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The Performance and Role of Certification Bodies

This document is based on the results of producer, marketer and processor surveys administered as part of the marketing study being conducted by the Project on Organic Agriculture in the Department of Agricultural Economics. The objective of the study is to examine the issues, opportunities and challenges in organic grain marketing and to provide insight to the organic grain industry on what can be done to improve the organic marketing system for the benefit of all participants. These papers are designed to provide industry participants with a brief summary of this information. This document is one of a series that will constitute the complete marketing study.

1. Introduction

Certification Bodies (CBs) are very important institutions in the organic food supply chain. Their main function is to certify that firms in the supply chain are conforming to organic standards established by standardization organizations. Third-party organic certification also allows producers to effectively communicate the organic attribute of their product to other firms in the supply chain. Most importantly, certification assures consumers that the foods they buy have met the standards set for organic foods. The objectives of this paper are to evaluate the importance of CB services to producers, marketers and processors, and to examine the performance of CBs in providing these services.

Surveys were undertaken, as part of the University of Saskatchewan Project on Organic Agriculture, that attempted to find out what organic producers, marketers and processors in Saskatchewan think about the CBs they use. Questionnaires were mailed to 90 organic grain producers randomly picked from across Saskatchewan. The sample included producers from 4 CBs (OCIA, Pro-Cert, COCC and SOCA¹). The membership of OCIA is divided into 8 chapters in Saskatchewan, of which 5 participated in

the study.² The sample yielded 54 producer respondents who answered the questions relating to CBs. Five grain marketing companies and 8 grain processing companies also answered questions regarding CBs. This paper summarizes the results of the surveys, compares the results across the groups, and discusses some of the implications of the results.

2. Survey Questions

The questionnaire was based on a list of 10 functions that CBs perform. For each function, the respondent was asked to rate the importance of the function to the respondent, as well as the effectiveness of their CB at performing that function. Answers were given on a scale of 1 to 5, where 1 was poor effectiveness or importance and 5 was excellent effectiveness or importance.

Functions 1 through 4 listed in the questionnaire are considered basic services provided by CBs. These functions are:

- 1) Providing efficient and timely certification
- 2) Providing objective certification
- 3) Providing affordable certification
- 4) Providing access to the markets that I wish to sell to

¹ OCIA – Organic Crop Improvement Association
COCC – Canadian Organic Certification Cooperative
SOCA – Saskatchewan Organic Certification Association

² Of the three excluded OCIA chapters, one was excluded because it did not certify organic wheat producers, one could not be successfully contacted, and one declined to participate.

Functions 5 through 10 listed in the questionnaire are defined in this study as “extra” services provided by CBs. These functions are:

- 5) Helping sellers and buyers to connect with each other
- 6) Providing other marketing information (discussion at meetings, pamphlets, etc.)
- 7) Providing production/agronomic information
- 8) Performing research in agronomy and marketing
- 9) Distributing research knowledge to members
- 10) Participating in the creation of a mandatory national standard

Some respondents may perceive some of functions 5 through 10 as unnecessary or inappropriate CB activities. On the other hand, some respondents may appreciate these extra services. The extra functions performed by CBs may interfere with their CB's role as an independent third party certifier.

In order to ascertain respondents' opinions on whether or not CBs should or should not perform these extra functions, respondents were also asked to indicate how strongly they felt that CBs should undertake functions 5 through 10. As with the previous questions, answers were provided on a scale of 1 to 5. A response of 1 indicated that the respondent “strongly disagreed” with the CB undertaking the function, and a response of 5 indicated that the respondent “strongly agreed” with the CB undertaking the function.

Regardless of respondents' opinions on the extra functions performed by CBs, these extra services are an important part of many CBs' activities. Some CBs hold regular meetings on certification issues, and discuss other issues such as marketing and agronomy after the meeting is adjourned. One CB provides a list of buyers to its members through the Internet. Another CB has recently begun an initiative to conduct organic agronomic research. Since all CBs offer similar basic services, firms can differentiate themselves by offering unique extra services. The

ability of CBs to differentiate their service from competitors on the basis of extra services may be an important part of retaining existing customers and attracting new customers.

3. Results of the Survey

Producer, marketer and processor responses on the importance of CB functions, CBs' effectiveness in each function, and each function's appropriateness are reported in Part A. Ratings of respondents' overall satisfaction with their CB follow in Part B.

Part A: Review of Ratings

Importance of Certification Bodies' Functions

Producer, marketer and processor responses on the importance of CBs' basic and extra functions are given in Table 1. The first 3 basic functions of efficient, timely, objective certification were considered very important by most respondents. Providing access to markets (function 4) was not deemed to be as important as the first three functions by producers, marketers and processors.

Overall, responses on the importance of CBs' “extra” functions 5, 6, 7, 8 and 9 were rated slightly lower than the basic functions. Marketers did not believe that it was important for CBs to perform research in agronomy and distribute research knowledge to members. The participation of CBs in the creation of a mandatory national standard (function 10) was considered important by all three groups.

