

QUALITY ASSURANCE AND CERTIFICATION SYSTEM IN ORGANIC FOOD INDUSTRY: A STUDY OF CORPORATE GOVERNANCE

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Abstract

Good corporate governance is responsible and targeted management process in any business .it is an integral part of business processes. It is designed to strengthen & trust in company to increase in value. Good corporate governance increases the model transparency and it is responsible in conduction of trust. Main Aim is to ensure about business activities which are aligned to values and moral as well as ethical principles. The International Federation of Inspection Agents (IFIA) generally issues a Compliance Codes for the business. They define the standards. India is on the way to get opportunities offered by organic agriculture to exploring the true potential in today's world. Efforts of farmers, NGO, government rules & regulations, Policies and market forces have taken up the organic agriculture to prime stage in Indian agriculture. So the lot of efforts is being done by farmers to meet the requirements of organic and to adopt the organic farming in practice, although this has helped to great extent to achieve the target of food security to protect the soil health. The major reasons of inclination of consumers towards the organic food include growing awareness about environmental protection and sustainable agricultural practices will be adopted in future. It reduces the adverse impact of chemicals in soil, environment and human health. The organic food products offer profitable business and they can make opportunities to get higher price v/s conventional food product in the domestic as well as export markets. "We are what we consume". The main objective of this paper is to understand the impact of quality assurance and the related certification for the positive perception inside. Quality assurance system can be used as a prime factor for the evaluation of strategic marketing for the organic food industry. The following subjects are evaluated for Methodology purpose –typology of products with their quality attributes, impact of quality attributes on performance of related firms and the factors determining willingness to pay a price premium. Research design has been taken descriptive and analytical for describing the inclination of consumers towards the organic food and agencies involved in certification of organic food. It concerned with specific predictions for the growth of industry with the help of government initiatives in future. Findings show that the quality is directly positively related with sales growth & margins. The important benefit of quality certification is:

- It increases market shares
- It Provide access to rapid market.

The important factors of consumers' willingness to pay price premium to purchase organic food products are:

- Socio-demographic characters,
- Perceived quality & risks.

Keywords: Corporate Governance, Organic Food, Organic Farming, Agricultural Revolution.

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Introduction

Organic products are grown without the use of synthetic fertilizers and pesticides, plant growth regulators (hormones), and genetically modified organisms. . Genetic modification means that there is the “production of heritable improvements in plants or animals for specific uses, like genetic engineering” (USDA2005a).Organic foods must also not contain any type of antibiotic or growth hormone. The laws on Labeling of organic products in many countries ban the use of wide variety of pesticides, fungicides, herbicides, hormonal treatments, antibiotics etc. on any product designed to carry organic. There are 10 most important reasons why organic is important:

- Organic farming techniques improve the soil.
- Organic foods are free of genetically modifies organism.
- Organic foods are not irradiated.
- Biodiversity is improved.
- Organic farming does not use synthetic pesticides.
- Water is not contaminated by chemical run off from conventional farms.
- Reduced reliance on chemical and agribusiness cooperation is better for the farmers.
- Animal cruelty.
- Organically raised animal animals are not given antibiotics.
- We pay the cost way or another.

These foods can be both fresh and processed .The USDA does not require that organic foods be labeled as such or display the percentage of organic ingredients that they contain.

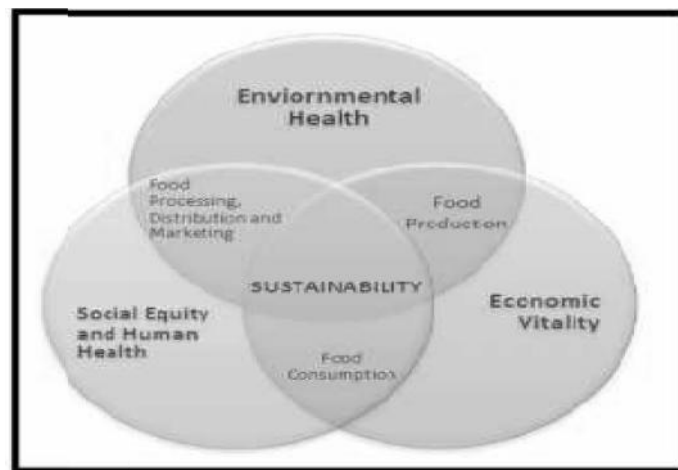


Figure 1

Source: organicfood-market.com

Provisions & Regulations

According to the organic regulations, food which is going to be marketed should follow those compliances and standards set by the governments and international trade Organization. According to the system adopted by various countries especially from the side

