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# Organic Farming in Australia

Els Wynen<sup>1</sup>

## History and Institutions

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 Australia. Although bio-dynamic farming was organised early on, in the 1980s a perceived need for cooperation and for combining the efforts of all forces in organic agriculture was growing.

In 1984, the idea of an umbrella organization that combined all forces interested in organic agriculture, including producers, consumers, traders, and researchers, was put forwards. By early 1986 an agreement was reached on a constitution and a structure for the national organization, and the National Association for Sustainable Agriculture, Australia (NASAA) was formally inaugurated. It 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, and the Biological Farmers of Australia (BFA) was formed 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. Since this time, a number of other organisations, mainly certifiers, have started up (see next section).

In the late 1990s, the Organic Federation of Australia (OFA) came into existence. It was set up to unite all stakeholders in organic agriculture, as NASAA was in the early 1980s. At present, the OFA consists of a Main Board and several Advisory Boards, representing producers, consumers, certifiers, processors, traders, and the research and educational sectors. It makes policy decisions, lobbies government and other bodies on behalf of the organic sector, and represents the organic sector where appropriate.

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<sup>1</sup> Eco Landuse Systems, Canberra, Australia ([www.elspl.com.au](http://www.elspl.com.au)).

## Size of industry

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 2005 is 11.8 million ha (Ian Lyall, AQIS, personal communication, November 2006), representing 2.7 per cent of total agricultural area of 440 million ha in Australia (2003-4), for which 1,869 producers were certified. This is a slight decrease of area under organic management (12.1 million ha in 2004), and a slight increase of number of farmers (1,859 in 2004). The dramatic increase in area 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; sheep, both for meat and wool; and herbs.

Figures from the two largest certifiers in Australia indicate that approximately 97 percent of the total certified area was under extensive grazing management in 2005.<sup>2</sup> This means that, of the total of 11.8 million hectare, close to 370,000 ha are in non-pastoral areas, which is approximately 0.7 per cent of the total conventional area for those industries.<sup>3</sup> Although the non-pastoral certified organic area is only 3 per cent of the total certified area, more than half of the total value of the organic sector originates from those areas. Wynen (2003) estimated that, in 2000-2001, only 38 per cent of the total farm income of A\$ 89 million (including organically grown products sold on the conventional market) was received for beef and sheep products, with around one quarter each for grains and horticulture. That is, the broadacre (grains, oilseeds) and horticultural sector accounted for more than half of the total value of the organic production in that year. A few years later, Halpin (2004) estimated total farm gate value of organic produce in 2003 (sold in the organic and conventional market) to be A\$140 million<sup>4</sup>. Of the value for the products sold on the organic market (A\$ 127.9 million<sup>5</sup>), 40 per cent accounted for beef, close to the estimate of the previous study. Also in this study, fruit, vegetables and grain made up about half of the total organic sales. In summary, even though a large part of the area under organic production in Australia is used for extensive livestock production, products grown on less extensively-farmed areas have always been very important in organic production in Australia, accounting for at least half of the total value of organic production.

## 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 (ACO)) emerged, including the Organic Growers Association (OGA, which is presently in the process of merging with the ACO); the Tasmanian Organic-Dynamic Producers (TOP); the Organic Food Chain (OFC); and Safe Food Production Queensland (SFPQ). The Organic Retailers and Growers Association of Australia (ORGAA) provides an industry-based certification program for retailers and wholesalers.

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<sup>2</sup> Thanks to NASAA and the BFA for providing data.

<sup>3</sup> The total for wheat and other crops, mixed broadacre, and dairy for 2003-4 was 60 million hectare. It does not include the horticultural sector.

<sup>4</sup> This figure was a rough average of 3 years, estimated by the producers in a survey including 26 per cent of all certified organic farmers.

<sup>5</sup> This figure was an estimate by adding all enterprises reported by the producer respondents.

