

Organic Exchange



Internal Control Systems in Organic Cotton Farming

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1- Introduction

One of the most important values and challenges of organic farming resides in gaining and keeping consumer trust. The main instrument used to ensure such trust is the certification system that guarantees that the production process of a specific product is in accordance with an organic standard. Most organic standards have many similarities with slight differences depending on the importing country (NOP for US, EU 2092/91-recently changed to EEC 834/2007- for European Union, and JAS for Japan, etc.).

Certification requires a clear documentation of the production process and an audit by an independent party to demonstrate conformity. This has to be done annually or for each new production season. Such procedures are costly and can only be justified for a single farmer under the conditions where a reasonable production volume is available. Many organic farmers in developing countries operate in a small-scale production system. The certification of organic cotton in these production systems can be done with the aid of an Internal Control System (ICS). This practice allows producer associations or groups to practice group certification, where individual certification would be onerous and costly.

In order to make group certification to provide accurate information, the farmers' group needs to develop and follow an ICS to allow an internal inspection before auditing by a third party certifier.

The independent, external audit conducted by the certification bodies can be conducted to one or more organic farm standards; note that this is the point where actual certification is given, and while they will rely on the documentation and processes of the ICS, the external auditors will still do their own verification and audit of the internal control systems, farm visits and verification.

The present document is a guide to illustrate the steps required for the setting up and management of an ICS. It is based on the experience that Organic Exchange has developed in organic cotton projects in Africa and Latin America.

2- Concept, definitions and scope

The International Federation of Organic Agriculture Movements (IFOAM) was one of the organizations that developed and defended group certification and the ICS to make them accepted by governmental bodies. According to IFOAM, an ICS can be defined as follows: *“a documented quality assurance system that allows the external certification body to delegate the annual inspection of individual group members to an identified body within the certified operator”*.

The ICS ensures the integrity, in terms of “organic quality” that producers claim for their products, particularly in small-holder projects. The main objective of an ICS and group certification is to reduce the cost of certification without compromising the quality. Farmers' groups carry out internally the major part of the inspection work that the external auditor verifies by conducting random inspections on the documentation and farm visits.

As a tool to assist producer groups in measuring and ensuring continuous quality improvements, the scope of the ICS in organic seed-cotton production involves the review of three important areas:

- adequate staff levels
- documentation
- operational procedures

All these need to be organized under a central body or institution that is responsible for the whole small-holders' group. In this document, details about the responsible coordinating body will be provided and the three items addressed using specific examples of best practices observed in organic cotton projects in Africa and Latin America.

3- Coordinating Institution

Group certification requires that there be a responsible coordinating body that ensures the compliance of all the small farmers to organic standards. This body or institution organizes all the necessary activities for the production of a certified organic product and is usually the owner of the certificate granted to the whole group. In most organic producing countries, the coordinating body or institution that initiates organic cotton production is called the "project holder". They can have three possible organizational statutes. They are private companies, Non Governmental Organizations (NGOs) or farmers' associations /cooperatives.

In West Africa, the most common coordinating bodies are NGOs, in East Africa; the most common are private companies. These two organizational schemes have opposite characteristics in terms of development, and are one of the major factors differentiating East Africa from West Africa regarding organic cotton production. Specifically, the earlier exposure of East African organic cotton production projects to business and market conditions makes them more oriented towards self-sufficiency than in West Africa, where most NGO activities rely on donors. The heavy reliance of production projects on donors is not sustainable because production and technical support get more focus than market logic. As a result, such projects find it hard to become independent.

In some instances, the farmers' associations become owners of their projects and organic certification. This allows the farmers' associations the freedom to sell their organic products to the best clients and to potentially obtain better prices. Fairtrade certification can also be an important initiative supporting access to markets.

4- ICS Staff

A certain level of staffing is required for an efficient management of the ICS. Two specific posts are often encountered: the ICS Manager and the field officers.

The ICS Manager provides management and oversight of the organic project in terms of documented practices and regulation. He or she is the contact person with the certification body.

The field officers support all operations at the farmers' level. They are in charge of advising farmers and recording day-to-day farm operations.

The project holder has to ensure that each single member of the staff is trained, with refresher training at least once a year to enable staff to be best able to fulfil their responsibility.

The active participation of farmers and their organizations in ICS is highly recommended because it allows for efficient social participation and can help manage costs.

5- ICS Documentation

Documents to be made available for each farmer

- 1- Farmer's contract

This document gives a legal basis for the relationship between farmer and fiber buyer. The contract should be simple, specific, clear and show the commitments, or obligations of the farmer and the buyer.