of United States, Organic production is a system which is managed as per Organic Foods Production Act (OFPA, 1990) and regulations in Title 7, Part 205 of the Code of Federal Regulations. It is for the positive response by integrating cultural, biological, and mechanical practices. These can increase the Recycling of resources, Ecological balance, and secure biodiversity. Organic foods are generally free from artificial food additives and processed with artificial methods like chemical ripening, food irradiation, and genetically modified ingredients only non-synthetic pesticides are allowed. The organic food has been certified organic by putting the USDA-approved label (National Organic Program 2002b). Natural foods always may not be organic; only those foods with the seal of approval from the USDA as being organic are organic (National Organic Program 2002b). There are specific provisions behind the USDA-approved labeling system.

The positive aspects of a food are based on labeling system. According to the National Organic Program (NOP) label, it simply means that the food has been produced through approved methods. The method of integration of cultural, biological, and mechanical practices that increases recycling of resources, ecological balance, and protect biodiversity." The (USDA) NOP prohibits genetically modified organisms (GMOs), in organic products. However, this label of organic is more effective when "natural" wording is used together. It means a lot to consumer. Even if we do not prove the benefits and attributes of organic to consumers, they influenced due to the organic label. They have positive attitude and perception on basis of that labeling. The organic label has become a powerful and strong marketing tool because it carries the trust, food safety and quality assurance with it and acknowledged by USDA.

Labeling Provisions

- Packaging of any product reveals that the product is organic or not. If it is labeled organic means it must have the actual percentage of Organic ingredients.
- The label on organic product must have name and address of the certifying agent on the label's information panel.
- The labels can have "pesticide free," "no drugs or growth hormones used," or "sustainably harvested." on them.
- No claim will be entertain if Products made with less than 50 percent organic ingredients.

There are four different levels or categories for ORGANIC LABELING:

100% Organic	All ingredients are produced organically and USDA seal
at least 95%	more of the ingredients are organic
at least 70%	contain organic ingredients
less than 70%	Three of the organic ingredients must be listed

Generally, countries are more likely to set the specific standards to certify the organic products after the labeling and the Products must be grown and manufactured in standards set by the country to be certified organic; they can be sold in countries with the different organic standards. Some of the standards are as follows:

Country Name	Standard
Australia	NASAA OrganicStandard
EU	EU-Eco-regulation Sweden: KRAV United Kingdom: DEFRA Poland: Association of Polish Ecology Norway: DE bio Organic certification
India	NPOP(National Program for Organic Production)
Indonesia	BioCert (Agricultural Ministry of Indonesia)
Japan	JAS Standards
US	National Organic Program (NOP) Standards

Organic Industry and Corporate Governance

The increased focus on directors' and executives' roles and responsibilities calls for systematic frameworks to implement critical corporate governance principles on ethics, codes of conduct, compensation, financial policies, and financial reporting. Organizations are looking for sophisticated corporate governance solutions to set business priorities and develop risk management strategies. All complaints are investigated properly in which actions are taken for compliance goals and for to avoid conflicts of interest. it is basically to act openly and responsibly. It implements current 'best practice' in control procedures. It monitor adherence to organizational controls and reporting procedures with taking in account the culture maintenance which is expected by all employees in company. Sometimes corporate governance leads the corruptions and unauthorized means to produces the products and illegally they are labeled as organic while the complete process is completely different so the rules and regulations must be followed by any enterprises or industry whether it is organic food industry and other industries in the country.

