

ORGANIC ANNUAL REPORT 2004



ACO IS THE CERTIFICATION ARM OF BIOLOGICAL FARMERS OF AUSTRALIA (BFA)

Biological Farmers of Australia

In 2004 the Biological Farmers of Australia Co-operative established itself as the voice of Australian organics. Representing the interests of the organic category Australia-wide, the BFA is stepping up the pace in 2005.

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The BFA group has been actively representing the interests of members of the organic industry and organic consumers since the 1980's.

As the pre-eminent organisation for the organic industry and movement, the **Biological Farmers of Australia** advises on matters relating to education, trade, promotion and advocacy. Leading by example, the BFA delivers services and support for members which assists in the development and prosperity of the industry and the progressing of the ideals of the organic movement.

We are working towards developing a diverse and flourishing organic industry which is profitably and

sustainably meeting the needs of a growing base of well-informed consumers demanding certified organic foods and fibres.

The BFA's independent certification arm, **Australian Certified Organic**, has again this year maintained its reputation as the industry's leading certifier, ensuring integrity and authenticity in trade, delivering value for service for certified clients whilst protecting the rights and interests of consumers of organic products.



Our olympic patron

Olympic swimmer, Regan Harrison, says organic is the food of choice for someone who needs to maintain peak physical condition. When out of the pool, Regan needs a diet which gives him as much nourishment as possible to sustain peak performance.

"I choose organics as an integral part of my diet because I need to know that I am getting the right nutrients to keep up my energy and overall fitness in the pool. To perform

at Olympic level means that I am training up to four hours a day in the pool, as well as several hours a week in the gym and doing endurance work, so I need to keep my body in peak condition and feed it the right foods," said Regan.

"With certified organic food, you know that you are getting all the right nutrients and health, and avoiding anything which may affect health adversely - that's why it is important to always look for the logo."

Chief Executive Officer's report

We are arriving at a new place. It is the place of the realisation of the objectives of the founding members of Biological Farmers of Australia Co-op Ltd in the 1980's. The place is one where we see a common logo emerging in the Australian organic market – the Bud.

It is also a place where there is now sustained media communication, promotional material, and research and development projects being planned for the short and longer term benefit of members.

This could not be achieved without the critical support of BFA members and levy payers of the ACO certification program. Those levies are returned to BFA to further promote the interests of the people who have provided them to us. For this reason, and on behalf of the team at BFA and ACO, we send out a thank you with recognition for the support we continue to enjoy from our loyal members and clients.

We can be proud of where we have arrived. BFA has worked hard to earn the respect of government and business to work practically and pragmatically in partnership to achieve our collective goals and our industry ideals. There is still much to be done. We have the challenge of changing the understanding of governments and regulators, of agribusiness and food industry players, and most essentially of consumers, about organic food products and production.

At the heart of it all, very proudly, BFA has led the organic industry by ensuring that the true interests and wishes of the industry and organic community are being met. BFA has stuck to a steady course, demanded by industry members, of servicing its members' interests first and foremost, ensuring a financially sustainable and sustained campaign of organic promotion and representation. Financial responsibility has enabled us to keep the

agenda in industry hands, and to now invest in our future.

The strength of the structure of BFA, where subcommittees and members drive the agenda, has arguably been the most effective way we have ensured that our diversity is appreciated and drawn upon. This has ensured that the creativity, passion and inspiration of industry members come to the fore in projects and plans for the future.

It is essential as we move forward that the organic industry, and the Organic Standard, remain in the hands of you its members. To this end we see open transparent communication and industry liaison as vital. Our member publications, which are your publications to contribute to, and the focus groups and workshops we hold are about ensuring that we remain vigilant in the face of many forces that would have us fail at that greater project: the project of profoundly changing the way we produce and consume our foods.

From the team of BFA and ACO, including our auditors in the field, representatives and associates, we look forward to a year ahead of working with you to further the ideals of this great project that we share.



Andrew Monk
BFA Chief Executive Officer



BFA remains focused on having more consumers gain access to Australian certified organic food products.



Australian Certified Organic

Australian Certified Organic (ACO) has come of age.

Initially formed in 2002, the advantages of having a separate certification arm have proven highly successful in assuring integrity in the marketplace. All accreditations held by BFA have moved over to ACO and highlight our commitment to transparency and professionalism in the certified organic marketplace.

This separation of function has allowed ACO to build to our current leading position - certifying some 55% of the entire Australian organic market with an estimated 70% of all certified organic products in Australia bearing our logo.

Our market recognition has been brought about through the practical application of certification systems for all available organic markets - both within Australia and abroad.

In addition to a strong domestic presence, we have accreditation from IFOAM (International Federation of Agricultural Movements); JAS (Japan); USDA NOP (USA) and have official recognition from the Soil Association in Britain and Quebec Qua (Canada). ACO is currently undergoing assessment for the Korean market.

The accreditations of AQIS and IFOAM boost the reputation of ACO and the Bud logo as organic leaders in the Australian marketplace.

We take pride in our ability to provide professional and commercially-oriented services for our operators - who expect a return for their investment in becoming certified.

We enjoy the challenge of finding pragmatic solutions for our many unique operators that ensure the integrity of the organic standards and our logo.

Unfortunately drought is still upon us and we extend our sympathies to those who are still feeling its affect. The agricultural industry as a whole has tightened its belt because of the drought and ACO is no different in having to put in place strategies to ensure long term sustainability.

In the meantime we continue to focus on ensuring our label is recognised and valued - both by industry and consumers.

The plethora of uncertified products which claim they are 'organic' continues to contribute to consumer confusion about what to buy. In conjunction with BFA, we are working towards educating consumers of the value of the Bud logo and what it represents - a guarantee of integrity.

We believe ACO has the best organic certification team in Australia. Our staff have auditing, quality assurance

The rise and rise of organics



Promotional material

Modern organic promotional material has been made available to educate consumers and promote sales.



Hands-on approach

Workshops, training and face-to-face meetings have played an integral part in providing member services.



Newspapers, Radio & TV

We perform interviews on a daily basis - and it's not just mainstream. With our help, organic can now be seen in the story-lines of well known drama's such as Neighbours, Home & Away, and McLeod's Daughters.

Integrity Assurance & Market Access

and certification experience. Of critical importance to a large section of our clients, we also have practical on-farm experience of organic and biodynamic operations.

On a slightly more unusual note, our talented team is also able to translate Spanish, French, Dutch, Japanese (and of course English) - invaluable for when we need to provide assistance with exports, product acceptance or international certification, and sometimes even in talking to our Australian farmers!

To build on our experience we have instigated a program of operator visits for all our team. Over the coming months every team member, regardless of their role with ACO, will visit at least four operators - it is after all, only by getting out of the office and into clients' backyards that we can truly say that we are working on understanding our clients' issues.

Australian Certified Organic is unequalled in Australia in the way it operates and proud of it. We take this opportunity to thank all those who contribute to making our work so enjoyable and extend an open invitation to make an appointment and come to our head office and meet us. I will also be attending future Organic Roadshows to make myself available to clients of ACO and I look forward to meeting you at this and similar events.



Catriona Mills
ACO Managing Director



Australian Certified Organic is unequalled in Australia in the way it operates.



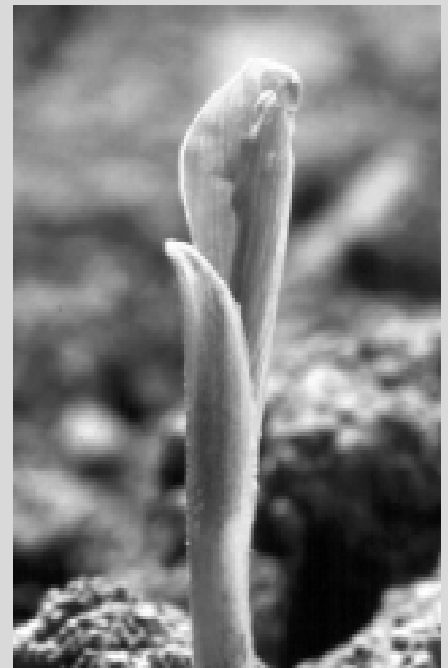
Simplicity for consumers

Finally we are starting to see one logo emerge in the marketplace on most certified organic products.



