

Copyright 2008. No quotation or citation without attribution.

IR/PS CSR Case #08-02

The Bio Suisse Organization: An Analysis of the “Bud”-Label and its Credibility



By: Francis Barrier

GRADUATE SCHOOL OF INTERNATIONAL RELATIONS AND PACIFIC STUDIES

UNIVERSITY OF CALIFORNIA, SAN DIEGO

Prepared for Professor Peter Gourevitch

Edited by Kristen Parks

Corporate Social Responsibility

Fall 2008

Table of Contents

Introduction	3
1 Bio Suisse and the Swiss Organic Farming Industry	5
1.1 <i>Founding of Bio Suisse</i>	5
1.2 <i>Bio-Suisse and the EU</i>	6
1.3 <i>Organic Farming Market Today</i>	7
2 The Bio Suisse Organization	9
2.1 <i>The Members of Bio Suisse</i>	10
2.2 <i>Delegate Assembly</i>	10
2.3 <i>Bio Suisse Steering Committee</i>	11
2.4 <i>Label Committee</i>	12
2.5 <i>Auditing Agency</i>	13
2.6 <i>Business Examination Committee</i>	13
2.7 <i>Presidents Conference</i>	13
2.8 <i>Head Office</i>	14
2.9 <i>Funding – Membership Fees</i>	14
3 The Bio Suisse Label	15
3.1 <i>Label Variation</i>	16
3.2 <i>Inspections</i>	17
3.2.1 <i>Farm Inspections</i>	17
3.2.2 <i>Processor Inspections</i>	17
3.3 <i>bio.Inspecta AG</i>	18
3.3.1 <i>Mission Statement</i>	19
3.3.2 <i>Ownership</i>	19
3.3.3 <i>Funding</i>	20
3.4 <i>Sanctions</i>	20
4. Analysis of Credibility	21
4.1 <i>Organizational Autonomy</i>	21
4.2 <i>Competence/Organizational Strength</i>	22
4.3 <i>Monitoring Practice / Thoroughness</i>	23
4.4 <i>Transparency</i>	24
4.5 <i>Violations and Sanctions</i>	25
Conclusion and Outlook	26
Discussion Questions	27

Introduction

Swiss farmers were pioneers in the development of organic farming. Based on the principles developed by Rudolph Steiner, founder of anthroposophy, farms in Switzerland started to apply biodynamic principles in farming. Steiner had spent all his life researching and investigating the forces that regulate life and growth. From a series of lectures and conversations held at Koberwitz, Germany, in June 1924, there emerged the fundamental principles of biodynamic farming and gardening, a unified approach to agriculture that relates the ecology of the earth-organism to that of the entire cosmos. In the 1940s the Swiss Dr. Hans Müller developed organic-biological farming, taught farmers the importance of a fertile soil and established the idea of sustainable management with closed cycles in plant production. In 1974, two far-sighted representatives of these two production methods founded the Research Institute of Organic Agriculture (FiBL), the world's leading information and documentation centre for organic agriculture, which was aiming to back up the observations of the organic farming pioneers with scientific research.

Before 1980 there was no countrywide collaboration between the Swiss organic farmers. Instead there were over 30 locally organized associations which had different farming standards and different or no labels. This made it difficult for customers to recognize organic food in stores. The label diversity made it impossible for customers to establish a preference for a certain label also because he did not know which labels were more credible than others, since he did not have enough information about them. The organic

farmers were competing against each other, all trying to push their standard as the dominant one.

The reaction to this unfavorable situation was the creation of the Bio Suisse organization, which tried to unify all Swiss organic farmers into one organization in which every farmer would produce according to the same standards and by using one common label. Since its creation over the last 30 years, Bio Suisse has been very successful in regard to membership and sales expansion. It is said today that Bio Suisse products "... are in great demand because of the labels high credibility." Recently it was even awarded to be "the most recommended organic label" by an independent survey of the World Wide Fund for Nature (WWF).

This paper will analyze how the creation of the Bio Suisse organization united the Swiss organic farming industry and overcame the disadvantages of the previous situation. The main goal of the paper is to find out why the Bio Suisse label is said to be so credible. What properties give consumers this confidence? The case study will outline Bio Suisse's goals, its organization and its label process. An emphasis will also be put on the analysis of the remaining players that complete the Bio Suisse construct, namely the individual members and the third party inspecting companies. This will allow a discussion at the end, answering the question of what makes the Bio Suisse organization and its corresponding label credible and what not.

