Arcadian Organic
& Natural Meat Co.
Premium Certified Organic Beef and Lamb

Arcadian, adj. a vision of pastoralism and harmony with nature

Arcadian Organic & Natural Meat Co is proudly 100% Australian family owned, partnering with selected farming families across Australia. We consistently monitor our supply chain to guarantee high quality product all year round.

We are Australia’s leading supplier of organic beef and lamb. Our product makes up the Cleaver’s Organic, Macro Organic and Arcadian Organic brands in retail stores.

International suppliers of quality organic and natural beef and lamb

Being the leading exporter of Organic beef and lamb from Australia, we are experts in freight and logistics management. We can send out product to you no matter where you are in the world.

Our organic products are GMO free and endorsed by the Australian Certified Organic body (ACO), Chinese Organic Food Development Center (OFDC) and United States Department of Agriculture (USDA). Arcadian export products are also recognised as halal by the SICHMA, GHTC and ICCV halal certification bodies.

Specialising in grass fed Organic meat, we also produce a 100% grass fed Natural Range for export which is sourced from the pristine Tasmanian archipelago. Our Natural Range is free of added hormones and antibiotics.

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You can find the full methodology at
austorganic.com

The information contained in this publication is intended for general use to assist in public knowledge and discussion and to help improve the development of organic and sustainable farming industries and related sectors.

Nothing in this publication is intended to be construed as advice. You should not rely on any information contained in this publication without taking specialist advice relevant to your particular circumstances.

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Data presented herein is not intended to be a precise description of the current level of organic production and marketing and extrapolated data presented in this Report are estimates only.

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Certified organic is cruelty free, pasture fed, socially responsible, free range, sustainably fished, biodiversity friendly and grown and processed without synthetic pesticides and herbicides, genetic modification, antibiotics and artificial hormones.
The organic industry is one of Australia's conventional sectors with another period to significantly outperform most equivalent sectors. The Australian organic market has continued over the five years to 2014.

The emergence of numerous larger capital raisings is indicative of the organic industry's coming of age. The past year has seen R.M. Williams Agricultural Holdings collapse, with its organic component repurchased by private capital. Similarly, Kailis Organic Olive Groves has been refinanced by new owners, with its organic status maintained. Other milestones are the ASX listing of Bellamy’s Organic and multinational PZ Cussons' buyout of Kailis Organic Olive Groves has been repurchased by private capital. Similarly, Kailis Organic Olive Groves has been refinanced by new owners, with its organic status maintained. Other milestones are the ASX listing of Bellamy’s Organic and multinational PZ Cussons' buyout of Kailis Organic Olive Groves has been repurchased by private capital. Similarly, Kailis Organic Olive Groves has been refinanced by new owners, with its organic status maintained. Other milestones are the ASX listing of Bellamy’s Organic and multinational PZ Cussons' buyout of Kailis Organic Olive Groves has been repurchased by private capital. Similarly, Kailis Organic Olive Groves has been refinanced by new owners, with its organic status maintained. Other milestones are the ASX listing of Bellamy’s Organic and multinational PZ Cussons' buyout of Kailis Organic Olive Groves has been repurchased by private capital. Similarly, Kailis Organic Olive Groves has been refinanced by new owners, with its organic status maintained. Other milestones are the ASX listing of Bellamy’s Organic and multinational PZ Cussons' buyout of Kailis Organic Olive Groves has been refinanced by new owners, with its organic status maintained. Other milestones are the ASX listing of Bellamy’s Organic and multinational PZ Cussons' buyout of

Australia has also performed better than most other organic markets in the Asia-Pacific region in the five years to 2014. The Asia-Pacific organic market comprises Australia, China, India, Indonesia, Japan, New Zealand, Singapore, South Korea, Taiwan and Thailand. The Asia-Pacific organic market has a total value of $5.47bn in 2014, an increase of $2.4bn from $3.07bn in 2009, representing an overall CAGR of 12.6% between 2009 and 2014. The Asia-Pacific organic food market is forecast to reach $6.38bn in 2016, with an anticipated CAGR of 8% between 2014 and 2016.

Worldwide, there has been an ongoing compound growth in organic but at a lower rate than Australia’s growth. The CAGR of the organic sector worldwide is at 7.7% between 2009 and 2014. The global organic marketplace is valued at $91bn in 2014, an increase of $28bn since 2009. Its forecast to reach $102bn in 2016, with an anticipated CAGR of 9.9% between 2014 and 2016.

The world's largest organic food markets are North America (valued at $44bn) and Europe ($33bn). In Europe, organic farming accounts for 2.5% of the total agricultural area and 5.4% in the European Union (Marketline, 2014c). European organic food sales experienced significant double-digit growth to exceed $38bn in sales in 2014.