Organic allies

One of the most recognised chefs in the country, Geoff Jansz has taken up the baton promoting organic foods.



Organic growth

Despite the ongoing drought, the organics category in Australia has performed above expectations.

BFA wins during the past year

Enhanced industry capacity & impact



The BFA has enhanced industry capacity and impact by:

Unified market branding via the Bud logo - becoming synonymous with certified organic products in Australia

A strong and present voice to the media, government and the public to assist in growth of industry and understanding by consumers

A strong return for shareholders of the co-operative, with significant reserves for the group to progress longer term aims

A vibrant, voracious and technically competent work culture to serve the needs of the Co-op's members and certified clients

The beginning of short and long term investment commitment into development and promotion of the industry as well as practical research with feasible and usable outcomes for the organics industry

Member services



The Organic Roadshow: BFA visits all major regional areas once a year, to hear from members and to present information

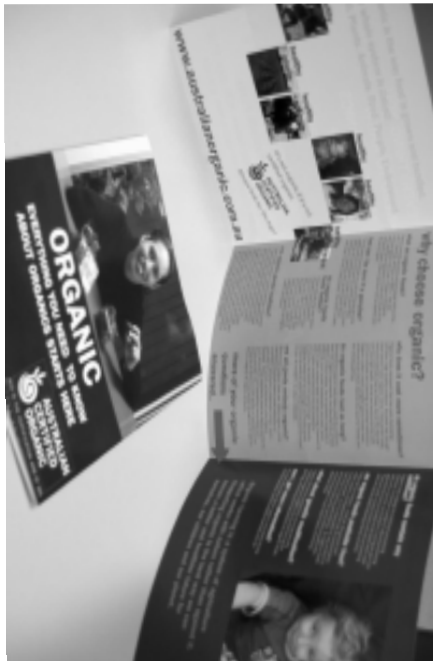
Discounts to products and services based upon the size and strength of the Co-op, from fleet discounts and insurance, to testing services, trainings and publications

Guardianship of the Organic Standard, ensuring practicality for our industry members and protecting consumer interests

Subcommittees representing sectors of industry, reflecting members interests and needs

BFA leading the industry forward

Promotion & industry development



"Responsive technical team for media, government and the organics industry"

"Sensible and truly representative advocacy for industry members"

"Accountable and transparent industry development projects"

"Sustainable long term investment in industry development - based on true industry direction (not government or non-industry elements)"

"The start of a new promotion campaign, through media, information leaflets and use of celebrities"

"Organic Standard owned, controlled and operated by industry - remaining practical, and serving members' interests"

"Assisting, where feasible, in market information and the building of effective supply chains"

Certification in the marketplace



A truly independent certification service program, with leading professional technical staff and auditors, management and Directors

A sustainable, equitable and working "user pays" program for regulation and promotion of organic products to assure organic integrity

A leading program of registration of agricultural input products for commercial organic farmers and home gardeners to further promote the organic lifestyle message

Strength in Diversity of the Co-op

Representation

- ✂ Largest member based group in Australia, with voting rights
- ✂ Subcommittees from membership representing sectors
- ✂ Broadly based Board, for representation and skills
- ✂ Resources to lobby government and liaise with media with real industry needs
- ✂ Management of the industry owned Organic Standard on behalf of members

Promotion

- ✂ Levies used to produce and distribute information leaflets and promo material
- ✂ Representation and promotion at key fairs and promotional events
- ✂ Leading public figures in the food and sports industries promoted with organics
- ✂ Media and technical team in head office to liaise with media
- ✂ Media releases and provision of media with stories and information
- ✂ Movement towards one main industry logo - the Bud

Industry Communication

- ✂ Publishers of the industry journal the Australian Organic Journal
- ✂ Monthly e-news Organic Advantage with monthly activity reports
- ✂ Annual publication for industry members and media - Organic Annual
- ✂ Organic Roadshow - visiting all major regions annually

Capacity Building

- ✂ Training of auditors and managers via QSA registered 5 day course
- ✂ Training of JAS and NOP Export requirements
- ✂ Promotion of training programs for on-farm across states
- ✂ Longer term development occurring for on farm training and support of existing trainings across the country
- ✂ Long term succession planning and skills training within the group

Regulation

- ✂ Sensible, practical and commercially focused certification program
- ✂ An Organic Standard owned and operated by industry members



Strength in Promotion & Development

Triple Bottom Line Management Report

How we have fared:

1. Financially
2. Environmentally
3. Socially

Financially

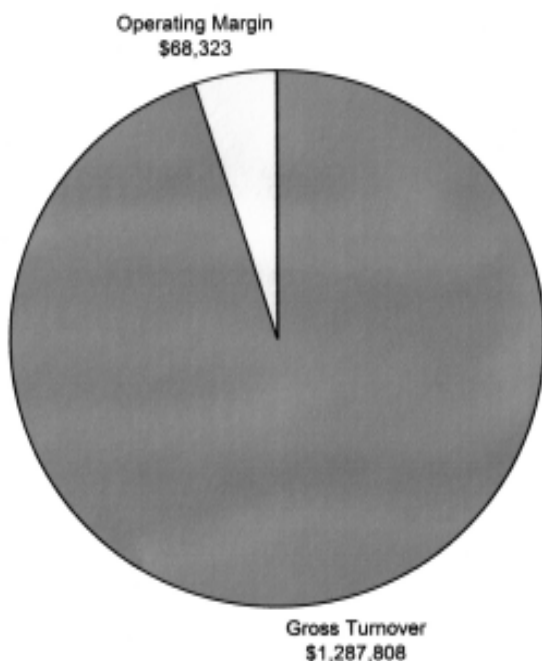
How we have fared

The BFA Group has delivered another year of financial growth, just under \$70,000, taking the average over the past five years to \$50,000 per annum. This has ensured there are sufficient reserves to enable the Co-operative to be financially secure, while also enabling future investment in projects of benefit to members.

and as the organisation moves towards two million per annum turnover, which is likely in this coming year, there will be a need to ensure that the percentage of operating surplus is sufficient to continue to deliver economic certainty for members.

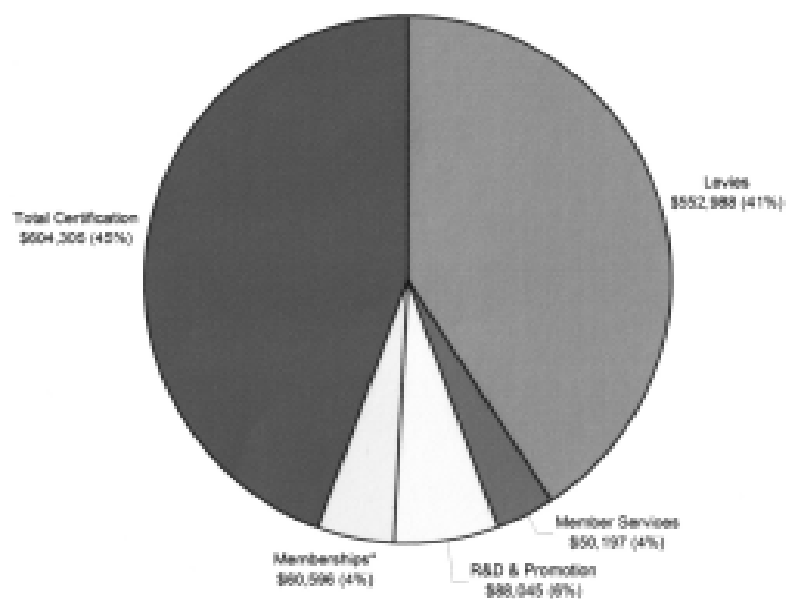
The "profits" have been slim in the broader scheme of things, although the best within the organic industry,

