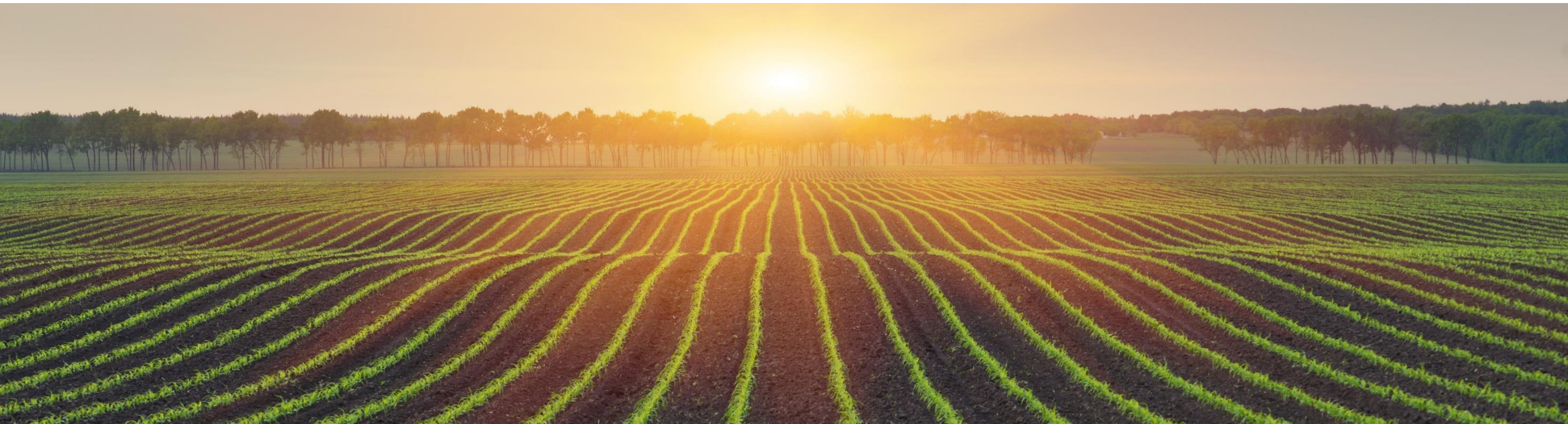


Wolf & Associates

THE ORGANIC SPECIALISTS



Your Roadmap to Successfully Navigating
Strengthening Organic Enforcement Regulations
March 1, 2023 | Noon EST

Our Organic Specialists Offer Unparalleled Experience in Organic

25+

Subject matter experts in all aspects of certified organic and quality assurance

500+

Years of combined experience in the industry

1

Clear vision for your company: **Organic Integrity**

Four W&A Briefing Takeaways:

1. How and when your business will be affected
2. Your roadmap to SOE survival and success
3. How to prepare your supply chain
4. Our forecast of impacts on the organic industry

What is USDA's Strengthening Organic Enforcement (SOE)?

SOE is 282 new pages of regulation from USDA's National Organic Program intended to:

- Support continued organic sector growth
- Reduce fraud
- Strengthen organic integrity
- Enhance consumers trust in USDA organic label



Year	Event	Sales Organic	Acreage	Growth
1989	Alar Scare/ Apple Fraud	\$750 Million	unknown	Less than a dozen major processors
1990	OFPA	\$1 Billion	<935,450	33% sales increase in one year
2002	NOP Regs Now Law	\$11.3 Billion	1,925,534	Over 10x growth since OFPA
2023	SOE Final Rule	\$63+ Billion	4,895,000	63x larger than 1990
3/2024	SOE Deadline	?	?	Temporary slowdown possible

Quick Historical Context: 33 Years of Building Trust in Organic





Why We Welcome SOE?

- This is *needed*
- The organic industry has *changed*:
 - Much more complex supply chain
 - Major increase in organic imports
 - Chain-of-custody gaps

When do Impacts Hit?

March 19, 2024



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Who is Impacted?

ALL current certified organic entities

+ 100% of Certifiers + Grower Groups +

4,000 *new* handlers (most were previously excluded operations:

Primarily brokers & traders)



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What is Impacted?

