



2 April 2020

# Long-term vision Skal Biocontrole 2020-2023

## Dear Reader,

This is the Skal Biocontrole long-term vision 2020-2023. This long-term vision tells you all about our plans for the coming years that will enable Skal to respond effectively to all the challenges it faces. The challenges are varied; from the 2021 launch of the new EU organic regulation for organic production and ongoing organic sector growth, to the increasing political and public interest in the organic production monitoring process.

This long-term vision was formulated in consultation with the Ministry of Agriculture, Nature and Food Quality (LNV), the organic sector, and Skal employees. The Board gave its mandate for this long-term plan on 31 October 2019, making this long-term vision 2020-2023 the guideline upon which Skal developments take place.

## Reflection

The implementation of the 2016-2019 long-term plan resulted in many changes for Skal. This long-term vision was formulated in February 2016 based on the following starting points:

- **Develop risk-based monitoring**
- **Increase audit and certification process quality**
- **Customer-focused rather than customer-compliant organization**
- **International cooperation with other control bodies**
- **Make effective monitoring measurable**

The result of implementing these starting points is: the formation of the Monitoring and Development department, the Planning team, and IT data team. The most important organizational changes between 2016 and 2019 were driven by the organization's growth (25 FTE in early 2016 and 62 FTE by end 2019) and by ending the outsourcing of audits.

**‘Challenges that will play a role in organic sector monitoring in the coming years.’**

## Skal Biocontrole mission

Skal Biocontrole monitors compliance with organic regulations in the Netherlands in an effective and efficient way, and in doing so contributes to organic sector reliability.

## Long-term vision starting points

The long-term vision 2020-2023, formulated in September 2019, recognizes the following starting points:

- **Skal proves the reliability of organic products for consumers**
- **Skal keeps certification and monitoring fees as low as possible through innovation and digitization**
- **Skal ensures sleek organization of basic processes to enable it to respond flexibly to developments**
- **Skal's sanctions policy is appropriate and effective**
- **Skal takes its responsibility for the mutual relationships in the supervisory chain**

This document clarifies each of the above five starting points in the context of recent political-administrative and organizational developments, and developments in the organic sector and society.

*Nicolette Klijnhout-Klijn, Director of Skal Biocontrole*

## Skal proves the reliability of organic products for consumers

In its April 2018 report, the Kwink group outlined various recommendations to improve Skal's effectiveness and efficiency in implementing its legal tasks. The first recommendation stated: 'Make the European regulation's societal objective central to strategy and management within the organization.'

In this context, societal objective means offering a foundation for the sustainable development of organic production that:

- **Safeguards the effective operation of the internal market**
- **Guarantees fair competition**
- **Safeguards consumer confidence**
- **Protects consumer interests**

As well as the technical aspects of implementing the certification and monitoring tasks in accordance with the EU regulations, this also means that Skal should take the sector's ideological aspects and consumer expectations relating to this into account.

### Various certification schemes

Consumers are confronted with a growing proliferation of certification schemes (Planet Proof, Caring Dairy Plus, Beter Leven Keurmerk etc.) and a similar number of certifying bodies that issue these certifications (SMK, Qlip, Stichting BLK). Each of these quality marks seeks its own market based on the climate, environment, GMO and animal welfare aspects that consumers consider important. The organic quality mark is considered the most demanding with respect to the environment, GMO and animal welfare. Regarding sustainability performance, however, other certificates are getting closer or may go further. The organic sector is therefore involved in developing additional standards, such as EKO standards.

### Ambitions

The technical requirements recorded in the EU organic regulations do not cover all organic values with respect to health (people, plant, animal and planet), ecology (circular agriculture), honesty (fair) and care for people and environment. However, consumers do have expectations about this, as shown in such things as the discussions (up to the Dutch House of Representatives) on common input in the organic sector, and the use of organic crop protection products and organic stimulants. It is clear that the organic sector's circular agriculture ambitions are a good match for the Dutch Minister's agricultural vision.



