

# FROM:

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## Organic Farming in Australia

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### 1. Size of the 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 2007 is 12.0 million ha (Australian Quarantine and Inspection Service (AQIS) 2008), representing 2.7 per cent of total agricultural area of 440 million ha in Australia (2003-4), for which 1,438 producers were certified. It is a slight decrease of area under organic management in 2006 (12.3 million ha). The number of producers decreased considerably (by 272 or 16% from 1,710 in 2006). This was due to the fact that one of the certification schemes, Organic Growers of Australia, has opted out of being audited by AQIS (see below), resulting in being excluded from the official AQIS data. As this scheme is designed especially for small growers, the acreage would not have decreased by much as a result of this change.

If estimates of the proportion of the total certified area under extensive grazing management of 97% in 2005<sup>2</sup>, are still valid for 2007, the total of 12.0 million hectare in 2007 would mean that close to 360,000 ha was in non-pastoral areas last year, which is approximately 0.6 per cent of the total conventional area for those industries.<sup>3</sup>

Although the non-pastoral certified organic area was 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 (€ 47 million<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.

In summary, even though a large part (97%) 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.

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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> Exchange rate late November 2008: € 1 = \$A 1.88

## 2. Certification

Australia's National Standards are the basis for the private sector's standards. 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.

Of the seven currently AQIS-approved certifying organisations, four (ACO, BDRI, NASAA and OFC) 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 organisations provide inspection and certification services for products exported to Japan and three organisations have 'conformity assessment' arrangements with the USDA NOP (see Table 1), with AUSQUAL having applied for NOP recognition (November 2007), though this is still pending. AUSQUAL has also been listed in Switzerland, but not yet in the EU (pending). Other countries such as New Zealand, Malaysia, Thailand, Singapore and Canada currently (late 2008) accept Australian certified produce that has been issued a government organic export certificate to verify its authenticity. The Korean Food and Drug Administration (KFDA) recognises ACO, BDRI, NASAA and OFC for processed organic foods – though there will be a change in accreditation organization in June 2009, with possible changes in present arrangements. No AQIS-approved certifier is recognised 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 2008).

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

		EU/Swiss	USA	Japan
ACO	Australian Certified Organic	Y	Y	Y
AUSQUAL		N/Y	Pending	N
BDRI	Biodynamic Research Institute	Y	N	Y
NASAA	National Association for Sustainable Agriculture, Australia	Y	Y	Y
OFC	Organic Food Chain	Y	Y	Y
SFQ	Safe Food Queensland	N	N	N
TOP	Tasmanian Organic-Dynamic Producers	N	N	N

The National Standard is used for the purpose of export, and does not legally define 'organic' for the domestic market. This meant that not-certified produce could be sold as 'organic' with a low risk of legal repercussions – whether it is or is not organic. It also meant that produce could be certified under standards not accredited by AQIS, that is, lower standards for the domestic than for the export market<sup>5</sup>. The second problem was that, due to WTO rules relating to national treatment, the Australian government could not prohibit imports of products labelled as organic, even if not produced according to the Australian Standard – or any other standard for that matter.

Once the standards and compliance scheme are in place, they will facilitate prosecution of fraud and misrepresentation on the domestic market, and refusal of import of products deemed not to be

<sup>5</sup> For more details, see Wynen (2007).

equivalent to Australian domestic requirements. The same standards will also be used for the export market.

### 3. Market

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 A\$100 million (€53 million). Wynen (2003) estimated farm-gate values including organic produce sold as conventional in 2000-2001 at A\$89 million (€ 47 million).

