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Introduction to the BFA Group

Biological Farmers of Australia Co-op Ltd (BFA) is Australia's largest representative organic body, and since the 1980s has been a voice for its members and the organic industry and movement in general – on matters relating to education, trade, promotion and advocacy.

The BFA network is one of the industry's best supports for sustainable development. Networking with a strong facilitator and voice for industry is the key to its success. BFA members include everyone from consumers through to producers and all sectors of industry in between. Among BFA's achievements are several key publications including the *Australian Organic Journal* as well as organisation of and representation at Australia-wide and international networking and trade events.

Australian Certified Organic (ACO) is a subsidiary of BFA and is Australia's premier certifier of organic produce. ACO certifies more organic businesses and organic produce in Australia than any other organisation. ACO maintains conformance with all leading organic standards across the world. Look out for the ACO Bud logo when buying organic products for your guarantee of organic integrity.

Organic Growers of Australia Certified Ltd. (OGA) is a subsidiary of BFA and in 2007 will change from being the organic certifying company it is today, to a new certification program for small producers making it easier for producers to make their first steps towards organic production and assisting the growth of the organic sector.

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From the chairman:

A Decade of Leadership and a Milestone Triumph for Industry

Doug Haas delivers his 10th report as chairman

2.1 Introduction

It is with both pleasure and pride that I write this for you covering the 2006 period. This period has been a most difficult year to be at the wheel of the BFA/ACO Group. While being a year of tough decisions, we as a Board of the BFA/ACO Group have ventured into areas which some other certifiers would prefer not to focus upon.

The decisions and changes made during the 2006 period will continue to see the "Bud" growing stronger for a long time. As industry looks more and more for one logo, the "Bud's" acceptance, dominance, and respect in the marketplace continues to amaze most. 2006 will be remembered as a year, which has ended with excellent results for industry leading us positively into the New Year of 2007 and beyond.

2.2 OGA Joins the BFA Group

This year has witnessed two larger players in the organic industry eventually create what most members across all of industry have continually sought and called for over a long time. We all should be very proud of what BFA/ACO and the Organic Growers of Australia Certified Ltd (OGA) have achieved.

BFA has been trying for years to cooperate with other certifiers for rationalisation of the Australian organic industry. In October OGA held its Annual General Meeting where an almost unanimous majority of members voted to the move into the BFA Group. Australian Quarantine Inspection Service (AQIS) 2006 data suggests that this new group will now represent well in excess of 70% of all Industry. The new group will now have a membership approaching some almost 2000 members.

While I have been involved in driving a fair percentage of these decisions, and policy, I have had those great fonts of experience and talent to draw from, which are the combined boards of both the BFA and ACO. So to my co directors, I offer my thanks and recognition of your combined talents. A special mention should be made of Kenrick Riley and his board, for the professional manner in which they approached the overall cooperation between the groups, and also to Howard and Elle Rubin who are the founders of the OGA Group. The focus that this couple has brought to the smaller grower in this industry will not be lost.

The full benefits that industry will reap from the merger include savings through the rationalisation of resources, streamlining of procedures, and the harmonisation of standards.

The smaller members of industry who most need support will benefit the most financially from this streamlining. Smaller growers who have in effect been subsidising other certified operators will receive a reduction in fees and a more simplified auditing and compliance system designed to best suit their needs.

The BFA and ACO have been designed by the organic sector (remembering that the BFA Group is fully member owned) to serve the ideals of the organic industry from paddock to plate. The latest democratic decision reached at OGA's AGM is indicative of where the majority support of industry members lies as far as the best policies and directions being arrived at for our industry.

2.3 Organic Standards and Regulation

An industry meeting was held in November being a forum for discussion and debate concerning standards and regulation in Australia. If you weren't able to attend that meeting, please be sure to have your say on this important matter by simply writing to our office. I do ask that you try to stay updated with the topic of relocating the standards, remembering that the present focus by the Organic Federation of Australia (OFA) is to have these under the scrutiny of Standards Australia. My board, and other certifiers continue to remind members that this surely ill fated move does not make provision for the auditing or inspection requirements that give consumers that confidence of integrity when purchasing our many products.

At the OIEC meeting in May of 2006 it was decided by certifiers to no longer support the relocation of the Organic Standard, simply because this concept does not provide for an auditing service as previously mentioned. If a peak body wishes to move ahead and to have grassroots support it must listen to its members. We only have to look at the folly of some political parties at this present time who have failed to listen, to know that the consequences of such arrogance usually starves their members and supporters for many years.

2.4 A Decade at the Helm

The 2006 AGM marked 10 years of being a director of BFA, and this year I am delivering my 10th annual report. During this time we have seen many changes in the organic industry. I well remember my first report with some only 450 members, give or take a few. After 10 years with a substantial amount of support and effort from a large range of members, the “Bud” logo can now be seen on the vast majority of products. Soon we will be approaching that possible 2000 members goal. And, we now have a certification body in the form of ACO that leads industry. It is with pleasure and pride at these achievements that I have you to thank, who have supported me through these many years.

Our regional road shows have continued to demonstrate the BFA’s prominence in industry. These events unite industry members from across all certifiers and supply those linkages to help members stay updated with what is actually happening. Nothing better indicates the success of these than the event in W.A. in November that had in excess of 100 people in attendance. This clearly demonstrates what may be achieved when working with locals, and recognition must be given to Tom Benson and his supporters who continue to drive the BFA Group forward in WA. Our congratulations to you all. Another excellent event was the recent Yanco road show held in conjunction with Riverina Organic Farmers Organisation (ROFO) in September. Congratulations to all of those involved in achieving a well organised event with a great amount of local knowledge contributed by producers.

I look forward to continuing the position of chairman in 2007. My main focus for the forthcoming year will be the following:

- Customer service. Undoubtedly this has suffered in recent years, and while many reasons may be sighted for the downturn in service we expect, I intend to personally oversee this area in the future and ensure this is corrected.
- The correct housing of the organic / biodynamic standard for the betterment of industry.
- The further and continued promotion of the “Bud”.
- More regional workshops or road shows. These are an absolute must.