Global organic food market share 2014

North America: 44.9% Europe: 35.7% Middle East and Africa: 3.3% Asia-Pacific: 5.0% Australia: 1.7%

All values are in AUS unless otherwise stated. All references in this Report to organic are to certified organic products and services.

North America and Europe are the largest overseas markets for Australian organic food exporters.
## KEY DATA

### ORGANIC PRODUCTION ($570M)

<table>
<thead>
<tr>
<th>% OF ORGANIC MARKET</th>
<th>TOTAL $</th>
<th>RETAIL $</th>
<th>PROCESSING $</th>
<th>PRODUCTION $</th>
<th>EXPORT $</th>
<th>IMPORT $</th>
<th>CAGR % 2012–14</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAIRY</td>
<td>22.3</td>
<td>376,483,000</td>
<td>325,495,380</td>
<td>264,938,100</td>
<td>113,544,900</td>
<td>52,987,620</td>
<td>18,924,150</td>
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<tr>
<td>MEAT</td>
<td>16.2</td>
<td>274,219,000</td>
<td>164,531,400</td>
<td>191,953,300</td>
<td>82,265,700</td>
<td>109,687,600</td>
<td>n/a +20</td>
</tr>
<tr>
<td>FRUIT AND VEGETABLES</td>
<td>11.9</td>
<td>234,221,600</td>
<td>210,028,400</td>
<td>141,127,000</td>
<td>122,226,971</td>
<td>24,193,200</td>
<td>47,318,700</td>
</tr>
<tr>
<td>PROCESSED FOODS</td>
<td>11.6</td>
<td>196,801,000</td>
<td>122,123,720</td>
<td>92,988,700</td>
<td>39,852,300</td>
<td>10,627,280</td>
<td>79,704,600</td>
</tr>
<tr>
<td>GRAINS</td>
<td>7.8</td>
<td>117,411,000</td>
<td>91,580,580</td>
<td>82,187,700</td>
<td>35,223,300</td>
<td>25,830,420</td>
<td>n/a +20</td>
</tr>
<tr>
<td>WINE AND BEVERAGES</td>
<td>6.9</td>
<td>106,767,000</td>
<td>8,613,600</td>
<td>7,536,900</td>
<td>3,230,100</td>
<td>2,153,400</td>
<td>n/a +10</td>
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<tr>
<td>OIL CROPS</td>
<td>0.6</td>
<td>67,553,000</td>
<td>64,175,350</td>
<td>47,287,100</td>
<td>20,265,900</td>
<td>3,377,650</td>
<td>n/a -10 (meat) +9 (eggs)</td>
</tr>
<tr>
<td>POULTRY MEAT AND EGGS</td>
<td>4.0</td>
<td>67,553,000</td>
<td>64,175,350</td>
<td>47,287,100</td>
<td>20,265,900</td>
<td>3,377,650</td>
<td>n/a -10 (meat) +9 (eggs)</td>
</tr>
<tr>
<td>OTHER</td>
<td>2.9</td>
<td>49,571,000</td>
<td>47,092,450</td>
<td>34,699,700</td>
<td>14,871,300</td>
<td>2,478,550</td>
<td>n/a +10</td>
</tr>
<tr>
<td>COSMETICS / PERSONAL CARE AND ESSENTIAL OILS</td>
<td>1.9</td>
<td>32,301,000</td>
<td>19,380,600</td>
<td>22,610,700</td>
<td>9,690,300</td>
<td>12,920,400</td>
<td>n/a +10</td>
</tr>
<tr>
<td>WOOL, COTTON AND TEXTILES</td>
<td>0.2</td>
<td>3,150,000</td>
<td>2,835,000</td>
<td>2,205,100</td>
<td>945,000</td>
<td>315,000</td>
<td>n/a +10</td>
</tr>
<tr>
<td>OTHER ORGANIC PRODUCTS*</td>
<td>8.4</td>
<td>230,353,000</td>
<td>213,804,470</td>
<td>161,247,100</td>
<td>69,105,000</td>
<td>16,548,530</td>
<td>879,030</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100</td>
<td>1,727,671,600</td>
<td>1,387,831,550</td>
<td>1,186,542,000</td>
<td>570,261,971</td>
<td>339,840,000</td>
<td>225,547,000</td>
</tr>
</tbody>
</table>

VALUE CHAIN – ORGANIC VERSUS CONVENTIONAL

The total value of the organic industry in Australia is $1.72bn, in which total value of organic production is $0.57bn, organic processing is $1.18bn, exports are $0.34bn, import values are $0.22bn and retail value is $1.38bn.

