

A growing need for convenience:

Snapshot of organic processing industry

By ALASDAIR SMITHSON

Processing and manufacturing of organic foods is a segment of the organic industry that looks set to grow significantly over the next few years. As with most Westernised societies, a number of factors (as shown in Figure 1) are changing consumer eating habits.

More disposable income, less leisure time, more single-person homes, increased inner-city living and the demise of the traditional family meal are increasing our demand for convenience food.

Traditionally, small and medium-sized companies have been involved in processing and manufacturing of organic food products.

While smaller companies still play a major role in the industry, it is significant and a sign of changing times that more and more major food manufacturers and mainstream food marketers, including large multinational companies such as Heinz, are now developing and marketing organic product lines.

But away from the general trend and on the opposite end of the scale, there is increasing demand for gourmet products such as good-quality organic cheeses and meats. This is an area that has huge growth potential in both domestic and export markets.

GROWING MARKET

Although organic convenience foods are a relatively new concept, in many of the more mature overseas markets (such as the United States and Britain), the organic processing/manufacturing sectors are the fastest-growing.

In the Soil Association's *2006 Organic Market Report*, British-based consumer research showed key drivers for this growth are convenience and health. Many prepared organic foods can, of course, offer both.

The same research revealed 35% of consumers buying organic convenience foods felt a known and trusted brand was important to their purchase. However, it was not enough for convenience foods to just be organic: 42% of consumers buying organic convenience foods said other healthy eating benefits, such as low fat, were also important to them.

Although a little dated, according to the Organic Trade Association's 2001 Manufacturers' Market Survey, sales of US-manufactured organic products grew 38% during 2000-01 and 36% annually over the five years before that, compared with an estimated 20%-25% annual growth for the

organic market in general.

So what of the Australian market? Like our overseas counterparts, the organic manufacturing/processing market is growing at a steady rate.

Data from the Australian Quarantine and Inspection Service (AQIS) in Graph 1 shows the number of organically certified manufacturers has grown significantly over the past few years, while Graph 2 shows that manufacturers of organic food make up a good proportion (21%) of the overall industry.

Australian organic food manufacturers are already producing a wide range of products, including baby food, cereal products, cheeses, fruit juices, yoghurts, preserves, canned and jarred items, dried and frozen food, ready meals and other convenience foods.

Increasing amounts of these products are exported to places such as Asia, Europe and the United States.

Ozganics, a well-established organic manufacturer with a range of products from jam to pasta sauce, is a good example of an Australian company enjoying rapid growth. Sales of its products have tripled in the past 12 months. Managing director, Anni Brownjohn, says that due to market demand, "we will be expanding our Ozganics range and launching 30 new products into the market by the end of October 2007".

CERTIFICATION REQUIREMENTS

Unlike primary producer certification, there is no "pre-certification" or "in-conversion" period for manufacturers/processors. But there are very stringent organic standards that have to be followed and an annual audit is still a necessity.

Whether you are an abattoir processing meat or a manufacturer producing multi-ingredient products, a number of criteria need to be met before organic certification can be achieved. Whatever is being produced, an organic processor licence or contract processor licence will be needed.

Once a business has achieved organic status, it can start selling and advertising its produce as "Certified Organic", as long as it is a single-ingredient product, or comprising more than 95% organic ingredients (not including water and salt).

In products where less than 95% of the ingredients are organic but more than 70% are organic, labelling of the products can state they are made with "Certified Organic Ingredients" and must list the percentage of the organic components.

Any products containing less than 70% organic ingredients must not make any reference on the labelling to being organic or having organic content. It is important to note that if planning on selling to an overseas

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market such as the US or Japan, additional certification requirements must be met.

For further information, see the Australian Organic Standards at <www.aco.net.au>, or phone Australian Certified Organic (ACO) and speak to a technical officer.

SALES OUTLETS

Anecdotal evidence suggests that in Australia, specialised organic retail outlets, farmers' markets and Community Supported Agriculture (CSA) account for an increasing amount of organic sales.

But a large proportion of organic processed/manufactured products are sold through mainstream channels such as Coles and Woolworths, which usually have an organic section.

However on a recent trip to a Coles store, I noticed that the organic muesli was located both in the organic section and integrated among the conventional cereal.

Declan Dart, managing director of Trumps, which contract-mixes and packs muesli for Coles, explained: "Coles are now integrating their organic muesli into the conventional cereal aisles, so it appears in both the organic section and the non-organic.

"This is a logical move as most people who want cereal go to the cereal aisle. Hopefully, this will have the positive effect of increasing organic sales and the profile of organic produce in general."