The ongoing leadership that the BFA/ACO group gives to industry, and now with the added expertise that OGA brings to the group, will continue to push us all well ahead.

As we are all aware there are many other areas which are simply taken for granted. These are continually monitored, and we will keep striving to improve.

This year has seen ACO as the only certifier to represent industry overseas at BioFach in Japan. This representation is essential if we wish to promote exports. Always remember that exports are great for Industry, being instrumental in its ongoing growth within Australia.

I believe the main reason that we continue to move ahead is because we have what I consider to be a great board. All directors bring individual talents which are harnessed and used wisely. Over the years I have taken the opportunity to surround myself with skilled people, whether they be directors, or staff. Several key staff have performed well beyond all expectation. These people have unselfishly given far more than one would expect. It would be inappropriate for me to identify these individuals, however they have been absolutely instrumental in the placing of BFA in the position it is today. During the earlier part of 2006 we witnessed a sudden change in management. I had to step up and assume the role of caretaker of BFA for a period of time. It was these people who assisted me in having BFA/ACO very quickly back on course.

In my opening comments I made reference to the fact that it had been a very difficult year for me as your chairman. The above role was simple. The difficulty has been created by other certifiers who for a period of time continually have reported BFA/ACO to our regulators for supposed breeches of our standards requirements and other industry responsibilities. Undoubtedly the BFA/ACO group would be the most audited and regularly scrutinized certifier in Australia at this current time. My policy is not to engage in arguments with others; simply to move forward. I may proudly say that some may arrive at where we have already been and long moved forward from.

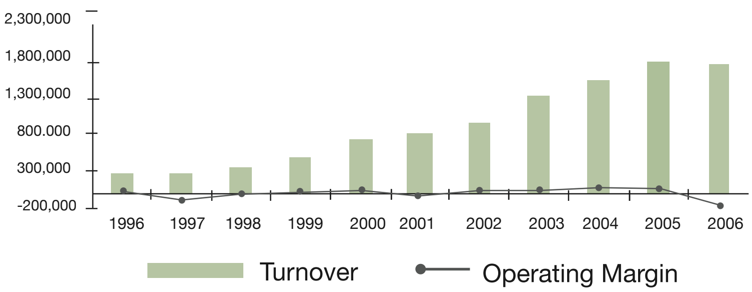
My years at the helm, and delivering my 10th annual report has been an absolute pleasure. To my very generous family that has given me the freedom to do this, thank you. I wish you all the best for a successful 2007 as your co-operative moves the vast majority of industry forward.

3. Group General Manager's Report 2006

3.1 Introduction

The Group encountered a challenging year as a result of both internal and external factors. Shouldering the responsibility for the Australian development and international promotion of certified organics has come at a cost as has managing the demands of a dynamic and growing but at times structurally immature industry. What is encouraging is that even with these un-forecast challenges The Group remains in a strong financial position and has improved operating practices and efficiencies as a result of the lessons learned. A number of significant achievements were also achieved as a result of this investment.

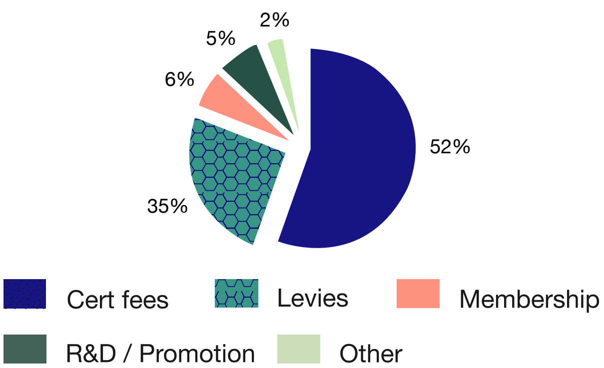
3.2 Gross Turnover & Margins from 1996 – 2006



3.2.1 Financially

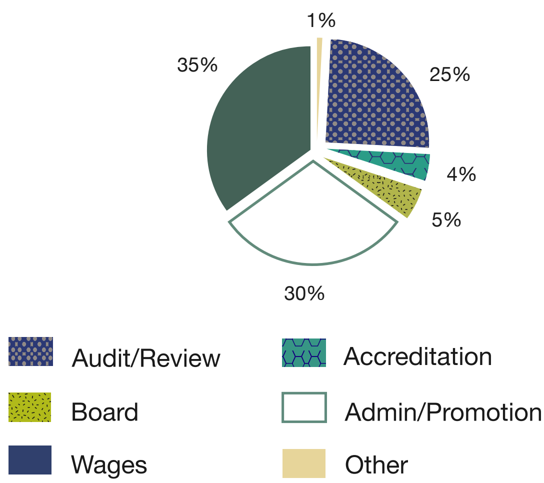
Income for The Group for 2006 was $1,830,766 which was in line with 2005 results. Income growth levelled off in 2006 however this is more a result of timing of audit schedules and inefficiencies in levy collection rather than a slowing of the industries growth. Improvements in operating procedures and staff accountability are already beginning to show results in audit scheduling and revenue generation in 2007.

Income Breakdown Consolidated (2006)



Michael Blakeney was appointed general manager in May 2006

Investment in development, promotion, market access and industry consultation was significant and contributed to operating activities being considerably over budget. Combined with audit schedule issues and levy collection timing, 2006 expenses of $2,010,959 resulted in a loss of $180,193 for The Group. While the 2006 result is unacceptable the lessons learned are contributing to the significantly improved financial, audit/CRC completion rate and other performance indicators at the 2007 mid point.



3.2.2 The Balancing Act

As always the need to balance equitable and responsible charging for services with the demand for re-investment in development and promotional activities is critical and it can be argued that the 2006 result highlights the impact if this is out of balance. The Group exhibited at 21 separate exhibitions, conferences and field days across Australia. Additionally The Group attended 4 major international organic exhibitions/conferences. Combined with the investment in publication of the Industries leading publications, Australian Organic Journal and Australian Organic Business – The Group spend on promotion and development was significantly over budget. This situation has since been rectified and a targeted, disciplined approach to promotion is now being followed.