Import Process • Traceability

Organic Fraud Prevention • Non-retail Labels

Certification & Inspection Processes



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Implementation Items That are Still Evolving:

- Oversight of exempt operations
- Interface with Equivalency: How non-NOP foreign certifiers will access the NOP OID database:
 - Issue Import Certificates
 - Issue Uniform NOP Certificates



SOE IMPACTS

Prior Exclusions Narrowed:

- Big changes for handlers, brokers and some distributors who until now have been excluded from being certified
- Transportation not impacted unless also cross docking, consolidating, or repacking

SOE IMPACTS

Stricter Import Processes Through Customs & Border Protection's ACE Portal:

- *Every* import shipment must have an organic Import certificate to pass customs
- Suppliers must ensure timely documentation is entered through their certifier





SOE IMPACTS

More Rigorous Recordkeeping:

- Audit trail details and mass balance
- Supply Chain Traceability (SCT) is the new nomenclature

SOE IMPACTS

Enhanced Organic System Plans (OSPs):

- Fraud risk assessments and fraud prevention plans for operators' supply chains are mandated
- Consider enrolling in OTA's Fraud Prevention Solutions program
- This affects every certified organic operation in the world



Organic

SOE IMPACTS

Producer / Grower Group Standardization:

- Standardizes requirements of internal control systems
- Certifier inspection requirements for grower group certification
- Uniform requirements for how all certifiers assess grower group oversight

SOE IMPACTS

Non-retail Label Content Addressed:

- Focus is now on connecting the physical shipment with the supply chain traceability paperwork
- Bulk labels and associated paperwork still need lot code information





SOE IMPACTS

Increased Requirements for Certification & Inspection Process:

- Increased mandatory requirements for inspectors to perform consistent traceability and mass balance audits. This will increase inspection time for some operations
- Certifiers now required to perform risk-based audits and obtain audit documentation from operators to perform cross checks and supply chain analyses

SOE IMPACTS

Accredited Certification Agents must now have:

- Consistent training, continuing education hours, and inspector evaluation procedures;
- Consistent adverse action and mediation procedures;
- Staff training requirements and demonstration of qualifications;
- Unannounced inspection processes;
- Risk assessments of all operators;
- Standardized formulation calculations;





SOE IMPACTS - Most Important Odds & Ends

- Continuation of Certification: OSP updates need only to submit sections of the OSP that have changed.
- Annual on-site inspections: at least once per calendar year
- Calculating Percent Organic Ingredients: must be calculated from the weight of ingredients at *formulation*
- Oversight: extends to any person in any certification office conducting certification activities on behalf of a certifier, including subcontractors and satellite offices.
- Foreign Conformity Assessments: Clarifies practices and procedures for establishing, overseeing, and terminating equivalence determinations with foreign organic certification programs.



Roadmap to SOE Success

Top Line Actions to Take Immediately:

- 1) **Review your Organic System Plans** for accuracy and currency, making any needed updates to suppliers, ingredients, inputs, labels, or recordkeeping.
- 2) **Ask your certifier** what they will be needing from you in the way of SOE updates and when they'll need them.
- 3) **Assess your supply chain** for SOE impacts
- 4) **Assess your distribution & sales chain** for SOE impacts.

Roadmap to SOE Success

Next Steps:

- 1) Start new procedures now, especially if importing
- 2) Ensure grower groups are early adopters
- 3) Begin your fraud prevention risk assessment ASAP
- 4) Review and assess non-retail packaging and labeling
- 5) Review mass balance and traceability capabilities
- 6) Get any uncertified handlers moving ASAP
- 7) Ask for help if uncertain about what you need to do