PERCENTAGE OF PROFIT VERSUS OPERATING MARGIN



INCOME BREAKDOWN (CONSOLIDATED)

*NB: Income from Memberships has been adjusted for accounting purposes (from \$120,000), up once again from last year



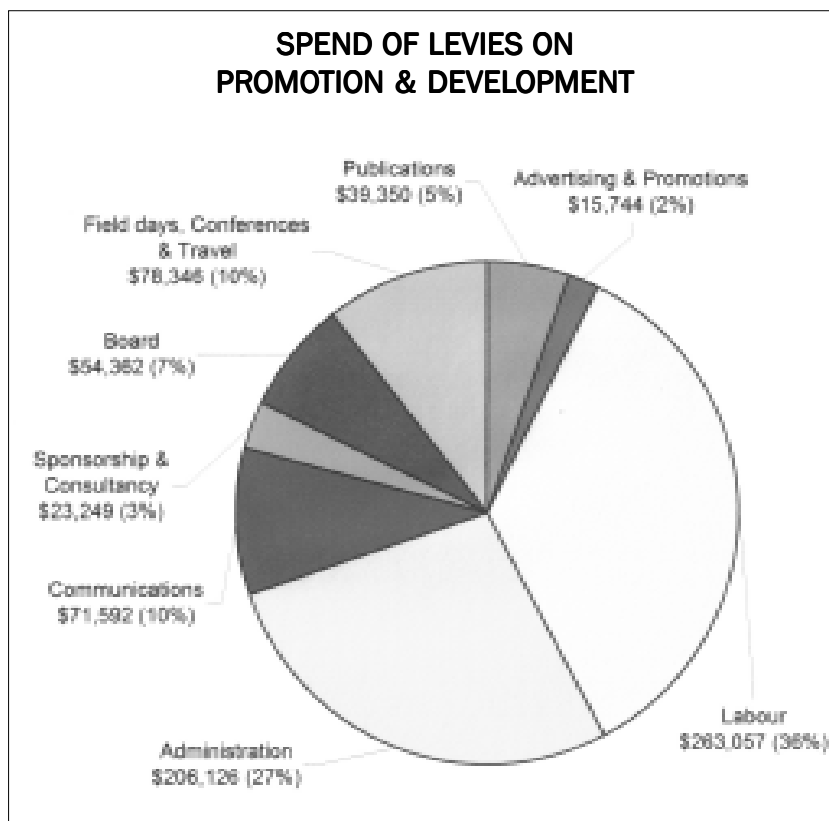
Balancing profits and expenditure

BFA has focused on balancing equitable and responsible charging for services with the need to reinvest in promotional activities and development outcomes.

ACO, as part of the BFA Group, is heading towards its first year of profit this coming year, highlighting the group's focus on minimising cost imposts to the people in our industry who matter most - the producers of organic products. Charges have been balanced with a critical need to support a professional and technically able office and audit team, being the protectors of the reputation of the Bud logo and therefore of your business interests.

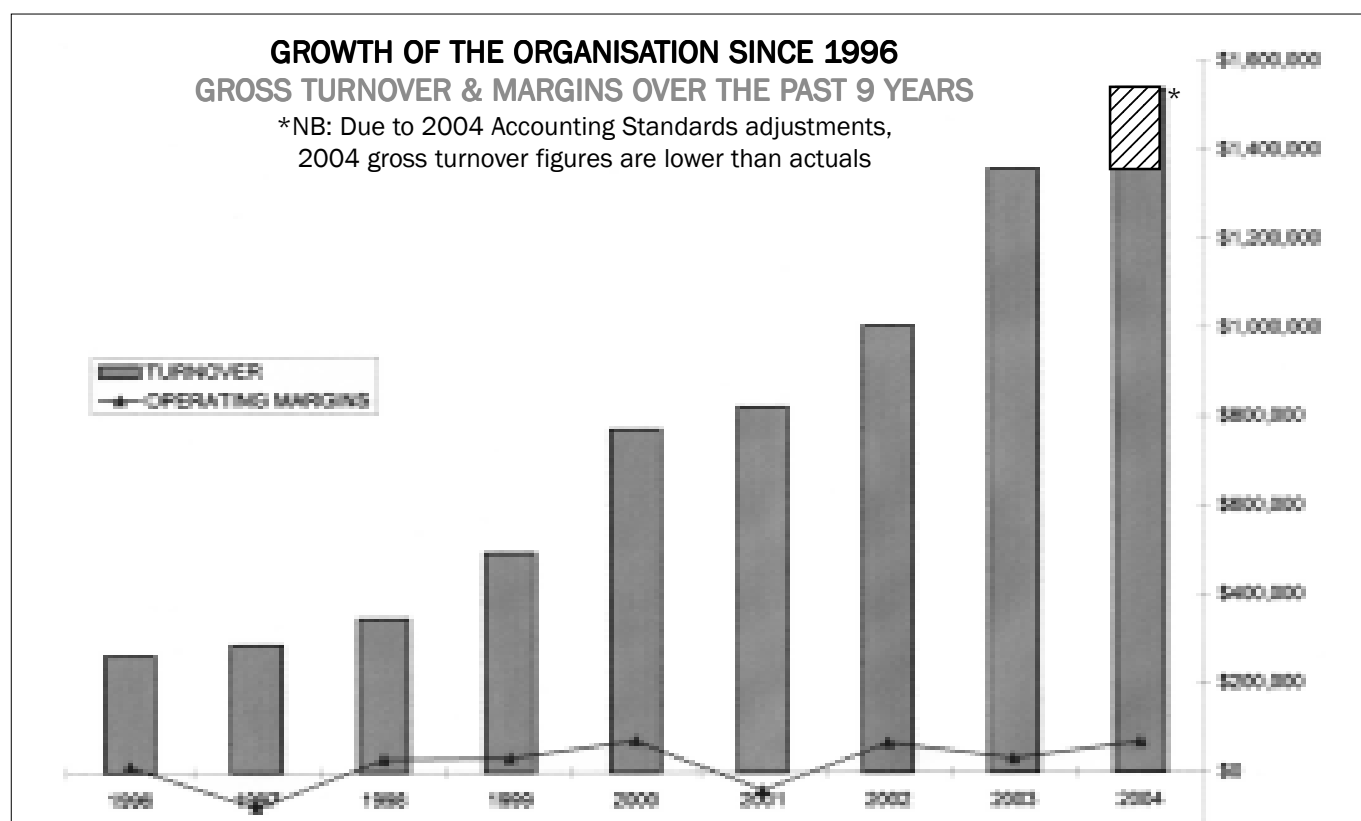
The promotion and development spend has become a more significant feature of our group as we grow. This includes wages for staff (now three full time staff in BFA for industry promotional and development purposes), in addition to administrative staff, maintenance of office and related expenses, and cost of designing and printing brochures, posters and related materials.

The coming years will also see a commitment to research and development projects that are carefully honed towards delivering benefits to industry members.



GROWTH OF THE ORGANISATION SINCE 1996 GROSS TURNOVER & MARGINS OVER THE PAST 9 YEARS

*NB: Due to 2004 Accounting Standards adjustments, 2004 gross turnover figures are lower than actuals



Financial realities for industry

Domestic & Export Markets

The past year has seen mixed results financially for producers, while most marketers reported ongoing significant rises in sales, between 10-25%. Some producers remain either in drought affected areas or have limited access to water resources, which has hampered production in some regions (see export graphs).

Extreme weather conditions have also impacted on consistency of supply. This has impacted on levy collections for some sectors. Horticulture continues to strongly carry the group, however even some horticulture sectors have experienced limits to their production, most particularly due to water scarcity as well as freak weather patterns. Cereal production has been significantly hampered in some regions, as it has been generally. Similarly livestock production will take some time to recover in areas where significant destocking has occurred over the past two years.