2- Farm entry form

This document shows the characteristics and context of the farm, for example, area, owner, history of the farm crop rotation, cropping, etc. It provides the baseline information, beginning with the organic transition process.

3- Internal inspection forms

These documents gather information from each internal inspection performed by field officers. The forms record the status of the field or plot during the inspection, and any facts that could lead to non-conformity.

4- Farmer field map

This is the map of the organic farm, showing its boundaries, how it is farmed, the crops (main and associated), and plant barriers. It also identifies the location of the farmhouse, animal barns, wells, and so on.

Documents to be made available at project level

1- Growers' list

This is the list of producers signed to the organic project. This should be very clear, and record accurate data on sex, age, location, size of farm, etc.

2- Risk assessment forms

This form helps to assess the risks facing farmers in the implementation of organizational actions. It also identifies project risks, disadvantages, weaknesses and threats.

3- Violation reports

These are files recording the reports of inspectors (farmers) about identified practices that are not allowed in organic agriculture.

4- Buying record

This is the record of all purchases of inputs that are made, for example, fertilizers, biological pesticides, tools, and so on, with the aim of demonstrating that they meet the requirements of organic production.

5- ICS manual

This is the document to guide farmers (those who perform inspections and those who are inspected) on the characteristics of an ICS. Precise recommendations on the dates of inspections, how inspections are conducted, how they should fill out the papers, etc., all need to be covered.

6- Operational Procedures

6.1- At project and field officers level

- **Farmer training:** The field officers are usually in charge of farmer training. In most organic cotton production contexts, one field officer is in charge of 80 to 200 farmers. Each farmer receives a visit from the field officer at least once a fortnight. This close extension advice can be expensive, especially if the project has to grow. As an alternative, projects can use a '**lead farmers**' strategy. A lead farmer is a farmer with sufficient experience in organic cotton farming to help train or support others. He is usually the one hosting the demonstration or research plot. He meets weekly with about 10 other farmers that he or she trains. In this case, each field officer supports the activities of 15 to 20 lead farmers.

One important problem associated with this strategy is how to reward the lead farmers? Most often this role is considered voluntary, but time spent off the farm to work with others needs to be reasonably rewarded. In some cases, like in Zimbabwe, where field officers are also in charge of part of documentation, this aspect was difficult to manage. The lead farmers were angry with the project and confiscated vital project documents. The result was that in the absence of documents, the project lost its certification. The lesson is that the lead farmer strategy must be technically and financially effective. Nevertheless, a minimum (negotiated) reward is necessary to make lead farmers confident. Therefore, the success of a lead farmer approach requires a reasonable cost and organization at project level.

- **Data collection:** Records about all farm practices and inputs used by farmers are taken by field officers, and in some contexts, can be seconded by lead farmers.

- **Internal inspection:** The internal inspection is organized by the ICS manager some weeks before the external audit. This involves all the staff of the project, notably field officers and the ICS manager. The description below explains how this is organized in Zambia and in Benin.

- **External audit:** An independent certification body will come to the farming project to review the documentations and operations against one or more organic standards. This is the point where the actual organic certification is given. The inspectors will review the documents and procedures of the farming project, and will do their own physical inspections on a percentage of the farms to verify that the systems are being followed.

In Zambia, a month before the external inspection visit, the ICS manager organizes the internal cross-inspection. After all the documentation is made available to each field officer, the field officers are moved to the area of their fellows <farmers?>. They check all the documentation made available by their colleagues and select a sample of farmers with whom they verify the data recorded.

With OBEPAB in Benin, a variation of this process is used. A month before the external audit, all the field officers are called to the central office. They come with the forms and documents from each farmer. The documents are exchanged among field officers and each one checks the data of one of his colleagues under the supervision of the ICS manager. After this exercise, the ICS manager selects a sample of farmers from each area and visits the fields to check and verify the data recorded.

6.2- At farmer and farmer organization level

- **Organized farmer group:** Farmers in each village are organized in groups. In Benin, they are called *GVPCB* (Groupement Villageois des Producteurs de Coton Biologique, or Organic Cotton Village Producer Groups). In Uganda, the term “*primary societies*” is used to refer to them. Such grassroots level associations help facilitate the involvement of farmers in the ICS. They know more about each other than anyone else. In most projects, the village level farmers’ groups are the ones who judge if new farmers wishing to join the group are trustworthy or not.