Corporate Policy Compliance Management System

Agricultural Enterprises or organic industries are undergoing a substantial change with respect to the accountability and responsibility of members, executives, and employees. The enforcement of and compliance with corporate policies are being viewed as key responsibilities of every director, officer, and employee. Organizations are diligently spending resources and time on documenting policies and guidelines to state the principles of business conduct. Traditionally managed as a manual, paper-based process, corporate policy compliance management now requires sophisticated solutions that can enforce awareness of key policies, ensure clear visibility into policy acceptance, and demonstrate the rigorous compliance processes that regulators demand. The Benefits are as follows:

- **Increment in Value:** Good corporate governance translates to better brand reputation, stock price premiums.
- **Improves Control and Visibility:** Compliance dashboards and data analytics provide control over and visibility into compliance related business operations. They also lower risk exposure.
- **Reduces Compliance Costs:** better risk management lead to lower compliance and governance costs.
- **Improves Performance:** Progressive governance practices and robust risk management lead to better operational performance.







Certification Bodies in India





India is having strong growth of organic farming from limited to rapidly increasing certified organic farms, mainly producing for a premium price in the domestic or export market, and the large number of those non-certified organic farms which produce for their own households for local markets only, if there is surplus. In India, the Government is promoting organic farming which can be a profitable strategy to raise the income level of small and medium farmers. In December 2014, the following certification bodies were accredited under the Indian national program for organic food industry in order to produce the organic food:

- ECOCERT International (branch office in Aurangabad as based main in France and Germany)
- IMO India Pvt Ltd – institute for the market ecological system having office in Bangalore as based in Switzerland
- INDOCERT office in Kerala based in India
- LACON office in Kerala based in Germany
- SGS India Pvt Ltd. Office in Delhi and other cities based in Switzerland
- SKAL International branch office in Mumbai based in Netherlands.

Several others Indian initiatives have applied for accreditation but had not been accredited by that time. Increasing competition can be expected in the Indian certification market in future market or in Indian organic industry.

List of Accredited Certification Bodies under NPOP

S. No.	Name of Certification Agency	Accreditation No.	Scope of Current Accreditation	Certification Mark
1	Bureau Veritas Certification India (BVCI)Pvt.Ltd., Mumbai	NPOP/NAB/001	NPOP USDA NOP	
2	ECOCERT India Pvt. Ltd., Aurangabad	NPOP/NAB/002	NPOP USDA NOP	
3	IMO Control Pvt. Ltd.	NPOP/NAB/003	NPOP USDA NOP	
4	Indian Organic Certification Agency(INDOCERT)	NPOP/NAB/004	NPOP USDA NOP	
5	Lacon Quality Certification Pvt. Ltd., Thiruvalla (Kerala)	NPOP/NAB/006	NPOP USDA NOP	
6	OneCertAsiaAgri Certification(P)Ltd	NPOP/NAB/008	NPOP USDA NOP	

7	SGS India Pvt. Ltd.	NPOP/NAB/009	NPOP USDA NOP	
8	Control Union Certifications, Mumbai	NPOP/NAB/0010	NPOP USDA NOP	
9	Uttarakhand State Organic Certification Agency (USOCA)	NPOP/NAB/0011	NPOP USDA NOP	
10	APOF Organic Certification Agency (AOCA)	NPOP/NAB/0012	NPOP	

Objectives of the Study

The proposed research work has been undertaken to meet the following objectives:

- To study the organic food industry and the reason behind the greater inclination of consumers towards the organic food.
- To study the concept and growth of corporate governance including compliances and guidelines.
- To evaluate compliance of corporate governance guidelines to organic food industry.
- To study the role of government and framework for organic sector related to corporate governance.
- To give findings and recommendations based on study.

Importance of Proposed Investigation

The subject of corporate governance is a relatively new discipline in organic industry. The organic food sector is trying their best for improving the CG rules and practices for the companies operating in India and outside the India. Corporate governance is a process or a set of systems and processes to ensure that a complaint is managed to suit the best interest of all. This may include structure and organizational matters. For good corporate governance practices it is necessary that there must be a common form of CG with liberal condition but complete disclosure. Present research would be an attempt to examine the practices of corporate governance disclosure in organic sector of India.