To compare, production values of conventional meat is $9.2bn (24% of total exports), dairy is $3bn (8% of total exports) and grains is $13bn (34% of total exports).

## VALUE CHAIN

<table>
<thead>
<tr>
<th>VALUE CHAIN</th>
<th>ORGANIC</th>
<th>CONVENTIONAL</th>
<th>ORGANIC % OF CONVENTIONAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRODUCTION</td>
<td>570</td>
<td>45,546</td>
<td>25</td>
</tr>
<tr>
<td>PROCESSING</td>
<td>1,187</td>
<td>69</td>
<td>55</td>
</tr>
<tr>
<td>EXPORT</td>
<td>340</td>
<td>38,464</td>
<td>21</td>
</tr>
<tr>
<td>IMPORT</td>
<td>226</td>
<td>13,327</td>
<td>7</td>
</tr>
<tr>
<td>RETAIL</td>
<td>1,388</td>
<td>142,969</td>
<td>79</td>
</tr>
<tr>
<td>INDUSTRY VALUE (EXPORT + RETAIL)</td>
<td>1,728</td>
<td>181,433</td>
<td>100</td>
</tr>
</tbody>
</table>

### EXPORT VALUE

In comparison, export values of conventional meat is $9.2bn (24% of total exports), dairy is $3bn (8% of total exports) and grains is $13bn (34% of total exports).

### PRODUCTION VALUE

<table>
<thead>
<tr>
<th>%</th>
<th>$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEAT</td>
<td>32 109,687</td>
</tr>
<tr>
<td>DAIRY</td>
<td>16 52,987</td>
</tr>
<tr>
<td>FRUIT AND VEGETABLES</td>
<td>7 24,193</td>
</tr>
<tr>
<td>COSMETICS / PERSONAL CARE AND ESSENTIAL OILS</td>
<td>4 12,920</td>
</tr>
<tr>
<td>GRAINS</td>
<td>3 10,627</td>
</tr>
<tr>
<td>PROCESSED FOODS</td>
<td>23 78,720</td>
</tr>
<tr>
<td>WINE AND BEVERAGES</td>
<td>8 25,830</td>
</tr>
<tr>
<td>OTHER</td>
<td>7 24,876</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100 339,840</td>
</tr>
</tbody>
</table>

Australian organic industry values 2014

Organic export values 2014

Australian Organic Market Report 2014
### Key Data

#### Processing Value

<table>
<thead>
<tr>
<th>Category</th>
<th>%</th>
<th>$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meat</td>
<td>16</td>
<td>191,953</td>
</tr>
<tr>
<td>Dairy</td>
<td>22</td>
<td>264,938</td>
</tr>
<tr>
<td>Fruit and Vegetables</td>
<td>12</td>
<td>141,127</td>
</tr>
<tr>
<td>Cosmetics / Personal Care and Essential Oils</td>
<td>2</td>
<td>22,611</td>
</tr>
<tr>
<td>Grains</td>
<td>8</td>
<td>92,989</td>
</tr>
<tr>
<td>Processed Foods</td>
<td>12</td>
<td>137,761</td>
</tr>
<tr>
<td>Wine and Beverages</td>
<td>7</td>
<td>82,188</td>
</tr>
<tr>
<td>Other</td>
<td>21</td>
<td>252,975</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>1,186,542</td>
</tr>
</tbody>
</table>

*Organic processing values 2014*

#### Retail Sales

<table>
<thead>
<tr>
<th>Category</th>
<th>%</th>
<th>$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarket</td>
<td>69</td>
<td>954,16</td>
</tr>
<tr>
<td>Discounters</td>
<td>2</td>
<td>24,39</td>
</tr>
<tr>
<td>Convenience Stores</td>
<td>3</td>
<td>44,72</td>
</tr>
<tr>
<td>Independent Grocers</td>
<td>16</td>
<td>211,41</td>
</tr>
<tr>
<td>Online Retailers</td>
<td>4</td>
<td>51,50</td>
</tr>
<tr>
<td>Other Retail outlets</td>
<td>7</td>
<td>101,65</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>1,387,83</td>
</tr>
</tbody>
</table>

*Organic retail sales 2014*

#### Import Value

<table>
<thead>
<tr>
<th>Category</th>
<th>%</th>
<th>$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fruit and Vegetables</td>
<td>18</td>
<td>47,317</td>
</tr>
<tr>
<td>Dairy</td>
<td>9</td>
<td>18,924</td>
</tr>
<tr>
<td>Grains</td>
<td>37</td>
<td>79,704</td>
</tr>
<tr>
<td>Processed Foods</td>
<td>36</td>
<td>78,720</td>
</tr>
<tr>
<td>Other</td>
<td>0.4</td>
<td>0.881</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>225,547</td>
</tr>
</tbody>
</table>

*Organic import values 2014*

In comparison, conventional import values of dairy is 933m (7% of total imports) and processed foods is 5.59bn (42% of total imports).

