

Australian Organic

Market Report 2017



Australian Organic Market Report 2017

Research by the Australian Centre for
Agriculture and Law (AgLaw Centre)
and the Mobium Group Commissioned
by Australian Organic Ltd.

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*This is the fifth Australian
Organic Market Report (AOMR),
which aims to assist industry,
governments, media, researchers,
representative organisations and
others to assess market status,
identify potential growth areas,
report on areas of significance
and map development for
the organic industry.*



**Horticulture
Innovation
Australia**



**The Australian Centre
for Agriculture and Law**

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1 GROWTH

The Hallmark of Organics in Australia and Globally

1.1 GROWTH IN CERTIFIED OPERATIONS ACROSS THE ORGANIC VALUE CHAIN

The number of certified organic operations in Australia grew by 5% between 2015 and 2016. There were an estimated 2,075 certified organic producers, 1,163 certified processors and 513 certified handlers in Australia in 2016.

OPERATORS PER SECTOR



513

HANDLERS



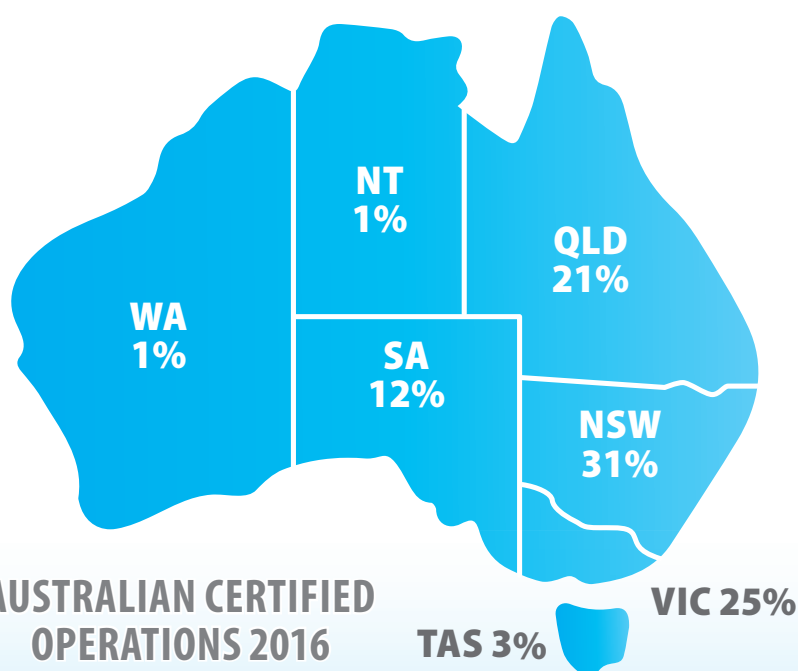
1163

PROCESSORS



2075

PRODUCERS



AUSTRALIAN CERTIFIED OPERATIONS 2016

TAS 3%

VIC 25%

1.2 STRONG GROWTH IN ORGANIC EXPORTS IN 2016

Exports increased to all continents in 2016, and new markets opened up in Central Asia and South America.

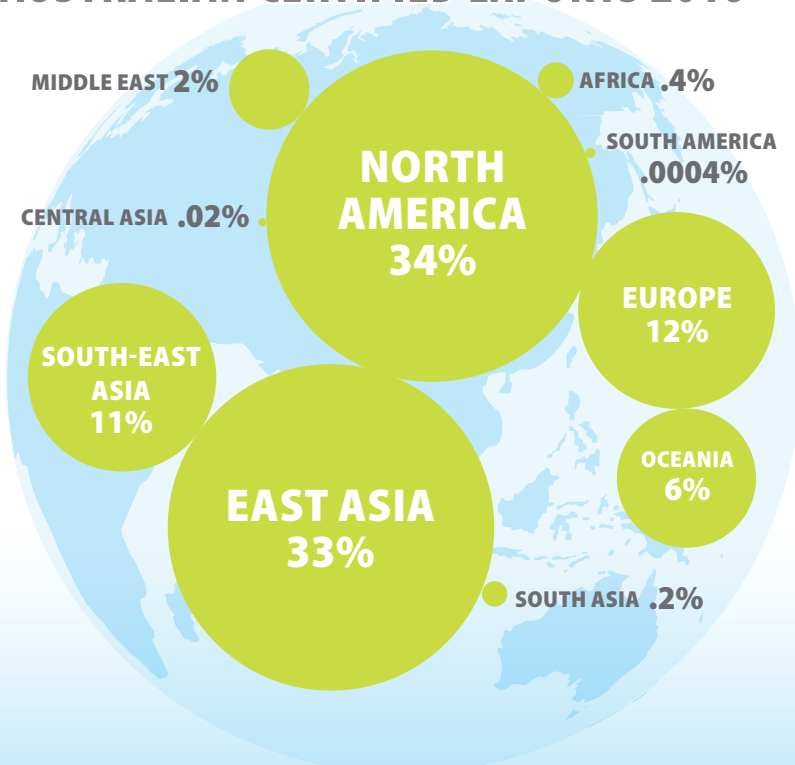
About a third of exports by tonnes were destined for the East Asian market, and another third to North America. The top five export destinations for exports in 2016 were the USA, South Korea, China, Hong Kong, and Singapore, which account for about two-thirds of total tonnage exported. Hong Kong showed the biggest increase in exports between 2015 and 2016.

Beef was the top export by tonnage, at close to 20% of all exports in 2016. Horticultural produce, dairy products and wine were other important exports in terms of total tonnage.

The tonnes of organic products exported from Australia grew by 17% in 2016.



AUSTRALIAN CERTIFIED EXPORTS 2016



Bakery items showed more than four-fold export growth between 2015 and 2016, and exports of sheep/lamb meat, cosmetics, alcoholic drinks, dairy products and chicken all showed exceptional growth.



1.3 BUSINESS IS GROWING

Organics is one of the most dynamic sectors in Australia's health and wellness packaged food market.¹ The domestic Australian consumer market for organics was estimated to be about AU\$1.4 billion (US\$1 billion) in 2015.² Added onto this is the value of organic raw and processed products exported from Australia. In 2014, the total value of the Australian organic market was estimated to be AU\$1.72 billion (including the domestic market and exports). This figure will be updated in next year's report, taking advantage of results from the Australian Bureau of Statistics' five-yearly farm census.

The organic packaged food and beverage share of the total domestic consumer market in Australia was estimated to be about AU\$696 million in 2016 (US\$541.40 million), an increase of 5.4% on 2015, or 1.5% of the global market.³ Shoppers in Australia are reported to be the sixteenth highest spenders per capita on organic packaged food at about AU\$26 per capita (US\$20.40).⁴ Growth of sales in organic packaged food and beverages in 2017 is predicted to be 4.3%, with a compound annual growth rate of 3.8% for the period 2017–20.⁵

By 2018, the total value could be anticipated to reach or exceed AU\$2 billion, given the current growth trajectory.

Several successful businesses along the value chain are profiled in more detail throughout this report, including businesses involved with organic farming, marketing, grain millers, winemaking, manufacturing, specialty store and large supermarket retailing, wholesaling, exporting, input supplies, and advisory services. Organic businesses cover the field in terms of size and business structures, including family farms and small local outlets to corporate enterprises of significant scale. Recently, two organic companies have listed on the Australian Stock Exchange (ASX), demonstrating the general public are confident about channelling investment into the organic sector.

Murray River Organics Group Limited listed in December 2016. The company produces certified organic dried fruit and associated products on 1,900 hectares of farmland based around the Sunraysia district of North West Victoria and most of which is certified organic. It also operates a processing facility across the State border at Mourquong in regional New South Wales.⁶ It recently reported it was the largest organic producer in the world of dried vine-fruit produce.⁷

Bubs Australia Limited listed on the ASX in January 2017. The company produces a premium range of Australian made certified organic baby food under the brand 'Bubs Organic'.⁸ The company plans to use the listing capital to expand their channel and product mix domestically and internationally.⁹ Bubs Organic products are retailed in national major supermarkets and pharmacy chains, and are exported to China, South East Asia and the Middle East.¹⁰

1.4 AUSTRALIAN GROWTH MIRRORS WORLD GROWTH IN ORGANICS

Consistent growth is a global trend for organics. Land area under organic management continues to increase. Production volumes are rising. Sales value continues to grow globally. Organics is now the USA's fastest growing sector in retail food. The European market also experienced strong growth of 13% between 2014 and 2015 – the first double-digit expansion since the global financial crisis. There was even higher growth in individual European countries: Spain, Ireland, Sweden, Belgium, Norway, Italy and France. In some select European countries with strong government support and a highly educated consumer base, market share is close to double digits, highlighting the potential for this market segment. For particular products, penetration of organic options into the food market is even higher.



Almost a fifth of all eggs sold in Austria, France, Germany, Sweden and Switzerland in 2015 were organic.

1.5 GROWING CONSUMER CONFIDENCE IN ORGANICS

There are indications organics is moving from a niche position to a normalised preference for most households in Australia and other economies at least on an occasional basis.¹¹

This is especially true of families with young children. A child or children in the household correlates with a preference for organics.¹²

Personal health for the buyer and their family is the strongest driver in 2016.



Where are shoppers buying organics?

Supermarkets remain the dominant retail outlet and their business is growing. Woolworths reports total organic product sales increased by \$60 million in 2015. However, retailing of organics is becoming more competitive and diverse. Consumers' preferred shopping outlets are broadening, with increasing opportunities for smaller, more focussed outlets and alternative retailing channels. Though supermarkets remain the main organic retailer in Australia, there has been a shift towards specialty stores for organic items. This mirrors the US experience where this trend is most pronounced amongst the younger Millennial/Gen-Y demographic.¹³

More than two out of three Australian households say they bought at least one organic product in the past year.

TOP PERCEIVED 'FREE FROM' BENEFITS OF ORGANIC FOOD



The top 10 perceived benefits of organic food in 2016

1. Chemical-free
2. Additive-free
3. Environmentally friendly
4. Free range
5. Non-GMO (genetically modified organisms)
6. Hormone and antibiotic-free meat
7. More nutritious
8. Knowing where my food comes from
9. Cruelty-free
10. Better tasting food

Millennials – a promising future for organics

Millennials/Generation Y have emerged as key supporters of organics, just as they have become the largest living generation and the biggest segment of the workforce.

Millennials have the strongest association with organic food. Polling by Acosta shows that younger US Millennials use a more even spread of retail outlets for 'natural' and organic purchases than any other generation surveyed.¹⁴

Millennials are an important demographic because they have now surpassed the Baby Boomers as the largest living generation in Australia¹⁵ (and other developed economies),¹⁶ and are also the largest segment of the workforce in Australia (35%).¹⁷ A 2014 Gallup poll in the USA showed over half 18-29 year olds actively try to include organic food in their diet compared with one-third of people 65 years and older.¹⁸ Millennials are more discerning about food choices, origins, and production systems than other demographic profiles. They also make use of on-the-spot mobile technologies to research while shopping.¹⁹

Awareness of certification increases

This awareness continues to increase (an increase of 17% since 2010).

85% of all shoppers say that, all other things being equal, an organic certification mark on a product would have some level of influence on their purchase decision.

Fruit and vegetables, dairy and home-cooking ingredients are the leading food basket categories for organic shoppers in 2016.

Most shoppers are aware that certification marks are used on organic products as a 'guarantee' of authenticity.

Certain product categories are leading the way

Fresh fruit and vegetables remain the dominant purchase for shoppers from 2010 to 2016 and are the key entry category for first-time organic purchasers.

Between 2014 and 2016, the strongest increases in the percentage of shoppers indicating they buy organic was for organic eggs (+10% vs. 2014), dairy (+6%), red meat (+6%) and poultry (+6%).

In some international markets, organic baby food has secured the majority share of the market; e.g. South Korea and the UK.

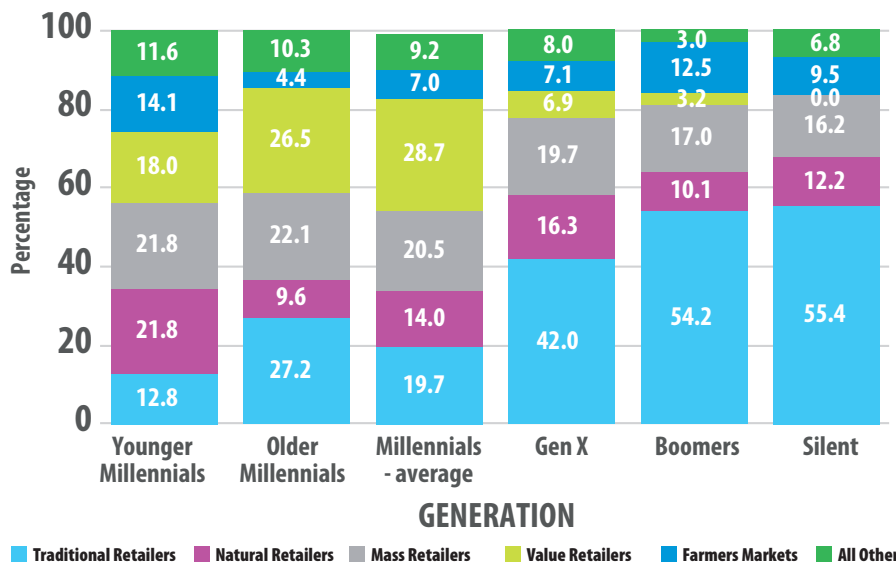


Figure 1: Natural/Organic Shoppers by channel and generation
Source: Acosta, 2017

An organic certification mark increases the confidence of two-thirds of all shoppers in the certified product.

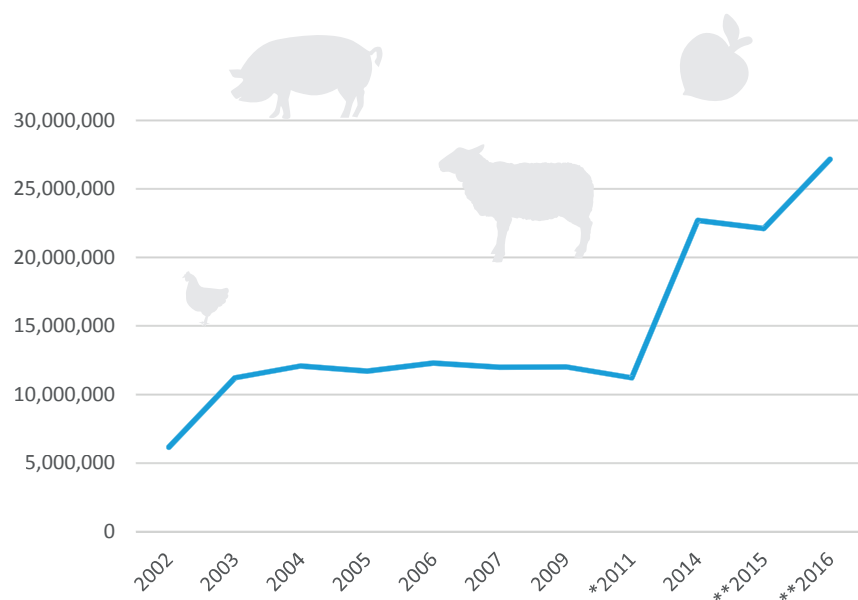
DAIRY PRODUCTS ARE THE MOST FREQUENTLY PURCHASED ORGANIC FOOD, ACCORDING TO A SURVEY OF AUSTRALIAN SHOPPERS

1.6 THE LARGEST AREA OF ORGANIC FARMLAND IN THE WORLD HAS GOT BIGGER

Australian organic farmland has:

- Increased fourfold since 2002
- Doubled since 2006 and
- Increased by 23% or over 5 million hectares between 2015 and 2016

Australia has more land under certified organic management than any other country in the world:
Over 27 million hectares



AREA UNDER CERTIFIED ORGANIC MANAGEMENT (HA)



1.7 OPPORTUNITIES AND CHALLENGES

Global increases in the area of organic farmland, and production volumes are not keeping up with global demand, signalling the potential for even greater growth for Australian producers, processors and handlers. Organic insiders interviewed for this report noted undersupplies of organic primary produce in many sectors, including organic grains, fruit and vegetables, livestock feeds, and red meat.

Demand for organic products is outstripping supply in Australia and globally

Combining values – key to the future

The organic insiders interviewed in this report say businesses need to actively build on their organic base by staying attuned to other consumer preferences and trends, and incorporating a range of values in their products.

In addition to organic values, consumers are focussed on a suite of concerns, including simpler foods, fewer ingredients, less processing, fresh foods, foods with perceived health benefits, concerns about pesticides and GMOs in food, carbon neutrality, Australian ownership, local provenance, animal welfare and fair trade.²⁰

Raising consumer awareness – a continuing need

There is a need for continuous consumer education on the meaning and value of organic production and certification. This requires an ongoing explanation of the costs of producing and certifying organic products:

Organic farmers must find organic approved seed, learn to manage fertility and pests through natural methods, and locate their own markets ... Bringing organic products to grocery shelves incurs additional costs beyond the farm gate as well. For example, handlers and food processors must sequester organic and nonorganic ingredients, while retailers must prevent the mixing of unpackaged organic and nonorganic products.²¹

Educational labelling remains a key tool in meeting such challenges:

Labels are the #1 source for information for all channel shoppers. Fifty-six to 63% of natural/organic shoppers report they read labels. Shoppers also seek information from other sources like signage within stores, friends/family, the media and internet searches but product packaging is by far the most influential.²²

Consumer education requires an ongoing explanation of the costs of producing and certifying organic products

Challenges

There are significant opportunities for producers where a market is undersupplied but it's vital that prospective new entrants into the organic sector do their homework first. It will be crucial to lift capacity of the whole supply chain, not just primary producers, to meet demand for undersupplied products. There are opportunities for organic operators along the supply chain who can combine organics with other values, such as health, quality preferences, food trends, and ethical concerns.

Products labelled organic and sold in Australia are strictly speaking not required by law to be certified. Credible organic assurance with integrity has never been more important to guard against greenwashing and questionable claims. Continued awareness raising of the benefits of organic production and certification is imperative, to overcome consumer confusion and the possibility of fraud.



‘LABELS ARE THE #1 SOURCE FOR INFORMATION FOR ALL CHANNEL SHOPPERS’ (ACOSTA)

1.8 INSIGHTS FROM ORGANIC INSIDERS

Informal interviews and surveys were conducted with representatives of 17 certified organic operations, including producers, producer networks, a supermarket, specialty retailers, wholesalers, processors and manufacturers, exporters, and an input supplier. A number of important themes emerged from the interviews:

(a) There are significant opportunities for producers where a market is undersupplied ...

Several interviewees profiled later in the report nominated specific opportunities where demand outstrips supply. Rod Cleary from Health Focus Manufacturers (HFM) noted the short supply and high cost of inputs for the company's cosmetic and skin care products. John Coote from KADAC and Quentin Kennedy from Kialla Pure Foods both commented on the deleterious impact to their businesses of an undersupply of organic grains. Alasdair Smithson at Oliver's Real Food, and Woolworths noted supply issues for various fruit and vegetable lines, and the Victorian dairy farmer interviewed noted a lack of organic grain for feed limits an increase in organic milk supply. In the beef sector, Warren Pensini from Blackwood Valley Beef intimated that there is room for collaboration between organic beef producers and studs supplying bulls to improve eating quality and herd genetics.

CEO of the Arcadian Organic & Natural Meat Company, Alister Ferguson, says there is always a need for more red meat producers and market growth is dictated by supply, which will be limited in the next 12 to 18 months due to the previous drought and herds currently in the rebuilding phase of production.

Matt Redin, Marketing Manager at Angove Family Winemakers, says that more vineyards becoming organically certified each year has allowed Angove to tap into an expanding domestic market and explore the export market in greater depth.



UNDERSUPPLIED



ORGANIC GRAINS, FRUIT AND VEGETABLES, LIVESTOCK FEEDS, AND RED MEAT ARE ALL UNDERSUPPLIED ACCORDING TO ORGANIC INSIDERS



(b) But it's vital that prospective new entrants into the organic sector do their homework first and keep abreast of health developments, quality preferences, and food trends

'Keeping it real', was the advice of Matt Redin at Angove Family Winemakers, and don't go into organics just for the 'feel good' factor. For it to work, the entire company must embrace sustainability and organic protocols at all levels. Matt says this approach has served Angove well with the business increasing the number of organic certified products it produces to twelve since Angove was last profiled in the 2014 Australian Organic Market Report, which includes the launch of its organic gin – 'Blind Tiger Organic Gin'.



Do your homework.
Don't go into
organics just for the
'feel good' factor.

At the retailing end, Anni Brownjohn attributes her business success to, amongst other things, making sure the products she brings to market are what consumers want. Anni established The Right Food Group in 1999, the first certified organic manufacturing facility in Australia. The group owns private label brands OZGANICS and the Organic Noodle Kitchen and manufactures a hundred certified organic products. She receives numerous phone calls from people wanting to bring an organic product to a manufacturer. Her advice is to do your homework because there is more competition in the market. Anni says there is a big difference between making a product to take to weekend markets and manufacturing a product line to take to wider commercial market.

Brendan Murray works with parents Don and Elaine in the family's certified organic vegetable producing business Nature's Haven. The business operates seven fully certified organic vegetable farms in New South Wales and Queensland. Doing your homework is particularly relevant in the current economic environment, in Brendan's view. Australian shoppers have been tightening their belts over the last 12 months, which has seen reduced turnover of certified organic produce from Nature's Haven.

A representative of a major Victorian organic dairy farming business (who did not want to be named) urged those considering entering the organic milk market to do their sums, particularly those contemplating the manufacturing side of the dairy industry. Expanding into manufacturing can take you away from the core business of farming. Manufacturing dairy products is not as easy as simply pasteurising milk. It requires a change of mindset to implement all the support systems needed to sell a product.

Deborah Wray, co-founder of the chain of ten Wray Organic Market and Cafés in south-east Queensland and northern New South Wales, reiterates Anni's advice: new entrants in the sector must research whether there is a demand for a product before developing it. Deborah suggests approaching wholesalers or retailers with a very good understanding of the organic market for advice on products that are needed and those that aren't.

David Como from Eco-Farms says that as a business, being able to adapt to a changing market is critical. His advice for those considering entering the market is not to rush in with a full range but to identify niche, or different lines they can offer to supply, then develop a core produce range and stick to it. Eco-Farms supplies certified organic fresh produce and grocery items across Australia to a range of companies including independent health food shops, small chain retailers, cafés and restaurants.

CEO of the Arcadian Organic & Natural Meat Company, Alister Ferguson, says the best business decision the company has made in the past five years has been to understand and align its products with current food trends and consumer preferences. Arcadian has the largest certified organic livestock producer network in Australia, with 130 producers. Eight new products have been added since the company was profiled in the last Australian Organic Market Report (2014). This includes products in its 'paleo' range under the Cleaver's brand with its paleo beef sausage winning



Build on organic certification by embracing other health, ethical and lifestyle values.

the 'Best Organic Food Product' at the 2015 Australian Organic Annual Awards. Currently Arcadian employs 77 people, an additional 20 people compared with two years ago. Alister attributes this to the growth of the business, demand for its products and a greater focus on marketing and finding out what the consumer wants.

Building on and going beyond organic specifications was emphasised by retailer Deborah Wray of Wray Organic Market and Cafés. When choosing food products to stock, Deborah urges prospective entrants in organic retail to consider the whole product, including health aspects, not just its organic credentials. For example, even some certified organic products can be high in refined sugar.

Attention to market preferences was reiterated by several operators profiled later in this report, including Warren Pensini of Blackwood Valley Beef, KADAC's CEO, John Coote, and Marg Will at Organic Systems & Solutions. Warren notes that focusing on organic alone is not enough these days. Attention to quality and customer satisfaction is vital. John says his company's attention to health trends around avoiding sugar have been important to growing sales and Marg sees opportunities for Australian producers following the 'second wellness wave' in South Korea.



(c) Fraud prevention and customer education on the value of certification are imperative

Questionable claims about organics was a concern for Seasol, the Tasmanian based company that has been manufacturing organic



liquid fertilisers and soil conditioners for home gardeners, commercial farmers, and export for more than 30 years. Graham Smith, General Manager, noted that Seasol was in

the organic sector before it became fashionable, but the increase in organics' popularity also increases the possibility of 'greenwashing'. This is a major challenge for the industry that needs to be brought under control in his view.

Deborah Wray of Wray Organic Market and Cafés believes that customer education is the biggest hurdle for the organic industry. Consumers need to understand what it means for a product to be certified organic and to appreciate why a certified organic apple costs more. Deborah says many people know that certified organic food is good and perhaps even better for you, but they don't change their lifestyle until sadly they or someone they know is seriously ill.

Customer education remains vital to the success of certified organic.



2 *FACTS AND FIGURES*

AUSTRALIAN ORGANIC OPERATIONS

2.1 COLLECTING THE DATA

A number of public and private data sources from USA and EU have been invaluable in the preparation of this report, including the National Organic Program and the Economic Research Service of the USDA, the Organic Trade Association and its Global Organic Trade Guide, FiBL and IFOAM, Euromonitor, IBISWorld, and other market intelligence providers.

