Australian Organics Surpasses $0.5 Billion Mark

» By Alasdair Smithson

It's official, the Australian organic industry is booming. A new landmark report published by Biological Farmers of Australia (BFA) and researched by University of New England (UNE) & Organic Knowledge (OK), the Australian Organic Market Report 2008 (AOMR08), has found that the retail value of organic food and drink in Australia has grown at more than 25% in the past 4 years and retail sales are now estimated to be in excess of $0.5 billion.

Anecdotal evidence from key industry players has always suggested that the Australian organic industry has been growing at a rapid rate but the findings of this new report confirm that the growth of Australian organics is well in line with the rapid growth rates of the organic industries in the more developed US and EU organic markets.

An overview

With 11,988,044 hectares, Australia boasts the largest amount of certified organic farmland in the world. This is primarily accounted for by vast areas of rangeland for organic cattle production used in the Channel country regions of Queensland and the semi arid rangelands of Queensland, NSW and SA. Spanning some 90% of Australia's total certified land, Queensland has the most area of all Australian states.

The organic industry continues to add to its farmer numbers at a time of ongoing departure from the land by non-organic farmers. **The number of certified organic operators has increased by 5.2% average net annual increase over the last 5 years.** NSW accounts for the highest number of organic operations in terms of the number of individual certified organic businesses. Nationally, 2750 certified organic operators were recorded at the start of 2008. Of these operations, some two thirds were primary producers and representative of between 1.5 and 2% of the Australian farming population.

The average age of an organic farmer in Australia is lower than a non-organic farmer.

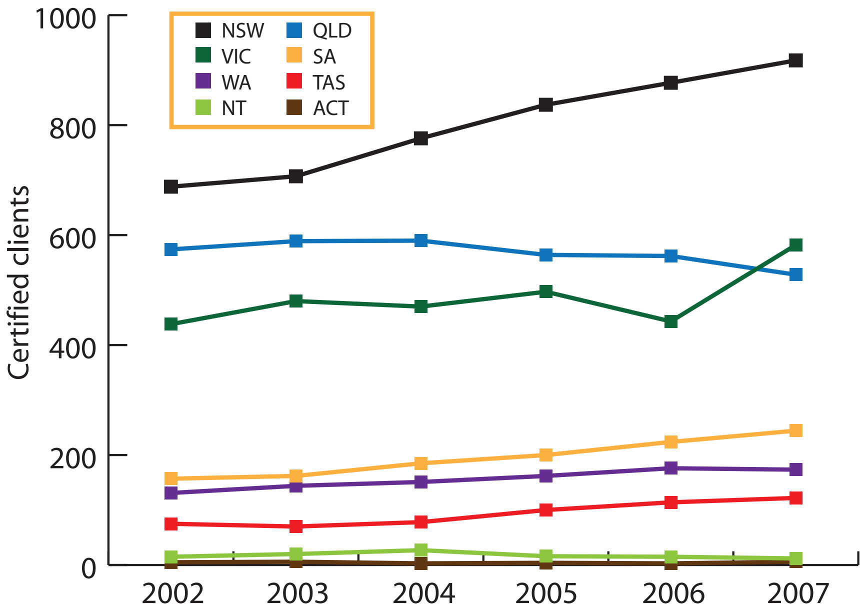

Figure 2. Number of certified organic clients categorised by State (AQIS 2008).

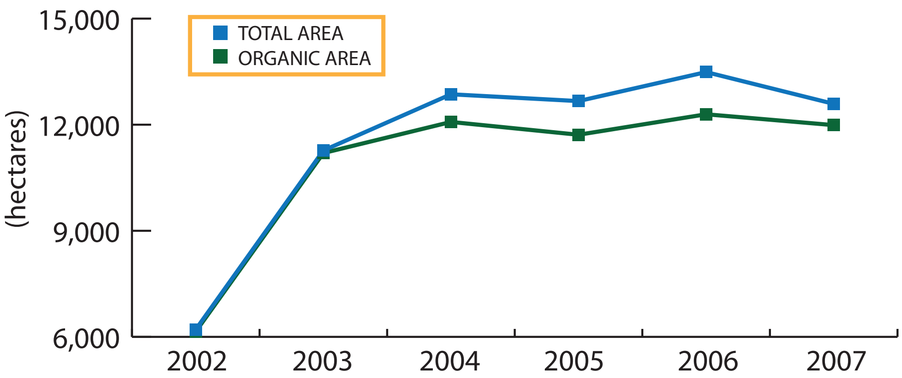

Figure 3. Area of certified organic land (AQIS 2008).

There is an ongoing trend for organic farmers to be, on average, younger than their non-organic counter-parts. Employees in organic systems were most likely to be aged 36 to 55, with a significant proportion falling within the 26 to 35 bracket and only a small minority aged over 56. This is compared to the average age of 58 for non-organic Australian farmers.

The organic industry is consolidating and the average size of organic farms has increased, highlighting a trend towards **professional farming at a larger scale**, and farm area expansion by operators experiencing long-term success in utilising organic systems. **Horticulture remains a major stay of the industry.** Some two thirds of organic farmers are from this sector, which represents a third of the total organic farm gate value in Australia at $77,133,516. Fresh produce remains the primary 'point of entry' for new organic consumers.

