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## ***Organic Farming in Australia***

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### ***Background***

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 organizations. Many of the farmers were geographically isolated and did not 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 biodynamic farming was organized 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 forward. The National Association for Sustainable Agriculture, Australia (NASAA) was formally inaugurated in 1986, and incorporated in early 1987 (for more details, see Wynen and Fritz 2007).

Despite the overarching role NASAA gave itself, from the early 1990s

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it has concentrated on certification, which was also taken up by other organizations. The Biological Farmers of Australia (BFA) was started in 1987, and the Biodynamic Research Institute (BDRI) started to certify for the export market when the National Standards were introduced in 1992. Since this time, a number of other 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 Member Councils, 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. In 2007, it spent a considerable amount of its time and efforts on the advancement of organic standards for the domestic market (see below).

### ***Size of the industry***

#### *Land under organic management*

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 2006 is 12.3 million ha (Ian Lyall, AQIS, personal communication, November 2007), representing 2.8 percent of the total agricultural area of 440 million hectares in Australia (2003/2004), for which 1'710 producers were certified. This is a slight increase of area under organic management (11.7 million ha in 2005 and 12.1 million ha in 2004), and a decrease of number of farmers (1'894 in 2005).

#### *Product range*

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.

#### *Land use*

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 hectares in that year, close to 370'000 hectares was in non-pastoral areas, which was approximately 0.7 percent of the total conventional area for those industries.<sup>3</sup> Although the non-pastoral certified organic area was only 3 percent of the total certified area, more than half of the total value of the organic sector originates from those areas.

#### *Farm gate value*

Wynen (2003) estimated that, in 2000-2001, only 38 percent of the total farm income of 89 million Australian Dollars (AUD)<sup>4</sup> (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 140 million AUD<sup>5</sup>. Of the value for the products sold on the organic market (127.9 million AUD<sup>6</sup>), 40 percent 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 the organic sector.

## ***Certification, Standards, Legislation***

### *Accreditation of private certifiers*

Europe has always been a major market for Australian organic produce. The introduction of Council Regulation (EEC) 2092/91 in 1991

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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 2003/04 was 60 million hectare. It does not include the horticultural sector.

<sup>4</sup> 1 Australian Dollar (AUD) = 0.83858 US Dollars = 0.61227 Euros. Average exchange rate for 2007.

<sup>5</sup> This figure was a rough average of 3 years, estimated by the producers in a survey including 26 percent of all certified organic farmers.

<sup>6</sup> This figure was an estimate by adding all enterprises reported by the producer respondents.

altered requirements for imports of organic products, which meant that official certificates were required to accompany imports into the EU. To meet these requirements, government accreditation of organic certification organizations became necessary, and the Australian government (through the Australian Quarantine and Inspection Service AQIS) became involved in the accreditation of the private certifiers.

Since the 1990s, other certification organizations than NASAA, the Biological Farmers of Australia BFA (the certification arm of which is now called Australian Certified Organic (ACO), wholly-owned by the BFA, and a recently acquired non-AQIS accredited organization, the Organic Growers Association (OGA)) and the BDRI emerged. These include the Tasmanian Organic-Dynamic Producers (TOP); the Organic Food Chain (OFC); Safe Food Queensland (SFQ); and AusQual (2007).

Of the seven currently AQIS-approved certifying organizations, four are listed under European (and Swiss) law, and as such can provide inspection and certification services for all Australian export consignments to the EU. The same four organizations provide inspection and certification services for products exported to Japan, and three organizations have 'conformity assessment' arrangements with the National Organic Program (NOP) of the United States Department of Agriculture USDA (see Table 1), with AusQual having applied for NOP recognition (November 2007).

Other countries, such as New Zealand, Malaysia, Thailand, Singapore and Canada, currently accept Australian 'certified' produce that has been issued a government organic export certificate to verify its authenticity. The Korean Food and Drug Administration (KFDA) recognizes ACO, BDRI, NASAA and OFC for processed organic foods. No AQIS-approved certifier is recognized in its own right for fresh organic produce. At present, no foreign certification bodies are operating in Australia, and no local certification bodies work in association with international certification bodies for certification within Australia (Jenny Barnes, AQIS, personal communication, November 2007).

**Table 1: Australian organic certification bodies and their legal export possibilities**

		EU/Swiss	US	Japan
ACO	Australian Certified Organic	Yes	Y	Y
AusQual		No	Yes?	No
BDRI	Biodynamic Research Institute	Yes	No	Yes
NASAA	National Association for Sustainable Agriculture, Australia	Yes	Yes	Yes
OFC	Organic Food Chain	Yes	Yes	Yes
SFQ	Safe Food Queensland	No	No	No
TOP	Tasmanian Organic-Dynamic Producers	No	No	No

Australian certification bodies have their own standards, which are at least as stringent as the National Standard. For export purposes, AQIS is the accrediting body, that is, AQIS has the task to ensure that the certification bodies certify according to standards at least at the level of the National Standard, and according to accepted rules of complying.

*National Standard for Organic and Biodynamic Produce*

Organic production and processing in Australia has been prescribed by the National Standard for Organic and 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 labeling, 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 labeling, success under this process was not likely (see Wynen and Fritz 2007).