Given the focus of this report (land area, operator numbers, export activities and consumer market) the researchers have not attempted to calculate the overall

dollar value of production. The next Australian Organic Market Report will include a new value estimate for the Australian organic market place, and will use data from the Australian Bureau of Statistics five-yearly farm census, along with a whole of value chain survey as reported in prior Market Reports.

Certifiers and streamlined data management systems play an important role in building the picture of the whole organic sector for the benefit of all participants. Consequently, a major new development for this report has been the access provided by the two largest certifiers – Australian Certified

Organic (ACO) and NASAA Certified Organic (NCO) – to information from their e-certification (e-cert) systems.

As has been the case in previous organic market reports, the national facts and figures shown in Chapter 2 of this report will be an underestimate of total organic farming activity as it is only based on data for certified organic production. Data on the contribution of non-certified organic farming is not readily available, and is not expected to impact significantly on the formal retail and market channels (domestic and export) for the organic market segment.

2.2 CERTIFIED ORGANIC OPERATIONS IN AUSTRALIA IN 2016

The aggregate of certified Australian organic operations in three broad roles – producers, handlers and processors²³ – is estimated to be 3,751 in 2016, a 5% increase on 2015 (3,578).

The producer group is the largest category of certified operations in 2016 followed by processors, then handlers. The producer category has seen some growth over the last few years, and the numbers are more than 20% higher than a decade ago, though they have not yet returned to the highpoint in 2009. It is possible that, as with conventional farming, organic farming is seeing some consolidation of smaller farms into bigger enterprises.

Over time there has been a substantial increase in the proportion of operators certified as processors. In 2002, almost three-quarters of operators were producers, but by 2016, this has reduced to just over half. Concurrently, processors have increased from 18% to 31% of certified operations.

Handler numbers have been more variable over time, but are currently more than double what they were a decade ago.



ESTIMATED OPERATIONS IN AUSTRALIA

YEAR	PRODUCER	PROCESSOR	HANDLER & OTHER	TOTAL
2002	1,650	397	194	2,241
2003	1,730	441	180	2,351
2004	1,859	412	165	2,436
2005	1,871	523	141	2,535
2006	1,691	743	131	2,565
2007	1,776	607	206	2,589
2009	2,129	657	200	2,986
*2011	2,117	765	187	3,069
2014	1,707	719	141	2,567
2015	1,999	1,136	443	3,578
2016	2,075	1,163	513	3,751

*Processor category includes marketers and wholesalers

Figure 2: Estimated certified organic operations in Australia 2002-2016

Sources 2002-14: Australian Organic Market Reports 2012 and 2014.



PROPORTION OF CERTIFIED OPERATIONS

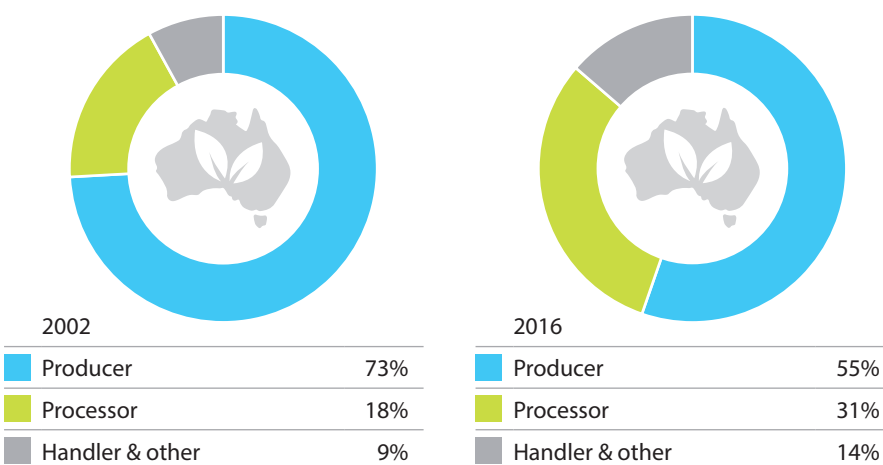


Figure 3: Proportion of certified operations in producer, processor and handler roles 2002 and 2016

Sources 2002-14: Australian Organic Market Reports 2012 and 2014.

In 2016, almost a third of operations are in New South Wales, a quarter in Victoria and a fifth in Queensland.



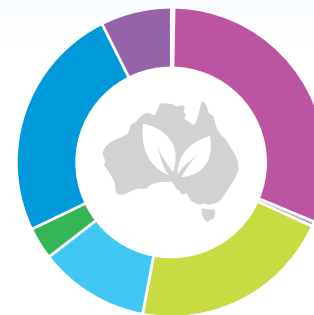
CERTIFIED OPERATIONS BY STATE

YEAR	ACT	NSW	NT	QLD	SA	TAS	VIC	WA
2002	5	688	15	574	157	75	438	131
2003	6	707	20	589	162	70	480	144
2004	3	776	27	586	185	78	470	151
2005	4	837	16	564	200	100	497	162
2006	3	877	15	562	216	114	443	176
2007	6	826	12	588	260	122	582	193
2009	5	1,077	13	623	274	127	654	213
2011	in NSW	1,068	16	634	337	139	651	224
2014	in NSW	873	15	521	311	65	590	192
2015	11	1,128	17	759	423	124	849	267
2016	11	1,163	19	794	433	126	928	277

Figure 4: Certified operations in Australia by State and Territory – 2002-2016

Sources 2002-14: Australian Organic Market reports 2012 and 2014.

CERTIFIED OPERATIONS



	No.	% of total
ACT	11	<1%
NSW	1,163	31%
NT	19	<1%
Qld	794	21%
SA	433	12%
Tas	126	3%
Vic	928	25%
WA	277	7%

Figure 5: Certified operations in each State and Territory – 2016

The aggregate of producers, processors and handlers is not the same as the number of certified operations in the certifiers' books, because it is possible for a client to be certified in any or all of the three roles. In other words, a business that produces and sells, for example, milk, as well as processing it into cheese for sale, may be certified as a producer *and* a processor. Figure 6 estimates the extent of cross-over amongst the three roles.

OPERATIONAL CROSS-OVER

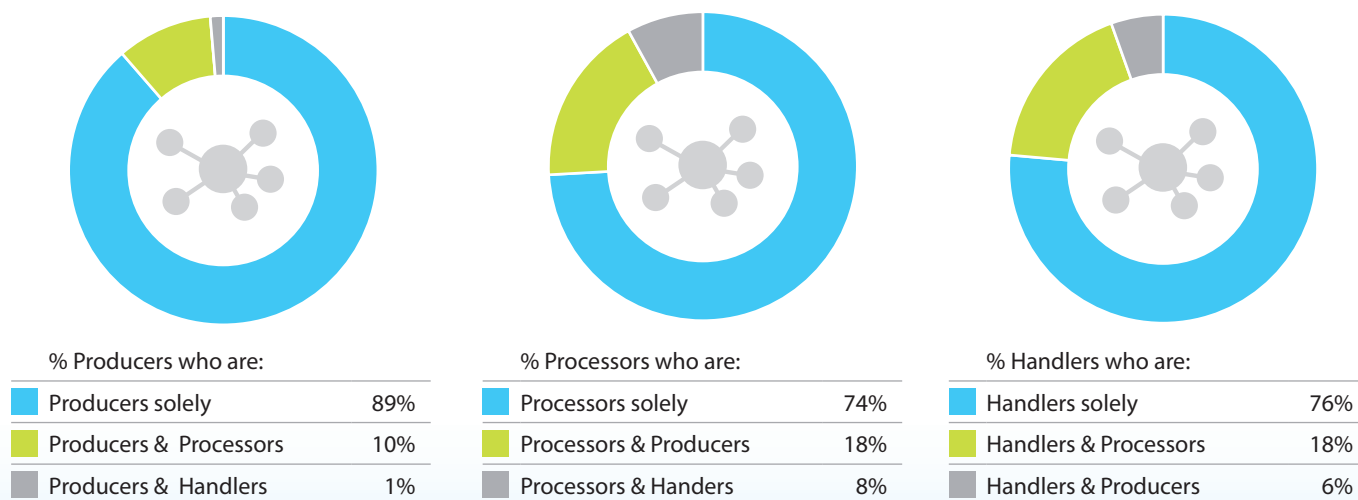


Figure 6: Percentage of cross-over of operational roles 2016



2.3 PRODUCERS AND AREA OF FARMLAND

The estimated number of certified organic producers in Australia in 2016 was 2,075, an increase of about 4% from the 2015 figure of 1,999.²⁴ Producers are represented in all States and Territories. Broadly reflecting the situation with total certified operations, New South Wales has the largest number of organic producers, though Queensland exceeds Victoria.

The area of land under certified organic management (in-conversion and fully certified organic) is conservatively estimated at over 27 million ha in 2016. This is likely to be an underestimate. The Australian Bureau of Statistics' estimates the total area of farmland in Australia to be 384.558 million ha,²⁵ which means about 7% of Australian farmland is under certified organic management. The latest World of Organic Agriculture yearbook estimates the global area under organic management is about 50.9 million ha,²⁶ which means Australia has about 53% of the world's organic farmland.

Most of the area under certified organic management in Australia is in the rangelands or pastoral zones. Consequently, the States and Territories with pastoral zones dominate the area of organic production; i.e. South Australia, Queensland, Western Australia, New South Wales and the Northern Territory. The Northern Territory has the largest area per certified producer – seventeen certified producers manage on average more than 86,000 ha each under organic production, whereas in Tasmania, 79 certified operations manage on average about 50 ha each.

CERTIFIED PRODUCERS BY STATE

STATE TERRITORY	NO.	AREA (HA)	AREA PER PRODUCER OPERATION (ha)
ACT	2	2,192	1,096
NSW	600	2,857,014	4,762
NT	17	1,469,842	86,461
QLD	504	8,199,412	16,269
SA	265	10,327,154	38,970
TAS	79	4,003	51
VIC	430	416,776	969
WA	178	3,868,628	21,734
TOTAL	2,075	27,145,021	13,082

Figure 7: Certified producers and area of production in Australia by State and Territory in 2016

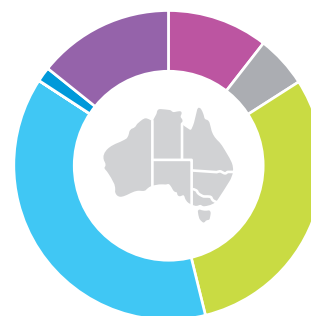
PRODUCER NUMBERS



	Number of Producers	% of total
ACT	2	<1%
NSW	600	29%
NT	17	<1%
Qld	504	24%
SA	265	13%
Tas	79	4%
Vic	430	21%
WA	178	8%

*Area is likely to be an underestimate.

MANAGEMENT AREA



	Ha	% of total
ACT	2,192	<1%
NSW	2,857,014	10%
NT	1,469,842	5%
Qld	8,199,412	30%
SA	10,327,154	38%
Tas	4,003	<1%
Vic	416,776	2%
WA	3,868,628	14%

Figure 8: Certified producers in each State and Territory – 2016

The estimated area under certified organic management in 2016 shows a substantial increase over 2015 of more than 5 million hectares, or 23% growth.

YEAR	AREA UNDER CERTIFIED ORGANIC MANAGEMENT (ha)
2002	6,150,171
2003	11,198,188
2004	12,077,362
2005	11,715,744
2006	12,294,290
2007	11,988,044
2009	12,001,724
*2011	11,199,578
2014	22,690,000
**2015	22,108,495
**2016	27,145,021

* Estimated in AOMR12 using ABS data. Organic industry sources put this as high as almost 17 million ha.

** Likely to be an underestimate, which may account for the dip between 2014 and 2015.

Figure 9: Area under organic management 2002-2016 (ha)

Sources 2002-14: Australian Organic Market reports 2012 and 2014.

It is estimated that 37% of all certified organic producers in Australia were involved in the fruit sector in 2016, which has the highest proportion of producers out of the ten plant-based sectors listed in Figure 10. About a third of all producers grow vegetables, and lucerne for hay, and about one fifth grow root crops or cereals. The proportions are relatively stable between 2015 and 2016, with the exception of oilseed growers, which shows a noticeable dip downwards.



PROPORTION OF PRODUCERS

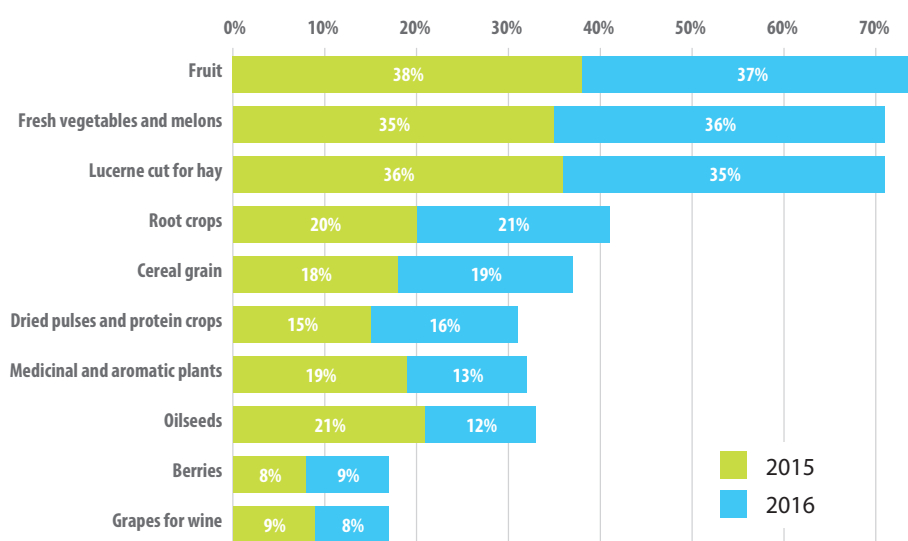
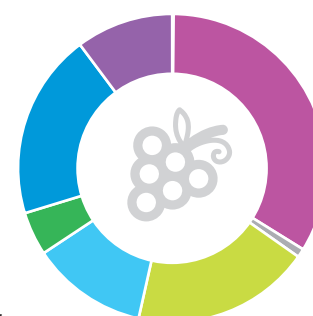


Figure 10: Proportion of producers involved in producing ten crops

In 2016, about a third of fruit growers operate in New South Wales and about a fifth in each of Queensland and Victoria.

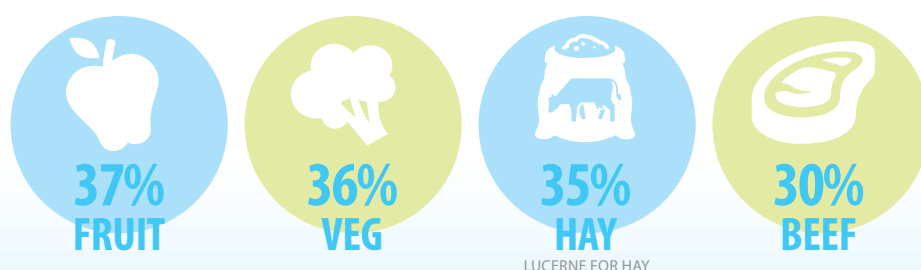
FRUIT GROWERS BY STATE



2016							
ACT	<1%	SA	12%				
NSW	33%	Tas	5%				
NT	<1%	Vic	19%				
Qld	19%	WA	10%				

Figure 11: Location of organic fruit growers in Australia

SECTORS WITH THE HIGHEST PROPORTION OF PRODUCERS





PROPORTION OF PRODUCERS

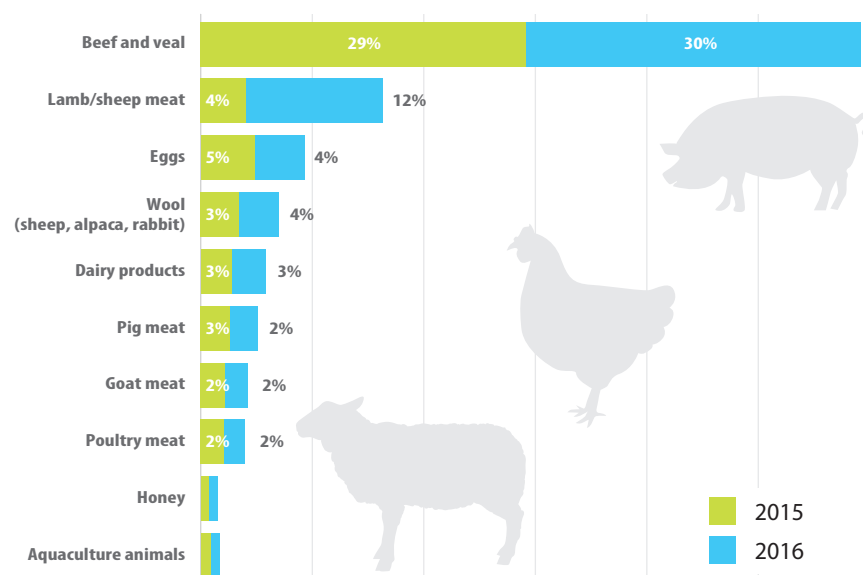


Figure 12: Proportion of producers involved in producing ten animal products

Figure 12 shows the top ten animal production systems according to estimated proportion of producers involved in 2016. Beef production is the animal sector that involves by far the most producers – almost a third of all organic producers. The proportions

are relatively stable between 2015 and 2016, with the exception of lamb producers – a greater proportion of organic producers were raising lamb in 2016 compared with 2015. Almost half of beef producers in 2016 were in Queensland.

BEEF PRODUCERS BY STATE

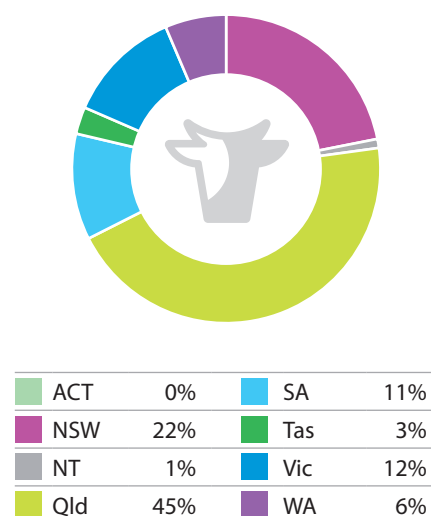


Figure 13: Location of organic beef producers in Australia

A small proportion of producers are involved in wild harvest operations, which fell dramatically from a little over 4% of all producers in 2015 to about 1.5% in 2016. In 2016, most wild harvesters were located in New South Wales (40%) and Queensland (16%).



PRODUCER NETWORK PROFILE



The Organic Farm Gate



The Organic Farm Gate was founded in Queensland seven years ago by a group of experienced organic fruit and vegetable growers. They aim to work together to supply high quality certified organic produce. The Organic Farm Gate provides professional support to growers on planning, packaging and distributing certified organic fruits and vegetables

and has recently expanded to include a large modern certified packing facility. The Organic Farm Gate has employed an additional 10 full time and contract staff over the past two years due to consumer demand and business growth.

Best business decision

Brei Montgomery and Jacob Parrish of The Organic Farm Gate believe the values and passion of the group can only be realised through emphasis on its people, working as a team, and growing and maintaining relationships with the group's suppliers. Brei and Jacob also cite the focus on a single brand for the group – called 'Australian Organic Farmers' – which was launched in the last two years.

Advice

Don't rush into the business and make sure you do your research, urge Brei and Jacob, and ensure you take the long term view. There are many opportunities available but to be sustainable your business must be built on solid foundations. Performance in the business brings trust. With trust comes creativity. Many people enter the organic industry with the view that it is a race when in reality it is a marathon, say Brei and Jacob.

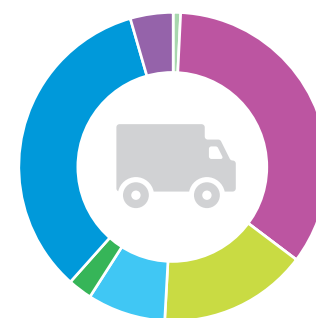


2.4 HANDLERS

In 2016, 513 certified operations operated in handler roles – or about 14% of the aggregate 3,751 certified operations in Australia. This is a 16% increase from 443 in 2015. Handlers are represented in all States and Territories, with about one third in each of New South Wales and Victoria. Almost half of all handlers in 2016 were retailers, about a third wholesalers, about a third directly involved in exports, 18% importers and 9% provide in transport and storage services.

A handler may be involved in more than one of these activities, therefore percentages do not add up to 100%.

CERTIFIED HANDLERS BY STATE



2016

ACT	<1%	SA	8%
NSW	34%	Tas	3%
NT	0%	Vic	34%
Qld	16%	WA	4%

Figure 14: Certified handlers in Australia by State and Territory - 2016

Oliver's Real Food

Oliver's Real Food is an organic fast food chain certified with ACO. A majority of its outlets are located on major highways in Victoria and New South Wales, with plans for stores in Queensland and South Australia. Two years ago, Oliver's instore offerings were more restricted than now, with a major success story being its certified organic steamed green beans served in a coffee cup. Approximately 750 kg are sold each week across the 19 stores which is an increase of 10-20% on the previous year, according to Alasdair Smithson – Head of Organic Farming at Oliver's.

Opportunities

Alasdair notes that a reliable supply of green beans can be put at risk by weather events and seasonality. Consequently, the company has expanded its suppliers and ensured they are located in different geographical regions. Consistent supply is one of the challenges the organic industry faces going forward, says Alasdair, as the processing and retail markets are growing faster than the number of organic farms, leading to an undersupply of raw products. Alasdair's role with Oliver's is to work together with young farmers to encourage growth and assure supply.



Advice

Alasdair suggests that farmers should not plant until they have sold their produce for a price that is viable for their business. In his role, Alasdair appreciates how hard it is to grow and supply fresh produce. He believes market research is essential and advises those considering entering the organic market not to be speculative and grow things because you believe there is a market – be certain that you will have a buyer for your produce. Do your

market research and find a buyer that is going to buy at a price that is viable on the farm. Communicating with potential buyers about the gaps in the market, what time of the year these occur and the specifications for the produce is fundamental. This is especially important in dynamic markets where oversupply can occur quickly.