MARKET ISSUES

- Freight (airfreight is extremely expensive).
- Accreditation costs, such as for AQIS fees, certification fees and quality assurance programs.
- Competition with products that can be produced more cheaply in other countries.
- Continuity of supply of good-quality raw ingredients and stock.

FUTURE MARKETS

While demand for organic produce in Australia continues to grow, there are well-established export opportunities for organic produce in Asia, the European Union and the US.

Ulli Spranz, of BD Farm Paris Creek, produces a range of biodynamic dairy products and gets daily inquiries from Asian countries such as Malaysia, Thailand, and Cambodia. There is also growing interest from the Arabian market, such as Dubai.

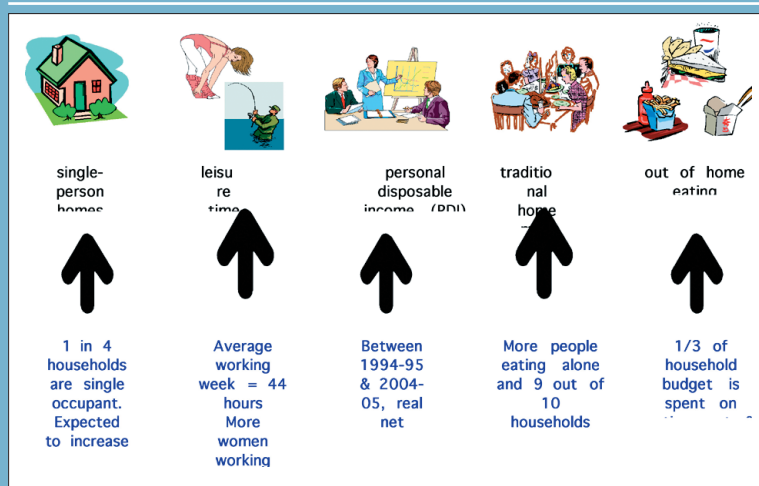
However, Spranz believes this is only short term.

"The Chinese growers and producers are going to jump on the market in the very near future and they can produce cheaper, whatever they produce," he says "To think that we can feed the Asian market is short-term thinking. Once they have got their act together (QA, certification, etc), we will not be able to compete."

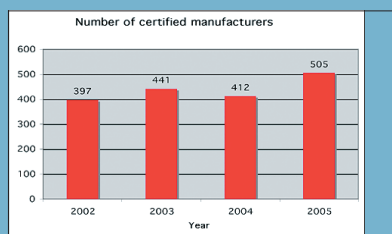
BE PREPARED

Although the picture looks rosy for organic processors and manufacturers, it is important to remember that running an organic business takes a lot of commitment, hard work and, dare I say it, deep pockets.

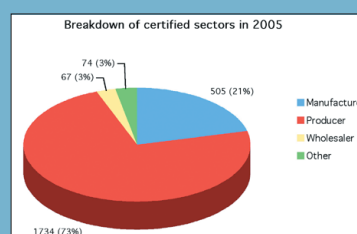
THE CHANGING CONSUMER



NUMBER OF CERTIFIED MANUFACTURERS



BREAKDOWN OF CERTIFIED SECTORS IN 2005



For anyone thinking of getting into organic processing or manufacturing, established entrepreneur Alister Ferguson, who set up The Organic Meat Co, has some advice: "The organic industry takes a lot more work than the conventional as the industry is still in its development stage.

"It is important to have all your ducks sitting in a row before approaching a retailer, as quality and continuity of supply is what they're after. At The Organic Meat Co, we don't approach a potential retailer until we are sure we have a guaranteed 12-month supply of good-quality animals."

Special thanks to Anni Brownjohn, Ulli Spranz, Alister Ferguson, Declan Dart, Michael Blakeney and Caroline Littler for their help in compiling this report.

RESOURCES AND FURTHER READING

Organic Farming — Is It For You? A step-by-step guide to planning a successful organic enterprise, by Greg Paynter, Cindy Benjamin and Jason Huggins. Available from BFA (20% discount for BFA members);

BFA workshops and roadshows. Contact the BFA events team: <events@bfa.com.au>; phone (07) 3350 5706;

National Sustainable Agriculture Information Service: <<http://www.attra.org/organic.html>>;

Australian Institute of Family Studies: <www.aifs.gov.au/afrc/bibs/livingalone.html>;

Australian Bureau of Statistics: <www.abs.gov.au>;

UK Soil Association 2006 Organic Market Report;

Organic Trade Association's 2001 Manufacturers' Market Survey.