3.2.3 Positives from a challenging year

Australian Certified Organic P/L, a subsidiary of BFA has maintained all necessary Australian and international accreditations and became the first certifier outside of Japan to be awarded JAS accreditation under the new JAS laws. While making a loss of $68,402 in 2006, ACO is on target to make an acceptable profit in 2007. Levies do not subsidise certification and international market accreditations are based on a user pays system ensuring equitable pricing. ACO is now well resourced and its growing market share confirms its position as the largest and leading certification organisation in Australia.

The decision in late 2006 by OGA Certified P/L to merge with The BFA Group is a significant positive and will lead to improved efficiencies, options and strength for all of The Group's members and clients. The Group continues alliance and partnership talks with numerous Australian and international organic organisations as we see efficiencies and benefits for industry participants in combining organisations' strengths.

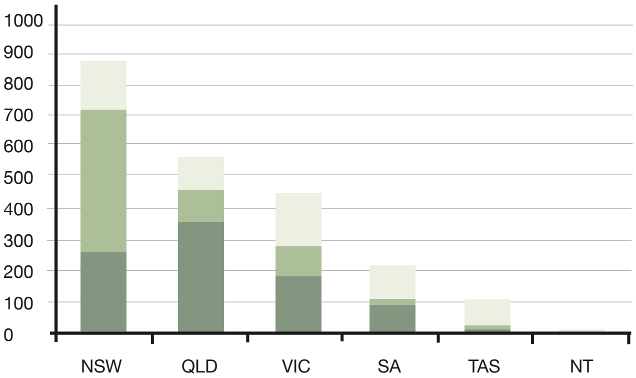
The monthly certified organic pages in the Queensland Country Life and The Land and the e-newsletter The Organic Advantage highlight a number of new promotional initiatives leading to improved visibility for the 'bud' and information for existing and potential members and clients.

The Groups growth remains a positive. With the merger of OGA Certified, the Group now accounts for approximately 70% of certified operators in the sector. Additional to this is BFA membership and with a paid membership of 1262 at January 2007 the Group is the largest member based organisation in the organic sector. These members include producers, processors, wholesalers, exporters, importers, retailers, consumers, academics and government personnel.

3.3 Industry Growth

The following figures highlight the industries growth and growth of the BFA Group within the industry. These figures are taken from Australian Quarantine and Inspection Service (AQIS) 2007 data. They relate to the 2006 calendar year. The BFA Group includes ACO and OGA and accounts for approximately 70% of the certified operators in the industry. Others include a grouping of all other certifiers.

Number Certified Operators by State (AQIS 2007)



The impact of the extraordinarily adverse climatic conditions across Australia needs to be taken into account when reviewing the statistics. One of the worst national droughts on record combined with cyclones in north eastern Australia and fires in southern Australia have resulted in significant numbers of producers withdrawing or deferring certification. Despite this, total certified operator numbers continue to increase as does the area under certification. Encouragingly the manufacturing sector continues to show strong growth and this signal suggests on-going demand for primary products.

Perhaps one of the most concerning sub sectors is organic grain and feed supplies. Constricted supply of grain and feed stuffs impacts on all aspects of the organic supply chain – from livestock producers to processing to wholesaling and export. The Group is concentrating efforts on ensuring producers know where opportunities are as well as removing the myths associated with organic production. While applications for organic certification are very encouraging they are predominantly in livestock and processing sub sectors not broadacre grains.

Organic Industry Development in Australia							
Year	1990	1995	2000	2003	2004	2005	2006
Producers	<500	862	1600	1730	1859	1734	1691
Processors & Marketers	<50	150	250	613	577	646	876
Area Organic (Ha)	0.15 mil	3.34 mil	7.6 mil	11.2 mil	12.1 mil	11.7 mil	12.3 mil
AUD$ Val **(est)	$28 mil	$80.5mil	$190 mil	$250 mil	$300 mil	$360 mil	$400 mil

** Data are estimates based on industry reports and other available information. Reports include AQIS 2007, Halpin 2004, IFOAM 2006 and internal BFA records. Mil = million

The graph below illustrates the continued growth of the industry despite adverse climatic conditions. From 2002 to 2006 the number of certified operators in Australia has increased by 19%.

Total Certified Operators (AQIS 2007)

3.4 Global Outlook

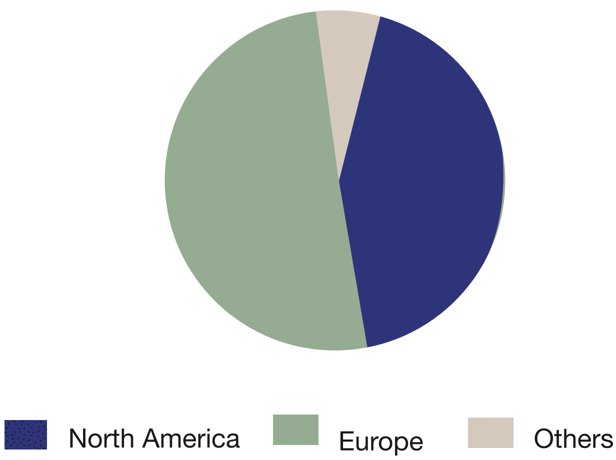
Organic Agriculture has developed rapidly worldwide and is now practiced in over 120 countries of which Australia has the largest area of organic land with over 12.3 million hectares. The global area under organic production has grown from under 10 million hectares in 2000 to over 30 million in 2006.