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**Do you want to learn more?**

**JOIN THE AUSTRALIAN ORGANIC ONBOARDING PROGRAM**

We know being in organics can be a lonely road. We also know organic certification can be challenging for some and we recognise accessing domestic and international trade can be time consuming. That is why our unique Onboarding Program (in partnership with ABDI) educates new and existing organic operators about the industry, preparing you for audits and improving your business rapidly.

**Organic Industry Growing 15.4% Year on Year**

**Demand Outstripping Supply by up to 40%**

**You can be organic & use pest & weed control**

**Support with parallel production systems**

**Call Kellie Lewis** — to get a snapshot of how we can ease your transition to the most profitable business option in Australia today.

**Australian Organic Ltd**

1300 331 309  www.austorganic.com
In beverages, organic fresh coffee saw the most dynamic retail value sales growth of 15% in 2013.

**Australian organic industry retail value growth $m**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>28</td>
<td>80.5</td>
<td>190</td>
<td>250</td>
<td>310</td>
<td>450</td>
<td>623</td>
</tr>
<tr>
<td>$m</td>
<td>947</td>
<td>1,150</td>
<td>1,388</td>
<td>1,583</td>
<td>1,782</td>
<td>1,981</td>
<td>2,180</td>
</tr>
</tbody>
</table>

**RETAIL**

The retail value of the certified organic industry in 2014 is $1.38bn, accounting for 0.97% of the total value in equivalent conventional categories, an increase of $205m – or 20% – from 2012. The growing trend of retail value of the Australian organic industry is shown below.

In 2013 the organic retail industry experienced sales growth of 6% to reach $33m for organic beverages and a growth of 10% to $587m for organic processed foods.

Private labels (i.e., ‘in-house’ labels) continue to increase in organic processed foods and beverages in Australia. Organic pasta grew by 18% in 2013. Organic processed foods is expected to grow by 5% between 2014 and 2018. In beverages, organic fresh coffee saw the most dynamic retail value sales growth of 15% in 2013.

The proportion share of retailing has decreased in the organic industry between 2012 and 2014 due to the spectacular rise in exports. In 2012, 90% of organic sales were through store-based retailing with retail value at $1.15bn out of $1.27bn of total value of the organic industry. In 2014, organic retail value increased to 1.38bn but the share of retail sales in the total industry was reduced to 80% of total sales; exports make up the rest. These changes have occurred because organic exports have increased from a 10% share of total value in 2012 to 20% in 2014.

Growth in organic food and beverage retail sales during the two years to 2014 was supported by an increased variety of organic products within supermarkets, enabling greater affordability of organics. Woolworths has extended its Macro Organic range to include a larger range of canned foods and Coles has extended its Coles Organic range alongside its standard range of organic products. Discounter ALDI has also extended into organic food sectors.

The increase in the number of independent, large organic retailers – such as Wray Organic in Queensland and Fruit Peddlers and Apples and Sage in Victoria – is also pushing prices lower and increasing availability of organic products to consumers. Wholesalers such as Kadac play an important role in supplying independent stores such as these.

**EXPORTS**

Exports of organic products have more than doubled from 2012 to 2014.

In 2014, meat, wine, processed foods and beverages, oils, and fruit and vegetable businesses have total export sales of over $100m and export sales between 20 and 40% of total business activities.

The value of Australian airfreight exports of all food and beverages was $1.6bn in 2012, 56% or 4.3% higher than in 2011.

**IMPORTS**

The value of imported organic products is in excess of $225m, accounting for 13% of organic retail food sales.

Imported conventional products are worth $11.3bn and represent 8.3% of conventional retail food sales (DAFF, 2013).

Although the share of imported organic ingredients and products in the total value of the organic industry has declined by 4% between 2012 and 2014, the ongoing demand for organic products means imports will continue to increase comparatively. Imports such as Italian certified organic pastas and sauces will remain relatively cheaper because the economies of scale of their production outcompete Australian operations. The ongoing strength of the Australian dollar continues to make imports comparatively cheap.

In other food categories, the decline of the Australian dollar increases opportunities for Australian manufacturers that have previously been priced out of the market. Australian supermarkets are also attempting to fill organic produce demand from local sources.

**PRODUCTION AND SUPPLY TRENDS**

The organic production (farm-gate) value is $508m, up 18% from $432m in 2012. This growth has resulted from an increase in sales volume and an increased number of organic commodities available, though there has been pressure to offer lower prices. This suggests that some volume growth was offset with price reduction in these value growth figures.