Growth of new entrants for certification as well as membership, continues, however, net growth was down from last year, again induced by drought and rationalisation of some business ventures.

ACO continues to absorb the lions share of new entrants to the organic industry, highlighting our organisation's focus on practicality, commercialism and professionalism, and the attractiveness of the Bud logo. This also highlights industry's recognition that there is a need for one main strong and able certification agency, and with ACO certifying over half the industry, producers are voting with their feet.

Harmonisation of the industry continues in terms of regulation. Whilst there are seven certification agencies accredited by AQIS in Australia, the relative share of regulated product has increased for IFOAM accredited certification systems in the past year. The export figures for last year highlight this and reflect an excellent selling point for the Australian organic industry.

Further, the increased presence of the Bud logo in markets across Australia is highlighting the progressive harmonisation towards one main organic logo for Australia.

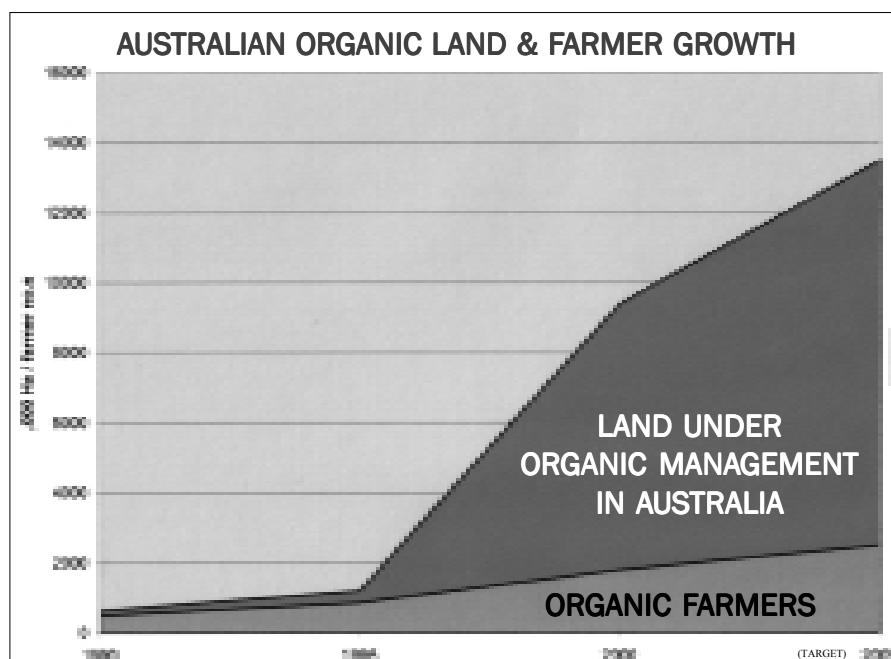
BFA is planning potential investment in two major research projects over the coming years. This will begin in 2005. The first of these is a research study comparing the breast milk of organic consumers versus that of non organic consumers. The second is the proposed Organic Co-operative Research Centre. In both instances, BFA will be ensuring that monies spent are significantly multiplied by linking

with government funding. Secondly BFA will be ensuring that research and development outcomes are *honed specifically to member benefits*. BFA has been and will continue to be involved in other R&D projects aimed at understanding organic principles better at the farm level and finding solutions to members' production problems.

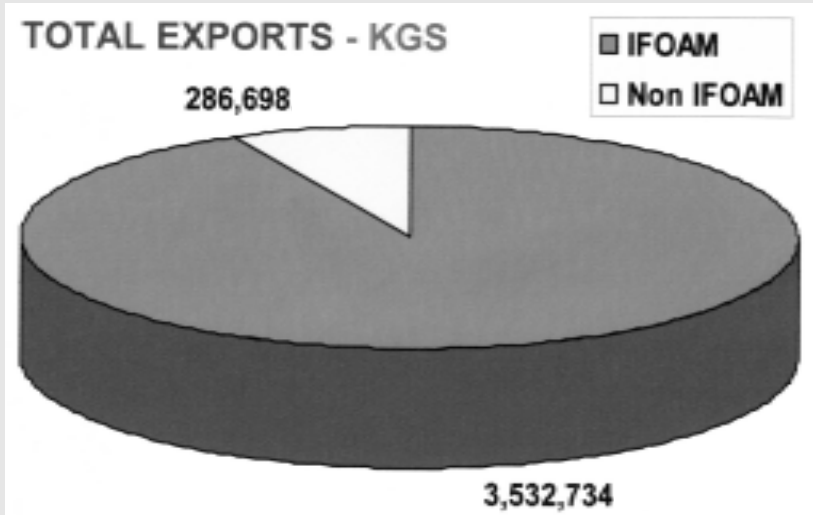
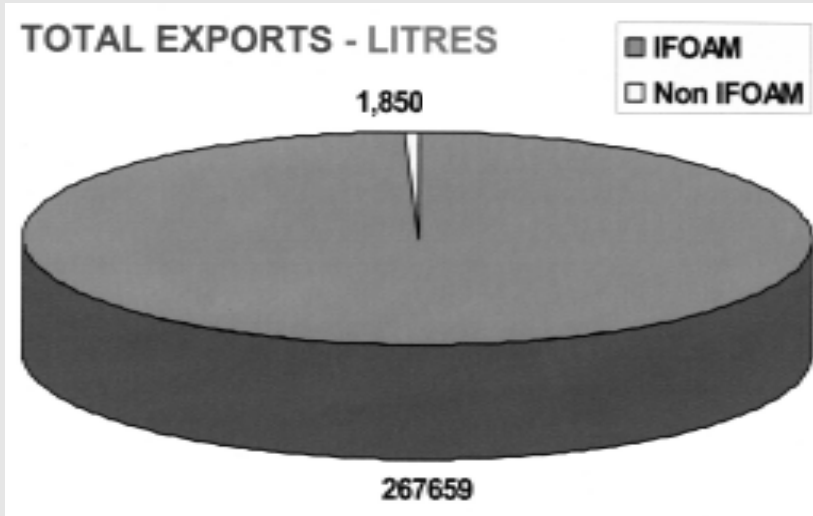
The biggest spend of BFA levies this past year and through time will remain promotional. This is to ensure that the providers of those levies (and member fees) are the ones benefiting from the investment that they make in the Co-operative.

ORGANIC INDUSTRY DEVELOPMENT IN AUSTRALIA					
	1990	1995	2000	2003	2004
PROCESSORS & MARKETERS **	<50	150	250	670	720
FARMERS (INC. IN-CONVERSION)**	<500	862	1600	2100	2200
FARMING AREA CERTIFIED (HECTARES)*	0.15 mil	3.34 mil	7.6 mil	10 mil	12.5 mil
\$ VALUE ** ESTIMATED	\$28 mil	\$80.5 mil	\$190 mil	\$250 mil	\$300 mil

* The significant increase in farming area between 1995-2004 is due to the continued addition of extensive pastoral zones of Queensland, South Australia and Northern Territory
 ** Data are estimates based upon industry reports and other available information. Exact data is provided by ACO & NASAA



Organic Producers & Marketers

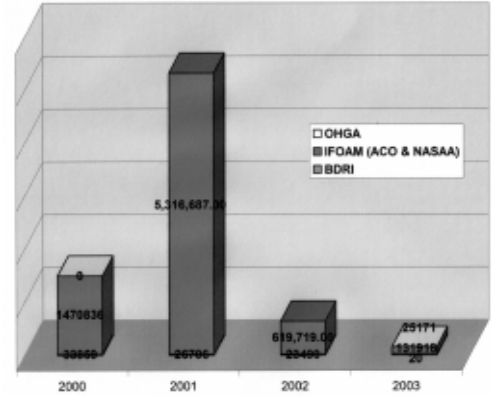


Industry Harmonising: Breakdown of exports certified under the IFOAM accreditation program (IOAS) in addition to the AQIS accreditation requirements