Our Organic Industry Forecast

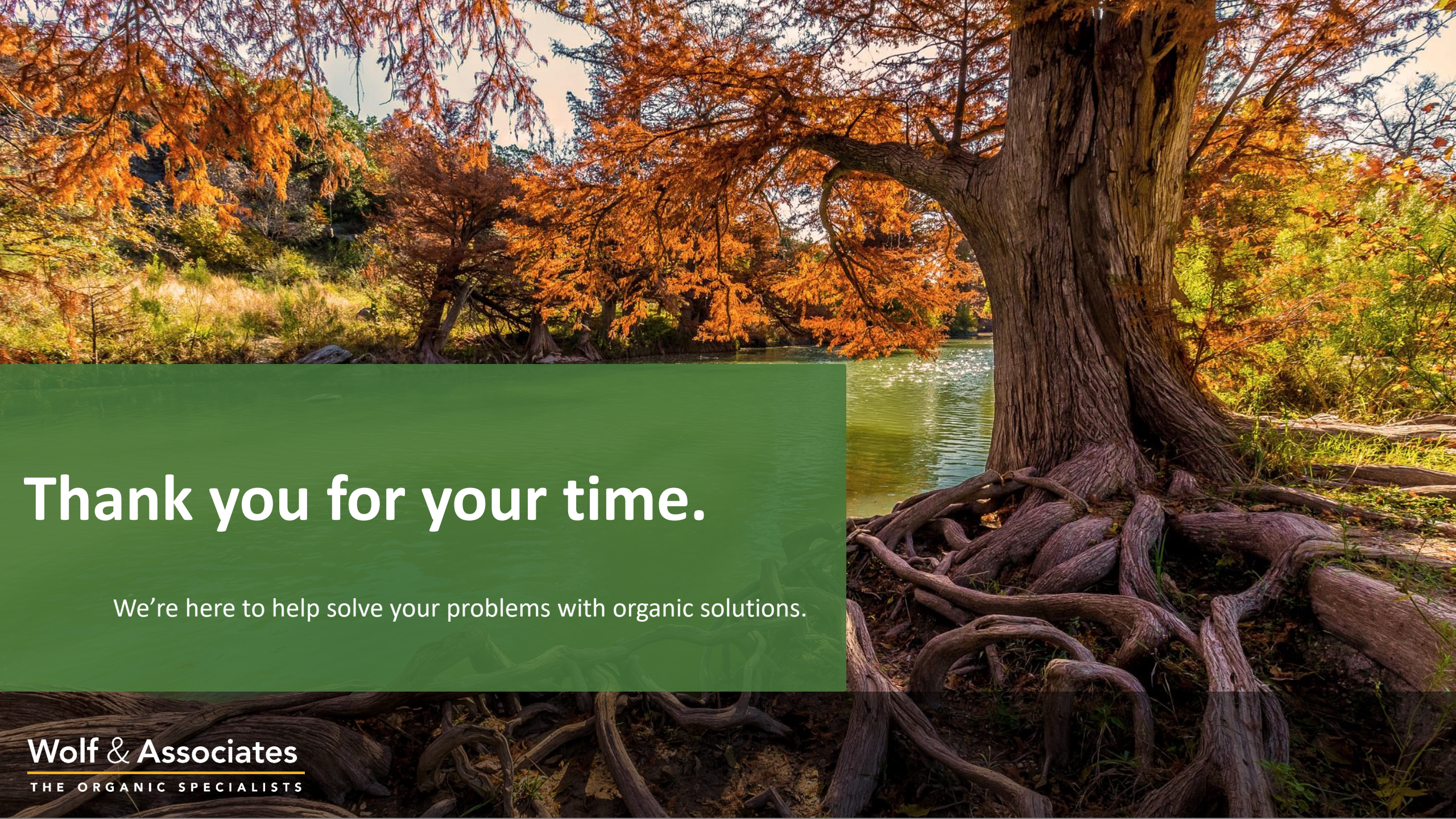
- 1) Greater global trust in the USDA Organic seal
- 2) Increased long term revenue growth globally and domestically
- 3) Temporary flattening of revenues
- 4) Less committed handlers leaving the organic supply chain
- 5) Produce sector stays strong
- 6) ACA stressors:
 - a) Shortage of inspectors continues
 - b) Increased rigor in accreditation brings increase in non-compliances
 - c) Likely consolidation of ACAs



Time for Q & A

Stay current on organic industry issues:

- Sign up for W&A newsletter at organicspecialists.com/contact
- Follow us on LinkedIn at linkedin.com/company/wolf-and-associates



Thank you for your time.

We're here to help solve your problems with organic solutions.



Our Services — Your Practical Solutions

Organic Certification Support

Input Material

Organic & Sustainable Agriculture

Strategic Planning

Organic Standards & Policies

Keeping Clients Current & Informed

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