

# **Accessing Premium Markets:**

## **Australian Organics**

**Discussions with industry on implementing the  
Australian Government Agricultural  
Competitiveness Policy**

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## Consultation

This draft discussion paper has been prepared for the purposes of broader consultation with the Australian organics industry and government.

The Australian Government Department of Agriculture and Water Resources led a process of preliminary discussions with industry over the period of September – December 2016. This was intended to test the waters on the interest of the industry in working together to increase the competitiveness of the Australian organics sector.

The discussions led to workshops at the Australian Parliament House on 8 December 2016 and 30 January 2017 which reviewed and validated the discussion put forward in this paper.

Comments are invited by email to [britt.spyrou@agriculture.gov.au](mailto:britt.spyrou@agriculture.gov.au) by 28 February 2017.

# Introduction

The Australian Government has made a \$4 billion commitment to increasing Australia's agricultural competitiveness.

One of the key pillars to grow agriculture is accessing premium markets. We must complement our existing trade and produce the premium agricultural products that increasingly affluent consumers in overseas markets want. We need to target high-end food segments by producing differentiated products built around a reputation for safety, integrity and quality.

One of the premium markets we need to look at is organics. Organic farming is a type of agriculture that seeks to produce food and fibre that has not been subject to application of synthetic chemicals (e.g. synthetic herbicides, fertilisers, drenches), and aims to achieve an integrated production system where increased biodiversity and a functioning soil ecosystem promote plant and animal health.

In 2014 the global market for organic products was worth USD 80 billion (World of Organic Agriculture 2016). Nearly all of that market resides in the US (48%) and Europe (44%) where they have one third of the world's organic farm land and 16% of its producers. Rabo Bank (Sept 2016) estimates that in these key markets organic food sales will grow roughly three times faster than overall food sales in the next 10 years.

Australia has a number of competitive advantages to assist with capturing a greater share of the global organics market:

- Australia has nearly 40% of the world's certified organic farmland, 97% of which is pasture
- proximity to Asia (by 2060 over one billion people will shift into the middle classes in the developing Asia region alone with the capacity to pay premiums for organic products)
- Australia's strong reputation for the underlying integrity and safety of our food systems.

There are also challenges in encouraging take-up of the potential for organics. There are five key challenges for converting to organic farming:

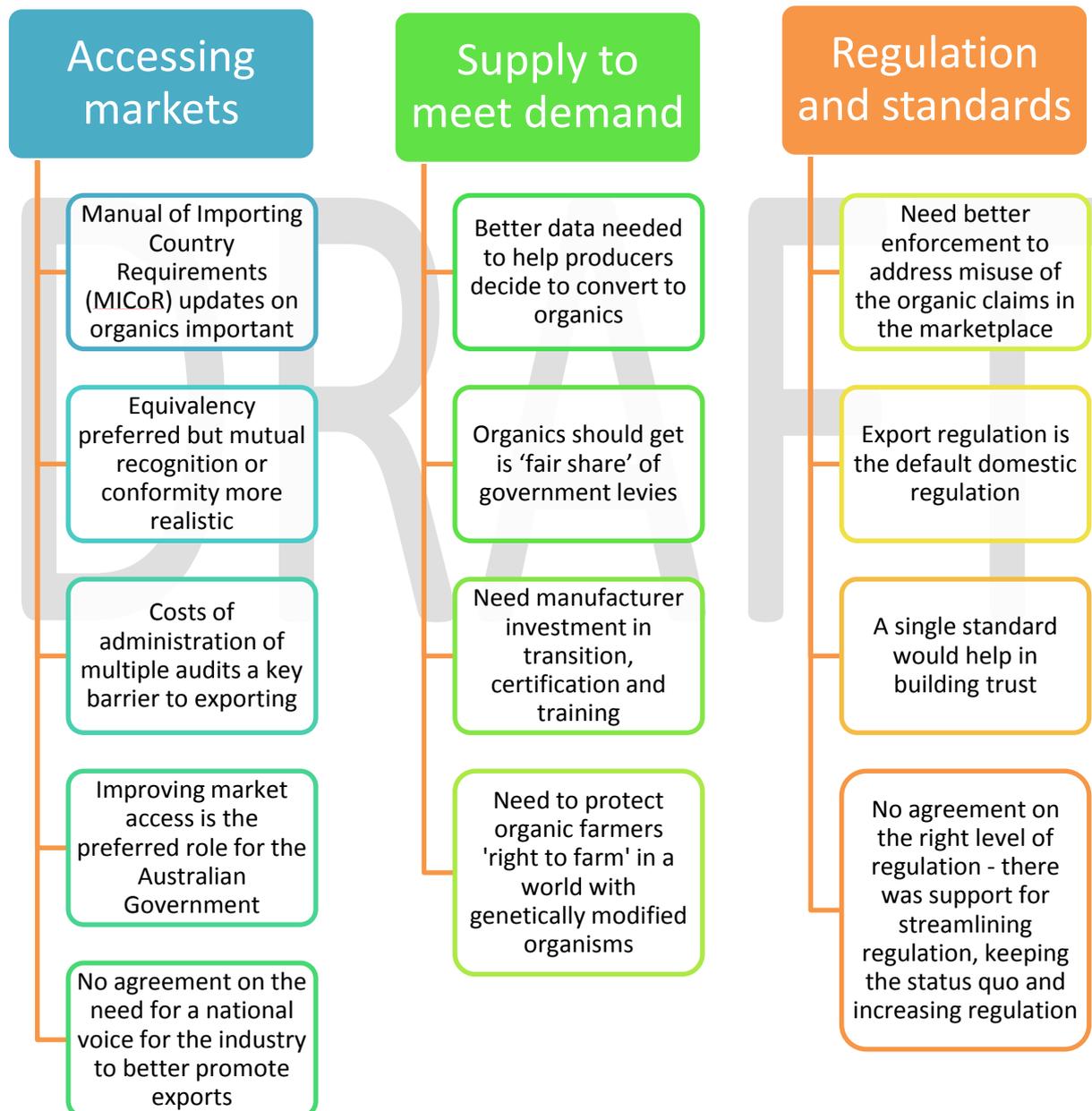
- meeting organic requirements
- obtaining specialised skills and knowledge
- obtaining necessary start-up and working capital
- risks of lower yield on the farmland (10-20% lower)
- potential price uncertainty, as the time horizons are long and 'conversion' crops don't necessarily attract a premium (though certified organic produce generally attracts a 20-30% premium) (Rabo Bank Dec 2016).

