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Democracy Dies in Darkness

The labels said ‘organic.’ But these massive imports of corn and soybeans weren’t.

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A shipment of 36 million pounds of soybeans sailed late last year from Ukraine to Turkey to California. Along the way, it underwent a remarkable transformation.

The cargo began as ordinary soybeans, according to documents obtained by The Washington Post. Like ordinary soybeans, they were fumigated with a pesticide. They were priced like ordinary soybeans, too.

But by the time the 600-foot cargo ship carrying them to Stockton, Calif., arrived in December, the soybeans had been labeled “organic,” according to receipts, invoices and other shipping records. That switch — the addition of the “USDA Organic” designation — boosted their value by approximately \$4 million, creating a windfall for at least one company in the supply chain.

After being contacted by The Post, the broker for the soybeans, Annapolis-based Global Natural, emailed a statement saying it may have been “provided with false certification documents” regarding some grain shipments from Eastern Europe. About 21 million pounds of the soybeans have already been distributed to customers.

The multimillion-dollar metamorphosis of the soybeans, as well as two other similar grain shipments in the past year examined by The Post, demonstrate weaknesses in the way that the United States ensures that what is sold as “USDA Organic” is really organic.

The three shipments, each involving millions of pounds of “organic” corn or soybeans, were large enough to constitute a meaningful proportion of the U.S. supply of those commodities. All three were presented as organic, despite evidence to the contrary. And all three hailed from Turkey, now one of the largest exporters of organic products to the United States, according to Foreign Agricultural Service statistics.

Agriculture Department officials said that they are investigating fraudulent organic grain shipments. But the agency declined to identify any of the firms or shipments involved.

“We are continuing the investigation based on the evidence received,” it said in a statement.

The imported corn and soybean shipments examined by The Post were largely destined to become animal feed and enter the supply chain for some of the largest organic food industries. Organic eggs, organic milk, organic chicken and organic beef are supposed to come from animals that consume organic feed, an added expense for farmers that contributes to the higher consumer prices on those items.

While most food sold as “USDA Organic” is grown in the United States, at least half of some organic commodities — corn, soybeans and coffee — come from overseas, from as many as 100 countries.

USDA officials say that their system for guarding against fraud is robust.

Under USDA rules, a company importing an organic product must verify that it has come from a supplier that has a “USDA Organic” certificate. It must keep receipts and invoices. But it need not trace the product back to the farm. Some importers, aware of the possibility of fraud, request extra documentation. But others do not.

Regardless of where organics come from, critics say, the system suffers from multiple weaknesses in enforcement: Farmers hire their own inspection companies; most inspections are announced days or weeks in advance and lack the element of surprise; and testing for pesticides is the exception rather than the rule.

These vulnerabilities are magnified with imported products, which often involve more middlemen, each of whom could profit by relabeling conventional goods as “organic.” The temptation could be substantial, too: Products with a “USDA Organic” label routinely sell for twice the price of their conventional counterparts.

In recent years, even as the amount of organic corn and soybeans imported to the United States has more than tripled, the USDA has not issued any major sanctions for the import of fraudulent grain, U.S. farmers said.

“The U.S. market is the easiest for potentially fraudulent organic products to penetrate because the chances of getting caught here are not very high,” said John Bobbe, executive director of the Organic Farmers’ Agency for Relationship Marketing, or OFARM, a farmer cooperative. In Europe and Canada, he said, import rules for organics are much stricter.

Moreover, even when the USDA has responded to complaints of questionable imports, action has come too late to prevent the products from reaching consumers.

Four months after the soybeans arrived in California and after The Post began making calls about the shipment, county officials acting on behalf of the USDA showed up at the warehouse where the soybeans were being stored. The officials took samples to test for exposure to pesticides.

By that time, about 21 million pounds of the 36 million-pound shipment had already reached farms and mills. The customers who have purchased the soybeans said they were unaware there may have been a problem until a Post reporter called.