**ORGANIC PRODUCTION (FARM-GATE) VALUE IS $508M, UP 18% SINCE 2012**

<table>
<thead>
<tr>
<th>Country</th>
<th>%</th>
<th>$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>HONG KONG</td>
<td>34</td>
<td>544</td>
</tr>
<tr>
<td>SINGAPORE</td>
<td>9</td>
<td>144</td>
</tr>
<tr>
<td>JAPAN</td>
<td>7</td>
<td>112</td>
</tr>
<tr>
<td>UNITED ARAB EMIRATES</td>
<td>5</td>
<td>80</td>
</tr>
<tr>
<td>CHINA</td>
<td>5</td>
<td>80</td>
</tr>
<tr>
<td>VIETNAM</td>
<td>4</td>
<td>64</td>
</tr>
<tr>
<td>SWITZERLAND</td>
<td>3</td>
<td>48</td>
</tr>
<tr>
<td>OTHER COUNTRIES</td>
<td>33</td>
<td>528</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100</td>
<td>1,600</td>
</tr>
</tbody>
</table>

Source: Adapted from DAFF 2013

Conventional food export values

Growth in organic food and beverage retail sales during the two years to 2014 was supported by an increased variety of organic products within supermarkets, enabling greater affordability of organics.
The average size of organic farms has increased. Some long-term organic farming families have purchased additional land and farms in other states to cater for increased demand as multiple retailers move more decisively into the organic market. Large farming companies are also practising parallel production of conventional and organic. The organic industry remains diverse in terms of operator types and sizes, with some of the smaller producers having continued success selling through farmers’ markets and direct marketing channels. The number of small certified organic farmers’ markets and direct marketing continued success selling through some of the smaller producers having terms of operator types and sizes, with additional land and farms in other states purchased by farming families to cater for increased demand as multiple retailers move more decisively into the organic market. Large farming companies are also practising parallel production of conventional and organic.

The geographical allocations of the certified organic operators are presented below. There are 2567 certified organic businesses reported in Australia in 2014. They include 1707 primary producers, 719 processors and manufacturers, 141 wholesalers and retailers plus other operators. New South Wales continues to dominate in relation to the number of certified operators. Queensland remains relatively high with regard to the number of certified operators per capita and has the largest area of certified land. Victoria leads with manufacturing and higher-value-added sectors such as dairy. The majority of organic dairy farming and processing is in Victoria. South Australia dominates grape production (in particular wine) and horticulture, while Western Australia and Tasmania are known for organic pome fruit, olives and vegetables. Victoria leads with manufacturing and higher-value-added sectors such as dairy.

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There has been a 53% increase in fully certified organic land area in Australia between 2011 and 2014. The increase is largely due to rangeland areas coming into organic production to meet the strong demand for organic beef. The geographical allocations of the certified organic operators are presented below. There are 2567 certified organic businesses reported in Australia in 2014. They include 1707 primary producers, 719 processors and manufacturers, 141 wholesalers and retailers plus other operators. New South Wales continues to dominate in relation to the number of certified operators. Queensland remains relatively high with regard to the number of certified operators per capita and has the largest area of certified land. Victoria leads with manufacturing and higher-value-added sectors such as dairy. The majority of organic dairy farming and processing is in Victoria. South Australia dominates grape production (in particular wine) and horticulture, while Western Australia and Tasmania are known for organic pome fruit, olives and vegetables.

The majority of organic dairy farming and processing is in Victoria. South Australia dominates grape production (in particular wine) and horticulture, while Western Australia and Tasmania are known for organic pome fruit, olives and vegetables.

Australia still has the largest area of organic land in the world. There is 22.69m ha of land area in Australia in 2014 under organic farming. It includes land under full organic certification (17.15m ha), in conversion (1.19m ha) and precertification (4.31m ha).

There has been a 53% increase in fully certified organic land area in Australia between 2011 and 2014. The increase is largely due to rangeland areas coming into organic production to meet the strong demand for organic beef. The geographical allocations of the certified organic operators are presented below. There are 2567 certified organic businesses reported in Australia in 2014. They include 1707 primary producers, 719 processors and manufacturers, 141 wholesalers and retailers plus other operators. New South Wales continues to dominate in relation to the number of certified operators. Queensland remains relatively high with regard to the number of certified operators per capita and has the largest area of certified land. Victoria leads with manufacturing and higher-value-added sectors such as dairy. The majority of organic dairy farming and processing is in Victoria. South Australia dominates grape production (in particular wine) and horticulture, while Western Australia and Tasmania are known for organic pome fruit, olives and vegetables.