Industry Snapshot	IBISWorld 2015	Australian Organic 2014
5 Year Annual Growth	13.9%	15.4%
Businesses	2,732	2,567
Exports	\$40.7m	\$340m

**Organics accounts for 1.5% of Australia's \$130 billion food industry and could be 12-17% over the next 20-30 years (Organic Federation of Australia, personal communication 2016)**

# Key messages

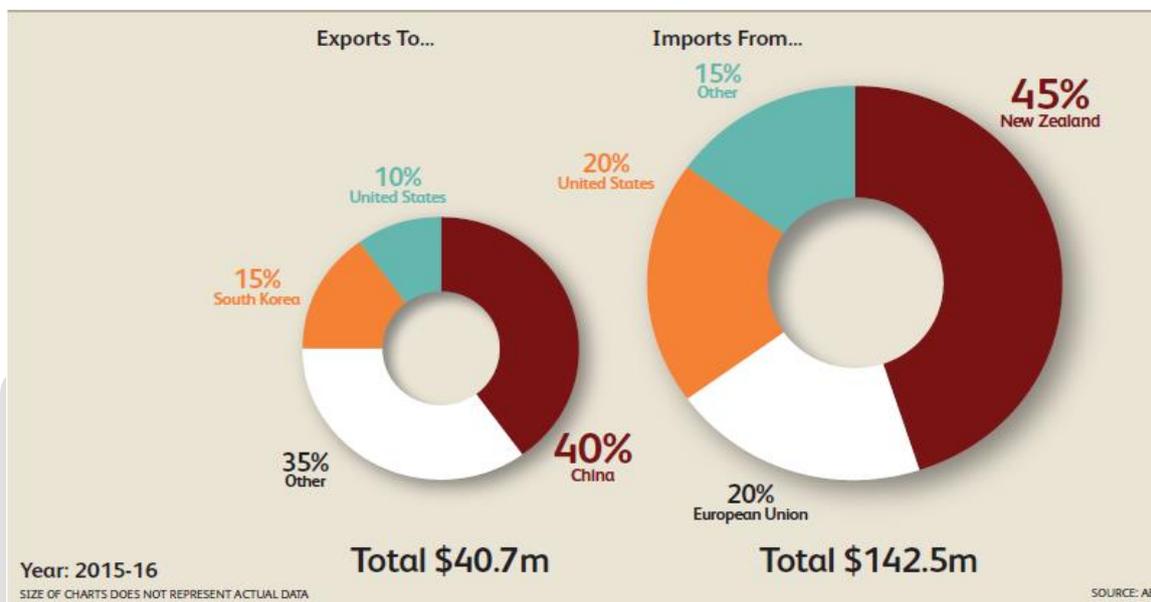
During September 2016 – January 2017 the Australian Government Department of Agriculture and Water Resources held discussions with industry leaders and sought views on what was required to support the export potential for the organics sector.



# Accessing markets to meet demand

## Where is the demand?

IBISWorld presents the following picture of Australia’s exports and imports of organic product based on ABS statistics in their December 2015 report *Organic Farming in Australia*.