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## Different design

To better meet the expectations of both the organic sector and consumers, Skal is designing its certification and monitoring services differently. The organization takes optimum advantage of the options offered by the new organic regulation (EU 848/2018).\* The new risk criteria enable Skal to differentiate between companies that have a low, medium and high risk profile, and to customize its approach to registration, certification requirements, and monitoring per risk profile. This customized approach implies that there will be separate categories for both certification and monitoring for producers that sell pre-packaged products direct to consumers (market stalls, supermarkets and online stores) and non-registered traders (see explanation in appendix 1). Skal anticipates that the new monitoring arrangements will improve monitoring effectiveness, and will result in increased transparency and a more equitable division of the monitoring burden. This means that high-risk producers will pay higher monitoring fees, with low-risk producers being subject to considerably lower monitoring fees.

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## Skal aims to keep the certification and monitoring fees as low as possible through innovation and digitization.

Skal grew considerably between 2016 and 2019, with employee numbers more than doubling and the turnover increasing from **four to seven million euro**. The number of registrations increased to **5,241** by late 2019. The number of new registrations increased by **300 to 400** producers per year from 2016. The growth levelled off somewhat in 2019 and, while the number of new producers has stayed the same, consolidation and specialization has increased the number of leavers. The political and societal aspiration is also to register/certify producers involved in direct sales of organic products to consumers (supermarkets, market stalls and online stores). This new registration/certification stream may result in a considerable growth in the number of registrations in the 2020-2023 period.

### Monitoring tasks

As well as registration number growth, Skal is also experiencing growth in the scale of its legal tasks; particularly the monitoring tasks. Risk-based monitoring (including theme-based monitoring, monitoring of the Top 100 high-risk producers and risk analysis

per sector) is demanding increasing attention. The monitoring of non-registered traders, processing objections and appeals and Dutch Government Information (Public Access) Act (Wob) requests demand more capacity. International enforcement is also placing increasing capacity demands on Skal (including cross-check requests, OFIS notifications and expansion to Guidelines). The considerable fee increase of 2019 is not something that Skal wishes to repeat in the coming years. The aim is to use innovation and digitization to keep certification and monitoring costs as low as possible. Skal will be introducing time tracking and a new financial system to document the costs per activity and monitor efficiency gains. This new system is based on cost types and cost centres.

### Effective

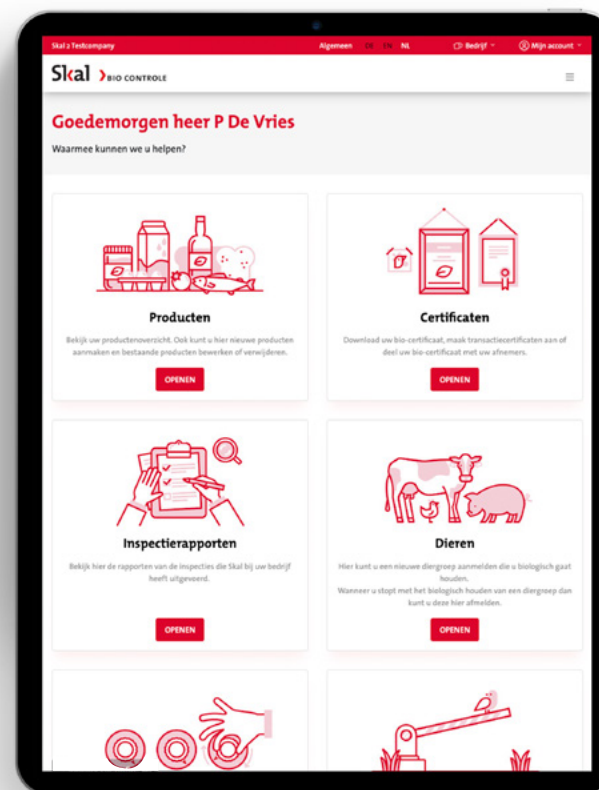
Data play an increasingly important role in monitoring and certification. As well as making better use of data, Skal will combine these with data from other public or private sources, resulting in effective risk-based working. To make this quality step, Skal aims to adapt its IT infrastructure, enabling it to monitor developments in both national organizations (data sharing with colleague control bodies in the context of CAP) as well as international organizations (data sharing with EU and other control bodies). Face-to-face audits by inspectors will gradually be replaced by digital audits, made possible by applying algorithms to data obtained systematically from the production chain or from other control bodies (e.g. RVO, NVWA and Qlip).