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**ORGANIC SUPPLY CHAIN**

While overall turnover is up in 2014, margins for processors and retailers vary. Retail growth is expected to increase by more than 10% in 2015.

Supply of consistent, quality product remains the major challenge for a sustained industry growth in the larger supermarket and processor sectors, while production planning and relationship building in the supply chain remains critical for some sectors. The dairy and meat sectors have exemplary supply chain networks that have arisen from years of capacity building and market development.

With respect to exports, Australian organic certifying bodies maintain up to eight international market accreditations including with the US, Japan, Canada, the European Union and Korea.

While retailers have traditionally charged a premium for organics, mainstream acceptance has lowered the price of certified organic products considerably. Considerable financial and management investment has resulted in the likes of Wray Organic Market & Cafe continuing its independent multistore rollout. Some of the IGA independents are taking a specialist approach to organics, depending on their demographic. At big retail level, Coles, ALDI and even Costco not far behind.

**WHAT MANUFACTURERS AND RETAILERS SAY**

“Organics still represents a huge opportunity for Australia and for Australian agriculture to differentiate its product and sell it all over the world.”

“We’re seeing a fantastic growth in our own industry. This is evident from the number of new entrants into the marketplace and the number of wineries that are being converted to organic … But we’re looking at new product development, new varieties to bring into the organic sector as well, as we see it growing and expanding.”

“Organic section on their wine listed in their shops, which five years ago they didn’t have. So they’re obviously seeing a lot of growth and a lot of potential in that sector as well.”

**INDUSTRY CHALLENGES**

As noted in previous Australian Organic Market Reports (2010, 2012), the ability to develop domestic production capacity to meet demand from domestic and export markets continues to be a key challenge for the future growth of the Australian organic industry. Some segments, such as processing for freezing, bottling and canning, are experiencing inconsistent or unavailable supply of raw ingredients to meet demand.

Supply variability, inconsistent quality and economies of scale are holding the organic industry back overall. As the industry and scale of production increases, organic products will become more accessible to consumers.

**ORGANIC BEYOND FOOD AND DRINKS**

Many more organic products have appeared on the market since 2012, including vitamins and dietary supplements, cosmetics, skincare, hair care, textiles and pet foods.

There are still opportunities for expansion in manufacture of products such as essential oils, tissue and hygiene products, pet foods and products, infant food, and home and garden products. There are increasing numbers of certified organic garden suppliers, such as Seasol, which are successfully supplying major nursery and hardware stores.

**POWERHOUSE WHOLESALER KADAC**

Kadac is embracing a period of growth, with corporate rebranding reinforcing its foothold in the organic market.

The privately owned business was established in 1973 as a wholesaler and distributor to the health food channel. A combination of local and imported organic, natural and health brands sit under the Kadac umbrella, along with Kadac-owned brands including Lotus, Nature First, Real Good Food, Global Organic and Conscious Chocolate. Kadac imports and distributes more than 3500 products, of which more than 900 are certified organic by Australian Certified Organic.

In October, Kadac commenced the roll-out of its Lotus rebrand. Lotus has provided premium organic ingredients for 30 years and is a health food channel exclusive range. The new-Look Lotus brand features over 250 product lines and uses the Kadac-owned Lotus Key to Good Health to help consumers navigate the benefits and claims of each product.

Guiding Principles

In 2013, the company reframed its purpose, mission and guiding principles to provide clarity.

**ETHICALLY RESPONSIBLE**

John Coote, chief executive officer, says, “This exercise has focused our team on the things that matter. Kadac is the authentic provider of organic, natural and health products in Australia. We created a Kadac Health Calculator to pass all new products through to ensure they earn their place in our warehouse, and truth in labelling is a non-negotiable.”

**ADVICE**

John says, “Be sure you know what your customer’s value proposition is and stick to it. You can’t win on price forever; so find a proposition that sets you apart from the competition and aim to be the best at it.

“Ask for help. Plenty will offer it. Build your customer base around what you do best – your core competencies. Be adaptable and check your sources of supply.”

**“We continue to ensure the origin, contents and local importer contact details are included on labels.”**

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**RISING TO CHALLENGES**

Kadac is currently enjoying solid growth in the domestic and export markets, buoyed by the addition of new organic brands to the portfolio, increased consumer awareness about organics and an improved stock position. But with success and growth comes challenges.

John says, “The increasing awareness of natural and organic products brings with it a strong responsibility to ensure the labelling of our products truly reflects the contents. The consistent implementation of the minimum standards required to meet current legislation breeds scepticism of the industry within consumers’ minds. Truth in labelling and packaging is a major issue for the industry and an amplifying issue for consumers who are seeking clarity on product source and content.”
INDUSTRY SECTORS

BEEF

SALES AND VOLUME
While the conventional beef industry expects growth in the 1–2% range, the organic beef industry enjoys stronger financial performance. Organic beef sales have increased dramatically since 2012. The total value of organic beef is $198m in 2014, with compound growth of 127% through 2011–2014.