Effectiveness of Certification Bodies' Functions

Producer, marketer and processor responses on the effectiveness of their CB at basic and extra functions are given in Table 2. Comparing Table 1 and Table 2, the effectiveness responses are lower than the importance responses for almost every question, which indicates that CBs are slightly underperforming. However, the difference between the importance and effectiveness ratings is not great for any of the questions. Producers are less critical of CBs than are marketers and processors regarding CB effectiveness

in providing efficient and objective certification

(functions 1 and 2).

Table 1: Importance of Certification Bodies' Functions

Function	Importance - Mean Response (1-5 Scale, 1 = very low, 5 = very high)		
	Producer	Marketer	Processor
1) Providing efficient and timely certification	4.60	4.20	5.00
2) Providing objective certification	4.32	4.60	5.00
3) Providing affordable certification	4.50	4.40	5.00
4) Providing access to the markets that I wish to sell to	4.00	3.00	3.60
Average of functions 1-4	4.36	4.05	4.65
5) Helping myself and buyers to connect with each other	3.43	3.00	3.33
6) Providing other marketing information (discussion at meetings, pamphlets, etc.)	3.78	3.20	4.00
7) Providing production/agronomic information	4.08	3.80	4.00
8) Performing research in agronomy and marketing	3.56	2.00	3.80
9) Distributing research knowledge to members	3.90	1.80	4.00
10) Participating in the creation of a mandatory national standard	4.15	4.40	5.00
Average of functions 5-10	3.82	3.03	4.02

Source: Organic Producer Survey

Table 2: Effectiveness of Certification Bodies' Functions

Function	Effectiveness - Mean Response (1-5 Scale, 1 = very low, 5 = very high)		
	Producer	Marketer	Processor
1) Providing efficient and timely certification	4.15	3.00	3.29
2) Providing objective certification	4.29	3.50	3.83
3) Providing affordable certification	3.58	4.25	3.83
4) Providing access to the markets that I wish to sell to	3.33	1.50	3.00
Average of functions 1-4	3.84	3.06	3.49
5) Helping myself and buyers to connect with each other	2.85	2.00	2.50
6) Providing other marketing information (discussion at meetings, pamphlets, etc.)	3.24	3.25	3.40
7) Providing production/agronomic information	3.47	3.50	3.50
8) Performing research in agronomy and marketing	2.78	1.50	3.25
9) Distributing research knowledge to members	3.24	1.50	3.00
10) Participating in the creation of a mandatory national standard	3.52	3.50	3.67
Average of functions 5-10	3.18	2.54	3.22

Source: Organic Producer Survey

Table 3: Importance Ratings - Differences between Groups

Function	Significant Difference between Groups			
	Producer-Marketer	Producer-Processor	Marketer-Processor	All Groups
1) Providing efficient and timely certification		Y	Y	
2) Providing objective certification		Y	Y	
3) Providing affordable certification		Y	Y	
4) Providing access to the markets that I wish to sell to				
5) Helping myself and buyers to connect with each other				
6) Providing other marketing information (discussion at meetings, pamphlets, etc.)				Y
7) Providing production/agronomic information				
8) Performing research in agronomy and marketing	Y		Y	Y
9) Distributing research knowledge to members	Y		Y	Y
10) Participating in the creation of a mandatory national standard		Y	Y	

Source: Organic Producer Survey

Table 4: Effectiveness Ratings - Differences between Groups

Function	Significant Difference between Groups			
	Producer-Marketer	Producer-Processor	Marketer-Processor	All Groups
1) Providing efficient and timely certification		Y		Y
2) Providing objective certification				
3) Providing affordable certification				
4) Providing access to the markets that I wish to sell to	Y		Y	
5) Helping myself and buyers to connect with each other				
6) Providing other marketing information (discussion at meetings, pamphlets, etc.)				
7) Providing production/agronomic information				
8) Performing research in agronomy and marketing	Y		Y	
9) Distributing research knowledge to members	Y		Y	
10) Participating in the creation of a mandatory national standard				

Source: Organic Producer Survey

Table 5: Appropriateness of Certification Bodies' Extra Functions

Function	Appropriateness - Mean Response (1-5 Scale, 1 = very low, 5 = very high)		
	Producer	Marketer	Processor
5) Helping myself and buyers to connect with each other	3.42	2.80	3.43
6) Providing other marketing information (discussion at meetings, pamphlets, etc.)	3.69	2.80	3.63
7) Providing production/agronomic information	4.04	3.60	4.00
8) Performing research in agronomy and marketing	3.47	3.80	3.38
9) Distributing research knowledge to members	4.18	3.60	3.75
10) Participating in the creation of a mandatory national standard	4.62	4.60	4.25

Source: Organic Producer Survey

Rating Differences between Groups

The average ratings given by producers, marketers and processors differ significantly in some cases. Tables 3 and 4 illustrate where ratings were statistically significantly different across groups³.