IBISWorld advises that international trade in organics products is strong and growing. Export demand has primarily strengthened from Asia and North America and to a lesser extent Europe. They forecast a marginal decrease in the overall share of Australian revenue from exports over the next five years as competition from emerging organic industries in other countries will limit export opportunities for the industry.

The *Australian Organic Market Report 2014* found that exports amounted to \$340 million which accounted for 20% of the Australian organic industry value, up from 10% in 2012. The following table illustrates the split of exports across commodities.

Commodity	% of Exports	Value of Exports (\$m)
Meat	32	109.7
Processed foods	23	78.7
Dairy	16	53.0
Wine and beverages	8	25.8
Other	7	24.9
Fruit and vegetables	7	24.2
Cosmetics / personal care and essential oils	4	12.9
Grains	3	10.6

The department notes that the Organic Trust Australia produced a report in July 2016 on *Improving the measurement of the value of organic production in Australia*.

Most stakeholders were experiencing strong export growth, off a small base, in processed organic products (meat, dairy and wine). Growth was less strong in the area of fresh produce (as organic product has difficulty meeting phytosanitary requirements) and grains. Freight forwarders and exporters were indicating a greater demand for organic lines.

Stakeholders noted that if you sold organic product for the same price as conventional product it would be a ‘no brainer’ that people would prefer to purchase organics. However, while there was a desire for the product, there was not necessarily a willingness to pay for it at the moment.

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With the current belief in the integrity of Australia's food production systems they did not see this desire arriving any time soon. Perhaps after a major food scare there would be a step-change in this space.

### Market access

While organics is an export focused industry still in its infancy, some felt it could be seen as a good door opener in markets for other products and that it plays a strategic role in broader market access discussions (it readily portrays the image of Australia we want to send). One stakeholder noted that packaged goods could be the key driver for organic growth. Others felt that organics was not an export market leader at this stage.

Whilst there would be little support for market access subsidies, there was strong support for good market information provision on demand and opportunities to support market forces in driving production and supply.

One stakeholder expressed the view that it is very expensive and difficult to export, yet export we must, as the industry could not survive on a domestic market alone.

The costs and administration of multiple audits was seen as a key barrier to entry to markets. While most stakeholders did express frustration and concern about the cost, the real issue was the 'hassle' factor of needing to obtain and maintain so many certifications. There are premiums to justify the effort but it is marginal sometimes for some sectors.

#### WTO Technical Barriers to Trade Agreement: forms of market access

- *Harmonisation*: Countries agree on a common international standard, usually under the standard setting framework of the International Standardization Organization. WTO Members are encouraged to use existing international standards for their national regulations, or for parts of them, unless "their use would be ineffective or inappropriate" to fulfil a given policy objective (Article 2.4).
- *Equivalency*: Given how long and difficult it is to obtain harmonisation, countries accept that technical regulations different from their own fulfil the same policy objectives, even if through different means (Article 2.7).
- *Mutual Recognition*: Countries agree to accept the results of one another's conformity assessment procedures, although these procedures might be different (Article 6.3)
- *Conformity Assessment*: Countries apply their own assessment of conformity with their technical requirements "in a manner no less favourable than that accorded to like products of national origin and to like products originating in any other country" (Article 5.1.1)

Equivalency with other countries was widely seen as the best form of market access as it enabled producers to do the same thing for multiple markets without needing additional certification and administration.

- The US and the EU have a range of country-to-country equivalence recognition arrangements. Since the United States concluded its arrangements with the EU, Japan and Canada its exports to those markets increased by 44%, 17% and 14% respectively.
- Australia currently has equivalency for certain products with the EU, Switzerland, Taiwan, Japan and shortly South Korea.
- The key Australian organics industry priorities are for equivalency with the US and China. Stakeholders noted the slow progress of government in securing these agreements.

While equivalency of standards with other countries was widely seen as the best form of market access, it was recognised that this was unlikely to be agreed.

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Seeking mutual recognition of conformity assessment was seen as more realistic. NZ approach was recognised as more nimble than Australia's and had obtained access to US and China at a country level. There was also support for the US/Japan approach of accrediting Australian companies to certify to their (US/Japan) standards. Those which couldn't afford certification to these markets sold product with less premium to other markets.

The conformity assessment approach currently adopted by markets like China was the least preferred. The Chinese approach of flying in Chinese officials is really expensive. For example, one stakeholder noted in the recent dairy slump organic producers were unaffected. There are currently 200 organic certified producers and they could fill markets for 2000 certified producers. The dairy industry is currently paying \$2000 a farm for China dairy recognition. This is something that one stakeholder couldn't afford to look at for the 80 feeder farms for their business.

The creation of a national mark for organic product from Australia was widely seen as a watershed for organic market access, some indicating it could increase access by 40%.

There was a large division of opinion on a national voice for organics to support a greater push for export markets.

