



The Australian Organic industry is a vibrant, dynamic industry – valued at more than \$2 billion in domestic and export markets in 2020. Revenue in our organic farming industry was forecast to grow 7.9% in 2020/21 and increase in value at an annualised 14.9% over the next five years to 2025/26 to be worth \$3.9 billion according to the IBISWorld *Organic Farming in Australia* released in 2020.

There are over 3200 certified operators in Australia including farmers, manufacturers, wholesalers, and retailers across the nation. Farmers account for 41% of certified operations, mostly running mixed farms producing fruit, vegetables, dairy, cattle and sheep, fodder, and grain. Overall, the organic industry supports more than 5,500 jobs.

The peak industry body representing Australian Organic certification bodies and certified operators is Australian Organic Ltd (AOL) – a not-for-profit, member-owned organisation advocating on behalf of its members and more broadly the certified organic industry, working with government, and driving awareness through consumer and industry initiatives.

On behalf of the organic industry and our members we welcome the opportunity to present this pre-budget submission.

AOL has a long, well documented history representing the organic industry, promoting, and protecting Australian organic operators and consumers through industry development, marketing, education, and market access.

Annually, AOL delivers on behalf of industry:

- Advocate and Liaise with Government Departments and Members of Parliament on issues pertaining to the Organic industry.
- Engagement through Agriculture partnerships as a member of the National Farmers' Federation (NFF) and other peak industry bodies.
- Facilitates Advisory Committees across multiple sectors.
- Industry Forums and Webinars designed to upskill and develop operators.
- Publishes Australia's only Organic Market report, partnering with Government and Universities.
- Australian Organic Awareness Month – Australia's largest organic campaign partnering with Woolworths, Coles, ALDI, Independent supermarkets/health food stores, industry and consumer networks.
- Industry and Consumer Social Media platforms.
- Partnerships with Ambassadors/Influencers for campaigns and projects.

Australia's organic industry is set to register a decade of robust growth. IBISWorld's *Organic Farming in Australia* report (November 2020) reports annualised growth of 8.4% between 2016 and 2020, and, as mentioned, for the next five years forecasts a remarkable 14.9% annualised.

Compared with overseas, Australia's organic industry expansion was stronger than New Zealand's which grew by 6.4% annualised over the past three years (*Organics Aotearoa New Zealand, 2021*), but below the UK at 12.6% (*Soil Association, 2021*) and the US at 12.4% (*Organic Trade Association, 2021*), both in the past year.



Across each country, growth is being driven by health and environmental factors such as climate change, and in-line with surging consumer interest about where their food comes from, how it could benefit them and potentially the environment.

While this trend has spiked through the Covid-19 pandemic, the past decade has witnessed strong industry growth, not just in Australia but worldwide.

The *Australian Organic Market Report 2021* (the Market Report) shows Australians are buying more organic products than ever:

- 80% of shoppers purchased an organic product in the past 12 months, equating to approximately 9 million households.
- Household penetration of organic products grew by 3.6% to 92%. The increase is the equivalent of over 565,000 new households, and 9 million households overall.
- 37% of organic shoppers increased their household food allocation to organics.
- More than half organic shoppers check for certification marks on their organic purchases.
- 39% of shoppers say they would avoid purchasing an organic product if it did not display a certification mark.
- 62% of shoppers recognised the Australian Certified Organic Bud trademark logo.

Forecast high growth underlines the organic industry's potential in Australia. Australia is the world leader in hectares of organic farming land. This provides Australia with a distinct advantage compared with the rest of the world. As consumers across the globe look to alternative sources for food, Australia's organics industry has the infrastructure in place to deliver the growth predicted.

### **Recommendations**

As part of the pre-budget submission, AOL proposes the following recommendations for funding to improve the organic industry in Australia.

#### *Agriculture/Trade*

Funding of \$1.34million for the following as part of the implementation of a domestic standard:

1. Education and training for organic operators to help them understand changes to domestic regulation.
2. Negotiate equivalency agreements with international trading partners.

#### *Agriculture*

3. \$0.5 million for funding a grant program to encourage operators to shift to organic production methods.
4. Renewed funding for the Agricultural Trade and Market Access Cooperation (ATMAC) Program. The grant program is scheduled to run out after the 2023/24 financial year. AOL recommends the program be expanded by \$30 million over a 4-



year period in line with the recommendations made by the National Farmers' Federation.