Besides research of literature and company documentation, such as bylaws, annual reports, website, etc., three interviews were conducted. The first one was with Philip Schärer from the department processors and trade of bio.inspecta. The second one was with Mrs. Buschauer from the fraction of quality assurance and the last one with Thomas Meier, a Bio Suisse farmer.

1 Bio Suisse and the Swiss Organic Farming Industry

1.1 Founding of Bio Suisse

Over time the Swiss organic farmers recognized the benefits of collaboration and therefore founded the Association of Swiss Organic Agriculture Organizations (Bio Suisse) in 1981, heralding the modern era of organic farming. The association had the form of an umbrella organization, which included not only the 30 local organic agriculture organizations but also the Research Institute of Organic Agriculture (FiBL). The primary goals of Bio Suisse were to:

- Establish common and uniform standards for agriculture and processing
- Introduce, manage, protect and market a common label, the “Bud”
- Represent the interests of Swiss organic farmers nationally and internationally
- Give Swiss organic farmers access to markets and coordinate marketing
- Foster the supply and demand for Swiss organic products
- Inform its members and foster the communication between them
- Refine standards and foster quality assurance

The principal benefit for organic farms is the label premium, i.e. the 15 - 50% higher prices that organic farmers can demand for their produce. Secondly, they benefit from the measurable progress in improving market access for the Bud: a new Bud-labeled product appears almost daily, continuously expanding the position of Swiss organic products in the food market.

The Swiss organic market and Bio Suisse have experienced vigorous growth over the years. Today some 6300 Swiss organic farms are certified to Bio Suisse standards (representing 11% of all Swiss farms). With these farms, Bio Suisse combines more than 90% of all Swiss organic farmers. Additionally, more than 800 processing and trade companies have a license contract with Bio Suisse to use the label. Thanks to great efforts (TV advertisements, trade fairs, posters, public relations work and improving product quality) the Bud label has pulled into second place, and now ranks directly behind Coop's own "Naturaplan"-label for brand recognition. A representative survey by the market research institute IHA showed that by the end of December 2003, over 70% of Swiss citizens were familiar with the Bud label. Today, organic produce carrying the Bud label has a market share in Switzerland of about 60%. This shows that the Bud label products are in great demand by consumers, which mainly lies in its high level of credibility.

1.2 Bio-Suisse and the EU

The main reason behind Bio Suisse high membership increase lies not only in the belief of Swiss farmers in the organic farming philosophy, but rather in political developments

between Switzerland and the European Union. Switzerland progressively opened its borders towards the EU by signing bilateral contracts allowing it to stay independent but not isolated. This opening allowed foreign farmers, who are said to have lower production costs but also lower quality, to sell their agricultural products in Switzerland. Because of this pressure from abroad, many Swiss farmers had to rethink their strategic positioning. Trying to compete with foreign producers on a price level would have been unpromising. Instead they decided to choose a quality strategy by joining the Bio Suisse organization. By following its high standards and therefore being permitted to put the Bud label on their products, the farmers could stop the Swiss customers from buying foreign products. Research has shown that Swiss customers are willing to pay a premium for high quality agrarian products made in Switzerland. The Bud Label gives them confidence that they are buying what they are looking for.

1.3 Organic Farming Market Today

After 25 years of continuous growth, the organic market had its first decline ever in 2005 (-0.5% market revenue). After a further unpromising year in 2006 (+1.6%), the market started to go forward again in 2007. The revenues with organic products increased in 2007 by 7.7% to nearly 1.3 bn SFR (Exhibit 1). This market growth was more than twice as strong as that of the total market (+3%). On the other hand, there was a decline in farmers who farm after the principles of Bio Suisse, the market growth was achieved by a smaller amount of farmers. The organic market in 2007 counted 5,689 Bio Suisse farmers and 598 farming by the organic standards defined by the Swiss government. Together they represent 11% of all Swiss farmers and combine 11.3% of the total Swiss farmland.

Similar to 2006 in which the number of Bio Suisse members sank for the first time in its history, the number of Bio Suisse farms shrank by 220 (Exhibit 2). The organization sees the cause of this in the structural change Switzerland is going through. Other farmers turn away from organic farming because in their eyes the standards of Bio Suisse have become too strict. Around 75% of the Bio Suisse products were sold through the supermarket chains Coop (51% market share, 664 m SFR) and Migros (24% market share, 306 m SFR). The rest is sold through direct sellers and (62 m SFR) and organic specialized shops (199 m SFR). In 2007, the Swiss consumer spent an average of 175 SFR on products of Bio Suisse. As in the years before, the Swiss consumers spent the most on organic products worldwide.

