The Australian Organic Market Report (AOMR) allows industry, governments, media, researchers, representative organisations and others to make accurate assessments of current market status, identify potential growth areas, report on areas of significance and map development for the organic industry. The AOMR is biennial. This is the third benchmark Report by BFA. The next Report is due 2014.
Sponsors

We are grateful for the financial support of sponsors and state governments listed in this Report. Additional contributions have been received from leading Australian certified organic businesses whose details are provided within this Report.

This Report is made possible by:
- Biological Farmers of Australia Ltd (BFA)
- Horticulture Australia Ltd (HAL)

Gold sponsors

Silver sponsors

Government sponsors
About the authors

Nick Bez

Nick Bez is a co-founder and research director of Mobium Group, where he is also lead researcher on the Living LOHAS report series. Nick has a BSc Marketing (Hons), Bentley University, Boston and an MBA, University of Melbourne. He is a professional member (Qualified Practising Market Researcher) of the Australian Market & Social Research Society.

Nick has over 20 years’ experience in the consumer research industry in the United States and Australia, and previously spent six years as a merchandise and marketing executive with the Coles Group, in analytical, project management and strategic roles.

Dr Bruno Mascitelli

Bruno Mascitelli is Associate Dean (International) in the Faculty of Business and Enterprise, Swinburne University of Technology, Melbourne, where his main area of teaching and research is international business. Before entering the academic world he was employed by Austrade for 18 years and the U.S. Commercial Service for two years.

Dr Antonio Lobo

Antonio Lobo is an Associate Professor of Marketing in the Faculty of Business and Enterprise, Swinburne University of Technology, Melbourne. He has published extensively, and supervised several PhD students, in topics related to marketing and supply chain management. Antonio has recently worked as principal investigator on projects funded by Victoria’s Department of Business and Innovation to research consumer buyer behaviour and supply chain management issues in the Victorian organic food market.

Dr Jue Chen

Jue Chen is a lecturer in the Faculty of Business and Enterprise, Swinburne University of Technology, Melbourne. Jue recently completed a PhD on the topic of consumer buyer behaviour relating to the purchase of organic food products in urban China. Before becoming an academic she was a director and manager across several businesses, enabling an appreciation of business in its application in the global environment. Her particular research interests are organic-food-related food safety, lifestyle and environmental issues.

Dr Andrew Monk

Andrew Monk has two decades of experience in organic industry auditing, certification and standards, and commercial interests across the organic supply chain, including in horticulture and value adding. Andrew’s PhD focused on organic production systems and sustainability in Australia and he consults to public and private entities across the supply chain on environmental (including organic) issues and management systems. He is managing director of an environmental sector services company, Mulching Technologies Pty Ltd, a director of Biological Farmers of Australia Ltd and an adjunct associate professor in the Australian Centre for Agricultural Law, University of New England, NSW.

Definition of organic

‘Organic’ is a labelling term that denotes products that have been produced in accordance with organic production standards and certified by a duly constituted certification body or authority.

Organic agriculture is based on minimizing the use of external inputs, avoiding the use of synthetic fertilisers and pesticides … methods are used to minimize pollution of air, soil and water.

Organic food handlers, processors and retailers adhere to standards to maintain the integrity of organic agriculture products. The primary goal of organic agriculture is to optimize the health and productivity of interdependent communities of soil life, plants, animals and people.

Contents

12 1 Australian organic industry overview
13 Working together
14 Growth prospects
15 Two faces of consumers

16 2 Australian organic farmers and farmland
16 Number of certified organic operations
18 Certified organic land area
19 World trends in organic land use

20 3 Organic production values
20 Value of organic market sectors
21 Beef
24 Lamb
26 Wool
27 Poultry (meat)
28 Poultry (eggs)
30 Milk and dairy products (bovine)
34 Pigs
34 Honey
36 Vegetable and herb production
40 Fruit (including olives and wine grapes)
48 Nuts
50 Essential oils
52 Grains, pulses, fibres and oil crops

55 4 Organic supply chain
55 Processors, manufacturers and marketers
62 World trends and values
65 Exports

68 5 The Australian organic consumer in 2012
68 Consumer understanding of organic
72 Purchasing behaviour
80 Organic certification and consumer trust
82 Lifestyles of Health and Sustainability (LOHAS)

88 Methodology
91 Figures
92 References
94 Contacts
Acknowledgements

We are grateful to the supply chain businesses – processing, wholesaling and retail – for assistance in crosschecking available data sets with actual market values and volumes, and also to the business people who participated in additional interviews and discussions.

Thank you to industry survey 2012 respondents, organic farmers who participated in the Australian Bureau of Statistics (ABS) 2011 Agricultural Census and consumers who took part in the Mobium Group 2012 Green-Tracker and prior research surveys.

Thank you to ABS staff and managers for the initial insertion of organic questions into the 2011 Agricultural Census. Also thanks to Jenny Spencer and Mary Eagle, and other technical and statistical staff, for the timely delivery of data and general assistance. Also thanks to the ABS managers who recognised the national interest need to include organic-specific questions in the ABS data.

Alex Mitchell, currently completing her PhD, was originally contracted and funded by Biological Farmers of Australia Ltd under the Australian Organic Market Reporting program. Thank you to Alex for her assistance in ensuring consistency of approach, checking data and related editing, as well as her general guidance and ongoing contribution to the organic industry in Australia in her role within the Department of Primary Industries, Parks, Water and Environment (DPIPWE), Tasmania.

The researchers acknowledge the assistance and support of Biological Farmers of Australia Ltd and the Organic Federation of Australia Ltd in promoting the survey to relevant sectors of industry. Thanks also to the offices of Australian Certified Organic, NASAA Certified Organic and Organic Growers of Australia for assistance in the confirmation of specific data sets.

The researchers acknowledge the feedback and support from Organics Tasmania, the Victorian Organic Industry Committee (VOICe) and the South Australian, Tasmanian, Victorian and Western Australian governments.

Methodology

This Report combines research reports from Swinburne University of Technology, Melbourne, Australian Bureau of Statistics (ABS) and Mobium Group Pty Ltd.

In line with the Australian Organic Market Report 2010 and 2008, Swinburne undertook independent surveys to collect data on the level of organic production and sales in Australia in terms of volumes produced and financial value to the individual sector level. Additional questions were asked in relation to business sentiment, plans for expansion or contraction in the current and next year and financial margins achieved in comparison with past years.

In building on the 2010 and 2008 reports the aim was to achieve survey-style consistency across years, whilst improving on the format and simplicity for respondents. Results from the Agricultural Census, July 2011, are also included in this Report for the first time, as it pertains to organic primary production.

A specific question set was developed to capture the required consumer data to meet project objectives in 2009. This research was conducted again in 2010 and 2011 and repeated in 2012. For more detailed information about the methodology see page 88.

Abbreviations

| ABARES | Australian Bureau of Agricultural and Resource Economics and Sciences |
| ABN | Australian Business Number |
| ABS | Australian Bureau of Statistics |
| ACO | Australian Certified Organic |
| ACT | Australian Capital Territory |
| AOMR | Australian Organic Market Report |
| AQIS | Australian Quarantine and Inspection Service |
| BDRI | Bio-Dynamic Research Institute |
| BFA | Biological Farmers of Australia Ltd |
| COR | Canadian Organic Regime |
| DA | Dairy Australia Ltd |
| DAFF | Department of Agriculture, Fisheries and Forestry, Australia |
| EU | European Union |
| FIBI | Research Institute of Organic Agriculture |
| GMO | genetically modified organism |
| Ha | hectare(s) |
| HAL | Horticulture Australia Ltd |
| IOAS | International Federation of Organic Agriculture Movements |
| IFOAM | International Organic Accreditation Service |
| ISO | International Standards Organisation |
| JAS | Japanese Agricultural Standard |
| LOHAS | Lifestyles of Health and Sustainability |
| MAFF | Ministry of Agriculture, Forestry and Fisheries (South Korea) |
| MLA | Meat & Livestock Australia |
| NASAA | National Association for Sustainable Agriculture, Australia |
| NCO | NASAA Certified Organic |
| NOP | National Organic Program (United States) |
| NSW | New South Wales |
| NT | Northern Territory |
| OFC | Organic Food Chain |
| OGA | Organic Growers of Australia |
| OMRI | Organic Materials Research Institute |
| QLD | Queensland |
| SA | South Australia |
| Tas | Tasmania |
| TOP | Tasmanian Organic-Dynamic Producers |
| US | United States |
| USDA | United States Department of Agriculture |
| Vic | Victoria |
| WA | Western Australia |
Executive summary

Industry value and growth

The organic market has continued with sustained growth through 2010–2012, even in the face of margin declines (and therefore increased volume growth is not reflected in overall value growth).

The total value of the organic industry in Australia is an estimated $1.276bn in 2012. The average growth projection for the coming years is 10–15%, reflecting the two years of per annum growth from 2010.

Total farm-gate value of certified organic products in Australia in 2011 was estimated to be $300,637,412 and total farm turnover $432,211,807.

The farm-gate value estimate is conservative and is based on ABS data, which has captured this figure from 1520 agricultural business entities reporting certified organic status in 2011. Given the industry is larger in number of known certified primary producer operations (by an additional 40%), and taking into consideration the informal market, the overall value of the organic farm-gate market could be closer in value to $0.4bn.

Internationally there has been growth year on year of organics. Growth has ranged from 11% to just over 2% between 2007 and 2010 (Euromonitor 2011b). The total value of the organic marketplace internationally was estimated at US$59bn in 2010.

The Australian organic industry continues to command a relatively small percentage of total market value (sectoral range estimates of 0.8–1.2% and more with some sectors) while growing above growth rates for conventional produce. This is within a conventional food and beverage industry in Australia now worth an estimated $130.3bn (DAFF 2011a).

The value of imported organic products is estimated to be in excess of $220m, having risen as a consequence of supermarkets attempting to fill demand, while importers and consumers have also benefited from a strong Australian dollar. Imports include a rising trade in processed goods from the EU and the US for the retail trade, along with base ingredients including milled grains (and livestock feeds), essential oils and dairy powders, supplementing Australian manufacturers with insufficient local supply.

Exports have remained generally suppressed in comparison with figures from the early 2000s, with the exception of successful examples in meat and
Executive Summary

Dairy. Exact figures for export are difficult to ascertain but remain as a smaller portion of Australia’s industry value, at an estimated 10% of overall industry value ($126m). In the coming years, a falling Australian dollar and increased supply capacity offer opportunity for the industry to supply into international growth and solidly established markets of the developed world, as well as expatriate communities and middle class consumers in developing economies.

Organic sales are increasingly becoming mainstream. In 2012 92% of organic sales are through store-based retailing. Three out of four organic purchase experiences are now at major supermarket chains, underscoring an ongoing ‘mainstreaming’ of organic products, even while independent retailers and other retail outlets continue to experience growth and in some instances very high growth.

As noted in prior Australian Organic Market Reports, the ability to develop domestic production to meet this demand continues to be a key challenge for future growth of the Australian organic industry, with some sectors (for example, processing for freezing and other value adding) noting inconsistent or unavailable supply of raw ingredients to deliver on known demands.

Industry sectors

Estimated organic farm-gate value of organic production has grown 16% per annum since 2009 to $300,637,412 in 2011 (a 34.67% increase over two years) again in the context of increased lower pricing pressure, suggesting additional volume growth not reflective in these value growth figures.

The breaking of drought in Australia in 2010-11 has been of significant benefit to primary producers. It has also brought challenges of additional weeds (particularly in cereals) and diseases (grape production), which have reduced or decimated some harvests. In some instances it has seen some operators decertify.

The organic industry is continuing to mature and the average size of organic farms has increased, highlighting a trend towards professional farming on a larger scale (albeit still under conventional farm enterprise average size for most sectors). This also highlights the expansion of some long-term organic farming families who have purchased additional land and/or farm units in other states to cater for increased demand as the multiple retailers move more decisively into the organic market.

While mainstreaming and professionalising, the organic industry remains diverse in terms of operator types and sizes, with the continued success of farmers’ markets and direct-marketed products. The number of smaller-sized certified organic operations remains high. This is reflected in the disparity between ABS figures collected and other industry data, which suggests that over 50% of (certified organic) primary producer operators remain as smaller-scale production farms.

There is a large additional section of the organic industry that is uncertified with smaller-sized farms not needing formal certification to trade (a requirement for export and for the larger retailers in Australia). If statistics included this group, it would push the number of overall farmers who farm organically higher in terms of organic production. This group is not reflected in these Report figures due to reliance on counting and assessing independently certified organic operators. ABS data also constrains the industry analysis to agricultural businesses with an ABN and registered as a primary producer. While the ABS Agricultural Census is a mandatory requirement for Australian agricultural businesses, this does not translate to all operations being captured in this census.

Coordinating organic production and supply chains remains the biggest opportunity and challenge for some sectors; however there are excellent examples where this is now gaining traction and resulting in higher-value products such as snack-size and squeezable pack yoghurts and beef patties. Organic farm inputs – a sector not reported in terms of value and turnover in this Report – continues to grow in products and businesses. In 2012 187 businesses had...
formally registered organic farming inputs (fertilisers, biopesticides and crop management inputs) and other approved processing and cleaning products.

Certified land area and supply trends

Australia still has the largest surface area of certified organic land in the world. 2011 ABS statistics note that 11,199,577.4 ha is certified in Australia, from total property area of 13,637,541.9 ha (that is, including non-certified organic areas of operations with certification). Available certification agency data suggests a significantly higher figure of 16.9m ha is certified as organic in Australia.

An additional known 253,392 ha is in current ‘pre-certification’ with this figure likely to be higher. This represents land area that over 2012 and 2013 will come into the formal certified market as it completes the conversion period requirements for farmland.

Large tracts of rangeland account for the large certified land area, namely organic cattle in the Queensland Channel Country (South West Queensland) and rangelands in western New South Wales and South Australia.

Queensland remains with the most organic certified area of Australian states and is the state with the single most certified area of land in the world, along with the highest value of organic agricultural production.

New South Wales accounts for the highest number of organic operations in terms of number of individual certified organic businesses.

Nationally it is estimated that at the end of 2011 there were 2117 certified organic primary producer operators recorded (some who may have more than one organic farm holding).

According to ABS statistics some 1520 operations were reported as agricultural businesses in the 2011 Agricultural Census data. The disparity here is due to both a number of smaller-scale farms that are not registered with ABNs and/or are boutique or informal in nature and therefore do not register on the ABS data tracking system.

The growth in new farm as well as farmer (operator) certifications has slowed in the two years from 2010, down from the average of 5% net growth between 2002 and 2009. Not reflected here is the ongoing increase in overall average farm size, along with additional farm units being brought into production by existing certified organic farming businesses.

Organic consumers

Over one million Australians regularly purchase organic foods and beverages; 65% of consumers surveyed purchase organic food occasionally (up from 40% in 2008 and 60% in 2010).

Three in four purchases of organic products were made at a major retailer in 2011, representing a market shift as more mainstream consumers purchase organic products.

Estimates of consumer spend on organic products could be as high as $5bn. This does not represent current market value but highlights the aspirational growth prospects for this sector if identified barriers to purchase were removed or reduced.

Women remain the primary purchasers of organics, though there is a broadening of the demographic, including those likely to purchase usually categorised as ‘Laggards’ under the Lifestyles of Health and Sustainability categories (see page 82).

Organic fresh produce is the first entry point for most first-time consumers and represents a major spend in the organic shopping basket.

Major barriers to purchasing organic products remain price and availability, though both have reduced as barriers in 2012, along with an increase in trust and a significant growth in recognition by consumers of the importance of certification marks on organic products.

Consumers also have high regard for the integrity of Australian products and the Australian certification of organic foods, in contrast to some ‘other country of origin’ products.
In 2012 the total number of certified farming operators according to certification agency reporting is 2117. In contrast ABS statistics report 1520 organic agricultural businesses, or 1.13% of ABS-categorised agricultural businesses. This difference in calculations is assumed due to ‘lifestyle’ organic farms, direct marketed and farmers’ market orientated systems that nonetheless maintain an organic certification and are more likely to supply local farmers’ and gourmet markets.

In 2012 there are 765 value adders and marketers (post-farm gate) certified for organic business, with an additional 187 organic farm input and approved product companies.

Even with some estimated 200 new farmer entrants to the industry in 2010-11, net numbers are down based on 2010 reported figures (due largely to natural attrition). Hence the two years since the 2010 Report have not seen the average longer-term trend of the past decade of 5% net growth. Growth in absolute numbers needs to be seen in the context of net growth in value of industry per operator number and average farm size, a sign of ongoing growth of the market overall.

With an upper estimate of 16.9m ha from industry certification agency sources and a lower estimate of 11,199,577.4 ha from ABS, Australia remains with the largest amount of certified organic farmland in the world, the majority of which is used for extensive grazing. Australia remains with the single largest area of certified land area within an estimated 37m ha of agricultural land managed organically by some 1.6 million producers worldwide.

### 3 Organic production values

In 2011 organic farm-gate values were conservatively estimated to be $300,637,412 up by some 34.67% from the 2010 Report or over 16% per annum increase over the two years prior.

There were 747 operators certified as value adders or marketers. Combined with farming operations certified and other certifications (farm input businesses and so on) the total number of certified operations is 3069 in 2012.

Other miscellaneous items (for example, fish, goats, wool, silage and hay) are not included but are known to add significant additional value to the organic market.
4 Organic supply chain

The total retail value of the Australian organic market consolidated from both primary industry figures and industry intelligence information for fresh and processed lines is estimated in 2012 at $1.15bn, up from $947m in 2010.

Margins for processors and marketers have been variably reported while overall turnover in general is up due to higher throughput in 2012. The majority (62%) of operators are bullish about the future growth prospects of the sector and plan to increase by up to or more than 10% in 2013, while another 33% expect similar sales in 2013 and only the remaining 5% expect declines of up to 10% or more.

Supply of consistent, quality product remains the major challenge for sustained industry growth in the larger supermarket and processor sectors, while production planning and relationship building along the supply chain remains critical for some sectors. The dairy and the meat sectors have exemplary supply chain networks that have arisen from years of capacity building and market development.

Australian-based certifiers maintained up to eight international country access and market accreditations including for the US, Japan, Canada, the EU, Korea and IFOAM and were active in 12 countries (as part of import/export trade into and out of Australia) with some 85 client operations. This is in addition to Australia’s having an export standard and regulatory scheme in place to achieve ‘equivalence’ arrangements with importing countries.

The Chinese market, while offering great future potential for Australian businesses, has more recently made trade growth difficult due to regulatory and standards divergences. Similar in the past to other markets, including the US, Japan and Korea, specific market requirements, including additional certification requirements, are adding cost and complexity to exporters interested in serving this market.

5 The Australian organic consumer in 2012

Over one million Australians regularly purchase organic food products, while 65% of consumers buy organic food on occasion. While ‘Leaders’ remain the core of this purchasing activity by volume and regularity, there is a broadening base or ‘mainstreaming’ of organic consumers occurring, with one out of four (24%) ‘Laggards’ occasionally purchasing organic foods (up from 15% in 2010). (See Lifestyles of Health and Sustainability categories, page 82).

Based on aspirational claims of consumers polled, the market value potential currently could be estimated at in excess of $5bn, recognising that with ongoing reduction in barriers to purchase that there remains much potential ‘blue sky’ for producers and marketers of organic products.

Organic fruit and vegetables, home-cooking materials and dairy products remain the most common entry points for consumers and the most regularly purchased items.

Trust in organic products, particularly with an organic certification mark, has increased. Over 60% of consumers indicate that an organic certification mark increases their level of trust in the product.

Big retail remains the largest driver of growth over the 2010–12 period and is expected to remain the largest single channel for future volume growth for the organic industry. This is despite the industry’s maintaining a solid diversity, from independent retail formats to direct marketing arrangements.

Reflective of this is that one of the key barriers to greater purchase by consumers (ease of access) has reduced considerably, most likely due to the greater availability of product on retail shelves.
The period since the *Australian Organic Market Report 2010* has brought mixed blessings for organic business people. For many there have been bountiful outcomes, while others have been on the receiving end of being rationalised, out competed or simply bought out. Some have discovered they cannot keep up with demand. Farmers and retailers have lost fertile and reliable markets.

The organic industry has experienced solid growth in demand for certified organic products in Australia. There are more people consuming organic products now than in 2010.

The Australian organic sector remains a shining example of industry self-regulation. Australia is one of the most open organic markets in the world, enabling relative ease of trade in ingredients and new products. This is not always a reciprocal situation for exporters, who face red tape and differing certification and standards in importing countries.
Some organic businesses have been squeezed by cheaper imports and relentless big retail pressure on pricing. There has also been innovation and collaboration to establish efficient and resilient cooperative marketing ventures such as the Organic Dairy Farmers Australia Co-operative (supplier to five:am, see page 33).

Similarly the alliances and relationships forged in the red meat sector have enabled Australia to recover from its decade-long drought period and to supply value-added products into the markets of Asia and North America (highlighted by the Australian Organic Meats profile, page 23).

In horticulture, the likes of Organic Farm Gate, a marketing network of primary producers, enables better planning and supply management in selected crop lines. While some of this is then directly marketed and supplied into end markets, it also builds volumes and capacity in their respective market segments for their competitors.

The message here is that it is difficult to go it alone.

There have been highly successful examples of vertical integration of supply chains, with the likes of Inglewood Farms managing not only the largest organic meat chicken operation in Australia, but also one of the largest feed grain supply chains back to farm level.

This integration is enabling such a business, otherwise inherently at the whim of fluctuating market feed input prices and potential scarcity of grain, to grow and consolidate its market position through this period, while looking onward to exports.

Ease of access to organics remains one of the largest barriers for consumers. It is a challenge not just for the producer or processor but also for the whole supply chain to address. Without profitable or economically viable means of producing certain crops at the prices demanded at retail level, there will be no suppliers willing to move into that domain in the short to medium term. This has rendered some sectors and subsectors of the industry in a state of frozen animation, where known consumer demand and potential simply isn’t and can’t be met due to lack of product on shelves that consumers walk past daily.

The experience of Moraitis, Australia’s largest (conventional) wholesaler of fresh produce, indicates a pathway that may assist in partial resolution of this impasse. Ensuring a reasonable return to the farmer – that reflects the potential additional risk taken on by that farmer and a fair return for the additional production costs of organic, while cutting out some of the usual margin at both wholesale and retail – has seen a significant growth in volume of product supplied in the past two years (Dench McClean Carlson 2012).
1 AUSTRALIAN ORGANIC INDUSTRY OVERVIEW

Growth prospects

The Australian Organic Market Report 2010 showed a 48% increase in farm-gate sales in the two years to 2010 and industry retail value estimated at $947m. With a break in drought conditions, though not without other challenges outlined in this Report hampering some sectors, further growth of $1.276bn including exports has been experienced in the two years to 2012.

‘Easy gains’ of industry value growth could be over. Growth is continuing but with far tighter financial margins and more realistic expectations of growth of 10–15% per annum. Backed by separate research findings and claims (IBISWorld 2012a), these estimates still put organics in one of the ‘top five growth industries’ in Australia in 2012.

Growth in the coming years is expected to remain respectable and well above conventional food and beverage market growth. There will also be standout sectors and businesses that grow well beyond this average.

The challenge for the organic industry is to manage the further squeezing of margins while remaining financially viable and able to invest in innovation and business development to keep up with changing consumer demand of specifications.

