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9 Australia/Oceania

Australia/Oceania includes Australia and New Zealand as well as smaller countries such as Papua New Guinea, Fiji, Tonga and Vanuatu. Australia has more land under organic production than any other country in the world. Most of this is dedicated to extensive beef enterprises. The region's growth in organic trade is heavily influenced by the increasing demand for organic food and fibre products in Europe, Asia (especially Japan) and Northern America. There are three IFOAM-accredited certifiers – The National Association for Sustainable Agriculture Australia Limited (NASAA) and Biological Farmers of Australia (BFA) as well as BIO-GRO (New Zealand).

9.1 Organic Farming in Australia

Els Wynen[1]

9.1.1 History

In the early 1980s organic agriculture was of interest to two main groups in Australia. The first consisted of farmers, the second of regional and state-based organic gardening-farming organisations. Many of the farmers were geographically isolated and didn't know of the existence of other organic farmers. The main reasons given by broadacre farmers for converting to organic agriculture was having experienced significant problems with their own or family's health or that of their crops or livestock when farming conventionally and feeling that drastic changes were needed to solve those problems (Wynen 1990).

The gardening-farming organizations usually operated in the capital cities of the six states, also in isolation due to the large distances between cities. In the 1980, there was a growing perceived need for cooperation and for combining the efforts of all forces in organic agriculture, though bio-dynamic farming was organised under the leadership of Bob Williams and Alex de Podolinski well before the 1980s.

In 1984, the idea of an umbrella organization that combined all forces interested in organic agriculture, including producers, consumers, traders, and researchers, was presented by Sandy Fritz at several state and national events. By early 1986 an agreement was reached on a constitution and a structure for the national organization, and NASAA was formally inaugurated, and incorporated in early 1987. Its stated aims were to establish a communication network to assist organic growers in resolving common problems; to influence the direction of agricultural research and policy; to lobby government to reduce policy and marketing obstacles to organic practices; to bring organic farming to the attention of the mainstream agricultural industry; and to increase public awareness about organic growing. Although many of the objectives were producer-oriented, care was taken to involve all stakeholders, including consumers.

The first signs of a second certifying organisation appeared in late 1986, when one of the cereal-livestock farmers – Gavin Dunn - proposed to set up another organisation, which resulted in the formation of the Biological Farmers of Australia (BFA) in 1987. This organisation had as its main aims to provide information about organic agriculture to interested farmers and to establish a certification service, adopting the – slightly modified - NASAA standards.

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[1] Eco Landuse Systems, Canberra, Australia (www.elspl.com.au).

In the early 1990s, the area under organic management was estimated to be 150,000 ha for 1990 (Hassall and Associates 1995). The estimate for 2003 is 11.3 million ha (Ian Lyall, AQIS, personal communication, January 2005), representing 2.5 per cent of total agricultural area in Australia - similar to the average of 2.4 per cent of OECD countries (Pillarisetti 2002). The dramatic increase in the last decade is mainly due to certification of pastoral (extensive beef grazing) areas. Other important areas of production include grains (wheat, rye, barley, oats, rice and oil seeds); fruit and vegetables, which are produced all year around; wine; dairy products (a rapidly growing sector); sheep, both for meat and wool; and herbs.

Not all products get sold on the organic market. Wynen (2003) estimated a range of between 10 per cent (sheep meat) to 95 per cent (fruit and vegetables) being sold in the organic market, with almost three quarters of the total grains sold as organic, two thirds of beef, and half of the organic milk supply in 2000-2001. For 2003, Halpin (2004, p.17) obtained higher figures for all categories, except for fruits and nuts, and cereals, although figures may not be strictly comparable. Almost all of the pork, poultry and eggs, not differentiated by Wynen, sold as organic. 2002-2003 was a drought year in Australia and assuming a stable demand, with a depressed production there would have been a relative high demand for the available organic produce – with effects on prices (see below).