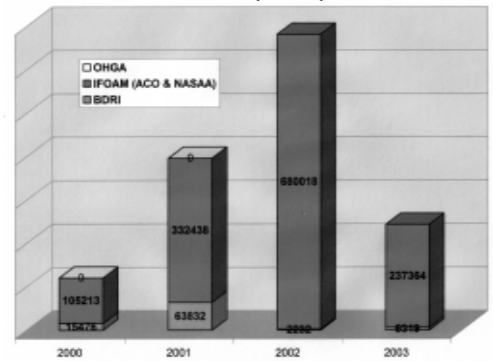


EXPORTS AFFECTED BY DROUGHT & INCREASED DOMESTIC DEMAND

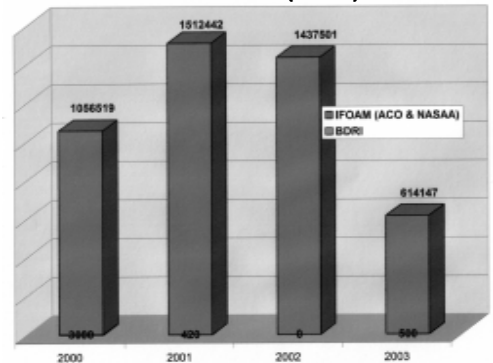
FRUIT & VEGETABLES (KGS)



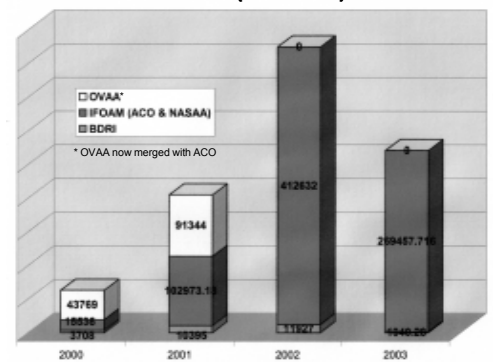
BEEF (KGS)



OILSEEDS (KGS)



WINE (LITRES)



Triple Bottom Line Management Report

Environmentally How we have fared

"The aim is to enhance biodiversity on farm such that a fully functioning farming eco-system is maintained."
Organic Standard V 6 Section 4.7.2

The Organic Standard is explicit about the prohibition of use of **synthetic agrichemicals** in the farming environment, and to this extent the growth in organic farmer certifications, and the organic growth or expansion within existing operations delivers a move towards a cleaner environment for Australia.

Biodiversity is specified in the Organic Standard as a required focus of the organic farmer. Biodiversity comes in many forms. A focus on soil health and biological activity, as noted in recent reports from reputable sources such as the Journal of Biological Conservation, leads to improved diversity at the soil web level. At a farm level, from 2005 the requirement to set aside greater than 5% of farm land for non (farm) productive areas as remnant vegetation, natural wetlands, or similar further distinguishes the organic industry requirements above and beyond conventional practices.

GMOs are expressly prohibited within the organic production chain in Australia. Much uncertainty remains about GMOs, foods and the environment. Organics takes a precautionary approach to GMOs. The vigilant work of BFA has been aimed, in concert with other concerned groups, at protecting the interests of industry members and broader consumer concern regarding GMOs in foods.

Water conservation and protection of water quality are also listed in the Organic Standard (Section 4.4) for organic farms. Water efficiency as well as measures to "enhance the ecological aspects of the farming operation in respect of water features" is noted. Of course without allowance for the use of synthetic herbicides and highly soluble fertilisers, there is less concern for runoff and nitrification of waterways.



Triple Bottom Line Management Report

Socially

How we have fared



ORGANIC PRODUCTION PRINCIPLES

Organic production systems are guided by the following principles and outcomes:

- ☞ Production of naturally safe, high quality, nutritionally vital foods.
- ☞ Optimal production output, with rational and minimised use of inputs
- ☞ Use of recycling and biological cycles within the farming system
- ☞ Biodiversity protection and enhancement within the farm and surrounding areas
- ☞ Reparation of lands and soils and best environmental practice of farming activities

Organic farming principles are aimed at delivering a fair return to farmers for their labours. With market forces, and no organised co-operation, this has proven difficult for farmers, organic or otherwise. The challenge for our industry is to assist in explaining why premium prices for organic produce are essential, not just to cover the often higher cost of production, but also to assist in preserving the family farms and smaller farms which are a critical component of our industry.

There is brief reference only currently to broader social policy requirements, though it is a noted requirement for operations with more than 10 employees, and particularly for international projects or plantations. This is in line with the consumer expectation that organic is also concerned with the social environment within which organic foods are produced.

It is likely that the next version of the Organic Standard will also incorporate Fair Trade Standards for operations wishing to be certified to these requirements.

The social also incorporates the element of how and where foods are traded. Clearly there are two emerging cultures within the organic industry in terms of markets - the mainstream, and the local. BFA promotes the existence of farmers' markets, food networks and co-operatives which assist in maintaining the true flavour and intention of organics. This past year has seen an ongoing growth in farmers' markets and independent retailers, which offer a viable alternative for many smaller organic farmers wishing for greater returns for their quality produce, while delivering what is a clearly growing consumer demand for locally produced organic foods.

Consumers are demanding and expecting these environmental and social outcomes in their purchase of organic foods, and the Organic Standard and the certification program are aimed at delivering on these expectations.

Delivering Outcomes for Members 2004

Outcomes

BFA protecting industry



Citrus Canker became an issue for citrus farmers in Australia in mid 2004. Organic farmers were faced with mandatory prohibited input protocols and the destruction of their organic markets. BFA and ACO worked hard, with the assistance of members such as Benita and Les Darrow, to achieve an outcome that enabled organic producers to stay compliant to both state mandated requirements as well as the Organic Standard.

The outcome was a classic example of what levy payments from members enable our organisation to do. No doubt there will be similar cases in the coming years for other sectors. The ability of the BFA Group to be able to react to these cases is predicated on levy payments and member support.

The **chicken and pig** industries similarly have faced disaster due to the extremely difficult and non Australian oriented organic production standards. The issues included a lack of sufficient protein feed sources, the need to ensure animal welfare and a fair return for the challenging work of being an organic poultry or pig producer. BFA took this challenge on for this sometimes forgotten small sector of our industry.

The BFA has consulted widely with industry, the scientific community and the marketplace to deliver viability for farmers, integrity of the organic program and organic chicken and pig products for consumers.

The BFA has also made a **principled stance** in restricting products currently still permitted by the AQIS Standard, responding to consumer and member concerns. One example has been the proposed delisting of **talc, a known carcinogen**.

These examples classically highlight the need for industry to maintain control of the standard, ensuring

sensible, and regionally specific outcomes for industry members, while also protecting the integrity of organic products for consumers.

Promoting certified organic only. BFA has been liaising regularly with supermarkets and independent retailers, as well as media to drive home the message that if it is not certified organic it is not organic. This will remain a significant feature of our campaign in the absence of domestic legislation. In the meantime, BFA is continuing to monitor and is involved in steps towards achievement of a code of practice or similar which will bolster the independent certification program.

Expanding the Organic Standard. The BFA, which manages the most utilised organic standard in the region, is regularly called upon to establish new sections to the Organic Standard. The next edition is planned to include Fair Trade, updated sections on Cosmetics, Aquaculture, and revisions to Retailing and Marketing, all based on industry member feedback and requests. The draft Version 7 will be available for industry comment from late 2004.

The BFA and ACO head offices are becoming known as the place to ring or visit for an authoritative position on organic industry matters

Australia Wide Representation

Covering organics from coast to coast

The BFA website is increasingly being visited for all things organic. In December 2004 a full overhaul of the website will enable a "one stop shop" for consumers through to farmers and those seeking organic inputs or ingredients

The past year has seen the **repositioning of head office** in a capital city to enable better access to the mainstream as well as members. The office is 20 minutes from an international and domestic airport with ease of access for regional visitors. Since this time we have had more member visits as well as overseas and national visitors than in any other time period. This is good for business and spreading the word. It has included visits and coverage from such programs as Today Tonight, as well as international media coverage including Korean Television. We expect much more of this as the mainstream organic organisation in the country in the coming years.

