APPENDIX TWO Supporting Documentation – Organics

Overview

The Australian organic industry encompasses a vastly diverse array of organic products. Furthermore, the range is expanding on a daily basis because of consumer interest and demand. In light of strong international competition and the fact that much of Australia's traditional agri food markets have been eroded by lower priced competitors, Australian farmers are now seeking a means to differentiate their products and achieve a premium for them.

To many, organic production is considered to be a viable solution because organic products attract a premium and there are acute supply shortages for a number of categories in many markets. *There exists an increasing demand for fresh, in-season, local organic produce. In addition, a number of organic producers actually* process their products onsite or operate boutique food businesses in keeping with the low food mile ideology of the organic movement in that products should spend minimal time in the supply chain to remain fresh.

Export Potential for Organics – opportunities and barriers
Publication No. 06/061, Project No. MCK-3A
2006 Rural Industries Research and Development Corporation.
ISBN 1 74151 324 3
ISSN 1440-6845

Organics is one of the fastest growing sectors in the food industry overall, experiencing double digit growth in most developed markets compared with 1-2% growth rate for conventional food products. Both the field research and literature search confirm that there is a large amount of latent unsatisfied demand for organic foods. The key constraining factors to industry growth are:- the lack of availability of suitable quality food on a year-round basis.

Demand for organic foods is being driven by:
• growing consumer concern about chemicals in food and the environment
• health consciousness
• specific dietary and allergy conditions
• the perception of organic tasting better
• the desire to get 'back to basics'.
In terms of identifying market prospects, the report concludes that the key driving factors of demand are:
- population; consumer affluence and sophistication; degree of environmental and health consciousness;
- the safety and integrity of local food supply; and the availability of a local organic industry supply chain.

Most large format supermarkets in developed countries now stock at least a minimum organic range. This usually includes leafy vegetables and some organic processed foods and dairy products. In some cases, in the more developed countries, organics is now becoming established as a mainstream category in its own right. The organic range is expanding dramatically driven by manifest consumer demand. Typically, supermarkets devote a whole area to the shelf stable organics as well as a section within the fresh food areas for organic fruit and vegetables, and other perishables.

Key drivers of demand for organics
Essentially, demand for organics is driven by two sets of factors - the emotional and the rational.
Emotional factors
To a large extent, the demand for organics is driven by emotional factors, which include:
• **Perceptions of naturalness:** Avid buyers of organic foods claim strongly that organic foods have
a much better taste and are much healthier in a nutritional sense.
• **Getting back to basics**: There is a strong emotion among people in developed countries, particularly in urban areas, to get back to basics and get in touch with the natural ways of life. The spiritual and emotional aspects of food are becoming more important, e,g. being able to say 'I grew it myself'.
• **Environmental sustainability and environmental friendliness:** There is a growing concern about the environment and sustainability of farming practices. This is particularly true amongst younger people who are being made more environmentally conscious by the education system and the media.

Rational factors
There are a number of strong rational factors that are driving demand for organic foods. These are:
• **Concerns about long-term health benefits:** Increasingly, life-threatening diseases, particularly cancer, are being traced to over-consumption of foods containing toxic chemicals. People generally believe that organic foods are free of chemicals and therefore consumption of them will make one healthier and contribute to longevity and better appearance.
• **Specific allergies and health complaints:** There is a growing percentage of the population who have specific allergies that can be traced back to chemicals in foods. With improved diagnostic techniques, the medical profession is now better able to trace the causes of allergies and health complaints. People on special or restrictive diets are a large and growing proportion of organic food buyers. It is believed that the organic products are preferred for their more sensitive systems.
There is also an increasing crossover between food and nutraceuticals as evidenced by the growing popularity of naturopathy and natural remedies - organics feature strongly here.
• **Better taste:** In many cases, there is a strong feeling and perhaps a reality that organic foods, particularly fruits and vegetables, have a better taste. There may be a number of reasons for this including the possibility that older, more traditional varieties are sometimes used, (e.g. Heirloom tomatoes) are often handpicked and therefore harvested when tree-ripened and at optimum eating quality. Because of the shorter supply chains, the produce can be purchased in optimum condition.

Strong local industry
Demand for organics is likely to be more developed where there is a strong local organic production industry and there has been a tradition of availability of organic foods. The resulting volume of supply ensures that economies of scale can be achieved in supply chains. The reliable availability of local organic produce is a key reason for the strong demand for organic foods.