HANDLERS IN SELECTED SECTORS

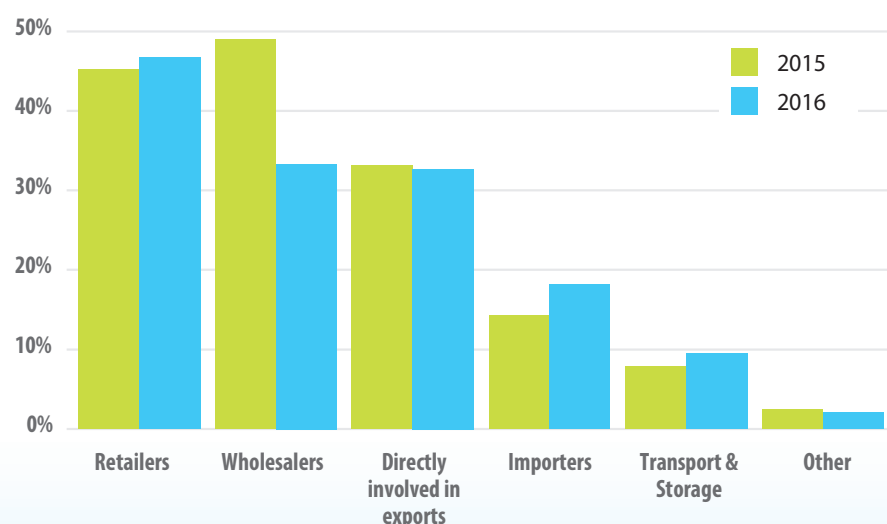


Figure 15: Proportion of certified handlers in selected sectors in 2015 and 2016



CERTIFIED PROCESSORS



2016

ACT	<1%	SA	11%
NSW	33%	Tas	3%
NT	<1%	Vic	28%
Qld	18%	WA	6%

Figure 16: Certified processors in Australia by State and Territory – 2016

PROPORTION OF PROCESSORS

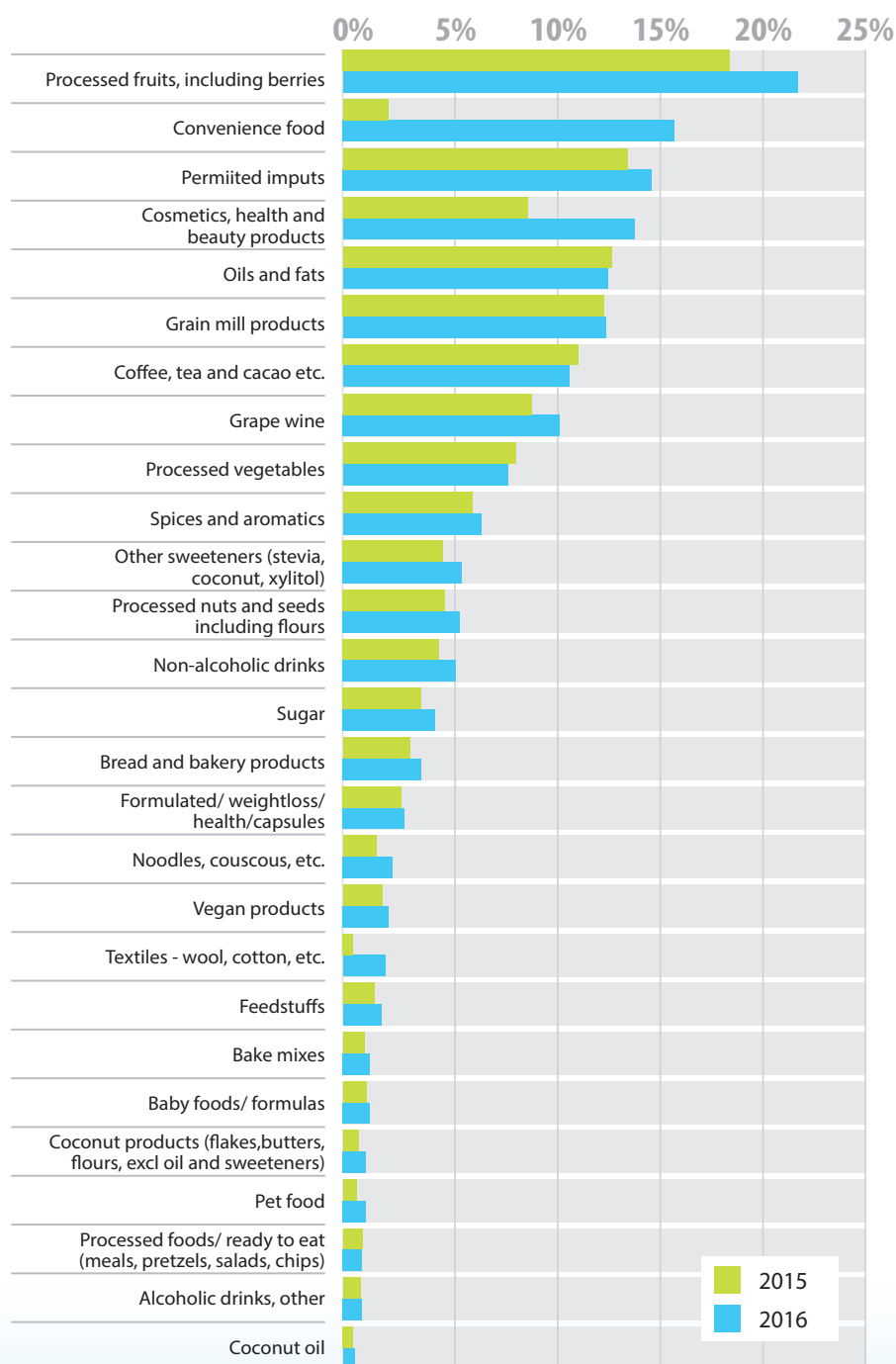


Figure 17: Proportion of all processors involved in various sectors

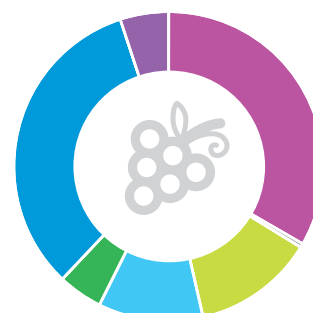
2.5 PROCESSORS

In 2016, there were 1,163 certified operations operating in processor roles – or almost a third of the 3,751 certified operations in Australia. This is a small increase on 2015 from 1,136. Processors are represented in all States and Territories, with a third in New South Wales, a little under a third in Victoria and almost a fifth in Queensland.



Figure 17 shows the estimated proportion of all processors involved in various processing sectors. Processing fruit involves more certified processors than any other sector – about a fifth of all processors. About two-thirds of fruit processors are based in New South Wales and Victoria (a third each). Most categories have generally shown a slight increase in the proportion of processors becoming involved in 2016, though the increase is more dramatic for convenience foods and cosmetics. Close to 15% of processors are involved in the manufacture of permitted inputs for organic operations (including inputs to organic farms such as soil ameliorants and inputs to manufacturing processes). About 10% of processors are wine-makers.

FRUIT PROCESSORS



2016

ACT	<1%	SA	11%
NSW	33%	Tas	3%
NT	<1%	Vic	28%
Qld	18%	WA	6%

Figure 18: Location of organic fruit processors in Australia

PROPORTION OF ALL PROCESSORS

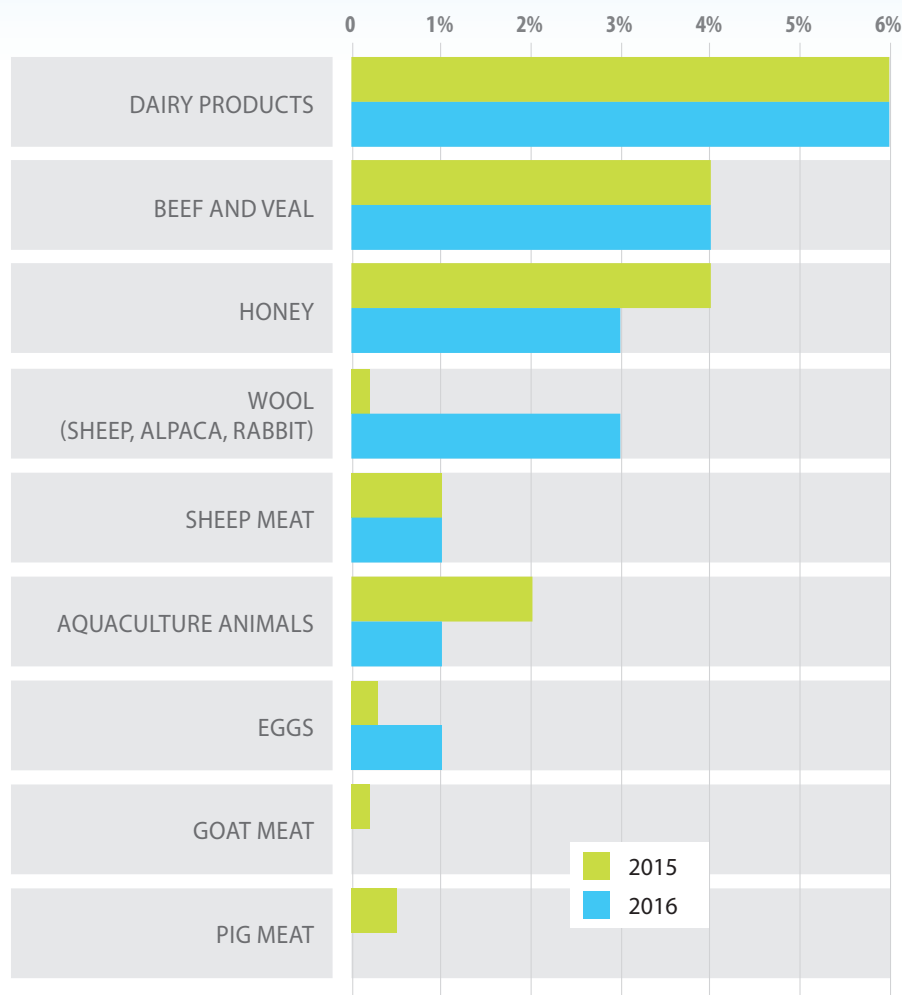
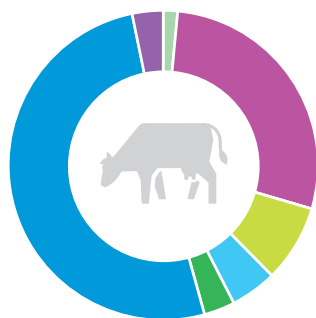


Figure 19: Proportion of all processors involved in animal product sectors

Figure 19 shows the estimated proportion of all processors involved in the animal product processing sectors. About 6% process dairy products. Half of all dairy processors are in Victoria and about a quarter in New South Wales, broadly reflecting the location of dairy producers.

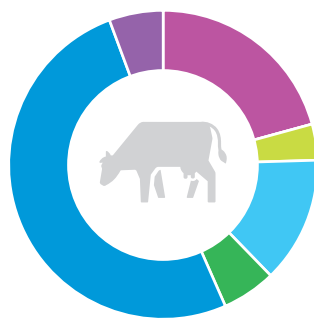
DAIRY PROCESSORS



2016

ACT	2%	SA	5%
NSW	28%	Tas	3%
NT	0%	Vic	51%
Qld	8%	WA	3%

DAIRY PRODUCERS



2016

ACT	0%	SA	13%
NSW	21%	Tas	6%
NT	0%	Vic	50%
Qld	4%	WA	6%

Figure 20: Location of organic dairy processors and producers in Australia

PROCESSOR PROFILE

Health Focus Manufacturers



Health Focus Manufacturers (HFM), a cosmetic and skin care contract manufacturer, was established in 2011. A small company with 12 full time employees, HFM employs three formulation chemists to develop new products to take to manufacture.

Currently 30% of HFM's turnover is from certified organic products, however according to HFM's Sales & Marketing Director Rod Cleary, this is growing with up to forty certified organic products in production, and more currently being developed in the lab. Rod says HFM clients export 50% of the products manufactured to the EU, USA and China with a high demand for Australian natural and organic cosmetics, skin care and hair care items. HFM maintains multiple organic certifications – ACO and COSMOS – which provides the flexibility to access different markets.

Opportunities

The cost of certified organic raw materials is expensive and in short supply, says Rod. A significant portion of raw materials have to be procured from overseas as not enough is produced locally. Rod quotes the example of organic rose hip oil, a highly regarded ingredient, purchased for \$75 per kilogram, but which increased to \$225 per kilogram because of a worldwide shortage.

Plans and Lessons learnt

HFM is going through a growth phase buying new equipment, according to Rod, but at the same time, it has narrowed its offering to the market by focusing on high-end cosmetics, skin and hair care products. With a better understanding of the organic market, HFM now has a higher minimum order quantity to ensure it works with businesses that are commercial in their thinking.



2.6 CONTRACTORS

It is estimated that in 2016 about 19% of certified operations (producers + processors + handlers) are contract operations, which provide contract services to another party. This is a slight rise from 16% in 2015. Contractors may be certified in their own right to provide contract services ('independent contractors'), or they may provide services to another certified operation without being certified in their own right ('non-independent'). Contracting can allow for efficient use of plant and machinery, or an entry point for smaller operations to operate under the umbrella of another certified operator. In all cases, the operation is audited to the certification standard and a certified operator must take responsibility for compliance, even if the contractor itself is not certified.

Figure 21 shows that the processor category has the greatest proportion of contractors for certified operations (almost a third of all processors in 2016) but contractors may also provide services as handlers (18% of all handlers). The number of handler contractors has more than doubled from 2015 to 2016, whilst the number of processor contractors increased more modestly (9%). Most contractors are independent contractors, but the proportion of non-independent contractors has grown between 2015 and 2016. Theoretically, producers could also provide production-oriented contract services but none appear in either year.

PROPORTION INVOLVED CONTRACT SERVICES

		2015			2016		
	INDEPENDENT CONTRACTOR	NON-INDEPENDENT CONTRACTOR	TOTAL CONTRACTOR	INDEPENDENT CONTRACTOR	NON-INDEPENDENT CONTRACTOR	TOTAL CONTRACTOR	GROWTH IN NUMBER OF CONTRACTORS 2015-16
OVERALL	79% of contractors	21% of contractors	16% of all operations*	65% of contractors	35% of contractors	19% of all operations*	23%
HANDLERS	1% of contractors	10% of contractors	13% of all handlers	1% of contractors	20% of contractors	18% of all handlers	137%
PROCESSORS	78% of contractors	11% of contractors	38% of all processors	64% of contractors	15% of contractors	29% of all processors	9%

* Aggregate of producers, processors and handlers

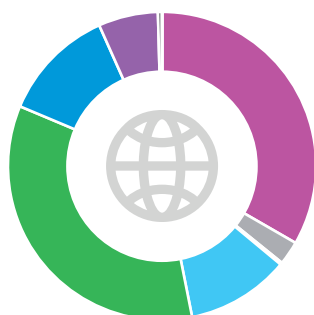
Figure 21: Proportion of certified operations involved in organic contract services - 2015-16

2.7 EXPORTS

Generally, all produce labelled as organic exported from Australia must by law be certified by one of the six certifiers accredited by the Australian Government's Department of Agriculture and Water Resources. Each export batch must be certified to the National Standard,²⁷ and a compliant batch is issued an 'organic produce certificate' (OPC – for the sake of simplicity, called an 'export certificate' in this chapter). Regrettably, the Department does not collate or publish detailed accounts of organic exports, and it has not been possible to estimate the value of exported organic products accurately in this year's report.

However, some sense of the growth of exports in 2016 can be deduced from certifiers' data on the export certificates they issue. Export certificates list the tonnage of products intended for export. Some caution is required in making use of the data. The figures below should be regarded as indicative only and are likely to be an underestimate.²⁸ Export certificate tonnage is an admittedly crude proxy of exports but data collected by the certifiers is a valuable source of information and in the future could be the basis of a better estimation of the dollar value of organic exports.

EXPORT PERCENTAGE



2016		
Central Asia		<1%
East Asia		33%
Middle East		2%
South Asia		<1%
South-east Asia		11%
North America		34%
Europe		12%
Oceania		6%
Africa		<1%
South America		<1%

Figure 23: Percentage of certified exports (by tonnage) destined for global regions

With those caveats aside, the export story for organic products grown and/or processed in Australia is one of strong growth in exports in 2016.

In 2016, export certificates were issued for products going to 69 different countries.

2016 saw a 17% increase in the overall tonnage of organic products from Australia attached to export certificates compared with 2015, as shown in Figure 22. Exports increased to all continents in 2016, and new markets opened up in Central Asia and South America.

PRODUCT FOR EXPORT BY TONNAGE

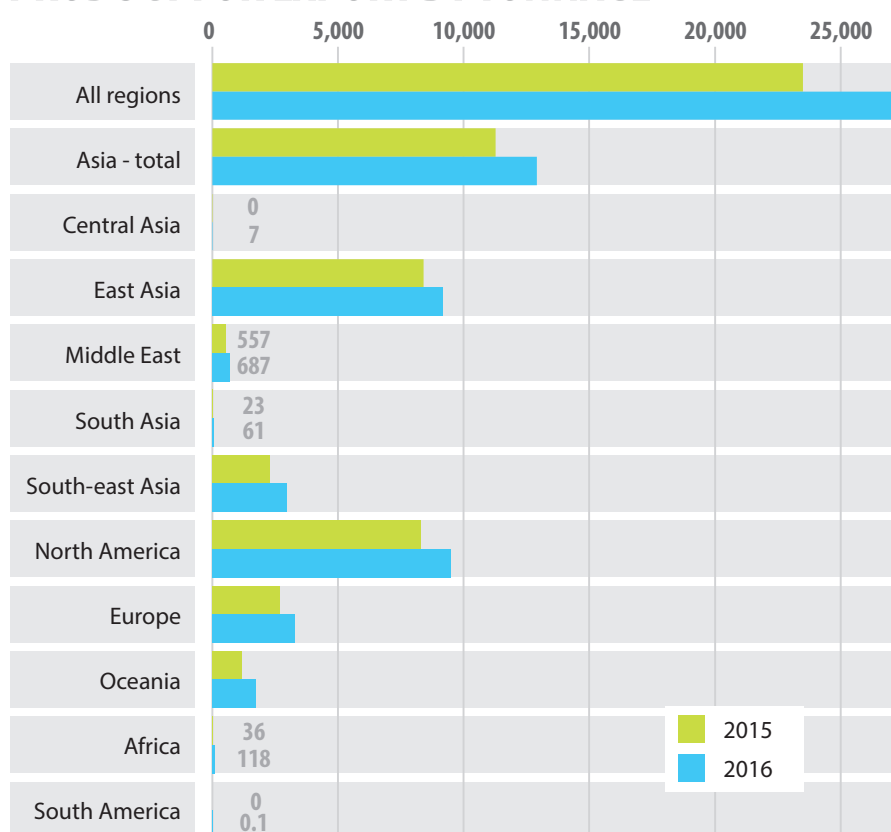
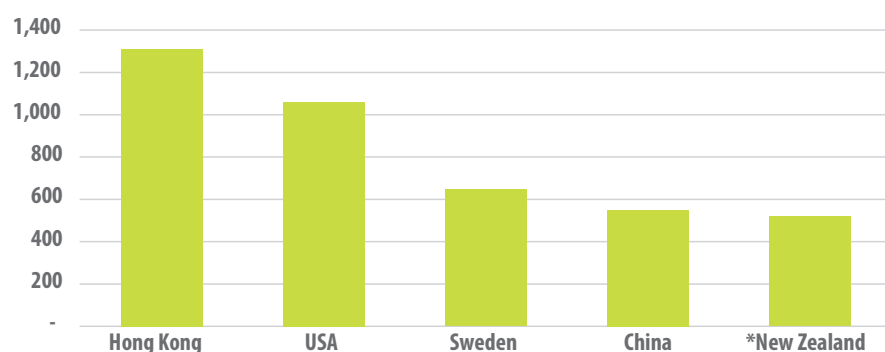


Figure 22: Tonnes of certified product intended for export – 2015 vs 2016

In 2016, about a third of exports by tonnes were destined for East Asian markets (China, including Hong Kong, South Korea, Japan, and Mongolia), and another third to North America.

GROWTH IN EXPORTS

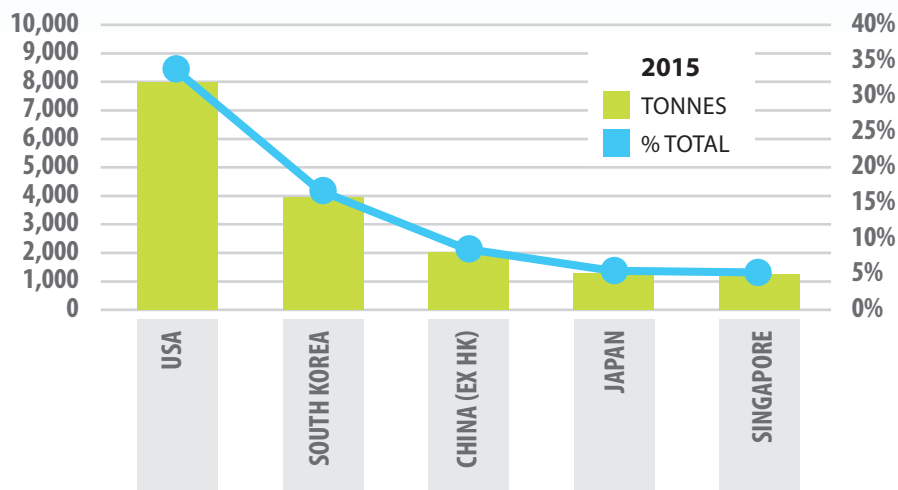


* New Zealand imports of organic produce from Australia may be higher than this.

Figure 24: Destinations with largest growth in exports (tonnes) in 2016

Figure 24 shows the destinations with the largest increase in tonnes of Australian organic produce imported. In 2016, Hong Kong became a major export destination for organic produce from Australia.

TOP FIVE DESTINATIONS 2015



TOP FIVE DESTINATIONS 2016

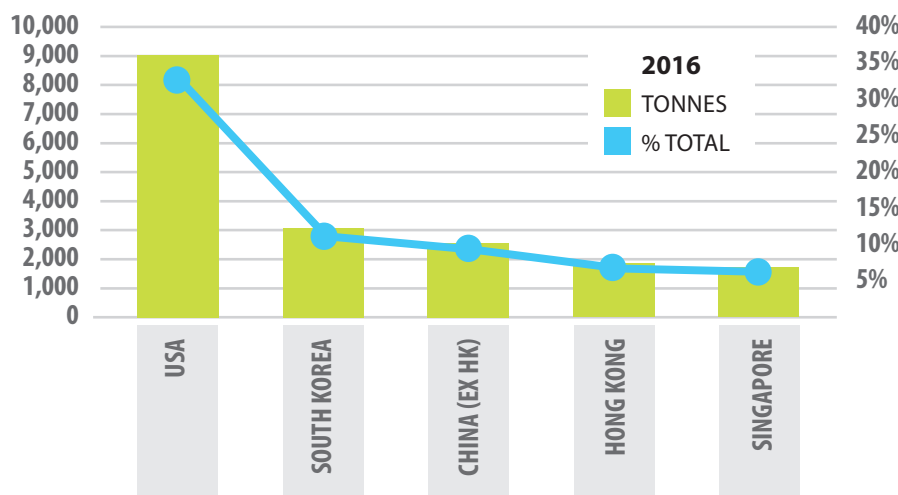


Figure 25: Top five destinations of certified exports (by tonnage) and share of total exports (%)

EXPORTS FOR SELECTED SECTORS

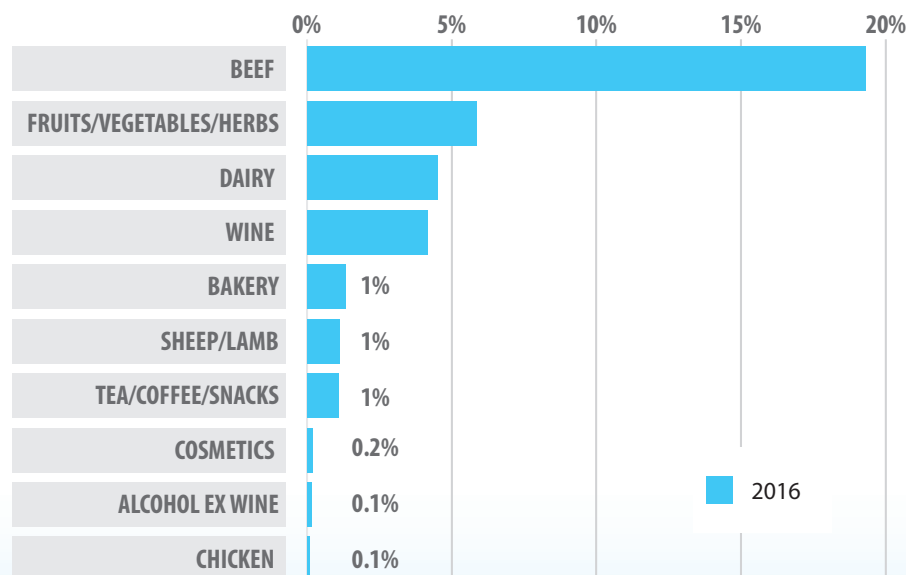


Figure 26: Selected sectors as a proportion of total exports 2016 (tonnes)

Figure 25 shows the top five export destinations (countries) for 2016, which account for about two-thirds of total tonnage exported. The USA has been the biggest export destination in both years, and tonnage increased by 13% between 2015 and 2016. The USA accounts for about one third of exported tonnage. South Korea remains the second most important export destination by total tonnage, though exports dipped in 2016. China (ex-Hong Kong), in third place, saw 27% growth in 2016, and Singapore in fifth place showed 39% growth. The quiet achiever was Hong Kong, which moved Japan out of fourth position, more than tripling imports of Australian organic products in 2016.

The data for individual commodities is less reliable than for export destinations. Therefore, the figures below should be approached with some caution. Figure 26 shows selected sectors as a proportion of total exports (by tonnage) in 2016. Beef was the top export by tonnage, at close to 20% of all exports in 2016. Horticultural produce, dairy products and wine all contributed around 5% of exports. Figure 27 shows the growth in exports of the same sectors between 2015 and 2016. Overall tonnage increased by 17%. Some sectors dipped in 2016, but most showed strong growth. Bakery items showed more than four-fold growth, and sheep/lamb meat, cosmetics, alcoholic drinks, dairy products and chicken all showed exceptional growth.

ALL EXPORT CERTIFICATES	17%
Bakery	480%
Sheep/Lamb	79%
Cosmetics	27%
Alcohol ex Wine	24%
Dairy	16%
Chicken	15%
Wine	12%
Tea/Coffee/Snacks	-7%
Fruits/Vegetables/Herbs	-11%
Beef	-14%

Figure 27: % change in export tonnage for selected sectors 2015-16

Organic Systems & Solutions



Organic Systems & Solutions Pty Ltd (OS&S) provides advisory services to organic industry clients across a range of issues including becoming certified, regulatory requirements, international market access, product development, ingredient sourcing, assistance with packaging, label design, training and quality assurance systems. The international company was established in 2012 and its CEO is Marg Will, former

general manager of an accredited organic certifier, and currently also serving on the secretariat of the Organic Industry Standards and Certification Council (OISCC) – the body that oversees the National Standard for Organic and BioDynamic Produce in Australia.