Media releases are now a regular feature from the BFA office and this is snowballing into media realising that they can gain significant resources from our office of benefit to them and in turn our industry members. This now even includes soap opera producers and television cooking shows.



Campaigns you have seen this year

Our activities in the field would not be possible without the extensive network and support of members, backed up by the membership fees and levies to enable them to conduct campaigns or promotional work on behalf of the BFA:

Nutrition and Food: Shane Heaton has become a regular feature for our industry now, through contributions to the publications, email contact with queries from the public, and presentations to media and at field events.

Shane is assisting in getting the message out that good quality organic foods are a key part of a healthy lifestyle, while Shane's work has contributed to verifying the claims that organic foods are superior.

You can see Shane's past work on the BFA website: www.bfa.com.au

We are working with chefs, including Geoff Jansz, Margaret Fulton and Mirko Grillini to promote an organic style to cooking and eating in the modern world.

Genetic Engineering remains a threat to our industry. It is also an opportunity for demarcation of certified organic products. The tireless work of BFA GE Subcommittee members Scott Kinnear and Sam Statham has ensured that the critical issues surrounding GE remain on the national agenda and organic interests are represented.

The **BioNutrients Group** is set to become a significant force in the agricultural inputs field, being made up of registered Allowed Input companies, and driven by this group. The aims of this group include investing in and overseeing compara-

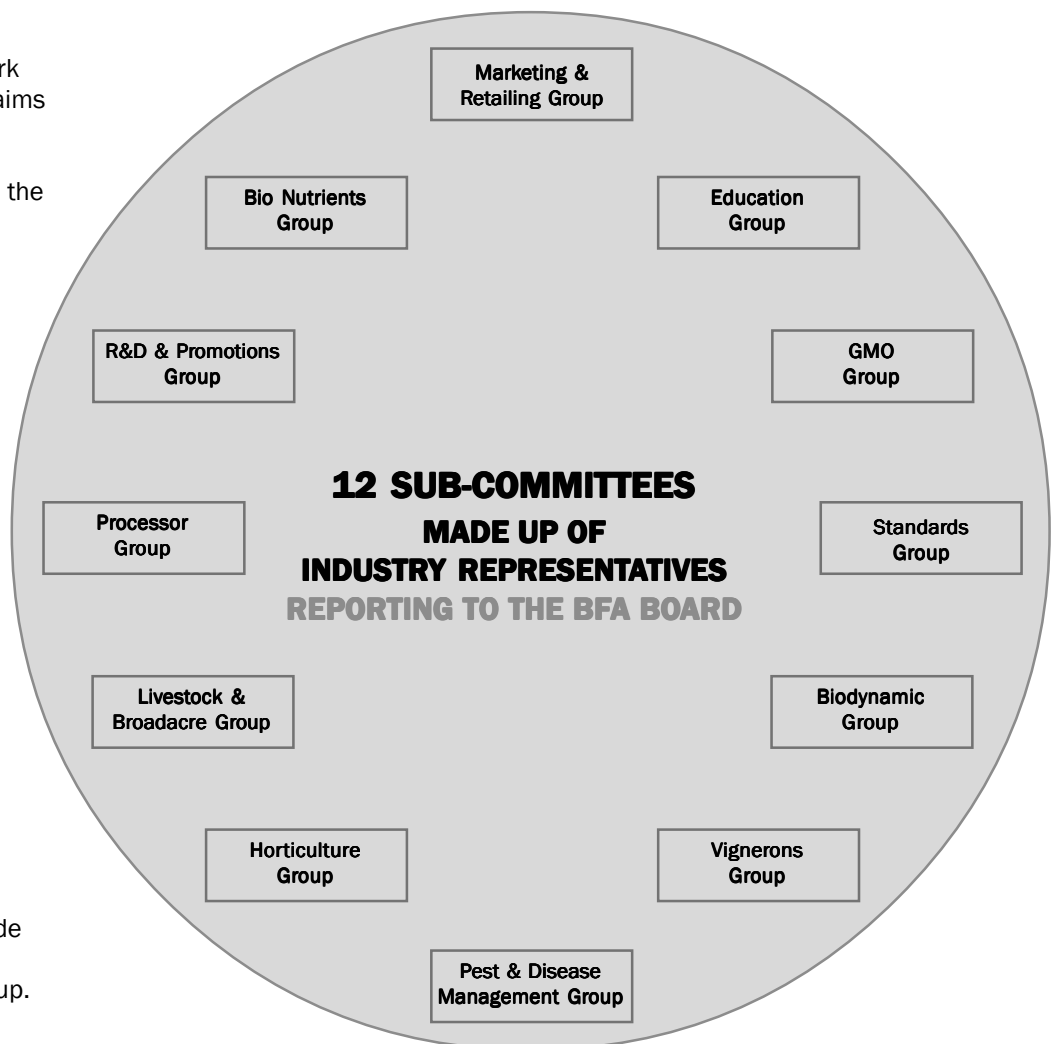
tive research trials, delivering to farmers clear and simple selection criterion for inputs, while helping promote the understanding behind the use of biological inputs.

The **Livestock subcommittee** is currently running two PIRD (Producer Initiated Research and Development) projects thanks to BFA working with MLA (Meat and Livestock Australia) in attempting to solve some challenges in the fields of stock supplementation and organic management of ticks. Collaborative projects such as

these are examples of the effectiveness of groups such as the BFA Subcommittees.

Retail focus through leaflets, posters and information and through availability of the Australian Organic Journal to a broader audience.

All the people involved in these projects have been supported by membership fees and levies. This funding is essential in ensuring that we can sustainably maintain this level of activity.



Healthy Food Healthy Body Healthy Life

Campaigns to look out for next year

2005 WILL SEE:

The first of a series of organic cookbooks with the noted chef Mirko Grillini

Investment in such high profile research projects as pesticides in breast milk - a comparative study of organic and non organic consumers

Promotion at domestic and international trade events including:

- ✂ Australia's first national consumer focused organic fair in Sydney in June
- ✂ 15th International IFOAM Conference in SA in September

International fairs (eg Biofach - Germany, Japan) which are organised on a user pays only basis

Investment, if successful, in the Organic Co-operative Research Centre, which will yield practical production results for industry members

The ongoing presence of the Organic Roadshow across the country

Further rollout and activities of the Industry Subcommittees of the BFA



BFA is working with Chef Mirko Grillini to bring out a series of organic cookbooks

Organic Roadshow Workshops

Following member demand for regional workshops by BFA, the Organic Roadshow was launched this year. This will become a permanent feature on the annual calendar. This year we visited:

TAS: Launceston in mid February

WA: Mandurah in late February

QLD: Brisbane, Bundaberg and Cairns in April

NSW: Sydney, Canowindra and Lismore in March

VIC: Melbourne in July

SA: Paris Creek & Langhorne Creek in November

These workshops are just a few of a number of other events through the year that either the Chairman, Directors, the CEO or the MD of ACO have attended on behalf of or for members.

We thank once again the sponsors of these events for assisting in making these possible.

The main and consistent issues members raised were:

- ✂ The desire to continue to enjoy member exclusive meetings
- ✂ Access to more technical information at workshops
- ✂ More farm and field site visits
- ✂ The need to work diligently to prevent fraud in the marketplace
- ✂ The desire for access to free promotional materials
- ✂ And a clear endorsement for BFA to continue work that ensures a pragmatic approach to industry regulation and promotion of organic businesses large and small

History of the BFA

The Biological Farmers of Australia Co-operative Ltd has been serving the organic community in Australia since the 1980s and is today the largest organic grouping of interests in organic and biological approaches to agriculture and food production in Australasia.

The BFA has been a major force in ensuring that the Organic Standard in Australia has remained in the hands of farmers and those in the organic community who have a real stake in the production, marketing and consumption of organic foods and fibres. Too often we see standards and laws taken out of the hands of the very people for whom they were initially created for.

