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WORKING DOCUMENT

on ECA Special Report 4/2019 (Discharge 2018): The control system for organic products has improved, but some challenges remain

Committee on Budgetary Control

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Introduction

The main objectives of an EU-wide framework for organic production are to better protect consumer interests, to ensure fair competition between the producers and to facilitate the free circulation of organic products in the EU. The control system for organic products is set out in the EU regulations. It aims to give consumers the confidence that when they buy organic products, EU- or equivalent -rules have been applied at every stage of the supply chain. This should be the case whether the products are produced in the EU or imported.

In June 2012, the Court of Auditors published Special Report No 9/2012 on the control system governing the production, processing, distribution and import of organic products. To assess whether the Commission had remedied the weaknesses identified in its report, the Court carried out a follow-up audit. In addition, it has covered the import regimes for organic products more extensively.

Audit scope, objective and approach.

In the context of the follow-up audit, the main question was “Can consumers now have greater confidence in the control systems for organic products?”

To answer the main question, the Court asked, firstly, whether the control system for organic products produced in the EU now provides greater assurance to consumers. The Court focused on the improvements introduced by the Commission and the Member States since 2012. In particular, it addressed the Commission’s monitoring of the Member States’ control systems, the Member States’ supervision of control bodies and the exchange of information between the different bodies and authorities.

Secondly, the Court asked whether the control system for imported organic products into the EU now provides greater assurance to consumers. It examined the two import regimes currently in force for organic products, and the Commission’s procedures and how it carried out its supervisory tasks.

Thirdly, the Court of Auditors followed up on its 2012 report by carrying out a traceability exercise on organic food.

The audit had been carried out between December 2017 and July 2018, collecting audit evidence from the following sources:

- Documentary reviews and interviews with staff from two Directorates General of the European Commission: DG Agriculture and Rural Development (AGRI) and DG Health and Food Safety (SANTE).
- Documentary review and video conferences with representatives of the six Member States visited for Special Report No 9/2012: Germany (North-Rhine-Westphalia), Ireland, Spain (Andalucía), France, Italy (Emilia Romagna), and the United Kingdom (England).
- Visits to two Member States: Bulgaria (where the number of organic farmers has increased in recent years) and Czechia (where the organic area is large).

- Documentary review of the organic control system in Norway, in close cooperation with the EFTA Surveillance Authority.
- Participation in two audit visits by DG SANTE to third country control bodies operating in Mexico and Ukraine.
- Consultation meetings on the EU organic control system with relevant stakeholders, including the International Federation of Organic Agriculture Movement (IFOAM), the Research Institute of Organic Agriculture (FiBL) and the European Organic Certifiers Council (EOCC).
- Review of relevant studies related to the audit topic.

Court's findings and observations

In general, the Court concluded that the control system had improved since its previous audit and that its recommendations had generally been implemented but that some challenges remained.

1. For organic products produced in the EU, the major part of EU consumption- both the Commission and the Member States have addressed many of the weaknesses identified in the ECA previous report.

The Commission has resumed its visits to Member States, and has now visited most of them. The Court found this work to be properly performed and followed up. The Commission's audits identified a number of weaknesses and prompted remedial action from the Member States. In addition to its audits, the Commission has taken initiatives on coordination and training, and frequently meets with Member States to discuss follow-up of irregularities and fraud allegations.

The competent authorities of the Member States have taken action to improve their control systems. The six Member States that the Court followed up on have remedied most of the weaknesses observed last time, through changes in the legal framework, improved coordination with the accreditation bodies, and better guidelines for the supervision of control bodies. The examined six Member States now have a catalogue of non-compliances and corresponding enforcement measures (including sanctions) for control bodies to apply. However, the Court still found a number of weaknesses related to its previous findings. It also found that the use of enforcement measures had not yet been harmonised across the EU and that reporting in the Member States was sometimes slow and incomplete.

