains a definition of organics, states the principles of organic production and prohibits GMOs
- viii) That the Bill facilitates domestic production and consumption as well as exports

Background

1. Organic production and certification have a long history in New Zealand. The first New Zealand organics organisation (Soil and Health Association – S&H)³ was established in 1941, making it one of the oldest organics organisations in the world. The first certification standard and agency (BioGro) arose from S&H in 1983. The existing organics organisations and standards have arisen ‘organically’ through national and international collaboration and experience driving the sector from nothing to \$245 million of certified organic sales in the domestic market and \$355 million of exports in 2017.⁴ Yet the Organic Products Bill, in its current form, does not acknowledge the experience and expertise of this sector, seeking to replace it with a top-down command-and-control approach through a methodology that has never been tested in this country or overseas, i.e. replacing third party certification with government approval, and sidelining the decades of expertise, market acceptance and brand recognition.
2. The Bill appears to start from the premise that ‘the system is broken’ when in reality it is not. The whole organic sector, represented by Organics Aotearoa New Zealand (OANZ),⁵ convinced Government to follow a simple clear 4-point plan: to develop a single national organic standard; to adopt MPI’s OOAP technical rules⁶ as the national organic standard; that this standard should cover domestic, exported and imported certified organic product including biodynamic and domestic certification schemes; and it should regulate the term organic. The organic sector asked this, not because the existing organic certification system is broken, but because the real problem is that certification is not mandatory and anyone can call their product organic without being certified or even following the requirements of one of the existing organic standards – to the extent that an estimated \$104 million of fraudulently-claimed organic product is being sold in New Zealand.⁷ The organic sector also wanted to unify the system to enable the growth of organics, both

³ <https://organicznz.org.nz/contact/>

⁴ OANZ. 2018. New Zealand Organics Market Report. Organics Aotearoa New Zealand. <http://www.oanz.org/publications/reports.html>

⁵ Organics Aotearoa New Zealand <https://www.oanz.org>

⁶ MPI’s Official Organic Assurance Programme. <https://www.mpi.govt.nz/exporting/food/organics/requirements/>

⁷ OANZ. 2018. New Zealand Organics Market Report. Organics Aotearoa New Zealand. <http://www.oanz.org/publications/reports.html>

domestically and internationally, as well as to provide clarity for consumers. A single national organic standard, and a requirement to be certified to it, are needed; but not a cost-prohibitive imposition of additional layers of costs on top of the work done by the existing agencies. In addition to this mandatory standard, all that is needed is an accreditation by MPI, with requirements and costs relative to the potential risks to the market that the agencies are certifying for. The explanatory note should recognise the depth and breadth of the organic sector in competently managing production, verification, certification, and marketing of organic product for four decades, but that the lack of mandatory certification has led to misrepresentation of some products on the market as organic when they have not been produced in compliance with any of the existing organic standards.

3. We believe the Bill should provide leadership in linking agricultural production with biodiversity, climate change, carbon sequestration, water quality, and other environmental impacts and potential benefits, by acknowledging the public good benefits of organic production.

Requested amendments to the Bill and regulatory proposal

4. *That the Bill contains specific provision for cost-effective Participatory Guarantee Systems to be run by organic sector agencies based on the national organic standard, for low-risk small-scale producers supplying the domestic market with a gross product revenue up to \$200,000*

Rationale:

- 4 (i) The Bill and proposed regulations appear to specifically exclude Participatory Guarantee Systems (PGS) such as that run successfully by OFNZ. However, MPI's Impact Statement and regulatory proposal are contradictory on this: the Impact Statement makes claims about the costs of regulation in New Zealand under the current "group scheme", and the costs referred to appear to be those of the OFNZ PGS. But, OFNZ is not a group scheme (please refer to Annex 1 for the difference between a PGS and a group scheme). OFNZ has operated a rigorous 4-stage certification system for 18 years, at a cost that small producers can meet. On the rare occasions where a producer has not met the required standards, OFNZ in the first instance works with them to correct the problem, and as a last resort cancels their certification. Thereby, the integrity of the OFNZ certification remains unquestioned. The regulatory proposal for a group scheme, in place of the existing PGS, would cause all producers to lose certification if one does not comply. This is an imposition of a punitive regime without precedent in New Zealand law, and for no discernible reason. Contrary to this punitive proposal, one of the key public good functions that OFNZ carries out through its PGS approach is to draw in new growers and mentor them through the 3-year conversion to organics within the supportive learning environment of clusters of producers (Pods – see Annex 1). PGS, such as OFNZ, have a critical role to play in stair-casing producers into organic production for the local market, and in some cases on to national distribution and even export.