Review of Literature

- In the year 2008, one article was published in "The Ontario Agrologist" stated that the, "Personal health is the primary reason to eat organics. Even after the faith in the safety and nutritive value of conventional food the sales of organic products going very high.
- The assertion of consumers willing to pay more for organic foods was published in April, 2014, Organic Marketing Report, is based on reviews of published research and taken review of more than 100 consumer . This report was published from 1990- 2013 and they found that food safety and health were the supream factors in a consumer's decision to purchase organic food.

- According to “quality assurance & food safety magazine” various researches on Consumer Perception of “Organic food” shows that (report August 2017):
 - 17% of consumers surveyed the local and organic are interchangeable.
 - 22% believe that local means non-Genetically Modified organic products. (IFAS)
 - Consumers perceive organically produced food is safe and it contains nutrients (vitamins & minerals).
 - Approx 60% of people checks the label “natural” or “organic” while purchasing which gives them satisfaction of purchasing the better quality food.
 - Organic food sales are 4% of U.S. food sales in India. (USDA)
 - The sales were \$28.4 billion in 2012 and it was expected to reach \$35 billion by 2014.
 - Fresh fruits and vegetables were the top category purchase and accounting for 43% of all organic sales.
 - The global market for organic foods has reached \$63 billion. The sales of extended “natural” products stood for \$290 billion in U.S. alone.
- Ministry of Health and Family Welfare (Food Safety and Standards Authority of India) Notification New Delhi, dated the 1st August, 2011
- Ministry of Health and Family Welfare (Food Safety and Standards Authority of India) Notification New Delhi, dated the 1st August, 2018

Research Methodology

- **Data Collection Methods**

There are many ways to collect data. The data collection technique will be quantitative & qualitative data or mixed methods data. Determining what type of data will need to answer questions is an important step in figuring out the technique which will use. The study is mainly based on the information and data obtained from the secondary sources. secondary sources included published materials, government documents, reports & discussion with the various senior officials and experts in the field.

- **Research Methods**

Research design has been taken descriptive and analytical for describing the inclination of consumers towards the organic food and agencies involved in certification of organic food. it concerned with specific predictions for the growth of industry with the help of government initiatives in future .

Basic Compliances in Organic Food Governance

- **General Principles of Food Safety**

Under the general food safety rules following provisions can be seen for the organic food products.

- There is no permission of any manufacturing, distribution, sell or import any genetically modified food, organic foods for special dietary uses without permission of Central Government. We should follow the notification regarding this.

Explanation for the Purposes of this Section

- Foods for special dietary uses means which does not include any animal origin, which does not claim to cure any specific disease, disorder or condition (except for certain health benefit or such promotion claims) as may be permitted by the regulations made under the Act.
 - “Genetically modified food” means food ingredients composed of genetically modified organisms obtained through modern biotechnology, food ingredients produced modern biotechnology.
 - “Organic food” means food products that produced according to organic production standards.
- **Documents Required at the Time of Export Entry**

Following documents are required at the time of entry in foreign market or to export products in foreign country:

- **Schedule B Code:** There are required when submitting either the electronic automated export system (SED) or shippers export declaration versions of export shipment data. This has been established in order to facilitate tracking of imported and exported organic procedure throughout the world
- **Organic Certification Document:** the domestic organic certification body will confirm to meet the importing country standards.
- **Grading & Quality Standards:** Exporting food products are required to meet the import requirement related to the quality and maturity.
- **Chemical Free Fertilizers Acknowledgement Slip**

Organic food consumption may reduce the risk of allergic disease, overweight, obesity, cancer disease and consumers enjoys healthier lifestyles overall. Various researches show that the growth and development is affected by the feed type in animals and it is identically different from the conventional production. The use of pesticides is restricted in organic agriculture. Organic food production has several potential benefits for human health. wider application of organic production are also available e.g. Integrated pest management, organic cosmetics, organic dairy products and organic textile would therefore most likely beneficial for human health.