5. \$140,000 for the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) to conduct an organic farming survey.

## **Recommendations 1 and 2: Domestic Regulation and Export Equivalence**

The outlook for our organic industry is positive. The rapid growth over the past five years has highlighted a key legislative gap that hinders the industry's ability to reach its full potential.

While regulations covering organic exports have been in play for nearly 30 years under the National Standard for Organic and Bio-Dynamic Produce (National Standard), our domestic market remains unregulated, making Australia the last developed nation without consistent domestic market governance.

Implemented in 1992, the National Standard was written with all intentions to be enforced domestically. The media release by the then Minister for Primary Industries and Energy in fact noted:

"I therefore intend to request the new National Food Authority to take the necessary action to ensure the regulatory controls on the domestic market parallel those which I am implementing for export".

Despite these original intentions, successive Federal Governments have failed to enact the legislation.

As a result, two major regulatory gaps have opened causing hindrance to the Australian Organic Industry – namely the regulation of organic goods sold within the domestic market, and "equivalence arrangements" for exports between Australia and international trading partners. While the value of Australia's export standard remains high, our ability to export to key trading nations which have domestic regulation is difficult and in certain cases impossible - restricting opportunities for Australian organic operators.

After establishing a relationship with then Minister for Agriculture, the Hon. Bridget McKenzie and current Minister for Agriculture, the Hon. David Littleproud, AOL produced a discussion paper in June 2020, highlighting the need for a review of domestic regulation of our organic industry.

In December 2020, Minister Littleproud announced the Organics Industry Advisory Group (OIAG) to investigate the national regulatory framework for the production and sale of organic products.

The group was tasked to review whether the current domestic regulatory framework was fit for purpose and to better understand the potential of improving current regulations to facilitate regulatory consistency, development, and growth of the organic industry.

In November 2021, Minister Littleproud announced the formal public consultation, and a Regulatory Impact Statement (RIS) process would begin regarding the regulatory framework for Organics in Australia. AOL is continuing to work with the Government as part of the RIS



process highlight improved domestic regulation equals improved opportunities of achieving equivalence with export markets.

### ***Why is improved domestic regulation important?***

In 2018, the National Farmers' Federation released its *2030 Roadmap* outlining its plan for Australian Agriculture to be a \$100 billion industry (farmgate value) by 2030. As of September 2020/21, our agriculture industry (including fisheries and forestry) was worth \$73.2 billion (ABARES). To ensure organics reaches full potential to contribute to the *2030 Roadmap* goal, consistency within the domestic market is essential.

Given our vast areas of organic farmland, our trusted reputation around certified organic farmers and strong growth, there's no question organics have a strong, support role to play in reaching the \$100 billion goal. But without proper domestic regulation, this becomes more difficult.

The *Australian Organic Market Report 2021* found 31% of consumers surveyed had been misled about an organic product in the past year – highlighting the issue of products being sold domestically claiming to be organic with no compliance from a registered certifying body. In contrast this process is mandated for all products being exported from Australia, offering international consumers of Australian Certified organic products a privilege Australian domestic consumers are not afforded.

While this may not stop domestic customers buying organic goods, it affects the degree of trust Australian consumers have for legitimate products in the domestic markets. And because the organic industry is involved in all sectors of agriculture, any decision by a consumer to avoid a particular organic product automatically limits the ability of the industry to reach its potential – in turn, making it more difficult for the agricultural industry to become a \$100 billion industry by 2030.

Given the growing awareness and concern over "Food Fraud", the only way Australian consumers can be certain a product is truly organic is to look for a certification mark. Currently six certification bodies are used in Australia – approved by DAWE to use the National Standard with over 3,200 certified organic businesses voluntarily elected to become certified to substantiate the organic claim for their product,

However, there are many examples of small to large businesses simply opting to misleadingly use the claim under the guise of marketing to obtain a premium price unbeknownst to ill-informed consumers.

This is heightened by the current mechanisms available to consumers through the Australian Competition and Consumer Commission, which don't sufficiently cover domestic sales of organic products in Australia. While the ACCC has a section on its website highlighting that all claims of organic produce must have the ability to be proven, ACCC Deputy Chair, Mick Keogh, highlighted the issues faced by claimants in a 2019 speech:

Allegations of false claims about organic status, for example, are quite difficult to take action on, as even very detailed analytical testing may not provide conclusive proof, and there are a multiplicity of different standards for organic farming. It is also the



case that a farm does not need to have organic certification to be able to claim organic status in domestic markets.