- 4 (ii) The inclusion of PGS in the Bill should also allow for the importation of PGS-verified organic products from our Pacific neighbours. POETCom, another successful PGS, which is based at the Secretariat of the Pacific Community (SPC) in Suva, is effectively run by our Pacific neighbours across 15 countries, covering a wide range of certified organic production. They serve a number of markets including the New Zealand market. To disenfranchise the entire Pacific organic production by not including PGS in the Bill would have repercussions for New Zealand's commitments in the region.
- 4 (iii) The MPI Impact Statement has not properly addressed the impact of the loss of PGS certification for small-scale producers in New Zealand, local consumption, the 15 Pacific countries, or New Zealand's relationships in the Pacific region.

5. *That the processes and cost structures are kept to an absolute minimum commensurate with the risk to markets, especially for Participatory Guarantee Systems*

Rationale:

- 5 (i) Because Participatory Guarantee Systems are designed for small-scale producers with low incomes, they need to offer low cost certification. It is essential that the Bill and regulations do not inflate costs beyond those which can be sustained by producers. Currently, OFNZ's producers pay, on average, \$350 per annum for certification. The processes and costs in the regulatory proposal to producers would be such that many small-scale producers are likely to be unable to afford organic approval and will be a loss to the market, leaving consumers with fewer choices, and the remaining producers with even higher costs, thereby setting off a spiral of diminishing production and consumption. Additionally, the loss of local production will force the market to rely on longer and more climate-damaging supply chains for organic products, and it will undermine the ongoing development of the organic production sector in New Zealand.
- 5 (ii) OFNZ is opposed to the imposition of a high-cost structure that would have to be passed on to consumers. OFNZ has striven to keep the cost of certification within the reach of all small-scale producers and hence also the cost of organic food within the reach of everyone, including low income. We do not accept that new regulations should make organic food more expensive, putting it further out of reach of those who need it most. Access to organic food is particularly important for people with compromised immune systems, pregnant and breast-feeding women and small children – the very people who may be least able to bear the unnecessary costs of the proposed MPI process. We believe the MPI process needs to be considerably streamlined to remove the additional layers of costs.
- 5 (iii) ISO accreditation could cost up to \$50,000 and should not be necessary for a low-risk PGS domestic agency such as OFNZ; such an expensive imposition

is not commensurate with the risk involved to the market. However, we do accept the need for a robust Quality Management System (QMS) that meets MPI approval. MPI approval costs should also be kept to a minimum: the proposed \$50-60,000 cost for MPI accreditation of verifying agencies, in addition to the ISO accreditation cost, should not apply to agencies offering only a low-risk PGS for the domestic market. We propose a one-off low cost for MPI verification of such agencies and a low annual charge to the agencies for listing the approved/certified farmers, not an individual charge on producers.

OFNZ currently operates an MPI-approved Template Food Control Plan. Under this agreement, OFNZ gathers the required data from our members, and prepares it for upload to the MPI database. The charge to OFNZ, based on MPI's hourly rate, to enter this to the Food Business database was very reasonable. This should be the model for organic registration.

We also oppose an additional levy on small-scale producers.

OFNZ acknowledges that the cost associated with certification should be borne by those being certified. However all other additional costs associated with being organic and or trading in organic at any level should be treated fairly, the same as any other sector. No additional costs specific to organic should therefore be required.

- 5 (iv) There is room for the recognition of public good services in the approvals process, acknowledging the public good organic production systems confer on the environment and society as a whole.⁸ Numerous studies conclude that in comparison to non-organic production, organic production provides greater overall sustainability,⁹ provides greater ecosystem services,¹⁰ reduces climate change emissions,¹¹ improves climate change mitigation,¹² reduces negative impacts on biodiversity resulting from pesticide use¹³ and actually enhances it,¹⁴ provides human health benefits,¹⁵ and reduces degradation of waterways

⁸ For example, the public good of organic agriculture is included in EU Regulation (EC) No 834/2007.

⁹ Boone L, Roldán-Ruiz, Van Linden V, Muylle H, Dewulf J. 2019. Environmental sustainability of conventional and organic farming: Accounting for ecosystem services in life cycle assessment. *Sci Total Environ* 695:133841. doi: 10.1016/j.scitotenv.2019.133841.

¹⁰ Sandhu HS, Wratten SD, Cullen R. 2010. Organic agriculture and ecosystem services. *Environ Sci Pol* 13(1):1-7.

