



FAQs: Certification Fees Structural Correction for 2019

Vermont Organic Farmers, LLC (VOF)

Northeast Organic Farming Association of Vermont (NOFA-VT)

VOF Office: 802-434-3821 vof@nofavt.org www.nofavt.org

Q: Why are we changing the fee structure?

A: A number of producers have pointed out two issues in the current fee structure. The first issue is that lower-grossing producers are charged more for the same amount of income than higher-grossing producers. Our proposed fee structure corrects this by making a graduated fee structure, where all producers will pay the same percentage for each dollar of gross income.

The second issue is that our current fee structure encourages producers to misstate their gross income to qualify for a lower percentage rate.

The proposed changes to the certification fee structure corrects both of these issues.

Example:

Current structure:

Producer grossing \$99,999 pays \$500 + (0.4% * \$99,999) = \$900

Producer grossing \$100,000 pays \$500 + (0.33% * \$100,000) = \$830

- Producer grossing \$1 more pays \$70 less in certification fees.

Proposed structure:

Producer grossing \$99,999 pays \$500 + (0.4% * \$84,999) = \$840

Producer grossing \$100,000 pays \$840 + (0.33% * \$1) = \$840

- Producer grossing \$1 does not pay a higher certification fee.

Q: What is the proposed new fee structure?

A: The general structure will remain the same as it currently is, but the proposed change will make the fee structure more equitable for smaller scale producers. All producers will continue to pay a base fee plus a graduated assessment on gross organic sales/services based on their projected sales for the calendar year. The maximum fee will continue to be \$15,000. The fee chart is below. As an example, if your 2019 gross organic sales are \$250,000, you would pay \$840 + (0.33% * \$150,000) = \$1,335.

Range of anticipated gross sales/services:	Marginal multiplier rate:	Base fee:
\$0 - \$14,999	0	\$500
\$15,000 - \$99,999	0.004	\$500
\$100,000 - \$499,999	0.0033	\$840
\$500,000 - \$999,999	0.0025	\$2160
\$1,000,000 - \$2,999,999	0.0017	\$3410
\$3,000,000 - \$15,000,000	0.000685	\$6910
Above \$15,000,000		\$15,000

Proposed 2019 VOF fee structure

Q: Will my fee go up for 2019?

A: It depends! Approximately 55% of VOF producers will see their fees go down or stay the same. Another 25% will see a fee increase of less than \$100. The remaining 20% of producers will see a fee increase of more than \$100. In general, the new fee structure assesses a higher certification fee to larger operations and slightly reduces the fees for smaller producers. In order to allow producers to budget for the increase in certification fees, we also propose to phase in the fee change over 3 years.

Organic gross sales/services:	VOF 2018 fee:	Proposed 2019 fee: (1/3 of fee change)	Proposed 2021 fee: (full fee change)	Total change in \$:	Total change as % of sales:
\$2,500	\$500	\$500	\$500	\$0	0%
\$15,000	\$500	\$500	\$500	\$0	0%
\$40,000	\$660	\$640	\$600	-\$60	- 0.15%
\$60,000	\$740	\$720	\$680	-\$60	- 0.1%
\$120,000	\$896	\$900	\$906	\$10	-0%
\$300,000	\$1,490	\$1493	\$1,500	\$10	-0%
\$950,000	\$2,375	\$2,678	\$3,285	\$910	0.1%
\$1,325,000	\$2,819	\$3,200	\$3,963	\$1,144	-0.09%
\$2,125,000	\$4,219	\$4,789	\$5,323	\$1,710	-0.05%
\$14,900,000	\$15,000	\$15,000	\$15,000	0\$	0%

Examples of new VOF fee structure with marginal, incremental rates

Q: How do these prices compare with other certifiers?

A: For most producers, our certification fees will remain lower than or competitive with other regional certifiers. We are changing our fee structure as a response to complaints from our small-scale producers who felt that our fee structure was unfairly burdening them with higher fees, not because we are looking to raise revenue.

Q: What's in it for me?

A: If you are in one of the higher-grossing brackets and will see your fees increase, we thank you for your support in helping smaller producers bear an equitable proportion of the certification fees! Our primary goal is to meet the concerns of our producers who pointed out the existing loopholes and asked us to make the fee structure more even. With the increase in revenue, VOF will be better able to retain staff, allowing us to provide faster, more knowledgeable certification. We also intend to improve our outreach to producers and increase education for our inspectors.