Exhibit 1: Organic market in Switzerland 2000 – 2007: total revenue in m SFR

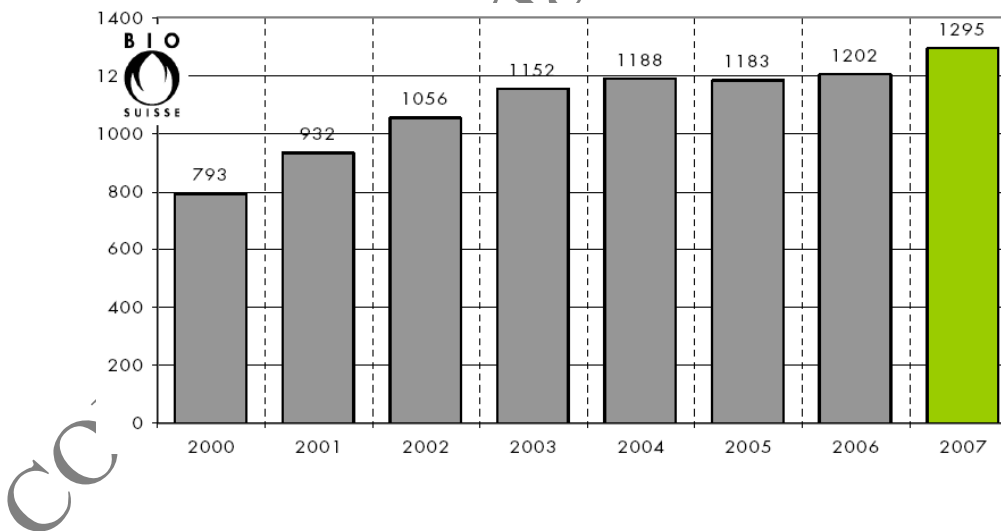
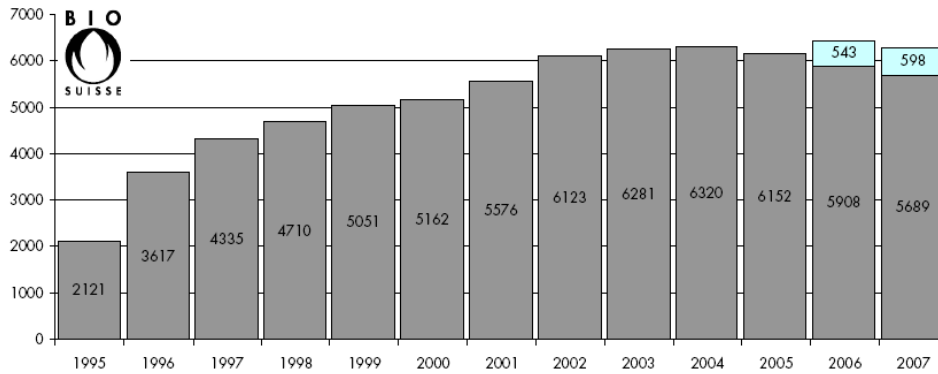