¹¹ IFOAM EU Group. 2016. Organic Farming, Climate Change Mitigation and Beyond: Reducing the environmental impacts of EU agriculture. https://www.ifoam-eu.org/sites/default/files/ifoameu_advocacy_climate_change_report_2016.pdf

¹² Ghabbour EA, Davies G, Misiewicz T, Alami RA, Askounis EM, Cuozzo NP, Filice AJ, Haskell JM, Moy AK, Roach AC, Shade J. 2017. National comparison of the total and sequestered organic matter contents of conventional and organic farm soils. *Adv Agronomy* 146:1-35.

¹³ Beketov MA, Kefford BJ, Schafer RB, Liess M. 2013. Pesticides reduce regional biodiversity of stream invertebrates. *Proceedings of the National Academy of Science of the United States of America (PNAS)* 110 (27) 11039-11043; <https://doi.org/10.1073/pnas.1305618110>

¹⁴ Tuck SL, Winqvist C, Mota F, Ahnström J, Turnbull LA, Bengtsson J. 2014. Land-use intensity and the effects of organic farming on biodiversity: a hierarchical meta-analysis. *J Appl Ecol* 51(3):746-55. doi: 10.1111/1365-2664.12219.

¹⁵ EPRS-STOA. 2016. Human health implications of organic food and organic agriculture. Scientific Foresight Unit, European Parliamentary Research Service. [https://www.europarl.europa.eu/RegData/etudes/STUD/2016/581922/EPRS_STU\(2016\)581922_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2016/581922/EPRS_STU(2016)581922_EN.pdf)

through pesticide and fertiliser contamination.¹⁶ New Zealand can contribute significantly to its global commitments under the 2015 UN Framework Convention on Climate Change (UNFCCC) and the UN Convention on Biological Diversity, and to the New Zealand Government's Clean Waterways programme,¹⁷ by fostering the development of organic production in New Zealand including small-scale production for the domestic market.

- 5 (v) The negative externalities of conventional pesticide use have been well discussed in the scientific literature and, although some countries have partially compensated for these costs through the imposition of taxes designed to reduce usage and resultant environmental and social costs, New Zealand has not. Therefore, these externalities of New Zealand non-organic farming continue to be borne by the environment and society, not by producers and consumers. It is inequitable, therefore, that organic producers and consumers should face increased charges for organic production that reduce these externalities without a levelling of the playing field. The proposed MPI charge for approval and a levy become a surcharge on the existing system of verification that could be easily accepted as a public good service and an offset of the negative externalities of non-organic farming, as well as recognition of the contributions of organic farming to New Zealand's obligations on climate change and biodiversity.

6. *That the scope of the Bill includes all organic producers, not just those above \$10,000 turnover as contained in the regulatory proposal*

Rationale:

- 6 (i) We see such a threshold as opening a window for further fraudulent claims of organic status, which is already the key problem that needs fixing. It will lead to reduced integrity of organics in New Zealand with customers facing even less certainty than is currently the situation and consequentially a reduction of trust in, and consumption of, organic products.
- 6 (ii) Such a threshold could not be enforced.
- 6 (iii) Provision for low-cost PGS removes the need for such a threshold.

7. *That the Bill recognise the nearly 80 years' experience of the organic sector including by establishing an Organics Authority which would bring the sector together with the government*

Rationale:

¹⁶ Hageman KJ, Aebig CH, Luong KH, Kaserzon SL, Wong CS, Reeks T, Greenwood M, Macaulay S, Matthaei CD. 2019. Current-use pesticides in New Zealand streams: Comparing results from grab samples and three types of passive samplers. *Environ Pollut* 254(Pt A):112973. doi: 10.1016/j.envpol.2019.112973

¹⁷ MFE. 2017. Clean water: 90% of waterways swimmable by 2040.

<https://www.mfe.govt.nz/publications/fresh-water/clean-water-90-of-rivers-and-lakes-swimmable-2040>

7 (i) In many of our overseas markets organic producers receive active encouragement from their governments by way of policy and in some cases even financial support. New Zealand organic producers need a supportive policy environment in which organic production and consumption can be fostered and in order to compete. Organic producers have survived rather than flourished in the absence of policy support for nearly 80 years. The establishment of an organic Authority, bringing that 80 years' experience together with MPI to oversee the national organic standard and with a mandate to advise on issues relating to the organic sector including research needs, would do much to foster the growth of organic production and consumption within New Zealand.