COUNTRY	ORGANIC LAND AREA (HECTARES)
Australia	12,328,679
China	3,466,570
Argentina	2,800,000
Italy	954,361
USA	889,048
Brazil	887,637
Germany	767,891
Uruguay	759,000
Spain	733,182
UK	690,270

(IFOAM 2006 & AQIS 2007)

Global Sales of organic products increased by 9% to USD27.8 billion in 2004 with the highest growth in North America and Europe (IFOAM 2006). The major markets for organic food are Europe and North America however Asian economies are starting to show signs of strong growth. The North American market grew 14% to USD13 billion in 2004 while the European market grew 5% to 13.7 billion. The Asian market is estimated at USD700 million per annum with Japan being the largest share at USD400 million. Strong growth is being experienced in South Korea, Taiwan, Singapore and Malaysia. China is also starting to emerge as a large market.

Global Organic Sales



3.5 Prevalence of the Bud Logo

Independent validation of consumer recognition

AUSTRALIAN
CERTIFIED
ORGANIC

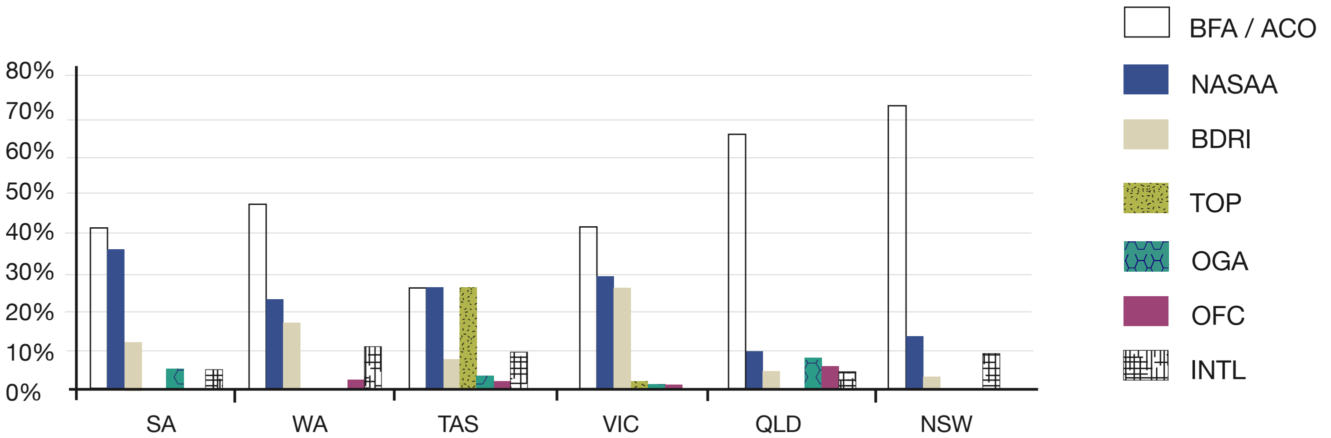
The BFA group is in a strong position and it is good to remember that the prevalence, recognition and acceptance of the ACO Bud logo as standing for 'your guarantee of organic integrity' is confirmed by a number of independent sources. It is also highlighted by the number of certified operators who have chosen and continue to choose the Bud logo as their certification mark.

The Australian Organic Consumer Report 2005 complied by Nourish Foods Pty Ltd sampled 302 consumers at the Sydney Organic Expo. The results highlighted that BFA/ACO was the most recognised association and certifier with 80% of consumers acknowledging the logo (Nourish 2005 chart 10.01). Importantly BFA/ACO also was the leading certifier recognised by consumers which choose to shop at key retail channels/ large supermarkets, with nearly 70% recognition.
(Nourish 2005 chart 10.04)

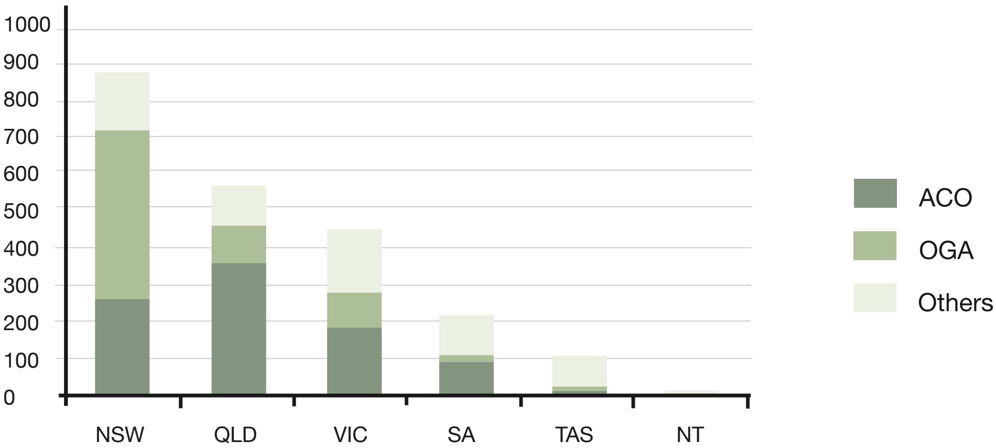
Significantly for the Large Supermarket sector experiential and emerging organic consumers overwhelmingly recognised the Bud with 61% and 83% respectively acknowledging recognition of the BFA/ACO.

The technical competency of growers in all states continues to improve. While many growers have exited from organic production, the professionalism of those growers that remain has increased resulting in greater yields and reports of better quality produce in 2006.

The independent data below from Halpin 2004, *The Australian Organic Industry - A Summary,* DAFF, Canberra, further highlights the strength of the Bud logo across Australia.



The below graph based on AQIS 2007 Organic Certifier data highlights the strength of the Group with respect to numbers of certified operators. Note that the group labelled "Others" belongs to a number of certifiers.



4. Overview of Industry Sectors

4.1 Primary Production

The amount of land under certified organic management in Australia has increased 612,935ha to 12,328,679 ha from 2005 to 2006 (AQIS, 2007).

Australia still maintains by far the largest amount of land under organic management, with approximately three quarters of this land consisting of vast rangeland primarily for pastoral production in Western Queensland and NSW, SA and NT.