Of the remaining six AQIS-approved certifying organisations, four are listed under European and Swiss law, and as such can provide inspection and certification services for all Australian export consignments; five 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 and Canada currently accept Australian 'certified' produce which has been issued a government organic export certificate to verify its authenticity (Jenny Barnes, AQIS, personal communication, November 2006). 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, 2002 and revised again in 2005. It stipulates the requirements for crop and landless plant production, animal husbandry, aquaculture, food processing, packaging, storage, transport and labelling, as well as complementing Australia regulatory requirements such as environmental management and animal welfare (Organic Produce Export Committee 2002). The National Standard is used for the purpose of export, and does not legally define 'organic' for the domestic market. This has been a source of two potential problems for the organic industry in Australia. Although laws existed under the State/Territory fair trading acts (which draw their legal standing from the National Trade Practices Act) under which those who sell non-certified organic produce could be legally challenged on the basis of false and misleading labelling, success under this process was not guaranteed. No other law protected the consumer of organic produce against false labelling. The second problem was that, due to WTO rules relating to national treatment, the Australian government could not prohibit imports of non-certified products labelled as organic.

Over the last 15 years, there has been little progress in the issue of legalisation of the word 'organic'. However, the OFA applied to Standards Australia (SA; an independent body recognised by the Australian government as a standard-setting body) to develop an Australian Standard for Organic and Biodynamic Produce, which SA has now decided to do (early 2007). Australian State and Federal Government regulatory authorities can recognise standards endorsed by SA and can call them up into regulation where needed. Once this occurs, those standards can be used to prosecute fraud and misrepresentation on the domestic market, and to refuse import to non-certified products. The same standards could also be used for the export market.

## **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. Authors of earlier studies 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<sup>6</sup>). Wynen (2003) estimated farm-gate values including organic produce sold as conventional in 2000-2001 at \$A89 million (€ 54 million), and Halpin (2004, p.20-21) - excluding organically grown produce sold as conventional - at \$A127 million (€ 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.

The only commodity in which some more research has been undertaken recently is beef (Wynen 2006). This market has grown considerably since the late 1990s, when the large retailers entered the market. Whereas in 2000-2001 the value of the Australian certified organic beef was only \$32 million (farm-gate prices), with less than two thirds going to the organic market, by 2005 the estimated production had doubled to around \$60 million (farm-gate prices), with virtually all of the produce being sold in the organic market. About three quarters was estimated to be sold in the domestic market. Dominant export markets moved from Japan and the UK in the early 2000s to the USA in more recent years.

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, spaghetti (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 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, Halpin and Sahota (2004, p.112) estimated imports valued at \$A13 million (€ 8 million), with the main sources being New Zealand, the USA and the UK. Products

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<sup>6</sup> Exchange rate late November 2006: € 1 = \$A 1.66.

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.

## **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 (through AQIS), although the certification organisations pay 60 per cent of the cost of these services - AU\$105,000 (over €63,000) for 2006-7 (Ian Lyall, AQIS, personal communication, November 2006). 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, not specifically organic, farmers.

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, in the past, these standards were enforceable only for the export of organic products, they have also served as an informal standard domestically. However, the term 'organic' has not been protected in the domestic market place, despite numerous efforts from the organic sector to encourage government to regulate for it in the past. The most recent developments, with Standards Australia set to adopt Australian Standards for organic or bio-dynamic produce that can be used to legally protect the domestic market, were encouraged by government.

## **Research and extension**

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 \$A270,000 (€163,000) per year to research and extension. For the next five years, this amount can be increased to a maximum of A\$450,000 (€271,000) if the most favourable circumstances occur, where co-funding from other institutions happens.

Most of the six state departments of agriculture have at least one officer dedicated to organic agriculture. Two states (Tasmania and New South Wales) now have Ministerial Advisory Committees.

In recent years, several attempts were made to get a CRC for organic agriculture established. This would have meant a guaranteed substantial government contribution in exchange for an agreed partnership between the public and private sector. However, this option was rejected late 2004.

## **Milestones**

In June 2006 the OFA held a very successful organic conference entitled 'Organics – Solutions to Climate Change'. An Organic Food Fair was held simultaneously.

The Journal of Organic Systems was launched in July, intended for publications about organic agriculture largely in Australia, New Zealand, Asia, and the Pacific Islands (<http://www.organic-systems.org/>). The aim is to bring together the research developments and findings from such a geographically diverse area into one publication and so enhance wider community understanding of the need for sustainably managed land-use systems.

The organic industry seems finally poised to make progress in its endeavour to establish organic standards that will protect domestic consumers, through the setting of organic standards via Standards Australia (see section on 'Certification').

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