Despite this, the range of processed organic foods available from Australian-based operations is quite varied. Examples of processed fruit and vegetable products include:
• canned goods, such as organic baked beans, tomatoes and chickpeas
• processed corn products, such as corn thins and corn chips
• sauces and syrups, such as pasta sauce, sate sauce, maple syrup
• spreads and jams including fruit preserves, peanut butter and honey

• oils and vinegars, particularly olive oil and balsamic vinegar, organic salad dressings

Honey
Australian honey is popular in Continental Europe and the UK, particularly the unique varietal types such as yellow box, etc. Australia does have a significant cost disadvantage, vis-à-vis competitors in honey, particularly Argentina, but with its uniquely Australian products it can command a price premium.

Dried fruit
Australia has traditionally been a major player in conventional dried fruit, although increasingly it is losing market share to lower cost producers such as Turkey, Greece and Iran. The limiting factor for organics is the availability of supply. Opportunities are for counter-seasonal supply.

Fruit and vegetable drinks
There is an opportunity for Australia to be a major supplier of organic fruit and vegetable drinks, particularly in the Southeast Asian region.

Other processed foods
There are major export opportunities for processed organic foods such as canned vegetables, frozen vegetables, sauces and syrups, spreads and jams, and oils and vinegars. Australia has done quite well with unique jams and condiments and there is no reason why this shouldn't cross over into the organic sector.

The opportunity here comes from the fact that processed foods generally have greater shelf stability and have easier market access in many instances over fresh product.

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Organic food sales up 80pc: report by Environment reporter Sarah Clarke ABC

A new report has found that organic produce growers have experienced an 80 per cent growth in farm-gate sales over the last four years, despite the widespread drought.

The report also reveals that Australia now accounts for the largest amount of organic farmland in the world. The report on the state of the organic market says it is now worth around $230 million a year and there are 2,750 certified growers in Australia.

The report found that as most farmers battle with drought and low sales, the organic market is showing significant growth.

Andrew Monk of the Biological Farmers of Australia says "Growth is up significantly….sales of fruit and vegetables are growing."

"Growth seems to be about 80 per cent since the last report in 2004 so that's an 80 per cent growth in farm-gate sale receipts for certified organic products across every sector from horticulture to beef," he said.

"And Australia now accounts for the largest amount of certified organic farmland in the world.

Australian Organic Industry Worth Around 600 Million Dollars
The Australian Organic Market Report 2008 shows that the industry is worth almost $600 million with around 30% growth per annum for some sectors since the OFA initiated report in 2004. 2007 farm gate values were estimated to be in excess of $231 m Australian dollars – an 80 % increase on 2004. Major retailers now carry in excess of 500 different organic lines in fresh and grocery categories.

OFA members Dr Paul Kristiansen from the University of New England and Alasdair Smithson of Organic Knowledge conducted the research for Biological Farmers of Australia.
The number of certified organic operators has increased by an annual 5 % average net over the last 5 years. This is in contrast to ABARE figures on all farms in Australia that show a decline in the numbers.
Over 40 % of consumers now buy organic food, which should be compared to research data showing that 86% of consumers oppose GMOs.

Markets will be seeking increasing assurance and verification of quality claims including claims regarding environmental impacts of production. Verification systems will require "chain of custody" or audit trails from paddock to plate to be credible, as well as rigorous and detailed systems for measuring environmental effects. Building and maintaining credible systems of verification, chain of custody, and environmental measurement will be central to continuing growth in the organic industry.

ORGANIC STATUS
Australia's organic industry is well developed and there are currently seven approved certifying organisations, which accredit and annually audit organic operators in accordance with the Australian National Standard for Organic and Biodynamic Products (ANS). The Australian National Standard was developed and is maintained by the Australian Quarantine and Inspection Service (AQIS) and is in line with other major international standards such as IFOAM and the EU Regulations. All Australian exports of organic produce must be produced in accordance with the Australian National Standard as well as with importing country requirements.

Core Truths on the Major Benefits of Organic Food and Farming
Core Truths is a ground breaking compilation of the most current research on organic agriculture. This highly readable and graphically stunning 108-page coffee table book documents the verifiable health and environmental benefits of organic products.
Core Truths includes fascinating research about why:
Organic often tastes better
Organic produce contains, on average, 30 percent higher levels of antioxidants
Organic farming can cut mycotoxin risk by over 50 percent
Organic food dramatically reduces pesticide exposure
Organic farms typically use less energy www.organic-center.org