CERTCOST Report Summary

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Final Report Summary - CERTCOST (Economic analysis of certification systems for organic food and farming)

Certification is a key element of organic farming systems today, because only certified organic products may be labelled as such, thereby gaining access to the organic market and earning premium prices. Conceptually, the main benefit of organic certification systems is to assure everyone within the organic supply chain, and particularly the consumer, of the integrity of organic products. This is necessary because ‘organic’ is defined by the process of its production rather than characteristics of the end product alone (e.g. residue levels) and the supply chain of organic food is subject to imperfect information and opportunistic behaviour (such as fraud).

Organic certification systems are interesting and challenging, because they involve the whole food supply chain. Very little is known about the magnitude of certification costs in different parts of the system and the degree to which these costs differ in different member states or in relation to other factors, such as the involvement of private certification bodies versus public certification bodies, or recertification due to different standards. Gathering such information in a way that allows for comparison is a necessary prerequisite to make any suggestions to optimise the system.

In the context of an economic investigation of the organic certification system the term risk has two components: The first component is the probability of non-compliance with the provisions of the organic regulation. The second component is the (potential) damage generated by the different types of non-compliance. Non-compliance can be categorised according to severity of damage resulting from it ranging from a particular consignment of organic products loosing certification status over the loss of licence of a particular operator to damage to the image of a whole brand or symbol (the latter may be more difficult to quantify). Thus, changing an existing system of organic certification will in principle entail two types of cost: First there might be e.g. a change in expenditure occurred if the frequency of inspections changes. However, if increased frequency of inspection among operators leads to less occurrence of non-compliance this will result in a benefit (= a negative cost) for the organic sector. If inspections specifically target those operators with a high probability of non-compliance and / or a high likelihood of high damage resulting from non-compliance, such an inspection system can be defined as a risk based inspection system within an economic context.

The overall objective of the CERTCOST project was to provide research based recommendations to improve organic food certification systems in Europe in terms of efficiency, transparency and cost effectiveness.

The CERTCOST project represents a major effort of 11 European institutions from seven European countries. The project consortium consisted out of universities, research centres as well as control bodies involved in organic certification.

The project was a major effort to produce an overview and an economic analysis of the certification system for organic food and farming in Europe. Equal importance was given to produce sound scientific results and at the same time to involve relevant stakeholders within the project discussions and inform them on the results.
The project results provide baseline information on the organic certification systems and standard setting procedures within the EU and associated European countries (Switzerland and Turkey), including a database on key data, a review of relevant international regulations, an overview on publicly available prices, an estimate of the size of the certification sector and a further development and refinement of the existing theoretical and conceptual framework for the economic analysis of organic certification systems.

The implementation of organic certification systems was analysed and all relevant expenditure and transaction costs for different certification systems along the organic food supply chain, in various regions of the EU, as well as Switzerland and Turkey were assessed.

The main benefits of certification systems were investigated in terms of consumers' recognition, image and willingness to pay for different organic logos and trademarks with their underlying production standards and certification procedures in various regions of the EU, as well as in Switzerland and Turkey.

Economic models were developed that allow to assess the factors that determine non-compliance with the organic regulation and an overall assessment of organic certification systems.

Recommendations from the research were developed for the European Commission (EC), national competent authorities and private actors in organic food and farming on how to increase the effectiveness and the efficiency of organic certification. These recommendations may serve as a basis for optimisation of the current certification system in the European Union and Switzerland.

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