Opportunities

According to Marg, a second wellness

wave has started in South Korea, which sets the trend for most of South-East Asia. Demand is increasing for Australian certified organic food as part of the wellness trend. Marg believes the organic industry has a value-adding opportunity that is unparalleled for Australian farmers. Certification enables organic farmers to validate the claim that Australia is a clean, green nation in overseas markets.

Undersupplied products

Marg believes the greatest demand currently is for organic premium beef, dairy and grain. Meat and Livestock Australia has co-funded a project to increase the supply of organic beef and she believes if Dairy Australia and the Grains Research and Development Corporation did the same, this could lead to an increase in organic supply of these commodities.

Advice

The first step you must take if you are considering entering the organic market is to evaluate the size of marketplace, says Marg. If you are looking to export, make sure you identify the international market access requirements and clearly define the comparative advantage your produce or product has.

DESTINATIONS FOR SELECTED SECTORS

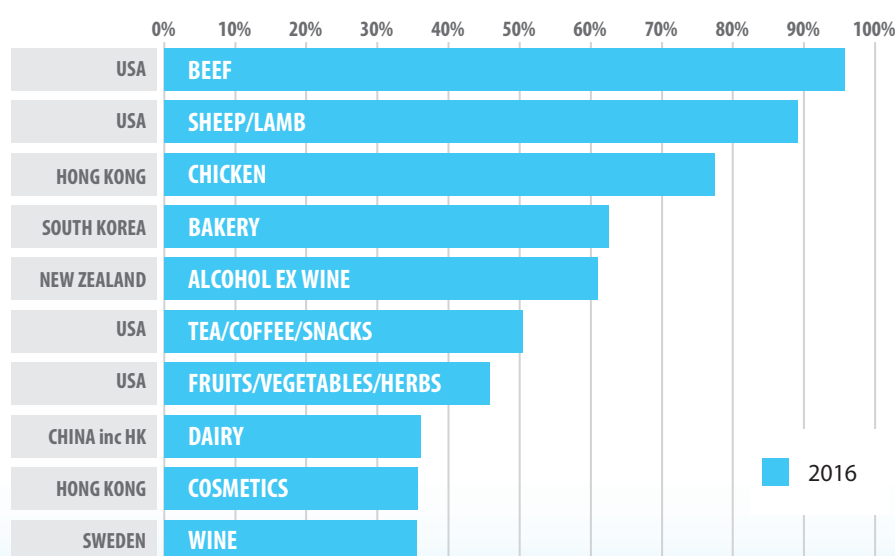


Figure 28: Top destinations for selected organic sectors (tonnes)

The top destination for each of the selected commodities in 2016 is shown in Figure 28. The USA dominates overall in terms of total tonnage, and beef dominates the US imports. About 56% of US imports of Australian organic produce was organic beef. The USA is also the leading destination for certified lamb, horticultural products, and tea, coffee and snacks. In some cases, a single destination accounted for half or more of the tonnage ascribed to export certificates. For example, beef and lamb to the USA; chicken to Hong Kong; bakery items to South Korea; and alcohol other than wine to New Zealand. About a third of organic dairy products, cosmetics and wine go to China, Hong Kong and Sweden respectively.



2.8 REGULATORY FRAMEWORK FOR ORGANICS IN AUSTRALIA

The regulation of organics in Australia has remained stable since the last Australian Organic Market Report in 2014, with few changes. For the *export* arena, it remains a co-regulatory arrangement where government legislation sets the broad direction of governance, but non-government organisations and industry groups are involved in the administration of the regulatory regime. At the centre of the exports regime is the *National Standard for Organic and BioDynamic Produce* (National Standard). Under the *Federal Exports Control Act 1982* and *Export Orders*, products labelled as organic for export from Australia are 'prescribed goods', and generally must be certified in accordance with the National Standard or with another standard at least as stringent as the National Standard, which has provisions

for auditing and inspection of organic production and processing businesses. Certification must be performed by one of the six organisations accredited with the Australian Government. Each accredited certifier can develop and apply its own unique standard, as long as it is compliant with the National Standard.

In the domestic arena, products labelled as organic and sold in Australia are strictly speaking not required by law to be certified. Certification may not be necessary where trust can be built between producers and consumers, often through personal interactions between them. However, where the relationship between producers and consumers is remote, or where there is the possibility of fraudulent claims about the organic status of products, the National Standard and the mechanisms established for the export regime – including accredited certifiers, certification, auditing and inspection – have proven attractive in the domestic

sphere for consumers and other parts of the supply chain wanting a guarantee of organic credentials. For instance, the major supermarkets require certification under the National Standard for their organic home brands (private labels) or other organic produce sold in their stores.

In the early 1990s, the Australian Government appointed a committee to prepare the National Standard, comprising organic sector representatives, government officers and other stakeholders. It was first published in 1991 and updated in 1998, 2002, 2005, 2015 and most recently in 2016. The Department of Agriculture and Water Resources (DAWR) and the Organic Industry Standards and Certification Council (OISCC) administer the National Standard and the accreditation process.

Compliance with the organic exporting rules means exported produce complies with Australian law, but does not guarantee compliance with the importing country's regulations, or with the market specifications of a customer in another country. Thus equivalence arrangements have been negotiated between Australia and other countries to smooth the process of organic trade between them. In the absence of government-to-government agreements, some industry associations have arranged direct accreditation with importing country authorities (such as USDA, Korea, etc.)



The National Organic Standard is regularly updated, most recently in 2016

Accredited certifiers

The Australian Government currently accredits six certifying organisations:

- AUS-QUAL
- Australian Certified Organic (ACO)
- Bio-Dynamic Research Institute (BDRI)
- National Association for Sustainable Agriculture Australia (NASAA) Certified Organic (NCO)
- Organic Food Chain (OFC)
- Safe Food Production Queensland (SFPQ)

The list of certifiers shows much diversity in origins, objectives and legal structures. BDRI, NCO and ACO are connected to member-based organic and biodynamic associations that pre-date the development of the National Standard and have strong farmer representation. The Bio-Dynamic Research Institute (BDRI) is the oldest of the Australian certifying bodies and one of the oldest continually existing organic organisations in Australia. It was founded in 1957 and registered as an association in 1967. However, the BDRI is not the only certifier that may certify biodynamic production. As the National Standard has a specific section on biodynamics, any accredited certifier can certify biodynamic produce to this standard.

Australian Organic Limited originally formed as the Biological Farmers of Australia (BFA) in 1987, which was registered as a farmers' co-operative in 1988. Its certification services are handled by the legally separate but fully owned subsidiary, Australian Certified Organic (ACO). NASAA is a non-profit membership organisation formed in 1986 and registered as an association in 1987. Like Australian Organic Limited, it has a legally distinct but wholly owned subsidiary to carry out its certification services: NCO. AUS-QUAL is owned by the research and development corporations for red meat producers and processors. OFC is a private company that provides certification and advice services to clients. SFPQ is a Queensland government agency that regulates the production and processing of meat, eggs, dairy and seafood in Queensland.



BDRI, NCO, and ACO have developed their own standards for certification purposes that are at least as stringent as the National Standard. The three other accredited certifiers do not maintain unique standards, and certify according to the National Standard. The ACO, NCO and National Standards are formally recognised by the International Federation of Organic Agriculture Movements (IFOAM) and are part of IFOAM's 'Family of Standards', which has some bearing on equivalence measures.

Domestic produce

Unlike the export arena, where there is specific Federal legislation regulating organics, there are no specific organic regulations in the domestic market, which relies on industry arrangements and the general laws relating to food safety, labelling, and consumer protection. Thus certification is not mandatory for products labelled organic and sold domestically, but any claims about the product must not amount to misleading or deceptive conduct under the general consumer protection laws found in the *Competition and Consumer Act 2010* (previously found in the *Trade Practice Act 1975*) administered by the Australian Competition and Consumer Commission (ACCC).

It is possible for domestic produce to be certified under the export standard – the National Standard – and indeed the process established under the National Standard remains at this point the most versatile of the certification pathways in Australia, allowing certified produce to be sold either internationally or domestically.

In 2009, a voluntary certification standard (AS6000) was released by Standards Australia to, amongst other things, assist the ACCC and the courts preventing operators not otherwise certified under the National Standard from making potentially fraudulent claims about the organic credentials of their products. Both standards are virtually identical in terms of 'on ground' requirements and the organic sector is working with the Department of Agriculture and Water Resources (DAWR) to consolidate the regulatory framework for organics around a single national standard for both exports and the domestic market. Using the consumer protection provisions of the *Competition and Consumer Act 2010* and the AS6000 standard, the ACCC has brought actions against operators making dubious organic claims, including action against seven bottled water manufacturers attempting to sell their product as 'organic'.

The National Standard remains the most versatile of the certification pathways in Australia, allowing certified produce to be sold either internationally or domestically.



3 AUSTRALIAN CONSUMERS' ATTITUDES TO ORGANICS

3.1 KEY FINDINGS OF THE MOBIUM GROUP'S LATEST PUBLIC OPINION SURVEY

Purchasing organic: Who, Why, and How?

- More than two out of three Australian households say they bought at least one organic product in the past year.
- Personal health for the buyer and their family is the strongest driver in 2016.
- Five of the top ten perceived benefits of organic food are 'free from' aspects – i.e. 'chemical free', 'additive free', 'non-GMO', 'hormone and antibiotic-free', and 'cruelty free'.
- Two-thirds of all shoppers in 2016 believe organic products have general environmental benefits.

- Other key benefits identified by shoppers include product quality, taste and flavour, animal welfare, and providing fair prices and wages for farmers.
- About two-thirds of organic shoppers rely on the word 'organic' on the product label to assure them of organic integrity. 44% of organic shoppers check for a certification logo, up from 34% in 2014.

Shopping for Organics

- Supermarkets remain the dominant outlet for organic shoppers, but there has been a shift towards greengrocers, markets and farmers markets, organic or wholefoods stores, bakeries, butcher shops, fishmongers, internet and home delivery services.

- Most organic shoppers rate organic and wholefoods stores as the best overall in terms of selection and quality of organic products, and integrity of the certification process.
- Fruit and vegetables, dairy, and home-cooking ingredients are the leading food basket categories for shoppers in 2016.
- Dairy is said to be the most frequently purchased, with 50% of organic shoppers buying organic dairy products at least once a month.
- 80% of organic shoppers indicate they have purchased an organic home brand product at some time, and most are confident about the quality of home brands and the integrity of the certification process.

Barriers to Purchase

- Barriers to purchasing organic products are lower in 2016 than in 2014. Value, trust and access remain the largest barriers for shoppers increasing their purchases of organic food.

The Organic Certification Process – standards, auditing, certification & labelling

- Most shoppers are aware that certification marks are used on organic products as a 'guarantee' of authenticity. This awareness has increased over time from 42% in 2010 to 59% in 2016.
- An organic certification mark increases the confidence of two-thirds of all shoppers in the certified product.
- 85% of all shoppers say that, all other things being equal, an organic certification mark on a product would have some level of influence on their purchase decision.
- Unprompted recall of specific organic certification marks remains weak, but prompted recall is improving with 46% of all shoppers recognising at least one local certifier's mark – the ACO bud logo – and almost a third recognising NASAA's certification mark.
- 70% of all shoppers correctly pointed out that when a product carries this mark, it means the product is 'certified to Australian organic standards'.
- Organic certification marks are generally seen as an effective mechanism to increase trust in organic products and there is an opportunity to increase their impact through increased awareness of the marks and the certification process.



CONSUMER SURVEY SIZES

2016	2014	2012	2010	2009
1,024	1,011	1,004	1,099	1,001

Figure 29: Sample sizes of consumer surveys 2009-2016

3.2 THE SURVEY DETAILS

Since 2009, the Mobium Group has tracked the attitudes of Australian consumers towards organic products in five public opinion polls in 2009, 2010, 2012, 2014 and 2016. In each poll, a sample of about 1,000 Australian shoppers has been canvassed for their views on organic products.

In the latest survey, the primary grocery shopper in 1,024 households

were polled over a week in June 2016. Roughly half of respondents were female and half were male, spread across all states, with a range of age groups and income profiles. About a third of those surveyed had children under 16 years living at home and 41% had attained or were attaining a university degree. For the statistically minded, the sample reliability at a total survey level was 95% (+/-3.1%), which shows a high degree of reliability.



3.3 PURCHASING ORGANIC: WHO, WHY, AND HOW?

Who shops for organic?

Organic shoppers are drawn from all parts of the community and more than two out of three Australian households (68%) say they bought at least one organic product in the past year.

HOUSEHOLDS THAT PURCHASED

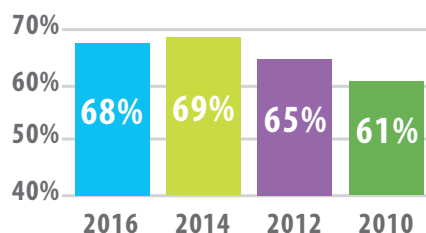


Figure 30: Australian households who have purchased any organic product in the last year (all shoppers)

Most people – even many who have not bought organic products – have a positive perception of organics. The reasons shoppers give for buying organic are diverse and individualistic.

Personal health for the buyer and their family emerges as the strongest driver in 2016, as in this shopper's response:

"HEALTH for myself and my family, wary of chemicals used to treat food that we ingest"...

Just over half of organic shoppers say the key factor that prompted them to start buying organic was 'becoming more aware of the impact food, fibre or cosmetics had on personal health'. 18% say that a trigger was 'a health crisis/issue affecting me or my family', as in this shopper's response:

"Diagnosed with cancer and trying to take out as many **CHEMICALS** as possible from my family's diet."

Also important for shoppers are a range of 'free from' aspects – in other words, things shoppers perceive organics do not contain – as shown in the responses from these three shoppers:

"Free from **CHEMICALS**, pesticide, MSG, environmentally friendly, safe, **HEALTHIER**"...

"GMO free"...

"Pesticides, additives and items like hormones are a **WORRY** in mass produced foods"...

What do shoppers think of organic product and why do they buy them?



SAFER **ENVIRONMENT** **TASTE**
HEALTH(IER)
FAMILY **NO CHEMICALS** **FRESHER**
NO ADDITIVES **QUALITY** **NO PESTICIDES**
NO PRESERVATIVES

Figure 31: Health was the number one reason for buying organic (organic shoppers)

REASONS FOR FIRST ORGANIC PURCHASE

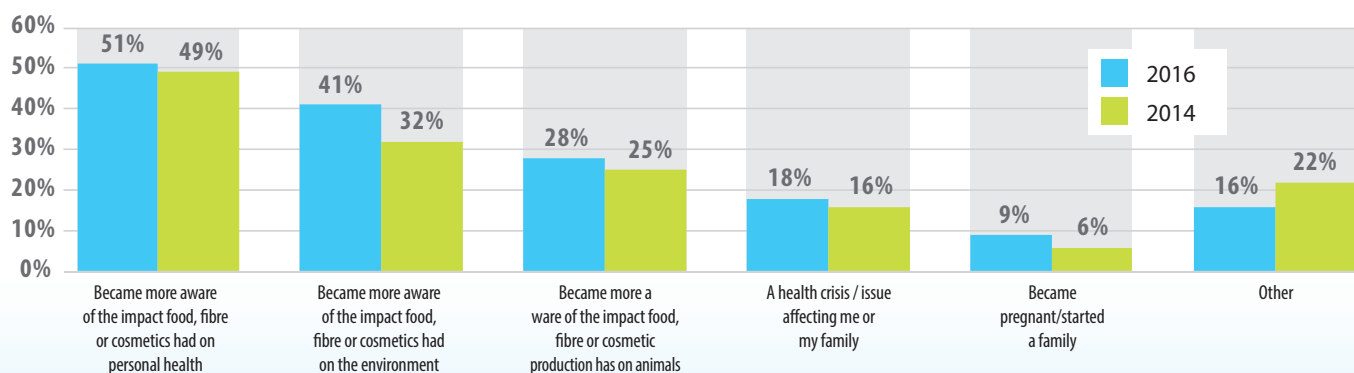


Figure 32: Reasons for first organic purchase (organic shoppers)

In fact, five of the top 10 perceived benefits of organic food revolve around what it does not contain, and this has remained consistent between 2016 and 2014: 'chemical free', 'additive-free', 'non-GMO', 'hormone and antibiotic free', and 'cruelty-free'. As might be expected, more organic purchasers focus on these perceived benefits than people who did not buy organic, but even amongst the latter, most perceive 'chemical free' and 'additive free' to be benefits of organics.



AUSTRALIA'S TOP 10 PERCEIVED BENEFITS OF ORGANIC FOOD

INCLUDE:

'CHEMICAL FREE'

'ADDITIVE FREE'

'NON-GMO'

'HORMONE AND
ANTIBIOTIC-FREE'

'CRUELTY FREE'

PERCEIVED BENEFITS

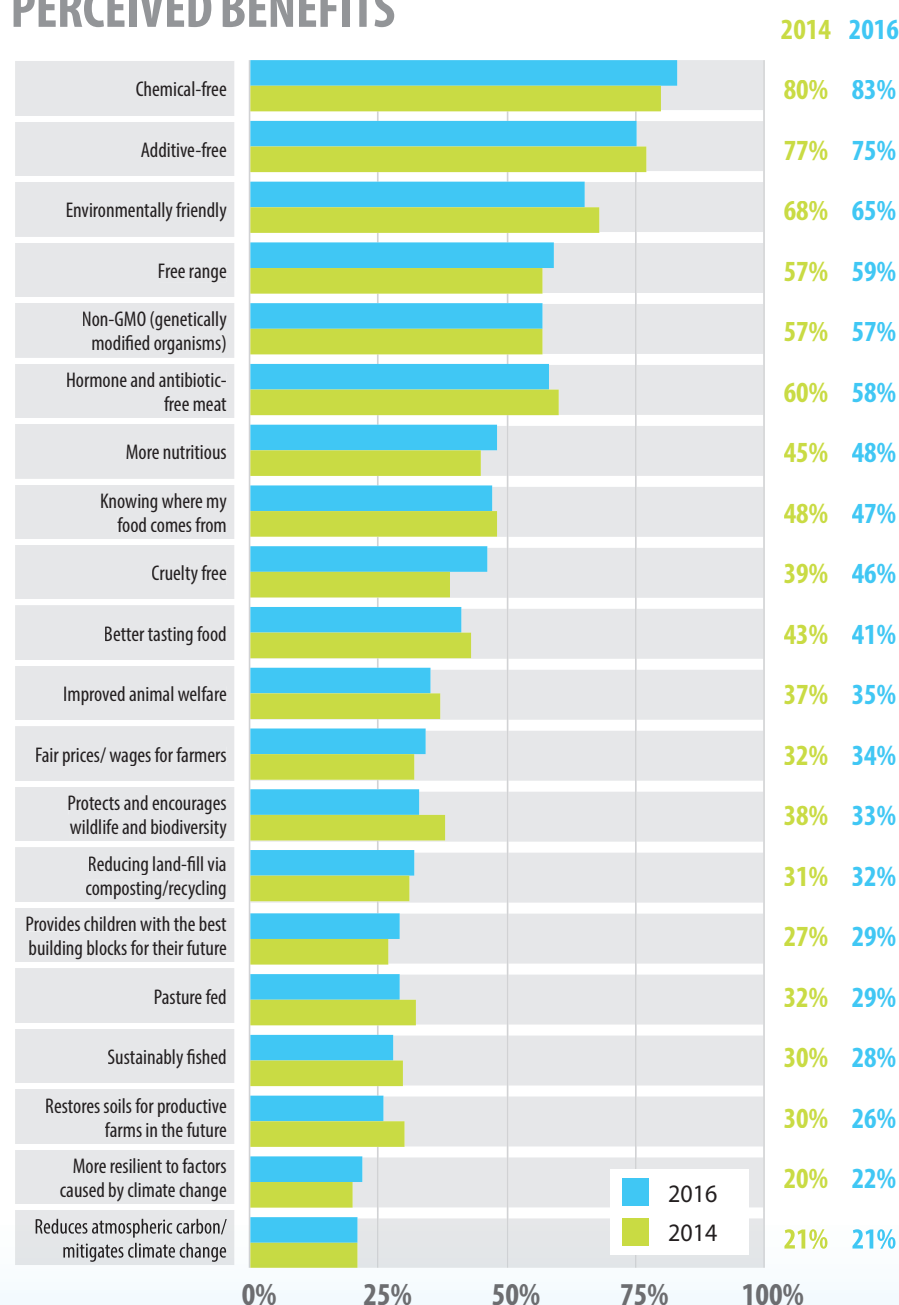


Figure 33: Perceived benefits of organic food (all shoppers)

Awareness of impacts on the environment was a motivation for 41% of organic shoppers to start buying organic (up from 32% in 2014), and two-thirds of all shoppers in 2016 believe organics had general environmental benefits:

“The produce is more likely to be produced in a sustainable way”.

Other key benefits for shoppers include product quality, taste and flavour, as in this shopper’s comment:

“It’s the best quality food that is available for me to purchase and to feed my family. You don’t have to worry about if the food is harming your body”.

The animal welfare benefits of organics have grown in importance: 59% percent of people valued ‘free range’ (up from 57% in 2014), and ‘cruelty free’ is up from 39% in 2014 to 45% in 2016.

Also important for shoppers is the perception that the products are more likely to be fresher, natural and safely grown:

“The product is natural. It has been produced to benefit the environment. A fair wage was paid to the workers who made the product in the first place. There is nothing artificial added to upgrade this product”.

Other key perceived benefits of buying organic include product quality, taste and flavour, animal welfare, and providing fair prices and wages for farmers.

The percentage of all shoppers for whom providing fair prices and wages for farmers is of ‘high importance’ grew from 40% in 2014 to 51% in 2016.

Not all shoppers believe that organics have positive benefits. A minority, made up exclusively of individuals who do not currently buy organic products, are sceptical about the organic proposition. Key themes of negativity are the price/expense, lack of differentiation from conventional alternatives, cynicism about certification processes, or the misuse of the term organic, as in this shopper’s response:

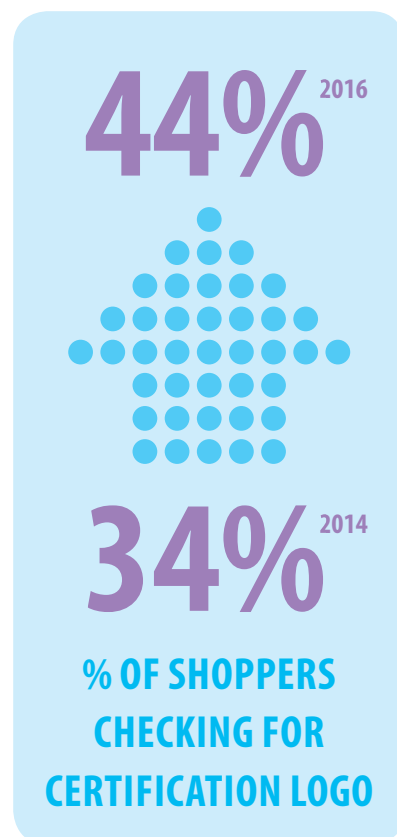
“I believe that for the most part there is too much deception around the label for it to be of any value. If there were some controls on it to guarantee its claims it would change my mind. I believe the concept has enormous value but it is impossible for the average shopper to determine the reality. I hate saying this but I believe it is true”.

How do shoppers know a product is organic?

About two-thirds of organic shoppers rely on the word ‘organic’ on the product label to assure them it was organic.

An increasing percentage check for a certification logo on the product (44%, up from 34% in 2014).

A substantial proportion of organic shoppers (40%) rely on the shop or retailer from whom they purchase to assure them it is organic.



METHODS OF IDENTIFICATION

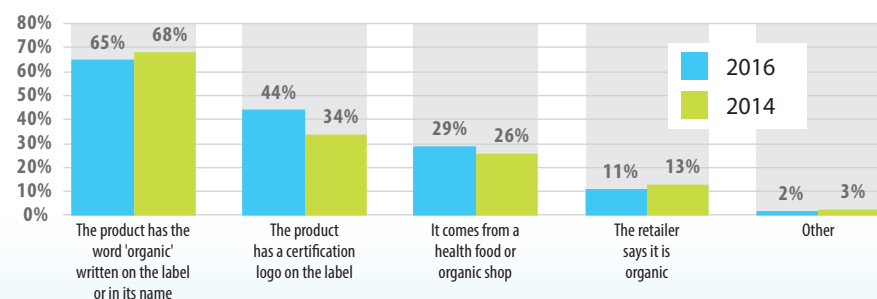


Figure 34: Method of identification or validation of organic purchases (organic shoppers)



WHOLESALE PROFILE

KADAC



Kadac was profiled in the 2012 Australian Organic Market Report, and Kadac CEO, John Coote, was asked for his reflections on developments at the business since then.

Kadac Pty Ltd is a privately owned wholesaler and distributor of local and imported organic, natural and health brands. Established in 1973 and certified organic in 1983, Kadac stocks approximately 1,600 certified organic products, including those from Kadac owned brands Lotus Organic, Nature First Organic, Real Good Food, Global Organics, BASIK and Ambrosia.