- There appear to be three bodies positioning themselves as peak bodies: Organic Industry Standards and Certification Council; Organic Federation of Australia; and the Australian Organic Trader Association.
- Some didn't feel that certifying bodies should form the peak body (in direct competition and too much power over livelihood of producers), but most acknowledged the need to work with the existing structures.
- Many stakeholders liked the Organic Trade Association model in the US to help focus the commercial arm of the industry on export (as opposed to the production arm). The trade data provided by the Organic Trade Association was seen as a particularly helpful service.
- Most agreed that industry needed to be enabled to play a greater role in market access discussions.

Increasing and dealing with market access was seen as the preferred role of the Australian Government in supporting the sector. Some felt that the department should be better resourced to do this. Stakeholders supported government including organics in their consideration of market access matters earlier in the development of free trade agreements.

A typical comment from a stakeholder on market access: 'Due to limitations and lack of access we are currently behind NZ in every aspect of market expansion into Asia and North America, specifically China and USA. Our preference would be for Department of Ag initiating a project based on our functioning National Standard to sign an agreement with governments in China, Korea, Taiwan, and USA to provide us with market access in similar capacity to what NZ producers have with China. Currently we have several issues and restrictions with regards to exporting organic foods specially seeds and dried foods to Taiwan, Korea and specially China. Just as an example we export organic dried fruit to Taiwan, the customs process used to take up to 8 weeks and the supermarket we deal with cancelled the project just on that one issue.'

# Supply to meet market demand

Peak bodies in the manufacturing sector felt that 80-85% of the constraints they experienced related to the supply of organic raw materials issues. They need a large amount of raw materials.

Stakeholders noted that organic production methods place constraints on both the producer (kinds of methods and tools available) and the size of production (the larger you get the more susceptible you are to weeds and or parasites). Yields were lower and costs were generally higher than for conventionally produced product.

Rabo Bank (Dec 2016) notes that in general premiums for organic products are 20-30% higher but their yield is 10-20% lower. They cautioned that the higher premiums (gains) compared to the lower yields and higher labour costs (losses) do not necessarily translate into higher returns.

Some noted the success of co-operative approaches to meet manufacturer requirements for better continuity of supply, most notably in the beef sector.

Rabo Bank (Dec 2016) notes the three most common programs used internationally to increase supply are:

- financial support: subsidies or guaranteed arrangements to share the credit risk
- education support: skills and knowledge (non-monetary support)
- premiums for products produced during the conversion from conventional to organic production.

## Data needs

Most stakeholders felt better data would be a good start in assisting producers decide whether to take on organic production. AHECC codes for organic products would help. One stakeholder noted that domestic industry is short of product. Organic sector is growing but there is a need to better understand markets and supply chains.

Some stakeholders pointed to the data services offered by Euromonitor and US government. For example the US National Agricultural Statistics Service's (NASS) Agricultural Statistics Board releases an Organic Certifier Survey. NASS collected data on acreage and livestock data from USDA-accredited organic certifying agents in the United States. Published information includes the number of certified organic operations along with the number of acres certified for various crops, and the reported livestock and poultry certified as organic. The US Agricultural Marketing Service (AMS) Specialty Crops Market News publishes the National Specialty Crops Organic Summary. Published daily, this report provides organic price information at terminal markets, shipping points, and retail advertised prices throughout the U.S. The report highlights prices for 133 organic fruits, vegetables, herbs, and other specialty crops as well as movement data including domestic shipment volumes and other information.

## Additional requirements for certification processes

Most stakeholders agreed that a large barrier to supply was getting farmers to take on the additional organic certification and documentation requirements. Certification bodies noted that it was a huge leap for most producers. Importantly it wasn't the cost of certification per se that was the obstacle to farmers taking up the opportunities for organic premiums. Rather it was the documentation requirements themselves. One stakeholder noted that the application forms can sit on a farmer's desk for up to five years and are full of language and concepts with are required by law yet which are largely unknown to conventional producers.

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Others noted that modern agriculture is a highly documented space in any event, especially for those pursuing branded traceability strategies. As for organics, there is a desire for it in the market but not necessarily a willingness to pay a premium for it all year round.

One stakeholder felt that any support offered to assist with certification processes should be focused carefully and matched by industry to ensure equal investment. Things which take costs out of the supply chain are worthwhile, for example the US government approach to reducing certification costs through subsidies.

## Education

Most stakeholders felt there is a role for funding for education, R&D and extension in helping build supply. One of the larger certification bodies supports 2 FTE on the phones walking people through the documentation requirements and offers networking events and market information. However they have also seen bad resources, such as fluffy 'conversion packs', put out for farmers. A clear message was that any extension and development services need to be targeted - "farmers talking to farmers".

One accreditation body expressed concerns about the possibility of certification bodies providing training and extension services to transition producers into organics. Instead they advocated the need for consultancy services to support this work, potentially adding some cost but saving some of the hassle. Consultancy services do exist in Australia, providing extension materials and online training videos to support transition into organic agriculture.