Gauging the extent of fraud in imported organics is difficult because there is little incentive for organic companies to advertise their suspicions about suppliers.

To test USDA claims that organic imports are rigorously monitored, The Post examined pesticide residue testing conducted on organic products in China.

China is the leading source of organic tea and ginger in the United States, and its food exports have drawn repeated scrutiny.

“In China, farmers have trouble following their own laws,” said Chenglin Liu, a professor at St. Mary’s University School of Law in San Antonio. “So how can Americans expect Chinese farmers will follow U.S. organic rules?”

As in the United States, farmers in China seeking the “USDA Organic” label hire an inspection agency to certify that they meet the organic rules.

Using public-records laws, The Post obtained the results of pesticide residue tests conducted on farms with USDA organic certification in China. Although pesticide tests are not mandatory, inspection agencies are required to take samples from 5 percent of their clients, and The Post requested the results from the three most active inspection agencies overseeing Chinese farms.

The pesticide results showed very high levels of pesticide residue on some “organic” Chinese products. They also showed that the pesticide residue tests are applied unevenly.

One of the largest inspection agencies, a German company known as Ceres, appears to do rigorous testing.

Ceres conducts most of its tests on plant leaves, rather than on fruits, a method that can be more likely to detect pesticide use.

Their results from China, as a Ceres official said, were “quite shocking.”

Of 232 samples that Ceres tested from the Chinese organic farms, 37 percent showed more than traces of pesticide residue.

“This is the reality we are battling with in China,” said Albrecht Benzing of Ceres.

Some of the problem arises from pesticides from neighboring farms drifting over, experts said, and some is contamination from China’s polluted soil and water.

For example, in Shandong province, the Laiwu Manhing Vegetables Fruits Corp. harvests ginger that has been grown organically. But the water available for washing the ginger is so polluted that it leaves pesticide residue.

“After the ginger is washed, the water leaves behind pesticide residues too high to be considered organic” in the United States, said Li Hongtao, a sales manager at the company. He said the ginger is sold as organic in some countries but not the United States or Europe.

The pesticide residue results that were obtained by The Post also indicate that enforcement of “USDA Organic” rules for pesticides are uneven and possibly arbitrary, with results depending on the inspection agency.

While Ceres found remarkably high levels of pesticide residue, others reported extremely low levels.

For example, Ecocert, a French inspection agency, reported pesticide residue on about 1 percent of 360 samples from China in 2015 — a level of cleanliness remarkable for any country, let alone China and its well-documented pollution.

This wide range of pesticide use detected by organic inspectors in China — nearly 40 percent at one company and 1 percent in another — suggests a variety of methods and standards at work. Ecocert said their results may be low because they chose samples from a large number of farms. Different firms may also use different thresholds for what constitutes a positive result. The next year, Ecocert said, its testing criteria changed slightly, and the percentage of samples with pesticide levels rose to 8 percent.

Critics say the disparity in results shows that certifying agencies can make any farm look organic.

“The certifying agencies can choose who and when they test,” said Mischa Popoff, a former USDA organic inspector turned critic. “That’s why the results they can get are completely arbitrary.”

Each of the questionable organic shipments of corn and soybeans examined by The Post passed through Turkey, a country whose organic exports have provoked criticism from international authorities.

In 2013, for example, a report by the Research Institute of Organic Agriculture found that half of European importers and Turkish handlers had detected pesticide residue on organic products from Turkey.

The United States has seen large spikes in the amount of organic corn and soybeans entering from Turkey, according to USDA statistics. Between 2014 and 2016, the amount of organic corn arriving from Turkey rose from 15,000 metric tons to more than 399,000 metric tons; the amount of organic soybeans coming from Turkey rose from 14,000 metric tons to 165,000. (The three shipments examined by The Post represent roughly 7 percent of annual organic corn imports and 4 percent of organic soybean imports.)

Such sudden jumps in organic food production draw scrutiny because the organic transition process is slow — it can take three years for conventional land to be converted into organic farmland.