This highlights the precarious nature of voluntary certification in Australia and one of the reasons equivalencies between Australia and export markets is difficult to achieve.

As the peak body for the Australian Organic Industry, AOL has a track record of working effectively with industry and government, making it best placed to work with the Federal Government and the Department of Agriculture, Water, and the Environment (DAWE) in providing any necessary education and training to industry participants and those stakeholders seeking to convert to organic practices.

### ***International markets and equivalence***

While Australia has a definition of *organic* for exported goods, the lack of consistency domestically means Australian businesses must go through a costly, time-consuming, red-tape-ridden process to gain access to export markets or face the prospect of being denied access.

There are encouraging signs the Commonwealth is moving towards greater support ways to improve how we operate in the agricultural space. AOL wholeheartedly supports the Commonwealth Government's partnering of CSIRO's Trusted Agri-food Exports Mission - working to boost our agri-food exports by \$10 billion by 2030 through tools and technologies that verify our quality, safety, and *clean and green* credentials.

The world trusts and loves Australian-grown food, and the CSIRO's Trusted Agri-food Exports Mission has a key focus on market access to meet the regulatory requirements of Australia's trading partners – to cut compliance costs and give us access to as many export markets as possible. While this is a positive change, consultation between AOL and some of its members who export their goods showed the cost of exporting to markets without equivalence is approximately \$2.5 million per year among these businesses. Because this does not represent every business looking to export, the full costs across the organic industry are likely much higher.

These costs highlight the degree of difficulty facing organic operators when they are looking to expand into export markets and the consideration the Government must have when looking to take advantage of the opportunities like the Trusted Agri-food Exports Mission

Currently the National Standard, via the use of an Organic Goods Certificate (OGC), provides over 80 countries with certainty the produce they buy from Australia adheres to the rigorous certification and audit processes of the National Standard. However domestically, there is no set standard which means adherence to the National Standard is accomplished by operators on a voluntary basis. If an operator is not certified, or refuses to become certified, there is very little opportunity to bring forward claims on falsely organic products.

This results in confusion for consumers and feelings of distrust in the organic industry and underpins AOL's recommendation that the National Standard be enforced domestically to provide confidence and a level playing field in a dynamic, growth industry.



Overseas markets currently refusing to accept Australian organic goods due to our lack of domestic consistency include the US, Canada, China, and South Korea. The US stating market equivalency arrangements are not possible while ever Australia does not have a domestically enforced standard and South Korea advising the Australian Organic regulatory framework is incompatible with the South Korean standard.

The US is the world's biggest market for organic products. Not having market equivalency means Australian producers are unable to take advantage of this huge and strongly growing market, valued at \$US62 billion (\$A85.5bn) in 2020 by the US Organic Trade Association, which labelled 2020 in glowing terms: "a year like none other in recent retail history...an unprecedented year with far-reaching consequences for human, environmental and economic health".

Beyond the above markets, Australia is currently negotiating free trade agreements with the UK and the EU. We have an equivalence agreement with the EU; however, all key export commodities are not outlined within this agreement and alternate pathways through certification body agreements have been developed to optimise trading relationships in key markets. The onset of Brexit and the EU's move to sustainable trade partnerships could have a significant impact on Australian organic operators' ability to export into the UK and Europe.

Due to the sensitive nature of negotiations for these agreements, it is unlikely the questions around equivalence will be solved for a further 12 to 18 months. This timeframe gives the Australian Organic Industry and the Federal Government the opportunity to find a solution to the gaps that exist in the domestic regulation of organic goods.

For example, the National Standard has not undergone a full review since 2016, meaning five years of industry development has not been covered. As potential trading partners (such as the European Union) look towards mechanisms to improve sustainability in agriculture Australia is lagging. Changes to the National Standard will require education for operators, certifiers, and consumers on how any changes would affect the Australian Organic industry.

Another key issue which will require review is the issue around animal welfare in the National Standard. There is currently no specific animal by animal sections within the National Standard meaning a further gap exists between Australia and countries and regions such as the United Kingdom, the European Union, and South Korea all of which have taken animal welfare into account when drafting their standards.