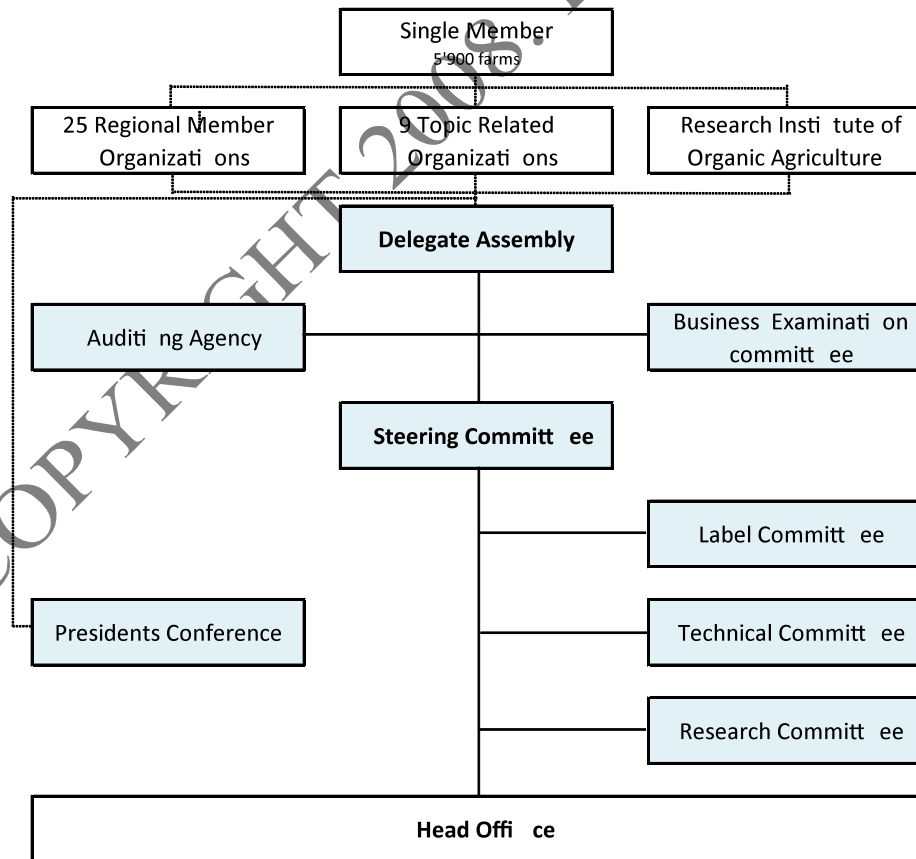
Exhibit 2: Number of organic farms in Switzerland and Liechtenstein from 1995 -

2007



2 The Bio Suisse Organization

The following diagram gives an overview of the structure of the Bio Suisse organization:



2.1 The Members of Bio Suisse

The actual member base of Bio Suisse consists of the Research Institute of Organic Agriculture and over 34 collective member organizations that represent the interests and concerns of their corresponding single members, which are the organic farmers themselves. The collective member organizations include 25 regional member organizations such as the “Bio famers of the canton Bern” which combine farmers from a certain region and 9 topic related organizations such as the “Swiss Bio mountain farmers”. A single member is only allowed to be in one collective organization. The 35th actual member of Bio Suisse is the Research Institute of Organic Agriculture, which does not have any farmers. Every Swiss farmer automatically becomes a member of Bio Suisse as soon as he signs a valid Bud-contract with Bio Suisse, has joined one of the 34 collective member organizations and has paid the membership-fee.

2.2 Delegate Assembly

The delegate assembly contains 100 seats of which at least one seat is distributed to every collective member organization. The remaining seats are allocated according to the number of single members. The main competences of the assembly are the:

- Alteration of the bylaws
- Election of the members of the steering committee and its president, the auditing agency, the business examination committee
- Acceptance of the annual financial statements and the budget for the following year
- Discharge of the steering committee

- Determination of the membership-fees and product specific duties
- Acceptance of changes regarding the guidelines of the Bud label
- Acceptance of the mission statement, principles and long-term goals

The members meet twice a year for an official delegate assembly. Extraordinary delegate assemblies can be convened by the steering committee, the business examination commission and by demand of at least 20 delegates. The delegate assembly will decide by the quorum vote if the assembly has been announced properly and if at least 50 delegates are present. Decisions are made with ordinary resolution of the delivered votes.

The delegates as well as all other elected organs and commissions are obligated to withdraw from their position by conflicts of interest or direct personal interest. By nonobservance of this rule, the decision can be contested at the business examination committee within 3 months after notification. The commission can then abolish the decision.

2.3 Bio Suisse Steering Committee

The Steering Committee consists of five to nine members, the majority of whom are active organic farmers. Anyone employed by Bio Suisse or maintaining close business relations with Bio Suisse is ineligible. The president is elected by the Assembly of Delegates, as are new members following any resignation. The Steering Committee allocates responsibilities internally (except for the presidency). Great store is set by the adequate representation of the different production types, the linguistic regions of

Switzerland, and both sexes. The Steering Committee is the Association's strategic decision-making body. Its challenging tasks include the development of the Association's mission statement and business policies (in cooperation with Head Office). The Steering Committee provides leadership to Head Office by formulating verifiable target agreements. Only the Managing Director is entitled to give instructions to Head Office staff directly. For all members of the Steering Committee, the management of Bio Suisse as a whole has priority over regional, product-specific or other interests.

The main forms of the steering committee's work are

- Elaboration of strategic guidelines.
- Regular conferences, the setting of an agenda by the president and the Managing Director.
- Follow-up and adoption of budget processes and finalizing of accounts, including the approval of non-budgeted expenditures.
- Constitution of an appeal panel with the right to give decisions on appeals and the product assortment (including processing abroad).
- Issue of job descriptions for the Managing Director, the label commissions and the technical commissions.
- Election of the president of the technical commissions.