'If industry could use its levies to fund extension officers it would help grow the sector'.

## Marketing support

Organics industries that have done well generally have manufacturer investment in transition, certification and training to ensure continuity of supply.

Some larger certification bodies charge marketing fees above straight certification costs. Some noted that there were different ways to fund marketing, for example a capped amount or a percentage based on throughput. While there may be some concerns about the additional impost, it provides a market-led model which is feasible and working.

Others were concerned about these industry imposed levies and would like to see what benefits are derived from these costs.

## Government support and levies

Some Australian rural research and development corporations (which receive and manage farmer levies on agricultural produce) have done projects with the organics industry with mixed success. The Rural Industries Research and Development Corporation disbanded its organics program over the past 10 years. One certification body worked with the horticulture and grains bodies to fund full-time organic development officers, both of which were shut down within 12 months. They decided it was better working on good information and supplying that to all of the market. Others, such as the Meat & Livestock Australia, have successfully worked with organics certifiers on transitioning an additional 100 farmers and 50,000 head of cattle into the organic supply chain.

There is some support for organics at the state level.

- There was a great deal of appreciation expressed for the recently announced NSW Government investment in a new Centre for Organics Research at the Southern Cross University in Lismore. The \$4 million investment consists of government funding of \$2 million during a five-year funding period to be matched by the University (including through the contribution of staff and facilities).

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- On 15 September 2016 the Western Australian Government announced that it had established the Western Australian Premium Food Centre to identify markets for premium agrifood products. The centre is part of the \$4.5 million Food Industry Innovation project, made possible through investment by the State Government's Royalties for Regions program. The centre will support the viability and growth of food and agribusiness with activities to: identify and support opportunities for premium WA agrifood domestic and export market development; investigate supply and demand issues that constrain the growth of this sector; pilot collaborative industry projects to address these issues; and transfer knowledge of premium (including organic and low input) production to existing and prospective producers.
- The South Australian Government recently released a funding program for grants of up to \$15,000 (with leveraged funding of a contribution ratio of \$1 for each \$1 grant) to help attain organic third-party certifications. The grants are available to support accessing new or higher value markets for product or contributing to premium positioning and achieving superior prices for product.

There was support for all sectors to look at what their investments are doing in organics and how they are contributing to strategic gains for the organics industry. One body indicated it was working on a strategic business plan to support this coordination of efforts.

However most indicated difficulty with getting co-ordinated support from different commodity sectors for the multi-sector nature of organics: 'organics is an afterthought in current R&D and marketing levy programs'.

There was some support for looking into the recent US approach to allowing organic producers to redirect their check-off levy from conventional research into organic research. For example there is a feeling that much of the current research for citrus is geared to conventional producers and the use of chemicals, and is not beneficial to organic producers. One stakeholder noted that they collect in excess of \$100,000 off growers in the form of crop levies – however they see none of this spent specifically in the field of organic by the Grains Research and Development Corporation.

Alternatively some suggested that the government needs to ensure the organic sector receives its 'fair share of levies'. It should mandate or set a target that a percentage of all levies, and any matching funds, should be devoted to organics research and marketing. This could be approached on a sector by sector basis or on a global basis (for example 2% of the total levies pool). The target could be benchmarked against the percentage that the sector represents of the Australian agricultural production sector so that it could grow as the industry does.

Some of the topics identified for further research were:

- better data on the benefits of organics to help promote it (e.g. a review of eight international studies found the number one reason for people choosing organics is the perceived health benefits - Rabo Bank Sept 2016)
- determine what the sector is doing and this would need to get data on more than just dollars, e.g. employment- one of the major difficulty with industry is the breath of products
- how to manage GMO contamination as it is a major concern for organics producers
- better agronomy tools for organics producers (eg alternatives to no-till for broad acre production).

# Regulation

## International benchmarking

Of the more than 170 countries practicing organic agriculture less than half have a role for government regulation of the sector. For example, 80 countries have in place national regulation, a further 15 have a national standard but no regulation and the remaining have no role for government (World of Organic Agriculture 2016).

At one end of the regulatory spectrum the US government offers substantial support for its organics sector:

- government funded third party certification arrangements (48 certification bodies inside the US and 32 outside the US) and producer subsidies (up to \$750 annually towards certification costs, organic crop insurance and conservation grants)
- there is also a large government run investigation and prosecution program.

In contrast, at the other end of the regulatory spectrum, New Zealand has a small but dynamic organic sector which is largely run by its industry with limited government support. It exports organic product to more than 98 countries but its government-run voluntary Official Organic Assurance Program only covers five markets (noting this includes the largest markets of the US and EU). While they do have an equivalency agreement with the EU they have not pursued this with the US and instead operate in conformity with the US requirements at a country level.

