

Marketing maps the future for the processing industry

» The Australian processing and manufacturing sector is the fastest growing in terms of international retail sales. In Australia it's also leaping forward as larger retail stores increase their range of organic products, including their own brands. Two organic processors report on current trends on this side of the fence. By **Roger Graf** and **Anni Brownjohn**.

At the moment it seems jams, sauces and marinades dominate the further-processed organic foods. This has been achieved through good availability of product – downgrade fruit – simpler processing techniques, similarity to conventional product (jam is jam) and long shelf life of the product, given its nature.

I believe there are plenty of opportunities in the area of prepared meats and meals as convenient “slow food”. The main hurdles seem to be shelf life over convenience (i.e. fresh to frozen), enough volume to support sizable production runs, lack of focus on marketing and lack of support from the major organic retailers in driving the product. Some retailers appear more than happy to mark up 150 per cent, which in turn slows the sales of the product and makes it non-viable for the processor.

The cost of processing certified organic foods is only slightly higher than conventional. As the ingredient component on average is 35 per cent of the processor's costs, sell price should only be some 10 to 15 per cent higher than its conventional counterpart. Higher margins added on at each pair of hands in the supply chain is stifling demand for an industry that depends on volume in sales.

The organic processing industry is very much in its infancy and industry groups still have a majority producer membership. However with processing of organic product now seeing unprecedented growth it's time for better representation of the sector. This would not only benefit processors but help grow the industry as a whole.

From a processor standpoint the best way to market organic is from a clean input point of view. Conventional further-processed goods can contain a virtually unlimited combination of additives, preservatives and emulsifiers.

Further processing of both conventional and certified organic foods can be achieved without these chemical inputs and would appeal to a potentially huge customer base if marketed and branded correctly.

This part of the industry must take a cohesive approach to marketing as this is where the growth in this industry will come from in the next five to 10 years.

Currently, as there is no legislation for labeling of organic products, we find ourselves competing not only against conventional product but non-certified processed product labeled as organic. Increased regulation by the certifiers and increased responsibility as a community to

assist with regulation of our industry is needed to improve this situation. In addition, consumers need to be educated to look for a certification logo on product labeling.

Roger Graf owns and runs Millford Farms, a certified organic mushroom business. He has also established successful certified organic processing businesses Simply Organic and Creative Cuisine. Over eight years these companies have developed a product range of prepared meals, small goods, bread products, fruit coulis, and soups. Roger is a member of the BFA Processor Subcommittee Group.

FACILITATING TRADE OF ORGANIC

Retail prices

In relation to the domestic market we are seeing entry of the major supermarkets into a small sector food market. While this is having a positive effect on the growth of the market, the demands of the major supermarkets for lower-priced product from processors is presenting a challenge to most processors.

Organic processors have higher input expenses as well as the cost of maintaining organic certification and vigorous QA systems, which contributes to the higher final unit price of products. In addition, due to the smaller scale of operation for servicing a smaller market, many organic processors need to run a frugal business in order to maintain profit margins and viability. The ongoing drought has seen the cost of ingredients more than triple in some instances, which puts further pressure on margins.

Facilitation of trade

In order to deliver good returns to both producers and processors, a method of facilitating market networking needs to be developed. The organic industry is in need of an industry-driven program which can put processors in contact with producers. The BFA's Processor Subcommittee is investigating options.

In addition, there is a call for industry groups to place more focus on marketing to the end consumer. This will ensure growth



for our industry is created by the consumers' 'pull' in the marketplace.

While the organic industry has less than two per cent of the Australian food market, it has a high profile due to its clean food nature. However we cannot rely on editorial space alone to sell our products – we need to actively promote organics.

The US market has recently had some major changes to processing standard

regulations in regard to non-certified inputs (five per cent rule), resulting in some organic grocery lines losing their USDA NOP certification. This was an outcome of a consumer group's campaign to 'clean up' organic processed foods. It's imperative that in our standards, processing aids/additives or ingredients covered by the five per cent rule are maintained so consumers don't lose confidence in certified organic product.

Anni Brownjohn owns Ozorganics Australian Organic Foods. The company develops and manufactures a wide range of certified organic low-allergy dressings, spreads and sauces. Anni also runs The Right Food Group, a consulting business for implementation of certified organic management systems. Anni is chair of the BFA Processing Subcommittee Group and a Board Director of BFA.

THE ORGANIC EXPO – A DELECTABLE SAMPLE OF ORGANIC GROWTH

THE ORGANIC EXPO in Melbourne was a prime example of the growth the organic manufacturing and processing industry is seeing. Over 200 exhibitors gathered in Melbourne's Royal Exhibition Building in September for the event, in its first year outside of Sydney. Many were curious to see what interest would present itself from the foodie capital.

The event had 1,600 trade visitors – its highest record yet – with international visitors making up six per cent. The growth of the organic market was also apparent in the professional show of product stands and the range and innovation of products. Visitors to the event were presented with an array of new products on the market as well as many well-known original brands grown in size and presence.

The Organic Expo Awards saw 60 products judged on taste, packaging, protection of the environment, aesthetics, effectiveness in branding certified organic, fair trade, and Australian-produced.

Gold Awards for Best Organic Food Product and Best Organic Product were won by Ladybird Organics' Pre-pack Salad Mix. Best New Organic Product was awarded to Organic Bubs Baby Food, and Most Innovative Organic Product was the Nature's Child Muslin Baby Wrap. ◆



Mick Ponte, Melba Fresh Organics assisting on the BFA Farmers Market display at the Organic Expo.



Above: Sam Lynch of Original Foods with Serena Dougall of real good food at the real good food stand.