



Costs of External Inspection of Smallholder Organizations with Internal Control Systems

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An Internal Control System (ICS) can be considered as a documented quality assurance system that allows the external certification body to delegate the annual inspection of the individual group members to local inspectors within the certified group.

The introduction of an internal inspection system (ICS) requires a lot of effort and time, takes considerable internal development work, and involves restructuring and investment by the small farmers and their organisation. However, the effort is rewarded. The majority of the smallholder organisations that established internal quality control systems considered it economically viable later on. “Situated in the locality, an ICS can manage a higher and better surveillance regime than external annual visits. Internal control visits are often performed more than once a year, in many cases up to three times. The local organisation knows the agricultural conditions and local culture better than external inspectors and certification officer/committees based outside the country” (Van Elzakker & Rieks, 2003).

The examination of the internal quality control system is performed by an external inspector, primarily on the basis of the data produced by the small farmers’ organisation. Its quality and reliability are tested at random by repeated on-site inspections and interviews with randomly selected farmers.

Recently Naturland conducted a survey on how much its Latin America members spend on their external inspection. External inspection costs are made up of a daily fee for the time the inspector spends in the field, travelling and report writing. Furthermore, direct expenses such as travel costs, accommodation and postage for reports also have to be paid. Daily fees charged by inspection bodies vary between US\$150 and 350.



In the survey, the external inspection costs paid by Naturland members organized in cooperatives in Bolivia, Guatemala, Mexico, Nicaragua and Peru were evaluated. The majority of these cooperatives are growing organic coffee, but some also produce organic cacao.

Most own the Internal Control System, which means it is organized and implemented by the smallholders themselves and not by an external third party like a trading company.

Table 1: Costs for external inspection for small-scale Naturland farmers, who have established an Internal Control System

| Country | Number of Naturland farmers | Cost for external inspection (US\$) | Cost per farmer for external inspection (US\$) |
|------------------|------------------------------------|--|---|
| Bolivia | 2,133 | 32,362 | 15.2 |
| Guatemala | 1,896 | 10,197 | 5.4 |
| Mexico | 4,590 | 38,077 | 8.3 |
| Nicaragua | 120 | 4,711 | 39.3 |
| Peru | 10,781 | 84,426 | 7.8 |
| TOTAL | 19,520 | 169,773 | |
| Average | | | 8.7 |

The internal inspection system considerably reduces the cost of an external inspection. The costs range between US\$ 5.4 in Guatemala and US\$ 39.3 for a cooperative in Nicaragua. For the area as a whole the average cost is US\$ 9 for each small-scale farmer..

The reasons the cooperative in Nicaragua has such a high expenditure on external inspections is that the cooperative has comparatively only a few members. In addition, there are other factors that may have increased the external inspection cost. For instance, the farms may be quite dispersed, so that the external inspector has to spend relatively more days visiting a certain amount of farmers. Another reason may



be that the record keeping and documentation was not up-to-date or inadequate when the external inspector conducted the annual inspection.

The numbers presented in this article were taken from inspection period 2003 and 2004. At that time, the minimum re-inspection rate was required to be at least 10%. Since 2005, inspection agencies carrying out external inspections for Naturland have implemented new requirements on re-inspection rates using the square root approach. Under this system, if the ICS is working well costs for external inspections may diminish in the future.

References

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