Despite widespread drought, farm gate sales have risen by over 80% as an average across all sectors since last reported in 2004. Grains and beef were most impacted by drought, effectively decreasing the reported average for industry overall. Reflecting the experience of the broader agricultural sector, organic farmers have suffered during recent drought, and at the time of the survey many organic growers were continuing to experience drought impact.

The drought has considerably influenced the results of this report, albeit in some sectors drought has affected production for 5+ years. This impact is noted in reported diminished exports of Australian organic oil seeds and cereals, while dampening what had been strong growth in livestock export products earlier this decade. The return of these commodities to the levels of the early 2000s is unlikely to occur in the immediate future based on current climatic conditions.

Organic dairy products show significant future promise within the Australian marketplace as well as for export, while organic honey is a growing sector, with Australia's natural competitive production advantages.

Poultry meat and egg operators have experienced steady growth and almost all products are sold as certified organic. However production has been highly sensitive to rising feed costs with the organic monogastric sector ever reliant on certified organic feeds. Organic monogastric industries including pork have taken a varied approach to adapting to changed conditions, with some producers following a business model of vertical integration and some expanding the farm land they own to "feed" their growth. Distance from certified organic abattoirs remains a challenge for some and an acute challenge for pork producers.

Retail & farm gate value

Major retailers now carry in excess of **500 different organic lines in fresh and grocery categories.** Retail value (incorporating imports and adjusting for exports) was estimated for the first time to be above $0.5b. **Retail value reached $623 million** with reports of between 10 and 30%+ growth for some sectors since the last report in 2004. (See the AOMR08 for specific sector values). **2007 farm gate values were estimated to be in excess of $231,000,000**.

The organic consumer

Organic consumption continues to increase as acceptance grows amongst traditionally conventional produce buyers. **40% of consumers surveyed purchase organic food at least occasionally**, and women are the primary purchasers. Organic fruits and vegetables are the most commonly purchased organic products. They are most likely to be trialed by new or experiential organic consumers and 70% of organic consumers buy from these categories at least once a week.

Health, concern for the environment and a belief that organic food tastes better remain the three most common reasons for consumers to buy organic. Major barriers to

Market value figures

- The organic vegetable, herb and nursery production market was valued at $77,133,516
- The organic fruit & wine market was valued at $34,059,498
- The organic beef market was valued at $31,640,544
- The organic grains, pulses, fibres & oil crops market was valued at $21,783,108
- The organic poultry (meat) market was valued at $18,256,226
- The organic honey market was valued at $16,624,010
- The organic milk & dairy product market was valued at $13,190,310
- The organic lamb market was valued at $9,134,314
- The organic wool market was valued at $5,211,667
- The organic nut market was valued at $1,891,713
- The organic poultry (eggs) market was valued at $1,832,414
- The organic essential oils production was valued at $486,687
- The organic pork market was valued at $324,618

*** No significant data is available on the value of alpacas, goats or aquaculture**

purchasing organic products remain price and availability. Poor appearance of organic food is significantly less of a barrier than has been reported in the past as more professional supply chains ensure only highest quality items reach final markets.

Challenges

Organic processors continue to claim a lack of access to consistent quality products in demand, including beef and lamb. The industry has witnessed an increase in strategic market alliances and marketing groups as a means of facilitating optimum logistics in supply and distribution of product to market. Some groups have achieved substantial success in coordinating supply chains to access larger domestic and international markets. Access to these larger markets has often been obstructed by fragmented and/or lower volume supply lines.

The future

Delivering consistent data for benchmarking growth across the various sectors of the industry, the AOMR08 is a key tool for decision making by organic producers and marketers, along with interested parties, government and media, in assisting in understanding the nature, size and development of the organic industry in Australia. The AOMR08 and future biannual publications are designed to address the problem of limited access to relevant and local organic industry information, which has hindered industry stakeholders in Australia in the past.

While the AOMR08 confirms a positive future for organic food and farming, the organic movement faces challenges in the long-term from climate change and rising oil prices, as do all farmers and growers. Rises in feed and fuel prices will need to be reflected in food prices at the check-out enabling farmers to obtain a fair return on their production costs. It's fantastic to have such strong public support for and understanding of the benefits provided by organic farming, but that must urgently extend to more widespread acceptance, by retailers as well as consumers, of the true costs of producing staple foods like eggs, milk, meat and bread in a sustainable manner.

To obtain a complete copy of the report go to www.bfa.com.au.

About Alasdair Smithson

With an honours degree in Organic Agriculture, from Aberystwyth, University of Wales, Alasdair Smithson has had extensive practical experience in organic farming. After working for the UK Soil Association for a number of years Alasdair immigrated to Australia in 2005 working within the organic industry at a regulatory level. He went on to manage Australia's largest organic sweet corn and sweet potato farm in far North Queensland. Alasdair runs his own independent organic advisory service, Organic Knowledge.

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