### **Recommendation 1 and 2 Funding Requirement**

While the process of domestic regulation continues, AOL can work with the government to highlight these gaps and help close these gaps by the time a mechanism for domestic regulation is ready to be introduced.

AOL recommends \$1.34million be put toward a program which would alleviate government cost through preparation and engaging key market access for organic producers.

This investment would go towards:



1. Complete full comparisons of the organic standards of key countries with the National Standard.
2. Collation of non-compliances that need to be rectified following engagement with these key countries.
3. Engagement and remuneration with the National Standard sub-Committee to fast-track compliance and proposed changes.
4. Once changes were made to the National Standard, engage with key governments for organic equivalence.

### *Training of Certification Bodies*

Following changes to domestic regulation in Australia, including any changes to the National Standard, Certification Bodies will need to be informed and updated on all changes with consistent interpretation of the National Standard training.

This will require a combined effort of material and face-to-face events designed to help certification bodies understand the changes domestic regulation will bring and how to adapt to solely certifying with the National Standard.

Based on the certification experience and organic advocacy AOL has pioneered since its inception, training funding would go towards:

- National Standard editing and tracked changes
- Design and printing
- Videography
- Event and Facilitator costs for Delivery Workshops

### *Training Manuals and Videos for Operators*

As well as creating material for certification bodies, organic operators will also require material to explain changes to domestic regulation and any changes to the operation of the National Standard as a result.

This material would be designed to highlight to current organic operators and those interested in becoming operators, for example:

- What organic is
- Changes to domestic regulation and the National Standard
- New market access opportunities.

### *Consumer Education Campaign*

The last aspect of any changes to domestic regulation will be a consumer education campaign. While there is growing evidence to suggest consumers of organic goods have increased understanding to look for certification marks as proof of organic, the onset of changes to domestic regulation will require a campaign to educate consumers about what these changes are and how they will be affected.



AOL has the experience of running consumer campaigns and would be comfortable to work with Government, or on behalf of Government, to help create a consumer campaign to explain these changes. A consumer campaign would require the following:

- Social Media
- Online Web Content
- Retailer Activity
- Ambassador Programs
- Public Relations Agency Campaign

For more information on the breakdown of costs please see Appendix A.

### ***What if changes to domestic regulation are not introduced in 2022?***

AOL is aware a consistent domestic regulation may not be introduced before the 2022/23 Budget is announced. However, AOL believes by educating operators to understand why domestic regulation is needed and what the changes will mean to them, will ensure a smooth, industry-wide transition when the regulatory framework review is finalised and implemented.

Delaying these measures before the 2023/24 Budget risks creating a lag between the introduction of consistent regulation and organic operators getting to know what the changes will mean for them and taking full advantage of local and export market opportunities.

If the changes to regulation are delayed beyond 2022 and into the 2023/24 budget cycle, AOL would obviously welcome these measures be considered then.

### **Recommendation 3: Transition Subsidy for small organic producers**

In the past decade (2011-2021) the number of organic operations in Australia has increased 38%. As noted, Australia has the largest amount of organic farming land in the world and our industry is poised to continue growing as more producers across our nation look to capitalise on consumer demand for organics. Against this, the opportunity for non-organic operators to convert to organic through a supporting Federal grant program is non-existent.

At the State and Territory level, Tasmania is currently the only jurisdiction to offer support – through a \$230,000 commitment over three years announced in 2020. As outlined in the press release (2/9/20) from Minister for Primary Industries and Water, Guy Barnett, the program was designed to:

*“Assist more Tasmanian farmers and agri-businesses to use organic systems so they can continue to grow and capture more value into the future....It will create awareness of organics as a business option and help establish support networks for businesses transitioning fully or partly to organics systems...[and] support financial, branding and business literacy around organics and increase the knowledge, skills and capacity of service providers”.*

The program is administered by groups associated with the Tasmanian government and the State’s agricultural industry and offers a template for how a program could be developed by the Federal Government and administered using peak groups like AOL.





To help smaller producers transition to organic farming AOL asks the government to fund a transition subsidy of \$0.5 million over 3 years to encourage smaller producers to move to certified organic status without bearing the full process costs, with an opportunity to review the program during its final year of operation.

The programs described in Recommendations 1 and 2 can also be used to help provide these producers with a greater understanding of the changes and opportunities consistent domestic regulation will provide.