Organic horticulture has also seen the entry and establishment of well-known conventional primary producers such as Coolibah Herbs and Mulgowie Farming Company. These companies now have organic farms as part of their marketing approach, with an ability to scale up. Organic primary producers continue to experience pressures on margins and expectations of ‘get bigger or get out’.

Some in the larger end of the horticulture sector haven’t survived industry changes and have closed or gone into administration in the two years to 2010, including Ladybird Organics, Clyne Foods and Kailis Organic Olive Groves. The latter was put into administration in 2011-12 with a mixture of a high Australian dollar, a tighter environment in which to raise equity and debt and a flood of cheap olive oil all impacting.

In the food services sector, catering providers such as Original Foods and Organicus failed to achieve market support and profitability and faced liquidation in Melbourne and Sydney respectively. In contrast some award winning and leading restaurateurs have successfully championed organic food and beverage. Mark Best of Marque and now Pei Modern is one of the latest entrants into this (high value food services) space and is doing exceedingly well in an environment that is washing away others who are possibly less stable, overcommitted and facing financial strains.

The growth in the range of organic lifestyle products is on display with the likes of cosmetics (Sydney Essential Oil Company), boutique beers and mainstream wines (Angove Family Winemakers) and fertiliser products (Seasol) available on supermarket shelves and through export markets.
Two faces of consumers

Increasingly evident are two types organic consumer: the traditional, who is often found in the minority ‘Leaders’ category of consumers (those more likely to purchase green products and be a leader in environmentally aligned practices) and the mainstream consumer. Traditions are more likely to frequent independent retailers, farmers’ markets and specialised organic greengrocers, whereas mainstreams are more likely to purchase at supermarkets and are possibly less interested in the broader environmental and social/welfare attributes of organic.

This divide is becoming more evident as the average organic consumer is arising increasingly from the mainstream rather than the traditional segment of consumers. The challenge for the organic industry is to meet the expectations of both consumer types while remaining relevant, as well as improving ease of availability and pricing.

The caveat here: value is about benefits minus price. Organics is perceived by consumers as having qualities conventional food doesn’t have. Organic standards and the third-party auditing and certification processes verify this for consumers. Organic standards in some sectors lead to higher production costs (for example, carrot or cereal producers not utilising herbicides to control weeds; animals not contained in cages or feedlots; organic animals fed organic feeds). Consumers are likely to never comprehend these production costs.

Prices have rationalised to points that have seen new product ranges born or new consumers enter the market. There remains a growing consumer interest in purchasing products with health, food safety, environmental and animal welfare benefits – attributes inherent in organic foods and beverages. There is also a growing number of consumers who dabble occasionally in organic foods, when the time, price and product take their fancy. Even a doubling of this consumer impulse will have a significant impact on industry growth. This is one thing that big retail does understand and is clearly trying to position on.

For organic industry stakeholders, the challenge is to rise to meet those demands, while remaining true to the ideals and compliance requirements of the organic standards and also remaining profitable and resilient to withstand the forces and distractions of this tense but exciting growth phase of the industry.
Number of certified organic operations

In 2012 the number of organically certified farming operations is 2117. When added to 187 input manufacturers, 765 value adders and marketers, total certified organic operations within Australia are 3069 compared with 2986 in 2010.

A farming operation is defined as an agricultural business that may have multiple other farm unit holdings. The ABS records businesses only as an entire ‘agricultural business’ which may include multiple farm unit holdings. Only businesses with ABNs and registered as a primary production business are recorded within the ABS Agricultural Census.

The ABS reported 1520 primary producers as agricultural businesses in the 2011 Agricultural Census. The additional number of primary producers in the organic sector is estimated at 597, based on certifier reports to the researchers and crosschecking with other industry data.

There are 187 businesses that are certified in the farm inputs and approved products sector (fertilisers, crop management inputs and processing products) by the two main certifying groups, BFA Ltd and NASAA Ltd.

The number of certified primary producers has been increasing over the previous seven years to 2010 at a net rate of 5% annually. The two years to 2012 has seen a slower growth in entry of farmers (as opposed to farm units), while there has been a significant increase on 2010 figures relating to numbers of post-farm-gate businesses (value adders and marketers).

New South Wales continues to dominate by number of certified operators. Queensland maintains relatively high numbers of certified operators per capita and remains with the largest area of certified land, while Victoria leads with manufacturing and higher value-added sectors such as dairy, as the majority of Australia’s organic dairy farmers are currently based in that state. South Australia specialises in grape production as well as horticulture more generally, while Western Australia and Tasmania note production of pome fruits, olives and vegetables as some of their specialisations.

While producers still constitute the bulk of certified operators, processors and manufacturers are increasingly entering the industry, indicating a strengthening and diversification of the organic supply chain (figure 3).
Nature’s Haven: Horticulturalists scaling up

Nature’s Haven’s, Don, Elaine and Brendan Murray have well-established farming operations that spread the risk as well as the workload.

Nature’s Haven has farms in the Coleambally irrigation region, NSW and in Dimbulah, Far North Queensland. The Murrays have undertaken a number of changes since they featured in the Australian Organic Market Report 2010. They have 80 hectares under certification for organic vegetable production at each location. Change and innovation have ensured growth and stability in supplying markets for the Murrays through 2010 to 2012.

Establishing a farm in Dimbulah provides year-round supply of quality produce and the Murrays now have multiple properties with overlapping growing seasons (at the request of some of their customers). North Queensland produces in autumn, winter and spring and NSW produces in spring, summer and autumn.

The Murrays’ move north was done with an expectation that it may take a couple of years to settle in.

Challenges

Elaine Murray says, “As with any move or expansion the biggest challenge has been managing cash flow whilst the northern operation was being established. Returns on fresh produce on average have basically stayed the same for the last seven to eight years, but costs of running the business have increased significantly.

“Sourcing good management-level people is very difficult but fortunately we have now found these after a search of two to three years. Wholesalers are not yet willing to commit to contracts for supply, because their customers (supermarkets and retailers generally) are not committing to them.

“Lastly it is very difficult in the fresh industry to keep any branding or name on your product, made more difficult when someone else (who is short term) comes in with an inferior product, which can affect overall demand.”

Advice

Elaine says to do your homework. “Decide what you want to produce (and a realistic volume of production) and determine if there is something that makes your product distinctive. Determine your realistic sales potential (and your target market) and how people will remember your product when it is not available.

“Determine the realistic returns potential for your product (not what is happening right now), and take note that the price for organic products is not always higher than that on the general market. Be clear on your out plan if things don’t go according to plan. Visit your markets regularly.”

“Wholesalers are not yet willing to commit to contracts for supply because their customers (supermarkets and retailers generally) are not committing to them.”
2 Australian Organic Market Report 2012

Certified organic land area

Based on ABS data Australia remains with the largest amount of certified organic farmland in the world with 11,199,577.4 ha. The majority is for extensive grazing: 13,637,541.9 ha (this includes non-certified organic areas of operations with certification).

According to certification agency data, a significantly higher figure of 16.9m ha is estimated to be certified as organic in Australia.

An additional 253,392 ha is in pre-certification, with this figure likely to be higher (due to non-reporting by private certification agencies). This represents land area that during 2012 and 2013 will come into the formal certified market as it completes the conversion period requirements for farmland.

This large certified land area is primarily accounted for by large tracts of rangeland organic cattle production in the Queensland Channel Country (South West Queensland) and rangelands in western New South Wales and South Australia.

Queensland remains with the most certified organic area and is also the state with the single most certified area of land in the world. New South Wales accounts for the highest number of organic operations in terms of number of individual certified organic businesses.

<table>
<thead>
<tr>
<th>State</th>
<th>Primary producer operators (ABS)</th>
<th>Area certified (ha)</th>
<th>Primary producer operators (certifier and other data adjusted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW</td>
<td>482</td>
<td>1,906,310</td>
<td>675</td>
</tr>
<tr>
<td>Qld</td>
<td>339</td>
<td>2,262,699</td>
<td>444</td>
</tr>
<tr>
<td>Vic</td>
<td>320</td>
<td>61,690</td>
<td>428</td>
</tr>
<tr>
<td>SA</td>
<td>196</td>
<td>6,248,238</td>
<td>274</td>
</tr>
<tr>
<td>WA</td>
<td>130</td>
<td>34,077</td>
<td>182</td>
</tr>
<tr>
<td>Tas</td>
<td>45</td>
<td>2167</td>
<td>103</td>
</tr>
<tr>
<td>NT</td>
<td>8</td>
<td>684,397</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>1520</td>
<td>11,199,578</td>
<td>2117</td>
</tr>
</tbody>
</table>

Figure 6  Area of certified organic land and number of operators by state
World trends in organic land use

Worldwide, over 37m ha of agricultural land is managed organically by 1.6 million producers (2012). Well over half of the agricultural land under organic management worldwide is grassland (22m ha, Willer & Kilcher 2010). Australia has a share of over 30% of this certified area of land, albeit the largest component of this being extensive rangelands.

In 2009 certified organic land area accounted for 0.9% of total world agricultural lands (Willer & Kilcher 2012). Of the 1.6 million organic producers 34% are located in Africa, 29% in Asia and 18% in Europe. The countries with the greatest number of organic producers are developing countries including India (400,551), Uganda (188,625) and Mexico (128,862) (Willer & Kilcher 2012).

New Zealand has 124,463 ha allocated for organic agricultural land and approximately 1145 organic producers (OANZ 2010).

In Europe, the organic land allocation in 2010 reached approximately 10m ha managed by about 280,000 organic farmers. This figure has grown slightly compared with the 2009 figure, with an increase of 0.8m ha of organic land allocated.

This is followed by Latin America 8.4m ha, Asia 2.8m ha, North America 2.7m ha and Africa with more than 1m ha (Willer & Kilcher 2012).

In the US there is 1.9m ha organically certified with 12,941 organic agricultural producers and 4340 non-farm operators certified with the National Organic Program. A total of 17,281 organic farms and processing facilities in the US is certified to the USDA organic standards. In April 2012, new US Census trade data for organic agricultural product codes indicated that 23 organic commodities accounted for US$410m in export sales in 2011, evenly split between fruit and vegetables (USDA 2012).

Canada has 703,000 ha organically certified and 3929 producer certified farms. This figure should include 1200 (non-farm) certified organic processors and handlers (Willer & Kilcher 2012). This organic presence has resulted in producing a wide variety of ingredients and consumer-ready products. Certified organic farms account for approximately 1.7% of the total number of farms in Canada, of which organic livestock is one of the fastest-growing sectors in this market (OTA 2012).

Measuring China’s organic industry is problematic because there are no reliable figures indicating the number of organic producers. Reliable data does exist for organic land use allocation. The latest estimate of organic land use is 2.03m ha of certified organic farmland in 2009 (Portocarrero 2011). Figures in 2008 indicate that total organic production was valued at approximately US$2.4bn, of which US$500m went for export and the remainder was sold on the domestic market. Increasing interest in China for growing organic is evidenced by 6400 organic certificates being issued in 2010 alone (Portocarrero 2011).

In India the organic land allocation reached 1.18m ha in 2009, but with some decline since. One of the causes for this decline was purportedly the pressure on organic cotton prices, causing many farmers to switch to conventional cotton. During this time the market for other organic food products in India grew at over 20% between 2011 and 2012 (OTA 2012).

South Korea has 32,000 organic and ‘environmentally friendly’ certified farmers, 2000 of which are defined as certified organic. Fifty per cent of the certified farmers are rice producers and the remaining 50% are greenhouse vegetable farmers (OTA 2012).
The estimate of Australian farm-gate sales of certified organic produce is $300,637,412 – a rise of 34.67% over the two years to 2012 or 16% per annum. Sales from part or fully certified organic farms according to the ABS 2011 Agricultural Census is $432,211,807.

Beef, fruit and vegetables have the highest sales followed by dairy products. Fruit and vegetables are the most regular items purchased by consumers.

In 2001 industry estimated organic farm income was $89m, including organic goods sold on the conventional market (Wynen 2003). In 2003, Halpin (2004) estimated $128m for certified organic sales. In the Australian Organic Market Report 2010 the farm-gate value estimate was $223,224,003.
Beef sales have increased dramatically in the two years from 2010 with excellent production seasons and strong demand for product. Farm-gate sales for beef has increased by 111% since 2010.

Fast food chain Hungry Jack’s started purchasing organic beef in 2011, reflecting how mainstream this sector has become.

The estimated value of organic beef at farm gate has risen significantly in two years on the back of sustained demand from domestic (in particular supermarkets) and export markets. Even with a high valued dollar, there appear to be increasing opportunities in market destinations such as the US, Northeast and Southeast Asia, as well as regions such as the United Arab Emirates.

NOP certification for the US market remains a key add-on certification for many medium to larger-scale beef producers, particularly in Queensland, which also by no coincidence has the largest certified organic abattoirs. Australia is well positioned to grow its supply of organic beef into a range of markets, from domestic to export.
According to processors and marketers, challenges are in meeting potential demand for some markets, while also achieving consistent supply to quality specifications. The rise of value-added non-primal cuts (such as beef patties and sausages) have made the overall carcass more valuable as an organic product for primary producers. In past years the non-primals would be sold as conventional, thereby lowering the overall price to the primary producer.

Sales and volume
The farm-gate value of sales from organic beef properties, including calves, is $72,756,243 – a significant increase on 2010 ($34,456,100). As of June 2011, total value of meat cattle on organic holdings (cows and heifers over 1 year old) is $75,533,701. Of this holdings value, Queensland represents $52,409,663 or 69.4%, followed by New South Wales with $9,861,518 (13%) and South Australia with $9,450,605 (12.5%).

Looking forward
The future challenges for growth in this sector will be ensuring feed supplies well in advance of dry periods. The marketing groups that worked diligently in the early to mid-2000s managed more effectively than others to ride the last dry cycle, ensuring orders were filled through that time.

Collective marketing also appears to be a key to success for many. Part of this benefit includes remaining ahead of planning requirements for specific market access (for example, the differences between US requirements for feeds and Korean supply chain requirements).

The US market, along with some Asian markets, holds particular ongoing promise for Australian beef cattle producers. Argentina and Brazil may challenge some traditional export markets; however Australia’s reputation as a disease-free, high-integrity supplier should continue to bode well for prospective Australian beef producers and their exporters.

There remains an unmet demand for certified organic meat meal for downstream producers such as monogastric farmers (poultry and pigs) due to logistical issues at most abattoirs and separation of organic byproducts. As the beef market continues to grow, it may achieve a critical mass to provide feed for this intensive industry sector, which faces challenges with meeting protein feed supplementation requirements.
Established in 1996, the AOM Group Pty Ltd, which encompasses Australian Organic Meats and O’Leary Heritage, is a strategic supply chain participant and directly assists major customers to reach their goals for the expansion of organic meat sales.

The O’Leary and Tully families, both organic farming families, work together to help market organic meat products from a network of likeminded organic producers. Principals Matt O’Leary and Simone Tully manage operations and marketing on a daily basis.

AOM offers a full range of certified organic beef and lamb chilled cuts, frozen organic grinding beef, organic sausages and burgers, supplying to a range of supermarkets and foodservice clients within Australia. Exports are to the US, Asia and the Middle East.

There is room for a lot of expansion to the supply base of certified organic livestock. All of our customers in retail and foodservice continue to report year-on-year sales growth.

Best business decision
Simone says, “The addition of certified organic processing capability in 2011 has provided outstanding production yields and quality control improvements lacking in other supply chains.”

Environmental and social benefits
Simone says, “The AOM Group is a passionate advocate for organic farmers and is leading the way in providing good financial returns back to the farming communities of Australia. Taking a whole-of-farm organic management approach is good for the Australian environment.”

Advice
“Be involved in a marketing group like AOM. We provide a lot of support, encouragement and transparency as organics does require a big commitment. It is important to ensure that all participants in the organic industry supply chain embrace and prepare for growth. To do this requires a clear vision and commitment,” says Simone.
Lamb

Lamb has seen a large increase in sales and demand remains unsatisfied. Farm-gates sales for lamb has increased by 64% since 2010.

The two years from 2010 have seen persistent undersupply of market specification organic lamb. Undersupply in the conventional market has offered high farm-gate prices, putting pressure on producers to sell into the conventional market on occasion.

This has in turn impacted on export markets that have dried up while domestic demand has been prioritised through 2010 to 2012. This situation may improve in 2013 and operators may need to consider additional markets to the domestic one.

Dorper and other non-merino breeds are popular with many producers. While according to processors there are some limitations to these breeds from a retailing perspective, there is no oversupply at this point. The requirement for no mulesing and the fact that such animals are dedicated meat animals is gaining in acceptance from producers interested in simplifying their operations. Having noted this, and judging by the very large organic wool clip (see next section), merinos do still have a significant presence in the organic sheep landscape.

Sales and volume

National farm-gate sales are estimated to be $18,643,215 – a significant increase on 2010 ($11,307,000), though also reflective of higher prices overall for lambs.

Looking forward

It is likely there will be growing supply in the coming year of lambs, dampening what have been extremely high carcass prices. Processors don’t expect supply to meet demand for some time.

Producers with more than one organic accreditation (for example, NOP for the US market) will be best placed and have a range of options in supply to both domestic
and export markets. Like with other livestock sectors, the opportunity is to expand the volume of groups of producers working collectively to meet a steadily rising demand for consistent quality product with relevant certification for market access.

With leading world standards not permitting mulesing, producers with merino flocks will also need to watch the progressive shift away from any allowance for mulesing of certified animals, including breeding stock. (There are very restrictive allowances for its use within organic systems in Australia.)

Complexity of international standards and market access requirements (as with beef) has been holding this sector back, attributed to additional compliance costs and related documentation. Group marketing approaches, group development work, peer benchmarking and close cooperation appear to be a successful way that some operators have managed to address these challenges.

Producers with more than one organic accreditation (for example, NOP for the US market) will be best placed and have a range of options to supply.

<table>
<thead>
<tr>
<th>Lambs under 1 yr</th>
<th>28,040,146</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breeding ewes 1 year and over (merino)</td>
<td>7,086,213</td>
</tr>
<tr>
<td>Breeding ewes 1 year and over (non-merino)</td>
<td>15,302,172</td>
</tr>
</tbody>
</table>

Figure 13 National value of lambs under 1 year and breeding ewes over 1 year (AUS)

<table>
<thead>
<tr>
<th>NSW: 52% of national value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lambs under 1 yr</td>
</tr>
<tr>
<td>Breeding ewes 1 year and over (merino)</td>
</tr>
<tr>
<td>Breeding ewes 1 year and over (non-merino)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Vic: 17.3% of national value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lambs under 1 yr</td>
</tr>
<tr>
<td>Breeding ewes 1 year and over (merino)</td>
</tr>
<tr>
<td>Breeding ewes 1 year and over (non-merino)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Qld: 16.9% of national value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lambs under 1 yr</td>
</tr>
<tr>
<td>Breeding ewes 1 year and over (merino)</td>
</tr>
<tr>
<td>Breeding ewes 1 year and over (non-merino)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SA: 9.6% of national value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lambs under 1 yr</td>
</tr>
<tr>
<td>Breeding ewes 1 year and over (merino)</td>
</tr>
<tr>
<td>Breeding ewes 1 year and over (non-merino)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>WA: 4% of national value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lambs under 1 yr</td>
</tr>
<tr>
<td>Breeding ewes 1 year and over (merino)</td>
</tr>
<tr>
<td>Breeding ewes 1 year and over (non-merino)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tas: 0.12% of national value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lambs under 1 yr</td>
</tr>
<tr>
<td>Breeding ewes 1 year and over (merino)</td>
</tr>
<tr>
<td>Breeding ewes 1 year and over (non-merino)</td>
</tr>
</tbody>
</table>

Figure 14 State value of lambs under 1 year and breeding ewes over 1 year (AUS)
**Wool**

The organic wool sector is highly productive but hasn’t developed a supply chain to provide consistent supply to end markets. Issues with the domestic processing of wool into fine fibres available for use in the textiles industry has hampered the growth of this area.

There are significant numbers of sheep integrated into broadacre (and in some cases horticultural) operations in the organic industry. The use of wool from such sheep has been a challenge to bring to market, and often quality of fibre is below fine fibre expectations of the market.

A combination of lack of logistics and processing capacity, and the difficulties of organising downstream further value adding, means that seeing certified Australian organic wool products of any considerable volume in the retail marketplace is eluding the industry.

**Sales and volume**

Sales of wool from organic farming operations is valued at $25,360,226. This is a considerable value and this sector was likely to have been underestimated in previous estimates. The vast majority of this value was not sold specifically onto the certified organic market due to logistical and downstream processing challenges.

**Looking forward**

While there have been marketing attempts over the years, from doonas for the domestic market to exports to Japan and Europe of fine suits, managing the supply chain and the variety of points in it, has proven too difficult for most. The additional costs and complexity of logistics hampers this market.

Mulesing as a pest management practice is destined to be ruled out in Australian organic standards in the coming years. Such a change in animal husbandry practice is a major consideration organic wool producers will need to grapple with. Most major markets have already closed the door on this practice for organic wool. It is not permitted in the EU for organic, and the US recently ruled on this practice.
Poultry (meat)

The organic poultry meat market value has risen by 15.4% over the two years from 2010.

The poultry meat sector in Australia is dominated by a small number of larger operators in terms of volume supply and only a small number of operators overall. Only five operators and 3004 ha of organic poultry meat farmland are reported by the ABS. There is 490.3 ha of land certified on farms dedicated to organic production where the whole farm is certified, with another 2448 ha of lands associated with farms where the majority of the operation is certified for organic production.

Operators are recorded in New South Wales and Queensland, while it is known that there are smaller-scale poultry meat producers in other states including Western Australia, South Australia and Victoria. There were 251,156 live poultry meat birds recorded on New South Wales and Queensland farms in 2011, with some 1,229,869 birds being recorded as slaughtered in that year.

Sales and volume

While overall production has increased slightly, the overall value has not risen significantly due to retail pricing pressures.

Poultry meat farm-gate sales were estimated at $17,713,370 in 2011, representing less than 1% of national poultry meat production. With overall production building but not growing significantly and with intense margin pressures over the past two years, the poultry meat sector has not increased greatly in overall market share nor significantly in overall value. Producers supplying major supermarkets have experienced significant price drops with pressure to keep lower-grade cuts under $10/kg.

Poultry meat producers expect a 5% increase in poultry meat production in 2013.

Exacerbating this in 2010-11 there has been the strong entry and sales of ‘free range’ poultry meat in the major supermarkets. Organic producers face the challenge of educating consumers about the difference between organic and free range labelled products.

Production costs for organic producers are higher due to the different stocking and pasture requirements for organic. Organic producers are also required to use feed that is at least 95% certified organic.

Looking forward

Poultry meat producers expect a 5% increase in poultry meat production in 2013. Future opportunities for this sector may lie in export; however the higher Australian dollar, additional red tape and differing organic production standards may prove challenging.

The average retail price per kilo ranged from $11.00/kg to $9.50/kg in 2010. Prices have dropped significantly in some retail sectors with lower-grade cuts now regularly retailing at under $10.00/kg.
Poultry (eggs)

The egg market has grown considerably in the two years from 2010.

There are 18 organic certified poultry egg producers across five states comprising 3871.9 ha of farmland associated with poultry production as the main agricultural business. Certification agency information suggests there are over 40 poultry producers in Australia. A minimal number of operations produced both meat and eggs within the same agricultural business with only 20,105 dozen eggs being produced by meat bird operators.