- **Social control process:** Social control is one important way to make farmers participate in the ICS. In Benin for example, the farmers’ group in each village elects a board. The basic board roles are president, secretary and treasurer. There are three additional persons called controllers; they have a mandate to visit the farm of every member once every two weeks. If they notice any non-compliance, they report to the rest of the board, which sometimes takes necessary actions even before the field officer is informed. They do so because they are made aware that if only one member of their group defaults, the whole group's production may be compromised. In some villages, farmers even use part of their premium to buy motorcycles for the controllers to make it easier for them to guarantee the integrity of their products. This can preserve the good relationship between the field officer and the villagers; he is not the one rejecting the defaulters, but the whole group. Most times, the defaulting members are suspended and can even be excluded from the organic cotton farmers’ association.

7- The Internal Control System (ICS) for organic cotton in Latin America

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The experience with the use of the ICS in 2008 and 2009 by ADEC in Brazil was made possible by external financial support by the German Development Agency GTZ and ADEC's commercial partner, Veja of France. To implement the ICS, 6 farmers and a young agronomist were trained for two days. The training was run by IBD (a certification body) and cost R\$ 2.545 (equivalent to US\$ 1,567). Following the training, the farmers trained by IBD took the registers of farmers, supervised by the agronomist, responsible for collating the registers and data for the ICS. The process also requires presentations/trainings and information dissemination. The method, if implemented efficiently and correctly, means that the process of inspection made by the certifier is quicker and cheaper while enabling an easier oversight of the farms. To facilitate this, the person in charge of the ICS must inspect all the farmers to ensure compliance with the requirements of organic agriculture. A 'Manual for Internal Control' was prepared, and various tools such as visual screen tabs of Farm Information, Group Questionnaires, Problem mapping, and Historical Validation of Plots were used, to centralize and analyze the information about the farms to come to a final opinion and report about what was achieved. Over the last season, agents from ESPLAR accompanied the farmers in charge of the ICS during the visits to the organic cotton farms. When the inspector from IBD made his certification visit, 36 farms were inspected and 319 farmers. The inspector found no difference between the

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registers and records and the certification requirements. When the certification was awarded, thanks to the ICS many farmers who were registered as in conversion were found to be certifiable as fully organic. This, 150 instead of 59 farms received BR <?> certification, and 62 instead of 34 farms were certified to the EU standard.

At the APAEM farmers association in Peru, the ICS is based on inspections performed by producers selected at an assembly of farmers. The inspections are organized so that farmers cross check each other; no farmer inspects his own production area. This model also means farmers can exchange experiences and ideas in organic production. One topic in which experiences were shared was in the management of water channels. In this case, the inspector of the Monsefú zone shared experiences from the Mórrope zone in how to increase the access to flood water for use in production. Farmers participated and evaluated the approach, but concluded it was unsuitable in their area due to the differences in soils between the zones (sandy soil in Mórrope and franc soil in Monsefú). The ICS did emphasise the importance of managing soil characteristics in the flood channel irrigation system. Another advantage identified during farmer visits was an increase in confidence in the organization. There are disadvantages to be noted in time required for training and inspection and in delays in the inspections.



Exchange of information in small groups between farmers of APAEM after ICS evaluation
(Photo: Aldo Juarez, APEM)

Experiences in Latin America with ICS systems are varied. There are many advantages and some disadvantages, principally regarding time constraints, but on balance the advantages are cost savings, exchange of experiences in the management and production of organic cotton, and

improved links between, and capacity among, farmers. A solid ICS however always requires capacity building and technical support to implement, as shown by the examples of Brazil and Peru. Finally, the ICS needs to be placed in the context of the market and business: changes in fiber prices, changes in contracts and relations, and market demand can all impact and lead to changes in the implementation of the ICS and have negative impacts on the efficiency of the ICS and those charged with implementation.

8- Summary

The ICS is crucial for the group certification that is a more adapted for small-scale farmers. To make it successful staff, documents and procedures need to be in place. Having farmers participate in the ICS helps reduce costs by increasing the integrity of organic seed-cotton and improves confidence among farmers themselves. It also reduces the potential for misunderstandings between farmers and the project team. ICS is feasible when the level of the farmers' organization is very good. For this reason, projects - whether of NGOs or private companies - must first work on training farmers and the field staff. ICS can be sustainable if there is: 1) a good organization of farmers, 2) common objectives of farmers, 3) a good price for the fiber, and 4) transparency in the relationship of farmers associations with companies and NGOs.

Graphic Summary ICS process and principal activities