Initially formed to progress the interests of farmers and processors who wished to promote and protect the message of organics, including the setting of organic standards, the BFA went on to develop its certification program to independently verify farmers and processors were producing in accord with the standard.

The BFA was registered as a Co-operative in 1988, following community and industry meetings across the country. BFA has moved its national office headquarters a number of times over the past 15 years, and is currently in the city of Brisbane, Queensland. This reflects the maturing nature of the organic industry and the increasing demands on the organization to meet the needs of members and clients, as well as interest shown by media, business and government to obtain information of the how, why and where to buy organics.

The BFA has a regional office in the Barossa, South Australia, which assists in the task of operating its national and international program. The Barossa office was retained when the BFA integrated with the Organic Vignerons Association of Australia, made up of leading organic vignerons, in 2001.

The BUD logo was initially designed by Rosemary Dunn of South Australia, one of BFA's early and loyal members, while sitting around the Dunn's kitchen table. The bud represents everything that BFA is about. The growth and promise of spring, the sign of big things growing from the initial organic movement, and the strength and logic of nature and natural (biological and organic) systems in guiding our choices in life.

The bud is a registered mark with IP Australia and is the oldest Australian organic certification mark in the country

still currently in use. Many other symbols and organic signs have come and gone over the last two decades of the organic industry's development in Australia. There are others in other countries of the world where organic products are traded, but none are as recognized as the bud logo for the Australian market. Most importantly the bud represents Australia's leading certification program, ensuring integrity of organic products in the marketplace for consumers.

As the industry and the market is now maturing and growing with an ever widening group of consumers, the bud is simplifying organic consumers' choices by being easy to recognize, now on the majority of organic products bearing an organic certification mark in Australia, and bearing the simple words: "Australian Certified Organic".

Australian Certified Organic Pty Ltd (ACO) is BFA's independent subsidiary which looks after certification of organic foods and fibres. ACO was set up in 2001 to distinctly separate the task of certifying and regulating organic products. BFA's other functions include promotion of the industry and representing the industry's interests to government, whilst maintaining the Organic Standard for industry.

The early 1990s saw involvement from the federal Australian government following industry request to establish a national organic standard for production and marketing for export. This was formalized in 1991 and remains today as a bedrock regulation upon which the BFA bases its popular Organic Standard.

The BFA maintains regulation conformance with all leading organic standards across the world, arguably making the Organic Standard (now in its 6th edition) one of the most respected and rigorous standards for organic production internationally.

Such conformance includes the international organic organization IFOAM (International Federation of Organic Agriculture Movements), Codex Alimentarius, the USDA's National Organic Program, the Japanese Organic Standard, the EU's Organic regulations, as well as AQIS for Australian export.

The Organic Standard is available on line or through the BFA office in hard copy, and is reviewed annually to ensure it is both conforming to these international and national requirements but most importantly is also reflecting the interests and needs of the organic community,

which includes farmers and processors as well as retailers and consumers.

The BFA maintains the Organic Standard which its subsidiary ACO then administers, separating the powers of the "legislative" from the "executive".

BFA today is made up of a diverse range of members from farmers to consumers, processors and marketers and those with a general interest in organics. Its strength is its diversity as it strives to represent the interests of its members and the broader organic movement.

BRIEF TIMELINE

Early to mid 1980s: Organic producer meetings across the country

Late 1980s: Industry establishment of Organic and Biodynamic Standards

1988: Registration of the BFA as a Co-operative and first Chairman Mr Gavin Dunn

1991: Establishment of the AQIS national standard for organic and biodynamic produce

1992: BFA accredited by AQIS as an organic certification organization

1994: Second Chairman Mr Arthur Daiken

1996: Third Chairman Mr Graham McNally

1997: Fourth and current Chairman Mr Doug Haas

1999: Establishment of new standards setting procedures: Organic Standard Version 2

2001: Integration with the Organic Vignerons

2001: Launch of the Organic Farmer (later to become Organic Business - member news)

2002: Establishment of ACO - as Australia's largest organic certifier separating BFA's other industry development and representation work

2002: ACO achieves IFOAM accreditation and USDA accreditation

2002: Launch of the new look Australian Organic Journal

2003: Launch of the Organic Advantage - most circulated e-zine to industry

2003: New industry annual report: Organic Annual, Australia

2003: Publication of the Organic Standard Version 6

2004: BFA and ACO head offices move to capital city, with the co-operative's aim of "mainstreaming organics" in the coming decade.

Organics on the world stage

Latest statistics from around the globe

AUSTRALIA

Australia/Oceania holds some 45% of the world's organic land, followed by Latin America (<25%) and Europe (<25%).

Australia is ranked 36th in the world in terms of numbers of organic farmers.

GLOBAL

The global market for organic food and drink was valued at an estimated USD 28-30 billion in 2004.

USA

Organic food and drink sales were estimated to have expanded by 12 percent to an estimated USD 13-14 billion in 2004.

EUROPE

European sales of organic products alone, were estimated to have expanded by another eight percent to reach an estimated USD 11-12 billion.

The German market is the largest in Europe, valued at an estimated USD 3.5 billion.

The British market for organic food and drink is the third largest in the world. Retail sales were estimated at USD 1.8 billion in 2004, but market growth rates are slowing after years of growth between 20-40 percent.

*Willer H & Yussefi M, "The World of Organic Agriculture - Statistics & Emerging Trends 2004", Development and State of Organic Agriculture Worldwide, International Federation of Organic Agricultural Movements, 2004, p13-24

LAND AREA UNDER ORGANIC MANAGEMENT - THE TOP 10

Australia	12,500,000
Argentina	2,960,000
Italy	1,168,212
USA	950,000
Brazil	841,769
Uruguay	760,000
United Kingdom	724,523
Germany	696,978
Spain	665,055
France	509,000

AUSTRALIA HAS MORE THAN 2% OF LAND UNDER CERTIFIED ORGANIC MANAGEMENT

The Swiss market was valued at USD 766 million in 2002 and is the fifth largest in Europe. The Swiss expenditure rate on organic products is the highest in the world, with the average Swiss consumer spending the equivalent of USD 160 per annum.

JAPAN

The Japanese market for organic food and drink was previously

PERCENT OF TOTAL COUNTRY'S AGRICULTURAL AREA

Liechtenstein	26.40%
Austria	11.60%
Switzerland	10.00%
Italy	8.00%
Finland	7.00%
Denmark	6.65%
Sweden	6.09%
Czech Rep.	5.09%
United Kingdom	4.22%
Germany	4.10%

AUSTRALIA IS RANKED 18TH IN THE PERCENTAGE OF LAND UNDER ORGANIC MANAGEMENT

estimated at above USD 3 billion, however, the introduction of government regulations on organic farming and foods caused revenues to shrink over ten-fold in 2001. The Japanese Agricultural Standards (JAS) only allowed organic foods which are certified by an accredited organisation to be marketed as "organic". This caused many organic products to lose their organic status in 2001, and the market size shrunk as a result.*

Directors and Executive of the BFA Group 2004

Elected BFA Directors:

Ross Cowling, Wholesaler, QLD
John Farrar, Retailer/Processor, TAS
Doug Haas, Horticulture, Yeppoon, QLD
Denis O'Leary, Broadacre, NSW
Clinton Starr, Horticulture, VIC

Chairman of BFA:

Doug Haas

Appointed BFA Directors:

Steven Strong, Processor, NSW
David Warriner, Livestock, QLD

ACO Non Executive Director:

Ewan Colquhoun, Agribusiness, Qld

Executive:

BFA CEO: Andrew Monk
ACO Managing Director: Catriona Mills

The final word

As a long standing farmer of organic vegetables, Anne and I are only too aware of the challenges that are faced on an every day basis by producers within our industry.



I have enjoyed my year once again as your Chairman and to have the opportunity of leading the BFA for such a long time has been reward within itself.

