

International Organic Accreditation Service

Annual Report 2006

Highlights

Organic conformity assessment may appear to be a slow moving sector but it certainly took significant steps in 2006 on many fronts; new regulations, most notably that of Canada but also changes in the European Union, further efforts on harmonisation, new IFOAM Norms and with it many changes within and around the IOAS.

After starting the year having to find new office premises in Jamestown following the devastating fire in late 2005, we finished the year with a reaffirmation from NIST of our compliance with ISO17011, with one additional staff member, with four additional accredited certification bodies and three additional applicants and, we think, facing a major expansion of our services and collaboration with government authorities in the next few years.

We announced in early 2006 our investment in new information systems to handle multiple assessment and this was our bet on this future direction of the organic sector. 2006 saw our first multiple assessment work contracted by a government authority (Quebec) which vindicates this assessment.

The year saw further development of other services in training and information. A second training course for government authorities on assessment of organic certification bodies took place in November.

The IOAS faces the future stronger than ever and prepared to offer its experience in collaboration with all organisations interested to maintain and build trust in organic products.

Multiple assessment

'Multiple assessment' is a product of lack of harmonisation of standards and certification requirements around the world. Although the IOAS continues to argue strongly for harmonisation, we see that we can provide a crucial service to the industry (even if temporarily) by offering assessment of certification bodies against several norms and regulations. If in so doing we help bring the parties together, then all the better. At the core of multiple assessment is an ever growing database of regulations and norms including, as appropriate, organic standards and certification requirements. In February 2006 Ken Commins presented the idea and basic operation of a multi-standard database at BioFach. During the year we have developed the concept to the point of use by year end. From 2007, any certification organisation wanting to be assessed against, for example, IFOAM Norms, ISO65 with varying scopes such as the EU regulation or the Canada regulation will be able to do so and the desk audit and visit will be combined as one with only small incremental fees. Compliance reports can be generated in combined form or separately in the order of any specified regulation or norm.

Linked to this, the IOAS performed its first work on behalf of CAAQ (Quebec) by doing their surveillance visits on OCIA and ICS of the USA. This is the first direct collaboration with a government approval mechanism that the IOAS has undertaken and is set to continue in 2007.

Accreditation

The IOAS continues to operate two accreditation programmes; IFOAM Norms and ISO/IEC Guide 65. In 2006 four organic certification bodies (Debio of Norway, Doalnara Certified Organic of Korea LLC, ETKO of Turkey and Global Organic Agriculture Association of South Korea) became newly accredited with IOAS and two further organisations (Organska Kontrol of Bosnia Herzegovina and TanCert of Tanzania) applied during the year and are under assessment. At the end of 2006 35 bodies are accredited with IOAS and 3 further are under review. Two organisations (Ekoagaros of Lithuania and Kez of Czech Republic) withdrew from IFOAM Accreditation. In addition 4 already IFOAM accredited certification bodies (ACO of Australia, Bolicert of Bolivia, ICS of USA and OFDC of P.R.China) extended their accreditations to include ISO/IEC 65 bringing the total number under that programme to 12.

Under the new IFOAM norms published in early 2006, aquaculture and textile processing were added as categories of activity and by the year end a number of organisations were being reviewed in order to add these activities.

Following a request during 2006 from an individual certification body the IOAS Board approved to accept applications from certification organisations wanting to include in their ISO/IEC Guide 65 scope, 'ecotourism' and 'organic cosmetics and detergents'. Given the sometimes broad definition of ecotourism, IOAS decided to reserve the right to reject applications if there is no organic farming or organic food element to the reference standards on ecotourism. IOAS wishes to continue to limit its scope of interest to organic agriculture and organic products.



Debio

Debio is a private, non-profit association based on a membership organised to enhance mutual trust between all parties engaged in production, marketing and consumption of organic goods. Under the EEA Agreement II of 1995, Norwegian authorities are responsible for the inspection of organic agricultural production according to the EU regulation (2092/91). The Norwegian Food Safety Authority has delegated the responsibility for the actual inspection and certification to Debio. In 1986, 19 farms were inspected and processed for certification. In 2005 this figure had grown to 2496 farms and 354 companies. In addition, inspection and labelling schemes were developed for natural products, farm inputs, aquaculture and textiles.