2.4 Label Committee

The label committee is responsible for developing and the interpretation of the principles of the production, processing, trade and the marketing of bud labeled products. They are

also responsible for the decision of awarding and withdrawal of the bud label. The approval procedure foresees that label committee shows the principles to the steering committee for approval. It will forward them to the delegate assembly for discussion and final approval or will send them back to the label committee for revision. The steering committee decides who is member of the label committee.

2.5 Auditing Agency

The delegate assembly elects an independent auditing agency every year. It mainly verifies whether the balance sheet and the income statement are consistent with the bookkeeping. It further verifies whether the bookkeeping is done properly and whether the valuation principles required by law and the principles required by the bylaws are followed.

2.6 Business Examination Committee

The delegate assembly elects the three members of the business examination committee for a period of 4 years. It controls the allocation of the resources, the course of business and the implementation of the agreed on specifications of the delegate assembly and the steering committee.

2.7 Presidents Conference

The Presidents conference contains all presidents of the collective member organizations, the label and the business examination committee and all members of the steering committee. There are at least two presidents conference per year. It main use is to

guarantee the information exchange between the collective members and the steering committee. It should also guarantee an information flow towards and the formation of opinion of the Bio Suisse organs.

2.8 Head Office

The Head office contains 30 members and is the Information platform or secretariat for the farmers and processors. It gives them marketing related advice, lobbies for the interest of Bio Suisse and links the individual commissions and other organs with each other. It makes sure that the organization has a consistent market appearance and communicates the contents and concerns of Bio Suisse in the media and public. The head office also supervises the inspection and certification companies.

2.9 Funding – Membership Fees

Yearly Fees for Single Membership result from:	unit	CHF	Dollar
1) Fixed Fee per Farm	Farm	100	120
2) Variable Fee			
- Dell Area	Hectare	10.2	12.24
- Mountain Area	Livestock	8.2	9.84
- All Zones			
a) Open agricultural Crop Land	Hectare	13.3	15.96
b) Special- and Permanent Crop	Hectare	41	49.2
c) Crop in protected Cultivation	Are	1.25	1.5
d) Fungal breed	Are	2.5	3

The yearly membership contribution is guided through two principles: A fixed contribution per member (principle of equality) and a variable contribution that varies according to the size of the farm (principle of capability). The surface area or respectively the number of livestock is the corresponding measurement.

3 The Bio Suisse Label

Every single member of Bio Suisse may sell his or her products with the Bud label. But because most of these products are raw materials for other products, Bio Suisse let's processing companies to use the bud label and brand their products if they fulfill certain requirements. In the end, Bio Suisse wants the end consumer to be familiar with the label and not only the processing companies. In Switzerland, there are more than 760 firms that are licensed to process organic raw materials according to Bio Suisse standards. Each Bud-labeled product bears the name of the licensee and the certification body. Throughout the processing of Bud-labeled products, attention must be paid to preserving their quality, with a special emphasis on their valuable ingredients. As a matter of principle all the agricultural raw materials used in the production of Bud-labeled products must be from certified organic farming. Exemptions from this principle are possible, but very precisely defined. Bud-labeled products may only be processed by non-aggressive mechanical and/or physical fermentation procedures. Unnecessary processing steps are not allowed. Chemical processing, radiation and microwave treatment are forbidden.

The bud label is advertised to stand for:

- Natural diversity on the organic farm
- Ethologically sound livestock management and feeding
- No use of chemically synthesized pesticides or fertilizers
- No use of genetic engineering
- No use of unnecessary additives such as flavourings and colourings
- Non-aggressive processing of foodstuffs
- inspection of organic production and processing

The prerequisite for the use of the Bud is a valid contract with Bio Suisse and compliance with Bio Suisse standards for the production, processing and trading of organic farming products.

3.1 Label Variation

There are three variations of the bud label depending on the degree of Swiss organic raw material and whether the farm is in conversion to become an organic one.



Swiss organic products: For products that contain a minimum of 90% Swiss-grown raw materials, the Bud label is supplemented with the words “BIO SUISSE”.



(Partially) imported products: For products containing less than 90% Swiss-grown raw materials, the Bud label is supplemented with the word “BIO”. Imported organic products must fulfill the requirements set out in Section 5.10. in order to be labeled with the Bud logo.