The average growth for organic beef businesses in 2014 is 45%.

With a value of $198m, organic beef is worth 1.45% of the value of the conventional beef industry ($13.6bn).

LOOKING FORWARD
The key challenges and opportunities for the beef industry are to meet the demand for export markets while achieving consistent supply to the quality specifications of specific export markets.

The value of organic beef at farm gate has risen significantly since 2012 on the back of sustained demand from the domestic market (in particular supermarkets) as well as export markets.

Collective marketing is a key to success for many. A large part of the benefit of collective marketing is that it enables producers to remain ahead of planning requirements needed for specific market access.


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</thead>
<tbody>
<tr>
<td>SALES ($)</td>
<td>87,502,578</td>
<td>109,378,222</td>
<td>136,722,778</td>
<td>198,248,028</td>
</tr>
<tr>
<td>GROWTH %</td>
<td>25</td>
<td>25</td>
<td>45</td>
<td>127</td>
</tr>
</tbody>
</table>

Farm-gate value of organic beef

The compound growth of organic beef from 2011–2014

Arcadian Organic & Natural Meat Co. is Australia’s leading supplier of premium quality certified organic and natural meat. The company was built on childhood friendships of the senior managers, who grew up on third, fourth and fifth generation farming land.

Arcadian has grown from being one farm processing 66 head of cattle a fortnight in 2005, to having more than 120 certified organic suppliers in 2014. Sixty employees work across the company’s Sydney and Toowoomba offices and its packing plant in Gosford, New South Wales.

The company focuses on building supply chains and markets to match, which means its suppliers know what sales to expect in the medium to long term. They can develop farm plans and expect returns based on the predictability. This coordination also gives buyers certainty.

 Seventy per cent of Arcadian’s beef and lamb product is exported and 30% is sold domestically. The company’s export markets continue to outpace domestic growth, with the United States making up its largest export customer base by far, followed by smaller markets in the Middle East, Korea and Hong Kong.

ORGANIC IN HIGH DEMAND
Despite also trading in ‘natural’ meat products, Arcadian is committed to focusing on certified organic meat lines. CEO Alister Ferguson says, “With a 35% premium above conventional meat, certified organic attracts a much higher price than natural. Another difference is that our organic program is much more targeted than the natural program. Certified organic is what everyone wants and it’s our most valued product.

“At the moment we’re trading equal amounts of organic and natural meat products but organic is always our preference. It’s what we market and need a lot more of. We could double our organic supply and still not meet demand.”

WEATHER A CHALLENGE
Like most businesses that rely on large-scale agriculture, the weather is a major determiner of supply and demand. Much of Arcadian’s supply is from New South Wales and Queensland, and the dry seasons in 2013/14 have made it challenging to fill orders. However, Alister says the company has a good geographical spread of suppliers and supports graziers through the good and the bad.

SUCCESS IN THE STATES
“Introducing Australian certified organic beef products to new consumers in America is definitely one of our successes,” Alister says. “We introduced product to companies that haven’t used Australian products before and showed them we can supply successfully.”

Arcadian started selling lamb into the United States market mid-2014 – the result of a project that took seven years to build because the company concentrated on growing supply first. It takes three years for a farmer or grazer to achieve full organic certification.

Alister Ferguson, CEO, Tony Briese, production manager, and Peter Gall, livestock manager - cattle

Continued page 14 +

The Organic Meat Co.

Arcadian Organic & Natural Meat Co.
LAMB
SALES AND VOLUME
Organic lamb represents over 6% of total national lamb sales (Tonkin, 2014a).

Lamb has seen a large increase in sales and demand remains unsatisfied. Production value of lamb has increased by 64% since 2012. Lamb makes up 4% of organic meat farm-gate sales.

Since 2012 many farmers have directed organic lambs into the conventional lamb market due to low price premiums and high feed costs. This has exacerbated the undersupply of organic lamb and will drive organic lamb prices up, encouraging more farmers to get back into the organic lamb market.

There has been persistent undersupply of organic lamb that meets market specifications. As a result, export markets have dried up while domestic demand has been prioritised through 2012–2014. This situation may improve in 2015 and operators may need to consider servicing additional markets to the domestic one.

Organic lamb sales reported by post-farm-gate operators and non-primary producers for 2014 is $11,244,000. Total gross profit of organic lamb sales reported is $1,006,000 for 2014.