Global Organic Agriculurist Association

The Global (initially Green) Organic Agriculturist Association was formed in South Korea with the aim of providing a range of products that are beneficial not only for consumers but for the environment as a whole. It is composed of a General Assembly of members who elect the Board of Directors for 3 years at a time to manage the Certification Body. A stakeholder Certification Committee reviews certification decisions and is responsible for the formulation of policy matters and supervision of the implementation of GOAA policies. GOAA's IFOAM programme is active in certification of crop

production, livestock, wild products, processing and handling and retailers.



Doalnara Certified Organic Korea

Doalnara Certified Organic Korea, LLC (DCOK) is located in Wonju, South Korea. Members of the Supervising Board, the highest governing board of the organisation, are elected from among the Partners of the LLC. They must each represent a stakeholder. Day-to-day operations are managed by the Executive Director, Certification Manager and Quality Manager who form the management team. Certification staff and office staff assist in daily activities, as well as inspectors who carry out on-site inspections. South Korea is a relatively small but fast growing market. Domestic production is mostly rice, vegetables and some fruit such as strawberries and oranges.



ETKO

ETKO was founded in 1996 in Turkey and was the first certification body to be granted ISO65 accreditation by the IOAS without also being IFOAM accredited. The accreditation scope is EC Regulation 2092/91, Turkish Organic Regulation 25841/2005 and ETKO Textile Standards. ETKO was authorized by the OTK Organic Farming Committee of the Ministry of Agriculture in 1996. ETKO has 7 full-time inspectors employed together with 4 part-time workers in Turkey and 3 subcontracted inspectors abroad. An independent certification committee was set up including 7 members who represent producers, processors, academics and the Ministry of Agriculture.



Surveillance

The 35 certification bodies accredited by IOAS had just under 150,000 registered operators based in 75 countries in 2006. 65% of accredited organisations work in more than 1 country demonstrating a growing trend towards providing services outside a home territory. On average the organisations have 14 full time staff members (the range being from 2 to 75) and 2 part time. 15 of the certification bodies are based in Europe, 10 in Asia-Pacific, 6 in North America, 5 in South America and 2 in the Middle East.

As a result, IOAS evaluators performed 89 days of on-site surveillance, did 44 witness and review operator visits and reviewed over 250 operator files in 2006. The move to a risk-based surveillance system described elsewhere, permitted under the requirements of ISO/IEC17011, allowed a reduction in the number of site visits performed reducing costs to certification bodies, demands on the time of certification staff and the IOAS environmental footprint at the same time. Also, based on this system, additional visits have been imposed on some certification bodies as a result of operational problems or significant non-compliance with relevant norms. This approach rewards good performance and sanctions poor performance, an approach the IOAS Board very much supports.

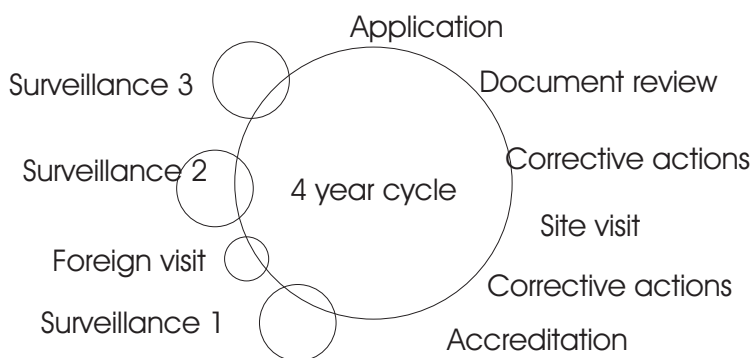


Figure 1: Diagrammatic representation of the assessment and surveillance processes of IOAS.

Complaints, sanctions and feedback

When IOAS finds non-conformities in the operations of certification bodies it applies pressure for change in various ways. The most frequent is by requiring corrective actions, which may be either classed as non-compliances (major) or deficiencies (minor), and require action by the certifier within a set time line. Resolution of such issues is not only through documentation but through verification of implementation at surveillance visits. When agreed changes are found not, in fact, to be implemented, IOAS has the power to fine certifiers. Warning letters may also be employed to get the attention of the certification body's management. If in some circumstances serious failings are uncovered which threaten the integrity of the certification being provided, the IOAS have the right to threaten and implement suspension and ultimately withdrawal of accreditation. In 2006 the IOAS issued one notice of intent to suspend and three warning letters.