2. A smaller part of organic food consumed in the EU comes from imports. Equivalent control bodies certify more than 80 % of organic products imported into the EU. The remainder is imported from equivalent third countries. The Commission's audits since 2012 have covered most equivalent third countries. The Commission has also started visiting equivalent control bodies, and examined their activities on-the-spot in third countries. So far, this has covered the systems applying to around a third of imports certified by the equivalent control bodies. The supervision of equivalent control bodies is challenging for the Commission because it is the competent authority and it cannot rely on the work of another competent authority, as in the case of Member States or

equivalent third countries. When the Commission identifies weaknesses, it can take a considerable time to solve them across different control bodies operating in the same country.

In addition to following-up on its audits, the Commission systematically analyses the annual reports received from equivalent control bodies and equivalent third countries. However, the Commission is often late in carrying out this assessment. The Court found that the Commission relies on the reports of the accreditation bodies, but there are no formal cooperation agreements in place that set terms for a regular exchange of information or allow the Commission to coordinate supervision with accreditation bodies

The Commission had only started to explore the possible synergies for supervising organic imports with the competent authorities of other significant import markets (United States, Canada, Chile, Switzerland, Japan and South Korea).

Regarding the control system for imports, enforcement by the Commission can be a difficult and lengthy process, but new rules have been introduced to make enforcement faster and more effective. The Commission will be able to adopt immediately applicable implementing acts, in order to withdraw recognition from an equivalent control body more quickly. Regarding equivalent third countries, by analogy with the trade agreement with Chile, future trade agreements could include mechanisms for communication and verification and for solving disputes.

3. Member States also have responsibility for carrying out checks on imported organic products and, through their supervision of control bodies, they verify if procedures and checks carried out by importers are adequate. The Court found weaknesses in the checks on incoming consignments and found that the checks carried out by control bodies on importers were still incomplete in some Member States.

The Court carried out a traceability exercise to verify if organic products can be traced back to the agricultural producer and if the organic status of the product can be demonstrated with a certificate at every stage of the supply chain. The results show an improvement with respect to the previous audit, particularly in the EU. Still, not all products could be traced back to the agricultural producer. We noted that most control bodies in the EU now have an online database of organic certificates for all their operators. However, these databases are not harmonised in terms of content and not practical if the control body of the operator is not known. Traceability for imported products could benefit from the availability of online databases for operators outside the EU.

Replies of the Commission

The Commission accepts all the recommendations issued by the Court.

Draftsman's recommendations for possible inclusion in the annual discharge report

The European Parliament recommends that:

1. The Commission:

- (a) follow-up on the remaining weaknesses identified in Member State control systems;
- (b) work towards better harmonisation of the definition of irregularities and infringements and their corresponding enforcement measures through discussion with the Member States and adoption of implementing acts;
- (c) provide guidance to the competent authorities to improve their reporting, for example by addressing information gaps in their annual reports.

Target implementation date: 2020

2. The Commission

- (a) improve its supervision over equivalent control bodies, including by reinforcing cooperation with accreditation bodies and with the competent authorities of other significant importing markets;
- (b) promptly assess the annual reports of equivalent control bodies and of equivalent third countries;
- (c) issue guidance to Member States on how to carry out specific checks on the control bodies' supervision of importers and on imported organic products.
- (d) include mechanisms for communication, verification and solving disputes, which help to enforce the rules, in future trade agreements, by analogy with the trade agreement with Chile;

Target implementation date: (a), (b), (c) 2020, (d) from now on;

3. The Commission

- (a) carry out traceability exercises going beyond the EU borders in its supervisory activities of imported products and use the results to better target audits or ad hoc checks on control bodies and in third countries;
- (b) analyse, together with the competent authorities, the results of their traceability tests to identify weaknesses and possible corrective action;
- (c) improve cross-border accessibility to data on organic certificates, and require control bodies in third countries to list their certificates online.

Target implementation dates: (a) and (b) 2020, (c) 2024.