Producers operate in Queensland and New South Wales (2989 and 330 ha respectively), Victoria (299 ha), Western Australia (202 ha) and South Australia (50.8 ha). According to industry reports there are known producers of smaller size in Tasmania.

Sales and volume

Almost 1.5 million dozen eggs (or 17,549,148 eggs) were recorded by ABS as produced from a national organic flock size of 202,966 laying birds in 2011. The farm-gate value is estimated to be $4,387,287 (based on an average $3 per dozen, down from $3.50 in 2010) with larger producers often receiving less than this average. This is an increase of 37% from 2010, which was $3.2m. This growth in value is despite profit margin cuts reported anecdotally by many poultry producers.

In the boutique or direct-marketed egg sector, retail prices for a dozen eggs could be as high as $7–8. This sector is now experiencing the challenge of the entry by mid- to large-scale operators with additional economies of scale.

This sector has experienced entry by mid- to large-scale operators with additional economies of scale.

Looking forward

This sector is under pressure to ensure a growing supply of feed grain and other feed supplements including vegetative protein sources and animal origin (for example, meat meal) sources that comply with organic standards.

The Australian standard is one of the few standards internationally permitting meat meal (including from conventional sources as part of the 5% conventional feed provision where organic is not available). The availability and quantity of this feed in Australia is limited.

Producers who have locked in forward supply of feed grain may be able to buffer the limited supply in the short term. Another challenge for the industry will be preparing for the next drought cycle and its pressure on grain production and demand.

The major market pressure for organic egg producers is eggs labelled as free range – which have different production and pricing costs. The challenge for the organic egg sector is to market the difference between free range and organic.
R.M. Williams Agricultural Holdings has owned Inglewood Farms since 2009. Inglewood Farms first featured in the Australian Organic Market Report in 2004. Inglewood Farms is the largest dedicated producer of organic chicken in Australia, with vertical integration of its production from critical grain farm supplies, which it owns and manages, through to end product marketing into retail stores and distribution centres.

The Queensland business was established in 2002. A well-structured management team oversees a workforce of some 90 in regional south-east Queensland. Inglewood Farms’ main market outlets are multiple retailers, independent retailers and wholesalers and distributors. The company is investigating export markets.

Biggest challenge
The biggest challenge faced by our business is to educate the consumer about the difference between free range and organic – explaining that our chickens are organic, which also means free range, and not taking it as a given that the consumer knows how organic is different.

Advice
Barriers to entry are very high due to high input costs. It is important to ensure you control or have effective management influence over the supply of feeds and other inputs.
Organic dairy is a well-established industry in Australia, with a solid base of demand for a wide range of products domestically and internationally. This section reports on bovine (cow) dairy only, while recognising there is a limited number of exceptional producers from goat and sheep dairies.

All states in Australia have organic bovine dairy producers. Most direct market their products from family-owned and -operated processing facilities, where a small number of additional farmers supply. These include the award winning dairies and dairy products of South Australia’s B.-d. Farm Paris Creek, Queensland’s Barambah Organics and Tasmania’s Elgaar Farm. The volume of organic dairy production in Australia is dominated by the Organic Dairy Farmers Australia Cooperative, based in Victoria.

The challenge for all operators has been maintaining and growing supply to a solidly increasing demand.

The Parmalat brand is a resounding success, even in the face of $1/litre milk retail wars. On average fresh organic milk is two to three times the retail price of conventional milk. This is well above average organic premiums for product and highlights the appetite for this premium product.

Other products such as butter and some cheeses have not performed quite as well in the larger retailers. Most organic butter in major retailers is imported from New Zealand or the EU. Other specialty or premium lines of cheeses and yogurts have performed extremely well through 2010 to 2012.
CitroLife

GDM Technologies Pty Ltd trading as CitroLife manufactures organic approved processing aids and cleaning products CitroShield, CitroFresh, CitroZine, CitroCare and CitroGro. CitroLife is based in Victoria and employs eight full-time-equivalent staff members. GDM Technologies is planning a new factory within two years and estimates an expansion of sales between 10–15% over the coming year.

In 1996 Ravi Narain, an abalone processor and food technologist observed that a natural product might be available instead of using harsh chemicals for processing and cleaning areas of his business. He found the only products available were of a chlorine or quaternary-based ammonium nature so he started his own trials to develop a naturally derived product, creating the 100% natural and organic approved sanitiser and shelf life extension now known as CitroFresh.

The all-natural active ingredient CitroZine, made entirely from plant-based materials, would become the foundation of CitroLife and be used as a natural preservative, cleaner and even hospital grade disinfectant. In 2004, Ravi’s CitroLife technology became the first approved-for-organic-use antimicrobial in the world.

It has been trialled and tested in numerous international laboratories to achieve a number of notable certifications and accreditations. Most importantly, it has been proven effective against bacteria, viruses, moulds, yeast and fungi, while being recognised as safe and nontoxic.

Main market outlets include the food industry, cosmetics and retail (supermarkets). CitroLife exports to the United States, China, Thailand, Canada, New Zealand, Korea, Japan, Singapore, Malaysia and Taiwan. CitroLife will release an organic toothpaste and organic mouthwash in 2012. A natural antibacterial carpet cleaner, oven cleaner, toilet cleaner, laundry liquid, dishwashing liquid, shower and tile cleaner, fabric softener and window and glass cleaner will also be released in the near future.

Advice

Ravi says, “Get rid of intermediaries and deal with the market directly. This allows us to hear first hand what our clients’ requirements are, rather than hearing second hand through distributors who may not have the same passion and drive as we do as a company.

“Initially I was relying on consumers to understand what organic means. I then realised the nontoxicity relating to our products needs to be explained to the market, including that they are natural.”
Retailer-owned private labels have entered the market in the past years with Coles, Woolworths and ALDI launching their own organic UHT and/or extended shelf life fresh milks. At a lower price point this is arguably expanding the reach to more consumer types purchasing organic dairy products.

Sales and volume
The estimate of farm-gate value for dairy is $29,225,572, a solid increase on 2010 estimates, with little expectation the demand in this market sector is slowing down.

Hay cut from pasture, cereal or other crops is estimated at $5,527,539 ($4.236m of this from pasture hay, not all supplied to the dairy sector) and is significantly undersupplied. In particular there remains an interest from some producers in seeking a supply of NOP (US) certified feedstock for producers interested in expanding into that market in the longer term.

In 2010, imported milk products were worth $4.8m – all from New Zealand. No figures are available for 2012, however imports are expected to be similar or higher. Sourcing from New Zealand for products such as butter and other dairy products where there is shortfall in Australia continues. The world’s largest dairy company, Fonterra in New Zealand, exports product and ingredients into Australia. It also has certified manufacturing bases in Australia for processing.

There is increasing downstream processing, creating additional options for end product. Cheese and baby foods (see Bellamy’s profile, page 67) are now being processed in Victoria and New South Wales. In addition, the diversity of milk, from fresh to UHT and other heat-treated longer-life milks, from regional Victoria is adding to the diversity of organic dairy products.

Total national value of dairy livestock (milking and dry cows) on farm at June 2011 was estimated at $31,825,048, with Victoria representing 60% of this value, followed by South Australia (18.4%) and then Queensland (13.4%).

Looking forward
Dairy producers in cooperative marketing chains remain stand-out champions, reaping the rewards of over a decade of joint marketing. A number of dairy brands are now present in the organic marketplace in Australia across states, many attributable to the Victorian-based Organic Dairy Farmers Australia Co-operative, though other networks in other states are evolving and maturing.

While nothing like the size and nature of US cooperatives such as CROPP (Coulee Region Organic Produce Pool), the principles of these approaches are around longer-term commitment to supply, collective price agreements covering producers for the risks and effort of producing organically (rather than a set premium over conventional) and collective marketing of end products.

Replication of these sorts of models in dairy would benefit the industry greatly. They would deliver better certainty of supply, demand and growth prospects.
five:am was established in April 2010 and certified organic in February 2011 as a premium dairy products supplier. It debuted with five:am yoghurts made with milk from the Organic Dairy Farmers Australia Co-operative cows in Victoria.

David Prior is the sole proprietor overseeing a team of 35. For over a decade David has started each day with yoga and meditation at 5am – a time when few others are around and he can pause and prepare for the day ahead. He has always appreciated the health benefits of consuming yoghurt as part of an active lifestyle.

five:am has positioned itself in the organic yoghurt market as a premium brand. From a standing start in 2011, five:am has achieved an estimated 10% share within the premium market.

five:am lists 14 certified organic stock keeping units, including natural, Greek style, vanilla bean, honey and cinnamon, low fat mango, low fat strawberry, low fat blueberry and coffee bean, as well as new squeezy packs in mixed berry, blueberry, banana and vanilla bean. five:am plans to release a new organic smoothie range in late 2012.

The company’s products are sold through Woolworths, Thomas Dux, Intercontinental Hotels (Melbourne, Sydney and Adelaide), Crowne Plaza Melbourne and Eco Farms (distributor to IGA supermarkets and smaller grocers on Australia’s east coast).

The business is growing at approximately 10% a month and the company aims to continue growth through innovation and opening new markets.

Supply challenges

David says, “We do on occasion have minor concerns with the supply of organic sugar and organic fruit.”

Environmental and social benefits

David says, “five:am has made it its mission to help restore the environment by supporting family farms and sustainable farming techniques. We source our fresh certified organic milk exclusively from the Organic Dairy Farmers Co-op, from family farms such as fourth generation family farmers Peter and Wendy Wallace.

“five:am puts a lot of thought into package design. We started our pack design process by selecting a material with a relatively low carbon footprint.

We then designed the container sizes to get the best use of the pallet, meaning fewer trucks are required to get our product to the consumer. Fewer trucks = less diesel = less pollution. Many different shapes were considered, but we came back to one that is easy to empty with your spoon, because wasting a little bit of product has more environmental impact than the pack itself! All parts of the pack (the lid, the base and the labels) are made of the one material so when it is recycled the plastic (polypropylene) is as ‘pure and uncontaminated’ as possible, making it more likely to be used for high value products. Less contamination = less waste = less impact.”

Defining moments

“It wasn’t always smooth sailing! A few days prior to the due date of the first delivery to Woolworths, the yoghurt filler machine broke down. The team and I worked 20-hour days manually filling and packing each tub – I slept in the office for those last few days and we managed to complete it. After that we knew five:am could accomplish anything,” says David.

“Organics is a rapidly emerging market. We’ve found that it is crucial to educate people about why eating organic is important. Also make sure you are able to ensure year-round supply if you are going for mainstream distribution.”
Pigs

Demand for pig products remains unsatisfied. New technology for curing products opens future opportunities for this sector.

The pig sector has a limited number of operators, with seven being recorded by the ABS in 2011 across the states of New South Wales, Queensland and Western Australia. Industry reports there are producers in other states, notably Victoria, that haven’t been included in ABS data.

The area of certified land where pigs are the primary agricultural business is 405 ha. According to ABS data New South Wales has the most certified organic land under pigs with 309 ha.

There is a growing interest from the major retailers in cured products such as ham and bacon as well as pork.

Sales and volume

The estimated farm-gate value is $421,884 with the majority of this arising from New South Wales ($254,262).

Most organic pig sales are through direct marketing avenues such as retailers, direct to the consumer and farmers’ markets. There is a growing interest from the major retailers in cured products such as ham and bacon as well as pork.

Looking forward

This sector is constrained by a combination of high costs of production associated with free range requirements, high feed costs (for certified organic feeds) and prohibition of conventional veterinary treatments, including antibiotics, in organic animals.

The entry in recent years of mid- to larger-scale producers with an interest in free range and organic production may see changes for this sector in the years ahead.

Technical and commercial supply challenges of achieving effective preservation within the constraints of organic standards (Australia prohibits the use of synthetic nitrite as a preservative) have been resolved by some suppliers. Alternatives add to the cost of the product but may encourage growth into major retail channels.

The pressure from imported, cured and ready-retail product in future may pose a challenge for organic pig producers, as has been experienced in the conventional sector. At this point, with lower demand and high retail pricing, this has not been evident in the market.

Honey

Honey producers have significant capacity to increase supply. Export markets are key for this sector.

According to the ABS there are 10 organic beekeeping operations in Australia covering 678.5 ha. There are larger areas approved for foraging in state and national parks across Australia where land management is in compliance with the organic standards. These areas don’t appear in ABS statistics.

There are 4646 hives from which organic honey was extracted in 2011; 6475 hives in total were situated on production units where the unit and area was fully certified. A further 7402 hives are present on production units with partial certification, or other primary production activities. The ABS Agricultural Census does not record farm-gate sales for the honey sector.
What do these brands have in common?

They wear the Bud

Want the Bud?

Visit www.bfa.com.au; email info@bfa.com.au or ph 07 3350 5706 for a full list of products or further information.
The market value estimate for this sector is $5,202,000 down from the 2010 Report, even with the entry of smaller or boutique suppliers into the market.

Reports from industry suggest a significant lowering of wholesale prices in the past two years with margins being cut for those trading into the major retailers, as well as those aiming for export.

Organic honey producers face threats from cheap, imported products. In addition the high Australian dollar has challenged exporters and in some cases reversed earlier year gains.

This sector is well positioned to respond to future demand, should it increase from export markets, because it can relatively quickly increase production capacity (evident in the disparity between numbers of hives from which honey was extracted and total of hives available).

Australia also has a natural advantage as a relatively lower-cost producer (notwithstanding the Australian dollar) with access to large tracts of native forests and extensive natural and non-GMO farmland on which bees may forage.

Organic honey producers face threats from cheap, imported products. In addition the high Australian dollar has challenged exporters and in some cases reversed earlier year gains.

Vegetable and herb production

The organic vegetable industry is a diverse sector. Producers range in size and market orientation. Vegetable producers are feeling the pressure of reduced prices as volumes have increased. Underlying this remains unmet demand for consistent supply of quality products, particularly to the major retailers.

A limited number of medium to larger farms often produce only one or a few commercial crops, while smaller producers traditionally produce a broad variety of crops for local and sometimes state capital city markets (see the Riverina TAFE farm profile, page 46). Many of the smaller farms are not captured in the ABS data, leading to an underreporting of operator numbers for this sector.

The organic vegetable sector has undergone considerable structural adjustment over the past few years with the entrance of major retailing chains, which in turn has
Moraitis

Moraitis was founded by well-known Australian identity Nicholas (Nick) Moraitis over 55 years ago when Nick hand delivered 75-kilogram bags of potatoes to various corner stores and greengrocers throughout Sydney. Today three generations of the Moraitis family work within the business. Stephen Moraitis is a director managing the company’s Sydney Markets Wholesale operations and Paul, also a director, oversees fresh packaging nationally and is a key liaison point for major retailers and growers. There are 900 people employed by Moraitis nationwide.

Moraitis received organic certification in 2009 at its first site, Moraitis Fresh Packaging NSW in Homebush Bay, Sydney. The second site to receive certification was Moraitis Fresh Packaging Victoria at the Footscray Market, Melbourne.

Moraitis’s organic products comprise 4% of its total annual turnover, supplying Woolworths, Coles, Thomas Dux, Harris Farms and independent fruit and vegetable stores. Being only three years into the organic trade, Moraitis forecasts a steady 20% growth in volume into stores per year and a potential market share increase of 2% per year. Organic garlic is noted as undersupplied.

Moraitis wholesales organic potatoes, organic garlic, organic avocados and organic bananas under the Wholefood Farms label and private supermarket labels (for example, Macro).

Advice

General manager retail solutions, Michael Antico, says, “Be wary of shortsightedness and see past what is in front of you. Know your consumer, know your shopper, marry your grower.”

On success he says, “One milestone that is considered a major achievement is the allowing of key retailers to share store level retail data, allowing Moraitis transparency and visibility past distribution centres and all the way through to stores.”
created higher demand for produce. The expansion of some existing organic producers, combined with the entrance of some larger conventional producers, now with organic lines, has resulted in reduced farm-gate prices. It has also forced some to exit the industry, or market only to local markets, where before they may have supplied state capital markets.

This adjustment is evident in the direct supply of some product lines (from carrots to bananas) from larger producers, or networks of producers to retail markets where traditionally they would have gone through certified organic wholesalers. Conventional wholesalers with organic certification have also entered the organic vegetable market.

While some of the long-standing certified wholesalers have reported healthy increases in overall throughput as well as turnover, others have reported no significant increase in turnover over the past year. The latter are more likely to be suppliers exclusively to smaller independent retailers, where there is growth but also increased pressure on margins.

Some producer-driven cooperative marketing structures, such as the Organic Farm Gate, exist in this industry, though they are rare. Most producers, unless of considerable size, choose instead to market their products via the traditional wholesaling sector. Most capital cities have more than one organic wholesaler. Some wholesalers (like long-established Eco-Farms or Moraitis, page 37) are based in more than one state.

The 2010–2012 period was not an easy one for some producers, even with the end of drought. Some had been hit by fire (Vic) followed by floods (Vic, NSW, Qld), plague locust (Vic, NSW) and other natural challenges that have put some producers well behind production plans and have significantly strained finances. Production was also reported as having been impacted by flooding in 2010-11 according to the conventional production report by ABARES (2011b): “… flooding in eastern Australia is estimated to have reduced agricultural production by at least $500–600m in 2010-11, with significant impacts on the production of fruit and vegetables …”.

Sales and volume
The certified organic vegetable industry reports farm sales of $60,610,721, down from 2010 estimates.

Reports of volume of production were stable from a range of producers and wholesalers, however prices per kg are generally lower than in the past two years. This is most likely due to the entry of larger producers who are supplying higher volumes into the major retail chains. This may account for some of the estimated lowering in overall value of this sector through this time.
Organic production values

The major value crops are carrots, potatoes, broccoli and pumpkins, while lines such as herbs ($2m), asparagus ($0.954m), sweet corn ($1.198m) and lettuce ($1.37m) filled niches in this market. The ABS categorisation means that the ‘other vegetables’ category alone reported $11,031,614 in value, which includes crops such as zucchini, eggplant and capsicum.

Some product lines such as tomatoes remain consistently undersupplied from a small number of producers.

Sectors not specifically covered in this Report include certified organic nursery production. Operations recorded by the ABS are in Western Australia, Northern Territory, South Australia, Victoria and Queensland, with Queensland rating the highest production of undercover nursery production. National farm-gate value for the nursery sector is estimated at $3.584m.

Some product lines such as tomatoes remain consistently undersupplied.

While operators are increasingly seeking certified organic seedlings there remains an undersupply of reliable, certified nursery material. While it is not mandatory to source certified organic seedlings (if not available in commercial quantities) the production and certification of seedlings for producers remains a market opportunity for nurseries.

Organic floriculture (flower farming) is in an infantile state in Australia, but with prospects as the market for organic lifestyles continues to develop. Areas in Queensland and Victoria are producing in this sector, however recorded retail sales of such products has not been researched or recorded.

Mushroom production was reported from four producers only in Victoria, Queensland and New South Wales.

Looking forward

The post-farm-gate surveys from processors and wholesalers makes this point clear: “The lack of a reliable supply of organic fruit and vegetables (for processing) in Australia has made it almost impossible to support local growers”.

Larger retailers continue to cite lack of consistent volumes of supply of a range of staple organic vegetables as hampering the potential growth of this sector – this is despite many farmers claiming they are regularly stuck with product that cannot be sold on the organic market at a reasonable price.

Producers also cite pricing and cutting of margins to points where it is not viable for them to risk production of a given crop as the reason for not supplying. The work of wholesalers and retailers collaborating to establish more confidence in production and supply planning will be critical for this industry sector to move beyond this impasse.
Fruit (including olives and wine grapes)

Fruit has seen a significant rise in production and sales.

Farm-gate value of fruit production is estimated at $61,616,250 (see below for values of wine grapes). In 2010 the organic fruit sector was estimated to be $39.7m (an increase of over 50% over two years). The 2010 figure may have been underreported (due to a low return on surveys from this sector) but this trend is also reflecting a growing sector experiencing new larger producers who are also involved in other commodities such as eggs, vegetables and meat, though also with the exit of some medium to smaller-scale producers.

Sixty per cent of organic consumers note fruit and vegetables as their most regular purchase. This sector still has significant room for growth.

Wine grapes have significantly increased in value, while apples, citrus and olives represent the other top-performing crops in the organic fruit sector for farm-gate returns. Apple production has expanded due to more regular demand for volumes from supermarkets, while olive production has expanded particularly in Western Australia.

Niche and seasonal crops such as berries have a small number of dedicated professional and productive producers, with a lot of potential to expand supply. ABS data from similar crops such as guava, jackfruit, lychees, dates, rambutans and custard apples, did not report significant value. Other crops such as bananas recorded a $2.089m farm-gate value, while pineapples reported $0.774m.

**Wine grapes**

Farm-gate value for wine grapes is conservatively estimated at $4,854,346. Total farm returns, including those with partial certification of farm units or varieties,
is $25.138m. This is indicative of large wine producers entering the market recently.

Farms with certification across the whole farm (greater than 95% of land) produced organic wine grapes to the value of $2,058,216. South Australia represented most of this production with $1,940,026 for fully certified farms and some 85% overall of estimated value of production nationally. Grape growing is also registered in Victoria, New South Wales, Western Australia and Tasmania.

Wine grape production has increased by 107% over the two years from 2010. Larger wine houses such as Angove and Yalumba, and expansion by well-established companies such as Temple Bruer Wines, have contributed to this increase.

Farm-gate value of table grapes is $197,368, with an evident unmet demand for grapes at retail level (particularly the popular seedless varieties), mostly produced in New South Wales, South Australia and Western Australia. Grapes for drying is $344,652; Victoria represents the lion’s share of production value.

The industry lost its largest single primary producer and drier of Australian organic grapes in Clyne Foods (Victoria) in 2011 forcing farm-gate values down. In the face of this, processors and retailers are continually under pressure to import product to meet demand for snack products and ingredient sultanas for mueslis and snack bars.

**Sixty per cent of organic consumers note fruit and vegetables as their most regular purchase. This sector has significant room for growth.**

**Kiwifruit**

Kiwifruit production was only reported by ABS in New South Wales from five producers with 109.1 ha of farmland connected with mixed farming enterprises. An additional estimated 11.5 ha of immature crop has been recorded, suggesting additional capacity for expansion of supply. The lower farm-gate estimate according to ABS is $273,480.

Kiwifruit is also imported from New Zealand in unrecorded but significant volumes. It is one of a very limited number of fresh organic produce lines imported into Australia (there are stringent quarantine requirements and mandatory fumigation with prohibited inputs for many other fresh fruit and vegetables). Australian producers are faced with the challenge of a higher Australian dollar against the NZ dollar. NZ also produces greater volumes and has lower production costs, so NZ kiwifruit is noticeably cheaper on average.

**Berries**

Organic berry production includes those retailed by major retailers: blueberries, strawberries and raspberries. Berries’ farm-gate value is $3.11m.

Other berries (including heirloom varieties) have a production of 2869kg from seven operators – 1 tonne alone from Western Australia. A value of $1.15m was attributed to other berries.

Organic blueberries reported came from 14 operators in Victoria and New South Wales. They produce 18,746kg from fully certified farms (6.9 ha) and 12,994kg from partially certified farms. An additional 5.3 ha of land is noted as not yet productive crop, which is expected to come online by 2014. Blueberries have an estimated farm-gate value of $0.937m. It is known that there are certified organic (biodynamic) producers in Tasmania, however these were not reported in the ABS data, probably due to smaller volumes direct marketed as a hobby. This is similar for other states.