IOAS also prides itself in having a rigorous complaints procedure. Such complaints about either the certification bodies or IOAS itself may come from certification bodies, operators, authorities or even consumers. No complaints about IOAS operations have been received in 2006. On the other hand, 2 complaints about accredited certifiers have been received and dealt with. Both related to inappropriate use of the IFOAM Seal.

IOAS has a 3 level 'appeals' system. The lowest level relates to discussions with client managers in relation to whether a corrective action fulfils a raised non conformity. The second level is reconsideration of issues by the Accreditation Committee. The third and ultimate level is consideration of an issue by an ad hoc Appeals Committee formed by members of the IOAS Board. Different people are involved in the various stages to provide objectivity. IOAS received no appeals at the highest level in 2006.

Foreign visits

The IOAS has always considered it necessary to perform surveillance of operators outside of the certification body's home territory or to certification body offices in other countries. The lack of such surveillance is generally a weakness in national systems where there is an assumption that surveillance of a home office and activity ensures good performance in all territories. Due to the increasing international scope of many certifiers the IOAS is conducting more such visits. The IOAS is guided by a sampling policy (which takes into account the number of operators involved, the number of countries, the proportion of total income and the existence of smallholder group systems) to gauge the number of foreign visits required. The operator visits by the IOAS may be either witness or review audits. Some IOAS accredited bodies work in more than 20 countries and therefore receive regular foreign operator visits. The number of such visits is now indicated in the accreditation contract with each certification body which is renewed every four years.

Policy changes

Like many organisations, the IOAS continues to adapt to changing circumstances, reacts to new scenarios and finds better ways of doing things. Through preventive actions, internal and external audits, amendments in our own policies and procedures take place. The following are the main changes that took place in 2006.

Risk-based surveillance

Although a change decided in 2005, the move to less than annual on-site surveillance was implemented in 2006. Basically, as long as the certification body continues without significant non-conformities or other reasons to doubt performance, on-site visits are conducted every other year within the 4 year accreditation cycle. In non-visit years, the certification body submits a written report.

Sites with key activities

Many certification bodies operate from more than one site, sometimes in more than one country. IOAS has always visited such sites if decision-making took place there. We have amended our policy to be in line with ISO17011 which requires visits to any sites where a wider definition of 'key activities' take place.

Sector representation

The sectors represented by Board and Committee members were more clearly defined as: beneficiaries, conformity assessment, developing world, operators and regulatory.

Categories of activity

It was made clear in policy that certification bodies could not establish a programme in which only end-users (processors) were in the accredited programme and all primary producers under another non-accredited programme. The time period for addition of new scope categories was also amended.

Changes in IFOAM Norms

The most recent IFOAM Norms approved in September 2005 were published in early 2006 and comprise the Basic Organic Standards and the Accreditation Criteria. Existing accredited certification bodies must comply with any changes at least by December 31, 2007.

Main changes in the Certification criteria

- Appeals must be heard by an appeals committee rather than as was possible before, an individual (IC1.2.7).
- The CB must have a policy on market enquiries (IC1.3.5)
- The body making or ratifying decisions need not be a stakeholder committee but must be free of commercial, financial or other pressures (IC1.3.7)
- Dropped requirement for a Quality Manual and no need for procedures for internal audit (IC3.3.1)
- Details of confidentiality policy specified (IC4.1.3)
- The need for a listing of sub-licensees is clarified (IC5.2.1)
- A new requirement for electronic records back up (IC5.4.5)
- The number of consecutive visits to an operator by an inspector is raised from a maximum of 4 to 5 (IC6.2.5)
- The CB must rule on any objections raised by operators against inspectors (IC6.2.6)
- The need for genetic testing is removed (IC6.4.1)
- The need for laboratories to be accredited is removed (IC6.4.2)
- Inspection measures on GMOs are now based on risk assessment (IC6.7.8)
- Time-lines are now mandatory on conditions (IC7.2.5)
- Less than annual inspection is permitted based on risk (IC7.5.2)
- The frequency of unannounced visits is clarified as 5% (IC7.5.5)
- Conditions for 'contracted labelling' specified (IC7.6.2)
- Special arrangements for smallholder group are now no longer restricted to developing countries (IC8.3.1)
- Recognition of ISO65 accredited bodies permitted with assessment of standards and criteria differences (IC9.2.2)
- Document review requires review of last inspection report plus risk analysis (IC9.3.2)
- Relaxing of requirements for acceptance of operators previously certified (IC9.4)