“Where did all this big production come from? Where are these organic farmers?” Miles McEvoy, chief of the USDA’s organic program, said to a group of U.S. organic farmers earlier this year.

The rise of imports has helped drop prices by more than 25 percent, hurting U.S. organic farmers, many of them small operations.

“My neighbor, small farm, lost \$30,000 last year on 100 acres of organic corn,” said OFARM’s Bobbe. “In fact, there’s so much coming in, we’re finding buyers who won’t take any corn.”

To piece together the three questionable shipments, The Post was given records of the transactions by an industry expert who requested anonymity because they may conflict with the mandates of his employer. The documents included company invoices, shipping records and health certificates accompanying the shipments. Warehouse operators, importers, exporters and Ukrainian officials verified key documents and added details.

- The first of the shipments arrived at the port of Wilmington in Delaware a year ago. It consisted of 46 million pounds of “organic” corn.

The Romanian company that provided the corn is not a certified organic company, and receipts show that the corn was initially purchased at the conventional price, not the organic one.

The shipper is listed as Hakan Organics, a Dubai-based company with operations in Turkey.

Hakan Organics is listed as an organic handler in good standing with the USDA.

The first intended customer for the corn, Perdue Agribusiness, asked for additional paperwork and then refused to accept the shipment, because “we could not confirm all the proper documentation” that Perdue requires, a company spokesman said.

The Post could not determine who ended up purchasing the “organic” corn.

Since then, Perdue has not received any shipments from Hakan Organics, a Perdue spokesman said.

Hakan Organics continued to ship agricultural products to the United States.

Hakan Bahceci, the chief executive of Hakan, indicated by email that he would answer questions but then did not respond further.

- The second shipment, the soybeans from Ukraine and Turkey, arrived aboard the Four Diamond at the port of Stockton in December 2016.

A set of health certificates that accompanied the soybeans allowed The Post to trace the soybeans from California back to Turkey and to their origin in Ukraine.

The health certificates and associated receipts indicate that they were not really organic. For one thing, the soybeans were fumigated with tablets of aluminum phosphide, a pesticide prohibited under organic regulations; some of the soybeans originated from ADM Ukraine, a company that does not produce or trade organic soybeans and did not sell or label them as such, a company spokeswoman said; and finally, the soybeans were originally priced at the level of conventional soybeans.

Invoices and other documents for those soybeans showed that they were originally priced at about \$360 per ton. By the time they reached the United States, the price reached almost \$600 per ton.

Global Natural, the Annapolis-based firm that was marketing the soybeans in the United States, said it has stopped selling “all potentially affected product.” Company officials declined to answer further questions.

The importer of the soybeans is Agropex International.

Ashley Anderson, who is listed as the president of Agropex International, insisted that the soybeans that arrived in Stockton are legitimately organic.

- The third shipment involved 46 million pounds of “organic” corn that sailed from Romania to Turkey and then to Baltimore, arriving in March.

The Romanian producers of the corn, a company called Belor, is not a certified organic company and sold the corn at conventional prices, according to receipts. But by the time the corn from Romania reached the United States, it was labeled organic. Its price had risen 72 percent. As with the cargo aboard the Four Diamond, the value of the shipment increased by millions.

Dennis Minnaard of DFI Organics said his company had been set to buy some of the corn but rejected the shipment because the broker did not “take away our doubts” about its authenticity.

Yet that “organic” corn continued to be marketed to other customers, according to industry officials who spoke on the condition of anonymity because of the private nature of the deals.

With “the complex supply chain of organic grain,” McEvoy, the USDA official, told concerned farmers at the Midwest Organic and Sustainable Education Service conference earlier this year, “there are challenges.”

https://www.washingtonpost.com/business/economy/the-labels-said-organic-but-these-massive-imports-of-corn-and-soybeans-werent/2017/05/12/6d165984-2b76-11e7-a616-d7c8a68c1a66_story.html