8. *That the name be changed to Organic Production and Products Bill, to reflect the importance of the production system to the final product*

Rationale:

8 (i) The Bill focuses too narrowly on organic products, ignoring organic production. It is essentially nothing more than a labelling bill that sets standards for labelling and shifts the increased costs for these on to producers and consumers. It fails to understand, or include, the decades long successful international approach to organics regulation and policy that places the production system at the centre of the certification/approval process, not the product. Successful, sustainable organic production relies on a whole-farm, systems approach not on a label on a product. It is important to note that the MPI Impact Statement states that “organic claims relate to production methods rather than to any particular characteristic that could be tested for in the final product”. Yet the Bill does not reflect this.

8 (ii) It is this focus solely on product that results in the Bill missing the opportunity to take advantage of the public good which organic production systems confer on the environment and society as a whole, as referred to in 5(iii) above. The Bill provides an opportunity to foster this public good by fostering organic production, and consumption, rather than inhibiting it with a cost-intensive top-down approach focussed only on labelling.

9. *That the Bill contains a definition of what is meant by the term organic*

Rationale:

9 (i) The Bill fails to define that which it is specifically about, i.e. organic, although the regulatory proposal states that the it “expects” the national organic standard should exclude non-chemical methods and genetically modified organisms. The subject matter of the Bill could therefore be changed through the national organic standard at any given point (through pressure from lobby groups), and changed again, and again without any regulatory or parliamentary oversight. The organic sector and consumers, including export markets, need more certainty than that. The Food Act defines food, the Wine Act defines wine, but the ‘Organic’ act does not define organic?

- 9 (ii) We propose adopting the IFOAM definition as the globally accepted authority in this: "Organic agriculture is a production system that sustains the health of soils, ecosystems and people. It relies on ecological processes, biodiversity and cycles adapted to local conditions, rather than the use of inputs with adverse effects. Organic Agriculture combines tradition, innovation and science to benefit the shared environment and promote fair relationships and a good quality of life for all involved."

10. That the principles of organic production be included in the bill

Rationale:

- 10(i) The principles of organic farming that underlie national standards are well established internationally by IFOAM; they are unchanging and should be recognised as such in the Bill. The IFOAM principles are as follows:

The Principle of Health - Organic agriculture should sustain and enhance the health of soil, plant, animal and human as one and indivisible.

The Principle of Ecology - Organic agriculture should be based on living ecological systems and cycles, work with them, emulate them and help sustain them.

The Principle of Fairness - Organic agriculture should build on relationships that ensure fairness with regard to the common environment and life opportunities.

The Principle of Care - Organic agriculture should be managed in a precautionary and responsible manner to protect the health and well-being of current and future generations and the environment.

11. That the Bill specifies the use of GMOs in organic production is prohibited, and no product containing GMOs, consisting of GMOs or produced from GMOs can be labelled as organic

Rationale:

- 11 (i) None of the existing private New Zealand organic standards allow for any GMOs and this should continue to be the situation with the national organic standard, giving confidence to consumers and international markets. Failure to include this in the Bill will undermine confidence in New Zealand organic products by leaving the national standard vulnerable to powerful lobby groups.
- 11 (ii) The proposed wording is that of the European organics legislation,¹⁸ and including it in the New Zealand legislation would provide clarity and coherence, and give confidence in the robustness of the New Zealand organic regime for consumers, especially in Europe.

¹⁸ European Union's Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labelling of organic product. Official Journal of the European Union L 189/1.

12. That the Bill contains an additional objective to facilitate domestic production of, trade in, and consumption of organic products

Rationale:

- 12 (i) The Bill currently has an objective to facilitate international trade but is silent on the domestic market. Ironically, in order to fulfil that core objective of the Bill – to “facilitate international trade in organic products” – New Zealand requires a domestic regulation to achieve equivalence in the market. The Bill, however, focuses too narrowly on export production ignoring domestic producers and the opportunity to facilitate growth in production for the local market and consumption, particularly small-scale production. The Bill and proposed regulations disenfranchise small-scale producers, partly by ignoring them and partly by imposing a prohibitive cost-structure. Importantly, such small businesses provide valuable sources of food and income at a local and regional level and, like other small businesses in New Zealand, are a critical part of the economy. The Covid-19 crisis has demonstrated the importance of, and the community and government support for, local businesses. We would expect this Bill to reflect this and enable small-scale local organic production and consumption.

13. That the national organic standard is publicly available

Rationale:

- 13 (i) The national organic standard should be a public good that aspiring organic producers can learn from
13 (ii) Consumers should have access to the national standard so that they know what it is that they are buying.
13 (iii) Overseas markets also need to have access to the national standard so that they can have confidence in New Zealand products.