For the importance ratings, the marketers' and processors' ratings of functions 1, 2, 3 and 10 were significantly higher than the ratings by producers. Performing and distributing agronomic research (functions 8 and 9) were considered significantly less important by marketers compared to either producers or processors.

For the effectiveness ratings, marketers rated CB effectiveness significantly lower for the functions of providing market access and performing and distributing agronomic research. In addition, processors rated the effectiveness of CBs at providing efficient certification significantly lower than producers did.

Appropriateness of Certification Bodies' Functions

Responses on the appropriateness of CBs' extra functions are given in Table 5. Respondents were asked to indicate how strongly they felt that CBs should undertake each function. Helping sellers and

buyers connect (function 5) and performing research in agronomy and marketing (function 8) received the lowest ratings from producers and processors. Helping sellers and buyers connect (function 5) and providing marketing information (function 6) received the lowest ratings from marketers. Upon further investigation of the data, 20% of producers reported that they "disagreed strongly" with CBs performing the function of connecting them with buyers. On average, however, none of the functions are considered highly inappropriate by any of the groups. All groups consider the participation of CBs in the creation of a mandatory national standard as highly appropriate. Overall, the appropriateness ratings are not significantly different between any of the groups.

Part B: Overall Satisfaction Ratings

The overall rating of respondents' satisfaction with their respective CBs can be calculated into a single number. A satisfaction value for a single function can be made by multiplying the effectiveness and the importance value together. By repeating this process for functions 1, 2, 3 and 4 and adding the numbers together, one arrives at a total satisfaction rating for CB basic functions. This method is appropriate because it provides more weight to CB performance in functions that are considered more important. Table 6 reports the overall ratings for producers, marketers and processors. Functions 5 through 10 are more a

³ Check marks denote tests where statistical significance was strong enough to make the correct inference nine times out of ten.

matter of opinion and therefore were not included in the satisfaction rating calculations. Alternatively, the surveys asked all respondents to provide a direct rating of their overall satisfaction with their CB.

The calculated and direct measures of overall satisfaction are provided in Table 6. For both measures, a higher number indicates a higher satisfaction. Both measures provide a similar result; producers are the most satisfied, followed by processors and then marketers. In addition, the direct rating provided by marketers is significantly lower than the ratings given by both producers and processors. Clearly, marketers are the group most unsatisfied with their CBs.

Table 6: Overall Satisfaction Ratings for Certification Bodies (/100)

Group	Calculated Rating (/100)
Producers	67.1
Marketers	51.9
Processors	65.6

	Direct Rating (/5)
Producers	4.05
Marketers	2.80
Processors	3.89

Source: Organic Producer Survey

4. Discussion and Implications

The first part of the paper reviewed producer, marketer and processor responses on the importance, effectiveness and appropriateness of several CB functions. The results show that opinions on importance are somewhat different across the different groups. The results also suggest that CBs could improve their effectiveness in several areas of their service, particularly for marketers, who are most critical of CB effectiveness.

Overall, regardless of what is seen as appropriate or inappropriate, CBs are performing numerous functions that go beyond providing 3rd party certification. CBs

have incentive to perform additional functions in order to attract and maintain clients in a competitive industry. The results suggest that organic producers, marketers and processors seem satisfied with the role and effectiveness of CBs and do not seem concerned that certifiers typically provide these additional services.

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The marketing study consists of the following papers:

- Number 1: Introduction*
- Number 2: Organic Producer Perceptions of their Marketers*
- Number 3: Organic Producer Perceptions of Organic Regulation in Canada*
- Number 4: Organic Producer Perceptions of Market Information Availability*
- Number 5: Organic Producer Perceptions of the Role of Certification Bodies*
- Number 6: Analysis of Organic Wheat Buyers in Saskatchewan: A Vertical Coordination Approach*
- Number 7: Contracting in Organic Grains*
- Number 8: Priorities and Problems in the Organic Grain Supply Chain*
- Number 9: Organic Regulation in Canada: Opinions and Knowledge of Producers, Marketers and Processors*
- Number 10: Information in the Organic Grain Market*
- Number 11: The Performance and Role of Certification Bodies*
- Number 12: Costs in the Organic Grain Supply Chain*
- Number 13: Organic Grains and the Canadian Wheat Board*
- Number 14: How Retailers Procure Organic Products – Opportunities for Saskatchewan*
- Number 15: Organic Wheat Supply Chain Profile*
- Number 16: Organic Oats Supply Chain Profile*
- Number 17: Organic Flax Supply Chain Profile*
- Number 18: Organic Lentils Supply Chain Profile*
- Number 19: Summary*
- Number 20: SWOT Analysis, Conclusions and Recommendations*