- **Food Operations and Controls**

- **Procurement of Raw Materials**

- According to the Regulations and standards specified under the Act, No raw material will be accepted if it include parasites, micro-organisms, pesticides, toxic items, decomposed or extraneous substances.
- For the inspection purpose there must be entries related to of raw materials, food additives and ingredients and their source of procurement
- All raw materials should be checked & cleaned.
- Raw materials should be purchased in quantities accordance to storage/preservation capacity.
- Packaged raw material must be checked for 'expiry date'/ 'best before'/ 'use by' date, packaging integrity and storage conditions.

- **Storage of Raw Materials and Food**
 - Food storage facilities should be designed for the effective protection during storage.
 - Cold Storage facility should be provided to packed food type and requirement.
 - Separation should be available for the rejected products and returned products.
 - The temperature and humidity conditions of storage should be maintained for enhancing the life of the respective food materials / products.
 - Storage should be according to first in first out so that the quality of products stay maintained and stock rotation system can be improved.
- **Food Packaging Rules**
 - Packaging materials should provide protection from contamination and damage .
 - Packaging is required standard labelling as laid down under the FSS Act & the Regulations.
 - For primary packaging means packaging in which the food or ingredient or additive comes in direct contact with the packaging material, only Food grade packaging materials are to be used .
 - Packaging materials or gases should be non-toxic and should not pose a threat to the safety.
- **Food Testing Facilities**
 - A well equipped, laboratory for testing of food materials or food for physical, microbiological and chemical analysis should be in accordance with the standards.
 - In case of any suspicious contamination, food materials / food is tested before dispatch from the factory.
 - If there is no “in house laboratory facility”, then regular testing is done through FSSAI.
 - In case of complaints received the company should voluntarily do the testing either in the inhouse laboratory or an accredited lab or lab notified by FSSAI.
- **Economic Performance and Welfare**

High standards of organic food welfare and high levels of food performance and economic performance are not incompatible quite the contrary, they go hand in hand. It simply makes good economic sense. It ensures that foods are maintained in proper environment, in which they are protected and kept healthy. Health has very important effect in terms of organic food welfare. They intensified the overall efficiency of the farming operation.

Regulatory Environment and Government Initiatives

The Government of India had taken several steps match the Global Standards of Organic food Products. In an attempt to increase production for farmers and companies to create consumer awareness Indian government initiated the various awareness program and many more.

Regulatory Framework

To meet with the international standards, the following authorities were formed in India for identify organic products:

Agricultural and Processed Food Products Export Development Authority (APEDA) for implementing the National Programme on Organic Production (NPOP)

APEDA

- APEDA was established under the Agricultural and Processed Food Products Export Development Authority Act which is passed by the Indian Parliament in December 1985.
- APEDA is the apex organization under the Ministry of Commerce and Industry, Government of India.
- Its main responsibility are promoting & developing the export of agro products from India.
- Its main functions include promoting the export-oriented production and development of products like fruits, vegetables, cereals and rice.
- fixing of standards and specifications for the scheduled products for the purpose of exports are some other functions performed by APEDA
- APEDA offers an internet-based e-service called Tracenet to collect, record and report data on organic certification.
- It is also used to trace any organic produce all the way to the farm from anywhere in the supply chain.
- The steps followed by APEDA for organic certification are:
 - Receipt of application by any accredited organic certification body
 - The certification body provides standards and operational documents to the farmers
 - Agreement of roles between the farmers and the authorized body
 - Demand for fees by a recognized body and document audit
 - Regular monitoring by the internal quality system manager, external inspector and documented
 - Compliance verification through inspection and audit

NPOP

- The Government has been promoting organic farming through third-party certification under NPOP.
- NPOP is implemented by APEDA to meet the standards for exports, Inspection and Certification Bodies.
- NPOP also lays down guidelines for the national organic logo and the regulations governing its use.
- The scope of NPOP includes:
 - Policymaking for development and certification of organic products

- Creating national standards for organic products and processes
- Accreditation of certification programs
- Certification of organic products
- In 2006, India's organic certification process under NPOP had been granted equivalence with the European Union.
- The organic certification process, set of standard and guiding principles laid down by NPOP are as follows.