Strawberries were reported from eight operators – 9914kg. Queensland produces the majority of that volume. Raspberries were reported as 2003.7kg with only 0.2 ha of land noted as not yet productive crop coming on in the two years to 2014.
Newton Brothers Orchards
Newton Brothers Orchards of Manjimup, Western Australia is an example of a large, established orchard diversifying into organics.

The 2013 harvest will be its first under certification. Over 21 ha are planted with pink lady, jazz, granny smith, royal gala and Fuji.

The business has had forward interest from the major supermarkets to pack under their in-house organic brands.

The company’s Nic Giblett says, “We aim to produce organic fruit of quality standards comparable to conventionally grown produce. We also want to be able to market our organic fruit at prices comparable to conventional – that is, with a premium of around 10% – in order to attract more consumers to organic.”

Apples and pears
Estimated farm-gate value for organic apples and pears is $11,076,760. Victoria represents over $3.5m of this production, with production in South Australia and Western Australia also higher than the national average. Apple production was possibly underreported in Tasmania and New South Wales, given the number of reported producers from industry in those states.

The value of pears nationally is less than $1.5m. Pears are mostly produced in Victoria, registering $857,592 in value from fully certified farms. Western Australia is the second largest producer. Pears are undersupplied according to retailers and wholesalers. Processors are also seeking more juicing fruit.

Farms where pome fruit production was the main agricultural business reported the following areas certified (that is, total farm area certified including non-pome fruit areas): New South Wales (400.9 ha) followed by Victoria (177.9 ha), Tasmania (129.6 ha) and Western Australia (99.7 ha). In all states bar Victoria, the majority of pome fruit production occurred on partially certified properties.

In 2010 the average price for apples was $2.30/kg and for pears $2.50/kg. The greater demand for volume is from major retailers. Apple and pear prices are expected to remain stable during 2012-13. This is due to price competition from major supermarkets and expected industry expansion. The recent repeal of the ban on New Zealand apples may have a long-term impact on the organic apple sector, though quarantine protocols (which may potentially permit access for organic apples) are quite exacting and may slow any development of imports.

Stone fruit
Stone fruit reports $6,372,626 in farm-gate value; plums $1.049m, nectarines $0.906m, apricots $0.8m and cherries $0.634m. There is 536.7 ha of land certified for farms with stone fruit as their major commodity, with a total of 809.4 ha of farmland connected to farms where stone fruit is the main business. Victoria has most of this farmland, followed by New South Wales and South Australia. This sector has seen the entrance of medium to large-scale professional producers in what is possibly one of the most challenging organic commodities to produce. The farm-gate value of stone fruit production attributed to farmers with fully certified operations in 2011 was $795,901, while an additional $1.2m in production is attributable to this sector from farms with partial certification.
Stone fruit is undersupplied according to some retailers, though with more recent entrants to this market this may change in the coming years. Due to the seasonality of this commodity there are supply challenges into the major retailers given the planning and the risks of supply associated with this product line. Additionally the higher risks associated with stone fruits (susceptibility to pests and diseases) often deters producers from large-scale production. Improvements in integrated pest management and availability of some organic-approved pest management inputs may see changes in the years ahead. Supportive research is also required to help this sector sustain growth.

Citrus
Citrus production is across five production states, with New South Wales reporting the highest area of certified land where citrus is the main commodity for the agricultural business at 226.5 ha. This is followed by Victoria with 115.1 ha (with an additional 31 ha from farms with partial certification but more than 50% of the farm certified) and Queensland with 66.9 ha, Western Australia with 25.4 ha and South Australia with 14.8 ha.

The value of citrus is $5.298m; oranges are 80% of this figure ($4.183m – navels produced at a 3:1 ratio over valencias). Other citrus includes mandarins ($0.512m); limes ($0.2m) and lemons ($0.19m). Farm-gate value for oranges in 2010 was $2.90/kg. With the increased presence of major supermarkets supplying organic produce, farm-gate prices are likely to come down, particularly as more production comes online, creating opportunities for marketers to find alternative suppliers.

Olives
Farm-gate value of olives is $2,093,919. Olive growing has expanded significantly in the two years from 2010, particularly with the expansion (including a public equity offering) of such operations as Kailis Organic Olive Groves in Western Australia. While Kailis remains in administration, some within the olive industry expect it will be refinanced and managed as an organic farm (given the competitive advantages to pricing and market positioning in what is an increasingly crowded and competitive conventional market, including from cheaper imports from Europe in particular).

WA has the most certified farmland where olive production is the major commodity for that agricultural business with some 328.4 ha. Victoria has 261.8 ha of land associated with fully certified farms and a further 573.4 ha of farmland where there is partial (more than 50%) of farmland certified. South Australia is next with 28.3 ha recorded, followed by New South Wales 24.4 ha and Queensland 23.5 ha. Areas were reported from 22 separate agricultural businesses.

This sector has the long-term challenge of dealing with cheaper imports of olive oil and a very competitive international marketplace for those considering exporting. Positioning in what is a very crowded market with a unique offering in terms of proprietary branding of product is a major challenge for this sector and individual businesses.
The Angove family winemaking history began in 1886 when Dr William Angove immigrated to Australia from Cornwall in the United Kingdom. He established a medical practice at Tea Tree Gully near Adelaide and, along with other doctors at the time, including Dr Lindeman and Dr Penfold, began cultivating and making wine.

In 1910 Dr Angove was succeeded by his son Thomas Carlyon Angove who made the pioneering move to establish a winery at Renmark in the South Australian Riverland. At the time there was no winemaking or distilling activity in the region. Renmark was struggling economically and the winery’s move to the district assured the settlement’s survival.

From that visionary move, the Riverland has developed into the largest wine grape growing district in Australia and the backbone of a booming export activity that has kept the Australian wine industry in global focus. Angove’s Renmark Winery has been certified organic since 2006 and the company’s first vineyard achieved organic certification in 2011. Substantially more areas of vineyard are now in conversion to organic.

John Angove AM is managing director, and is a fourth generation descendant of Dr William Angove. Two of John’s children are also involved in the business.

Markets and products
Angove is an early entrant into the organic wine market. Whilst there have been a lot of organic wines on the market for a considerable time, most of these have been from small wineries. As the 16th largest wine company in Australia, the move by Angove is one of the first by a larger player.

Products under the Angove Organic brand include chardonnay, shiraz, cabernet, merlot and sauvignon blanc (from July 2013). Grapes are sourced from both the Riverland and McLaren Vale, South Australia regions.

Ten per cent of Angove domestic wine sales are organic, with this figure compounding each year. The company is also the seller for the much-recognised and -awarded Temple Bruer wines (featured in *Australian Organic Market Report 2010*).

Angove supplies 6000 licensed premises in Australia. Of these roughly 25% stock one or more products from their organic range.

Markets include Australia, the Netherlands and New Zealand. Now armed with a NOP organic certificate for the United States, Angove is pushing to get into the Canada and US markets. Angove will release a certified organic sauvignon blanc in 2013. Sauvignon blanc is the largest varietal in terms of sales in Australia and they see this as a means to potentially double their organic range turnover.

Most recently the company has moved into the McLaren Vale region of South Australia with the purchase of the historic...
Warboys Vineyard, the building of a stunning, sustainably designed cellar door there and the release of a range of single vineyard super premium wines from the site. This vineyard is farmed using organic and some biodynamic principles and is in conversion to organic status.

Environmental and social benefits
Marketing manager, Matt Redin, says, “As one of the largest employers in the Renmark and greater Riverland regions (120 full-time-equivalent staff members, with additional people employed over harvest period) the success of Angove Family Winemakers has a definite impact on the local community through direct employment and suppliers, while supporting local community clubs and events.

“Angove Family Winemakers actively supports and is involved in the development of environmental policies and initiatives for the Australian wine industry through being a founding member of the Wine Industry Sector Agreement on climate change and greenhouse gas reduction. Angove Family Winemakers is a member of the Australian Packaging Covenant and has a strong commitment to recycling all packaging materials.

“The introduction of lightweight bottles has led to 40% less glass used, delivering a reduction of CO₂ per bottle of more than 15% on some lines.”

Advice
Matt says, “The first package for our organic range was too clever by half and did not work. We tried to be too earthy and did not proclaim our organic status boldly enough. The reason consumers buy organic is because it tastes good and is organic. Say it loud and proud on your packaging.

“Make sure for the first step that what you are producing tastes or performs as well as, if not better than, conventional products. If it doesn’t, consumers will vote with their feet and look for alternatives. Also make sure your packaging clearly portrays the organic message if this is to be your unique selling point in a very overcrowded marketplace.”
The National Environment Centre organic farm and TAFE training centre in Albury, NSW has been operating since the 1990s and certified organic since 2002. Its principals Rob Fenton, Gerard Lawry and Kevin Mather achieved a major milestone in 2012 by being awarded a $400,000 grant by the Australian Government via AgriSkills to subsidise 55 Diploma in Organic Agriculture positions. There is a waiting list for this course as farmers and those wishing to enter the organic farming sector line up to learn more. The Centre also has a fully operational low energy and low input farming system designed on passive design principles. It achieves an optimum balance between financially sustainable returns and low demand for labour and farm inputs.

The farm sells direct to local consumers via the local farmers’ market. According to Rob, this achieves “Woolworths prices direct to the farm”. Products and production systems include lamb, paddock pork, free range eggs, vegetables and olives, with others in the pipeline.

Environmental and social benefits
Rob says, “Our aim is to help build capacity in the organic farming industry by providing appropriate training. Our farm can take risks and push the boundaries of production systems because of who we are. We can take a real action research approach to our farm management with the aim of helping others learn of possibilities in organic production.

“Because of the way we farm, the number of native birds and mammals is increasing all the time. The farm is now home to a number of endangered species. Half of the farm is set aside for this purpose.”

“This is not counterproductive. The design of the farm means that the natural areas have positive impacts on the production areas and this is part of our community marketing worldview; our customers prefer our products partly because of these environmental benefits.”

“Yet the farm sells direct to local consumers via the local farmers’ market. According to Rob, this achieves “Woolworths prices direct to the farm”. Products and production systems include lamb, paddock pork, free range eggs, vegetables and olives, with others in the pipeline.

Environmental and social benefits
Rob says, “Our aim is to help build capacity in the organic farming industry by providing appropriate training. Our farm can take risks and push the boundaries of production systems because of who we are. We can take a real action research approach to our farm management with the aim of helping others learn of possibilities in organic production.

“Because of the way we farm, the number of native birds and mammals is increasing all the time. The farm is now home to a number of endangered species. Half of the farm is set aside for this purpose.”

“This is not counterproductive. The design of the farm means that the natural areas have positive impacts on the production areas and this is part of our community marketing worldview; our customers prefer our products partly because of these environmental benefits.”

For us expansion can mean more different farm produce lines rather than ramping up similar production lines. It is often easier to sell another product to an existing customer than to find another new customer. We are intending to increase our vegetable production and to start a small-scale grain operation retailing flour to our existing markets.”
Best business decision

Rob says, “To hold on to our principles. We have a set of farm rules that reflect the ‘farm’s worldview’ including organic production, environmental outcome, animal welfare and so on. It is tempting at times to weaken or bend our rules to enable production outcomes but we haven’t and that is paying off in the number of customers that prefer our produce.

“Also walking into the BFA boardroom back in 2004 to develop a partnership to provide training to the industry is definitely one of the defining moments. This has given us access across the Australian organic industry that we could not achieve any other way.”

Advice

“The biggest lesson from a production point of view is that as our system gets more refined and our soil ecosystem gets healthier, the farming gets easier and easier. From a farmer marketing point of view the lesson is ‘there is no money in growing food, only in selling it.’ There is no point in growing it if you don’t know the how and who and when of selling it first,” says Rob.

Teaching kids organic gardening

“My children have loved this part of their curriculum and it has stimulated lots of conversation about food, how it grows and the relationship between the soil, air, rain and food.”

Parent, Silvan Primary School

Over the past two years a quiet revolution has been brewing in primary schools with the launch of the Organic School Gardens Program, organicschools.com.au in 2010. The Program contributes to children’s development across three areas: education, health and the environment.

It is an online curriculum resource that supports schools in their health, wellbeing and sustainability outcomes by providing an in-depth educational resource centred on setting up an organic food garden, with expansion into food and nutrition underway.

Participation in the Program, which is available to all schools, helps children to develop an appreciation and understanding of where food comes from, which in turn can influence students to make informed choices for healthy eating in future everyday life.

The growing program

Program manager, Jane Burns, says 2012 has been spent developing the next phase of education resources: food and nutrition, along with making the current program fully aligned with the Australian Curriculum. There are also plans to include a suite of video media resources including stories from organic farmers.

The Program was recently boosted with funding from the Victorian Government’s Department of Education and Early Childhood Development, along with supportive industry sponsors and underwriting and administrative support from BFA Ltd. With a three-year grant, the Program will increase participation, evaluate the delivery of the Program objectives, including whole-school improvement, and encourage schools to be leaders for sustainability education.
Nuts

This sector has grown significantly since 2010. The Australian organic nut industry is sparsely spread and suffers from lack of critical mass or sufficient processing capacity to keep post-farm-gate costs to a minimum.

Some cooperative production and marketing is undertaken in the macadamia sector (for example, the Macadamia Processing Company), however the broader nut industry will need to boost production and collective marketing or fall prey to rising imports (in particular almonds, walnuts and pecans). Major retailers report ongoing undersupply of these lines and a concern with lack of foreseeable future supply.

Sales and volume
Total farm-gate value for the organic nut industry is $3,408,732, well up on the 2010 figure of $934,824 – an increase of over 300%. Almonds have the largest value with $1.609m. Macadamias is next with $1.144m followed by walnuts $297,111. Pecans and pistachios are not reported in quantities above $0.2m.

Looking forward
The challenge for this sector is its size and distribution and the need to work on cooperative production planning and marketing structures.

This sector has grown significantly since 2010.

A significant threat exists from high volumes of cheaper imports, which could affect the long-term domestic price for local nuts.

Value adding (roasting, chocolate coatings, confectionery), and consideration of select higher value export destinations, may help this sector hedge its bets against future market volatility from imports.
Sydney Essential Oil Company Pty Ltd

Sydney Essential Oil Company (SEOC) was founded in 1997 by Michael Samperi and Daniel Galea. The company’s head office is in Sydney and the business continues to enjoy steady growth both domestically and internationally.

ACO certification was achieved in 2003, and this was complemented with USDA NOP certification in 2008 to enable broader global reach for its customers.

SEOC continues to proudly support the organic industry, from the farmer to the manufacturer, by sourcing and supplying Australia’s most comprehensive selection and stock-holding of organic essential oils and cosmetic raw materials.

SEOC products are sourced from growers and producers in Australia and from specialty regions around the globe. In some cases, SEOC provides guaranteed sales to farmers by committing to purchase all the oil they produce each season.

Essential oils, carrier oils and natural cosmetic raw materials are the core product offerings, and approximately 40% of the company’s total product list is certified organic with some 20% of its turnover arising from organic products. Primarily business to business, servicing cosmetic manufacturers and wholesalers, its main markets are Australia, Japan and the Asia-region.

Advice

Michael says, “Keeping abreast of organic industry developments, including regulatory developments is essential while innovating and pushing into new market domains. We put a high focus on constantly improving our quality management systems through significant investment in equipment, personnel and the development of best practice policies to remain in the lead.”
**Essential oils**

Essential oils remain significantly undersupplied with a growing demand for organic cosmetics and other personal products.

The primary production for essential oils is fragmented, with mainly small to medium-sized producers supplying a wide variety of markets.

While cosmetics as a market sector is not reported in the *Australian Organic Market Report*, there has been a focus on essential oils as a sector given the large base of producers who supply this market.

The industry is without significant-sized dedicated essential oil producers, driving the local processing industry to import ingredients.

The tea tree oil industry was in its production volume heyday in the 1990s with major players entering the market (to the extent that a dedicated industry certifier was formed specifically to export such products for a period of time). Production volume has dropped off but there is still demand for certified organic oil ingredients, including tea tree, for the cosmetic and domestic cleaning sector.

In general however the organic essential oil industry remains undersupplied and underdeveloped and according to processors this is a fundamental barrier for them to raise production and confidently establish organic options.

**Sales and volume**

The farm-gate value of organic essential oils is $1,389,345 – this is from crops not otherwise reported in other sectors of this Report. The 2010 estimate of $1,234,056 suggests that this sector has marginally increased its turnover.

There are a large number of herb and related crop producers of a small scale that are not captured in ABS reporting due to their size and their not being registered as businesses.

What is clear is that the organic cosmetics sector is increasingly attracting businesses that wish to supply and market their products to discerning consumers. Some of these companies are already exporting, while others are importing finished product. Organic and natural offerings for cosmetics is expected to grow in the years ahead as organic becomes more of a ‘lifestyle’ option for consumers beyond simply food.

**Organic and natural offerings for cosmetics is expected to grow in the years ahead as organic becomes more of a ‘lifestyle’ option for consumers beyond simply food.**

**Looking forward**

The challenge for essential oil primary production is to establish production and market planning structures to deliver consistency and confidence to processors. Without this, the sector will see rising imports and a continuation of a fragmented industry supply chain.

The Sydney Essential Oil Company is forging new export markets, while also building its domestic market presence. The entire range is organic and conventional and the company is interested to expand the organic range where they can.

One telling quote from a cosmetic company noted, “Consumers need to be educated on the meaning of organic (for cosmetics)”, underscoring the fledgling nature of this market segment, and the challenges ahead for it.

Processors have commented that the ingredients for oils and other cosmetics are not locally available and thereby increasing costs of production by forcing the industry to import.
Freedom Foods Group Limited

The Freedom Foods Group continues to enjoy strong sales results within its organic food and beverage portfolios. The business’ mainstream organic brand, Australia’s Own Organic, enjoyed its 16th consecutive quarter of double-digit value growth in August 2012, fighting off aggressive promotional activity within the competitive set.

Spanning segments of Almond, Soy and Rice milks and a new bakery product, Australia’s Own Organic remains one of the leading Certified Organic Brands in the Australian food and beverage market, with national dollar growth in excess of 50 per cent. From humble beginnings in the health food aisle, the brand has doubled its dollar share of the mainstream Non Diary UHT Category in just two years.

Freedom also celebrated the re-launch of their Norganic Organic Corn Flakes last year, which were developed with the help of Australian Organic farmers and produced at their state of the art Gluten and Nut Free manufacturing facility in Stanbridge, New South Wales.

In 2012, the business launched two innovative organic products into the Australian Market: Australia’s Own Organic Rye, Oat and Linseed Wraps and Norganic Organic Ancient Grain Flakes with Millet and Amaranth.

The Australia’s Own Organic Rye, Oat and Linseed Wrap took a number of months to develop and will be one of the first long life multigrain products to retain Australian Organic Certification.

In 2013 Freedom Foods Group will remain committed to continuing strong growth through innovative, truly organic products which offer consumers value and piece of mind through Australian Certified Organic endorsement.

Challenges

Brand portfolio manager, Angelo De Blasio, says, “Our biggest challenge as an organisation has been securing consistent supply of our organic raw materials and ingredients. As increasingly more farms convert to organic farming we expect this pressure to ease, however, the lag on supply and financial pressure of the ‘organic conversion’ period could be better supported by our government. In the three years it takes to convert, farmers are not able to recoup their costs by selling certified products and this is something that we, not only as a brand but as an industry, need to lobby local, state and federal governments to consider and budget for.”

Advice

“This is one of the most exciting times to be operating in the organic space - both in Australia and internationally. We need to pool our resources, create shared opportunities and drive a larger share of voice. We cannot understate the importance of BFA and a united approach to certification. We need to weed out products that are falsely claiming organic status and boost the general awareness of BFA certification. The future of our industry will rely heavily on the growth of current players as well as new entrants and the BFA will be the link to us all achieving and maintaining world-class processing and certification standards,” says Angelo.
Grains, pulses, fibres and oil crops

The grains sector remains significantly undersupplied, even with the large jump in production due to favourable production conditions.

The grains, pulses and oil crops sector has been on a production rollercoaster ride since 2002. It mirrors the conventional sector’s fluctuations due to the natural drought cycles but issues are exacerbated by its smaller size and lack of critical mass.

The late 1990s and early 2000s saw quantities of grain exported that have not been replicated for eight or more years. With the maturing of some value adding in Australia (breakfast cereals, breads, confectionery including biscuits, and also cold pressed oils and meals), there has been a demand for such incidental grains as sesame, millet, quinoa and chia. These remain either undersupplied or fully imported due to a lack of sufficient volume domestically.

Most organic grain production in Australia is consumed domestically, with imports required to meet the shortfall in supply. Despite domestic shortages there is also an export market. Australian organic grain is highly valued by a number of specific overseas markets including Korea, Japan and the Middle East. According to exporters there is unmet demand for quality Australian organic grains and oilseeds.

Organic grain production in Australia, comprising cereals, pulses and oilseeds, is dominated by wheat production, followed by oats and barley. The majority of production is in New South Wales, Queensland and to a lesser extent Western Australia, South Australia and Victoria. Soybeans account for the largest legume crop produced, largely due to demand for organic soy milk. Not only is demand for organic grains growing for domestic human consumption, but it is also growing for the expanding organic livestock industry, particularly intensive industries such as poultry, dairy and pigs.

Processors and wholesalers/retailers are compelled to import a range of grain products into a country that exports some 75% of its own conventional grains. Wetter conditions have brought some regions back into full production and with it weed and disease pressures that have seen whole crops turned in for fodder or not making the market.

More concerning is the reported departure of some significant grain producers through 2010–2012, further impacting on the capacity of this sector to lift production in line with projected future demand.

Sales and volume

Nonetheless total crops for grain production have lifted 80% in two years and are now estimated to be $17,006,447 for farm-gate sales. Of this, wheat for grain production reported an estimated $10,917,752, barley $1,998,882, oats $1,479,795 and maize $0.5m.

The farm-gate value of oilseed production is estimated to be $1,619,309 and rice $0.8m, with most production in New South Wales. With an expectation of good prospects due to increased water availability in irrigation districts and solid demand for product, this rice and grain production is expected to continue to expand in 2012.

Crops with smaller values include triticale and sorghum – each $0.25m. It is likely these production volumes were higher based on separate industry reports, but they underscore the thin production base for this industry sector, a comment regularly made by processors and marketers. Additional grains not reported on specifically added $0.8m to farm-gate sales in this sector. An example of an additional grain is spelt, which is a popular alternative grain in demand by processors and retailers.
KADAC Pty Ltd was established in 1973 as a wholesaler to health food stores in Melbourne well before the formal foundations of organic standards and certification in Australia. It remains an anchor tenant in the organic industry supply chain – mostly from behind the scenes. KADAC either supplies or, in some instances, owns some of the best-known, high-sales organic brands in Australia, including Lotus Organic (established 1992), Nature First Organic, Real Good Food and in more recent years Global Organics.

KADAC is undergoing the final stages of a brand refresh with a new management team, including chief executive officer, John Coote, and marketing manager, Linda Casalis. KADAC was founded on the principles of health, nutrition and wellbeing, ideals that dictated a more natural approach to food production. Despite subsequent expansion and diversification, KADAC’s founding principles remain unchanged.

Organic certification was a natural progression for the company and, in 1992, this goal was realised when KADAC became a certified organic wholesaler and packer. Twenty years on, KADAC is a major importer of organic products, distributing around 800 certified goods to health food stores and supermarkets across Australia and New Zealand.

The variety of its range (much of which is sourced locally) is considerable, reaching from breakfast cereals and confectionery to personal care, skincare and environmentally friendly cleaning products.

