OFA FACTSHEET

Fraud Prevention

Residue Testing for Importer Organic Compliance Verification

ISSUE OVERVIEW:

The U.S. is a net exporter of conventional commodities and a net importer of organic commodities. The domestic demand for organic products, and especially grains for livestock feed, has consistently grown for the past decade. U.S. farmers have invested in organic transition to meet this local demand with domestic production. The USDA recently invested $100 million in technical assistance to help U.S. farmers meet this growing organic demand.

Organic commodities, typically command a price premium (2x) over conventional, encouraging U.S. transition to organic, but the price premium has also lured fraudulent players into the marketplace. Fraud has caused significant price fluctuations in recent years, and an unstable organic market for U.S. producers who have invested in the 3-year transition to organic production.

GRAIN IMPORT FRAUD

While import fraud appears across commodities in the organic sector, organic feedstuff commodities (*whole soybeans, soybean meal, corn, cracked corn, rape, rape meal, whole sunflowers, hulled sunflowers, sunflower oil, and sunflower meal*) enter the U.S. market through high-risk (complex and opaque) supply chains. In the past year, 1.3 million metric tons of organic feedstuffs[1] were imported via maritime vessels,[2] 80% originated from countries with corruption, underdeveloped agriculture sectors, and poor infrastructure. This influx equaled 800,000 acres of organic production and almost $1 billion lost by U.S. family farmers.

These organic grain import quantities, matched with the supply origins, heighten the risk of organic import fraud, harming U.S. farmers' ability to compete in the premium market. The justification for prioritizing the creation of the USDA Strengthening Organic Enforcement Rule (SOE) was built on the fact that maritime imports represent the most significant risk by volume. A single ship of cracked corn can represent 1 million bushels or $10 million.

SOE provides enhanced supply chain traceability by requiring importers, brokers, and previously exempt handlers to obtain organic certification and provide import certificates for every imported load of organic commodity. While the SOE provisions will help, they are not enough. Domestic grains are already being tested at grain mills. **Additional compliance verification through residue testing of imported organic commodities is the next needed step.**

TESTING OF ORGANIC IMPORTS IS NEEDED

Legislation requiring USDA to provide Congress with a full report on residue testing for all imported organic commodities transported via bulk[3] is needed to protect U.S. producers from fraud. Because of the large quantities of organic feedstuff imports matched with their high-risk supply chains, this commodity should serve as the priority pilot to implement necessary additional compliance verification, and then move to all imported organic commodities. Because of the risk, testing to verify compliance on 100% of every bulk organic feedstuff maritime vessel should be prioritized. Corrective action for positive tests needs to be a Stop-Sale to keep fraudulent organic grain out of the market.

1. Source: S&P Connect Global Trade and Commodity Analytics Suite/Maritime and Trade.
2. Maritime imports represent approximately 67% of organic feedstuff imports.
3. Bulk: Loose feedstuffs in ship holds, containers, super sacks, etc., not packaged goods.

TESTING HISTORY WITHIN ORGANICS

USDA AMS is legally responsible for ensuring the National Organic Program (NOP) has adequate regulatory standards, enforcement guidelines, and residue testing procedures. Residue testing is an essential and required tool for verifying compliance within organic regulations. Organic certification is also a risk-based assessment process and places additional scrutiny on high-risk operations.

The Organic Foods Production Act (OFPA) and USDA organic regulations include authority and guidelines for Accredited Certification Agencies (ACAs) to collect residue samples and respond to sample results. These regulations are outlined in 7 CFR 205.670 (Inspection and Testing), 7 CFR 205.671 (Exclusion from Organic Sale), 7 CFR 205.105 (Use of Prohibited Substances), 7 CFR 205.272 (Comingling/Contamination Prevention), and 7 CFR 205.273 (Imports to the United States). On January 1, 2013, the USDA finalized the Organic Periodic Residue Testing rule, which clarified that ACAs must conduct residue testing on a minimum of 5% of their certified clients.

ORGANIC MARKETPLACE COMPOSITION

In the past ten years, U.S. organic industry retail sales have more than doubled from $28B in 2012 to over $60B in 2022. Now, organic products are being shipped from across the globe through increasingly complex supply chains, and the organic certification structure is undergoing dramatic changes through the implementation of the SOE rule in response to this growth in scale and complexity.

COMPLIMENTARY TO SOE RULE

The NOP required implementation for SOE on March 19, 2024. The SOE will provide the supply chain transparency needed in a growing organic global economy, solidifying the foundation for the organic market. With the speed of global organic market growth, SOE will not be enough. Verifying a global supply chain through testing is the next chapter in continuous improvement that must be embraced as an encore to the SOE. Testing will complement the new parameters of SOE and assist certifiers in validating compliance while providing the ability to rapidly detect evidence of commingling and contamination in operations deemed to be high risk.

SUMMARY

U.S. organic farmers need continuous improvement in oversight and enforcement to strengthen the foundation of the SOE rule. Residue testing is an essential tool that will assist in compliance verification for organic regulations. **U.S. producers have invested time and money into organic transition and production and deserve to operate in a stable and equitable marketplace.** Residue testing of imported organic commodities will further secure organic consumers' trust in organic integrity, an essential pillar to market success.