Producers make up 66% of the overall number of certified organic operators in Australia. (AQIS 2007)

The following sub-sector reports are based on interviews and surveys conducted, across a wide range of wholesalers, larger producers, industry consultants and others.

4.1.1 Horticulture

Major produce traders around Australia report that sales of produce have increased in 2006 by approximately the same percentage as 2005, being up around 25%.

The technical competency of growers in all states continues to improve. While many growers have exited from organic production, the professionalism of those growers that remain has increased resulting in greater yields and reports of better quality produce in 2006.

The balance of supply and demand has improved slightly with greater levels of production meeting a greater demand in most lines of produce over the majority of the year.

The drought has not made an impact on supply of horticultural produce in 2006 however with water allocations to horticulture expected to be heavily reduced in some areas in 2007, with continued drought, this situation may change.

The premium for organic produce is reported to have remained steady.

4.1.2 Broadacre

Broadacre production has fallen by a further 50% approximately in 2006 compared with 2005 figures according to reports from industry members.

The record- breaking drought has had more impact on organic broadacre production than any other organic sector affecting almost every broadacre growing region around Australia.

The price on grain for human consumption has almost doubled in 2006. Grain manufacturing has been limited and the cost of processed products such as bread and pasta has in turn increased by around 35%.

The shortage of grain is also impacting on export markets as well as other organic sectors due to lack of supply of feed for organic pig, poultry and ruminant livestock production.

Importing organic grain is not currently an option due to AQIS fumigation requirements leading to the loss of organic status.

See page 10 for a report on R&D occurring into organic spelt production.

4.1.3 Livestock

Beef production

Beef production has the second largest number of organic licensed operators after horticulture. (DAFF 2004) Production was reported to have grown approximately 30% in 2006, however many store cattle were sold to the conventional market due to the drought hampering supply of organic feed for finishing stock.

Growth in supplying the US market with Australian organic beef is currently constrained by the difficulty of meeting USDA Nop Standards required for export to the US.

The conversion of more cattle properties to becoming certified organic has increased production of organic beef however with no pressure yet being put on price from the supply side. The premium for organic product has varied over 2006 and averages at around 25% premium.

Expansion into other markets will trigger new processors into becoming certified in future.

Sheep production

Lamb production has grown around 70% over the 2006 period with supermarkets driving this growth. Demand continues to grow and supply still is not sufficient to meet the current demand. International demand is showing signs of growth.

The premium for organic lamb is similar to that of beef averaging approximately 25%.

Eggs/ poultry production

According to meat wholesalers demand for organic chicken meat has grown approximately 30% in 2006.

The premium for organic chicken meat remains steady at around 200% over the price of conventional chicken.

Egg production has risen approximately 35% over 2006 in a market where demand has far exceeded supply.

Feed supply is the main limiting factor to growth of the eggs/ poultry sector. Organic grain prices have almost doubled with drought limiting supply of feed.

Other issues facing this sector include standards developments for allowing appropriate feed supplements for achieving balanced nutrition, good welfare management and the best environmental outcomes.

4.2 Organic retail sales

Retail sales in 2006 are estimated to be over $400 million.

In all states there is reported to have been an increase in the number of independent organic retailers and restaurants.

In addition the larger conventional supermarkets have increased their house brand organic ranges as well as increased shelf space and sales for organic produce and processed products over 2006. A larger commitment to sale of certified organic products is expected to eventuate in 2007.

4.3 Markets for organic food

4.3.1 Supply chains

The relationship between organic growers and supply chain businesses is crucial to sustaining a demand-driven industry.

Customers in the supply chain which organic farmers deal with include agents, brokers and distributors, processors, wholesalers, retailers, food service customers, export consolidators and others.

While the information flow within the supply chain has improved through economy of scale, it is still considered to be one of the major limitations to growth of the organic sector.

With a greater investment in independent organic retail shops and the increase of organic products being sold in mainstream supermarkets, the professionalism of the supply chain from growers, through to wholesalers and processors has improved markedly over 2006.

This will keep improving with new economies of scale which will increase profitability and encourage new markets.

Some strategic policy development is needed from industry and government agencies to foster the continued growth of production of raw materials and product into the supply chain. Education of growers through training and networking and the establishment of an accreditation system for industry consultants are areas where the BFA will be working in 2007 to assist in this area.

4.3.2 Processed product

The number of licensed organic processors increased by around 32% in 2006 and make up a good proportion (29%) of the overall industry. (AQIS 2007)

More and more major food manufacturers and mainstream food marketers, including large multinational companies, are now developing and marketing organic product lines.

In addition, better availability of ingredients has attracted new entrants into the industry capable of supplying larger contracts e.g. with mainstream supermarkets.

5. BFA Activity Overview

05

5.1 Subcommittees

The BFA subcommittees consist of industry members and outside professionals with the expertise to assist organic sectors in their long term development and success. There are 12 subcommittees representing various sectors shown in the diagram below. While not all subcommittees are active, the structure is defined and facilitation exists for sectors of industry to work together and assist the industry in its development for the benefit of all. Some of this year's more active subcommittees are reported on below.

5.1.1 Ruminant & Broadacre Livestock Subcommittee

The Ruminant and Broadacre Livestock Subcommittee is most essentially representative of cattle, sheep and goat producers, for meat and wool.

Subcommittee Chairman David Booth is on the NSW government advisory committee for organics as well as being involved with MLA, the Goat Industry Council of Australia (GICA) and NSW DPI in R&D. Joe Hughes from Bundaleer Pastoral is involved in a trial feeding program for lambs covering Western NSW funded by MLA, RIRDC, Commonwealth Agribusiness and AWB. All subcommittee members have a broad range of expertise and backgrounds to offer this sector and are committed to moving the industry forward with the BFA's backing.

