

Australian Organic Market Report

– A summary

FOUR YEARS HAVING PASSED since the publication of a similar research document on the domestic organic sector, the Australian Organic Market Report (AOMR) 2008, launched in July this year, is a benchmark publication for the organic industry.

Delivering data across diverse sectors of industry, the AOMR will provide a key tool for decisionmaking for organic producers and marketers and offer reference points for government, media and interested parties, allowing a better understanding overall of the nature, size and maturation of the organic industry in Australia.

The new data provided within the AOMR builds on industry market data published by the Federal Department of Agriculture, Fisheries and Forestry (DAFF) in 2004, reporting on farm-gate value by sector; estimated retail, import and export values; the reported unit price range for each sector; numbers of organic farmers and operation growth; area of organic production in Australia; and demographic information on organic stakeholders and consumers.

It is intended the research, commissioned by Biological Farmers of Australia Co-op (BFA) and researched independently by the University of New England's Organic Research Centre, will be commissioned on a biennial basis with continued support from industry.

Indicative of the support for this first publication is sponsorship from Westpac Banking Corporation as well as all six State Governments and eight organic industry businesses, representing the whole supply and value chain of organic production in Australia.

Findings summary

Industry growth:

- The organic sector is showing strong patterns of sustained growth. Total retail

value in Australia has reached approximately \$623 million, an unprecedented mark.

Despite the fact the Australian organic industry at this point commands a relatively small percentage of total market value (less than 1%), it represents significant opportunity as an expanding niche market for operators committed to consistent delivery of high-quality product.

- Strong growth is increasingly evidenced by



Shopping at the Organik Store, Glenelg, SA.

the growing presence of organic products in mainstream food marketing. With the entry of major supermarkets (including Coles, Woolworths, Aldi and IGA) into the organic market, demand for organic products has reached a new level of acceleration. There are more than 500 organic lines now ranged in some larger stores. The ability of the developing domestic production to meet this demand continues to be a key challenge for the future of the Australian organic industry with recent growth underwritten by a significant rise in imported organic grocery lines and processing ingredients.

- Independent retailing is maturing, evidenced by more professional offerings

and continued strong growth in this long-established sector.

Industry sectors:

- The organic farm-gate value has grown more than 80% in four years, with some sectors contracting (mostly drought-driven) while others have developed considerably. A stagnant period of low to no rainfall has halted production in many traditional organic grain production areas, and the volume and value of organic grain production has lowered over the past decade, with some knockon effects indicated from feed-mills and livestock producers. In contrast the farm-gate value of horticulture has increased significantly in this time.

- The organic industry is consolidating and the average size of organic farms has increased, highlighting a trend towards professional farming on a larger scale (albeit still well under non-organic farm enterprise levels for most sectors).

- Challenges continue to be observed in co-ordinating organic production and supply chains. For example, production of beef cattle has been a significant success story for the organic sector, representing one seventh of total industry farm-gate value. Despite this, one third of organic beef was delivered into the non-organic conventional markets and has not been included in current value organic market estimates. At the same time, processors continue to claim lack of access to consistent quality product in demand, including beef and lamb.

- The industry has witnessed an increase in strategic market alliances and marketing groups as a means of facilitating optimum logistics in supply and distribution of product to market. Some groups have achieved substantial success in co-ordinating supply chains to access larger domestic markets and international markets. Access to these larger markets has often been obstructed by fragmented and/or lower volume supply lines.

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

- Horticulture remains a major part of the industry. Some two thirds of organic farmers form part of this sector which represents over one third and possibly up to half of the total organic farm-gate value in Australia. Fresh produce remains the first entry point for the majority of first time organic consumers and is a major component of the organic shopping basket.

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

Certified land area and demographic trends:

- Australia continues to report the largest surface area of certified organic land in the world. This is primarily accounted for by vast areas of rangeland for organic cattle production used in the Channel Country regions of Queensland and the semi-arid rangelands of Queensland, NSW and SA.

Volume of certified organic goods produced, financial returns and estimate of national farm-gate sales. A multiplier of 3.93 was used to calculate national sales from reported sales, except where specified. The 2003 estimate is from Halpin (2004).

Commodity estimate (\$)	Reported volume	Median price (\$)	Reported return (\$)	National estimate (\$)	2003
Vegetables ¹	9,601 tonne	3.74	6,427,793	77,133,516	24,384,964
Fruit ²	5,976 tonne	3.76	5,676,583	34,059,498	21,373,875
Beef	8,775 tonne	4.9	8,051,029	31,640,544	52,349,101
Grains ³	4,017 tonne	530	1,815,259	21,783,108	17,565,525
Poultry meat	555,000 birds	8.37	4,645,350	18,256,226	353,337
Honey	1,058 tonne	6	4,230,028	16,624,010	N/A
Milk and dairy	5.6 ML	0.49	3,356,313	13,190,310	7,410,000
Lamb	24,174 head	5.3	2,324,253	9,134,314	2,915,387
Wool	205,442 kg	6.15	1,326,124	5,211,667	N/A
Nuts	109 tonne	8.4	481,352	1,891,713	with fruit
Eggs	89,666 dozen	5.31	466,263	1,832,414	795,755
Essential oils	8.9 tonne	40	123,839	486,687	N/A
Pigs	413 head	9	82,600	324,618	745,750
Goat	8 head	43	344	1,352	with lamb
Alpaca	no data	no data	no data	N/A	N/A
Aquaculture	no data	no data	no data	N/A	N/A
				231,569,977	127,893,695

¹ multiplier = 12, ² multiplier = 6, ³ multiplier = 12 based on supporting industry information

- Nationally, 2750 certified organic operators were recorded at the start of 2008. Of these operations, some two thirds were primary producers and representative of between 1.5% and 2% of the Australian farming population.

- The organic industry continues to add to its farmer numbers at a time of ongoing departure from the land of non-organic farmers. The organic industry reports an average of just over 5% net operator growth per annum over the past five years.

- There is an ongoing trend for organic

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

The Australian Organic Market Report is available in hardcopy from the Biological Farmers of Australia. Contact web: www.bfa.com.au, phone: (07) 3350 5716; email: info@bfa.com.au

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