9.1.2 Certification

Europe has always been a major market for Australian organic produce. The introduction of EC Reg. 2092/91 in 1991 altered requirements for imports of organic products, which meant that official certificates must accompany imports into the EU. To meet these requirements, government accreditation of organic certification organisations became necessary, and the Australian government (through the Australian Quarantine and Inspection Service (AQIS)) became involved in the accreditation of the private certifiers. In the 1990s, more organic certifying organisations than the Bio Dynamic Research Institute (BDRI), NASAA and the BFA (the certification arm of which is now called Australian Certified Organic) emerged, including the Organic Vignerons Association of Australia (OVAA), which merged with the BFA in 2001; the Organic Herb Growers' Association (OHGA), which recently changed to the Organic Growers Association; the Tasmanian Organic-Dynamic Producers (TOP); the Organic Food Chain (OFC), an off-shoot of the BFA; and Safe Food Production Queensland (SFPQ). The Organic Retailers and Growers Association of Australia provides an industry-based certification program for retailers and wholesalers.

Of the seven approved certifying organisations, five are listed under European and Swiss law, and as such can provide inspection and certification services for all Australian export consignments; six organisations provide inspection and certification services for products exported to Japan; two organisations have 'conformity assessment' arrangements with the USDA NOP; while other countries such as New Zealand, Korea, Malaysia, Thailand, Singapore, Canada currently accept Australian 'certified' produce which has been issued a government organic export certificate to verify its authenticity (Ian Lyall, AQIS, personal communication, January 2005). At present, no foreign certification bodies are operating in Australia, and no local certification bodies work in association with international certification bodies.

Organic production and processing in Australia has been prescribed by the National Standard for Organic or Bio-Dynamic Produce since 1992; this National Standard was amended in 1998 and revised again in 2002. It stipulates the requirements for crop production, animal husbandry, food processing, packaging, storage, transport and labelling, as well as complementing Australia regulatory requirements such as environmental management, food safety, and animal welfare (Organic Produce Export Committee 2002). The standards specifically cover requirements for the export of organic produce, but do not legally define 'organic' for the domestic market. This is a source of two potential problems for the organic industry in Australia. Although laws exist under the State/Territory Food Acts (which draw their legal standing from the National Trade Practices Act) under which those who sell uncertified produce could be legally challenged on the basis of false and misleading labelling, success under this process is not guaranteed. No other law protects the consumer of organic produce against false labelling. The second problem is that, due to WTO rules relating to national treatment, the Australian government can't prohibit imports of non-certified products labelled as organic.

9.1.3 Market

In the late 1990s, organic products were reported to account for only 0.2 % of food retail sales nationally (Invest Australia and KPMG 1999, p.15). Only a few consumer studies are undertaken in Australia. Results of some show that, while there appears to be some positive correlation between income and the demand for organic food, no clear delineations can be made with respect to the consumption of organic food according to gender, income, age or education (Queensland Department of Primary Industries QDPI 2002; Smith 2003). Lockie and Donaghy (2004) found, however, that consumers of organic produce were more likely to be women, educated, and have at least middle-level incomes. They also reported that '…the attitude that stands out to many consumers in relation to organic systems is the perceived opportunity they offer for improved environmental outcomes', but that the premiums were higher than many were willing to pay. Other authors also cite price as an obstacle to a more rapid expansion of the Australian market for organics, in addition to quality concerns, availability, inconsistent labelling, and product recognition (Dumaresq & Greene 1997; Invest Australia and KPMG 1999; Lyons *et al*. 2001).

Current market figures for Australian organic produce are not available, and industry figures therefore need to be treated with caution. Farm-gate values for organic products in the early 2000s were estimated to be around $A100 million (€60 million[2]). Wynen (2003) estimated farm-gate values including organic produce sold as conventional in 2000-2001 at $A89 million (Euro 54 million), and Halpin (2004, p.20-21) - excluding organically grown produce sold as conventional - at $A127 million (Euro 77 million) for 2003. However, estimates of retail values differ greatly, varying from less than $A100 million (€60 million) for 2000- 2001 (Wynen 2003) to $A250 million (€151 million) (BFA 2003), and $A400 million (€240 million) at which NASAA put the retail value in 2003.

