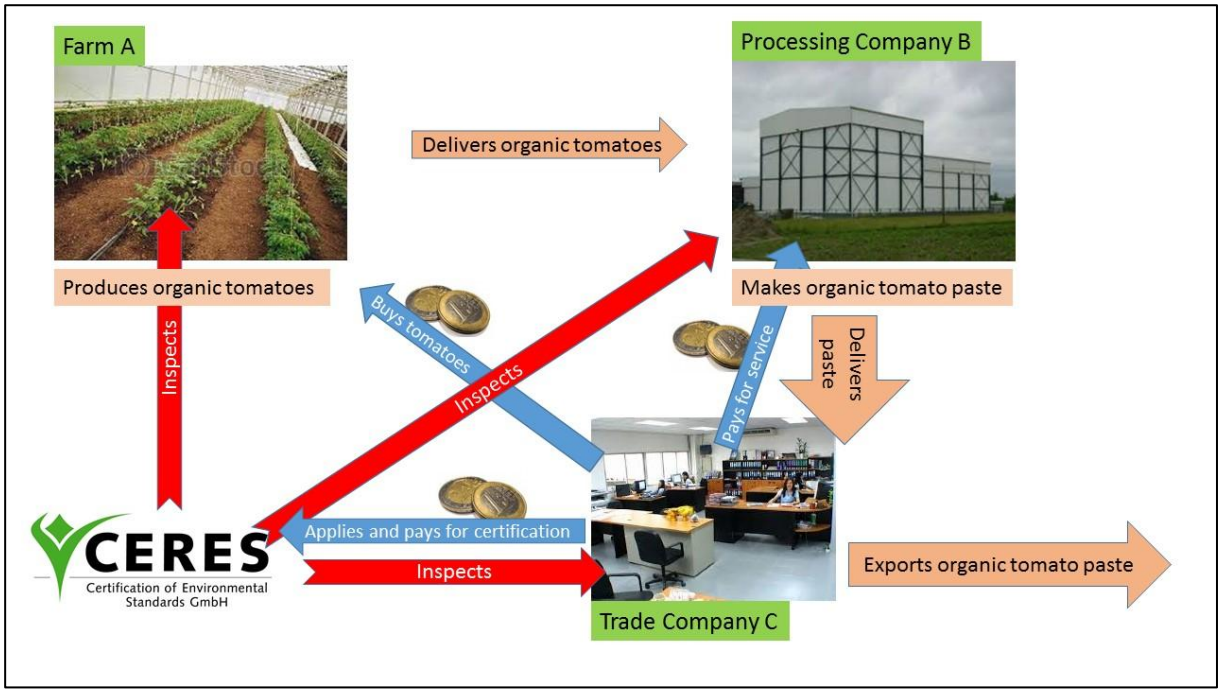
# Brief Information on Contracting (Outsourcing) certain Activities in Organic Production and Processing

## 1. Introduction, definition of words

Quite frequently, CERES receives applications for so called “project certifications”, as in the following example:




### In this scenario, roles are distributed as follows:

| | Ownership of product | Physical contact with product | Inspec-tion by CERES | Pays for certifi-cation | Typically considered “Subcon-tracting” | Term used in CERES system |
|---|---|---|---|---|---|---|
| **Farm A** | Yes | Yes | Yes | No | No | **Contractor** |
| **Processor B** | No | Yes | Yes | No | Yes | **Contractor** |
| **Trader C** | Yes | No (often) | Yes | Yes | - | **Client** |

## 2. Contractual relationship

Formerly, in the scenario described above, CERES did not have direct contracts with Farm A nor with Processor B. CERES only had a contract with Trader C, who signed subcontracts with the other two entities. Because of requirements from our accreditors, we had to change this system: even those entities that do not pay for certification (now called “**contractors**”), must **sign a direct “Certification Agreement” with CERES**, in which they commit themselves to compliance with organic rules. This agreement only requires the signature from the contractor side, it needs not be counter-signed by CERES. The contractual relationship with the “client” (Trader C in the example above) remains the same as before:

| | ~~Old system~~ | New system |
|---|---|---|
| **Farm A** | ~~Subcontract with Trader C~~ | Certification agreement with CERES |
| **Processor B** | ~~Subcontract with Trader C~~ | Certification agreement with CERES |
| **Trader C** | ~~Certification contract with CERES~~ | Certification contract with CERES |

## 3. Certificates under Regulation (EU) 2018/848, JAS, and other organic programmes (except for NOP)

Certificates under organic programs other than NOP, can be issued to the name of the “client”, i.e. the entity that pays for certification.