The modifications that are needed for this at architecture, application landscape and organizational level are described in Skal's IT long-term vision (October 2019).

## Efficient and effective

Digitization is also needed to ensure that audits run more efficiently and effectively. Appropriate examples here include uploading mass balance calculations to obtaining electronic access to affiliated producers' administrative systems. This approach will enable auditors to conduct audits more efficiently and effectively at administrative level, resulting in the advantage that during face-to-face audits, inspectors can focus more on other topics relevant to that producer, including animal welfare, crop rotation schemes, and product specifications.

The expansion of digital services via [Mijn.Skal.nl](https://mijn.skal.nl) offers time savings for both Skal and registered producers. Having organic certificates and producer audit reports available to purchasers via [Mijn.Skal.nl](https://mijn.skal.nl) will contribute to transparency and efficiency improvements. Skal is making considerable investments to enable these developments. This is a challenge considering Skal's low resilience and its liquidity requirements in the first three months of the year. Skal will be producing a plan together with the LNV and the organic sector to ensure that it can invest while maintaining healthy financial long-term development.







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## Skal ensures sleek organization of basic processes to enable it to respond flexibly to developments

The growth in both turnover volume as well as organic sector complexity demands further automation and standardization of Skal's work processes. Ongoing improvements to audit and certification process safeguarding (including processing anomalies) must further improve organizational efficiency. This efficiency step will offer inspectors, certification staff and control specialists time gains on individual cases enabling inspectors to invest more time in bigger files and risk-based monitoring. As well as the current employee specialization (training, e-learning), the plan is to demand greater internal employee flexibility to absorb work level peaks. This also improves staff deployment, and contributes to motivation and differentiation of activities, which is needed as a response to the difficult labour market and lack of specific organic sector training.

### Financial solutions

The introduction of new monitoring arrangements (appendix 1) and the required fee transparency necessitates a redesign of Skal's financial administration and the introduction of time tracking.

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This is to comply with the new fee transparency requirements (EU regulation 2017/625 Sections 78 to 85). The financing of Wob requests and monitoring of non-registered traders demand other financial solutions than offered by the fee structure that applied until 2019. Intensive consultation is needed with the Ministry of LNV to develop financing for Skal to safeguard monitoring system continuity and ensure that Skal is sufficiently resilient.

### **Legal knowledge & Advisory Council**

The introduction of new monitoring arrangements require the legal basis of the associated categorization to be sufficiently robust. During implementation, it is expected that this will certainly lead to an increase in objections/appeals. Sufficient legal knowledge and capacity will result in a risk criteria framework, enforcement communications and measures. This framework must certainly not lead to incorrect incentives or unequal treatment of producers. The newly established Advisory Council will be actively involved in this and will act as a sounding board.

### **Effective process**

Audit report processing is being further digitized to ensure the most effective possible audit and certification process. This could include more standardized reporting options and new IT instruments for the inspectors. The mandatory publication of audit data also demands digital solutions that enable these documents to be anonymized and published in a less labour-intensive way and ensure that Skal

complies with the requirements of the possible introduction of the Open Government Act (Woo). The aim is to build all these innovations in a modular way where possible. This gives Skal maximum flexibility to respond to the changes in the field in which it operates.