Some of the priorities of the subcommittee include:

1. R&D for this sector
2. Educating graziers on effective rotation grazing systems
3. Development of better feeding systems for livestock and finishing livestock
4. Animal welfare in areas mulesing, dehorning and freighting.
5. Promotion of organic auction systems
6. Assisting graziers to achieve USDA NOP certification for US export market access

5.1.2 Monogastric Livestock Subcommittee

The Monogastric Livestock Subcommittee represents production of poultry and pigs which have different nutrition and husbandry needs to ruminants.

The subcommittee is currently reviewing BFA's Australian Organic Standard (AOS) 2006 and plans to make a recommendation to the BFA Standards Committee as to how the standards may be developed for the long term sustainability of the sector and in keeping with the ideals of the organic movement.

The subcommittee is chaired by poultry producer Clive Wylie from Inglewood Farms. In December 2006 Clive visited Europe and the USA in an effort to learn about methods and standards used in organic poultry production for these more developed organic markets.

5.1.3 BioNutrients Subcommittee

In January this year BFA formed the new BioNutrients Subcommittee to promote the principles, benefits and good practices of biological agriculture.

Biological agriculture is identified as farming practices that seek to improve soil health by minimizing chemical input and pursuing best practice while still maintaining yields and product quality.

The first major committee initiative is the development of a guidebook for the safe and effective use of biological products.

Biological farm inputs cover a range of farm inputs that work with biological processes rather than against them. Examples of these products include mineral fertilizers, microbial stimulants, composts and seaweed based fertilizers.

The booklet entitled *A Guide to Using Biological Inputs* is intended to address what is seen as a lack of 'best practice' guidelines for the effective use of such inputs.

Graeme Sait, Chairman of the committee says "This is an important initiative with multiple benefits for users, suppliers, the community and the environment. The guidebook will offer pragmatic information about the nature and benefits of biological inputs, how to choose and use them and how to store and handle these products."

A questionnaire has been developed for industry members to report back their experiences using biological inputs and the committee is currently calling for the support of industry to provide the broadest base of data possible to draw from and supplement existing research.

The questionnaire is available from the BFA website or by contacting the committee direct.

5.1.4 Horticulture

The Horticulture Subcommittee held its initial meeting at the end of August in Brisbane. The group came up with five items for maintaining the integrity of organic produce and developing this sector. These include:

- Increase food safety requirements of the organic standards;
- Develop supply chain systems to protect growers in the long term;
- Raise the bar on mineral and humus levels in the soil for healthier produce;
- Educate consumers on organic; and
- Set aside R&D investment money

5.1.5 GMO

The BFA launched its 'Say no to GMO' campaign at the Organic Expo in July. GM Spokesperson Scott Kinnear said "The aim of the campaign is to keep pressure on all State and Territory Governments to keep existing moratoriums in place."

The BFA has started a petition to help governments halt growing of GM crops, which can, along with further information about the campaign, be accessed via the BFA website www.bfa.com.au.

5.2 R&D

New project to improve the yield & quality of organic spelt

A new 3-year project conducted by researchers associated with the EH Graham Centre for Agricultural Innovation (a collaborative alliance between NSW DPI and Charles Sturt University) will aim to develop more reliable cultivars of spelt and other specialty grains for organic production. The three year project is supported with funds provided through the Rural Industry Research and Development Corporation's (RIRDC) Organic Produce Program. Other groups involved in the project include the Department of Natural Resources & Environment, Victoria, organic farmers from three regions (Cootamundra, Coleambally, and Grafton) who will be directly involved in spelt selection and agronomy experiments, and the BFA.

Other contributions the BFA has made to R&D include data for research taking place nationally and internationally by organizations including IFOAM, universities and academic institutions as well as industry commercial research requests.

5.3 Education and Training

5.3.1 Soil Health Workshops

The Soil Health Workshops run through the Healthy Soils for Sustainable Farms programme. The programme is funded by the Department of Agriculture Fisheries and Forestry (DAFF) in partnership with the Grains Research and Development Corporation (GRDC) and managed by Land and Water Australia.

This series of workshops has the backing of the Biological Farmers of Australia and support from SEQ Catchments Pty Ltd.

The workshops marry some technical aspects of soil health to practical examples and applications to help give land managers an understanding of how to reduce production costs and gain added cash flow benefits.

Workshops began in 2006 and will continue to be held across SEQ over 2007. This project is open to enquiries from regional groups that wish to have a course held in their area.

For more information contact Greg Paynter, BFA, email greg.paynter@bfa.com.au, ph. 07 3350 5716.

5.3.2 BFA Training Courses

The BFA has provided training in Organic Auditing/ Advising and JAS training courses throughout this year. 2007 will see BFA take a greater role in training and education providing subsidized training options for producers and others.

5.3.3 The BFA Roadshow

The BFA Roadshow took place in two locations over 2006. In Yanco, NSW, a highly successful event was organized in conjunction with Riverina Organic Farmers Organisation (ROFO) and with assistance from DPI NSW. In November at Bossy Boots Farm in Balingup, WA, over 100 people turned up for a well organized event with the assistance of BFA WA Representative Tom Benson. The roadshow events gather local knowledge including A-grade producers, professionals and others to provide educational talks and facilitate networking for development of the organic sector in regions throughout the country.

5.3.4 Public Relations, Media

Promotional tools which the BFA provides for industry include the *Australian Organic Journal* (quarterly distribution of 6500) and *Australian Organic Business* (quarterly distribution of 3,000), the e-zine *Organic Advantage* (fortnightly to over 6,000), the Website (350,000 hits/month), field days, conference promotion and media co-ordination.

In addition Queensland Country Life and The Land newspapers have endorsed regular ACO monthly updates on organic livestock and broadacre in 2006.

The mainstream coverage of organics through these two staple sources of agricultural news now stretches from the Northern Territory through Queensland, NSW and over into the Victorian border.

Biological Farmers of Australia (BFA) is coordinating the updates with assistance from industry members.

The BFA makes regular contributions to all media being the first point of contact for many journalists, editors and media presenters.