Since the last profile in 2012, Kadac has increased by a third the number of organic products that are healthier (e.g. sugar free, gluten free, low salt) in response to retailer and customer demand. This has increased sales by 50%, according to John. John confirmed that Kadac's retail partners are now dedicating larger areas of their stores to organic and health food products, and he has seen growth in the demand for organic pantry essentials and breakfast foods.

Organic products account for 33% to 40% of Kadac's turnover with higher sales occurring in winter. Domestic market channels account for 97% of its business today (health food stores, independent grocers, pharmacy and supermarkets). Currently 3% of Kadac's products are

exported however plans are in motion to increase this significantly over the next 3 years to meet an urgent demand. Kadac has invested heavily in infrastructure over the past 12 months to enable this growth.

Opportunities

John notes that even in good seasons there is sometimes an undersupply of organic grain. By example, in 2015, Kadac lost significant sales because it was not able to obtain enough organic linseed to satisfy requirements. Organic oats, flaxseed, buckwheat, honey and apple cider vinegar are also opportunities for increased local supply. In the case of apple cider vinegar, there is insufficient availability of commercial quantity organic apples in Australia to satisfy demand. John also identified growing organic chia seeds as an opportunity. Today organic chia is sourced from South America.

Best business decision

Reflecting on Kadac's long experience in the sector, John believes that not enough attention was paid to meeting customers' expectations on quality and transparency of source of supply, despite having that information on hand. These days the company does a better job at communicating this information, says John, and the company's best business decision was the use of consistent, simple labels that are truthful and don't confuse the customer. The Kadac Key

to Good Health has gone a long way to simplify claims for consumers of organic, natural and health foods. Nonetheless, in John's view, better methods of communicating the safety and quality of organic products, including country of origin, is needed across the industry.

Advice

John urges those considering entering the organic marketplace to understand the cost of entry, have a point of difference, and ensure there is legitimacy and authenticity in the product and packaging. In John's view, poor labelling and the absence of organic certification on organic products has a detrimental impact on the whole industry, and therefore maintaining this legitimacy and authenticity is critical.





3.4 SHOPPING FOR ORGANICS

How much do organic shoppers spend on organic food?

For households that purchase organics, the weighted average shopping bill comes in at \$143.50 per week. This is the total spend on both organic and non-organic foodstuffs. About half of households report spending more than this.

When asked how much of the household food budget is spent on organics, 14% of organic households spend 40% or more of their food budget on organics, 41% spend between 10% and 40%, and another 41% spend 5% or less.

38% of organic shoppers indicate they increased the percentage of their household food budget spent on organics over the past year. Perceived health benefits are the main driver.

Other considerations also feature in shoppers' responses:

"I found a local store which sells organic produce at a fair price with large variety. I really enjoy shopping there, and don't mind paying a little extra for some things as it is offset by the cheaper price of other items".

"I am trying to make better choices to benefit the environment and the care of livestock".

"I have kids now and want to give them the healthier choice".

60% of organic shoppers say they have made no change to the percentage of their household food budget spent on organics over the past year, and 2% have actually decreased their percentage spend, mainly due to price and financial reasons. Other reasons for a reduced percentage spend included availability and trust issues:

"Local organic store closed down so not as easy to get now".

"Woollies and Coles plastic wrapping veg and fruit".

"Disillusioned with the organic label – not true and no better for you".

WEEKLY FOOD BUDGET

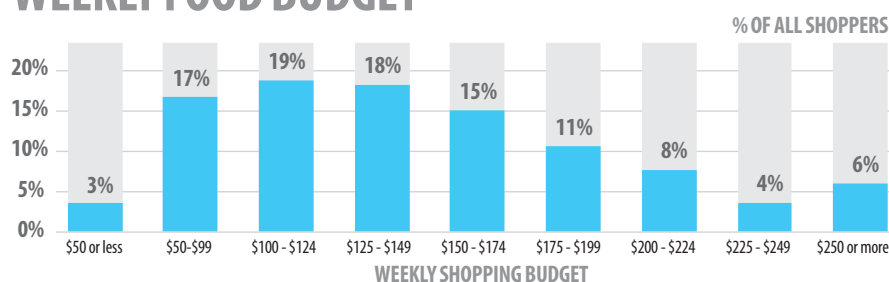


Figure 35: Estimated total weekly budget for food shopping (organic + non-organic food)

BUDGET SPENT ON ORGANICS

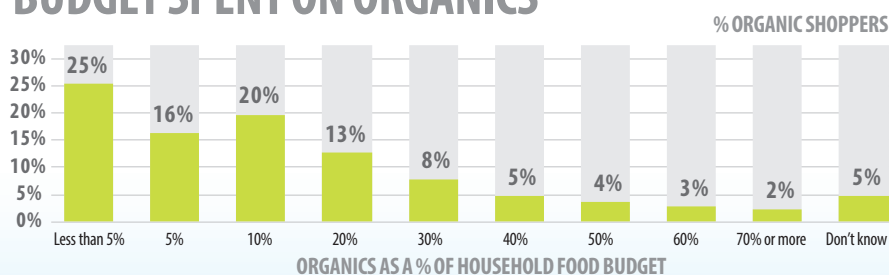


Figure 36: Proportion of household food budget spent on organics (organic shoppers)

38% of organic shoppers indicate they increased the percentage of their household food budget spent on organics over the past year.

14% of organic households say they spend **40%** or more of their food budget on organics.

Where do organic shoppers shop for organics?

There has been a shift in where organic shoppers shop for organic products. In 2016, organic shoppers are somewhat less likely to shop frequently or often at the major supermarkets compared with 2014 (68% in 2016, 75% in 2014). They are more likely now than in 2014 to shop 'frequently' or 'often' in greengrocers, at markets and farmers markets, in organic or wholefoods stores, bakeries, butcher shops, fishmongers, or use internet and home delivery services.

Nonetheless, supermarkets remain the dominant outlet for organic shopping, with 95% of organic shoppers shopping there at least occasionally. Greengrocers, and markets also rated well, with 79% and 75% of organic shoppers respectively shopping there at least occasionally. Other outlets have much lower overall participation and more occasional shoppers. For example, more than half never shop organically at fishmongers, or use internet and home delivery services, however even these outlets have increased in popularity since 2014.



Supermarkets remain the dominant outlet for organic shopping, but there has been a shift towards alternative outlets such as fruit and vegetable shops (greengrocers).



		FREQUENTLY	OFTEN	OCCASSIONALLY	NEVER
Supermarket (ALDI, Coles, IGA, Woolworths, other)	2016	27%	41%	27%	5%
	2014	37%	38%	20%	5%
Fruit & Veg shop (Greengrocer)	2016	12%	25%	42%	21%
	2014	12%	20%	43%	25%
Market/ Farmers market	2016	10%	20%	44%	25%
	2014	12%	17%	44%	27%
Organic/ wholefoods shop	2016	12%	14%	28%	45%
	2014	9%	13%	33%	46%
Bakery	2016	8%	15%	31%	46%
	2014	6%	16%	35%	43%
Butcher	2016	7%	16%	37%	41%
	2014	6%	12%	36%	46%
Fish monger	2016	4%	10%	24%	62%
	2014	3%	6%	14%	77%
Farm Gate / Farm Shop	2016	2%	10%	25%	62%
	2014	New	New	New	New
Internet / Home delivery	2016	3%	8%	17%	72%
	2014	3%	5%	15%	76%

Figure 38: Frequency of organic purchasers at outlets (organic shoppers)

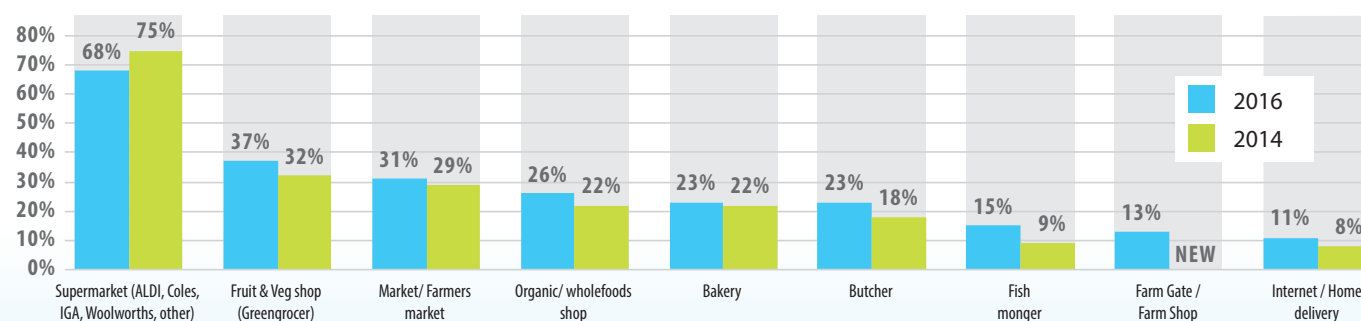


Figure 37: Buying frequency of organic food in outlets (organic shoppers)

Which outlets offer the best selection of organic products?

Organic shoppers tended to rate organic and wholefoods stores as the best overall in terms of selection of products. These stores ranked best for three out of the four broad 'food basket' categories canvassed: dairy, meat (including pork and poultry) and packaged food. They ranked second best, after markets, for fresh produce, with greengrocers ranking a strong third place in this category. Online stores were a surprisingly strong performer for packaged goods, ranking a firm second after organic and wholefoods stores.

Compared with 2014, organic shoppers generally believe there is a better selection across the various outlets in 2016, with some exceptions mainly for fresh produce in the larger supermarkets, where sentiment has declined somewhat.

Which outlets offer the best quality of organic products?

Once again, organic and wholefoods stores are the stand-out here, with shoppers saying that they offer the best quality certified organic products, followed, in order, by markets, greengrocers and farm gate sales. 70% of shoppers were very or moderately confident about the quality of certified organic product sold in organic and wholefoods stores.

Which outlets engender confidence in integrity of certification?

Once again, organic and wholefoods stores, followed by markets and farm gate sales, generate the highest confidence in the integrity of the organic certification process for product retailed in those outlets.

Most organic shoppers rate organic and wholefoods stores as the best overall for selection and quality of organic products, and integrity of certification.

OUTLETS WITH A VERY GOOD SELECTION

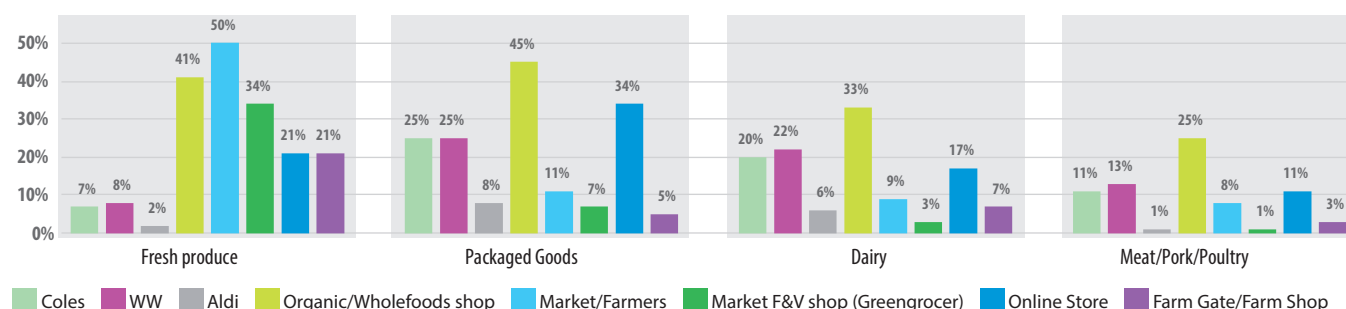


Figure 39: Outlets with a very good selection of organic food and beverages (organic shoppers)

CONFIDENCE IN THE PRODUCTS

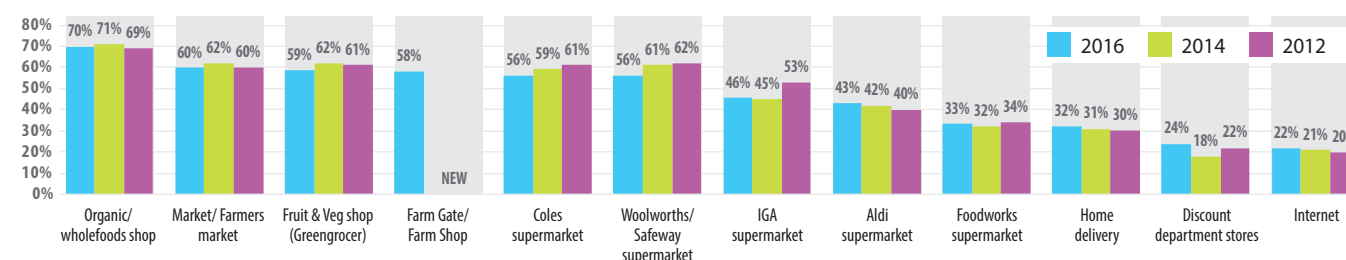


Figure 40: Confidence in quality of certified organic products in outlets (all shoppers: 'very confident' + 'moderately confident')

CONFIDENCE IN THE CERTIFICATION PROCESSES

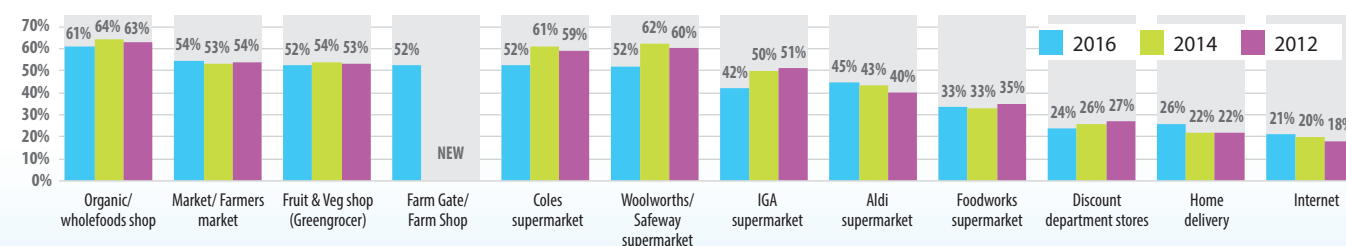


Figure 41: Confidence in the integrity of organic certification processes in outlets (all shoppers: 'very confident' + 'moderately confident')

What organics are shoppers buying?

Fresh produce categories have remained the dominant organic food basket items for shoppers from 2010 to 2016. Over the whole sample of shoppers (organic purchasers + non-purchasers), over 6 out of 10 shoppers say they have purchased organic fruit and vegetables at least once in the past 12 months, and this remains the key entry category for first-time organic purchasers. Dairy is next (47%), then home-cooking ingredients (44%). Food categories dominate participation, comprising the top 14 of 22 categories. More people are buying organic products in 2016 than 2014 in 18 categories, and less people buying in just 2 categories. Organic eggs (+10% vs. 2014), dairy (+6%), red meat (+6%) and poultry (+6%) exhibited the strongest gains.

Figure 42: Percentage of all shoppers purchasing organic in the past year

FIGURE 42	2016	2014	+/-	2012	2010
Organic fresh fruit & vegetables	61%	58%	3%	60%	57%
Organic dairy	47%	41%	6%	34%	28%
Organic home-cooking ingredients	44%	42%	2%	45%	44%
Organic red meat	43%	37%	6%	35%	33%
Organic bread / bakery	41%	37%	4%	39%	33%
Organic canned goods	40%	38%	2%	39%	42%
Organic poultry	37%	31%	6%	29%	23%
Organic non-alcoholic beverages	35%	33%	2%	27%	22%
Organic confectionary & snacks	32%	29%	3%	26%	20%
Organic eggs	31%	21%	10%	17%	12%
Organic pork	26%	22%	4%	21%	16%
Organic tea / coffee	25%	22%	3%	25%	21%
Organic breakfast cereals	24%	24%	0%	27%	23%
Organic packaged meals	23%	21%	2%	14%	10%
Organic cosmetics/ skincare	22%	19%	3%	17%	13%
Organic cleaning products	20%	22%	-2%	24%	26%
Organic desserts including ice cream	20%	18%	2%	15%	15%
Organic wine/ beer/ spirits	20%	18%	2%	13%	11%
Organic textiles/clothing/manchester	19%	New	N/A	New	New
Organic gardening products	14%	12%	2%	New	New
Organic pet care	12%	13%	-1%	11%	9%
Organic seafood	10%	9%	1%	New	New

What organics are shoppers buying most frequently?

Shoppers were asked about organic products purchased every one-to-thirty days. Dairy rated strongest in this frequency category (50%), followed by fruit and vegetables (46%) and non-alcoholic beverages (44%). Purchasing trends in the one-to-thirty day period are highly variable in 2016. Nine categories show increasing and twelve declining percentages of shoppers purchasing in these categories, compared with 2014. The categories with the strongest increases were dairy (+5% compared with 2014), eggs (+3%) and wine/beer/spirits (+3%). Those showing the biggest declines were canned goods, red meat and poultry – all down by 4% compared with 2014.

Most organic shoppers buy infrequently in the majority of categories, which suggests there are opportunities to encourage greater frequency of buying, which would have an influential overall impact on the size of the organic retail market.

Figure 43: Percentage of organic shoppers purchasing organic every 1-30 days (organic shoppers)

FIGURE 43	2016	2014	+/-	2012	2010
Organic dairy	50%	45%	5%	44%	40%
Organic fresh fruit & vegetables	46%	48%	-2%	47%	45%
Organic non-alcoholic beverages	44%	47%	-3%	49%	48%
Organic bread / bakery	43%	41%	2%	42%	38%
Organic eggs	41%	38%	3%	43%	41%
Organic canned goods	34%	38%	-4%	40%	42%
Organic breakfast cereals	33%	36%	-3%	35%	31%
Organic home-cooking ingredients	31%	30%	1%	32%	31%
Organic desserts including ice cream	29%	28%	1%	29%	31%
Organic red meat	28%	32%	-4%	30%	29%
Organic poultry	27%	31%	-4%	31%	29%
Organic confectionary & snacks	27%	29%	-2%	29%	27%
Organic wine/ beer/ spirits	27%	24%	3%	19%	16%
Organic pork	25%	27%	-2%	26%	25%
Organic pet care	25%	23%	2%	24%	22%
Organic packaged meals	23%	26%	-3%	22%	18%
Organic seafood	23%	22%	1%	New	New
Organic tea / coffee	20%	22%	-2%	24%	22%
Organic cosmetics/ skincare	14%	12%	2%	11%	12%
Organic cleaning products	12%	15%	-3%	14%	16%
Organic Gardening products	6%	8%	-2%	New	New
Organic textiles/clothing/manchester	0%	New	N/A	New	New

Sector snapshots

The table below shows snapshots for 22 individual organic sectors, ranked in order of the percentage of all shoppers purchasing in the last 12 months.

Figure 44: Sector snapshots – shoppers, frequency and usual place of purchase

ORGANIC SECTOR	% ALL SHOPPERS WHO CLAIMED PURCHASE IN PREVIOUS 12 MONTHS			FREQUENCY OF PURCHASE	USUAL PLACE OF PURCHASE
	2016	2014	2012		
FRUIT AND VEGETABLES	61%	57%	60%	Moderating with more occasional buyers.	Supermarkets have highest share at 56% but down from 63% in 2014; alternative outlets making sound share gains.
	Penetration highest of all categories & increasing.				
DAIRY (E.G. MILK, YOGHURT, AND CREAM)	47%	41%	34%	Solid uplift in 1-30 day frequency in 2016, continuing positive trend.	Supermarkets dominant, other outlets showing marginal gains.
	Strong gains continue period on period.				
HOME COOKING INGREDIENTS (E.G. FLOUR AND SUGAR)	44%	42%	45%	Relatively stable.	Supermarkets continue to have lion's share of category, but organic stores and home delivery have higher traffic.
	Participation up, but still behind 2012 base.				
RED MEAT	43%	37%	35%	Trend to less frequent purchasing; drop in 1-30 day buying.	Supermarkets lead but under pressure from butchers, organic stores and home delivery.
	Robust uplift in participation in 2016 vs. 2014.				
BREAD AND BAKERY ITEMS	41%	37%	39%	Relatively stable, with increased 1-30 day buying activity.	Supermarkets and bakeries lead, other channels showing marginal shopper gains.
	Participation up from 2014.				
CANNED GOODS	40%	38%	39%	1-30 day frequency down in 2016	Supermarkets remain dominant; organic and wholefoods stores and home delivery making progress.
	Participation up from 2014, and marginal gain from 2012.				
POULTRY	37%	31%	29%	Negative trend, with 1-30 day buying down.	Supermarkets lead, with diversification of channels occurring as other outlets also showing gains.
	Strong participation uplift period on period.				
NON ALCOHOLIC BEVERAGES (EXCEPT TEA & COFFEE, SEE BELOW)	35%	33%	27%	1-30 day frequency down in 2016.	Supermarkets remain primary outlet but share waning, larger spread of buying with other channels up.
	Participation up, strong upward trend from 2012.				
CONFECTIONERY & SNACKS	32%	29%	26%	Purchase frequency drifting lower overall.	Supermarkets remain primary channel, others relatively stable however home delivery showing a solid uplift.
	Participation up, upward trend from 2012.				
EGGS	31%	21%	17%	Strong.	Supermarkets relatively stable, home delivery lifting, most other outlets declining.
	Very strong gain over 2014 & 2012.				
PORK	26%	21%	22%	Relatively stable, with lower 1-30 day buying activity.	Supermarkets steady, gains for channels outside supermarkets.
	Solid participation uplift.				

ORGANIC SECTOR	% ALL SHOPPERS WHO CLAIMED PURCHASE IN PREVIOUS 12 MONTHS			FREQUENCY OF PURCHASE	USUAL PLACE OF PURCHASE
	2016	2014	2012		
TEA AND COFFEE	25%	22%	25%	Deterioration, with lower 1-30 day buying activity.	Home delivery and other channels showing increased buying but supermarkets key outlet.
	Rebound in participation to 2012 levels.				
BREAKFAST CEREALS	24%	24%	27%	Waning, with increased 1-2 monthly buying activity.	Supermarkets remain primary outlet, other channels showing marginal shopper gains.
	Participation steady but below 2012.				
PACKAGED MEALS	23%	21%	14%	Moderating with shift to more occasional buying.	Supermarkets remain the usual place of purchase at 70%, though there are many channels showing increased activity.
	Participation up, upward trend from 2012.				
COSMETICS & SKINCARE	22%	19%	17%	Positive, with more shoppers saying that they are buying more often.	Specialist skincare retailers attract most buyers but other channels led by internet and pharmacy strong.
	Incremental participation gains continue.				
CLEANING PRODUCTS	20%	22%	24%	Purchase frequency falling with general shift to more occasional buying.	Supermarkets continue as usual outlet but purchasing is diversifying – specialty stores gaining custom, as are organic shops.
	Downward trend continues.				
DESSERTS (INCLUDING ICE CREAM)	20%	18%	15%	Increasing with shift to more 1-30 day and 1-2 month buying.	Supermarkets lead, with others showing some gains.
	Continued upward trend.				
BEER, WINE & SPIRITS	20%	18%	13%	Greater spread with shift to 1-30 day shopping offset by increased less than 6 month buying.	Discount liquor stores overtaken retail stores as the usual outlet. Direct methods (e.g. cellar door and home delivery) also gained. Shoppers are buying in more places than in 2014.
	Continued upward trend.				
TEXTILE, CLOTHING & MANCHESTER	19%	[new]		Infrequent (expected, given the nature of the products).	Shopping channels are highly diversified with internet and specialists most usual.
	New category				
GARDENING PRODUCTS	14%	12%	[New]	Generally infrequent.	Big box hardware now most frequented outlet with others waning.
	Continued upward trend but shallow overall.				
PET CARE	12%	13%	11%	1-30 day purchase up but infrequent buying still the norm.	Pet stores remain the most frequented outlet.
	Participation flat and remains at low levels.				
SEAFOOD	10%	9%	[New]	Relatively stable with infrequent purchase the norm.	Supermarkets the usual outlet and gaining share but fishmongers and organic stores also enjoy good custom.
	Shallow levels continue.				



RETAILER PROFILE

Woolworths



Woolworths' Macro Organic brand was purchased from Macro Wholefoods in 2008 and is the key organic brand for the chain. According to a Woolworths' spokesperson, its total organic product sales increased by \$60 million in 2015. Currently 22 farmers supply up to 36 lines of fresh organic produce to Woolworths. In 2015, 7.7 million kg of organic fresh produce was sold (1.6% of total fresh produce sold).



Opportunities

Blueberries, strawberries, onions, garlic, mushrooms, tomatoes and mangoes have been identified as the fresh produce items that are regularly undersupplied, says the company spokesperson. Two thirds of its customers would like to see a greater range of organic produce available, and the company says it is supporting Australian farmers to grow more organic produce.