## The Skal enforcement and sanctions policy is efficient and effective

In the 2020-2023 period, Skal will optimize its risk-based monitoring, integrating external data to make certification more efficient and effective. Skal will also tighten its sanctions policy and associated instruments (de-certification, disciplinary rules and fines). This means that Skal will not restrict itself to its affiliated producers. It will also work proactively to encourage non-certified traders to comply with the organic regulations relating to the use of the legally protected quality marks for organic and eko foods. Producers that persist in using organic designations to mislead consumers will be referred to the NVWA. Together with LNV, Skal and NVWA will be developing a more effective approach to the latter producers.

### Fraud

Every year, Skal and/or NVWA suspect several producers of being involved structurally mis-selling standard products as being organic. Although Skal decertifies these producers as quickly as possible, it is important for redress and deterrent that we can take other sanctions against such producers. This could include fines, punishments and the claw-back of financial gains. NVWA can start tracking such producers,

followed by criminal prosecution by the Public Prosecution Service (OM). Skal considers it vital that sufficient resources are made available so that we can deter organizations from committing fraud with organic products.

### Enforcement policy

Skal will be reviewing its enforcement policy to promote compliance with European organic legislation. This is driven by the introduction of the new organic EU regulation as well as the 2018 experiences with the Wob requests and associated publications, and the objection and appeal procedures that took place in 2018 and 2019. Producers have informed Skal of the increasing juridification that runs in parallel with stricter enforcement requests from the EU and the various stakeholders (organic sector, consumers and media). Themes such as animal welfare, integrity of the organic product and fraud are prominent. Together with LNV, Skal is formulating new foundations for certification (Skal Regulations 21) and certification conditions (Skal Regulation 11), including the weighting of deviations (light, serious and critical). The aim is that this will start on 1 January 2021.

### Developments

In addition to developments in organic legislation and regulations, associated legislation and regulations are also changing. This includes the EU controls regulation 2017/625 and the new regulation for fertilizers EU 2016/0084, including the implications for the EU regulation 1107/2009 regarding plant protection

products. The requirements for organic producers are sometimes tightened based on the legislation for standard producers. As well as the associated EU regulations there are also developments in national legislation and regulations that impact the organic farming sector. Examples of this are the new excretion standards for animal manure, the Court's PFAS pronouncement, and the issues concerning phosphate rights. This is one of the important reasons why Bionext (the organic sector organization) is appealing for a Bio check on all new regulations issued by LNV. As well as this technical legislation, there are also consequences for Skal as an independent administrative body (zbo) relating to privacy legislation GDPR, the successor of the Wob – the Open Government Act (Woo) and the tightening in financial accountability for zbos. The challenge for Skal is to ensure that it has sufficient legal expertise as well as agricultural and food expertise in house to enable it to monitor these developments quickly and implement these correctly when carrying out its statutory tasks and the Skal quality system.

In relation to enforcement, another challenge is the increasing growth of organic production abroad and related increased volume growth in organic product and raw materials' import to the Netherlands. Recent research by Europol showed that fraud committed with organic products and raw materials can be considerable. Collaboration with the EU and NVWA in this area is vital to detect signs of fraud effectively and remove fraudsters from the system.





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## Skal takes its responsibility for the independence of others in the supervisory chain

In the organic trade chain, mutual dependencies play a huge role in producing a reliable organic product. The same applies to the players who monitor this organic sector. The EU, LNV, NVWA, RVO and Skal are also mutually dependent, each from their own specific monitoring role. Good coordination, information transfer and understanding of these mutual dependencies are essential to ensure effective monitoring and for continued improvements to this.