5.3.5 Advocacy

Ongoing advocacy by the BFA has taken place at all levels – regional, state and federal. In 2006 a major concern has been the future of organic standards and regulation in Australia and New Zealand. The BFA has led the debate on which road industry should take as it approaches a crossroads in future regulation including distribution of a concept paper and hosting of industry meetings.

The BFA Board has chosen a group of persons who are on call to offer industry advice when it is sought by government.

Advocacy has also included representation to the National Standards Subcommittee with support from BFA's subcommittee groups and the ongoing lobbying of wholesalers, retailers, regulators and government (Australian and international).

6. Protecting, Directing and Inspecting the Organic Standard

Dr. Andrew Monk is chairman of the BFA Standards Subcommittee

6.1 Introduction

Dr. Andrew Monk

A view of the history of organic standard setting in Australia, how the Organic Standard operates for BFA industry members, and what lies ahead for members and for the industry…

Standard: def: root of the word arises from “banner” which was displayed during times of war in Medieval times. A Standard is a common set of principles or ideals around which a group of humans rally or support.

The organic movement has been rallying around an evolving set of principles and stipulations outlined in Organic Standards since the 1970s, with roots going well back before then. Many people are often confused about why there are so many standards in the world. This boils down to the inherent nature of the organic movement as well as the history of the industry. The good news is that the organic standards across the world are converging while they expand into more countries.

What is not converging are the regulatory arrangements (or Administrative Arrangements as they are referred to in Australia) that relate to the organic standards. Hence the US and Japan will have their own government prescribed requirements whereby the certification agency that you might be certified by must be directly assessed and recognized by them for you to get access to those regulated markets. This is why we will continue to see a myriad of certification logos from overseas markets, even while in Australia the Bud now is appearing on the majority of organically produced domestic products.

The BFA releases on average every second year a new updated version of the Organic Standard – which the majority of produce in Australia is regulated by. This Standard is available on the BFA website and is open for public comment. This Standard is overseen by the Standards Subcommittee, which is made up of a broad mix of technically skilled people, while taking feedback from the other BFA subcommittees and directly from industry members and the public.

So where are we today? Australia remains without specifically prescribed domestic legislation like the US, Japan and the EU have. Hence the organic certification program is the only way of a consumer ensuring a product truly is organic. What Australia has had since the early 1990s is the AQIS (Australian Quarantine and Inspection Service) regulated National Standard for Organic and BioDynamic Produce. Because of this, for the last decade the Australian industry has been more uniformly and successfully industry-self-regulated than most countries in the world. While this type of marketplace is far from perfect, ironically successive Australian governments, and the bureaucracies that support them, have suggested that there is no critical need for legislating the marketing of organics. And so we go around in circles.

The industry remains of the opposite view to this. The challenge will be to achieve a domestically based industry standard while maintaining industry control of this standard. There are a few critical pitfalls that may arise to achieve this. Before we explore these we should reflect back on history to understand why and how we are where we are now.

6.2 History

The last 30 years of organic regulation can be summarized as follows:

- From the 1970s in Europe and the US, private, industry-based groups established regional organic standards to suit their interests. IFOAM evolved through the 1980s with a more generalist standards setting guide.
- The European Union (EU) puts in place in 1991 a regional organic regulation – called EEC 2092/91.
- Australia followed suit (early adopter) very soon after (1992) with the National Standard ensuring import access for Australian produce – a world leader in this.
- IFOAM began in early to mid 1990s, via IOAS in accrediting certifiers, with an ideal of covering international trade in organics and doing away with governments having their own double and triple up regulations.
- Japan (JAS) distracts this by developing their own Codex (WTO trade regulatory text) based organic standard in 2000. Direct accreditation with private certifiers also possible (and an increasing trend in this market).
- US via the USDA in 2001 deals an effective (slow) death blow to the IFOAM ideal of non government industry self-regulation saving the

day, by implementing its own National Organic Program (NOP) with recognition of private certifiers and lack of recognition of the AQIS government program in Australia.

- After 4 years, the US and the EU continue to struggle (as they do) to establish an agreement amongst themselves for recognition of organic products without dual certification streams required of the importer/exporter parties.
- Australia, being a small pawn in this world game, has been driven by private (member owned) certifiers such as ACO to maintain parity with this range of new international government regulations piece by piece and the situation doesn't look like changing any time soon.
- In 2006 the EU also establish regulations that trend toward private certifier recognition over government-government recognition outside the EU, currently on hold for review in late 2007 (ie the AQIS system still recognized).

6.3 Directing & Protecting of the Organic Standard

Government involvement in regulation of organics is with us to stay, however it is important for us as a movement and as an industry to ensure we maintain control over this process. In some regions, markedly Japan and the US, one could argue that the degree of current government involvement has swung on a pendulum that needs to come back more towards the control and direction of the organic industry and its related movement. One regular concern you hear, only in the US, is how to extract government back out of organic regulation, as government tentacles now take hold of the agenda.

This is a clear warning for those wanting, for understandably good reason but not informed about the risks and realities, more government or quasi government involvement. In an ideal world yes, but when governments are involved there is no such thing as an ideal worth dreaming about.

It is very clear that Food Standards Australia New Zealand (FSANZ) which regulates food matters in Australia, has washed its hands of interest in regulating the organic industry (after 8 years of industry lobbying). The ultimate aim is to convince Australian governments (the States that would need to implement this) that the marketing of organics needs to be prescribed into legislation. For this to occur there needs to be an industry recognized standard that can be cross referenced. Ironically we already have one.

This is where industry must remain resolute and fully in control. This will require that industry members remain engaged and active in feedback on processes of standards setting. And for this to occur, open democratic organizations such as the BFA are critical in ensuring the interests of the many, rather than the few, are heard and acted upon.

Public submissions received from the initial US draft for the US National Organic Program (NOP) back in the late 1990s were a fantastic example of producer and consumer input and direction setting. Over 250,000 submissions were forwarded to the United States Department of Agriculture (USDA) on the draft guidelines, with vocal positions being put in relation to such aspects as food irradiation, sewerage sludge use and Genetically Modified Organisms (GMOs) in organic foods. All were and still are prohibited for use in internationally recognised standards for organic production. The US case of public response to organic standards is a reminder to us all that there are many who do care about maintaining the integrity of the Organic Standard and of keeping the agenda in industry hands.