14. That all approved producers use the National mark to create clarity for consumers

15. That provision be made in the regulations for labelling products from farms that are “in conversion” to fully certified organic, as is currently the norm in New Zealand and internationally.

16. That provision be made in the regulations for the certification of inputs into organic production systems.

Annex 1

PGS and Third Party Group Certification – how are they different?

The Organic Bill/draft regulation makes reference to **group certification** but not **participatory guarantee systems** (PGS). Thus, we assume that MPI perceives OFNZ to be a group certification (as described by IFOAM, EU, NOP, JAS etc and their accredited Certification Bodies such as BIOGRONZ). **OFNZ is NOT a group certification that is described any of these regulations.**

OFNZ is a PGS based on guidelines developed by **IFOAM - Organic International** and is officially registered and recognised **IFOAM - Organic International**.

Group Certification

Internationally recognised group certifications are carried out by an accredited certification body (CB) following standards and ISO procedures described by the EU and other regulatory bodies (including Japan and USA).

The orientation of group certification has been primarily to provide for the export of organically certified commodities such as tea and coffee, produced by smallholders, from developing countries to Europe, USA. There are also group schemes in domestic markets that follow similar compliance requirements.

While it is small-holders who are certified, **the process relies on companies or cooperatives** to facilitate, pay for and manage the certification process. Most small holder groups lack the resources to function independently.

The system for managing the groups is prescribed via an **Internal Control System (ICS) in line with the importing countries requirements for a group certification.**

The managing organisations usually control the supply chain (post-harvest handling and the marketing). Profits from value adding can be shared with the small-holder suppliers but this process is controlled by management.

The certificate is usually issued to the whole group not individuals. Should the producer grow other crops besides their 'export' crop, such as vegetables for local markets, in most cases they require a separate certification or sell without certification.

Punishments for non-compliance by one group member can lead to the whole group losing the certification.

Certification from an international CB is costly, thus, the number of smallholders needs to be large enough to spread the cost, this means that there can be hundreds and sometimes thousands of farmers involved.

The CB audits annually.

The decision to certify rests with the certification body.

Participatory Guarantee Systems (PGS)

PGS are intended to be more than a certification – they also promote the exchange of knowledge between stakeholders as means for building trust in the system.

To help facilitate this exchange a PGS clusters producers into pods, made up of individual producers who visit each other's farms on at least an annual basis. The farm visits are referred to as a Peer Review whereby the details documented in their Property Management Plan (PMP is a self-declaration) by the property owner are checked (verified) by the pod members.

How is the OFNZ different to a group certification

OFNZ's focus is the NZ domestic market (not export).

Each producer and their farm are certified as individual entities with their own certificate (not as a group).

Producers produce a wide variety of crops and products (not a single crop).

Producers can add value to their products if they so choose.

There are several audited steps in the OFNZ certification process.

Producers can sell to whoever they like (supply chain is not directly controlled by a company /co-operative etc).

Producers pay membership fee directly to OFNZ (in group certifications producers usually have the cost of certification deducted when they 'sell' to the cooperative/company, this cost is usually invisible to the producer).

The OFNZ PGS process has several stages for the verification of compliance with the standard which build together to provide for a multi-layered, robust system.

- Producer self- declaration (property management plan) plus soil fertility, pesticide residue and heavy metal tests checked by the certification manager to ensure the land meets the requirements of the standard;
- Pod leader accesses PMP (on line).
- Pod leader organises the other Pod members (farmers who are already organised into clusters of 3-5 farms called Pods) to visit each of the farms in their Pod. This process (Peer Review) focuses on checking to see that the information in the PMP is accurate as well as making and recording observations that confirm compliance or non-compliance. Recommendations and non-compliances are recorded against the relevant section of the PMP.
- The Pod leader conveys the output of the Peer Review to the Certification Manager who reviews, follows-up as required.
- Certification manager then facilitates a meeting of key persons (Certification Committee) to review the Peer Review outputs and make recommendations on follow-up actions and the certification status of the property.

- To finalise the certification process, an independent audit is carried out annually on a selection of the properties in each Pod, each property is audited within a 3year period.
- Certificates are issued to each producer only when the full process is complete.

Reference for IFOAM PGS - www.ifoam.org/pgs (PGS Guidelines)

Reference Group Certification – *The Guidelines for the Evaluation of the Equivalence of Organic Producer Group Certification Schemes Applied in Developing Countries* (European Commission, 2008)