In 2016, Woolworths made a change to their packaging for organic produce, replacing unrecyclable polystyrene trays with recyclable packaging. Future plans include biodegradable and more environmentally sustainable packaging.

Lessons learnt

The company spokesperson reiterated the views of others in the organic sector, that improved education is needed to increase customer's understanding of what 'organic' means and how they can tell whether they are purchasing genuine organic produce. As a response, Woolworths participated in 'Organic Awareness Month' to introduce new customers to organic produce, and the spokesperson said the company recorded increased sales in the month.

Changes are also being made to the in-store environment demonstrating Woolworths' commitment to organics. In



November 2016, in its renewed Warringah Mall store on Sydney's Northern Beaches, Woolworths' introduced loose organics and doubled the size of the organic produce section. In this store alone organic fruit and vegetable produce represents up to 10% of the fruit and vegetables section of the store.

Advice

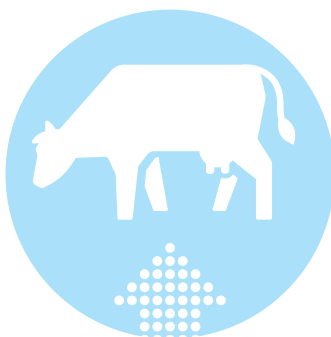
Woolworths' advice to new players is to understand your potential customer and the product you are developing. Reach out to the supermarkets if you have something to offer that could add value to their product line.

A SNAPSHOT OF SHOPPER'S PURCHASING TRENDS



FRUIT & VEGETABLES

61% of all shoppers said they bought organic fruit and vegetables in the last 12 months.



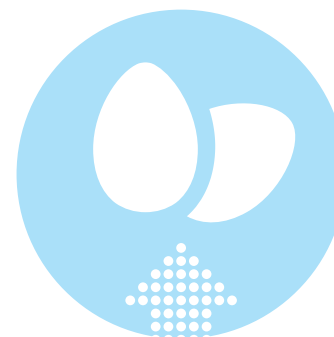
DAIRY

Solid uplift in 1-30 day frequency of purchase in 2016, a continuing positive trend.



RED MEAT

Robust uplift in participation from 35% of all shoppers in 2014 to 43% in 2016.



EGGS

Very strong gain from 17% in 2012 to 31% in 2016.

Home brands vs Branded product

Over the past few years, major Australian supermarkets have begun offering organic products under their own 'home brands' (also known as 'private labels'). Examples include Coles Organic, Woolworths' Macro Organic and Aldi's Just Organic. Given the importance of supermarkets as retail outlets for organic products, organic shoppers were canvassed about their experience with home brands, compared with the branded products of food companies.

80% of organic shoppers say they have previously purchased an organic home brand product.

62% are buying home brand products as often as they did a year ago, with 31% more often, and 7% less often.

Most organic shoppers are confident about the quality of organic home brands (58% reporting 'very' and 'moderately' confident), as well as the validity and integrity of the certification process for organic home brand products (54%). This indicates that, for many organic shoppers, home brands represent a 'no compromise' option. Confidence in both home brands and company branded organic products has improved since 2014, though organic shoppers tend to express more confidence in the quality of company branded products (73% 'very' and 'moderately' confident) and in the certification process for branded products (70%). Given that the certification process is the same for certified home brand and certified branded products, there seems to be an opportunity for increasing shoppers' understanding of the certification process for home brands.

80% of organic shoppers indicate they have purchased an organic home brand product, and most are confident about quality and integrity of certification.

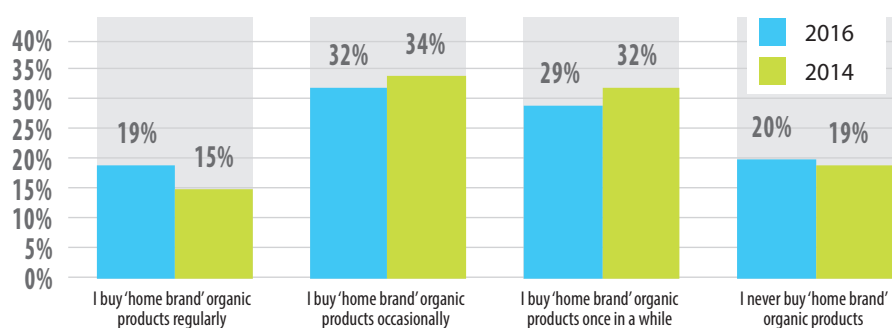


Figure 45: Experience with organic home brands (organic shoppers)

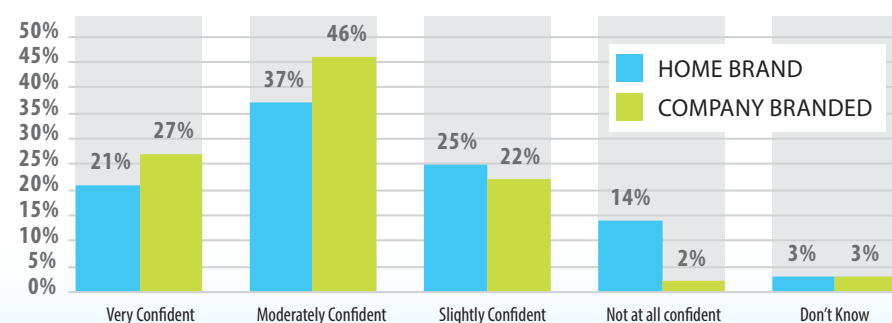


Figure 46: Comparative confidence in quality of certified organic products (organic shoppers).

3.5 BARRIERS TO PURCHASE

The majority of barriers to purchasing organics are trending lower compared with 2014. Value, trust and access remain the largest barriers for shoppers to increase their purchases of organic food. Cost continues to be the most significant hurdle (76% of all shoppers, though down from 82% in 2014). Trust (43%) and access/convenience (32%) remain constant in strength of barrier and ranking.

Price or value is the top constraint for both organic shoppers and those who do not buy organic. However, after price, the next top three barriers for organic shoppers are quite different from the next top three barriers for people who do not buy organic. Organic shoppers are hungry for more information, improved access, better quality and easy identification. Non-purchasers are more cynical and exhibit a growing reluctance to consider organics.

The majority of barriers to purchasing organic are trending lower compared with 2014.



BARRIERS TO BUYING MORE

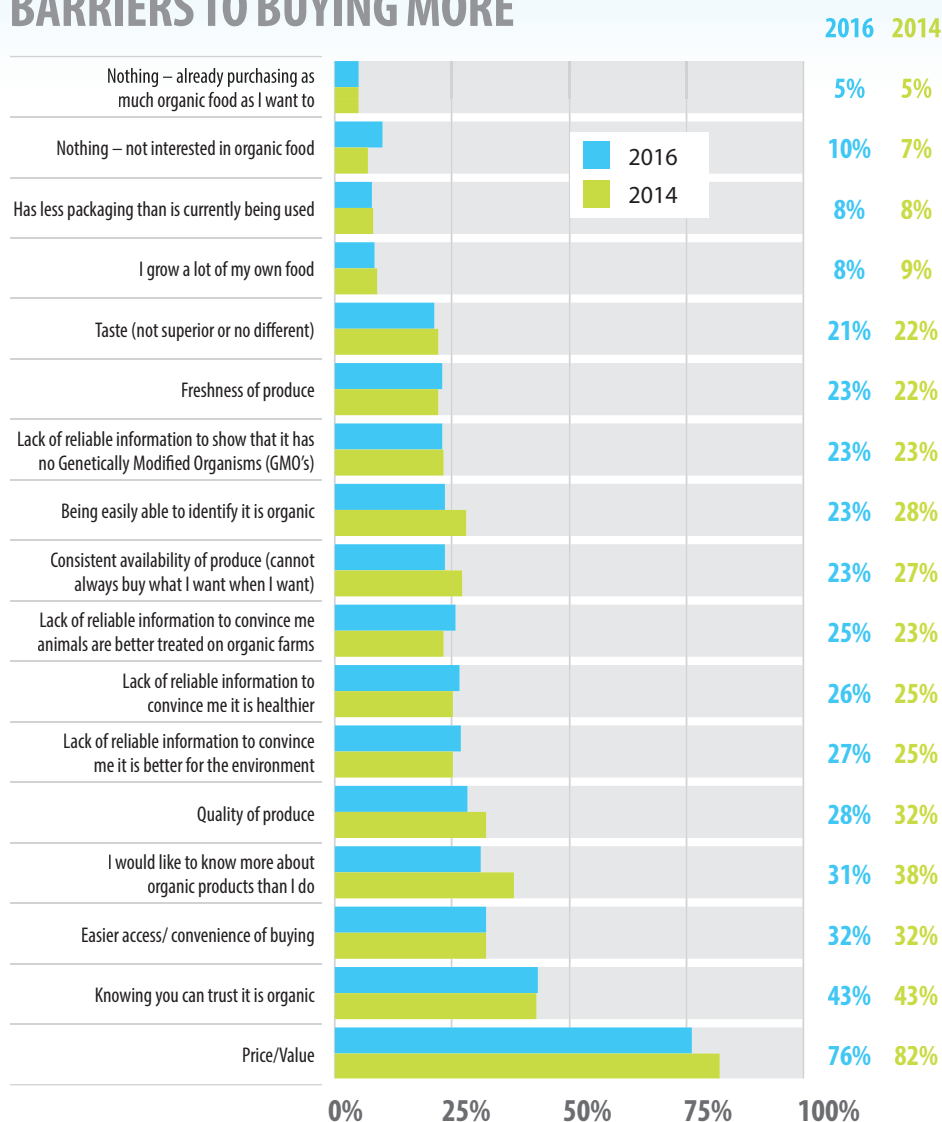
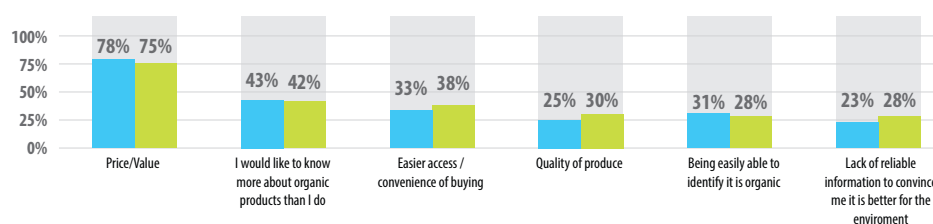


Figure 47: Barriers to buying more organic food – 2016 vs 2014 (all shoppers)

COMPARATIVE TOP BARRIERS OF PURCHASERS - 2016 VS. 2014



COMPARATIVE TOP BARRIERS OF NON PURCHASERS - 2016 VS. 2014

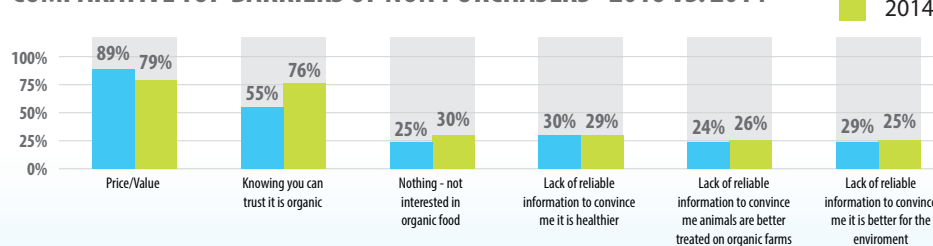


Figure 48: Comparative top barriers - 2016 vs 2014 – organic shoppers vs non-purchasers

3.6 THE CERTIFICATION PROCESS – STANDARDS, AUDITING, CERTIFICATION & LABELLING

Awareness of certification marks

Most shoppers – 59% of all shoppers in 2016 – are aware that certification marks are used on organic products as a ‘guarantee’ of authenticity. This is an increase from 56% in 2014 and now 17% above the base of 2010. A greater proportion of organic shoppers are aware of this guarantee than non-purchasers (73% vs 27%). However, even in the latter cohort, awareness is up from 19% in 2014.

Influence of certification marks

An organic certification mark on an organic product increases the trust of two-thirds of all shoppers in that product. This represents a decline on 2014 figures, though the decline is marginal for organic shoppers (79% in 2016 vs 80% in 2014) and more marked for non-purchasers (40% vs 43%). In other words, in 2016, organic shoppers are twice as likely to say an organic certification mark increases trust compared with non-purchasers (79% vs 40%).

85% of all shoppers say that, all other things being equal, an organic certification mark on a product would have some level of influence on their purchase decision, with 68% claiming it would have a strong or moderate influence (up from 63% in 2014). The influence is stronger for organic shoppers (79% strong or moderate influence, up from 75% in 2014) than non-purchasers (43%, up from 35% in 2014).

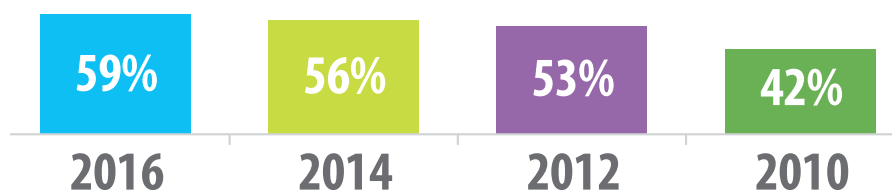


Figure 49: Awareness of organic certification marks (all shoppers)

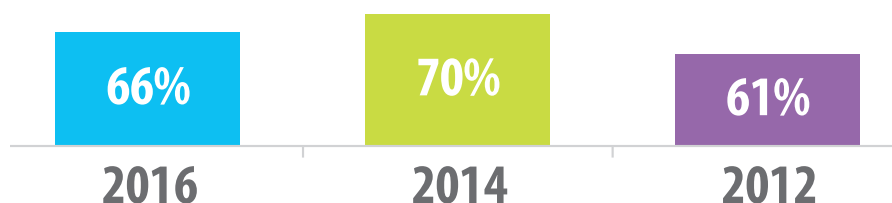


Figure 50: Increased trust in an organic product engendered by a certification mark (all shoppers)

85% of all shoppers say an organic certification mark on a product influences their purchase decision.

INFLUENCE OF CERTIFICATION

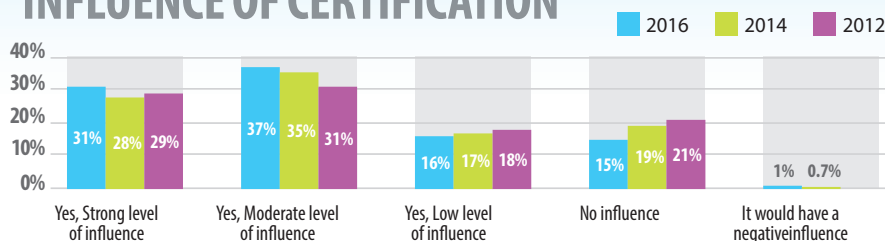


Figure 51: Influence of certification mark on an organic product (all shoppers)

Whether shoppers would reject a purportedly organic product that did not carry a certification mark is not clear cut. 34% would reject such a purchase, but 41% are unsure, and a quarter of shoppers would go ahead with the purchase even without the surety of certification. This overall pattern is also broadly true for organic shoppers but non-purchasers were even more adamant that they would reject an organic purchase if it did not have a certification mark.

Prompted recall is growing

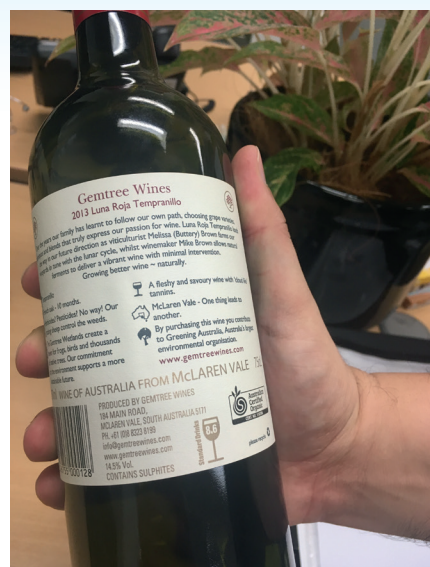
When prompted with a random selection of 12 high profile organic certification logos, local Australian certifiers' certification marks were the most recognised. 46% of all shoppers recognised ACO's 'bud' logo (up from 39% in 2012 and double the base of 23% in 2010), and 31% recognised the NASAA mark (up from 23% in 2014).

However, recognition of most of the other selected marks remains low at under 8% unprompted recognition.

About three times as many organic shoppers could recall the ACO bud logo than non-purchasers (59% vs 20%). Recognition has increased since 2014 for both organic shoppers and people who do not purchase organics.

Where did shoppers see the most recognised certification mark?

The primary source of recognition of the ACO bud logo is seeing it on products (two thirds of all shoppers in 2016; 70% of organic shoppers; 39% of non-purchasers). 'In store' was next with 24% overall, up 10% since 2014, with stronger recognition from non-purchasers. Digital modes lifted compared with 2014, with website up to 15% and social media 7%. One in five of those who recognised the ACO mark do not know where they saw it.



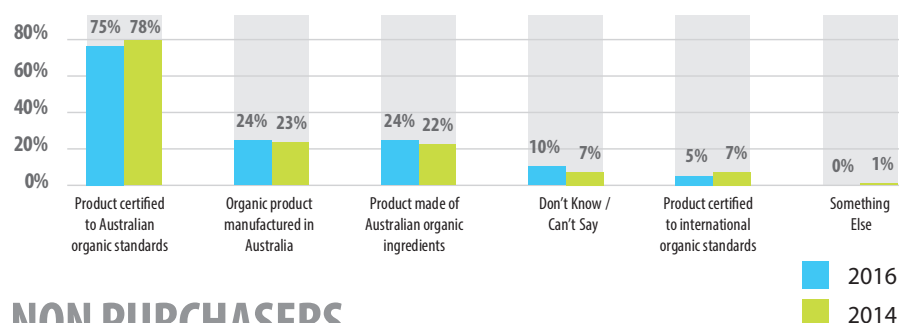
70% of all shoppers correctly pointed out that when an organic product carries a certification mark, it means the product is 'certified to Australian organic standards'.

What do shoppers believe an organic certification mark means?

In 2016, 70% of all shoppers correctly pointed out that when a product carries ACO's bud logo, it means the product is 'certified to Australian organic standards'. The majority of organic shoppers (78%) and non-purchasers (53%) correctly identified the meaning. However, there is still some underlying uncertainty for many in the community as to the meaning – one in four say it is related to being made in Australia and another 24%, using local ingredients. Nearly 25% of participants selected more than one option. One in ten say that they don't know.

46% of all shoppers recognised ACO's 'bud' logo
31% recognised the NASAA certification mark.

PURCHASERS



NON PURCHASERS

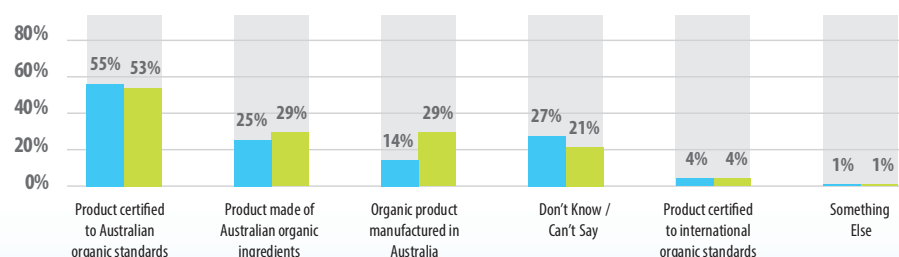


Figure 52: Perceptions of the meaning of organic certification marks (organic shoppers vs non-purchasers)

Bhumi Organic Cotton



Vinita Baravkar established Bhumi Organic Cotton in 2012 with an online and retail store in Victoria after a career in public health based in India and Bangladesh. Working in rural areas there, Vinita realised the impact conventional cotton growing and the textile industry was having on

the community and the environment. She decided to do something positive about it.

Bhumi was originally certified by the Global Organic Textile (GOT) standard, which is popular in Europe but lacks recognition amongst Australian customers.

Bhumi changed to certification with ACO, because ACO's bud logo has a high level of customer recognition.

Bhumi stocks approximately 200 products made from 100% certified organic cotton and sells over 25 tonnes of organic cotton each year with demand growing, according to Vinita.

Opportunities

Vinita noticed a big shift in 2016 with customers becoming more attentive to the products they wear close to their skin. Organic cotton is an emerging market in Australia and Bhumi plans to expand its range of organic cotton socks, children's sleepwear and underwear in 2017, the products with the highest demand.

Advice

Vinita's advice for those considering entering the organic retail industry is to make sure the certification scheme you are involved with is strict. To avoid products with fake claims and to ensure products are having a positive humanitarian and environmental impact, certification must be robust along the entire supply chain.

3.7 CONCLUDING REMARKS

Organic certification marks are generally seen as an effective mechanism to increase trust in organic products however their actual impact remains somewhat blunted by limited awareness and recognition. With 'knowing you can trust it is organic' and 'being easily able to identify it is organic' remaining as higher order barriers to households increasing their purchase of organics, ongoing efforts by the organic industry to raise awareness of standards, certification and associated marks may assist in reducing these obstacles. The lower confidence of shoppers in supermarket and home brand product integrity generally speaks to a major opportunity to increase understanding about the rigour of the certification process in products sold in these major outlets.



Organic certification marks are seen as effective for trust in organic products but there is room to increase awareness of the marks and the certification process.



4 INTERNATIONAL ORGANIC TRADE AND EXPORT OPPORTUNITIES FOR AUSTRALIA

This chapter first provides a picture of the global organic market based on the findings of the annual global organic survey and report, *World of Organic Agriculture 2017*.²⁹ It then reviews some selected international markets potentially important to Australian organic exporters, and is based on data provided by Euromonitor, as well as publicly available information from the *Global Organic Trade Guide (GOTG)* – published by the US-based Organic Trade Association), other market research providers, the Australian Government's Department of Foreign Affairs and Trade (DFAT), and Austrade (the Australian Government's Trade and Investment Commission).³⁰ The chapter finishes with an introduction to the small but developing organic sector in the Pacific Islands.

4.1 GLOBAL OVERVIEW

The *World of Organic Agriculture* yearbook has been published annually since 2000 by FiBL and IFOAM. The 2017 yearbook collates data from research and surveys from 2015 and 2016, and paints a picture of steady growth and consolidation of organics globally. 179 countries have organic agricultural activities. Nearly 51 million hectares of land were reported to be under organic management in 2015 (including in-conversion areas), an addition of 6.5 million hectares compared with 2014, with increases on area reported in every continent except South America. Australia yet again took the prize for the most land of any country devoted to certified organic production. Worldwide organic production involves some 2.4 million producers, an increase of 7% (162,000 producers) between 2014 and 2015. A quarter of global organic farmland and

the vast majority of producers (89%) were in developing and emerging economies, including India (585,200 producers), Ethiopia (203,602), and Mexico (200,039).

In Africa, there has been a 33% increase in the area of land under certified organic management, bringing the African total to 1.7 million hectares. Most certified organic produce is destined for export, including the main crops: coffee, olives, nuts, cocoa, oilseeds and cotton. In Asia, there has been an 11% increase in the area under organic management, with especially large growth in India (64%). Asia is increasing its share of the world organic consumer market, partly driven by food scares in China. The central government in China has added organics to its national planning policies, and a number of national and provincial Asian governments have positively supported organic farming, including Bhutan, Sri Lanka, Sikkim (India), and the Philippines.

In Europe, retail sales of organic products are increasing and the yearbook reports that many countries reported double-digit growth in their organic markets in 2015. The area under organic management continues to grow at a healthy rate (8.2%) but this remains slower than the increase in demand. The European Commission continues to support organic research programmes generally, but development of the EU regulatory framework for organics has slowed. The area of organic farmland in South America fell, due to a decrease in grazing lands on the Falkland Islands (Malvinas). Organic production in Latin America and the Caribbean relies on co-operation between small landholders, especially for coffee, cocoa, bananas, mango, Andean grains and ginger, which has spurred sympathetic policy developments such as recognition of Participatory Guarantee Systems (PGSs) in Peru.

North America now accounts for more than half of global sales of organic food and beverages (53%). Organic sales in the USA jumped by 11% in 2015 to US\$43.3 billion, and organics now accounts for nearly 5% of all food sales in the USA. Demand is expected to outstrip domestic organic production in the USA, with significant volumes of fruit and vegetables, grains, oilseeds, herbs, spices and sugar being imported. Australia and New Zealand dominate production in Oceania but other Pacific Island nations are becoming more involved, through the development of the Pacific Organic Tourism and Hospitality Standard (POTHS), establishing PGSs, and creation of a regional brand, 'Organic Pasifika Guaranteed' across 22 Pacific Island countries and territories (discussed in more detail later in this report). Most certified produce in the Pacific Islands is grown for export and the main products include spices, coconut products and tropical fruits.