On the domestic market, organic produce receives a substantial price premium over that of conventionally grown produce. For cereals and livestock products price premiums were reported by AQIS (see FAO 2002) as ranging between 50 and 75 per cent, while for fruit and vegetables the premium was said to be usually between 50 and 60 per cent; though price premiums of up to 100 per cent were considered not to be uncommon (Bulletin 2001). Halpin and Brueckner (2004, p.70) report higher premiums in 2003. The weighted average price premium of all goods were calculated as being 80 per cent, with several products scoring over 100 per cent, such as wholemeal flour, muesli, olive oil, spagetthi (the highest at 287 per cent), several vegetables (beans, zucchini, carrots), hard cheese and minced beef.

The pricing of organic food will continue to be a key determinant of consumer demand for organic produce and market growth, especially since it appears that current price premiums are set above levels many consumers accept (see for instance Pearson 2001; Queensland Department of Primary Industries QDPI 2003).

Exports of Australian organic produce have been mentioned as being $A 50 million (€30 million; Austrade 2003). Europe is the key export market for Australian organic products, at least in quantities exported. Australia records its exports only in weights, not value. In 2001, Europe accounted for over 70 per cent of Australian organic exports, with the main destinations being the UK, Italy, Switzerland, France, the Netherlands and Germany (Austrade 2003). More recently, though Europe is still the main market in quantity exported, the significance of the individual countries has changed somewhat. Especially France and Belgium are becoming more important, but other countries such as Japan, USA, Singapore, and Hong Kong have emerged as promising future

[2] Exchange rate late November 2004: Euro 1 = $A 1.66.

export markets for Australian produce (Halpin and Sahota 2004, p.110). The primary products for export in 2003 were, in decreasing order of importance of quantity, grains; processed products; drinks and juices; and meat products. However, in terms of value, the order may well be different, and the importance of export destinations for Australia may also be different from when only quantities are considered.

Australia also imports organic products, though the total value of imported organic produce is unknown. According to McCoy and Parlevliet (2000, p.62) imports in the late 1990s were mostly of processed grocery lines, such as coffee, pasta sauces, olive oil, soy drink, preserves and the like, primarily from the UK and the USA. Crothers reported in 2003 that some commodities were imported to fill temporary short falls in domestic production, such as kiwi fruit and fresh produce from New Zealand. For 2003, the Halpin and Sahota (2004, p.112) estimated imports valued at $A13 million (Euro 8 milion), with the main sources being New Zealand, the USA and the UK. Products nowadays include not only food and drinks, of which more than half is processed, but increasingly non-edible items such as cotton and personal care products are imported.

9.1.4 Policy Support

As Australia's agriculture is export oriented, growth in the organic industry has been strongly influenced by rapidly growing overseas demand. There is little government support to encourage organic agriculture *per se*. Accreditation services are provided, although the certification organisations have to pay for these services. Many possibilities exist for government assistance in the farming sector in general, to help with developing innovations, overcoming marketing problems, attending courses, etc. These are detailed in DAFF (2004, Chapter 9), but most are available to all farmers. There is one research program (part of the Rural Industries Research and Development Corporation) devoted to organic agriculture since 1996, that has made available up to $A 270,000 (€163,000) per year to research and extension, with an increase to $A335,000 (€202,000) for the year 2004-2005. Most of the six state departments of agriculture have at least one officer dedicated to organic agriculture.

Australia has had national standards for organic and bio-dynamic products in place since 1992, and it is one of the countries on the third country list of the European Union. While these standards are enforced for the export of organic products only, they also act as an informal standard domestically. However, the term 'organic' is not protected in the domestic market place, despite numerous efforts from the organic sector to encourage government to regulate for it.

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