Of course, also Farm A and Processor B can obtain their own independent certificates if they decide to pay for certification on their own.

## 4. Certificates under NOP

Through Instruction 4009 (https://www.ams.usda.gov/sites/default/files/media/4009.pdf), the NOP among others established a rule that does no longer allow for “contractors” to be on the “client’s” certificate: **each certificate can cover only one legal entity**! In the above scenario, there would be three certificates, each of them issued to the name of the entity in charge of the respective activity:

CERES NOP Certificate
Certificate N°: XY1
issued by CERES to:
Farm A
The following products and activities are certified organic under the US National Organic Program 7 CFR Part 205:

| Product | Growers | Area (ha) | Quantity (Estimate) | Label Category |
|---|---|---|---|---|
| Tomatoes | 1 | 2 | 80 tons | Organic |

Scopes:
➢ Crops

CERES NOP Certificate
Certificate N°: XY2
issued by CERES to:
Processor B
The following products and activities are certified organic under the US National Organic Program 7 CFR Part 205:

| Product | Growers | Area (ha) | Quantity (Estimate) | Label Category |
|---|---|---|---|---|
| Tomato paste | - | - | 14 tons | Organic |

Scopes:
➢ Handling (Processing)

CERES NOP Certificate
Certificate N°: XY3
issued by CERES to:
Trader C
The following products and activities are certified organic under the US National Organic Program 7 CFR Part 205:

| Product | Growers | Area (ha) | Quantity (Estimate) | Label Category |
|---|---|---|---|---|
| Tomato paste | - | - | 14 tons | Organic |

Scopes:
➢ Handling (Trade)

CERES sends the three certificates to the “client” (Trader C). The client under such arrangements normally does not want the contractors to sell organic products on their own. However, it is not CERES’ responsibility to prevent this from happening!

When the “client” for some reason cannot be inspected, e.g. because the company is located in a different country, then CERES cannot issue any certificate to the name of this company. In the scenario, above, there would be only a certificate to the name of Farm A, and one to the name of Processor B. The company in this case has two options:

a. Either show its customers one of the other certificates (normally the one for the final product, i.e. tomato paste in this case)
b. Or get inspected and certified, either by CERES, or by another certifier that operates in the respective country.

The only **exemption** from this rule are **group** (or “multi-site”) **certifications**. When the different involved entities operate under one common system organised by the client and monitored through an internal control system (**ICS**), then one single certificate can be issued for the whole group (see Brief Info on Group Certification).

## 5. Documentation requirements in case of (sub)contracted organic processing

The fact of a processor being certified (be it under a “client’s” certificate or independently), is not sufficient for ensuring that everything is done properly. As a **minimum, the following documentation** must be available:

a. If a contractor processes both certified and non-certified products, the contracting party must issue a **written instruction for each lot** ("please process / store / label / pack according to organic standard X"; or “please process using recipe A”; or any other wording preventing ambiguity).
b. The same applies when the contractor is in charge of **complex activities**, using e.g. different recipes: even if the contractor handles only certified products, detailed written instructions must be issued for each lot.
c. Upon completion of the job, the contractor must issue an invoice or other type of written confirmation, confirming the batch has been dealt with according to organic standard X (or any other clear wording avoiding ambiguity). Such a **confirmation** must **only refer to the specific process** that is under the contractor's responsibility. When e.g. a factory is contracted for making pasta from organic wheat flour, it will confirm the batch has been processed using recipes per organic standard X, but it is often not in a position to confirm the organic condition of the pasta as such.
d. Finally, the product owner is responsible for **verifying** correct handling of **each batch**. This involves thorough review of the respective records and confirmation received from the contractor, but may also involve additional onsite visits to clarify any doubt.

## 6. Different Certifiers Involved

When the owner of the product and the contractor are each certified independently by different certification companies, then the overall responsibility for verifying product conformity is with the product owner's certifier. The contractor's certifier only verifies conformity of the specific process. Both will exchange information whenever necessary.