KADAC sees a bright future with organic products increasingly being embraced by consumers seeking health and environmental benefits. KADAC plans to continue to develop and expand its own brands and seek quality products that can best help retailers meet the growing needs of consumers seeking natural and organic products. The company expects there will be more innovation in the health side of the business rather than the organic, which is maturing now. It will deal more in organic and fair trade.

The company expects there will be more innovation in the health side of the business rather than the organic, which is maturing now. It will deal more in organic and fair trade. Company director Roger Pitt says, “When you visit countries that are producing fair trade products and see their meagre incomes you realise you have to support them and buy their products.”

Challenges

Roger says the challenges for KADAC have been in the growing. He says, “KADAC started as a health food distributor and we didn’t import until I went to international trade shows and saw opportunities. Importing health products led to business growth and learning to deal with larger retailers nationwide. Whether it is health food, organic or natural foods, KADAC has been a growth story, from dealing with small stores to supermarkets and then wholesalers across the country – they all have different requirements.

“As you grow you also need to incorporate more levels of management. Integrating staff into our business can be challenging – some can make the transition from big companies to smaller companies and vice versa, while others find it more challenging.”

Advice

Roger says, “The organic business is now very competitive. Once we had the only organic chocolate (Green & Black’s) and now there are a dozen organic chocolates. It’s more important to have the right skills to succeed rather than be in it just because you believe in it. In the past the organic sector has employed true believers but they didn’t necessarily have the skills to get the job done. Organics these days is serious business and it has to be treated like anything else.”

Best business decision

“It was probably to go into organic food at a time when we had no idea where it was going to go. KADAC has been certified for 20 years. Twenty years ago people who were in organics started in organics, unlike now where many have embraced organic. Some of the brands we imported were good decisions, like Green & Black’s chocolate,” says Roger.
Miscellaneous production and product types: broadacre

The farm-gate value for pasture seeds is $227,316. Organic pasture seed is very undersupplied for organic specific pasture seed stock.

Organic sugar has not been present to any significant extent since the termination of certification for Queensland mills in Rocky Point and Mackay. Some producers did report organic production on their certified lands, however, due to technical issues and organic regulatory restrictions on mill production in Australia, organic sugar is imported from South America.

Organic cotton remains without a presence of any consideration in Australia, with limited production reported from fully certified farms. Similar to wool production in terms of downstream processing, this sector is expected to remain suppressed without this issue being resolved. Requirements for segregation from non-GMO cotton would further exacerbate such a challenge. Cotton remains more cheaply produced by regions such as Pakistan, India and other areas of South and North/West Asia. Most cotton traded in Australia arises from imports that have also been processed overseas before being retailed either online or in limited instances in major retailers such as Target.

The farm-gate value for hay cut from pasture, cereal or other crops is $5,527,539 ($4,236m of this is from pasture hay) and remains significantly undersupplied. In particular there is an interest from some producers to secure supply of NOP (US) certified hay and feedstock for producers interested in expanding into that market in the longer term.

Looking forward

Processors and large retailers want to source domestically produced grains. Processors are concerned about a stagnating, or declining, number of key grain suppliers.

There remains a growing and unmet demand for certified organic feedstocks (soy, lupins, maize, sunflower and other oilseeds). With international trading partners also now moving to 100% organic requirements for organic feedstock rations (EU over the 2012 to 2015 period). With the US already requiring this, such a demand may be further concentrated if and as these regulatory requirements and market access requirements are applied at the national export standard level in Australia.

The Australian organic sector has little oilseed production. There is also the added threat of GMO contamination for oilseed crops.

Not only is demand for organic grains growing for domestic human consumption, but it is also growing for the expanding organic livestock industry, particularly intensive industries such as poultry, dairy and pigs.

There is a solid and still undersupplied market for quality spelt grain, while other speciality lines from linseeds, sesame and other oilseeds remain undersupplied, driving processors and marketers to seek imported products to meet their needs and projected demands.

With the increased interest from local soy milk manufacturers and other cereal manufacturers of breakfast corn, there is a niche opportunity for producers to expand their operations in these grains. Without growth from domestic producers, processors and retailers will remain constricted in growing their markets and be forced to fill shortfalls with imports.
**Processors, manufacturers and marketers**

Swinburne University of Technology obtained responses from 347 of 747 publicly available or known Australian certified organic processing or marketing businesses (from a total industry estimate of 765) in the post-farm-gate industry survey 2012.

As demonstrated in figure 17 the largest segment of activity is by processor/manufacturer, comprising 59.3% of all organic activity post-farm gate. Wholesaler/retailer accounts for 20% and those with business involvement in a combination of segments accounts for 20.7%.

This sample reflects what is happening industry wide, where organic certified processors and manufacturers dominate compared with the number of organic certified retailers (most retailers rely on the packaging and independent certification of the products they sell).

Figure 18 demonstrates that the post-farm-gate organic industry is predominantly located in the smaller segment of turnover in the organic industry. Thirty per cent of the operators indicate that they have turnovers of less than $100,000. The next largest category included the 16% of operators who declare a turnover of between $100,000 and $300,000, while only 3% of operators declare a turnover of greater than $50m. This is reflective of a diverse industry with a significant number of small to medium businesses.

Figure 19 indicates that 33% of post-farm-gate organic businesses have a business retailing fruit and vegetables, followed by beverages 23%.

Cosmetics/beauty products may be over-represented (by overall percentage of certified businesses in the industry). This sector is growing strongly with heightened interest and involvement from industry stakeholders (possibly explaining the higher response rates).

<table>
<thead>
<tr>
<th>Number of responses (166)</th>
<th>% of responses</th>
<th>Value (AU$ m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>49</td>
<td>30</td>
<td>&lt;0.1</td>
</tr>
<tr>
<td>26</td>
<td>16</td>
<td>0.1–0.3</td>
</tr>
<tr>
<td>13</td>
<td>8</td>
<td>0.3–0.5</td>
</tr>
<tr>
<td>19</td>
<td>11</td>
<td>0.5–1</td>
</tr>
<tr>
<td>20</td>
<td>12</td>
<td>1–5</td>
</tr>
<tr>
<td>19</td>
<td>11</td>
<td>5–10</td>
</tr>
<tr>
<td>10</td>
<td>6</td>
<td>10–30</td>
</tr>
<tr>
<td>5</td>
<td>3</td>
<td>30–50</td>
</tr>
<tr>
<td>5</td>
<td>3</td>
<td>&gt;50</td>
</tr>
</tbody>
</table>

**Figure 17** Responses by business activity

**Figure 18** Value of business declared by organic operators

**Figure 19** Selling activity of respondents (Responses n=102)
Most post-farm-gate businesses are certified by Australian Certified Organic (ACO) 72% followed by NASAA (NCO) 20%.

This accords with known market share of certifications of this post-farm-gate sector and confirms that the sample size is representative of industry based on certified client types. Whilst no responses are directly from TOP-certified clients, which only certifies Tasmanian producers, Tasmania is represented due to mainland-based certification agencies certifying processors and wholesalers in that state.

Figure 21 outlines reported sales per sector showing registered sales of $591.3m from retailers, followed by processors/manufacturers $294m; this is lower than representative of industry values as a whole. Wholesalers account for $135m. This is in accord with their sectoral share, which is 11.1% of the organic industry. Exports are reported as 10.4% of overall reported values.

Figure 22 is revealing because it shows that most organic operators work across more than one state 73%. This is indicative of an industry that is highly networked and requires direct supply from, and market access into, more than one region or city.

Australia’s two largest retailers each have 500 certified organic product lines, and are expected to expand. Australia’s other major retailers, such as IGA, ALDI, FoodWorks and Costco also carry a range of certified organic products.

The overall value of organic retailing in Australia is estimated at $1.15bn.

The value of the independent retail sector is testament to a resilient and long-standing market for the organic industry. One million Australians regularly purchase organic products mostly from smaller or independent retailers, suggesting that these retailers have the opportunity to expand and move with the changing expectation of consumers: increased access, competitive pricing and extras such as cafes and nutritional advice.

The example of Wray Organic is testament to this with their success in expanding out a franchise model in the face of big retail domination. Many independents have to rethink their business model due to tighter margins and the need to market their own businesses.

Figure 22 is revealing because it shows that most organic operators work across more than one state 73%. This is indicative of an industry that is highly networked and requires direct supply from, and market access into, more than one region or city.
Seasol 

From humble beginnings to market leader, Seasol has become the top selling liquid garden treatment in Australia with its “Don’t forget the Seasol!” tagline.

Englishman Eric Haynes came to Australia in the 1950s with a dream to play soccer and establish a better life for his family. By 1968 Eric had started his own business selling industrial cleaners, and rust and paint removers (his only daughter Lisa was three-years old at the time). By 1984 he’d acquired a flailing seaweed company that was manufacturing and selling a product called Seasol, a plant health tonic and soil conditioner made from bull kelp washed ashore on King Island, Tasmania. The unique properties of this seaweed were discovered when local cattle were found wandering down to the beach to graze on the kelp in preference to their pastures. Scientists noted that the cattle that grazed on the kelp did not display the usual trace element deficiencies in their coats.

In the mid-1990s Eric stopped using the traditional distributors for garden products and marketed the product himself. With the help of his team, including his daughter, Lisa Boyd, Eric relaunched Seasol. Everyone told Eric and Lisa that “no one can survive with just two products.” They ignored this advice and relaunched Seasol onto the home garden market.

Seasol today

Seasol is still a small family-owned Australian company. Eric remains a driving force behind the business, with managing director, Lisa. With so many iconic brands becoming foreign owned, or moving their operations offshore, Seasol is very proud of its homegrown manufacturing success. The company employs over 60 people and is the only seaweed company on the retail market that takes its product from harvest to manufacture, does its own bottling and distribution and holds direct accounts with all the major retailers.

The commercial arm of the business supplies some of the biggest farms and commercial growers in the country. Of the 16 products in the commercial range, five are certified as approved for organic use: Seasol, Liquid Organic Humate, Power-Fish, Pristine Stockfeed Supplement and Organodex Trace Elements.

The commercial market’s typical customers are growers of produce, pasture for livestock and grain, and the viticulture industry. The company’s two largest markets are viticulture and tree crops (nuts, citrus, apples and stone fruit) with almonds being the biggest single market. The organic market has increased in recent years, as there has been a shift from conventional practices to organic, however this market is only 20% of the company’s commercial business.

In the last seven years Seasol has invested heavily in its infrastructure. It now has the ability to manufacture 10,000 litres per day in a single shift. Attention is turning to the science of the product, with plans to invest millions of dollars in research and development over the next 10 years. Over three million dollars has already been spent in the last few years. World-renowned Australian research scientist Dr Tony Arioli heads Seasol’s growing research and development team. Tony (who was recruited from Bayer) and his team are working with other leading scientists, agronomists and farmers to expand knowledge on rates and timing for individual crops and explore more of the unique properties of Seasol. “Even if we can’t improve it (Seasol) we can certainly improve effectiveness and economic returns through better-informed rates and application timing,” says Tony.

Advice

Lisa Boyd says, “Aim big. For us this is to improve the quality of Australian-grown produce. Also work hard at creating an egalitarian work environment. At Seasol we have fun and everybody in the company gets a share of the financial success.”
Organic Supply Chain

Figure 23 shows that 63% of organic respondents directly or indirectly exported; with 36% reporting no export. The non-exporters might have small turnovers and different abilities and business targets for their organic production. Respondents who sell online are limited to cosmetics and account for 1% of the responses.

Figure 24 confirms almost half of organic value adders source some of their product for manufacturing or wholesaling from overseas. Many countries are indicated as their source market although those countries most regularly sourced from are the US, South America (generally), Malaysia and a number of countries from the EU.

Direct reports and public information is not available from the larger retailers or independents in terms of percentage of overall imported product sales. Canned products from Europe and the US, teas from Sri Lanka, cereals from the US and beverages from New Zealand are the most prevalent imported organic products.

One company indicates that it imports products from 400 US suppliers alone. This extent and volume of imported products suggests opportunities for import substitution.

Figure 25 outlines percentages of other certification streams employed by manufacturers and exporters to achieve market access (done through additional services provided by Australian-based certifiers).

The largest certification is with the US NOP 52%, which accords with separate industry reports that this is the single most required additional certification for market access.

This is followed by IFOAM 16%. IFOAM is not a market access specific certification program, highlighting the desire to have additional industry endorsement.

JAS (Japan) is third, reflecting a trend towards direct provision of certification services to access overseas markets that have their own requirements for organic products, which can vary from Australian standards. These additional certification requirements are additional costs for manufacturers and exporters – an impediment to exporting to those countries.

Seventy-four per cent of respondents confirmed they have been in the organic industry for 10 years or less, almost one-third for less than five years. Only 10 operators have been in the business for more than 20 years.
Figure 27 reveals that 45% of respondents indicate that of total sales of product, less than 20% related to certified organic products; 26% report 100% of their sales as organic certified sales.

The forecasts of sales of certified organic products (figure 28) and the change in sales margins (figure 29) provide a clear picture of positive expectations of growth in sales of organic products.

Despite this, industry operators report concerns about significant drops in margins, even though business as a whole may be increasing.
Interview observations and trends

Thirty-two interviews were conducted in conjunction with the survey data collection. Company representatives interviewed are from a range of organic sectors including beef, lamb, pork and poultry, grains, fruit and vegetables, general groceries, personal care products, baby foods and dairy.

While industry growth rates are reported as being moderately positive, interviews with industry representatives suggest a more upbeat feeling. Representatives see even higher growth levels for their own companies in the immediate future. These views provide substance and support to the positive picture emerging within organics and forecast growth rates.

Company representatives provide credible estimates of their expected growing sales figures. The average growth forecast on the previous year for their organic products is 15% with some indicating 20 and up to 50% growth for their own sectors and/or businesses. The prediction for 2013 is equally optimistic. Very few indicate declines, though a few feel they expect stable sales and/or declining margins, which will lead to a similar net profit but with increased volume throughput. Through the industry interviews, the total industry turnover estimate, based on other data sources including farm level data, of in excess of $1.2bn as a total turnover, is verified.

Many operators choose varied forms of distribution for their organic products, which include wholesale, retail, own retail and farmers’ markets. In most cases food miles are considered to be too high.

Online sales is a growing form of distribution though there is little verifiable data to clearly indicate the level at which it is growing.

Business concerns and identified issues

Some operators feel that the organic industry is reaching a point where new business models will be required. The industry is gaining a greater level of acknowledgement and acceptance and as such is ‘growing up’. The industry reflects many macro-economic concerns including higher costs and export concerns over the high Australian dollar and global market access. As one operator indicates, “Costs and administration of doing business with organics is too high and the … industry too competitive with cheap imports.” Another operator states: “I am finding the continual price increases of raw ingredients, manufacturing costs and high cost of utilities very expensive. Not enough support for small businesses to succeed.”

Interestingly some operators also express concern about global issues – such as the instability and conflict in the Middle East – that they see as impacting on their products. Concerns over sustainability of their product, of their industry and of their market share are regular responses provided in these interviews.

Many of those interviewed premise their remarks and responses with concern about the state of the economy and fear that their product and sales growth may be jeopardised by macro-economic concerns. There is a feeling of volatility of the industry. Some retailers are launching their own private label products. This is felt as a threat both to their ability to provide for the market and the power of the retailers to lead and direct the market. There is also the desire to see accreditation organisations work on joint recognition of standards and certification streams to simplify trade.

A number of operators indicate that energy supply, sustainable supply and usage have become an issue for them over the last few years. Moreover there is the
feeling that the industry is not getting due recognition in a number of areas such as carbon trading and emissions schemes.

Some operators are concerned that there needs to be greater coordination with farmers in terms of their entry into the market as well as the coordination of supply. This is confirmed by one operator: “The lack of a reliable supply of organic fruit and vegetables (for processing, including freezing) in Australia has made it almost impossible to support local growers.” There are reported supply difficulties and exports are also taking up much of the scarce product.

Some operators indicate that they require more help from government with accessing and being accredited in external markets with reference specifically to China, given its more recent changes that now do not recognise the Australian standards and Australian Government accreditation program. One operator indicates, “The (Australian) Government should legally protect the word organic like in the US.”

<table>
<thead>
<tr>
<th>Organic hot drinks</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10.4</td>
<td>11.8</td>
<td>13.3</td>
<td>14.9</td>
<td>16.3</td>
<td>18.0</td>
</tr>
<tr>
<td>Organic soft drinks</td>
<td>40.8</td>
<td>46.9</td>
<td>50.3</td>
<td>53.2</td>
<td>55.7</td>
<td>57.9</td>
</tr>
<tr>
<td>Organic baby food</td>
<td>22.7</td>
<td>26.8</td>
<td>29.9</td>
<td>32.7</td>
<td>34.7</td>
<td>38.1</td>
</tr>
<tr>
<td>Organic bakery</td>
<td>62.0</td>
<td>69.0</td>
<td>73.7</td>
<td>77.6</td>
<td>80.3</td>
<td>82.2</td>
</tr>
<tr>
<td>Organic confectionery</td>
<td>1.7</td>
<td>1.8</td>
<td>2.0</td>
<td>2.1</td>
<td>2.1</td>
<td>2.2</td>
</tr>
<tr>
<td>Organic oils and fats</td>
<td>20.4</td>
<td>23.1</td>
<td>25.5</td>
<td>27.8</td>
<td>29.6</td>
<td>31.1</td>
</tr>
<tr>
<td>Organic ready meals</td>
<td>0.2</td>
<td>0.3</td>
<td>0.4</td>
<td>0.4</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Organic rice</td>
<td>2.0</td>
<td>2.1</td>
<td>2.3</td>
<td>2.4</td>
<td>2.5</td>
<td>2.6</td>
</tr>
<tr>
<td>Organic sauces and condiments</td>
<td>3.2</td>
<td>3.3</td>
<td>3.4</td>
<td>3.6</td>
<td>3.6</td>
<td>3.7</td>
</tr>
<tr>
<td>Organic snack bars</td>
<td>2.5</td>
<td>3.3</td>
<td>3.9</td>
<td>4.5</td>
<td>5.0</td>
<td>5.5</td>
</tr>
<tr>
<td>Organic soups</td>
<td>1.4</td>
<td>1.5</td>
<td>1.6</td>
<td>1.7</td>
<td>1.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Organic spreads</td>
<td>4.7</td>
<td>5.4</td>
<td>6.1</td>
<td>6.9</td>
<td>7.5</td>
<td>8.1</td>
</tr>
<tr>
<td>Organic sweet and savoury snacks</td>
<td>4.0</td>
<td>4.9</td>
<td>5.8</td>
<td>6.7</td>
<td>7.3</td>
<td>7.9</td>
</tr>
<tr>
<td>Other organic food</td>
<td>25.4</td>
<td>28.4</td>
<td>31.3</td>
<td>33.8</td>
<td>33.9</td>
<td>34.3</td>
</tr>
</tbody>
</table>

Figure 31 Retail value (AU$m) (Euromonitor 2010)

<table>
<thead>
<tr>
<th>Supermarkets/hypermarkets</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>61.0</td>
<td>62.1</td>
<td>63.0</td>
<td>63.5</td>
<td>64.0</td>
<td>64.5</td>
<td>66.8</td>
<td>67.5</td>
</tr>
<tr>
<td>Discounters</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
<td>1.5</td>
<td>1.6</td>
</tr>
<tr>
<td>Small grocery retailers</td>
<td>19.5</td>
<td>20.5</td>
<td>21.0</td>
<td>21.3</td>
<td>21.5</td>
<td>21.4</td>
<td>20.8</td>
<td>20.3</td>
</tr>
<tr>
<td>Convenience stores</td>
<td>5.1</td>
<td>5.1</td>
<td>5.0</td>
<td>5.0</td>
<td>4.9</td>
<td>4.8</td>
<td>4.2</td>
<td>3.8</td>
</tr>
<tr>
<td>Independent small grocers</td>
<td>12.3</td>
<td>13.4</td>
<td>14.0</td>
<td>14.4</td>
<td>14.7</td>
<td>14.8</td>
<td>15.1</td>
<td>15.3</td>
</tr>
<tr>
<td>Forecourt retailers</td>
<td>2.1</td>
<td>2.1</td>
<td>2.0</td>
<td>2.0</td>
<td>1.9</td>
<td>1.7</td>
<td>1.5</td>
<td>1.2</td>
</tr>
<tr>
<td>Other store-based retailing</td>
<td>11.1</td>
<td>8.8</td>
<td>7.4</td>
<td>6.5</td>
<td>5.7</td>
<td>5.3</td>
<td>3.2</td>
<td>3.0</td>
</tr>
<tr>
<td>Other grocery retailers</td>
<td>10.1</td>
<td>7.9</td>
<td>6.6</td>
<td>5.7</td>
<td>4.9</td>
<td>4.5</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Non-grocery retailers</td>
<td>6.9</td>
<td>0.9</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.7</td>
<td>0.6</td>
</tr>
<tr>
<td>Non-store retailing</td>
<td>7.4</td>
<td>7.5</td>
<td>7.6</td>
<td>7.6</td>
<td>7.7</td>
<td>7.7</td>
<td>7.7</td>
<td>7.6</td>
</tr>
<tr>
<td>Vending</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Home shopping</td>
<td>2.3</td>
<td>2.3</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
<td>2.1</td>
<td>2.0</td>
<td>1.9</td>
</tr>
<tr>
<td>Internet retailing</td>
<td>3.0</td>
<td>3.1</td>
<td>3.2</td>
<td>3.3</td>
<td>3.3</td>
<td>3.4</td>
<td>3.5</td>
<td>3.7</td>
</tr>
<tr>
<td>Direct selling</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Figure 32 Percentage distribution of organic products (Euromonitor 2010)
The International Federation of Organic Agriculture Movements (IFOAM) reports global sales of organic food and beverages reached US$59bn in 2010. This suggests that the global market has expanded more than three-fold in 10 years. North America and Europe comprises over 90% of global demand, the largest markets being the US, Germany and France in that order (Willer & Kilcher 2012).

According to Euromonitor (2012a), the Global Health and Wellness Food and Beverages report has a measured value of total ‘green’ consumer items of US$601bn. While many of the products in the Euromonitor report are not certified organic, the figure is indicative of the potential size of this sector as well as the economic opportunity for the production of quality food.

Organic products account for on average 2% of food sales in Europe (though with the likes of Austria, Switzerland and Denmark, 5–7% of retail value) and 2.5% in the US. Developed markets remain dominant: North America and Western Europe together made up 90% of global organic sales in 2010. Within these regions, the US and Germany dominate organic sales, accounting for nearly 60% of the total (Euromonitor 2011a). Organic offerings in emerging markets remain quite limited, though they are driven by well-known staple products. In Latin America and Asia Pacific, organic beverages are seeing growth due to demand for hot drinks, particularly coffee and green tea. Dairy retains its top position in terms of organic product sales, while other products with high raw food content, such as oils and fats, rice, baby food, sauces, dressings and condiments are also seeing strong growth over the forecast period.

In recent years, sales of organic products in Germany have shifted away from specialist health stores and moved towards discounters and supermarkets, which have expanded their product ranges. This is also true in other Western European countries such as Norway. Sales of organic packaged food and beverages were beginning to be hit in 2008 by the recession in Western Europe and North America, with organic packaged food seeing a faster recovery. This has been driven in part by combining organics with other health benefits, as well as consumer concern about environmental issues (Euromonitor 2011a).