Guiding principles of certification standards of NPOP:

- Conversion of land for organic farming
- Natural Farm Inputs
- No Genetically Modified inputs
- No Irradiation technology should be used
- Integrity of all processes like physical, biological, mechanical must be maintained
- Sustainable practices in the farm

National Centre for Organic Farming (NCOF) for implementing the Participatory Guarantee System in India

Participatory Guarantee System

- The PGS in India began in 2006.
- PGS-India is a processbased certification and its members are growing food organically.
- This certification process has been made free for the farmers so that they do not bear excess costing.
- PGS-India is implemented by the National Centre of Organic Farming (NCOF) under the National Project on Organic Farming (NPOF), Department of Agriculture, Cooperation and Farmers' Welfare, Government of India.
- After the production organic products after three years of not using any chemicals the farm will be eligible for the PGS-India Organic symbol.
- In PGS the local farmers conduct their own appraisal and maintain the rules and standards of the group.
- It is simpler and cheaper and is controlled by the farming community itself.
- It's recommended for organic farmers who work as a group or who can come together as a group at village or district level.
- The design is best suited for small and marginal farmers where the community is supported by NGOs or any institution.

Food Safety and Standards Authority of India (FSSAI) for regulation of food safety standards of organic packaged food and beverages products.

Certification Agency

The organic certification process is carried out by accredited bodies under NPOP. There are 28 agencies accredited by APEDA. These certifying agencies verify farms, storages and processing units. Certified organic Products should carry the India organic logo.

Conclusion

The topic of Organic production and marketing is key to providing small holder farmers in developing countries with a sustainable option for food security and income generation. Such farmers are usually unable to compete in the conventional markets. Organic food has also attracted the attention of governments and environment conscious consumers. The demand for organic products is mainly in high end urban areas. Organic production reduces production costs, market competition and offer better prices to producers.

Some of the challenges I came across included little marketable surplus due to small land areas and limited access to productive resources, price volatility, random production and marketing, inadequate group management and weak linkages. These constraints may compound the incidence of transaction costs and inadvertently limit growth of the sector to the extent of conventionalization. A good understanding of the sector would enable value chain sectors at all levels to make better business decisions. Specifically, the results of my study may inform the required policy interventions such as capacity building and certification subsidies to aid growth of and access to organic markets.

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Book

- ✿ Cooper et al (2007) provide a comprehensive review of organic food quality issues and the results of recent research in the area. Part 1 provides an introduction to basic quality and safety with chapters on factors affecting the nutritional quality of foods, quality assurance and consumer expectations. Part 2 discusses the primary quality and safety issues related to the production of organic livestock foods including the effects of feeding regimes and husbandry on dairy products, poultry and pork. Further chapters discuss methods to control and reduce infections and parasites in livestock. Part 3 covers the main quality and safety issues concerning the production of organic crop foods, such as agronomic methods used in crop production and their effects on nutritional and sensory quality, as well as their potential health impacts. The final part of the book focuses on assuring quality and safety throughout the food chain, focusing on post-harvest strategies to reduce contamination of food and produce, and ethical issues such as fair trade products. The final chapters conclude by reviewing quality assurance strategies relating to specific organic food sectors.

Organic Reports

- ✿ Academics Review. Organic Marketing Report (http://academicsreview.org/wp-content/uploads/2014/04/Academics-Review_Organic-Marketing-Report1.pdf)
- ✿ Cornell University lab (<http://foodpsychology.cornell.edu/outreach/organic.html>).
- ✿ European Food Information Council. Organic Food and Farming: Scientific Facts and Consumer Perceptions (http://www.eufic.org/article/en/expid/Organic_food_and_farming_scientific_facts_and_consumer_perceptions)
- ✿ USDA Organic Market Overview (<http://www.ers.usda.gov/topics/natural-resources-environment/organic-agriculture/organic-market-overview.aspx#U6BxsfldV1Y>)

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