



## Organic: Does it pay financially?

While there is little argument regarding the environmentally sustainable aspect of organic production, does going organic have a financially sustainable advantage also? Organic industry members provide their comment:

**STEVE MCCOY**, WA Department of Agriculture and Food organic food and farming development officer: "Production costs vary from crop to crop. Some crops, such as olives, are well suited to organic production methods due to their relatively low pest and disease risk, and low to moderate nitrogen requirement."

**GILLIAN ARTHUR**, organic auditor for Australian Certified Organic: "Organic produce generally speaking attracts a 20 to 30 percent premium for the grower, although most growers pay a one percent levy on their sales for certification."

"Choice magazine on the other hand reported that organic vegetables at the retail end cost two or three times as much as conventional vegetables.

"This price premium is puzzling for the fact that much organic produce is sold direct to the consumer through farmers markets or

from the farm gate.

"I think this shows that the organic premium and greater financial reward in our industry may be in the retailers' margin."

**DEBORAH WRAY**, Wray Organic: "There is no need for organic produce to be sold at an average of twice to three times the cost of conventional produce. Those who price produce with these kinds of margins are holding the industry back as only a small percentage of the population is going to be able to justify a price difference this great. In our experience, produce is best sold at an average 50% premium."

**SHARON DUNFORD** of 34 Degrees South: "We do not obtain a premium for our olive oil for being organic.

"We do however feel we have an edge if someone is tossing up between our organic oil and a non-organic oil for the same price.

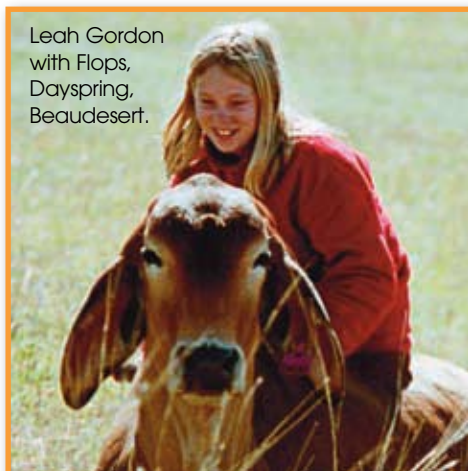
"Perhaps we cover our costs from having our products in organic outlets which provide a greater volume of selling."

**MICK PONTE**, Melba Fresh (wholesaler): "Organic can be financially rewarding if the right approach is made. For a market which is changing shape and developing rapidly and which can still be described as a niche market in many ways, research into markets for produce is very important for growers and value adders alike. All too often producers enter the market without consulting with buyers and with the idea that there is a great demand for produce but this isn't always the case.

"Retail sales growth is reported to be 20-30% per annum but while some lines of produce are still under-supplied, a small market can easily be flooded by even one producer.

"Growers need to secure markets





Leah Gordon  
with Flops,  
Dayspring,  
Beaudesert.

wherever possible with their wholesaler before planting."

**HERVÉ REMAUD**, Senior Research Associate at the Ehrenberg-Bass Institute (University of South Australia): "Our survey of 750 wine drinkers published in 2008 concluded that Australian consumers were only willing to pay one percent more for certified organic wine and yet they valued an environmental claim on wine labelling three times as much as the organic claim.

"Saying this, organic has grown in importance between 2007 and 2009, and Australians tend to be placing greater value on organic wine when making a wine purchase decision.

"It is important for organic growers to be able to access this niche.

"However, for wine at least, the fact that the organic claim was verifiable through a certification mark, while the environmental claim may be advertising hogwash, does not seem to have sunk in to most consumers' perception."

**MARK KAILIS**, managing director of Kailis Organic Olives: "In our experience, organic certification makes a product easier to sell.

"To baby boomers certification is a guarantee that the product is clean and pesticide free. They are concerned with their health. Younger demographics are very cognisant about sustainability and see certification as meaning that the growing process is sustainable."

**GAVIN MIDDLETON** of Organics Aotearoa New Zealand: said organics is a leading example of high-value production.

"Consumers are prepared to pay a premium price to reward the efforts made by certified organic growers. These premiums can be significant - although it's highly dependent on the product and market - organic growers can receive over double the conventional price.



"If growers weren't able to be financially rewarded for their work, few would choose organic systems, but with organics the fastest growing segment of world food and beverage markets (over 10 percent a year, each year, for more than a decade) suggests that farmers do find organics to be strongly commercially viable," said Mr Middleton.

**NEILL & GINA WISEMAN**, Keilna Pty Ltd, vegetable growers, Coleambally, NSW: "We have found organic farming has been good to us. I won't go back to conventional farming ever again no matter what challenges are thrown up to us. If we'd stuck to our conventional farming system, we would have been out the gate long ago. Organic farming has been a good move for us, health wise and financially."

**DAVID COOK**, Dandaragan Organic Beef, cattle producers, WA: The premium we receive for organic over conventional prices is generally 20 to 25%.

While we keep our price as consistent as possible the local market fluctuates greatly. But the problem recently has been an oversupply of both organic and conventional beef, and increased competition from the East Coast. This is likely to be due to the stronger Australian dollar and the greater difficulty in securing export markets.

There has also been a lack of interest from the media in promoting and supporting a consumer awareness drive of the benefits of organic. Some promotional dollars are needed to sustain consumer interest and education.