Figure 33 indicates that the organic market enjoyed double-digit growth between 2006 and 2008, but growth slowed during the global financial crisis period due to organic products being more expensive than conventional. The market demonstrated resilience and registered growth of 1.2% between 2008 and 2010. The Euromonitor statistics vary considerably from other sources, due to a focus on non-fresh grocery items and big retail, however the nature of this trend is indicative of industry development over the last decade.

The presence of multinationals in the organic industry remains particularly small, and acquisitions remain a key strategy for such companies to enter the organic market. Due to strong growth for organic food and drink, the US and Canada offer the greatest opportunity to expand organic to other categories. The presence of organic products outside of food and beverages is growing, particularly in beauty and personal care, apparel and pet care (Euromonitor 2012c).
United States

The US organic industry was estimated at about US$29bn in 2010 and sales of organic food rose to US$23bn. This value is 3.5% of the total food market in value terms.

Before the 2008-09 recession, organic packaged food value sales were enjoying double-digit growth. Not surprisingly sales of organic food declined 2% in 2009 due to the global financial crisis (Euromonitor 2011a). However, organic packaged food value sales slowly recovered and increased by 1% between 2009 and 2010 (Euromonitor 2011a). Organic baby foods recorded the most dynamic growth between 2009 and 2010, with an increase of 10% in sales value. Part of this contribution was registered by the growth in organic beverages, specifically organic fruit/vegetable juice (Euromonitor 2011a).

The use of private labels is leveraging organic values and winning consumers by marketing organic products at competitive prices. Private labels' share of organics remained fairly stagnant until the economic recession began in 2008. As disposable incomes for many consumers dropped during the recession, consumers became more careful in their spending habits. Private label manufacturers took advantage of this and provided a cheaper alternative to organic branded products. Many supermarkets have since launched private label organic ranges (Euromonitor 2012b).

In 2010 in the US, 99.9% of sales of organic food and drinks were registered by store-based retailers, while only 0.1% came from internet retailing. Of the store-based retailers, supermarkets and superstores accounted for 72% of sales in 2010, equating to just under US$9bn. It is noteworthy that the two largest organic food retailers in the US are quite different in both their concepts and consumer profiles. Walmart is a mass-market supplier, well known for its aggressive pricing policy in the retail sector. Meanwhile, Whole Foods Market, a major retail chain in the US, is a specialist in natural and organic products.

Canada

The Canadian organic market in 2010 was valued at C$2.6bn with about 45% of organic products moving through mainstream supermarkets. Moreover, fresh vegetables accounted for 25% of all supermarket organic food sales. In both the US and Canada, any product containing less than 70% organic ingredients is not allowed to mention the word ‘organic’ in its advertisement, but may identify which specific ingredients are organic in the ingredients list (OTA 2012).

Europe

The total value of the European organic market in 2010 was approximately €19.6bn with an overall yearly growth rate of 8% (Euromonitor 2011a). The largest markets were Germany, France, the UK and Italy. In addition, within the EU there has been significant market growth in textiles and cosmetics bearing reference to organic production. Private certification schemes for these products have also been developed.

Germany

Germany is Europe’s largest market for organic packaged foods and beverages. With sales of €2.2bn in 2010, it accounted for 25% of the Western European organic market. On a global level, only the US surpasses Germany in terms of total value of organic sales. In 2010, Germany’s organic market managed to regain its positive growth trajectory after a stagnant 2009, achieving a modest sales increase of 1%.

Packaged organic foods strongly dominate the organic product landscape in Germany, accounting for 86% of sales in 2010, while beverages accounted for the rest. Organic dairy products are the biggest category in this subsector, followed by organic bakery products. Both categories combined accounted for 43% of total organic product sales in 2010.

In that year, the strongest growth (7%) was achieved by organic soy-based yoghurts as German consumers became increasingly aware of the health benefits of soy.
Next in line in terms of growth in 2010 were organic breakfast cereals, organic ready meals and organic butter, all of which gained 6% in sales on the previous year (Euromonitor 2012a, 2012c).

Organic products are in their infancy in the Asia Pacific region, with much of this organic production exported out of the region. In 2010, sales of organic products were just under US$1bn. However, within the Asia Pacific market organics are set to grow by 6% over 2012–15.

**Japan**

The Japanese market for organic food and beverages is the largest, most well established and most sophisticated in Asia. The Japanese consumer is also extremely complex, and by far the most quality conscious of any consumer in the world. They are historically aware of the importance of branding, seeking out the desired quality and ‘named’ products, and since the start of the recession in 2008, at the best possible price. Appearance of products is also particularly important, especially in gift-giving festivals, where food is often given as a gift. However, much confusion still exists regarding the difference between ‘organic’ and ‘green food’ in the marketplace. The Japanese preference towards buying local product may hamper foreign suppliers in their ability to gain share in this market in some categories. The 2011 tsunami, which provoked the nuclear meltdown at Fukushima, will without doubt have a positive impact on organic sales in Japan but data recording these changes was unavailable at the time of completing this Report.

**China**

While Japan is the largest market, making up 67% of all Asia Pacific sales, China has seen, and is set to continue to see, strong growth within organic products. In China quality food is also sold under the Green Food label, which is a category given to foods that are grown in a safe and ecologically sound manner. In China three categories of food are deemed to be safe, ecological and environmentally friendly. These include ‘non-polluted food’ (or hazard-free food), ‘green food’ and ‘organic food’. These three categories can be explained by means of a pyramid where the lowest level is non-polluted food and the highest level is organic food. The retail sales of certified green foods make it one of the largest such sectors in any country of the world. This organic/green/clean market has a retail value of US$12bn according to a recent investigation (Chen 2012). Growth of the organic sector, particularly in urban areas, where higher levels of organic awareness and affluence increase demand, is constrained by limited product range, inconsistent supply, significantly higher price premiums in some categories and low levels of consumer understanding of organics.

Concerns about the safety of food following recent food safety scandals, as well as the rising purchasing power of consumers, have driven growth in sales of organic food. It has been reported that Chinese consumers lost confidence in locally produced milk after a series of scandals involving food safety in 2008. Overall price sensitivity seems less important in terms of purchase of organic food as a result of food safety issues. China is not one uniform market. It is heterogeneous and diverse from north to south and from east to west. Chinese consumer behaviour towards organic products is influenced by several factors including geography, social status and other factors. Moreover prospects for certain categories of organic products including processed and frozen food, dairy products, cereals and wine remain high. Infant formula and baby food is in strong demand as are organic skincare products (Chen 2012).

**Singapore**

Singapore is a state/city with almost no agriculture. Most organic products are imported with only a limited selection of organic vegetables supplied through domestic production. The current organic market size is estimated at a low US$5m. Singaporean consumers are extremely price conscious. Singapore boasts a large expatriate community (1.4m), many of whom have been long-time consumers of organic products. This group has largely supported the organic industry to date, and seeks out organic products from specialty retailers. For international suppliers of organic products Singapore is easy to enter but has limited potential.

**New Zealand**

New Zealand remains strong in the export of value-added organic products, particularly in soft drinks, soups and dairy, or its export of organic kiwifruit and apples as well as organic fibre and textiles. The total value of New Zealand’s organic production is estimated at about NZ$500m, 40% of which is contributed by export (OANZ 2010).
Exports

The International Federation of Organic Agriculture Movements (IFOAM) estimates the global organic market to be growing at a rate of 10% per annum, which suggests significant export business opportunities for certified operators in Australia.

As with the conventional market, Australian commodities such as grain and beef produced and marketed as organic have a respected reputation in overseas markets. Growing market areas include non-food items such as cosmetics, especially in the North American and European markets. Australian processing companies are showing movement into these areas with increasing sales into the US and North and Southeast Asia, while also now into emerging markets such as the United Arab Emirates.

Future opportunities for many medium to larger Australian businesses to export rely on growing international demand for organic product. Supermarkets account for over 60% of all organic sales, driven by the permanent positioning and offering by major supermarkets such as Coles, Woolworths, ALDI and IGA.

A long-standing presence in the marketplace is the certification organisations that work to enable market access to key markets internationally. While there is a national organic standard in Australia for export, in reality this standard and regulatory system remains recognised by a limited number of countries and regions, requiring most Australian exporters to also seek and achieve additional certifications for specific markets (for example, the US, Korea, Japan and so on).

In order to keep international markets open for Australian businesses, Australian certifiers maintain a range of government and NGO accreditations. ACO and NCO maintain up to seven such accreditations specific to organic, including Australian Government DAFF (formerly AQIS); United States USDA NOP;
Canada COR; Japan JAS; IFOAM and IOAS ISO 65; and more recently EU recognition for equivalence of their private or industry standards. ACO also maintains a Korean MAFF accreditation.

Meanwhile mainland China is further closing its borders and requiring direct certification requirements from China-based certification groups. Some Australian-based certifiers such as ACO and NCO have moved to forge relationships with Chinese certifiers to enable as simplified a trade as possible for willing exporters (see Bellamy’s profile, page 67).

Most of these accreditation streams, while maintaining close to identical organic standards, require exporting parties to ensure that the entire supply chain is compliant to those requirements and in most instances also specifically certified to it. While there is some hope in future of equivalent recognition between some governments (as has now occurred in 2012 between the US and EU) it appears not only a long way off but likely to remain on the terms of the larger importing partner and their standards.

Of note are the high number of marketing and production operations (estimated at over 100) certified by Australian-based certifiers in the Asia Pacific region, reflective of both regional trade as well as requirements for market access to the EU and US in particular, which Australian-based service providers are economically well placed to provide.

Countries that the two largest Australian organic certification agencies are active in include: Cook Islands, Papua New Guinea, Samoa, Solomon Islands, Indonesia, Nepal, Sri Lanka, Malaysia, Madagascar, Singapore, and with reported certifications also in the United States, highlighting the international nature and interconnectedness of the world organic market and its related regulatory arrangements.

<table>
<thead>
<tr>
<th>Quantity exported kilogram &amp; litres</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepared food</td>
<td>386,337</td>
<td>5,516,202</td>
<td>4,364,646</td>
<td>3,163,636</td>
<td>1,766,385</td>
<td>2,304,364</td>
<td>2,766,881</td>
<td>2,981,097</td>
<td>2,852,961</td>
<td>2,945,291</td>
</tr>
<tr>
<td>Beef</td>
<td>66,470</td>
<td>318,898</td>
<td>397,550</td>
<td>682,250</td>
<td>444,681</td>
<td>787,753</td>
<td>397,557</td>
<td>1,059,273</td>
<td>1,256,304</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Oilseed</td>
<td>453,493</td>
<td>1,438,380</td>
<td>1,448,872</td>
<td>1,275,987</td>
<td>703,652</td>
<td>1,184,605</td>
<td>18,502</td>
<td>183,810</td>
<td>917,230</td>
<td>786,392</td>
</tr>
<tr>
<td>Grains, legume</td>
<td>40,867</td>
<td>602,112</td>
<td>194,019</td>
<td>48,113</td>
<td>6,460</td>
<td>47,138</td>
<td>29,885</td>
<td>378,549</td>
<td>808,870</td>
<td>456,279</td>
</tr>
<tr>
<td>Grains, cereal</td>
<td>2,978,533</td>
<td>19,043,269</td>
<td>24,417,497</td>
<td>9,663,954</td>
<td>2,145,623</td>
<td>5,103,799</td>
<td>1,403,094</td>
<td>1,709,569</td>
<td>726,021</td>
<td>562,098</td>
</tr>
<tr>
<td>Wine</td>
<td>29,861</td>
<td>145,042</td>
<td>188,286</td>
<td>335,863</td>
<td>279,284</td>
<td>476,433</td>
<td>598,837</td>
<td>352,673</td>
<td>467,894</td>
<td>537,213</td>
</tr>
<tr>
<td>Honey</td>
<td>20,400</td>
<td>176,249</td>
<td>162,051</td>
<td>123,997</td>
<td>243,009</td>
<td>333,820</td>
<td>391,954</td>
<td>305,817</td>
<td>370,517</td>
<td>451,822</td>
</tr>
<tr>
<td>Fibres</td>
<td>700</td>
<td>51,822</td>
<td>33,593</td>
<td>24,397</td>
<td>30,768</td>
<td>54,976</td>
<td>34,411</td>
<td>82,111</td>
<td>350,427</td>
<td>120,004</td>
</tr>
<tr>
<td>Fruit and vegetables</td>
<td>14,342</td>
<td>131,685</td>
<td>1,019,162</td>
<td>12,756</td>
<td>82,393</td>
<td>196,623</td>
<td>214,525</td>
<td>331,411</td>
<td>316,953</td>
<td>245,192</td>
</tr>
<tr>
<td>Juice</td>
<td>3919</td>
<td>155,333</td>
<td>465,053</td>
<td>508,609</td>
<td>616,103</td>
<td>517,070</td>
<td>451,090</td>
<td>319,847</td>
<td>154,435</td>
<td>76,245</td>
</tr>
<tr>
<td>Dairy</td>
<td>60</td>
<td>1613</td>
<td>20,766</td>
<td>66,640</td>
<td>8313</td>
<td>23,849</td>
<td>54,994</td>
<td>80,623</td>
<td>87,341</td>
<td>45,192</td>
</tr>
</tbody>
</table>

Figure 35 Quantity of organic commodities exported 1999–2009 (AOMR 2010)
Bellamy’s Organic started in Launceston, Tasmania in 2004 as a family operated company. It was the first to offer an organic baby formula range to Australians.

Tasmanian Pure Foods Ltd purchased Bellamy’s Organic in 2007. Tasmanian Pure Foods is a privately owned business set up to acquire and build Tasmanian food and agribusinesses. Sales growth has been very strong with 100% year-on-year growth for the past two years.

Bellamy’s is under the management of chief executive officer, Laura McBain, and operations manager, Rod Lyons, with a team of 20, including sales executives in Melbourne and Sydney. Bellamy’s first international office is now open in Shanghai, with plans to expand to Singapore and Hong Kong to better service customers in the Asia region.

**Products**
Bellamy’s Organic was the first certified organic brand to launch in major Australian supermarkets in the baby food category. Their range now includes baby formula, cereals, pasta, rice cakes, fruit snacks and teething rusks. Bellamy’s is the only Australian-produced certified organic formula brand providing step 1, step 2 and step 3 (toddler) milk.

Bellamy’s has over 100 suppliers and around 2000 retail outlets across Australia, and distribution across China, Singapore, Malaysia, Hong Kong, Vietnam and New Zealand. Bellamy’s is found in all major supermarkets in Australia. The company also has a user-friendly online store so those in remote areas can purchase products easily.

Laura says, “We always have a demand for organic milk powders (skim and whole cream), organic lactose and whey, as well as grains such as oats, semolina and rice. Our fruit requirements include apple, pear and banana.”

**Environmental and social benefits**
Laura says, “Bellamy’s Organic is located in Launceston, supporting rural and regional Australia. All products are made in Australia. Promoting and supporting organic farming practices improves soils and reduces our dependence on chemical farming. Within the strict guidelines required for the packaging of baby foods we try always to choose the most environmentally sound packaging solutions. “Offering parents a certified organic choice for their babies means that the next generation can have a pure start to life, and be given the best possible chance at developing mindful eating habits through wholesome organic food. We hope that the children brought up on Bellamy’s Organic will be able to pass the benefits on to their children and create a legacy of healthy eating for future generations.”

**Best business decision**
“Our best decision was to launch our brand into China. We have been very patient and diligent in this process and are now starting to reap the rewards of a sound, strategic business plan to this market,” says Laura.

**Advice**
Laura says, “Organic food should not be considered an alternative to conventional food and placed in the health food aisle. It should be front and centre for every category – be where the customer shops!”
The Australian organic consumer in 2012

Each year Australian consumers are asked a range of organic-specific questions as part of the broader Green-Tracker research conducted by Mobium Group.

In May 2012 Australian organic consumers were asked the regular set of questions, as reported in the Australian Organic Market Report 2010, along with some additional questions relating to country of origin, retailer origin and trust in organic foods, where a recognised certification mark was present.

This section makes references to Lifestyles of Health and Sustainability (LOHAS) types: Leaders (are highly committed to sustainability), Leaning (have moderate commitment), Learners (have recent awareness of sustainability) and Laggards (have low levels of interest). See page 82 for more on LOHAS.

The summary of results below builds on four years of comparative data of organic consumers in Australia.

Consumer understanding of organic

Year on year there is strong consistency within the Australian community about the perceived benefits of organic food. ‘Free from’ aspects remain the key perceived benefits of organic food in Australia, continuing a consistent pattern over three years from 2009. Four of the five leading benefit attributes overall continue to revolve around what organic food ‘does not contain’.

Benefit attributes are chemical free (79%), additive free (77%), hormone/antibiotic free (64%) and non-GMO (62%).

Enhanced food traceability (48%) continues to lift as a known benefit, moving to the 6th ranked, up from 14th in 2010. This outcome is reflective of larger social trends that show consumers are becoming more interested in the source of their food.

### Perceived benefits of organics

<table>
<thead>
<tr>
<th>Benefit attributes</th>
<th>2012</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical free</td>
<td>79</td>
<td>83</td>
<td>82</td>
</tr>
<tr>
<td>Additive free</td>
<td>77</td>
<td>74</td>
<td>77</td>
</tr>
<tr>
<td>Environmentally friendly</td>
<td>67</td>
<td>69</td>
<td>70</td>
</tr>
</tbody>
</table>

### Most important benefits of organics (high + moderate importance)

<table>
<thead>
<tr>
<th>Benefit attributes</th>
<th>2012</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical free</td>
<td>89</td>
<td>91</td>
<td>-</td>
</tr>
<tr>
<td>Additive free</td>
<td>88</td>
<td>89</td>
<td>-</td>
</tr>
<tr>
<td>More nutritious</td>
<td>88</td>
<td>87</td>
<td>-</td>
</tr>
</tbody>
</table>

### Households purchased any organic product last year

<table>
<thead>
<tr>
<th>Benefit attributes</th>
<th>2012</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest penetration categories (purchased in last year)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organic fresh fruit and vegetables</td>
<td>60</td>
<td>57</td>
<td>-</td>
</tr>
<tr>
<td>Organic home-cooking ingredients</td>
<td>45</td>
<td>44</td>
<td>-</td>
</tr>
<tr>
<td>Organic canned goods</td>
<td>39</td>
<td>42</td>
<td>-</td>
</tr>
</tbody>
</table>

### Highest purchase frequency categories (every 1–30 days)

<table>
<thead>
<tr>
<th>Benefit attributes</th>
<th>2012</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic non-alcoholic beverages</td>
<td>49</td>
<td>48</td>
<td>-</td>
</tr>
<tr>
<td>Organic fresh fruit and vegetables</td>
<td>47</td>
<td>45</td>
<td>-</td>
</tr>
<tr>
<td>Organic dairy</td>
<td>44</td>
<td>44</td>
<td>40</td>
</tr>
</tbody>
</table>

### Major barriers to further purchase

<table>
<thead>
<tr>
<th>Benefit attributes</th>
<th>2012</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price/value</td>
<td>80</td>
<td>81</td>
<td>82</td>
</tr>
<tr>
<td>Knowing you can trust it is organic</td>
<td>48</td>
<td>57</td>
<td>54</td>
</tr>
<tr>
<td>Quality of produce</td>
<td>41</td>
<td>46</td>
<td>New</td>
</tr>
</tbody>
</table>

### Prompted awareness of organic certification marks

<table>
<thead>
<tr>
<th>Certification mark</th>
<th>2012</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACO</td>
<td>31</td>
<td>23</td>
<td>21</td>
</tr>
<tr>
<td>NCO</td>
<td>19</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>USDA</td>
<td>7</td>
<td>New</td>
<td>New</td>
</tr>
</tbody>
</table>

Figure 36 Snapshot of findings: the Australian organic consumer 2009–2012 (%)
Increased nutrition (47%) and better taste (42%) continue to be rated more moderately in terms of understood benefits.

The number of those who saw benefits between organic products and climate change dropped dramatically in 2012 compared with 2010. This may reflect general community fatigue and disengagement about climate change and carbon emissions due to the protracted carbon tax debate over the period. A consistent 7% overall said that they were ‘not sure’ or ‘don’t know’ what the benefits of organic food are.

The research suggests that community understanding of the key benefits of organic is well entrenched and clear.

**Benefits of most importance to consumers**

Most consumers rate the chemical free and additive free attributes, as well as enhanced nutrition and taste, as the most important benefits of organics to them.

Those organic benefits with the highest importance have remained consistent in their overall ranking since 2010.

The benefits of organics with the highest combined ‘of high importance’ and ‘of moderate importance’ rating are chemical free (89%), additive free (88%), more nutritious (88%) and better tasting (85%).
Each of these benefits exhibits a strong level of ‘what’s in it for me?’ personal benefit. Those aspects that provide a health and wellness payback have the strongest resonance and are the most salient themes for the majority of the community.

The addition of two new aspects in 2012 has impacted on the rankings of some stated benefits. Notable changes include:

- ‘Improves my overall health and wellbeing’ (new in 2012) ranked 5th overall highlighting the importance placed on personal health. Does not contain GMOs slipped from 5th to 8th ranked (perhaps reflecting a lack of mainstream media attention on this issue over recent years)

- ‘Fair prices/wages to farmers’ lifted from 10th to 9th (potentially impacted by ongoing price wars between the major supermarkets on milk and other commodity-based products that are squeezing farmer/grower/supplier margins).

Figure 38 Organics: important factors (%)
Deborah Wray and Gary Davis established Wray Organic Market and Cafe as a ‘bricks and mortar’ retailer in Queensland in 2005 and as a certified organic business in 2009. As of late 2012 it had eight outlets across south-east Queensland (four opened in 2012) with further plans for national expansion under their owner-operator franchise model. Wray currently employs 140 people.

Deborah became interested in organic food when her son became unwell 12 years ago. The doctor suggested her son “eat organic wherever possible”. Deborah claims she was having to buy from all over the place and dreamed of one day offering a one-stop organic shop. She thought, “There must be other people out there who want clean food and don’t want to be shopping in five different locations to get it.” The good news is that her son recovered his health and Wray Organic was born.

Wray’s fruit and vegetables are 100% certified organic and at least 90% of their grocery lines are certified organic, ranging over 5000 products with over 150 direct suppliers. Wray’s first store opened in 2005 with a retail space of 70 square metres. New stores being opened now are four times that size and include a cafe.

Supply challenges
Deborah says, “Grocery items are often out of stock from wholesalers, which means we may be out of stock of a product for a month. This represents lost sales for the manufacturer/producer and for us, the retailer! Out of stocks can also be frustrating for customers who will assume that the retailer is unprofessional with poor ordering practises. Sometimes during the year fruit and vegetable items can be unavailable, for example, red onions. Some dairy lines are limited in the winter.”

Best business decision
Deborah says, “Inviting franchisees to join our business. We will continue to open stores if we meet the right people to run them and find the right locations.”

“Supply challenges
Deborah says, “Grocery items are often out of stock from wholesalers, which means we may be out of stock of a product for a month. This represents lost sales for the manufacturer/producer and for us, the retailer! Out of stocks can also be frustrating for customers who will assume that the retailer is unprofessional with poor ordering practises. Sometimes during the year fruit and vegetable items can be unavailable, for example, red onions. Some dairy lines are limited in the winter.”

Best business decision
Deborah says, “Inviting franchisees to join our business. We will continue to open stores if we meet the right people to run them and find the right locations.”