There were considerable personnel changes in strategic functions at the above-mentioned control bodies in 2018/2019. There have also been changes in important officials and players in the organic sector. This means that additional focus and curiosity are needed concerning the situation and consequences of changes for each player in this field. This includes the impact of changes to existing legislation and regulations (such as the Guideline), modifications to enforcement policy (for example plant protection products and biocides) and market developments (such as vitamin B2 or GMOs). Skal is investing in its relationships and is open to alignment and partnerships. It is doing this by being transparent about what is possible and what is not possible, with the goal of ensuring that expectations at the

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Ministry of LNV, colleague control bodies and the organic sector are as realistic as possible.

### **Involvement**

Skal employees also depend on colleagues in implementing work processes correctly and introducing improvements. It is important that we are genuinely curious about the interests of everyone involved in a process. The organization's rapid growth has made it sometimes difficult to follow all the changes and developments and to obtain effective information on these. Skal aims to invest in both internal and external communications to address the considerable changes it is facing in the coming years. The involvement of all Skal departments in these changes will also increase including through the establishment of a works council and active employee consultation on important changes with respect to the organization and the work.

### **New: Advisory Council**

The Skal Board has established a new governance structure in consultation with the Ministry of LNV and organic sector representatives. In this new structure, an Advisory Council provides solicited and unsolicited advice to Skal's Board and Director.

The Advisory Council represents the registered companies and consumer organizations. Establishing an Advisory Council creates a better connection with both the sector as well as the consumer. In addition to technical alignment with organic sector organization,

Bionext, Skal can now present issues actively to the Advisory Council that relate to organic sector monitoring and the design of organic certification. With an independent chair and representation from across the sector, from all links in the chain from production of organic produce, the Advisory Council can offer well-founded advice on the design of the certification and enforcement policy. It is ultimately up to the Board to adopt the advice and to the directors and management team to implement the advice.

## Appendix 1

### The new monitoring arrangements

Table 1 shows how Skal's new monitoring arrangements will look in 2021. This design is mainly based on the new EU regulations and also meets organic sector requirements to differentiate certification and enforcement according to companies' risk profile. The current categorization based on turnover/size of companies will then cease. Two new categories will also be added: **1)** the sales channels to the consumer for which the new organic regulation has formulated more stringent regulations and **2)** the non-registered traders that must be subject to more stringent monitoring. The differentiation in certification classifications per risk profile (low, medium and high) enables entrepreneurs to exercise influence on the certification fees by aiming to fall in the lowest risk category and through sound preparation or digital delivery of data, which reduces the duration of the face-to-face audit. The difference in the monitoring efforts will also be translated into a higher or lower amount for the annual contribution per category. Skal is introducing a new financial package and time tracking for the above monitoring arrangements to ensure that fees are documented in a transparent way.

Table 1: the new monitoring arrangements as of 1 January 2021

CATEGORY	REGISTRATION	CERTIFICATION	MONITORING
Basic agricultural farms/ preparation (medium risk producers)	Influx of new producers, producers with medium risk profile	Current certification process of 4 years: TO-IHC-BI-BI-IHC	Monitoring audits based on risks, cross-checks based on risks and signals and focused sampling
Low-risk producers	Influx of producers that meet the low-risk criteria: <ul style="list-style-type: none"> <li>• Three years no NC A or B</li> <li>• Only organic production</li> <li>• Only pre-packed products</li> </ul>	After placement in this category face-to-face audits every other year	
High-risk producers	Influx of producers that, based on the 10 risk criteria, are labelled as high risk	In-depth audits, EDP audits and use of additional data	Guideline for sampling, pick up on signals of fraud and Cross-checks about/within producer constructions
Sales to consumers (B2C)	Registration of: Supermarkets Online stores Market stalls	Certification and audits for <b>un</b> -packaged product No certification for <b>pre</b> -packaged product	Risk-based monitoring based on sampling (tracing research)
Non-registered			Proactive tracking through such things as focused data research, audits and visits

## Colophon

This long-term vision is  
a Stichting Skal Biocontrole publication.  
Skal is control body on organic production,  
designated by the Ministry of Agriculture,  
Nature and Food Quality (LNV).

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