

# Producers, Handlers, and Certification Fees



ORGANIC FACT SHEET

mosaorganic.org

## Determining Client Type

MOSA has three client types and three respective fee schedules: **producers** (typical farm operations), **handlers** (including processors), and **producer-handlers**. Producer-handlers are typically farm operations which also have some value-added sales of processed products that are derived from crops or livestock raised on the farm.

To “handle” is to sell, process, or package agricultural products, but this doesn’t include sale or delivery of crops or livestock by the producer to a processor or other handler. “Processing” is cooking, baking, curing, heating, drying, mixing, grinding, churning, separating, extracting, slaughtering, cutting, fermenting, distilling, eviscerating, preserving, dehydrating, freezing, chilling, and includes the packaging, canning, jarring, or otherwise enclosing food in a container.

Routine on-farm processing and handling activities may not require additional forms or fees. Examples include packaging of unprocessed vegetables, seed conditioning, grinding of feed, washing vegetables, drying of herbs, on-farm sale of meat that was processed at a certified organic slaughter facility, and preparation of CSA boxes. However, if the scope of such activities becomes more complex, we may require added forms and use of the producer/handler fee schedule.

Examples of products that are certified as producer products include: raw milk, raw vegetables, grains, live animals, and whole eggs.

## Quick Facts

- Food processors are known as “Handlers” under the National Organic Standards.
- Producers (farmers) that process their own products are known as “Producer-Handlers”.
- Handler certification fees are calculated on an adjusted gross sales figure.

Some examples of products that are typically certified as processed/handled products are: pasteurized milk, cheese, salsa, sauerkraut, flour, meat, broken eggs, or multi-ingredient products.

## Handler Application Materials

Handlers are required to complete the following documents/application steps:

- New Client Overview
- Handler Organic System Plan
- Organic Product Profiles
- Facility Map and Flow Chart
- Input Inventory
- Ingredient Spreadsheet
- Terms and Conditions Agreement
- Pay Handler Fees

## Calculating Handler Fees

For processors and other handlers, fees are calculated on an adjusted gross sales figure. "Sales" include toll or processing fees that are billed to customers for organic services, such as fees for custom processing, or for livestock slaughter and meat packaging. To arrive at the adjusted gross figure, handlers may deduct from the gross their cost of organic goods going into a finished, processed product.

For example, an operation that purchases organic milk to make organic cheese may deduct the cost of the milk from the gross sales of the cheese. (Note: such deductions should be calculated on an as-used basis. A bulk purchase used over time will need to have its cost divided among all production runs derived from that purchase.) To calculate the adjusted gross figure, the only allowed deductions are for certified organic goods. Items that may NOT be deducted include nonorganic ingredients, salt, transportation costs, packaging, and other business expenses.

Since use of the producer-handler fee schedule requires that some of the processed/handled product comes from the farm, it is sometimes challenging to determine the value of the producer products compared to the value of the processed product. The value of products that are raised by the operation and used in the processed product must be determined on a business-by-business basis, with attention to the fair market value of the commodity in question. In some cases, an operation's records may show that they have "sold" the product to themselves. In other cases, the value of the commodity may be accounted for in the sales price of the finished, processed product.

When completing the Sales Information section of the annual Easy Organic System Plan (or the New Client Overview for new applicants), include the gross sales of raw farm based product as well as the fair

market value of farm based products that are used in the production of the final processed product.

Example: A vegetable farm uses some of their own produce to process spaghetti sauce. They purchase some organic and nonorganic ingredients for the sauce, and sell a lot of produce straight to market. (Figures below may not represent current market norms.)

Gross annual sales of various unprocessed produce items (also known as "*producer gross sales*"). This includes CSA sales, farmer's market sales, and produce used to make sauce): \$440,000

Gross annual sales of packaged spaghetti sauce: \$340,000

Cost of organic ingredients used to make sauce (tomatoes\*, soybean oil, sugar, onions\*, garlic\*, olive oil, Romano cheese, basil\*, black pepper, fennel\*): \$208,000 (\* designates items raised on farm. Their value is included in the calculated figure above for producer sales.)

Cost of nonorganic ingredients used in sauce (salt, citric acid): \$1080

Cost of packaging materials, shipping, etc.: \$33,200

*Processor adjusted gross sales* (gross sales of processed product less cost of organic goods): \$340,000 - \$208,000 = \$132,000

Note that salt and citric acid (both nonorganic) and other processing costs are not used in determining adjusted gross

**Total sales** (*producer gross sales* + *processor adjusted gross sales*):

$$\$440,000 + \$132,000 = \$572,000$$

To determine the certification fees, simply plug this total sales number into a current Producer-Handler Fee Schedule. The Fee Schedule and all application materials are available at:

[www.mosaorganic.org](http://www.mosaorganic.org)