The BFA has continued this past year to deliver what the majority of Australian producers want: a regionalized, Australian relevant standard. Some proposals from industry, including from government would have us more and more reliant on foreign country regulations rather than our own. This is acceptable for an export standard, however Australia has unique attributes here that need to be recognized. The BFA has therefore continued to ensure, through careful processes of setting the Organic Standard, which it manages, that the interests of Australian organic producers and consumers are the ones considered when modifications are proposed to regulations. This is one reason for the popularity of the BFA as an organization, and the increasing prominence of the Bud in the Australian marketplace.

6.4 The Road Ahead

Is all perfect in organic regulation land in Australia? Certainly not. Perfection is however a journey. Standards setting is an ongoing task, and one not to be taken for granted. Your ongoing support as an involved member of our industry is critical for our industry to achieve the ideals that have been talked about for decades now: the transformation of farming in Australia to more sustainable methods, the financial supporting of farmers who move this way, and the delivery of wholesome organic foods to more and more consumers in both Australia and the world. Now that's worth fighting for.

6.5 BFA Championing Protection of the Organic Standard for Australian Consumers and Producers:

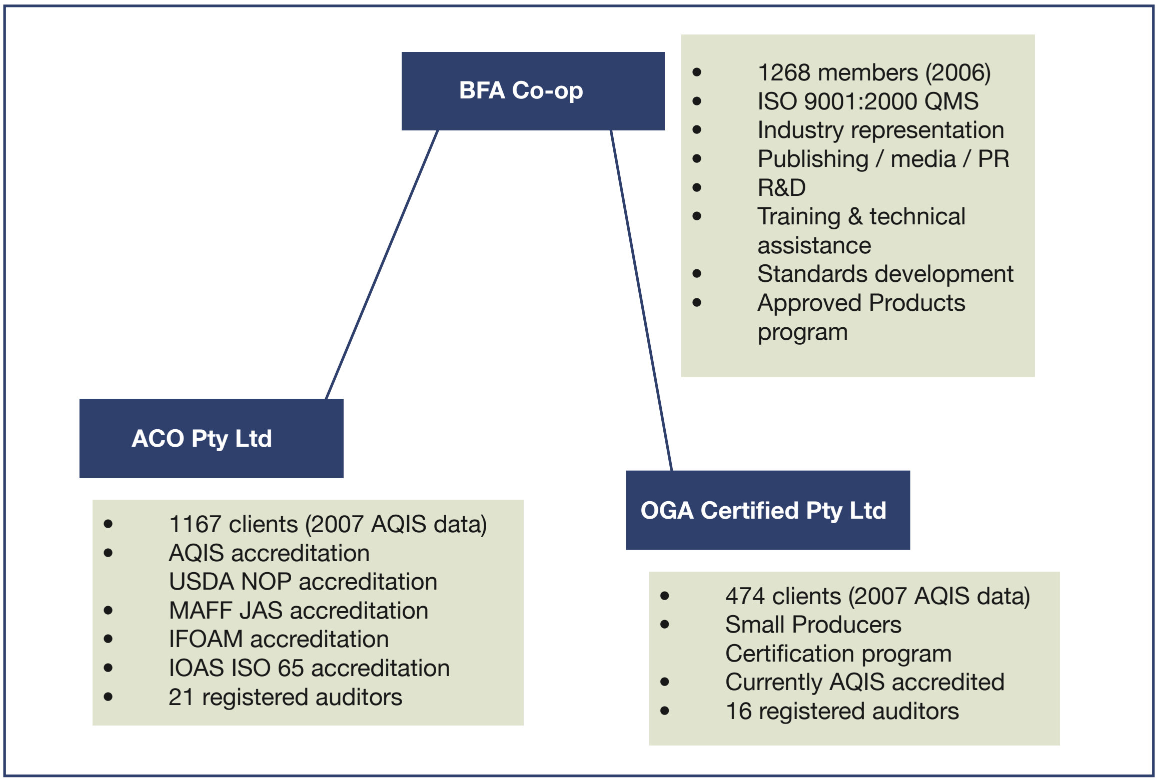
- **Removal of Talc (known carcinogen) from the National Standard – following concern from a consumer who is a BFA member. It took BFA some lobbying to achieve this (and 12 months of work). (Talc was "inherited" from an initial European type organic standard – further example of how we need to keep perfecting an Australian specific standard)**

- **And on the producer protection side (protecting the livelihood of organic farmers, while also ensuring key principles such as animal welfare and standards integrity are maintained) BFA has moved to ensure that chicken farmers have access to sufficient protein sources through the drought period, while also recognizing that particularly in the EU livestock farmers have a far easier standard than Australian producers.**

- **Also BFA has lobbied to ensure that there remains a practicality to the allowance for organic inputs to ensure that farmers can remain viable while producing foods with organic integrity and food safety that can become increasingly available in the marketplace for consumers.**

- **Most importantly, BFA's segregation of export market requirements from the BFA's Organic Standard – maintained on and by the majority of the organic industry members – ensures that producers are treated equitably and fairly by Australian requirements – not requirements imposed by those in other countries or by those without a stake in, or a care of, Australian organic producers.**

BFA Group Structure



BFA Subcommittees

The BFA Subcommittee groups are your vehicle for having input into your sector of industry. Ideas for development, issues of concern, proposed solutions and information of interest is all welcome. Address your input to the relevant subcommittee group and send it to:

BFA
PO Box 530
Chermside Qld 4032

Or, forward an email to one of the following:

Marketing and Retailing Group,
retail-marketing@bfa.com.au

Education Group Group, education,
education@bfa.com.au

Bio Nutrients Group,
bio-nutrients@bfa.com.au

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‘Healthy soil. Healthy plants.
Healthy animals. Healthy people.’