Main changes in the Basic Standards

- Period of organic management for seed and propagation material defined (IS4.1.1)
- Slaughter products of same species prohibited in animal diets (IS5.6.4)
- The restriction on filtration techniques that chemically react with or modify organic food on a molecular basis has been removed. (IS6.3.4)
- A new section on 'Cleaning, disinfecting and sanitising of food and processing facilities- has been added (IS6.6)
- A new section on 'Textile fibre processing' has been added (IS6.7)
- A new section on 'Labelling of fibre, textile and apparel' (IS7.2)
- Under social standards the clause on child labour is amended and more detailed (IS8.6)
- A new section on 'Aquaculture' (IS9) has been adopted.

Figure 2: Development of number of accredited bodies under the IFOAM and ISO65 programmes of IOAS

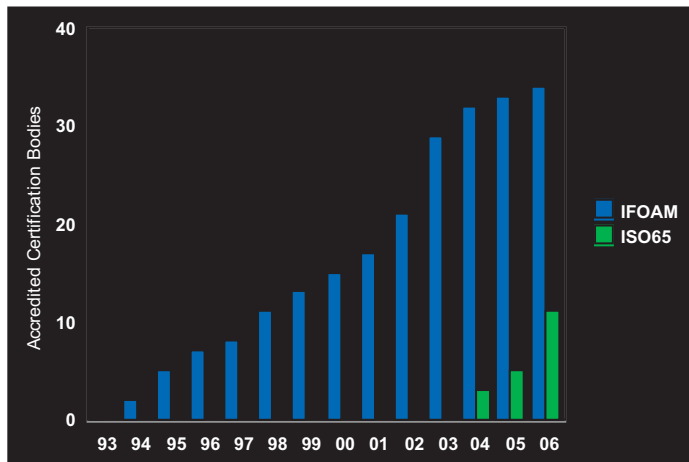


Figure 3: Countries of activity of IOAS accredited certification bodies



NIST reapproval

On August 8, 2006 an evaluation panel of the National Institute of Standards & Technology (part of the US Dept. of Commerce in the USA) unanimously approved continued recognition of the IOAS IFOAM and ISO/IEC 65 accreditation programmes as operating in line with ISO/IEC17011.

The IOAS was first recognised by NIST in August 2004 and reassessment took place during June and July. The reassessment consisted of a full document review against ISO17011, an office visit and a witness audit of an IOAS surveillance visit of a certification body. The IOAS were required to take minor corrective actions which were resolved within 1 month to allow the approval decision in August. Given that the IOAS is an international accreditation body and not in anyway designated by a national government (as are most national accreditation bodies), the NIST recognition is important to IOAS in that it provides an independent verification of competence and places IOAS alongside the best of any national accreditation bodies.

President's report

The IOAS continues to grow at a rapid rate. Although in 2006 two certification bodies withdrew from the IOAS accreditation system we received a number of new applications which resulted in a net gain and the ISO65 programme has seen an unprecedented increase of six bodies within 2006. With possible work related to the new Canadian regime and changes within the European Union there is a clear trend towards other work which complement IFOAM Accreditation.

The concept of one visit-multiple accreditations, championed by IOAS to reduce the burden on certification bodies and the industry as a whole, is beginning to be a reality. The IOAS can expect to work with a budget of around US\$600,000 in 2007 and we have in reserve our target of several months costs. As a result we plan to invest further in staff in the coming year and continue the development of information systems and generally prepare for what we expect to be an expansion of work related to regulatory approvals of certification bodies.

I would like to take this opportunity to commend all the staff, the Accreditation Committee and my fellow Board members and publicly thank their various employers for permitting them time to attend meetings and contribute to the work of the IOAS. Specific thanks also to IFOAM and their donors for the provision of travel expenses to 3 of our members from developing countries throughout 2006. There is a very positive atmosphere in the organisation and I anticipate this will take us forward with confidence despite the changing environment in which we find ourselves.

IOAS training

A second training course on 'Assessment of organic certification bodies' took place in November at the Research Station for Organic Agriculture (FiBL) in Switzerland. The training course for personnel from government authorities and accreditation bodies was attended by 15 people from Belgium, Bulgaria, Germany, Sweden, Switzerland, Thailand and USA. Participants attended from accreditation bodies, government authorities, certification bodies and interested non-government organisations.

