

Defending the Organic Seal

Narrator (00:20):

Organic fraud, the deceptive representation or sale of nonorganic agricultural products as organic, is a direct threat to the integrity of the USDA organic seal. For handlers and processors, understanding the reality of this threat is the first step in defending against it.

News Clip (00:41):

Well, on regional news now, five farmers have now pled guilty in a massive organic grain fraud case that involved at least \$140 million in sales.

Lynn Clarkson (00:51):

Fraud has been a pain in the development of organics since organic started. The guy that, according to the government, did \$140 million of fraud over roughly 10 years, and he started the day he went into organic. And he got away with it right here in the heartland of the United States. And every one of those sales undermines people who are doing things right, people that are seriously interested in organic and treating their clients respectfully.

Nate Powell-Palm (01:20):

There's a lot of money to be made in organic. Of course, when there's more money to be made, there are bad actors attracted to that market.

Narrator (01:30):

Protecting your business and the wider market requires robust systems. Today, we let the industry speak for itself on how to build a robust Organic Fraud Prevention Plan.

Narrator (01:50):

In 2024, the USDA implemented the Strengthening Organic Enforcement, or SOE, rule. This sweeping regulation mandates that almost every business buying, selling, or trading organic goods must be certified.

Jessica Jones (02:08):

SOE is the greatest thing to happen to organic certification since organic certification. It has made things more accountable and less paperwork burden on handlers and producers. So I'm no longer the first certified organic organization to receive product, and now so much more of my supply chain is certified organic, and it makes things simpler, more transparent, and more accountable.

Mike Dill (02:33):

Sadly, there are some bad actors out there, and it really takes the supply chain to be able to identify when there is fraud and act quickly so it doesn't perpetuate through the supply chain. So requiring a



fraud prevention plan from all these handlers and all these operations is really key to the integrity of the organic seal.

Narrator (02:58):

Under the USDA regulations, every certified operation must actively maintain a written Organic Fraud Prevention Plan, or OFPP, as part of their Organic System Plan. This plan outlines your vulnerabilities and the exact monitoring practices you use to verify your suppliers.

Narrator (03:26):

Building your fraud prevention strategy starts with a vulnerability assessment. You must evaluate every link in your supply chain to find where the risk of substitution or false labeling is highest.

Johanna Phillips (03:40):

When we are thinking of organic fraud prevention, we are looking for vulnerabilities. Let's say you are purchasing a high dollar product that has a pretty major distinction between the organic and nonorganic production cost, that you have economic risk for someone to be incentivized to substitute a nonorganic product for organic product.

Nate Powell-Palm (04:09):

I've seen operations who find that they are being offered such a deal on ingredients that there's just no way they're not going to make money on it, and they are not asking enough questions. They're not asking why is the rest of the industry saying organic wheat is worth \$15 a bushel, but I can get it for \$3 a bushel from this one operator. And usually it's because it's not really organic.

Narrator (04:36):

To mitigate these risks, handlers rely on strict supplier vetting and the USDA's Organic Integrity Database, or OID, to verify the organic certificates for each ingredient or product. You can no longer just trust an emailed piece of paper.

Jessica Jones (04:55):

Finding who is certified organic has also gotten very easy because there is now the Organic Integrity Database that allows you to look up companies and see if they really are certified organic, download their organic certificate, see the scope of what their organic products are. All you see is certified organic things.

Abel Sanchez-Valencia (05:14):

The advice that I would give other handlers for verifying organic integrity in the supply chain is knowing the regulation, really understanding what it means, and being able to collect documentation, being able to review it and to verify, having that confidence that our partners that we do source from won't get us in trouble.



Narrator (05:42):

Once a supplier is approved, the verification continues at the receiving dock. If the paperwork does not explicitly call out the product as organic with a matching lot number or other identifying marker, it is a critical red flag.

Michelle Pusateri (05:59):

Yeah, so mitigating risks of fraud goes back to just your recordkeeping, making sure that your invoices say organic, making sure that your certificates of analysis say organic on it, making sure that those lot numbers match, and then also just keeping up-to-date.

Nate Powell-Palm (06:17):

So SOE just basically got rid of the gray in organic paperwork. It made it so everything became very black and white. Historically, it might have been that you hand someone a certificate and just says soybeans on the receipt. And so we clarified that it needs to say organic soybeans so that if for some reason it's found out that those soybeans were not organic, it was not the fault of just sloppy paperwork. It was an intentional fraud.