In addition, in November 2016, China and NZ inked an agreement to mutually recognise organic food with official certification labels to facilitate organic food development and trade. This is the first mutual recognition agreement for organic food certification China has signed with a foreign country. Under the agreement, all organic food should be marked with Chinese certification labels and codes.

## Australian domestic regulation

At a domestic level organics claims are regulated under 'truth in labelling' requirements in consumer law. Some felt that truth in labelling laws should look at GMO as consumers need protection and understanding through these laws.

There was also concern that there was insufficient attention to addressing fraudulent operators who make claims without certification to support them. Some requested additional resourcing of the ACCC to take action, in concert with the certification sector, in mopping up misuse of organic claims in the marketplace. One stakeholder would like to put a stop on using organic claims on any product that is not certified organic. There was concern expressed about the current voluntary status of the domestic standard which permits people to self-certify that they are compliant.

One stakeholder commented that it is unfortunate that Australia does not have domestic organic legislation. Should it become obvious that the Australian organic sector cannot thrive within the current limited regulatory environment, they would support further regulation. They noted that New Zealand is moving to implement domestic regulation (which they estimate will take 2 years). They felt that the lack of domestic regulation has become an expensive trade barrier for Australian exporters as some key markets are unable to recognise the Australian organic system.

In contrast the threat of domestic GMO regulation to organic production was noted. The Office of the Gene Technology Regulator is considering classifying some new techniques as non-GMO before other much larger markets have taken a regulatory position. Some felt this could allow

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products grown using these techniques to enter the food chain in Australia and risk that Australian exporters could have goods rejected in overseas markets. They noted that NZ specifically classified these techniques as GMO explicitly for the reason of market access. The department notes that the Gene Technology Regulator is only empowered to regulate on the basis of health or environmental risks.

### Australian export regulation

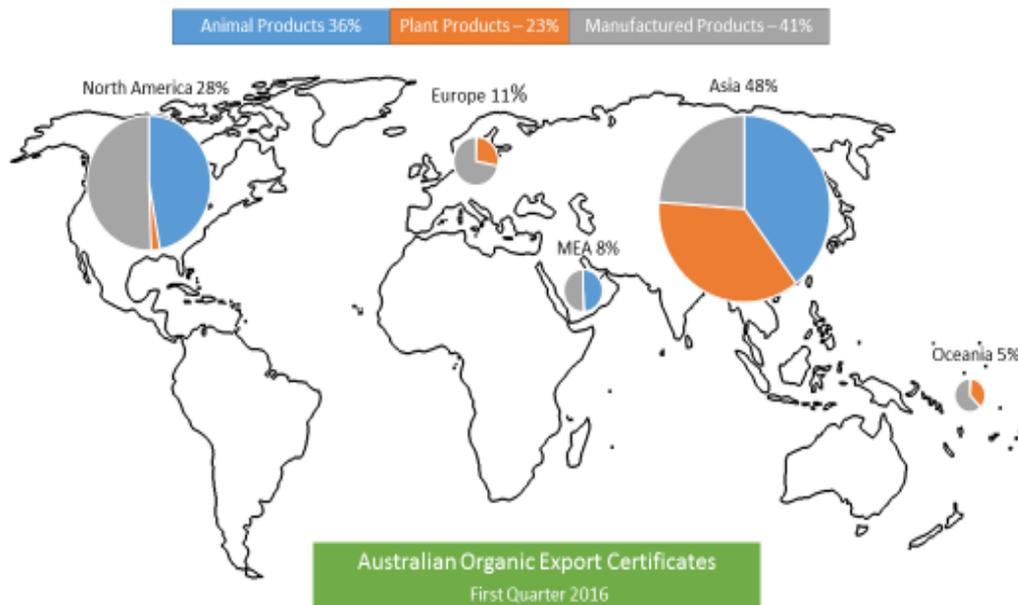
Australia's regulation of organic exports under the *Export Control Act 1982* is unique in that it is based on parameters of quality of production and not sanitary/phytosanitary concerns.

Stakeholders widely acknowledged that in the absence of specific domestic regulation for organic production, the export regulation of organics has become the default domestic regulation of the sector. The department notes that this is not the intention or purpose of an export regulatory system.

Currently every organic product exported from Australia requires a government certificate irrespective of the importing country requirements. Under the *Export Control Act 1982* all product to be exported that is organic is a 'prescribed good' and therefore requires a government certificate before it can leave the country.

Where conformity assessment requirements are in place there is no market access to be gained by Australian certification. For example, to export to the US producers need to meet the requirements of both the National Standard (to export from Australia) and the US government requirements (to enter the US). Australian certification bears no weight and has no relationship to the ability of the product to enter the US in this instance. In addition, one exporter complained about the delays that the manual Australian certificate adds to their export process.

A further issue is the requirement for government certificates when there are no importing country requirements to meet. A review of the certificates issued in the first three months of 2016 indicates that Australian organics products now reach more than 50 markets, many of which do not have importing government requirements for organic product.