Conversion Products: Products from in-conversion farms may be sold with the Bud in-conversion label. Moreover, all conversion products must bear the declaration “Product under conversion to organic farming”. The sentence is compulsory as to its wording.

3.2. Inspections

Farms and companies that hold a contract with Bio Suisse will be inspected on a regular basis with a view to compliance with these standards.

3.2.1 Farm Inspections

Farms must keep records of purchases and use of fertilizers, feeds and feed additives, as well as plant protection products. Substances that are not approved according to these standards must not be present on the holding. Additionally, holdings must keep production records and keep suitably detailed records of purchases and sales. Inspections are carried out at least once a year and include the entire holding, including any products processed on-farm. Besides the yearly inspection that is announced to the “target”, additional Inspections may be carried out unannounced. Inspections have to be carried out by an inspection body approved by Bio Suisse and accredited by the competent Swiss federal authority (METAS Swiss Federal Office of Metrology and Accreditation). For farms these inspection firms are bio.inspecta AG and Bio Test Agro.

3.2.2 Processor Inspections

The requirements for processors are higher than for farmers because their sites and processes are more complicated than those of farms. A license holder must first of all also demonstrate compliance with required standards. Records and book-keeping must be complete and accurate at all stages, from production to transport, storage, silo, the actual processing and packaging by the processor or wholesaler, to the retail stage. This documentation must include:

- Lot numbers, dates, nature of the received, processed, stored and delivered products;
- Details of suppliers, including a guarantee that the product was organically produced;
- Processing recipes, including losses during processing and storage;
- Flow charts;
- Agents and methods used for cleaning and controlling harmful organisms.

Every product must be traceable back to its place of origin. Where products from different origins are mixed, in storage or during processing, the origins must be identifiable from the records. The license holder must retain a sample from every batch of produce and keep it separately for the period of time that the final product is normally on the market. Derogations may be granted by Bio Suisse. Bio Suisse, via the inspection body, may collect samples of certain products and deposit them with a neutral authority. The inspection will be carried out at least once a year at a suitable time by approved certifiers. As by the farms, additional unannounced Inspections may also be carried out. For the processors the certifiers are bio.inspecta AG, Institut für Marktökologie and ProCert Safety AG.

3.3 bio.inspecta AG

Even though Bio Suisse offers their farmer members the use of two (processors even 4) different inspectors most of them use bio.inspecta. Of all Bio Suisse inspections,

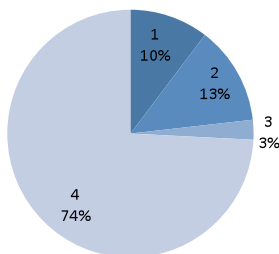
bio.inspecta executes over 80%. As all inspectors of Bio Suisse bio.inspecta is accredited by the Swiss Accreditation Service SAS.

3.3.1 Mission Statement

Bio.inspecta claims to be Switzerland's leading provider of inspection and certification services for products produced in accordance with principles of environmental and social sustainability and animal welfare. Its staff is deployed to carry out inspection and certification of agricultural holdings and processing and trading companies. In order to achieve further credibility it places particular emphasis on its inspectors' practical experience. Most of them are practicing organic farmers. bio.inspecta's roughly 80 agricultural inspectors have a field specific education and always consider the latest level of knowledge regarding specifications and standards. Bio.inspecta is active in promoting organic farming and committed to ethical and social issues.

Normally a Bio Suisse farm or processor is not only inspected but also certified. During the certification process, the inspection results are assessed by an additional person. Certificates are provided for those standards for which an application was made. The inspection and the certification of a holding are never carried out by the same person.

Ownership of bio-inspecta



3.3.2 Ownership

Bio.inspecta is owned by 74.2% by producers and processors of Bio Suisse and Demeter (a other swiss organic label), consumers, employees and egological- and organic organizations (4). 10.3% is owned by Research Institute of

Organic Agriculture (1), 12.9% by the Swiss foundation for the promotion of organic farming (2) and 2.6% by Demeter.

3.3.3 Funding

Bio.inspecta has an extensive rate overview where it lists all of its services and their corresponding prices. In every case it is the farm or organization that is being inspected which must pay the fee. For a typical inspection and certification process a Bio-Suisse farm or processor will have to pay fixed amount of 108\$ and a variable one of 15.8\$ per hectare land for the inspection and 80\$ for every hour the corresponding certification process takes.