The course covers all aspects of the structure and operation of accreditation bodies and the role of personnel involved with the assessment of certification bodies. The international guidelines ISO/IEC 17011, 19011 and 65, IFOAM Norms and the main regional and country organic regulations are used as points of reference. The three and a half day course emphasises practical experience and uses numerous case studies and exercises to help participants develop the skills necessary to conduct assessments of certification bodies operating in the organic sector. A comprehensive course manual is provided to all participants.

In 2006, FiBL also offered an additional two days study tour to visit organic producers, processors and markets as well as some time to see more of Switzerland.

This course will now take place annually in September at this venue. If there is demand, other courses may be arranged in other parts of the world. The training manual developed for the course was published jointly with IFOAM and is available from the IFOAM web site www.ifoam.org

Operational environment

The principal clients of the IOAS are the certification bodies that voluntarily apply for the various accreditations that are offered. In turn however the seal of credibility and trust that is provided by the IOAS accreditation means that our services are used by farmer and operators at one end of the chain and consumers at the other. Government authorities active in regulating the organic sector are also customers of our services and also have an important impact on the sector through mandatory regulations.

In 2006, new organic regulations emerged in Bolivia and Paraguay whilst preparation for implementation continued in Mexico. From March 2006, the re-registration of certification bodies working in and certifying exports to Japan was effective. After a long gestation period on December 21, 2006, the Organic Products Regulations of Canada were finally published bringing in requirements for another major market for organic produce where before there were none (or at least not in a harmonised sense across the territory). The main implications for certification bodies working within Canada and for those certifying exports to the territory is that they will have to be formally accredited by the Canadian Food Inspection Agency through one of a number of approved accreditation bodies. The timetable for implementation is expected to commence with approval of accreditation bodies in the first half of 2007.

Also in late December 2006 and after much debate throughout 2006, the European Commission approved amendments to Regulation EEC 2092/91, Article 11, which will affect the import of organic products into Europe. The main change is the gradual phase out of the case-by-case product approval (the so-called 'importer derogation') managed by Member State authorities, to be replaced by direct approval of third country certification bodies (without the need for a country conformity assessment system to be approved). The direct approvals will be under the authority of the Commission itself and (for CBs outside of Europe) will be able to be done on a full compliance basis (accreditation against ISO/IEC 65 with scope of EU Regulation) or on an equivalence basis (formal accreditation not required and to equivalent criteria and standards). Both systems will however require surveillance by an accreditation body or authority. The Third Country list system will continue.

In March and November the Boards of Directors of IFOAM and IOAS met to discuss strategy for ongoing development of the IFOAM Accreditation Programme. A primary focus of this discussion remains access and harmonisation especially in the context of the initiatives arising from the International Task Force on Harmonisation.

All these events impact significantly on the thinking and time of IOAS personnel and ultimately the implementation of the IOAS accreditations. The multiple assessment approach discussed elsewhere in this report is a direct response to the increasingly numerous, and not always convergent, national regulations. IOAS will apply in 2007 to be one of the approved accreditors under the Canadian Organic Regime and expects to work as one of the expert bodies providing independent information for certification bodies wanting to demonstrate equivalence to the standards and control system under the EU Regulation.

Personnel

As in previous years IOAS personnel continued with great stability during 2006. One new staff member and one new Board member joined during the year. Roger Blobaum (USA) stepped down in March from the IOAS Executive Board and as Treasurer after many years in this role. He was reappointed however to the Board and his position as Treasurer is taken by Michael Sligh (USA). Robert Duxbury (UK) was also reappointed for a further term. The full Board meets twice per year. The Accreditation Committee, which is responsible for accreditation decisions meets 3 times per year with 3 teleconferences in between. Roberto Setti (Italy), Patricio Parra (Chile) and Frank Rumpe (Switzerland) were reappointed to a further term on this committee. All members have three year terms.

