

## POLICY FOR ORGANIC PRODUCT CERTIFICATION SERVICES

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### Introduction

The pricing policy of organic product certification services directly depends on the goals set by the company. It is often geared solely to making a profit, without following the principles of sustainability. When formulating a company's pricing policy for certification services, it is important not only to set a price that will cover the operating costs incurred and earn some profit, but also to ensure that pricing decisions are based on the principles of sustainability and fairness.

**The object of the research** is the formation of the pricing policy for the certification of organic products.

**The aim of the research** is after analysis the theoretical aspects and practical experience of organic product certification pricing in different countries, to present proposals for the formation of a sustainable organic product certification pricing policy.

### Methodology

Analyzing the peculiarities of pricing methods and application possibilities for product and service certification, scientific articles on problematic pricing problems of products and services were analyzed. Methods of analysis of scientific literature, comparison, induction and deduction, abstraction and logical analysis and synthesis were used for this purpose.

During the analysis of the experience of foreign certification companies in setting the certification fees for organic products, the certification fees for organic products and the methods of their determination applied in these companies were analyzed. Methods of data analysis, comparison, abstraction, and logical analysis and synthesis were used for this purpose.

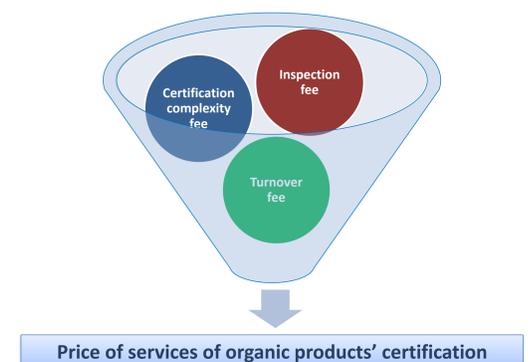
The analysis of the experience of the staff of the certification organization, focus group discussions and interview methods were used to make proposals for the formation of a sustainable pricing policy for the certification of organic products.

### Results

The analysis of scientific literature and international certification experience revealed that the main factors of pricing of certified products and services are: internal goals of the organization, experience of EU companies with similar activities, competitive environment, consumers and costs. The pricing policy of certified products and services must take into account not only internal and external factors, theoretical pricing methods, practical possibilities of their application, but also the needs of stakeholders - customers - in order not to harm their financial interests, and pricing must be clear and understandable.

The analysis of the scientific literature has shown that the most common pricing method is the cost plus method. This method covers the costs necessary for the development of the company's activities, as well as assesses the potential risks faced in the ever-changing business environment. Meanwhile, the analysis of the international experience of certification companies in formulating certification pricing policy shows that certification companies in different countries form different certification pricing policies. Certification firms choose quite different factors as the basis for certification pricing.

Taking into account the financial possibilities of the users of certification services and the costs necessary for the development of the company, it is proposed to form a pricing policy for the certification of organic products, by choosing a combination of cost recovery for certification services and the revenue / turnover of customers from ecological activities as a pricing base for these services. To achieve this goal, it is proposed to form a price for certification services for organic products, which consists of three fees: certification complexity fee, inspection fee and turnover fee (Fig. 1).



**Fig. 1. Price of services of organic products' certification**

The methodology for calculating the first two fees is based on the cost plus method, while the turnover fee is based on a pricing method based on customer revenue. This allows not only the interests of the certification company, but also the interests of the client to be taken into account.

### Main conclusions

The analysis of the principles and main methods of pricing of products and services has shown that companies base their pricing policy of goods or services on the volume of costs they incur, market conditions, prices charged by competitors, and the relationship between supply and demand.

In order to form a sustainable pricing policy for organic product certification services, three components of the organic product certification price are proposed: the organic product certification complexity fee, the inspection fee and the turnover fee. The methodology for calculating the first two fees is based on the cost plus method, while the turnover fee is based on a pricing method based on customer revenue. This combination of pricing methods ensures both the coverage of the costs incurred by the certification body and the assessment of the financial capacity of the clients of the certification services, taking into account the potential operational risk; pricing decisions become based on the principles of sustainability and equity.