Advice
“It is extremely important to check the demand for a product before launching it into the marketplace. We suggest you ask us or a similar retailer what is needed in the marketplace, whether it is a fruit, vegetable or grocery line. We are at the coal face and we constantly see opportunities for new products. Unfortunately so many products are offered to us that are not suitable.”

“We are at the coal face and we constantly see opportunities for new products.”

Wray Organic is a unique offering because the range in the retail is largely certified organic and all the food on offer in the cafe is certified organic. So many cafes say they are ‘organic’, yet upon questioning you discover they offer organic ingredients when they are available! This is not good for the organic industry and in particular is confusing for the public,” says Deborah.
Purchasing behaviour

How often do Australians buy organic?

In 2012, 65% of adult Australians claimed to have purchased at least one organic product, with over one million Australians regularly purchasing organic products.

Demographics are not good predictors of tendency to purchase, the strength of individuals’ values about personal, community and planetary wellbeing and the manifestation of these in one’s worldview and lifestyle options. The strength of LOHAS alignment correlates with participation in organics.

The base of organic product purchasing is drawn from all parts of the community. The demographic profiles of an organic purchaser and non-purchaser show very similar characteristics.

Figure 39 Participation rates
The demographic profiles of an organic purchaser and non-purchaser show very similar characteristics.

The penetration of organics within the community remains strongly aligned to LOHAS segments. Leaders continue to be the most committed group, with 92% saying they had purchased organic in 2010. However there is good progression across all segments: Leaning, Learners and Laggards segments all show strong gains in participation compared with 2010.

In 2012 nearly eight in 10 in the Leaning group said that they had purchased organic compared with over half those in the Learners and now just under a quarter of the Laggards. Laggards, while remaining ‘under-indexed’ in terms of participation, are up 60% on 2010 figures.

The use of organic products amongst Australian households is progressively becoming more mainstream over time. Continuation of this trend will be important for sustained industry growth into the future. The impact of even a doubling of purchase behaviour by infrequent (but still growing in number) consumers could increase sales of organic products.
Who buys organic?

The household purchase penetration of organic food categories varies widely.

LOHAS Leaders remain the primary participants in the organic market. This cohort participates at much higher rates across all categories than the rest of the community – in many segments two or over three times higher than the overall average. There is a major opportunity for the organic industry to drive increased participation in the Leaning and Learners components of the community. Engaging these groups will be crucial as participation rates of the Leaders move towards saturation.

Fresh produce is the most highly shopped organic segment, with 60% of households indicating that they purchased at least one organic fresh fruit or vegetable in the past year (up from 57% in 2010) (see Figure 39).

The use of organic products amongst Australian households is progressively becoming more mainstream over time.

Household staples are next (cooking ingredients 45%, canned goods 39%) then bread (also 39%), red meat (35%) and dairy items (34%).

In general food products have the highest participation rates, in contrast to non-food items such as cleaning products (24%), cosmetics/skincare (17%) and pet care (11%).

Almost all organic product categories have experienced increases in claimed participation rates compared with 2010.

Purchasing of organic dairy is up by 6%, as are poultry and confectionery/snacks; non-alcoholic beverages and pork are up 5%. These segments showed the biggest gains. The purchase frequency of organic products amongst current purchasers exhibits wide variation by category. No single category has over 50% participation on a monthly basis (see Figure 40).

As expected, participation frequency is stronger for consumable food items than for non-food categories.

Non-alcoholic beverages are the most likely to be purchased every month, with 49% of current organic purchasers indicating they buy every 1–30 days. Fresh fruit and vegetables (47%), dairy products (44%), eggs

<table>
<thead>
<tr>
<th>Product</th>
<th>2012</th>
<th>2010</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic fresh fruit and vegetables</td>
<td>60</td>
<td>57</td>
<td>+3</td>
</tr>
<tr>
<td>Organic home-cooking ingredients</td>
<td>45</td>
<td>44</td>
<td>+1</td>
</tr>
<tr>
<td>Organic canned goods</td>
<td>39</td>
<td>42</td>
<td>-3</td>
</tr>
<tr>
<td>Organic bread/bakery</td>
<td>39</td>
<td>33</td>
<td>+6</td>
</tr>
<tr>
<td>Organic red meat</td>
<td>35</td>
<td>33</td>
<td>+2</td>
</tr>
<tr>
<td>Organic dairy</td>
<td>34</td>
<td>28</td>
<td>+6</td>
</tr>
<tr>
<td>Organic poultry</td>
<td>29</td>
<td>23</td>
<td>+6</td>
</tr>
<tr>
<td>Organic breakfast cereals</td>
<td>27</td>
<td>23</td>
<td>+4</td>
</tr>
<tr>
<td>Organic non-alcoholic beverages</td>
<td>27</td>
<td>22</td>
<td>+5</td>
</tr>
<tr>
<td>Organic confectionery and snacks</td>
<td>26</td>
<td>20</td>
<td>+6</td>
</tr>
<tr>
<td>Organic tea/coffee</td>
<td>25</td>
<td>21</td>
<td>+4</td>
</tr>
<tr>
<td>Organic cleaning products</td>
<td>24</td>
<td>26</td>
<td>-2</td>
</tr>
<tr>
<td>Organic pork</td>
<td>21</td>
<td>16</td>
<td>+5</td>
</tr>
<tr>
<td>Organic cosmetics/skincare</td>
<td>17</td>
<td>13</td>
<td>+4</td>
</tr>
<tr>
<td>Organic eggs</td>
<td>17</td>
<td>12</td>
<td>+5</td>
</tr>
<tr>
<td>Organic desserts including icecream</td>
<td>15</td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td>Organic packaged meals</td>
<td>14</td>
<td>10</td>
<td>+4</td>
</tr>
<tr>
<td>Organic wine/beer/alcohol</td>
<td>13</td>
<td>11</td>
<td>+2</td>
</tr>
<tr>
<td>Organic pet care</td>
<td>11</td>
<td>9</td>
<td>+2</td>
</tr>
</tbody>
</table>

Figure 41 Organics: category purchase penetration (%)
The Australian Organic Consumer in 2012

(43%) and bakery items (42%) have the next highest level of frequent purchase.

Current organic purchasers are showing a tendency to purchase more frequently in most categories compared with 2010.

Of the 19 categories, 15 showed an increased level of purchase every 1–30 days. Dairy, bread/bakery, breakfast cereals and packaged meals all showed the strongest improvement – up 4% since 2010.

Organic canned goods (-2%), desserts (-2%), cleaning products (-2%) and cosmetics (-1%) categories were purchased less frequently (every 1–30 days) than in 2010, albeit noting a rounding average of 1% discrepancy.

Most current organic purchasers are infrequent purchasers in the majority of categories.

Whilst category consumption dynamics have an impact, there is a clear opportunity in all categories for current organic purchasers to continue to increase their frequency of buying.

The Leaders are by far the most committed and regular participants in the market.

The Leaning, Learners and Laggards who do buy organic purchase on a much more ad hoc basis in general, with significantly lower frequency than the Leaders.

<table>
<thead>
<tr>
<th>Product</th>
<th>Every 1–30 days</th>
<th>Every 1–2 months</th>
<th>Every 3–6 months</th>
<th>Less than every 6 months</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic non-alcoholic beverages</td>
<td>49</td>
<td>16</td>
<td>15</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td>Organic fresh fruit &amp; vegetables</td>
<td>47</td>
<td>21</td>
<td>15</td>
<td>13</td>
<td>4</td>
</tr>
<tr>
<td>Organic dairy</td>
<td>44</td>
<td>34</td>
<td>6</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Organic eggs</td>
<td>43</td>
<td>25</td>
<td>9</td>
<td>16</td>
<td>7</td>
</tr>
<tr>
<td>Organic bread/bakery</td>
<td>42</td>
<td>26</td>
<td>13</td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td>Organic canned goods</td>
<td>40</td>
<td>27</td>
<td>13</td>
<td>14</td>
<td>6</td>
</tr>
<tr>
<td>Organic breakfast cereals</td>
<td>35</td>
<td>31</td>
<td>14</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>Organic home-cooking ingredients</td>
<td>32</td>
<td>35</td>
<td>19</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>Organic poultry</td>
<td>31</td>
<td>25</td>
<td>17</td>
<td>19</td>
<td>8</td>
</tr>
<tr>
<td>Organic red meat</td>
<td>30</td>
<td>24</td>
<td>25</td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td>Organic desserts including icecream</td>
<td>29</td>
<td>29</td>
<td>19</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Organic confectionery and snacks</td>
<td>29</td>
<td>26</td>
<td>23</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Organic pork</td>
<td>26</td>
<td>29</td>
<td>20</td>
<td>16</td>
<td>9</td>
</tr>
<tr>
<td>Organic tea/coffee</td>
<td>24</td>
<td>39</td>
<td>19</td>
<td>13</td>
<td>5</td>
</tr>
<tr>
<td>Organic pet care</td>
<td>24</td>
<td>33</td>
<td>11</td>
<td>21</td>
<td>11</td>
</tr>
<tr>
<td>Organic packaged meals</td>
<td>22</td>
<td>41</td>
<td>13</td>
<td>16</td>
<td>8</td>
</tr>
<tr>
<td>Organic wine/beer/alcohol</td>
<td>19</td>
<td>31</td>
<td>21</td>
<td>22</td>
<td>7</td>
</tr>
<tr>
<td>Organic cleaning products</td>
<td>14</td>
<td>36</td>
<td>19</td>
<td>22</td>
<td>9</td>
</tr>
<tr>
<td>Organic cosmetics/skincare</td>
<td>11</td>
<td>26</td>
<td>35</td>
<td>17</td>
<td>11</td>
</tr>
</tbody>
</table>

Figure 42  Segment response: % households purchasing in 2011-12

Figure 43  Organics: category purchase frequency (%)
How much do consumers spend?

The estimated proportion of total food budget spent on organic products is 10% or less of household expenditure.

A cluster of highly committed organic purchasers exists within the current market with 14% in total saying that they usually outlay 50% or more of their household food-spend on organic products.

Most households (58%) who currently purchase organics estimate that they spend 10% or less on organic food at present. In total, 71% overall indicate that they spend 20% or less of the total food budget on organics.

Barriers to buying more organic

Value, trust, quality and information are the largest barriers for Australian consumers in further uptake of organic food. These barriers have all significantly decreased since the 2010 Report.

Cost continues to be the most significant overall barrier to increased purchase of organics; 80% of all respondents rated ‘price/value’ (81% in 2010) as the primary roadblock to increased participation in organics.

‘Being able to ‘trust it is organic’ was next at 48%. Overall this aspect fell from 57% in 2010 suggesting that there is growing confidence in the integrity of organic food claims.

‘Quality of produce’ was cited by 41% (46% in 2010). Forty-one per cent say that they are interested in more information about organics to assist in making an informed choice (up from 39% in 2010).

Over-packaging (7%) and freshness of produce (19%) remain weaker barriers for most. Over-packaging in particular is an interesting outcome given there is a vocal minority not satisfied with current packaging arrangements, particularly arising from the mainstream retailers.

Availability and convenience issues continue to wane as barriers with ‘easier access/convenience of buying’ continuing an easing bias in 2012 – 39% say this is a current issue compared with 50% in 2010.

This outcome is in line with continued ranging of more products in more categories, in particular in mainstream supermarkets, increasing access and convenience.

Figure 44 Organics: barriers to purchase
The Australian Organic Market Report 2012

The four principles of organic agriculture:

Health
Organic Agriculture should sustain and enhance the health of soil, plant, animal, human and planet as one and indivisible.

Ecology
Organic Agriculture should be based on living ecological systems and cycles, work with them, emulate them and help sustain them.

Fairness
Organic Agriculture should build on relationships that ensure fairness with regard to the common environment and life opportunities.

Care
Organic Agriculture should be managed in a precautionary and responsible manner to protect the health and wellbeing of current and future generations and the environment.

The International Federation of Organic Agriculture Movements (IFOAM)

Where do consumers buy organics?

Supermarkets are the dominant channel for most shoppers who purchase organic products. Approximately three in four purchasers frequent a supermarket at some time to buy organic products.

There is evidence of multi-channel participation by many current organic purchasers, where product type influences shopping dynamics. For example, an organic shopper may buy organic fresh fruit and vegetables from a greengrocer, bread from a bakery and other categories from the supermarket.

In general the Leaders are much less likely to shop in major supermarkets in most categories, in particular ‘fresh’ product segments – they over-index in buying from organic and wholefood stores and other specialty formats, markets and online/direct.

The Leaning and Learners are much more likely to purchase the majority of their organics from a major supermarket.
5 THE AUSTRALIAN ORGANIC CONSUMER IN 2012

Figure 47 Purchasing behaviour: organic red meat

Figure 48 Purchasing behaviour: organic dairy

Figure 49 Purchasing behaviour: eggs

Figure 50 Purchasing behaviour: breakfast cereals
5 THE AUSTRALIAN ORGANIC CONSUMER IN 2012

Figure 51  Purchasing behaviour: non-alcoholic beverages

Figure 52  Purchasing behaviour: confectionery and snacks

Figure 53  Purchasing behaviour: cleaning products

Figure 54  Purchasing behaviour: cosmetics/skincare
Organic certification and consumer trust

There has been a strong increase in awareness about certification marks. Overall, 53% of respondents said they knew ‘certification marks are used on labels as a guarantee a product is organic’, up from 42% in 2010 (a rise of 26%).

This increase may have been due to high profile media on the issue over the period generated by organisations such as Choice. In 2010 Australian Certified Organic (ACO) was awarded winner of the Choice Awards 2010 Best Food Endorsement Program, in competition with the National Heart Foundation tick, dolphin friendly, Fairtrade and others.

Compared with 2010 there has also been an increase in the number of Australians who say that they recognise selected organic certification marks. This continues an upward trend from the recognition levels benchmarked in 2009.

In 2012 the Australian Certified Organic Bud logo again had the highest prompted recall compared with other organic certification logos, achieving strong growth to 31% overall prior recognition (up from 23% in 2010) while 58% of leaders, being the most common consumers of organic, had prompted awareness of this mark (up from 44% in 2010).

The NASAA Certified Organic mark was the only other domestic logo of note with 19% overall awareness (up from 15% since 2010). The next most recognised organic logo was one found on imported products, the USDA organic seal. It was assessed for the first time and ranked third with 7% claimed prior recognition. All other organic logos in Australia were at 5% Australian public recognition or below, including foreign country or certifier brands on imported products.

Respondents were asked: Does/would an organic certification mark (that is, a mark that tells you the product meets organic standards) increase your trust in organic products that carry that mark?

Over one-third (36%) said that they wouldn’t buy a product that was not certified.

Respondents were asked: Does/would an organic certification mark (that is, a mark that tells you the product meets organic standards) increase your trust in organic products that carry that mark?

Figure 55 Organic certification and increased consumer trust in products
Those in the Leaders group are most affirmative of the increased trust afforded by a certification mark, with 72% believing there is a positive benefit.

Many in the Leaders and Learners groups also have similar views, with 65% of Leaning and 62% of Learners indicating that a certification mark can improve the standing of products that have them; Laggards predictably were less convinced.

Just under 80% overall believe that, all other things being equal, an organic certification mark on a product may have some level of influence in their purchase decision. In total six in 10 said that it would have a ‘moderate’ (31%) or ‘strong’ (29%) level of influence.

Over one-third (36%) said that they wouldn’t buy a product that was not certified.

Just 5% of Leaders indicated that they would buy a non-certified product. This highlights a relatively high level of understanding of the importance of certification in the verification claims of organic products.

**Country of origin of food**

**Quality**

When considering the quality of organic product produced in the nominated countries, Australian goods were seen to provide the highest levels of confidence.

Over 80% in aggregate indicated that that were ‘very’ (44%) or ‘moderately’ (40%) confident in the quality of organic product from Australia.

New Zealand sourced product had the next highest confidence level (68% aggregate), then the UK (48%) and the US (43%).

Italian (35%) and Japanese (29%) sourced goods generated more modest levels of confidence in quality.

Organic product from India (6%) and China (5%) did not generate strong levels of confidence in their quality for the vast majority. Overall 75% said that they were ‘not at all confident’ in the quality of Chinese organic products and 70% had the same opinion of product whose country of origin was India.

The Leaning and Learners are much more likely to purchase the majority of their organics from a major supermarket.

**Organic integrity**

The validity/integrity of certification of Australian product generated the highest levels of confidence by Australian consumers.

In total 77% said that they were ‘very’ (38%) or ‘moderately’ (39%) confident in the integrity of certification within Australia.

New Zealand certification validity had the next highest confidence level (63% aggregate), then the UK (49%) and the US (44%). Italian (33%) and Japanese (31%) certified goods generated more modest levels of confidence.

Organic certification processes in India (7%) and China (6%) were not seen to be credible by the vast majority. Overall 75% said that they were ‘not at all confident’ in the integrity of Chinese certified organic products and 69% said the same thing about Indian certification.
The Lifestyles of Health and Sustainability (LOHAS) represents a demographic marketing framework that describes consumers who seek to integrate healthier, more sustainable product and service options into their lives. For the organic industry, understanding the LOHAS consumer has important implications for future growth.

LOHAS consumers are identified by their values and worldview rather than by traditional demographics. Age, gender, education and income are not strong predictors of someone’s interest and engagement in these issues. These values cover the consumer outlook on three dimensions: personal, community and planetary health and wellbeing, rather than just a narrow view of ‘green’.

The LOHAS framework has gained global prominence having been used for over a decade in the US, Europe and Asia. The LOHAS market is substantial, and it is rapidly growing. Worldwide, LOHAS accounts for more than 115 million consumers and represents a marketplace worth more than $570bn per annum. This market is growing at more than 15% annually and in Australia is conservatively estimated to be worth $27bn by end 2012.

In Australia, Mobium Group, a Melbourne-based market research company, has been tracking the LOHAS market since 2007. Over this period, the firm has surveyed more than 25,000 Australians to understand their values, attitudes and actions with respect to health and sustainability. This work culminates each year in the annual Living LOHAS consumer report.

The Mobium Living LOHAS research is backed by a segmentation model that marries what people say with what they actually do when it comes to acting on their stated environmental concerns. This provides understanding about the reasons for the disconnect between the 90% of Australians who say they care about the environment and the slightly more than 10% who actively make ongoing behavioural and purchasing choices in their lifestyle.

It is very important for marketers to understand the different motivators and requirements of each segment, as they each respond to different messaging, attributes and pricing. For example, those in the Leaders and, to a lesser degree, the Leaning segments are more willing to pay premiums (and currently do).
The premiums available vary widely between categories based on detailed basket analysis Mobium has conducted over the past five years. In all cases, the ability to garner a price premium, as with any product, requires clear articulation of the value equation.

Origins of LOHAS

The LOHAS framework is underpinned by the work of sociologist Paul Ray, whose extensive research in North America in the mid-1990s found that nearly 25% of the US population identified the concepts of health, sustainability and social justice as major elements forming their worldview, their lifestyles and how they chose to consume.

Ray’s research is best summarised in his book, co-authored by Sherry Ruth Anderson, *The Cultural Creatives: How 50 Million People Are Changing the World*. Ray’s early work was more focused on social trends than on the direct commercial applications, whereas LOHAS provides a more market-orientated approach to assist organisations to engage with values-driven consumers.

LOHAS has been in use for over a decade and, having gained traction with mainstream corporate America, is now used as a reference in all key western markets and Japan, plus emerging Asian economies including Singapore, Taiwan, South Korea, Hong Kong and mainland China.

The growth of organic and natural foods, complementary medicine and personal development, ecotourism, sustainable home and building products amongst others was viewed as the convergence of shifting consumer values based on integrating health, sustainable, environmental and socially responsible platforms.

Of significant commercial interest is the fact that longitudinal research from around the world shows these values are increasingly becoming broad based and entrenched, rather than being confined to the fringes of society.

Strongly LOHAS-aligned consumers make choices that reflect their values for a healthier and more sustainable lifestyle.

Ongoing research conducted by Mobium Group in Australia demonstrates that values towards sustainability, health and social justice (rather than demographic factors such as age, income or geographical locations) are the strongest identifiers of individuals who are likely to be engaging in more sustainable lifestyles and consumption habits.

They are characterised as being environmentally and socially aware and having a worldview that takes into account not just their own personal wellbeing, but also the wellbeing of their community and the sustainability of the planet and its people. Their values and attitudes play out in the lifestyles they choose, the products and services they buy and the companies they support.

Global application

LOHAS has been embraced by businesses around the world; however, recognition of the term varies widely across different geographical locations. In western countries including the US, Canada, Europe and New Zealand, LOHAS is an increasingly well-known industry term; whereas in many Asian markets including Japan, Korea, Singapore, Taiwan, Hong Kong and mainland China, the LOHAS acronym is also increasingly being used by consumers.

United States

US-based research company, the Natural Marketing Institute (NMI), estimates that consumers with strong...
LOHAS alignment account for 19% of the US adult population (43 million consumers), while a further 15% (34 million) have moderate alignment around ‘natural’ platforms. The market value is estimated at over US$230bn. The annual LOHAS Forum (lohas.com), also based in the US, brings together industry, government and media to collaborate on opportunities and developments within the sector.

**Canada**

Use of the LOHAS framework is growing rapidly in Canada, with the first study into the market size and consumer segmentation currently being undertaken by research firm Anerca.

**Europe**

LOHAS has been explored in depth across Europe with a multi-country consumer study undertaken in mid-2007 including Belgium, France, Germany, Italy, the Netherlands, Portugal, Spain and the UK. The Porter Novelli/NMI study showed that Europeans have a higher alignment with LOHAS principles across many metrics compared with Americans and, country-specific variances notwithstanding, show very strong future interest in sustainable business practices and product choices.

**New Zealand**

LOHAS is increasingly being adopted by government and industry in New Zealand. Its strongly LOHAS-aligned consumers have been dubbed ‘solution seekers’ and represent over 30% of the population according to research conducted by Moxie (moxie.co.nz).

**Asia**

Across Asia LOHAS is a mainstream business and consumer term. The principles of LOHAS are seen to be strongly aligned with a balanced approach to life, which is highly consistent with traditional customs within many Asian cultures. In Japan, the LOHAS Business Alliance (lohas-ba.org) provides a meeting point for business and research in a market where 70% of all consumers recognise the term LOHAS, and 40% can provide a clear explanation of the term’s meaning. This has manifested in a range of LOHAS-branded stores, products and services being promoted directly to consumers. There is also consumer awareness of the term in Taiwan, South Korea, Singapore, Hong Kong and Malaysia.

In late 2009, the 2nd International LOHAS Forum was conducted in Beijing, addressing a market comprising...
over 26 million households and upwards of 90 million individuals.

China and other emerging economies such as India and Russia are seen to potentially hold strong future LOHAS markets, as some segments of the middle class begin to seek more sustainable forms of prosperity.

**Australia**

Mobium has identified four types of Australians based on their values and behaviour:

**LOHAS Leaders**

Have strong alignment with personal, community and planetary issues, which shape their values, worldviews and decision making. Leaders are highly committed, knowledgeable and have high levels of consistent participation across a wide range of categories with healthier and more sustainable attributes. They often shop in alternative channels to find the specific products that meet their needs.

**LOHAS Leaning**

Have moderate to strong alignment with personal, community and planetary issues. Leaning consumers currently participate in selected categories, however they are not completely engaged and often make trade-offs in their consumption choices. Many feel highly conflicted because of this.

![Figure 57 LOHAS types](image-url)
LOHAS Learners
Have more recent awareness of health and sustainability issues. They have lower knowledge and current interest in community and planetary issues. They fundamentally want to do the right thing but are unsure where to start. At present most do not participate in the ‘green’ market, and those who do only do so on an ad hoc basis.