The size of the global market for organics is estimated to be US\$81.6 billion in 2015.³¹ This is an increase of about 10% on the previous year, a fourfold increase since 2000, and projected to continue growing.³² North America and Europe made up 90% of sales of organic products. The largest



organic markets were (in order) the USA, Germany and France. The USA held 47% of the global market by value, followed by the European Union (35%) and China (6%). Switzerland, Denmark, Luxemburg and Sweden had the highest per capita consumption of organics in 2015³³ and Denmark, Switzerland and Luxembourg had the highest market shares.

There are 87 countries with organic standards, and seventeen countries are in the process of drafting legislation affecting organic production. 250 PGSs are operating in 73 countries in 2016, with strongest participation in India (43,000 producers), Peru (22,000) and Kenya (12,000).

Overall, organics remains a small part of the agricultural production sectors and markets. Only one percent of global agricultural land is under organic management, with the highest regional shares being less than 10% (Oceania: 5.4%; Europe:³⁴ 2.5%). However, land under certified organic management makes up more than 10% of agricultural land in eleven countries, and has reached even higher proportions in Liechtenstein (30.2%) and Austria (21.3%).

Selected markets

The country examples outlined in this chapter have been selected because they are currently the important markets for Australian organic exports or they are anticipated to become more important for Australian organic producers over time, for example Indonesia and other South-east Asian markets.

ORGANICS GLOBALLY QUICK FACTS:

179 Countries with organic agriculture activities

50.9 MILLION Hectares of farmland under organic management

6.5 MILLION Increase in reported hectares under organic production between 2014 and 2015

AUSTRALIA Country with world's largest area of land under certified organic management

2.4 MILLION Number of organic producers around the world

162,000 Increase in number of producers globally between 2014 and 2015

US\$81.6 BILLION Value of global organic market

10% Increase in value of global organic market between 2014 and 2015

+ 400% Increase in value of global organic market between 1999 and 2015

**USA
GERMANY
FRANCE** Largest organic markets

**SWITZERLAND
DENMARK
LUXEMBOURG
SWEDEN** Highest per capita consumption of organics

LIECHTENSTEIN Highest percentage of farmland under organic management (30.2%)

(Source: '2017 World of Organic Agriculture yearbook, using 2015-16 data)



4.2 UNITED STATES OF AMERICA

The total organic market consumer sales in the USA was estimated to be about US\$44 billion in 2015.³⁵ The packaged food and beverage share of that is estimated to be about US\$16.1 billion in 2016, which is 44% of global sales and the largest market in the world by value for organic packaged food and beverages,³⁶ as seen in the figures below. This is an increase of 7.3% on 2015 figures. Shoppers in the USA are reported to be the sixth largest spenders per capita on organic packaged food at US\$45.60 per capita in 2016.³⁷

Growth of sales in organic packaged food and beverages is anticipated to be 5.9% in 2017, and a compound annual growth rate of 4.8% for the period 2017–20 as the market matures.³⁸

General trade opportunities

The USA remains the largest economy in the world, with a population of over 320 million, the third largest population in the world. The general economy in the USA has rebounded since the end of the recession in 2009, but has made only a modest dent on unemployment.

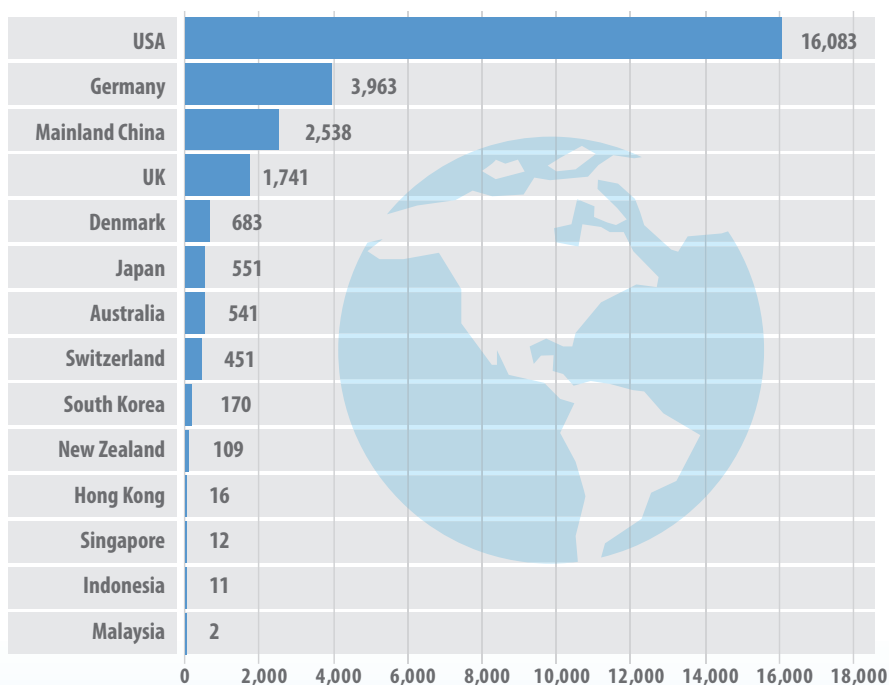


Figure 53: Global sales of organic packaged food and beverages in 2016 (US\$)

Sources: Euromonitor, 2017

Increasing socioeconomic inequality fragments the consumer market.³⁹ Acceptance of organics in the USA is said to continue, as shoppers look for more natural and environmentally responsible purchases, and there is a trend towards simpler foods, with fewer ingredients, perceived as healthier.⁴⁰ Organic packaged food and beverages are becoming more mainstream amongst retailers in the USA, with the big name American retailers (Walmart, Kroger and Target) likely to continue developing their home brands (or 'private labels') and increasing shelf space for organics generally.⁴¹ The sector is described as fragmented and competitive, and home brands (private labels) account for 10% of organic packaged food and 14.3% of organic beverages in the USA.⁴² Organic coffee, tea, and fruit/vegetable juice enjoyed 16 to 17% current value growth in the USA in 2015.⁴³ The US Department of Agriculture (USDA) may accredit certifiers outside of the USA and Australian certifiers ACO and NASAA/NCO are accredited.

SHARES OF GLOBAL SALES

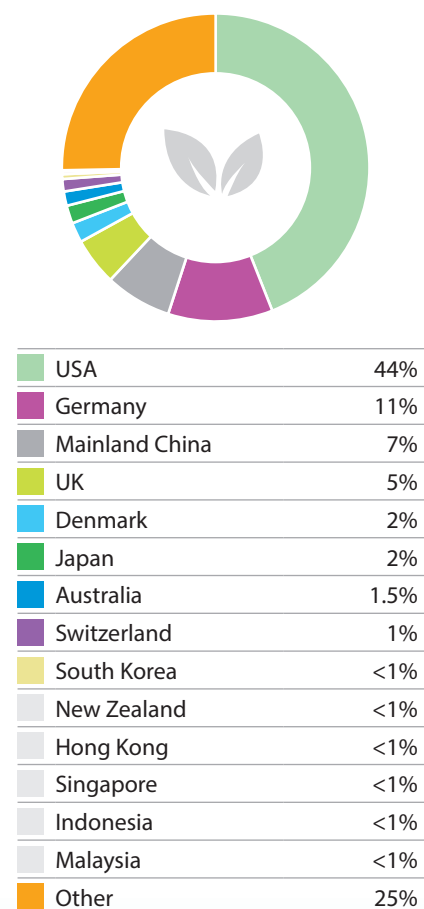


Figure 54: Country/territory shares of global sales of organic packaged food and beverages in 2016 (US\$)

Source: Euromonitor, 2017



PRODUCER PROFILE

Blackwood Valley Beef



Blackwood Valley Beef was established by the Pensini family in Western Australia in 1976. It became certified organic in 2007, prior to which the Pensini family produced grass-fed beef using holistic grazing management. According to Warren Pensini, the family saw organic certification as an opportunity to value-add its beef. The fairly substantial premium available for organic beef at this time, which Blackwood Valley Beef has managed to retain, has virtually disappeared for many other WA organic beef producers.

Blackwood Valley Beef exports about 10% of their beef to Singapore with

the potential to increase this to 50% in the next 12 to 18 months because of growing demand. The domestic market will see the addition of value-added products including a range of certified sausages and hamburgers.

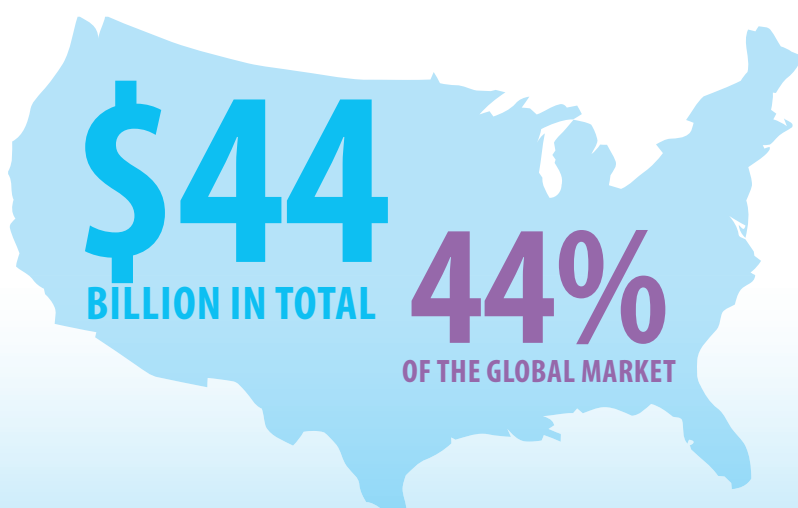
Lessons learnt

Warren Pensini says one of the lessons learnt by Blackwood is that just being organic is not enough in the market place. A high quality and safe product where the customer has an excellent eating experience are also required. He suggests a failure by some organic beef producers to supply animals with high eating quality

could explain the closing of the price gap between organic and conventional beef.

Opportunities

Plans for 2017 include finishing cattle year round, as there is demand in the marketplace. Improving the farm operations is expected to increase sales fourfold, which involves focusing on soil health, growing quality pastures and improving herd genetics with a particular interest in selecting bulls for eating quality. Blackwood Valley Beef will also work with suppliers to improve herd genetics as, in Warren's view, one of the limitations to business growth is the lack of availability of high quality organic feeder cattle in WA.



USA is by far the largest market for organic products. \$44 billion in total value and 44% of the global organic packaged food and beverage market by value.



4.3 CHINA (MAINLAND AND HONG KONG)

Hong Kong is part of the People's Republic of China but, as a 'special administration region' (SAR) under the 'One Country-Two Systems' policy, to a large extent Hong Kong manages its own trading rules, which are different from the rules operating in mainland China. From the point of view of Australian organic producers, Hong Kong is an important organic market in its own right and an entrepôt to the mainland China market. Consequently, this chapter profiles Hong Kong in more detail below.

Mainland China

Total organic market consumer sales in mainland China (ex-Hong Kong) in 2015 were estimated to be about US\$3.7 billion.⁴⁴ The packaged food and beverages share of this was estimated to be about US\$2.5 billion in 2016, up 22.6% from 2015 and 7% of global sales in that category.⁴⁵ Chinese shoppers are estimated to have spent US\$1.80 per capita on organic packaged food in 2016, the 30th largest spend per capita globally.⁴⁶ Milk dominates organic purchases, accounting for 95% of value in 2015.⁴⁷ Unsurprisingly, dairy companies are the biggest players, with Inner Mongolia Yili, China Mengniu Dairy Co, and Inner Mongolia Shengmu sharing 82% of the packaged organic food and beverages market in China in 2015.⁴⁸

Although China's organic market is underdeveloped and is described by GOTG as 'niche, appealing mainly to affluent consumers in major urban areas', even a niche market amounts to considerable scale in a country of close to 1.4 billion people.

Food safety scandals and increasing incomes are drivers for strong growth, which was estimated at a hefty 22.6% in 2016, despite the general slowing of the Chinese economy.⁴⁹ A solid 20% growth is predicted for 2017 for the Chinese organic packaged food and beverage market, with a compound annual growth rate of 15.1% expected for the period 2017-20,⁵⁰ which amongst the strongest expected growth in the world as shown in the figure below.

General trade opportunities

Austrade describes the inspection and quarantine processes for all foodstuffs and beverages imported into China as 'complicated and challenging', requiring considerable time and cost, and often changing.⁵¹ China generally does not allow equivalence or accreditation arrangements for foreign organic produce, which means a Chinese certifier is required to certify produce sold as organic in China. However, in late 2016, New Zealand became the

first country to sign a mutual recognition arrangement due to come into effect in mid-2017. This will do away with the need to engage a separate Chinese certifier for New Zealand products to be imported into China.⁵² It is a two-way arrangement allowing products produced and certified as organic in China to be imported into and sold in New Zealand as organic.

Australia did not have a similar arrangement, but Australian certifiers ACO and NASAA have signed agreements with Chinese certifiers to smooth the pathway for Australian organic exporters. Australia has had a bi-lateral trade agreement (China-Australia Free Trade Agreement – ChAFTA) since 2015 that aims to eliminate or reduce restrictions on imports into China of Australian barley, sorghum, seafood, sheep meat, horticulture, dairy, beef, wine, and wool (DFAT). Australian produce 'is recognised by local consumers as having a clean and green environment with good quality products and brands'.⁵³

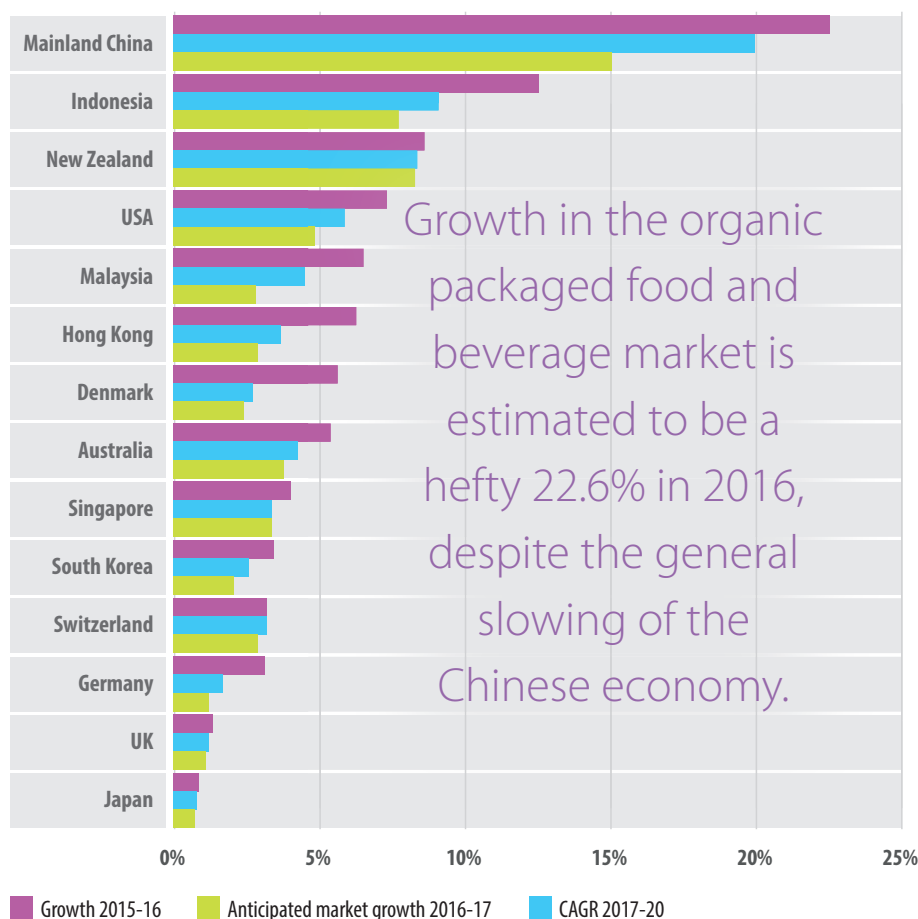


Figure 55: Market growth in 2016, anticipated growth in 2017, and compound annual growth rate 2017-20

Sources: Euromonitor, 2017



Hong Kong

The market for all organic products in Hong Kong was about US\$40 million in 2015.⁵⁴ The organic packaged food and beverages' share of that was valued at US\$16.2 million in 2016, growing 6.3% from 2015, or about 0.04% of global sales.⁵⁵ Per capita spending on organic packaged food was estimated to be about the same as mainland China in 2016 (US\$1.80 per capita).⁵⁶ Growth in sales of organic food and beverage is estimated to slow to 3.7% in 2017,⁵⁷ slower than the Asia Pacific generally. The compound annual growth rate is estimated to be 2.9% for the period 2017-20.⁵⁸ The market is said to be competitive and fragmented, though the largest company – Vitasoy International Holdings, which historically produced organic soy milk and other beverages – has a sizeable 20.2% share of the market by sales.⁵⁹

General trade opportunities

Hong Kong is one of the most developed parts of the People's Republic. It has an aging population of 7.4 million people and life expectancy is amongst the

highest in the world. It has a high per capita income though the average masks major income inequalities in the territory. Nonetheless, the economy has been stable and there is increasing concern amongst Hong Kong's citizens about food quality, food safety and environmental impacts. This has been exacerbated by highly publicised food safety scandals and environmental pollution incidents in mainland China over the past decade. A survey in Hong Kong in late 2015 found that a third of respondents said they purchased organic food every fortnight.⁶⁰

Hong Kong is described as 'open to imports',⁶¹ in contrast to the more restrictive import regime operating in mainland China. Hong Kong has no specific organic regulation or organic standard, and organic foods are subject to the general food safety and labelling regime. Hong Kong has little farmland and imports most of its agricultural products. However, it does have a small domestic fresh produce and aquaculture sector and a private voluntary certification scheme. However, Austrade notes that 'local suppliers are hampered by a small

scale, unstable supply and a limited variety of produce. It presents immense export opportunities for organic food and beverages. With reliance on food imports as high as 95 per cent, Hong Kong's desire and capacity to pay for high-quality organic food and beverage marks Australia as a natural source of supply'.⁶² Austrade nominates organic food and beverages as a specific area of opportunity for Australian producers.

*'Hong Kong's desire and capacity to pay for high-quality organic food and beverage marks Australia as a natural source of supply.'
(Austrade)*



4.4 REPUBLIC OF KOREA (SOUTH KOREA)

The South Korean market for all organic products was about US\$224 million in 2015.⁶³ The organic packaged food and beverages' share of that was valued at US\$169.5 million in 2016, or 3.5% growth on 2015 and 0.5% of global sales.⁶⁴ Per capita spending on organic packaged food of US\$3.30 in 2016 means South Koreans are the 24th largest spenders in the world.⁶⁵ Growth in sales of organic food and beverage are predicted to continue but at a slower rate (2.6% in 2017; compound annual growth rate of 2.1% 2017-20)⁶⁶ and slower than the Asia Pacific generally. However, higher growth is anticipated for organic baby food, as the organic offering has become the norm in South Korea.⁶⁷ Organic food commerce in South Korea is dominated by the Maeil Dairies Co Ltd, which accounted for over 40% of sales in 2015, and by Nokchawon Co Ltd in the organic beverage space, with over 20% of the market share.⁶⁸ Local South Korean companies are expected to continue to dominate the organic food and beverage market.⁶⁹

General trade opportunities

South Korea is a highly developed economy, which is described as 'open for exports',⁷⁰ with an urbanised, educated population of about 50 million people. Austrade notes,

Korean consumers regard Australia as a clean and green environment, which produces quality food products and ingredients. Major Australian exports include: beef, sugar, wheat, malting barley, oil seed, cheese, corn, potato, wine and dairy products such as butter and cheese.⁷¹

Organic packaged food and beverages in South Korea are premium-priced and often sold through high-end retailers. Increased sales of organic packaged food and beverages have been driven by the health-consciousness of an aging population and attention to healthy products for children, especially baby food and dairy products.⁷²

The Korea Australia Free Trade Agreement (KAFTA) has been in force since 2014 and eliminates or gradually reduces tariffs on Australian beef, sugar, wheat, dairy, lamb, goat, pork, wine, horticulture, malt,

and seafood exported to South Korea. Austrade notes a specific opportunity for Australian organic grainbased products and pulses for 'Korea's increasingly health-conscious population'.⁷³ Currently, ACO is the only Australian certifier that is accredited by South Korea. The Australian and South Korean Governments are working on a general equivalency agreement for Australian organic products in the Korean market.

'Korea's increasingly health-conscious population is creating demand for premium, organic and non-genetically modified grainbased products and pulses.' (Austrade)



Organic baby food has become the norm for baby food in South Korea

4.5 JAPAN

The total Japanese organic consumer market was estimated at about US\$1.2 billion in 2015.⁷⁴ Organic packaged food and beverages accounted for US\$551.2 million in 2016, a rise of 0.9% and 1.9% of global sales.⁷⁵ Japanese shoppers are estimated to have spent US\$2.8 per capita in 2016 on organic packaged food, the 26th largest per capita spend in the world.⁷⁶ Slow growth of 0.8% is anticipated in the Japanese organic packaged food and beverages market in 2017, with a similarly slow compound annual growth rate of 0.7% for the period 2017-20.⁷⁷ This is well below the Asia Pacific region generally. The Japanese market for organic packaged food and beverages is fragmented and competitive.

General trade opportunities

Traditional Japanese cuisine is famed for the high value placed on quality and seasonal ingredients. However, Japanese shoppers have been reticent to embrace organics, generally perceiving organics as a premium product, even an indulgence.⁷⁸ This may be due to domestic supply constraints related to the relatively small scale of organic agricultural production in Japan, the power of conventional farm associations, and the perceived difficulty of the domestic certification program.⁷⁹ At first glance, this may not appear a promising market for Australian organic exports but a combination of factors may suggest otherwise: low domestic production, a relatively wealthy population with high disposable income by global standards, an educated, aging population interested in health, high regard for Australian agricultural produce, and bi-lateral trade agreements that smooth the way for importation into Japan.

Japan is a wealthy, highly industrialised, country of about 127 million people with a very high standard of living. It has a declining and ageing population and but also the highest life expectancy in the world. Japan has the third largest economy in the world by GDP after the USA and China, but the Japanese economy has experienced a long period in the doldrums, with economic stagnation for a decade to 2005 and after the 2011 tsunami. This has affected consumer



spending. However, more recently growth has been positive, albeit slow, with improving labour conditions.

Japan is described as 'open to exports'.⁸⁰ The Japan-Australia Economic Partnership Agreement (JAEPA) came into force in 2015. It aims to give greater access to Australian agricultural exports into the heavily protected Japanese market by eliminating or reducing over time Japanese tariffs on most agricultural products exported from Australia to Japan, including beef, wine, dairy, seafood, horticulture, and some packaged foods.⁸¹ Austrade notes that Australia has a competitive advantage over other nations exporting to Japan because of 'consumer awareness of Australia's clean, green environment and low chemical usage which adds to Australia's appeal as a supplier of safe foods'.⁸² Australia is regarded 'as a trusted, secure and safe supplier of food and beverages because of its strict quarantine policy, advanced food safety and quality assessment system,' but does face competition from

other southern hemisphere exporters such as Chile and South Africa.⁸³ ACO and NASAA are accredited by the Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF), which administers the Japanese Agricultural Standards (JAS).

'Japanese consumers are interested in high quality, fresh, clean, safe and value-for-money produce from overseas' (Austrade)



PROCESSOR AND EXPORTER PROFILE

Kialla Pure Foods



Established 27 years ago, Kialla Pure Foods exclusively mills certified organic cereal grains, sourcing over 20 different grains from their certified organic growers. Twenty organic grain growers send grain to Kialla, and its top three domestic market outlets are artisan bakeries,

food manufacturers, and distributors, according to Kialla's Quentin Kennedy. Exports have remained relatively stable in 2016, despite high grain prices, after an increase in exports in 2015. Approximately 27% of Kialla's products are exported, mainly to Japan, Korea and Taiwan.

Opportunities

Quentin says there is untapped potential in organic grain production, and growth of organic grain millers has been stifled by the limited quantities of organic grain. The season usually dictates which grains are undersupplied and availability of linseed, spelt and chickpeas is often limited.

Best business decision

Actively recruiting more growers into organic grain production is something Kialla should have done sooner, according to Quentin. In his view, more research into weed control methods for organic grain operations and the development of a market for in-conversion grain would encourage grain growers to gain organic certification.

Advice

Quentin says all supply chains are about loyalty and valuing relationships. Maintaining and fostering relationships with Kialla's growers and clients is critical to the success of its business.