If it is not the challenge to meet the exacting requirements of the Organic Standard, it is the weather, fluctuating markets, and other unforeseen events that seem to appear from no where from time to time. It is also sometimes disappointing when you realise how many consumers of food, and even the purchasers of organic foods, do not fully comprehend and understand the realities and challenges of a farming enterprise.

There is an immense amount of work that is being undertaken and this has to continue to ensure that the message of organic production and food continues to reach the widening cross-section of the community.

While the BFA as an organisation is all the stronger because its composition is from all sectors within our industry, from input manufacturers to processors, retailers and consumers, this has kept our organisation and industry focused on the important issues facing our industry.

Without organic farmers there would be no industry. Farmers realise that without the support and communication with processors and marketers, they have no sustainable future. The beauty of the BFA has been that it serves as a place for us all to network and discuss issues of supply, production and marketing. We may not always agree with each other, but we find ways to work together to meet our mutual needs.

Our Constitution continues to reflect an emphasis on organic farmers, in requiring a minimum of three of the five Directors to be certified organic

farmers. The Board is very aware that good corporate governance is required. Our Constitution allows for the appointment of two additional non-voting directors. This past year we have had the presence of two additional MBA qualified industry personnel; David Warriner and Steven Strong. Both have added to the overall caliber of your Board, ensuring not only effective and transparent representation, but also, and equally importantly, effective and transparent governance of your Co-operative.

At this point I would like to note the long standing contribution of departing Director Denis O'Leary. Denis has loyally served our Co-operative as Director for eight years, ensuring through this time that the interests of BFA members are being served. In thanking Denis, the support of his wife Margaret and son Matthew has to also be acknowledged.

I also note the important input from Directors Ross Cowling and John Farrar, as well as the significant corporate experience brought to our Board in Clinton Starr, while Ewan Colquhoun has been a special asset to ACO in addition to assisting BFA on many issues.

Our other new professional and highly competent addition has been Managing Director of ACO Ms Cat Mills, highlighting just how our organisation is viewed within industry - the place to work on progressing our organic ideals. We have a great team of highly technically and professionally competent people working in our office.

Chairman of the Board

The Board is also aware of the need to listen carefully to the pragmatic business experiences of retailers and wholesalers, which is why we make efforts to have presentations from those sectors, and for people to be regularly involved with us from across the supply chain - including organic consumers.

Over the past eight years I have watched a number of events within our industry and it is arguably useful to look back on these in deciding our way forward.

When I first became Chairman of the BFA, the Co-op was not enjoying the strong financial position that it does today. The practice of poorly managing finances within our industry is all too often the case. The BFA has proudly managed its finances to ensure we are able to achieve practical outcomes for our members. This is during a time that related industry organisations have suffered consistent losses or unsustainably low yields. Like a healthy farming or business venture, financial sustainability is the key to being able to achieve your goals.

During my years as Chairman, we have also fostered a functional working environment, attracting professional people to further the interests of the Co-operative and thus the industry as a whole. It is important that we continue to balance philosophical views with those that are both practical and professional. If we are unsuccessful in achieving the correct balance, we may well fail in capturing what we wished to gain.

Too often we have seen too much philosophy in our industry ruin a good plan. Equally by ensuring the Organic Standard remains in industry hands, we will ensure that we are not "sold out" by government or solely commercial interests.

Some of the major achievements of the year have been:

- ✂ Relocation of our head office and a significant change in staffing arrangements to

enable BFA and ACO to most effectively cater to the needs of our members. There has been a significant increase in both the professionalism and the technical capacity of staff;

- ✂ Growth has continued to remain good during a year of consolidation, although there has been the restriction of drought and other related financial challenges for some organic businesses;
- ✂ BFA and ACO have continued to attract the majority of new entrants to the organic industry, now moving well beyond certifying 50% of industry members and the majority of processed product bearing the Bud logo;
- ✂ The BFA has continued to work practically with government and other agencies. Our calm, practical approach is being noticed and supported.

BFA continues to retain the position of being the largest member based representative group for the organic industry within Australia, promoting trade, development and organic standards. The BFA as a consequence is the "largest organic democracy" within Australia. Members have input into the direction and content of BFA strategies, standards and activities in the industry. As your Chairman I have been vigilant to ensure that this remains as an important attribute of the BFA.

Too often there is theory about how representation or promotion should be achieved by this or that organization or means. The organic industry is varied and diverse. The BFA will not shy away from representing the interests of its members, who make up the majority of the Australian industry and are the representatives of progressive and pragmatic organic businesses in Australia.

While diversity within the industry is healthy, the splintering of smaller groups puts additional financial strains on industry, most particularly

the members of smaller groups. The size of the BFA enables it to deliver economies of scale for its clients and members. This places us in a position today of substantial strength. We recognise that industry is now looking to us to lead forward, and with our extensive network of committed members, we will do just this in the promising years ahead.

I look forward to meeting up with you at future industry events, and our workshops - these have been a great success. These were established many years ago and are what I call bringing BFA and ACO to its members.

Once again over the past year BFA and ACO have enjoyed good growth and consolidation, with the added advantage of being seen as the first port of call from overseas interests and for those seeking commercial reality when it comes to sourcing industry information.

I have enjoyed my year once again as your Chairman and to have the opportunity of leading the BFA for such a long time has been reward within itself. There are many who I could and would like to thank for their quiet assistance, no one more than my wife Anne whose continuing support makes this possible. We have just entered our third driest successive year ever recorded, now that is a record that we really did not want to claim.

I wish you all well in your endeavours. I thank you for your loyal support as members over the past years.



Doug Haas
Chairman of the BFA Board

VISION 2020 FOR THE AUSTRALIAN ORGANIC INDUSTRY

BY 2020 BFA & ORGANIC INDUSTRY WILL HAVE:

- ✍ 10% of primary producer numbers certified organic in Australia.
- ✍ 10% of the gross value of food and fibre production in Australia.
- ✍ 10% of the retail food market within Australia.
- ✍ Played a leading role in seeing a 50 % reduction in 2001 levels of synthetic agrichemical use per tonne of product produced by conventional agriculture

VISION FOR INDUSTRY CERTIFIED NUMBERS

(% OF TOTAL PRIMARY PRODUCER NUMBERS)

CURRENT

2003 1.3%

2004 1.5%

PROJECTED

2005 1.8%

2010 4%

2015 7%

2020 10%

VALUE CERTIFIED ORGANIC PRODUCTS

(% OF AUSTRALIAN RETAIL DOLLAR)

CURRENT

2003 < 0.2%

2004 ~0.2%

PROJECTED

2005 1%

2010 3%

2015 7%

2020 10%

CHALLENGES AHEAD FOR INDUSTRY ACHIEVING VISION 2020:

Capacity Building:

- ✍ Increased capacity to supply consistent quality product - improved supply chains
- ✍ Consumer understanding of the benefits of the "organic package"
- ✍ Resources for advocacy to ensure organic interests are protected, eg GMOs
- ✍ Science oriented towards understanding and bolstering organic practices and foods

And Industry Interests

- ✍ Protection of organic farmer interests to ensure equitable and viable terms of trade
- ✍ Support for and protection of the integrity of the organic certification program
- ✍ Ensuring the Organic Standard remains practical and in industry hands
- ✍ Promoting both mainstream and local organic food and farming cultures



**AUSTRALIAN
CERTIFIED
ORGANIC**

www.bfa.com.au

The objects of the Co-operative as listed in our Rules are:

- To bring together farmers and other persons with a common aim to farm in an ecologically sound manner and produce food without the use of synthesised chemicals.
- To conscientiously care about their products when processed and packed.
- To make contact with other groups and individuals both within Australia and overseas, who would have similar views, policies, and philosophies.
- To control the issue and use of the Co-operative's logo.
- To establish agencies in the states and territories for any objects of the society.
- To hold educational and promotional activities.
- To represent the industry at all levels including governments.

From the Rules of the BFA Co-op