## Accessing Premium Markets: Australian Organics

Most stakeholders would support anything which reduced or streamlined regulatory burden on the export of organics sector, provided it maintained a decent level ('don't want any cowboys ruining it for everyone'). In particular most felt it is important that it was possible to provide a government approved document if a client wanted one.

Others felt that there was cause to look at ways to streamline red tape but not cutting red tape. Anything to simplify/digitise/automate processes in particular would be welcome.

One option put forward is to recognise that organic certifiers with ISO 17065 accreditation basically cover the same requirements as the current departmental requirements to accredit organic certification bodies. If an organic certifier has an ISO17065 accreditation this could be taken into account when the department undertakes its audit of the certification body. It is estimated this could save costs to the industry (for example, the department conducting a half day audit versus a three day audit).

In addition there was also discussion about the possibility of bringing in third party accreditation of certification bodies (a service currently provided by the government for the National Standard). JAS ANZ has been working with NZ Government for 16 years as the accrediting body for certification organisations for export regulatory purposes.

However some felt the current level of regulation was just about right, most notably certification bodies. They felt the current model worked well - co-regulation under a competition for service model. They further noted premiums for organic products was a large incentive for fraud.

Other stakeholders noted that regulation is essential for market access. Many markets which do not require organics certificates nonetheless like them. For example one stakeholder noted that Singapore likes Australian certification to provide strong brand recognition and trust in Australian organic product. The department's understanding is that the Singapore government has previously advised that CODEX Alimentarius guideline for organics is the basis for importing organic labelled goods into this market.

Some felt that more regulation was required, in particular making the new organic mark mandatory. However there were others who objected to this additional requirement.

There was concern about lack of enforcement of current laws. Anecdotal evidence from recent workshops conducted by Food Innovation Australia Limited on the legal requirements for export of organic requirements indicated a large amount of product is leaving Australia without the mandatory export certificate. The lack of dedicated AHECC codes for organic product certainly limits the accuracy of reporting on organic exports.

# Standards

## Multiple standards

There are many standards for organics currently operating in Australia. Two of them are:

- the National Standard for Organic and Biodynamic Produce (National Standard), which is used as the mandatory export standard under the *Export Control Act 1982* and
- the Australian Standard for Organic and Biodynamic Products (AS 6000) which is a voluntary standard in the domestic market.

Most felt a single standard for both domestic and export markets would help manufacturers who can source product and use it for both markets without issue. Manufacturers also indicated they have a concern about the number of certifiers which certify to different standards. They believe that companies shop around to get the response they want and that this needs to be remedied. As a consequence some manufacturers do not have confidence in the Australian certification processes for the terms 'organic and natural'.

Some noted that a (new) single standard would help to re-establish trust across the whole supply chain.

There was a high degree of frustration that discussion about a single standard was still ongoing in the industry. Some expressed concern that a minority of the industry were pushing for the domestic standard to become the single standard. They felt there should be one program that has the support of all in the industry. The discussion about export vs. domestic sector was a distraction and the department was getting dragged into matters it shouldn't be spending resources on.

One certifier indicated the National Standard was more than adequate and it is used for 90% of their domestic clients in any event. They felt the cost of getting the domestic standard from SAI Global and conversion arrangements outweigh benefits of changing to AS 6000. While they agreed on the need for single standard they wanted to stop the divisive debate about it. They argue that it is now 7 years down the track since AS 6000 was developed by Standards Australia and there has been virtually no take-up. An accreditation body noted they used to provide accreditation services for AS 6000 but with only one client they could no longer support the provision of this service. Market forces had spoken.

Others expressed frustration and concern about the transparency and conflict of interest of certification bodies both setting and administering (taking financial gains from) the National Standard. They indicated that AS 6000 is not recognised for export purposes and this means the default is the National Standard. This situation, rather than market forces per se, was driving the decisions of producers. For market access negotiations they would prefer to see an ISO framework standard like AS 6000 as the basis for protocols. Its reputation for transparency and robustness were seen as strengths and there was a separate independent body maintaining the standard under an open and highly consultative and transparent process.

Some noted they favoured a move towards the AS 6000 due to its capacity to drive equivalency discussions. They want independent expertise to ensure the standard chosen delivers market access, an impartial and professional certification arbitration platform, transparent reporting and outcomes, removal of duplication and confusion, and government legitimacy which is highly regarded by our peer customer markets. The USA NOSB and USDA models were seen as an excellent case study in standards, formal meetings, outcomes, arbitration systems.

### Single standard – which one?

If there was to be a single standard, several options were discussed about which one would be used. There were views put forward canvassing either the National Standard or AS 6000.

Given the strongly divided opinions, one approach suggested was to conduct a regulatory impact statement comparing the National Standard or AS 6000. Under this approach the basis of decision making would be an economic net benefit test.