Narrator (06:50):

Inspectors test for fraud through two rigorous mathematical audits conducted at your annual inspection, the traceback audit and the mass-balance audit.

Nate Powell-Palm (07:02):

Organic is one of the only, and I would argue the only, nationwide certification that guarantees we have clear traceability from that product, that loaf of bread you pluck off the shelf, all the way back to the field in which the ingredients were grown. So we're going to be able to trace that loaf of bread all the way back to the wheat flour that it was baked from, as well as the yeast that was put into it.

Jessica Jones (07:25):

And then one or two of those will be selected for a mass-balance showing, okay, so I used 165 pounds of Admiral organic Pilsner malt in this beer, but I received 2,200 pounds of it. Where is the rest of it? And so then I'm pulling what beers the rest of it went into and what the current inventory on hand still is.

Abel Sanchez-Valencia (07:50):

Because we are an organic sourcing company and because we do buy product in bulk, we're talking multiple containers of product that we are buying at a time. All of that product that we do buy that one time doesn't necessarily always go to the same customer. So what we do is we have call-offs as well. So we subdivide that batch, so that we can keep track of everything and where it goes. And when we do make that calculation, we can add them up so that we can get that mass-balance and that confidence that the organic integrity was maintained throughout the supply chain.



Narrator (08:31):

The supply chain becomes vastly more complicated when products cross international borders. Before SOE, this was a blind spot for organic integrity. Now, every organic import requires an electronic NOP Import Certificate regardless of where it comes from.

Jessica Jones (08:51):

Imported ingredients add another layer of complexity because you have to be able to prove that the organic integrity was maintained in crossing international borders. Having the audit trail to prove that happened was historically more difficult because NOP Import Certificates may have not existed depending on the country of origin, but that it changed in 2024 with the strengthening organic enforcement rules because now all of those NOP Import Certificates are electronic and searchable in a public database, so you can simply look it up. You're no longer begging for it from your supplier.

Abel Sanchez-Valencia (09:28):

When you do start sourcing from other countries, it does become a little bit more challenging, but something that we really appreciate is the fact that the NOP has equivalency programs with different countries around the world. For those countries that we do source from that don't have that equivalency, we do have extra steps. A lot of it is testing the product itself, verifying that there aren't any pesticide residues. And then when needed, we sometimes do site visits as well.

Narrator (10:05):

Beyond vetting your external suppliers, your fraud prevention plan relies heavily on your internal controls. You can't defend the seal if your own staff does not understand the stakes. Top leadership must empower an organic compliance team with real authority.

Johanna Phillips (10:22):

I've seen fraud cases, and in organizations of size or organizations with layers, when the person who's in charge of organic compliance does not have authority to make adjustments to the system, there's a lot more opportunity for there to be problems and certification, including and up to fraud.

Mike Dill (10:44):

So what helps us maintain our integrity is that we have buy-in from everyone from the ground level up to our CEO and our executives. They're all here to support a mission.

Abel Sanchez-Valencia (11:01):

Because organic is such a key aspect of what we do as a company, training all new employees is very important. So what we do as part of the onboarding process is we make sure that everybody gets time to sit down, meet with our QA team, and really understand what organic means, what it is, and how we become compliant.

Narrator (11:28):

What happens when the system fails and a business commits fraud? The National Organic Program does not treat deliberate misrepresentation lightly. The penalties are severe, designed to remove bad actors from the market.

Nate Powell-Palm (11:43):

If you are found to have knowingly purchased conventional products and tried to sell them as organic, you can be fined, and that can quickly make the organic proposition not worth it.

Narrator (11:54):

Falsifying records or deliberately attempting to bypass the supply chain traceability rules can result in a notice of proposed revocation, a five-year ban from the industry, and even federal prison time for making false statements. Fraud prevention is an active, ongoing responsibility. It requires meticulous records, thorough vulnerability assessments, and strict supplier verification.

Nate Powell-Palm (12:19):

As we look to build out organic products or entire organic businesses, you want to make sure that you're setting yourself up with a really good foundation where you have trusted vendors, where you have an expectation of excellence. The amount of consumer confidence that's basically proven out by the marketplace value, organic has just really captured an incredible deal with the consumer, and it's growing every year because we're holding onto that confidence. We're holding onto the integrity which drives the confidence.

Narrator (12:50):

By implementing a robust Organic Fraud Prevention Plan, you aren't just passing an inspection, you're protecting your business, protecting the honest farmers in your supply chain, and defending the seal for consumers worldwide.



United States Department of Agriculture
Agricultural Marketing Service
National Organic Program