Board	Country	Sector background
Roger Blobaum	USA	Consumer
Robert Duxbury	United Kingdom	Conformity assessment
Felicia Echeverría	Costa Rica	Regulatory
Beate Huber	Germany	Conformity assessment
Vitoon Panyakul	Thailand	Developing world
Michael Sligh	USA	Operators
Boudwijn van Elzaker	Netherlands	Developing world

Accreditation Committee

Denis-Paul Bouffard	Quebec	Regulatory
Anne Macey	Canada	Conformity assessment
Jochen Neuendorff	Germany	Conformity assessment
Patricio Parra	Chile	Beneficiaries
Frank Rumpe	Switzerland	Conformity assessment
Roberto Setti	Italy	Conformity assessment
Roberto Ugas	Peru	Developing world

Felicia Echeverría

Felicia Echeverría was appointed as a new Board member of the IOAS in November 2006. She replaces Jenny Barnes of AQIS, Australia who, due to a change in her role at AQIS, Australia was unable to take up her position this year and recently resigned. Felicia is well known to many from her work as Manager of the National Organic Agriculture Programme of Costa Rica between 1999-2006 during which time Costa Rica attained third country recognition with the EU. She now works as a consultant in organic agriculture policy development and community-based strategic planning in developing countries.



Krista Wanser

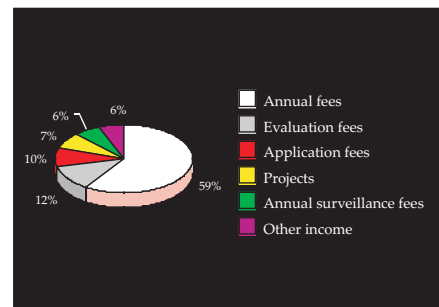
Krista Wanser, a US-national based in Nebraska joined IOAS on a half time basis in May 2006 to enable IOAS to continue growing its various programmes. Krista has wide experience of conformity assessment, particularly in organic agriculture. She has worked as a staff member for various US-based organic certification bodies and as a quality consultant for many others. Krista is an RAB Quality Management Systems auditor. She is married with two children.



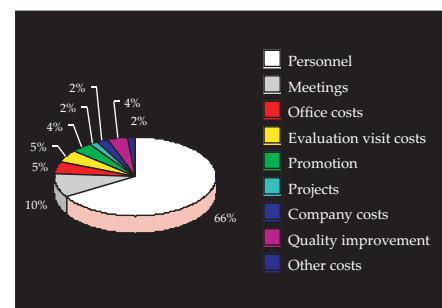
Financial

Despite having budgeted 2006 with a small negative balance due to investment of additional effort on the multiple-assessment database the IOAS completed the year with a surplus of US\$18,390. The IOAS had a turnover of just over US\$550,000, an increase on 2005 of 14.5%. 86% of income in 2006 was from assessment and accreditation fees, the remainder mainly from training and projects. This shows an increase of income from other services not directly related to accreditation, a trend which is expected to continue in future years. In October the IOAS Board again agreed to maintain fees without increases for 2007. At the same time a new fee schedule was approved which reflects the increasing reality of certification bodies wanting more than one accreditation in order to provide access to various markets. Later in 2006 the weakening US dollar gave some cause for concern; all our fees are fixed in dollars but given our international staff, much of our expenditure is in other currencies.

Income 2006



Expenditure 2006



Who we are

The International Organic Accreditation Service (IOAS) is a non-profit organisation based in North Dakota, USA with offices in Australia, Spain and the United Kingdom. We work solely in the field of assessment of organic certification bodies and offer voluntary accreditation against IFOAM Norms and ISO/IEC Guide 65. The IOAS is recognised by the US Department of Commerce, National Institute of Standards & Technology as offering these two programmes in compliance with ISO17011. We provide assessment and reporting services to government authorities in this field and training on assessment of organic certification bodies against various relevant international Norms and regulations. The IOAS is committed to providing systems for worldwide equivalency, with rigour, empathy and integrity at reasonable cost.

The IOAS was established by IFOAM in 1998 to implement the IFOAM Accreditation Programme at arms length from the standard setting role of IFOAM itself. IFOAM Accreditation remains our core work but the ISO65 Programme, new programmes for regulatory purposes, training and other services represent an increasing proportion of our work programme. The day-to-day work (including all assessment visits) is performed by 6 staff in 4 countries: Amaia Aldana, Ken Commins, David Crucefix, Jan Deane, Stephanie Goldfinch and Krista Wanser. Overall responsibility is exercised by a 7-8 member Board elected to represent a balance of interests and geography with current members coming from Costa Rica, Germany, Netherlands, Thailand, United Kingdom and the USA. A similarly balanced, 7-8 person Accreditation Committee is responsible for accreditation decisions and currently has representation from Canada, Chile, Germany, Italy, Peru, Quebec, Switzerland and Thailand.

IOAS Organisation Chart