Providing information on how consistent domestic regulation will work would complement financial support for small producers to become certified – ensuring they understood the changes and could make clear decisions about becoming certified or deciding to rebrand what they sell.

#### **Recommendation 4: Grant Programs – Agricultural Trade and Market Access Cooperation (ATMAC)**

The ATMAC Grant program has an important role to play in the progression of not just the organic industry but the whole of the agriculture industry. AOL has previously received an ATMAC grant (for 2020/21) enabling it to provide information on growing organics for international markets and export opportunities.

The ATMAC grant built engagement with members and others interested in export opportunities – for example through the AOL webinars funded by the ATMAC grant, in turn this has helped build the profile of the Organic Industry and the quality of the products on offer to international markets, particularly in markets across Europe and Asia.

The ATMAC grant helped facilitate these discussions and grow awareness of these markets for Australian Organic operators. Through the webinars it also helped clarify some of the issues faced by Organic operators, particularly those around certification and the different processes for certification across different countries and regions.

As the Morrison Government continues to look at new ways to build the capability of Australia's agriculture industry continued funding of the ATMAC Grant is a small but vital part of continuing this growth.

As the Department of Agriculture's website highlights the key purpose of the ATMAC grant: *"The program is consistent with the Government's support for enabling Australian agriculture to become a \$100 billion sector by 2030. It provides a mechanism for the Government to enter strategic partnerships, developed jointly with industry that support trade diversification and expansion and provide direct benefits for the sector"*.

With agriculture aiming to be a \$100 billion industry by 2030, opportunities to achieve this could be missed if ATMAC funding is not continued beyond 2022/23.

Having been able to see the National Farmers' Federation submission which highlighted the need for ATMAC funding. AOL recommends the ATMAC program continues through a grant pool of \$30 million over 4 years in line with the figures and timeframe outlined in their submission. As part of the continuation of the program a review of the program should be conducted before its final year to determine its continuation. This would allow the agriculture



sector to provide feedback on all stages of the grant process, improvements needed, and whether the grant program had run its course.

### **Recommendation 5: ABARES Organic Farming Survey**

Economic growth of Australia's organic industry has outstripped the growth of research and development in the industry. To help close the gap between the economic growth of organics and knowledge of the benefits of organic, AOL proposes an Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) survey.

American institutions such as the Rodale Institute have dedicated themselves to understanding the benefits of organic farming through comparison studies of organic and non-organic farms in different growing conditions across the United States.

In contrast, as AOL has progressed its advocacy work on behalf of the organic industry, it has become apparent there are research gaps hampering the understanding of organic farming in Australia. In short, there is a lack of reputable data available to adequately understand what is taking place, particularly for supporting the case for the consistent domestic regulation. It is clear there is not the same level of understanding of our conditions compared with the more mature markets such as the US.

Indeed, limited data on our industry has led to distorted discussions concerning domestic regulation, failing to match the on-ground reality for AOL Members who have provided feedback as part of AOL's attempts to argue for consistent domestic regulation.

AOL has discussed with ABARES developing research which captures the current state of organic farming. Having up-to-date industry data would complement the work done by AOL as highlighted recently in the *Market Report 2021* which provides a breakdown of numbers of different operators, consumers, and conditions in markets outside Australia.

While the *Market Report 2021* highlighted the general state of the organic industry, it was unable to provide more detailed information in some areas due to inconsistent, or non-existent data. Without direct action to better research, collect and analyse contemporary industry statistics, the continuing growth and development of Australia's organic industry will be hindered due to poor and misleading data.

After discussions with ABARES, AOL estimates it would cost approximately annually \$140,000 for a survey of organic farming. This would substantially add to our understanding of conditions organic farmers face across Australia and how organic farms are going in terms of yield. Once this initial survey was completed, it is expected the study would be ongoing, with further research focussing on areas of organic farming.

### **Summary**

AOL has a proven track record of working with Government and Industry. The budgetary recommendations in this submission highlight the growth that is taking place in the organic industry and key areas for the government to invest in to maintain the momentum the industry is enjoying.



If you have any questions on the submission please feel free to contact Nicholas Mukherjee, Policy and Research Officer at [Nicholas.Mukherjee@austorganic.com](mailto:Nicholas.Mukherjee@austorganic.com) or Niki Ford, CEO of Australian Organic Limited at [Niki.Ford@austorganic.com](mailto:Niki.Ford@austorganic.com).