Two later studies were conducted, one for 2003 by Halpin (2004), and a very recent one for 2007 by Kristiansen and Smithson (2008). Both are surveys with around 25% response rates, and therefore raising issues of the sample being representative, and the validity of the figures for the total of the industry. For 2003, the total farm gate value of organic produce (sold in the organic and conventional market) was estimated to be A\$140 million<sup>6</sup> (€74.5 million), and for 2007 A\$231.5 million (€123 million). Of the value for the products sold on the organic market (A\$ 127.9 million<sup>7</sup>, €68 million), Halpin estimated that 40 per cent accounted for beef, close to the estimate of the study by Wynen (2003). Kristiansen and Smithson's estimate remained below half of that, at 13.7% for 2007. It is not clear whether such differences are real changes in the market, or whether they are due to the varied effect of the drought on the different farming enterprises, or that the sampling method has played a role.

In all three studies, fruit, vegetables and grain made up around half of the total organic sales – although in the last study this was towards to higher end (57%). Kristiansen and Smithson (2008) found high levels of farm gate returns from poultry meat and honey (8% and 7%, respectively). These were either not reported or very low in the two earlier studies (0.3% for poultry meat in Halpin (2004)).

Also estimates of retail values (of organic produce sold in Australia) have grown considerably over time. Whereas Wynen (2003) estimated the value for 2000-2001 to be around A\$100 million (€53 million), the latest survey (Kristiansen and Smithson 2008, p.67) estimated this to have grown to A\$623 million (€331 million) in 2007. However, this figure includes the value of organic produce sold both on the organic and conventional market (around one third in 2000-2001).

One commodity in which some more research has been undertaken 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 A\$32 million (€17 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 (€32 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. Kristiansen and Smithson (2008) estimated the beef market for 2007 to be half of that estimated in 2005 (almost A\$32 million (€17 million)), which could have been a result of the drought that was occurring around mid 2000s and beyond.

On the domestic market, organic produce receives a substantial price premium over that of conventionally grown produce. The latest estimates are by Halpin and Brueckner (2004, p.70), who report weighted average price premium of all goods as being 80 per cent, with several products scoring over 100 per cent.

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<sup>6</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>7</sup> This figure was an estimate by adding all enterprises reported by the producer respondents.

Estimates of international trade can be found in Halpin and Sahota (2004, p.112), who estimated imports into Australia in 2003 to the value of A\$13 million (€6.9 million), with the main sources being New Zealand, the US and the UK. More recently, Kristiansen and Smithson (2008) estimated imports in 2007 at A\$231 million (€123 million), with exports at A\$34.7 million (€18 million).

## **4. Policy Support**

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. 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 organisations pay 60 per cent of the cost of these services - AU\$105,000 (almost €59,000) for 2006-7 (Ian Lyall, AQIS, personal communication, November 2006). The outcome of a review of the government contribution of 40% to this process is eagerly awaited by the organic industry – as it may well be abolished from mid 2009.

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.

## **5. 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 (€144,000) per year to research and extension. For the next five years, this amount can be increased to a maximum of \$A450,000 (€271,000) if the most favourable circumstances occur, where co-funding from other institutions occurs. However, in 2007-8 funding levels remained well below this target, and stayed close to the original \$A270,000 (€144,000). A review is underway to advise on whether this program for funding of organic agriculture should continue.

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.

The State of Victoria has committed some \$1.1m over the next 3 years to develop the organic sector. The industry will have a action plan completed by the end of 2008 that will guide priority government investment. Victorian Organic Industry Council (VOICE) has been established to oversee the process and liaise with government on issues affecting the sector.

## **6. Milestones**

Since the early 1990, the organic sector has tried to have the word 'organic' legalised for the domestic market, but little progress was made until early in 2007, when the Organic Federation of Australia applied with Standards Australia (an independent, not for profit body recognised by the Australian government as the standard-setting body) to develop an Australian Standard for Organic and Biodynamic Produce. Mid 2008 the first draft was finished, and sent out to stakeholders. As there were over 800 submissions to Standards Australia on the draft, it is now expected that the final

draft will not be released much before the middle of 2009. A compliance scheme should accompany this Standard.

The Australian Standards, developed by Standards Australia with the stakeholders of organic agriculture in Australia, have been published for comments. A record number of 650 responses were received. The date of adoption is therefore expected to be not before the middle of 2009, instead of late 2008 as originally planned.

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