4.6 MALAYSIA AND SINGAPORE

The Malaysian market for organic food and beverages was about US\$2.2 million in 2016, a rise of 6.5% on 2015 and 0.01% of the global market. Estimated per capita spending on organic packaged food was low at US\$0.1 per capita in 2015, the 42nd highest in the world (tying with several other countries). The anticipated growth in 2017 is 4.5% with a slower compound annual growth rate for 2017-20 of 2.8%.⁸⁴ The organic food sector is highly concentrated in Malaysia with Kraft Heinz Co holding more than half of the total sales in 2015 (55.3%).⁸⁵ The mainstay of its organic offering was baby food, targeted at mid- and upper-income urban customers.⁸⁶ Other leading companies in 2015 were Yeo Hiap Seng Ltd (16.1%) and the Lam Soon Group (5.5%) (GOTG). The organic beverage market is very small.⁸⁷

Singapore's market for organic food and beverages was estimated at US\$11.9 million in 2016, or 4% growth on 2015. Singaporeans are said to have spent US\$2.10 per capita in 2016 on organic packaged food, making them the 29th highest spenders in the world. 3.4% growth is anticipated for 2017 with the same figure (3.4%) estimated for compound annual growth for 2017-20.⁸⁸ The market is concentrated with Lam Soon taking 52% of sales by value in 2015.⁸⁹

General trade opportunities

Singapore is a wealthy, highly developed, small island nation of about 5.6 million people. It has very little agricultural land and almost all of its food is imported. No organic farmland is reported in the World of Organic Agriculture yearbook⁹⁰ and, unsurprisingly, Singapore has no organic certification program of its own.

Malaysia is a newly industrialised economy, described as having 'light barriers to trade';⁹¹ with a population of about 30 million people. The Malaysia-Australia Free Trade Agreement (MAFTA) has been in operation since 2013 and particular sectors benefiting from the elimination or reduction in tariffs include milk, processed foods, wine, and rice.⁹²



4.7 NEW ZEALAND

The New Zealand domestic market for all organic products was estimated by Organics Aotearoa New Zealand (OANZ) to be about NZ\$217 million (US\$144.5 million) in 2015.⁹³ The organic packaged food and beverages' share of that is estimated at US\$109 million in 2016, and increase of 8.6% on 2015 and 0.3% of global sales.⁹⁴ Per capita spending of US\$19.70 on organic packaged food in 2016 means New Zealanders are the 17th highest spenders in the world.⁹⁵ Growth in sales of organic food and beverage of 8.4% is predicted for 2017 and the compound annual growth rate is anticipated to be 8.3% from 2017 to 2020.⁹⁶ The organic market in New Zealand is fragmented, with New Zealand's largest company, the dairy co-operative Fonterra Co-operative Group, holding 13.3% of total sales in 2015,⁹⁷ and naturally dairy products are its main concern.

New Zealand is a major organic exporter with exports valued between NZ\$240 million and NZ\$250 million in 2015 (US\$164-171 million). In other words, more is exported by value than traded domestically. New Zealand's major organic export categories were fresh fruit and vegetables (45% of exports by value), and dairy (28%). Wine exports more than doubled between 2012 and 2015, making up 10% of organic exports by value. 16% of New Zealand's organic exports by value come to Australia.⁹⁸ New Zealand is the first country to sign a mutual recognition arrangement for organic certification with China due to come into effect in mid-2017 (NZMPI).⁹⁹

There are no specific organic regulations in New Zealand and its regulatory framework has been described as relatively relaxed and self-regulatory.¹⁰⁰ Organic produce imported into New Zealand must meet the general requirements of food safety and labelling regulations.

General trade opportunities

New Zealand is a developed, relatively wealthy country of about 4.6 million people, with high per capita incomes. The economy has been strong in 2016¹⁰¹ and consumer expectations about the quality and environmental impacts of foods are expected to become more



demanding, and organic products are becoming more main stream.¹⁰² Most certified organic products on the domestic market are sold through supermarkets (about 77%), with about 12% each for grocery/fruit and vegetable stores and specialty organic stores.¹⁰³

New Zealand is described as 'open to imports'.¹⁰⁴ The Australia New Zealand Closer Economic Agreement (ANZCERTA) has been operating since 1983, which eliminates all tariffs and quantitative import or export restrictions between the two countries, and the Australia New Zealand Food Authority (ANZFA) Agreement 1995 harmonises trans-Tasman food standards.¹⁰⁵ Organic food is nominated by Austrade as a specific area of opportunity for Australian exporters to New Zealand.¹⁰⁶

New Zealand is the first country to sign a mutual recognition arrangement for organic certification with China.

4.8 EUROPEAN UNION (EU)

As three of the countries profiled in this chapter – Germany, Denmark and the UK (until it finalises its exit) – are members of the EU and because organic governance in member states is affected by EU regulations, some specific information on the EU is provided here. The 28 member states of the EU cover most of Europe.¹⁰⁷ The EU's total organic retail sales in 2015 was estimated to be €27.1 billion (about US\$28.9 billion),¹⁰⁸ collectively making it the second largest market in the world after the US. The organic packaged food and beverage share of the total EU organic market is estimated to be US\$13.8 billion in 2016, a rise of 5.3% on 2015, and 38% of the global market.¹⁰⁹ EU and other European countries have the highest per capita consumption by value in the world and highest market penetration of organics into the domestic food and beverage markets.

Organics are regulated in the EU by specific organic regulations and an EU member state may prescribe extra requirements for production within its territory but cannot restrict access to products in compliance with EU regulations. The EU has equivalency arrangements with a number of countries outside the EU, including Australia. The arrangement with Australia covers organic plant-based products, and for the products included in the arrangement, the EU accepts that Australia's organic production rules and control systems are equivalent to the EU's.¹¹⁰ Additionally, the European Commission and member states may accredit certifying organisations directly in non-EU countries.

European countries have the highest per capita consumption of organics by value in the world and highest market penetration of organics into the domestic food and beverage markets.

The EU has equivalency arrangements with Australia for some organic products, and accepts that Australia's organic production rules and control systems are equivalent to the EU's for the products included in the arrangement.

4.9 UNITED KINGDOM

The total UK organic market reported steady growth of 4.9% in 2015 and total organic sales of £1.95 billion, according to the UK's Soil Association¹¹¹ or about US\$2.5 billion according to GOTG. Organic packaged food and beverages are estimated to account for about US\$1.74 billion of that, a modest increase of 1.4% on 2015 and 5% of global sales.¹¹² The Soil Association anticipated growth of 5% for organics overall in 2016, though Euromonitor anticipates slow growth in the UK organic packaged food and beverages segment of 1.2% in 2017, and a slow compound annual growth rate of 1.1% for the period 2017-20.¹¹³

UK shoppers are estimated to have spent US\$23 per capita on organic packaged food in 2016, ranking them as the 13th largest spenders per capita in the world.¹¹⁴ The UK market is highly fragmented and competitive, with no single player accounting for more than 10% of sales.¹¹⁵ GOTG notes the largest company by sales in the UK in 2015 was Mondelez International Inc., with 8.5% of sales, though Euromonitor gives that prize to Green & Black at 9% of sales.¹¹⁶

Supermarkets accounted for the biggest share – 69% – of total organic sales in 2015¹¹⁷. The big name supermarkets dominated: Ocado, Sainsbury's, Tesco, and Waitrose¹¹⁸. 16% of total sales occurred through independent retailers, 12% through box schemes, and 3% through catering¹¹⁹. The biggest product categories by sales were dairy (26.6%), fresh fruit and vegetables (22.2%), canned and packaged groceries (15%), baby food (10%), red meat (5.4%), poultry (4.5%), and eggs (3.8%)¹²⁰. Organic catering grew by 15.2% in 2015 and is worth £64.3 million (approx. US\$8.2 million).¹²¹ Overall, organics has 1.4% of the UK food and beverage market, though organic baby food holds the majority share – 60% of the UK baby food market.¹²²

General trade opportunities

The UK has about 65 million people and an aging population. GDP growth slowed somewhat in 2015 to 2.2%. The UK is described as 'open to imports', but there is a trend towards food and beverages with local provenance,¹²³ which bodes well for domestic UK producers. However, limited organic farmland and local supply constraints may drive prices upwards, which could present opportunities for Australian organic produce imported into the UK. Leading food and beverage imports into the UK in 2013 based on value were wine, cheese, chocolate, bread, crispbreads, savoury biscuits, poultry meat, vegetable oils and fats, beef and veal, oil cake, fish and crustaceans, mineral water, pork, juice, coffee, wheat, bacon and ham, grapes, jams, sauces, condiments, and seasonings.¹²⁴ GOTG anticipates growth in sales of organic food, especially locally produced food, but a decline in sales of organic beverages, except for organic coffee.

At the time of writing, the UK remains within the European Union (EU) organic regime. However, it is unclear at this stage what approach the UK will adopt after the exit from the EU is finalised.

Most baby food sold in the UK is now organic (60%).



4.10 DENMARK

The total organic market in Denmark was estimated to be about US\$1.5 billion in 2015.¹²⁵ The packaged food and beverage share of this was estimated at US\$683 million in 2016, growing 5.6% since 2015, and 2% of global sales in this category.¹²⁶ It is the 7th largest market for organic packaged food and beverage in the EU, after Germany, France, the UK, and Italy, Sweden and the Netherlands.¹²⁷ The Danes vie with the Swiss as the highest per capita spenders on organics in the world. The World of Organic Agriculture yearbook gives the prize to the Swiss for the year 2015, followed by the Danes,¹²⁸ but for organic packaged food, Euromonitor gives it to the Danes at US\$107.10 per capita in 2016,¹²⁹ as shown in the figure below. However, it is a relatively mature market, and slower year-on-year growth of sales of organic packaged food and beverages of 2.7% is predicted for 2017 and a compound annual growth rate for 2017-20 of 2.4%.¹³⁰ The Danish organic packaged food and beverage market was relatively fragmented with the largest player – Arla Foods Amba – holding more than 20% of market share in 2015.¹³¹ Home brands (private labels) continue to grow in sales value.¹³²

General trade opportunities

Denmark is a small, wealthy country of close to 6 million people. Economic recovery has revived consumer sales in recent years. Danish shoppers, like Germans, are looking beyond organic credentials for other sustainability and ethical claims and quality parameters such as unprocessed ingredients and local provenance.¹³³ Denmark is described as 'open to imports'.¹³⁴ The leading category shares of the Danish organic food market in 2015 were dairy (28%), fruit and vegetables (26%), cereals and cereal products (12%), fish and other meat (9%), and eggs (7%).¹³⁵

Organics come under the general EU regulatory regime, which allows member states to impose stricter conditions on organic produce grown within their territories. According to Organic Denmark, Denmark was the first country in the world to implement a government regulatory regime for organic governance.

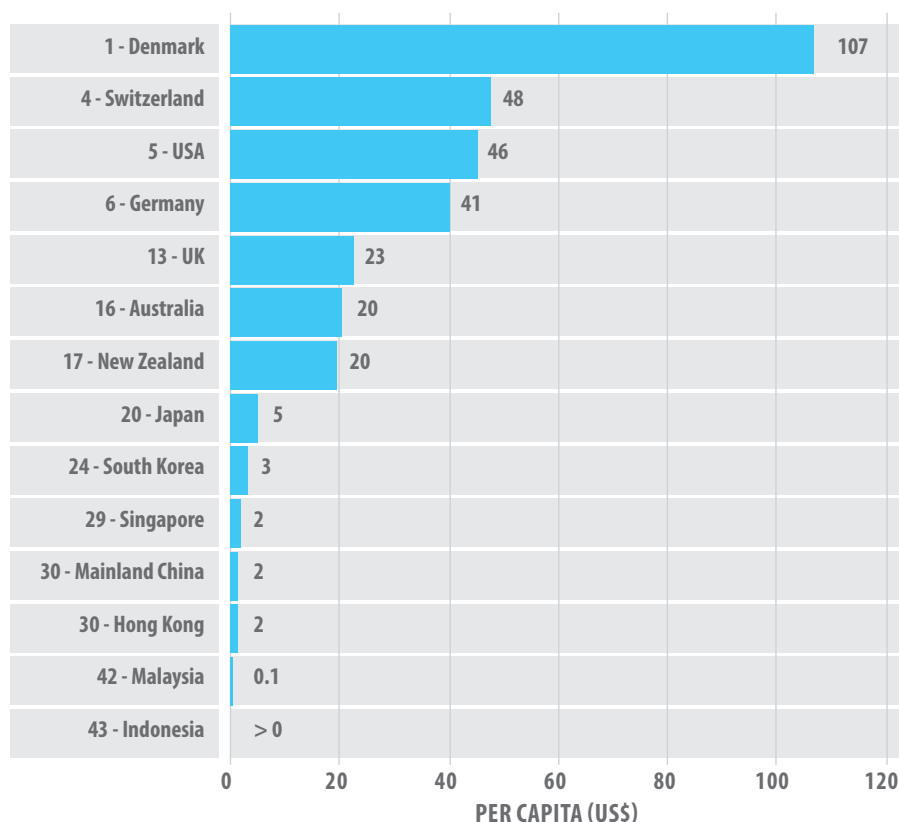


Figure 56: Per capita spending on organic packaged food in 2016 (US\$)

(Ranking shown next to country/territory name)

Source: Euromonitor, 2017

The Danes vie with the Swiss as the highest per capita spenders on organic packaged food and beverages in the world

4.11 GERMANY

The total organic market in Germany was estimated to be about US\$9 billion in 2015.¹³⁶ The packaged food and beverage share of the market was estimated at US\$3.963 billion in 2016, making it Europe's largest market in this category, and second largest in the world after the USA, with 11% of global sales.¹³⁷ 2016 saw 3.1% growth compared with 2015.¹³⁸ Germans spent an estimated US\$40.60 per capita on organic packaged food in 2016, the 6th largest per capita spend in the world.¹³⁹ The organic market in Germany is competitive and fragmented, with no single player having more than a 10% share. Artisanal and Alnatura had the largest shares respectively of organic packaged foods and beverages by sales in 2015.¹⁴⁰ The German organic packaged food and beverage market is anticipated to have slow growth of 1.7% in 2017 and the compound annual growth rate is anticipated to be 1.2% for 2017-20,¹⁴¹ reflecting the maturity of the market.

General trade opportunities

Germany has an aging population of about 81 million people and is described as 'open to imports'.¹⁴² Indeed, it is a net importer of food, and the main categories of organic imports are fruits and vegetables, milk and milk alternatives, yoghurt, butter, eggs, pork, and cereals.¹⁴³ The German organic market is mature and the organic brand is now insufficient to secure a premium price. German shoppers are well educated and discerning, and are looking for additional values, such as fair trade, quality, sustainability, and the background story of a product. Home brands (private-labels) are growing.¹⁴⁴

Organics in Germany are regulated by the EU organics regime.

4.12 SWITZERLAND

The total Swiss organic market was estimated at US\$1.9 billion in 2015.¹⁴⁵ The share occupied by packaged food and beverages in 2016 was estimated to be US\$451.4 million, an increase of 3.2% on 2015, and 1.3% of global sales.¹⁴⁶ According to the World of Organic Agriculture yearbook, the Swiss beat the Danes as the world's highest per capita spenders on organics in 2015,¹⁴⁷ though Euromonitor estimates the Swiss spent per capita US\$47.60 on organic packaged food in 2016, making them the 4th largest per capita spenders in the world.¹⁴⁸ In any case, their per capita spending is remarkable and amongst the highest in the world. Slow growth of 3.2% is anticipated in 2017 and a compound annual growth rate for 2017-20 of 2.9%.¹⁴⁹

There is a general preference for locally produced organic product and the market is dominated by Swiss companies,¹⁵⁰ with Coop Genossenschaft leading the organic packaged food market in 2015. Its Naturaplan brand accounted for 26% of the overall organic packaged food market by value in 2015.



In the Swiss organic beverage market, Migros Genossenschaftsbund eG holds 26% of the market by value, followed by Coop Genossenschaft (24%).¹⁵¹ However, Switzerland does not produce enough organic produce to satisfy demand, which may provide opportunities for Australian exporters. Organic food and beverages are widely available and affordable in Switzerland and there is a general consumer preference for more natural products with fewer additives.¹⁵²

General trade opportunities

Switzerland is a small, wealthy country with an aging population of about 8.2 million people. Real growth GDP has been modest in recent years. Though it is a European country, it is not a member of the EU, in line with its traditional foreign policy of neutrality. The leading agricultural imports into Switzerland in 2015 were wine, green coffee, prepared foods, cheese, pastry, tobacco, alcoholic and non-alcoholic beverages, products containing chocolate, and wheat. Sales of organic sauces, dressings, and condiments are predicted to grow at higher rates than other organic food categories, and organic fresh coffee will see faster growth than other organic beverages.¹⁵³

Being independent of the EU, Switzerland has its own organic governance regime, though it does have equivalence arrangement with the EU. Australia has a general but limited equivalency arrangement with Switzerland, with limitations for some products such as wine.¹⁵⁴ Two Australian certifiers – ACO and NASAA – are independently accredited as recognised certification bodies under the Swiss regime.¹⁵⁵

Lying in the historical heartland of organics in central Europe, Switzerland is home to one of the most prestigious organic research organisations in the world, the Research Institute of Organic Agriculture or FiBL (after its German name, Forschungsinstitut für biologischen Landbau). The Swiss Government supports its farming community generally through direct payment subsidies, with some advantages directed towards organic production systems.

Switzerland is home to one of the most prestigious organic research organisations in the world, the Research Institute of Organic Agriculture



4.13 INDONESIA

The Indonesian market for all organic products was about US\$13.6 million in 2015.¹⁵⁶ The organic packaged food and beverages' share of that was estimated at US\$11.3 million in 2016, a 12.6% increase on 2015 and 0.03% of the global market.¹⁵⁷ Per capita spending on organic packaged food is low: just a few US cents per capita in 2016 and 43rd largest spend per capita in the world, but this is masked by the high population.¹⁵⁸ Strong growth in sales of organic food and beverage of 9.1% is anticipated in 2017, and a compound annual growth rate of 7.7% for the 2017-20 period.¹⁵⁹

Indonesia is a rapidly developing economy, predicted to be one of the world's largest by 2030.¹⁶⁰ It has the fourth largest population in the world at about 255 million people. The population on average is young and mostly on relatively low incomes. Indonesia has a 3,000 year history of productive agriculture without conventional inputs,¹⁶¹ and programs from government and NGOs have been implemented to support local

organic farmers. But overall, the Western conception of certified organic is unfamiliar to most Indonesians, and certified products are generally sold through high-end retailers to upper-income urban customers.¹⁶² However, a growing middle-class interested in food safety and quality is supporting the growth of organics. The domestic market revolves heavily around a few local companies, with Kampung Kearifan Indonesia, holding 30.5% of total organic food and beverage sales in 2015, followed by UD Padi (17.7%) and Bumi Ganesa PT (12.2%).¹⁶³ The main packaged organic product is rice.¹⁶⁴

General trade opportunities

Indonesia is described as having 'light barriers to imports'.¹⁶⁵ Australia's dynamic relationship with Indonesia can affect trade unexpectedly, but both governments have expressed a desire to re-activate negotiations on a free-trade deal.¹⁶⁶ Austrade nominates organic products as an area of opportunity for trade along with milk for nursing mothers and osteoporosis prevention, baby food, and others.¹⁶⁷

Austrade
nominates
organic products
as a specific
opportunity
for trade with
Indonesia



4.14 PACIFIC ISLANDS

This summary relates to twenty-two Pacific Island nations and territories who are members of the regional forum, Secretariat of the Pacific Community (SPC), comprising American Samoa, Cook Islands, Federated States of Micronesia, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Nauru, New Caledonia, Niue, Northern Mariana Islands, Palau, Papua New Guinea, Pitcairn Islands, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu, and Wallis and Futuna.¹⁶⁸

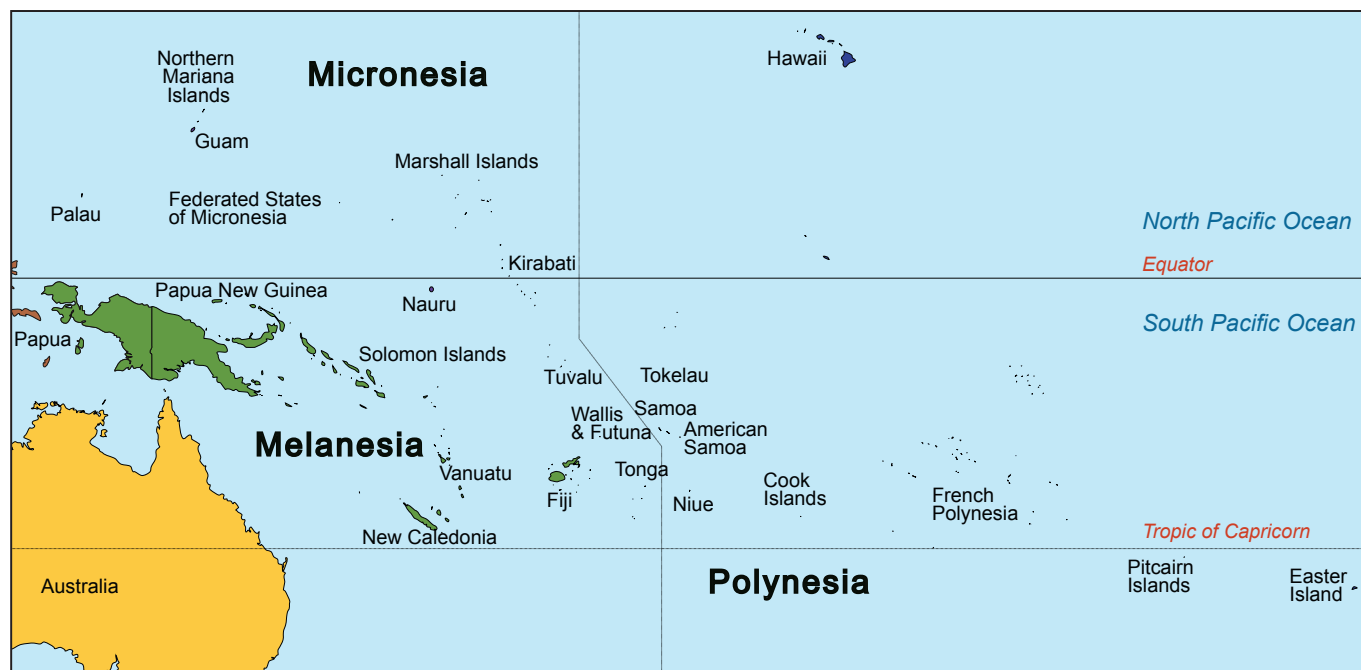
Writing in the World of Organic Agriculture yearbooks for 2016 and 2017, Karen Mapasua describes how Pacific Island nations and territories are developing unique approaches to organic production and trade.¹⁶⁹ Many island communities believe organic agriculture is sympathetic to their traditional garden culture, which historically was the main provider of food for households. Some island communities such as Cicia in Fiji and Abaiang in Kiribati have committed their whole islands to organics. Organic products are mostly cash crops for export, mainly to Australia and New Zealand, but also to Japan, China, North America and the EU. The 2017 World of Organic Agriculture yearbook reports that in 2015, 74,380 ha of land was under organic management in the Pacific Islands, mostly in Samoa (27,656 ha), Papua New Guinea (15,829 ha), and Fiji (10,939 ha). The main products include spices, coconut products and tropical fruits.

Organic Governance

Two regional standards, the Pacific Organic Standard (POS)¹⁷⁰ and the Pacific Organic Tourism and Hospitality Standard (POTHs) have been developed with the support of regional forums, such as the SPC and the Pacific Organic and Ethical Trade

Community (POETCom), and international organisations and funders. POS has been accepted by the International Federation of Organic Agriculture Movements (IFOAM) in its 'Family of Standards'.¹⁷¹ Guarantee of organic production has two main streams: third-party certification and participatory guarantee systems (PGS). Mapasua notes that historically third party certification costs were prohibitive for smallholder organic producers in the Pacific Islands, because of the need to pay for travel and accommodation of auditors coming from Australia and New Zealand. However, group certification and a move to train local auditors are expected to reduce the cost of certification.

Pacific Island communities have embraced PGS as an alternative verification process to third party certification. Organic producers who participate a PGS produce according to the POS, and trust amongst growers, consumers and other stakeholders is built up directly by personal interaction between them, rather than through the more remote certification pathway. POETCom administers the regional organic brand, Organic Pasifika, for both certified and PGS guaranteed products,¹⁷² which is recognised across twenty-two Pacific Island nations and territories.



Some island communities such as Cicia in Fiji and Abaiang in Kiribati have committed their whole islands to organics.

End Notes

- 1 The Euromonitor website has individual country profiles at <http://www.euromonitor.com/organic-packaged-food> and <http://www.euromonitor.com/organic-beverages>, which are referenced throughout this report as Euromonitor 2016.
- 2 The Global organic Trade Guide website has individual country profiles at www.globalorganictrade.com, which are referenced throughout this report as GOTG 2016.
- 3 Unless indicated otherwise, Euromonitor data was sourced directly from Euromonitor and is referenced throughout this report as Euromonitor 2017.
- 4 Ibid.
- 5 Ibid.
- 6 Murray River Organics. (n.d). 'Our Story' Retrieved from <https://www.murrayriverorganics.com.au/our-story>
- 7 Murray River Organics. (n.d). 'Murray River Investor Centre' Retrieved from <http://www.murrayriverorganicsinvestors.com.au/>
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