No other law protected the consumer of organic produce against false labeling. Although the export standards served as the *de facto* domestic standards, non-organic products could be sold as organic in the domestic market, as could products certified to standards not fully complying with the National Standard<sup>7</sup>, or by organisations not accredited by AQIS<sup>8</sup>. The second problem was that, due to WTO rules relating to national treatment, the Australian government could not prohibit imports of products labeled as organic, even if not produced according to the Australian Standard – or any other standard for that matter.

#### *Australian Standard for Organic and Biodynamic Produce on the way*

Since the early 1990, the organic sector has tried to achieve legal protection for the word ‘organic,’ but little progress was made until 2007. Early in 2007, the Organic Federation of Australia (OFA) applied with Standards Australia (an independent, not for profit body recognized by the Australian government as the standard-setting body) to develop an Australian Standard for Organic and Biodynamic Produce. After extensive consultation with key stakeholders, Standards Australia decided to take on this project, and instituted a Committee with the main stakeholders represented. It is expected that the Australian Standard, based on the National Standard employed since the early 1990s for the export market, will be adopted late 2008, and that a compliance scheme will accompany this Standard.

Once the standards and compliance scheme are in place, it will facilitate the prosecution of fraud and misrepresentation on the domestic market as well as the refusal of import of products deemed not to be equivalent to Australian domestic requirements. The same standards can also be used for the export market.

## **Market**

### *Domestic Market*

In the late 1990s, organic products were reported to account for only 0.2 percent of food retail sales nationally (Invest Australia and KPMG

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<sup>7</sup> ACO (Australian Certified Organic) certifies to ‘Domestic-Only’ (ACO 2005, 2006, BFA 2005, 2007).

<sup>8</sup> From 1 July 2007 OGA (Organic Growers of Australia) certifies small farmers (OGA 2007). It is not accredited by AQIS.

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 labeling, 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 100 million AUD<sup>9</sup>. Wynen (2003) estimated farm-gate values in 2000-2001, including organic produce sold as conventional, at 89 million AUD, and Halpin (2004, p.20-21) - excluding organically grown produce sold as conventional - at 127 million AUD for 2003. However, estimates of retail values differ greatly, varying from less than 100 million AUD for 2000- 2001 (Wynen 2003) to 250 million AUD (BFA 2003), and 400 million AUD 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 2000/01 the value of the Australian certified organic beef was only 32 million AUD (farm-gate prices), with less than two thirds going to the organic market, by 2005 the estimated production had doubled to around 60 million AUD (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 US in more recent years.

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<sup>9</sup> 1 Australian Dollar (AUD) = 0.83858 US Dollars = 0.61227 Euros. Average exchange rate for 2007.

### *Prices on the domestic market*

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 percent, while for fruit and vegetables the premium was said to be usually between 50 and 60 percent; although, price premiums of up to 100 percent 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 percent, with several products scoring over 100 percent, such as wholemeal flour, muesli, olive oil, spaghetti (the highest at 287 percent), 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*

Exports of Australian organic produce have been mentioned as being 50 million AUD<sup>10</sup>(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 percent of Australian organic exports, with the main destinations being the UK, Italy, Switzerland, France, the Netherlands and Germany (Austrade 2003). More recently, although 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, the US, 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 if values only are considered.

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<sup>10</sup> 1 Australian Dollar (AUD) = 0.83858 US Dollars = 0.61227 Euros. Average exchange rate for 2007.

## *Imports*

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 drinks, preserves and the like, primarily from the UK and the US. Crothers (2003) reported in 2003 that some commodities were imported to fill temporary shortfalls 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 13 million AUD, with the main sources being New Zealand, the US and the UK. Products 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 in general is export oriented, growth in the organic sector has been strongly influenced by rapidly growing overseas demand in the past. In recent years, the domestic market has probably increased in relative importance, due to increasing domestic demand, and severe drought conditions in extensive parts of agricultural areas severely curtailing production.

There is little government support to encourage organic agriculture per se. However, over the recent past, governments both at Commonwealth and state levels have been supportive of the Australian Standards issue, and it seems likely that supporting regulations will be passed to make the standard effective on the domestic market. In addition, the Australian Competition and Consumer Commission (ACCC) has made funding available to assist in the development of the Australian Standard and promote an understanding amongst consumers.

Accreditation services are provided (through AQIS), although the certification organizations pay 60 percent of the cost of these services – 105'000 AUD for 2006/07 (Ian Lyall, AQIS, personal communication, November 2006).

The Organic Federation of Australia has also received government assistance with its Business and Marketing Plan, launched in 2007.

Many possibilities exist for government assistance in the farming sector in general, to help with developing innovations, overcoming

marketing problems or attending courses, etc. These are detailed in DAFF (2004, Chapter 9), but most are available to all, not specifically organic, farmers.

### ***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 270'000 AUD<sup>11</sup> per year to research and extension. For the next five years, this amount can be increased to a maximum of 450'000 AUD if the most favorable circumstances occur, where co-funding from other institutions happens – which seems not likely at present.

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

A combination of private funding has resulted in research on the size of the market, to be published early 2008.

### ***Milestones***

The organic sector seems finally poised to make progress in its endeavor to establish organic standards that can be used both for domestic and international trade purposes, through the setting of organic standards via Standards Australia (see section on 'Certification'). Standards Australia, an independent not for profit body, has set up a committee consisting of the main organic stakeholders involved in developing the Australian Standard – expected to be ready late 2008.

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<sup>11</sup> 1 Australian Dollar (AUD) = 0.83858 US Dollars = 0.61227 Euros. Average exchange rate for 2007.

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