3.4 Sanctions

The sanctions in case of offences against these standards are defined in the Bio Suisse rules on sanctions. The weakest sanction is a warning allowing for a defined period to eliminate the deficiency. The strongest sanction is the withdrawal of the right to use the Bud label, i.e. the annulment of the producer's or license contract, linked to the payment of a contractual penalty and compensation, where applicable, as well as the publication of the decision. Appeals against sanctions imposed may be addressed to the body that ordered the sanction (as set out in the Instruction on legal remedies).

4. Analysis of Credibility

After a thorough analysis of the Bio Suisse, Bio.inspecta and single member construct, an assessment of the overall credibility can be conducted.

4.1 Organizational Autonomy

An evaluation of the credibility of the Bio Suisse and Bio.inspecta construct begins with determining the degree of autonomy between both and from the “Target” of monitoring. Autonomy is important to the efficacy of the organization because it can uncover potential conflicts of interest.

The triangular relationship between the standard setter (Bio Suisse), monitoring firm (Bio.inspecta) and the “target” of monitoring (individual farmer and processor) suggest that the level of independence seems quite questionable. A first reason is the ownership structure. It seems that the organizations own each other, creating one big organization in the end. The label committee, which is in charge for setting the standards is assigned and elected by the steering committee, which is assigned and elected by the delegate assembly, which in the end are representatives of the individual farmers that should in fact be inspected and certified. One could therefore come to the conclusion that the farmers set their own standards, but even though this was the main idea of the creation of Bio Suisse (to have the same standards) it is crucial that at least the monitoring firm is independent. But here the ownership structure shows that this is not the case. Bio.inspecta's main owners are the organic farmers and processors they are supposed to monitor. A second reason that suggests that independence is not given is Bio.inspecta's

funding model. It shows that Bio.inspecta relies entirely upon inspection and certification fees to sustain its operating budget. This suggests a strong conflict-of-interest. On the one hand, it is certifying an operation based on a specific set of standards developed by Bio Suisse. On the other hand, Bio.inspecta needs the revenues to remain operationally viable. A possible result is that it will become slacker and issue certifications to non-compliant operations.

4.2 Competence/Organizational Strength

Organizational capacity or competency is another evaluation of a monitoring organization's effectiveness. This is especially important if the monitoring process involves intensive technical expertise or complex processes, which is the case for Bio Suisse. The monitoring organization in this case would need qualified personnel with the requisite education and training in order to conduct the monitoring activities.

The fact that no farm inspector is employed by Bio Suisse can bring up some concerns; one is the danger that farmers inspect each other without having the necessary independence. The representative of bio.inspecta acknowledged that there employee structure may raise such questions but stated that bio.inspecta tries to maintain the independence of its inspectors by not allowing a them to inspect farms of their region and not allowing them to control a farm for more than 3 consecutive years.

The level of competence of the bio.inspecta inspectors on the other hand seems to be very convincing. Only who has an agricultural education may become an inspector. His first

inspections are then supervised by an experienced inspector. Every year employees must attend a two-day seminar that recapitulates the inspection methods and present new developments. Another point that speaks for the competence of the inspectors is that on average they have a ten-year experience.

The Bio Suisse construct seems very thorough. The power and responsibilities are distributed among many organs that are mostly independent from each other. Not only do the different committees supervise each other, organs like the business examination committee and the auditing agency are especially in charge of supervising other organs. This reduces the chance that the committees will be driven by personal motives instead of the goals of the whole organization.

4.3 Monitoring Practice / Thoroughness

As previously stated farms and processors are inspected at least once a year. Additionally unannounced inspections are carried out. Although this would be sufficient for the credibility criteria, Bio Suisse goes a step further by demanding a second opinion by a second person. This certifier must check the results of the inspector. This four-eye approach definitely hinders the possibility of fraud or mistakes.

A second point that speaks for Bio Suisse's and Bio.Inspecta's monitoring practice is that it is very thorough. Usually an inspector spends several hours per farm to evaluate if the procedures and requirements are met. And this process may take up to several days. The interviewed farmer said he felt that the inspection process was extremely thorough. He

described that the inspector first interviewed him, using a questionnaire form and asking further questions where needed, then walked around the farm to examine the animals and crops. He also inspected the barns and the grounds to see if they meet the standards. Besides this he was very keen-eyed about the record- and bookkeeping. He checked their reliability, accuracy and completeness. While having to do this whole process with the Inspector, he also had to do a similar one with the certifier.