Another option was to look at creating an exports annex to the AS 6000 to enable full equivalency with the National Standard. This might enable export regulation to recognise both standards and then let market forces dictate which standard prevailed.

Another option was to focus efforts on an international benchmark for all markets, like an ISO standard. It was suggested Australia could lead this process. Stakeholders noted that Australia had a good track record in world leadership on organics, having been one of the first to create organics standards in 1992. This was later adopted in government orders in 1997. It was an early leader in development of the CODEX guidelines for labelling organic food.

The CODEX organic labelling standard and the IFOAM standard were nominated as good international benchmarks. Some felt that NZ product was certified to IFOAM standards for voluntary market access arrangements to approximately 90 markets and that some domestic certifications in Australia were happening to that standard.

That said others felt that an international standard would not be taken up as industry in Australia tended to want its own standard so it could adapt to local circumstances.

Despite the large nature of the US market, and its ready provision of accreditation of certification bodies in Australia, there was not much support for looking to either adopt the US standard or to seek to base a new standard on its approach. The most often cited reasons for this reluctance were:

- risks associated with reliance on a single market
- problems with US product impacting on us
- loss of brand Australia on our product, and
- the lack of bilateral agreements to support Australia using this standard in other markets.

There was a view expressed that the process/product specific nature of organic certification was a particularly intensive approach. There are management systems approaches to looking at less intensive documentation requirements but there wasn't any views as to how that would work with the current very specific restrictions and requirements for organics.

### Contents of standards

Some changes to the standards were seen to have a significant beneficial impact on farmer willingness to convert to organic production. One certifier noted a lift in organic beef production following the reduction in the time for conversion to organic production of beef from 3 years to 12 months. The department notes this is not possible under the National Standard, but may have been permitted under the US National Organics Program.

Other changes were still hotly contested, in particular whether the organic standard should provide for an allowance for contamination from genetically modified organisms. The Court decision in *Marsh v Baxter* [2015] WASCA 169 found that a conventional farmer was not liable for economic loss of his neighbour due to loss of organic certification from accidental contamination as the organic standards were 'abnormally sensitive'. Since the court case there have been no changes to the standard in this area, though there is a 2015 Application to Alter the National Standard being considered by OISCC. Some support the market advantage that zero tolerance offers Australian product over other countries which permit accidental GMO

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contamination of organic product. Others say that some conventional and organic producers remained concerned about potential economic loss from losing organic accreditation and subsequent legal actions due to accidental contamination issues, and the issue needs to be addressed in the organics standards.

Large manufacturers in the cosmetic industry are working with Standards Australia to develop standards for the labels 'organic and natural', to be finalised soon. Once the standards are published they hope that CS 108 will be published as an Australian Standard and they can then remove the reference to cosmetics from AS 6000. In addition, larger manufacturers in the cosmetics industry find it very confusing that formulated cosmetic and personal care products are caught under an agricultural export permit process. They have asked for cosmetics and skin care products making organic claims, including products for export, to be removed from the National Standard as well as from the scope of the *Export Control Act 1982*. "The response to our concerns was that the Department was working on this issue. That was some years ago. Nothing seems to have been done."

In contrast other manufacturers of organic cosmetic products object to removing cosmetics from the National Standard. They argue that there are currently 139 small family enterprises that rely on organic certification for existence (operating in Australia and overseas). One of these manufacturers argues that certified organic is an important part of their marketing strategy and product appeal. They are able to offer cosmetics products that are certified organic by an Australian organisation. They have incurred considerable expense in certifying products under the National Standard. Removing the reference to cosmetics from the National Standard would significantly impact on their business. There would be a lengthy process and considerable cost in removing the reference to cosmetics under the National Standard and changing to an alternative, untested standard. They have found that consumers and retailers in the beauty salon, health food retail, and premium cosmetic spheres are very interested in the Certified Organic products, especially in colour cosmetics. Both consumers and retailers are seeking clear classification of organic products.

## Stakeholders consulted so far

*Representatives affiliated with the Organic Industry Standards and Certification Council, the Organic Federation of Australia and the Australian Organic Traders Association:*

- Adams Australia
- Arcadian Meat Company
- Australian Organic
- Australian Organic Meats
- AUS QUAL
- Biodynamic Research Institute
- Cawarra Cosmetics Pty Ltd
- Eco-Farms
- Kalleske Wines
- Kialla Pure Foods
- NASAA Organic
- Queen Fine Foods
- OBE Organic Beef
- Organic Advisory Service
- Organic Food Chain
- Organic Mushroom Farm
- Organics Systems and Solutions
- Total Beauty Network
- Right Food Group

*Others:*

- ACCORD (manufacturing peak industry body)
- Australian Food and Grocery Council
- Australian Meat Industry Council
- Grain Growers Limited
- Grain Producers Australia
- JAS ANZ
- National Farmers' Federation
- Standards Australia