LOHAS Laggards
Have low levels of interest with the overall theme of health and sustainability in their lifestyles. Their future intention to participate in products and services with a sustainability aspect is at very low levels.

The Leaders are the engine room of the current consumer market for healthier, more sustainable products and services (valued in excess of $19bn in total), however they only represent 11% of the Australian population.

The Leaning and the Learners are the major mainstream opportunity for increased uptake of healthier or environmentally preferable products and services – if their barriers can be solved.

Engaging the Leaning to do more, and the Learners to commence their journey, is the key challenge for government and commercial organisations alike. Indeed, these groups represent the future of the organic market in Australia.

Mobium undertook detailed analysis in 2012 to benchmark everyday Australians’ understanding of and attitude toward organics, their barriers to participation and their awareness of organic certifications.

This work (as has the Living LOHAS research) clearly identified that the Leaders have the highest levels of current participation in organic food purchasing and crucially are highly committed – buying across multiple segments with regularity.

A more in-depth study conducted by Mobium in the second quarter of 2012 showed this again to be the case. While some from the Leaning and Learners groups do buy organics, their participation is typically ad hoc and shallow.
However, while the majority of Leaders remain highly committed in their purchasing, in many cases they are reaching saturation. To ensure sound future growth rates in the medium term, the organic industry will need to develop strategies to engage those in the Leaning and Learners groups to progressively lift their participation and frequency to secure a higher share of total food spending. The organic industry is well positioned to tap into these groups because those categories with the highest personal benefit are the most likely to be of interest to consumers.

**LOHAS in 2012**

Since 2010 there has been a fracturing of the Australian adult population in relation to their views, attitudes and behaviours about health and sustainability.

There is an emerging divide between those with stronger commitment (Leaders and Leaning) and those with more marginal engagement (Learners and Laggards). This is most strongly evidenced by the increased number of Laggards in 2012. These individuals have become disengaged and melancholy about social and environmental issues. Depth discussions highlight that the carbon tax debate has severely impacted on the mindset of many.

**While over six in 10 want clearer information about the environmental impact of their product choices, just 12% are willing to pay a premium of 25% for environmentally friendly products.**

Financial uncertainty and rising living costs are also impacting, shifting focus to day-to-day household security.

Many in the Australian community who ‘want to do the right thing’ by the community and the environment are now cautious. Increasingly, they will not sacrifice performance or pay extra to achieve this outcome – for them, social and environmental benefits are at best a ‘nice-to-have tie-breaker’ in decision making. Seeking out value (rather than values) is the top priority for many households.

Even so in aggregate 49% are considered to be LOHAS aligned (Leaders and Leaning) and are predisposed to be considerate of social and environmental aspects in their decision making.

The majority of adult Australians say that they hold concerns about the environment, even if there is no direct personal impact on them. However, over 50% overall say that they feel conflicted about their lifestyle and purchasing choices having a negative environmental impact.

Nearly 90% agree that organisations need to consider the impact of their operations on the environment and community and not just make profits, and over 60% indicate that they are more likely to consider purchasing from a company that demonstrates a strong commitment to these aspects.

However 87% are often sceptical about claims that companies make about their social and environmental credentials.

While over six in 10 want clearer information about the environmental impact of their product choices, just 12% are willing to pay a premium of 25% for environmentally friendly products.
Methodology  From page 6

The survey for this Report was for value adding and marketing (non-primary production) sectors, post-farm gate to retail, including export and import. ABS covered organic primary production in the 2011 Agricultural Census.

A simplified and modified version of prior year reports, the questionnaire remained aligned with ABS categories for integration of data. The survey content was reviewed during a pilot phase by a range of organic industry sectoral representatives and researchers. Direct email to industry was based on existing known databases of the organic industry, from extensive prior research work. This approach ensured the majority of the industry was reached, where individual private certification agencies did not or do not divulge publicly their client lists. The requirement more recently of the USDA to mandate public lists of certified clients (four Australian certifiers maintain an accreditation with the USDA NOP) – along with the presence of Sensis and other public data on certified organic businesses, including that provided by public industry organisations – enabled researchers to reach the vast majority of the post-farm-gate industry sector via this online surveying.

Within the framework of the online survey, organic industry operators were segmented into two categories: wholesaler/retailer and manufacturer/processor. Within these two categories respondents were provided with eight sectors within which they could respond. The organic sectors included: meat; dairy; fruit/vegetables; bread/bakery; wine/beverages; grocery; textiles; and skincare. The questions that respondents from each of these organic sectors were asked included: sales breakdown; primary sales outlets; sourcing of the product; the primary distribution outlets; and export and import markets. Questions in relation to business sentiment, margins on sales and related expected trends were also asked.

National production data for the sectors has been calculated with the use of ABS data, along with the post-farm-gate surveys and related research, and crosschecking of other publicly available data by Swinburne. This research approach has been bolstered and crosschecked via interviews from supply chain members from primary production, through processing and wholesaling, to retail. Additional crosschecking was possible via domestic retail tracking agencies such as Euromonitor and IBISWorld, along with publicly available data from certification organisations and other market sources.

The online post-farm-gate survey was distributed to 747 companies; 347 fully or partially completed the survey (46.45%) with 149 comprehensive responses (19.94%). This is a considerable increase from the 2010 and 2008 survey response rates. The time period of the survey was 25 days during August and September 2012. As a form of data validation of the survey results, an interview process was also undertaken of the key players. Thirty-two interviews with important and representative players from the eight key segments of the organic industry were also undertaken to cross-validate sectoral values and assumptions, while also seeking additional qualitative data. In addition, all Australian-based certification organisations were informed of the survey and requested provision of crosschecking and supportive data, with the three largest certifying bodies providing information for this Report.
The term ‘organic’ in this Report is used to indicate farms at all stages of conversion to certified organic, from pre-certification, through in-conversion status, to full certified organic status. This is in line with internationally recognised production and marketing requirements for farming, value adding and marketing. The term ‘organic’ in this Report encompasses and subsumes a category of the organic market sector, biodynamic production and marketing. This Report and the research behind it has utilised data from certified organic (and certified biodynamic) operations only (and not operations that may claim organic status but are not certified by any recognised industry standards and certification programs) in calculating all values in this Report.

Other data sets
DAFF Export Organic Program (formerly AQIS) regrettably now collects (collates and reports) little data from accredited certifiers beyond the number of organic operators in the supply chain, the area used for organic agriculture and the volume of exported organic produce. The data that is collated is reported to the EU under privacy provisions between these governments. Such data that is publicly available, along with sectoral business reporting data and other available market information and research, were crosschecked for validity and reliability before being reported in this research or used as part of the basis for estimating sectoral values.

As with previous industry reporting (Halpin 2004; BFA 2008 and 2010) private certifier data (estimated to make up some 20% of the industry numerically by primary producer operator, but less than 10% by non-primary producer operator) was largely unavailable due to confidentiality requirements or demands within those types of agencies. This was managed by taking a cross-sector review of market values as reported by the market itself, adjusting for overall values obtained by accommodating this missing data set, as well as crosschecking values via other information available as noted above. The direct emailing out to all publicly known organic operators, irrespective of certification agency involvement, also ensured as wide and deep a pool as possible to sample the industry.

The approach of only using the survey format for post-farm-gate operators has enabled a greater simplicity and, in turn, reliability to the data collected for this research. Further, an inordinate amount of energy, time and cost was required – with much variability and ‘noise’ in the results – to obtain and interpret data from a wide range of primary producer sectors in past reports. The ability to obtain similar volume and value data from post-farm-gate sources including surveys has greatly simplified that part of the research process for future reports, along with the use of such information as the ABS Agricultural Census data.

Australian Bureau of Statistics Agricultural Census data
Results from the Agricultural Census, July 2011 are also included in this Report for the first time, as it pertains to organic primary production. Additional investigative research was requested of the ABS to analyse the key questions in this Census relating to farm values and volumes by sector, which in turn could then be compared with, and crosschecked against, the post-farm-gate surveys and research.

Farm numbers, hectares certified and main farming activity are now tracked by the ABS due to two key questions relating to certified organic status, and area
of farm certified. Answering positively to such questions then enables the ABS, with additional research, to collate respondents into separate sectors and production volumes based on responses to all other questions in the Census. Additional assumptions and estimations have to be made of overall values, volumes and areas under certification due to the existence of some operations having split (or partial) certification. In such instances a conservative approach has been taken to estimate value (taking the lower number of value reported from such data).

While the ABS data is robust for those respondents who have completed that section of the Census, clearly based on other available data on the industry the reporting of certified operator numbers is significantly lower in the ABS than it is from other known industry sources. This, combined with the consequent potential underreporting on volumes, areas and values for each sector, has been taken into consideration in the overall Report and in terms of estimates of values for each market sector.

Having noted this, a conservative approach has been taken in these cross-estimates. This additional data source (of the ABS), even though available to the organic industry now only every five years, is a welcome and important additional source of information when conducting research into the organic industry.

As was the aim of the 2010 Report, surveys and categorisation was built upon the ABS-style industry categories for consistency. This has enabled a smooth transition to this new form of data collection, while building on the progressive chronological benchmarking of industry from 2008 through to 2012.

**Consumer data**

Consumer data has been based on the research conducted by the Mobium Group. A specific question set was developed to capture the required consumer data to meet the project objectives in 2009. This research was conducted again in 2010 and 2011 and repeated in 2012, with an expanded range of questions relating to country of origin and retailer of origin consumer perceptions, along with identification of recognised organic brands in the Australian marketplace. While the question sets each time have included new questions, each research round has included directly comparable questions with the first research round conducted in March 2009.

The organic relevant question set was executed in conjunction with the Mobium Group Green-Tracker quantitative research study (see section 5 and the outline of LOHAS in this Report) resulting in the final report called *Organic Participation & Perceptions: Australian Consumer Research 2012*. A secure online survey was used to manage the data collection. A random sample was recruited from an ESOMAR (World Association of Opinion and Marketing Research Professionals) compliant, national research only, consumer panel.

A target sample size of over 1000 was specified with a series of quotas to ensure the configuration was consistent with the Australian Bureau of Statistics Census 2011 national profile. The primary audience was adult Australians aged 18–69. Key filters included: gender; geography; age; and income. The data was collected over seven days in May 2012. Mobium is a member of the Australian Social & Market Research Society (ASMRS). All research methodologies, data collection, analysis and reporting was conducted in accordance with the ASMRS Code of Conduct.
## Executive summary

1. Retail value growth 1990–2012

## Key statistics

2. Organic farm-gate market value figures (AU$)

## 2 Australian organic farmers and farmland

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Number of certified clients by supply chain and year 2002–2011</td>
</tr>
<tr>
<td>4</td>
<td>Estimated number of certified organic operators by state 2002–2011</td>
</tr>
<tr>
<td>5</td>
<td>Total area certified in Australia 2002–2011</td>
</tr>
<tr>
<td>6</td>
<td>Area of certified organic land</td>
</tr>
</tbody>
</table>

## 3 Organic production values

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Percentage share of industry value by state (AU$)</td>
</tr>
<tr>
<td>8</td>
<td>Percentage of industry value: horticulture</td>
</tr>
<tr>
<td>9</td>
<td>Percentage of industry value: livestock</td>
</tr>
<tr>
<td>10</td>
<td>Estimate of national sectoral farm-gate sales (AU$)</td>
</tr>
<tr>
<td>11</td>
<td>Farm-gate sales growth 2004–2012 (AU$)</td>
</tr>
<tr>
<td>12</td>
<td>Total meat cattle on holdings value: cows and heifers 1 yr and over (AU$)</td>
</tr>
<tr>
<td>13</td>
<td>National value of lambs under 1 year and breeding ewes over 1 year (AU$)</td>
</tr>
<tr>
<td>14</td>
<td>State value of lambs under 1 year and breeding ewes over 1 year (AU$)</td>
</tr>
<tr>
<td>15</td>
<td>National ratio non-merino to merino breeds</td>
</tr>
<tr>
<td>16</td>
<td>Share of organic dairy stock by state (AU$)</td>
</tr>
</tbody>
</table>

## 4 Organic supply chain

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Responses by business activity</td>
</tr>
<tr>
<td>18</td>
<td>Value of business declared by organic operators</td>
</tr>
<tr>
<td>19</td>
<td>Selling activity of respondents (Responses n=102)</td>
</tr>
<tr>
<td>20</td>
<td>Certification type</td>
</tr>
<tr>
<td>21</td>
<td>Reported value of organic sales by sector 2011-12 (AU$m)</td>
</tr>
<tr>
<td>22</td>
<td>Organic operators across states (Responses n=147)</td>
</tr>
<tr>
<td>23</td>
<td>Export destinations of organic operators (Responses n=240)</td>
</tr>
<tr>
<td>24</td>
<td>Responses by import country of origin (n=291)</td>
</tr>
<tr>
<td>25</td>
<td>Certification to an additional international standard and/or market (Responses n=58)</td>
</tr>
<tr>
<td>26</td>
<td>Time of business operation in organic industry (Responses n=171)</td>
</tr>
<tr>
<td>27</td>
<td>Percentage of sales certified organic products (Responses n=152)</td>
</tr>
<tr>
<td>28</td>
<td>Expectation of change in sales of certified organic products 2012-13 (Responses n=153)</td>
</tr>
</tbody>
</table>

## 5 The Australian organic consumer in 2012

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>29</td>
<td>Change in margins on sales of certified organic products 2010-11 (Responses n=135)</td>
</tr>
<tr>
<td>30</td>
<td>Processors and manufacturers – total numbers 2002–2011</td>
</tr>
<tr>
<td>31</td>
<td>Retail value (AU$m) (Euromonitor 2010)</td>
</tr>
<tr>
<td>32</td>
<td>Percentage distribution of organic products (Euromonitor 2010)</td>
</tr>
<tr>
<td>33</td>
<td>Euromonitor estimated values of world organic markets (US$m)</td>
</tr>
<tr>
<td>34</td>
<td>Total quantity of organic exports 1999–2009</td>
</tr>
<tr>
<td>35</td>
<td>Quantity of organic commodities exported 1999–2009 (AOMR 2010)</td>
</tr>
</tbody>
</table>

## Figures

- Change in margins on sales of certified organic products 2010-11 (Responses n=135)
- Processors and manufacturers – total numbers 2002–2011
- Retail value (AU$m) (Euromonitor 2010)
- Percentage distribution of organic products (Euromonitor 2010)
- Euromonitor estimated values of world organic markets (US$m)
- Total quantity of organic exports 1999–2009
- Quantity of organic commodities exported 1999–2009 (AOMR 2010)
References


ABS (Australian Bureau of Statistics), 2012, ‘Value of Principal Agricultural Commodities Produced, 2010-11’ (Cat. No. 7501.0), ABS, Melbourne

AQIS (Australian Quarantine and Inspection Service), 2009, National Standard for Organic and Bio-dynamic Produce, AQIS, Canberra, ACT

BFA (Biological Farmers of Australia Ltd), 2008, Australian Organic Market Report 2008, BFA, Chermside, Queensland


Coulee Region Organic Produce Pool (CROPP), 2012, farmers.coop


ESOMAR (World Association of Opinion and Marketing Research Professionals), 2012, esomar.org


Euromonitor, 2011b, Organic Market Size Statistics. portal.euromonitor.com/Portal/Pages/Search/SearchResultsList.aspx


in Halpin, D (ed.), *The Australian Organic Industry: A Profile*, Department of Agriculture, Fisheries and Forestry, Canberra, pp. 1–29


OTA (Organic Traders Association), 2012, Organic Industry Survey, OTA, ota.com/about.html


USDA (United States Department of Agriculture), agcensus.usda.gov/Publications/2007/Online_Highlights/Organics/ORGANICS.pdf

USDA (United States Department of Agriculture), 2012, National Organic Program, USDA, ams.usda.gov-/AMSv1.0/ams.search.do


Wynen, E, 2003, ‘Organic agriculture in Australia: levies and expenditure’, Rural Industries Research and Development Corporation, Barton, ACT
Funding partners

Biological Farmers of Australia Ltd (BFA)
BFA is a not-for-profit organic industry member-owned company. It works with industry, for industry to provide information, training, advocacy and promotion for the development of the organic sector.
PO Box 530
Chermside QLD 4032
07 3350 5716
info@bfa.com.au
bfa.com.au

Horticulture Australia Ltd (HAL)
HAL is a not-for-profit industry owned company. It works in partnership with Australia’s horticulture industries to invest in research, development and marketing programs that provide benefit to industry and the wider community.
L7, 179 Elizabeth St
Sydney NSW 2000
02 8295 2300
horticulture.com.au

Silver sponsors

Angove Family Winemakers
PO Box 12
Renmark SA 5341
Contact: Shane Clohesy
08 8580 3100
angove@angove.com.au
angove.com.au

Australian Organic Meats (AOM)
3856 Golden Highway
Elong Elong NSW 2831
Contact: Matt O'Leary
02 6868 6212
matt@aom.net.au
aom.net.au

Bellamy's Organic Pty Ltd
PO Box 96
Launceston Tas 7250
Contact: Amanda Wooliams
03 6331 1383
Amanda@bellamysorganic.com.au
bellamysorganic.com.au

CitroLife
4–8 Rodney Road
North Geelong Vic 3215
Contact: Ravi Narain
03 5272 3122
ravi@citrolife.com.au
citrolife.com.au

Freedom Foods Pty Ltd
80 Box Road
Taren Point NSW 2229
Contact: Angelo De Blasio
02 8543 3500
info@freedomfoods.com.au
freedomfoods.com.au

Inglewood Farms Pty Ltd
PO Box 40
Inglewood Qld 4387
Contact: Hennie Botha
07 4652 1738
hennie@inglewoodfarms.com
inglewoodfarms.com

Kadac Pty Ltd
PO Box 139
Moorabbin Vic 3189
Contact: Linda Casalis
03 8585 1539
LCasalis@kadac.com.au
kadac.com.au

Morahtis Group Pty Ltd
PO Box 428
Sydney Markets NSW 2127
Contact: Sharnah Coultart
02 8748 6633
scoultart@morahtis.com.au
morahtis.com.au

Seasol International Pty Ltd
PO Box 160
Bayswater Vic 3153
Contact: Darren Free
03 9729 6511
darrenfree@seasol.com.au
commercial.seasol.com.au

Sydney Essential Oil Co. Pty Ltd
PO Box 1277
Coolangatta Qld 4225
Contact: Deborah Wray
07 5536 7291
info@wrayorganic.com.au
wrayorganic.com.au

Trade and Industry Development Division
Department of Business and Innovation
Victorian State Government
L33, 121 Exhibition Street
Melbourne Vic 3000
03 9651 9012
invest.vic.gov.au

Industry certification organisations

Australian Certified Organic Pty Ltd (ACO) and
OGA Certified Organic Pty Ltd
766 Gympie Road
Chermside QLD 4032
Contact: Michael Baker
07 3350 5706
certification@aco.net.au
australianorganic.com.au

NASA Certified Organic Pty Ltd
Unit 7, 3 Mount Barker Road
Stirling SA 5152
Contact: Certification manager
08 8370 8455
enquiries@nasa.com.au
nasa.com.au

Education

TAFE NSW Riverina Institute
PO Box 2231
Wagga Wagga NSW 2650
1300 138 318
Rob.lenton@det.nsw.edu.au

Organic School Gardens Program
Biological Farmers of Australia
PO Box 530 – 766 Gympie Rd
Chermside QLD 4032
07 3350 5716
organicschools@bfa.com.au
organicschools.com.au

Organic Association of Western Australia (OGAWA)
ogawa.org.au

Supporting industry organisations

Organic Federation of Australia Ltd (OFA)
ofa.org.au

Organics Tasmania
(formally OCT)
oc.t.org.au

Victorian Organic Industry Committee (VOICe)
victoriaorganic.com
Join BFA today and receive 2 great organic publications FREE

HUNDREDS OF DOLLARS OF VALUE FOR JUST $99!

The tax-deductible membership gives you:

- Trade and market access advice
- Marketing help. With three years of commissioned research on Australian consumers, and access to some of the best marketing knowledge available, BFA can provide you with valuable advice on organic product marketing. Provide your marketing materials for a free assessment and feedback
- Free classified advertising on bfa.com.au and in monthly e-newsletters. Discounts on other advertising
- Discounts on printing of produce stickers and organic corporate clothing
- Discounts at BFA events

- Resources for business planning. Membership includes a copy of the Australian Organic Market Report featuring new ABS data and an expanded consumer report in 2012 – great for planning your business
- Looking for buyers? As the largest organic network BFA can provide members with a list of retailers, exporters and importers
- Discounts on BFA website shop including books, gate signs, merchandise and gifts
- The satisfaction of knowing you’re supporting Australia’s largest organic representative body to promote organics

Did you know that being certified organic with OGA or ACO does not include membership to BFA?

To apply for BFA membership simply complete the form below and fax or mail to the BFA office: F: (07) 3350 5996
Post: PO Box 530 CHERMSIDE QLD 4032 For more information Ph: (07) 3350 5716 E: info@bfa.com.au

Full Name: ............................................... Trading Name: .................................................................
Post Address: ............................................. Type of Business: ............................................................
.................................................................................. Certification (if any): ...................................
.................................................................................. Email .......................................................... Fax: ..........................................................
State: ......................................................... Postcode: .................................................................

APPLYING FOR: BFA Membership applying Jan-Jul $99 inc GST

PAYMENT OPTION

1. Enclosed cheque made payable to Biological Farmers of Australia
2. For EFT option contact the BFA office Ph: (07) 3350 5716
3. Credit card For Amount of: ................................ Name on card: ............................................... Card expiry date: ......................................
Card Type: □ Visa □ Mastercard
Card No: ____________________________ __________

MEMBERSHIP AUTHORISATION:

Print full name clearly .................................................. Signature .................................................. Date

*Subscribers are tax deductible for bona fide industry related professionals. Speak to your accountant. GST – This document will become a TAX invoice for GST purposes when payment is made. **IMPORTANT INFORMATION In choosing option 1, or Option 2 (BFA member subscription) I understand that membership includes voting rights in BFA Ltd. Membership is renewed at the beginning of each calendar year. All prices are GST inclusive. A tax invoice will be forwarded for your records. For further membership details please visit: www.bfa.com.au or phone (07) 3350 5716 BFA Ltd ABN: 70 696 664 761

www.bfa.com.au
Does your child ask you to finish your vegies?

Children enrolled in the Organic School Gardens Program just love their vegetables

The BFA Organic School Gardens Program is an exciting initiative where primary school children learn about healthy food choices by growing their own food at school while caring for the health of soil, plants and the environment. There are now over 1300 schools registered nationally in both metropolitan and rural areas across Australia. Is your child’s school one of them?

Free resources for schools!

The Organic School Gardens Program is designed for students at primary school and includes a curriculum resource, providing teachers with a full set of lessons and detailed technical notes to support student learning outcomes. Schools receive regular newsletters, free gardening advice, access to information about organic gardening materials and products, and opportunities to develop community partnerships to access volunteer and business support.

Speak to other parents, your child’s teacher and your school principal about the importance of joining the BFA Organic School Gardens Program today!

Find out more:
Web: organicschools.com.au
Phone: 07 3350 5716
Email: organicschools@bfa.com.au
facebook.com/organicschools
twitter.com/organicschools

REGISTERING FOR THE ORGANIC SCHOOL GARDENS PROGRAM IS EASY!
organicschools.com.au