The fact that bio.inspecta and the other inspectors must be accredited by Swiss Accreditation Service (SAS) is to be evaluated positively as well. The SAS examines and accredits conformity assessment bodies (laboratories, inspection bodies and certification bodies) according to international standards. SAS has a similar approach to inspect the inspectors as the inspector inspects the farmers (checklist approach, at least one yearly inspection, etc.).

The only point that speaks against the credibility of Bio Suisse's monitoring process is that only 5% of all farms and processors are inspected unannounced in a typical year.

4.4 Transparency

A transparent organization does not try to remove all barriers, but rather facilitates the access to corporate, political and personal information. By being transparent no doubts or suspicious questions can be raised against the procedures and management. If an organization is not transparent, it may imply that there are certain conflicts of interests that the organization would rather hide from the public. There is a high degree of

transparency for Bio Suisse. Organizational bylaws, annual reports, publications and membership lists are easily accessed from its website. Practically no question about the organization of Bio Suisse is unanswered. The website, the many handbooks and especially the bylaws describe each organ, the processes, the funding, the sanctions etc. very thoroughly. The website names the members of each committee, but neglects to provide detailed biographies. This is unfortunate, because it makes it impossible to assess whether the members of the committees are truly independent, unbiased and competent.

4.5 Violations and Sanctions

In order for an organization or label to be credible, it must impose rigorous and strict sanctions against those who do not fulfill the requirements. Bio Suisse's sanction catalogue covers the whole spectrum from just a warning and request to eliminate the deficiency up to exclusion of the Bio Suisse association. Although not visible in the documents provided by Bio Suisse, its representative assured that it is clearly agreed on what violation provokes which degree of sanction. The problem might be that it does not communicate this to the farmers. The interviewed farmer could not say what would happen if he commits certain violations. He suggested that there are some violations that clearly lead to exclusion, but that the more common ones can be worked on. He also had the feeling that once you pass the initial inspection and certification, there is less of a concern about failing future inspections and that he is not afraid of sanctions. This attitude is definitely not the intention of Bio Suisse but may also be a singular case.

The representatives of Bio Suisse and bio.inspecta could not give exact numbers of total violations and corresponding sanctions, but both confirmed that minor violations that provoke a warning happen pretty often but that there are hardly any severe violations. In contrast to the farmer, the representative of Bio Suisse said that they are very strict with the sanctions, because a major violation would seriously damage their reputation.

Conclusion and Outlook

The initial intention of Bio Suisse was to unify all Swiss organic farmers into one organization in which every farmer produces according to the same standards and by using one common label. The constant expansion in sales and membership shows that Bio Suisse was and is a success. The advantages of having one unifying organization proved themselves to be true. The Bud label that was introduced was accepted quickly and became the number one choice for consumers when buying organic products. A main reason for Bio Suisse's success was its high level of credibility. The last section of the paper shows which factors make the label credible and why it deserves to be named the most recommended organic label in Switzerland. The reason for this lies especially in the organizational strength, monitoring practice, thoroughness and transparency. Nevertheless it must be mentioned that there are some points in the Bio Suisse, Bio.inspecta and farmer construct that speak against a high credibility level. This would especially be the missing independence between the three players or the funding model.

Future threats that could challenge the success of Bio Suisse are on one hand the implications the opening of the Swiss market towards the EU would bring. Not only will cheap non-organic products threaten the Bio Suisse's and the bud label's leadership

position but also will the competition from organic producers from foreign countries. The question is whether these producers will be able to achieve a credibility that is as high as that of Bio Suisse. Another threat for Bio Suisse is the possible decline of members that is obviously very disadvantageous for an organization that tries to unify all possible members. In the last two years, the number of members dropped for the first time. Bio Suisse will have to react to the concerns of farmers who are leaving the organization and reconsider making their standards less strict.

Discussion Questions

1. Discuss why Bio Suisse has more than one-third party inspecting company? Does the competition among the inspectors foster the quality standard of inspection or does it lower it?
2. What are some measures or actions that Bio Suisse can take to improve confidence in its inspection and certification system?
3. One critic towards Bio Suisse was that its players are not independent from each other. Given this construct, what can Bio Suisse do to ensure credibility?
4. Are you confident that a product carrying the Bio Suisse Bud Label is certified to the standards for Bio Suisse's principles and criteria? Why or why not?
5. Bio Suisse sells its products mainly in Switzerland. Name reasons why it should also sell its products outside Switzerland and reasons why not.
6. What can Bio Suisse do to stop member fluctuation?