LOOKING FORWARD
Producers that have organic accreditation for a wide range of markets, particularly the US, will be in a good position to sell into the domestic and export markets. Planning ahead and working collectively with marketing groups or other producers will also help graziers, and the industry as a whole, meet market demands.

ADVICE TO GRAZIERS
“Our advice to graziers is to take the step and become certified organic if you can already farm with few inputs. As a certified organic grazer, there are 12-month premiums that stay in place for you; you’re also at an advantage by aligning your business with the market. It’s important to target markets and become part of a well-planned supply chain rather than taking the best grid price on the day. There’s power in that.

Organic graziers don’t take the easy way out when it comes to controlling pests and diseases or looking after the land, so it’s great to see their efforts increasingly being supported by consumers who realise it’s worth paying a little bit more,” says Alister.

“Organic meat is pasture fed, free range, grown without hormone growth promotants and antibiotics – and graziers also protect and enhance biodiversity on their properties. Our suppliers also look after their animals; they adhere to the strictest animal welfare practices (which also means the cattle and sheep are processed at certified organic abattoirs). They have to pass annual on-farm audits so consumers can be sure they’re getting what they pay for.”

“As a certified organic grazer, there are 12-month premiums that stay in place for you.”

BEST BUSINESS DECISION
“Starting the business. We really enjoy it,” says Alister. “We have a great relationship with our suppliers and our customers because we’re all moving forward together for a common cause.”

Arcadian Organic & Natural Meat Co. started with meat exporters Sanger Australia and later merged with Cleaver’s, The Organic Meats Company in 2010. The businesses came together in 2012 and out of that grew Arcadian. Alister says, “This background gives our group extensive experience and history, enabling a sound business platform to work on today. Working together as a group of companies gives us better access to markets.”

WHERE MOST SHOPPERS BUY ORGANIC RED MEAT

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarket (Coles, WW, IGA, ALDI, other)</td>
<td>56%</td>
</tr>
<tr>
<td>Butcher</td>
<td>32%</td>
</tr>
<tr>
<td>Organic/wholefoods store</td>
<td>15%</td>
</tr>
<tr>
<td>Market / farmers’ market</td>
<td>10%</td>
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<tr>
<td>Home delivery</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
<tr>
<td>Fruit &amp; veg store (Greengrocer)</td>
<td>1%</td>
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</tbody>
</table>
POULTRY (MEAT)

The organic poultry meat segment has declined as a portion of total organic revenue since 2009. This is due to a number of challenges, including strong downward price pressure from the major supermarkets and the growing popularity of free range poultry meat. Many consumers do not understand the distinction between organic and free range poultry. To bridge this gap, arguably the industry will need to better educate and market to consumers to improve sales volumes, while defending the price differential for organic poultry meat.

Poultry meat and eggs comprise 4% of total organic sales in 2014. The apportionment of the types of poultry meat processing in 2014 is shown below.

**SALES AND VOLUME**

Overall production has increased slightly, however, the overall sales value has actually reduced by 10% in comparison with the previous year’s sales due to pressures of retail pricing. Conventional poultry farming experienced an increase in sales revenue at an average of 5% during 2009–2014 to achieve $460.8 m of total poultry meat sales (Little, 2014).

The organic poultry sales value for 2014 is $25,955,637, with an annual decline of 9% from 2013 to 2014. The decline of organic poultry meat was anticipated with the strong entry of free range poultry meat into the major supermarkets. Conventional poultry consumption is forecast to have a slow growth of 1.5% in the next five years (Little, 2014).

Conventional and organic poultry producers experienced reduced profit margins due to lower price pressure. The average retail price per kilo ranged from $9.50/kg in 2010 to $11/kg in 2014. Prices have dropped significantly in some retail sectors with lower grade cuts now regularly retailing at under $10/kg. Organic poultry producers are required to use certified organic feed, which adds significantly to the costs of raising organic poultry, as do the more exacting requirements for stocking and pasture management. The end price point for organic poultry in turn significantly impacts on growing demand for this sector.

**LOOKING FORWARD**

Poultry meat producers expect a marginal decrease of approximately 10% in poultry meat production in 2015. Increased health consciousness and the perception that poultry meat is lower in fat than beef and lamb might benefit the organic poultry industry. Further growth of this organic sector may lie in exports; however, the higher Australian dollar, additional red tape and differing organic production standards in overseas markets may prove challenging for poultry exporters. The light at the end of the tunnel is a soon-to-be-expected change to some export regulatory requirements (early to mid 2015), which may in turn free this sector sufficiently to see a turnaround and growth again in sales.

**FREE RANGE VERSUS ORGANIC**

In recent years, consumers have become increasingly concerned with animal welfare issues, and this has translated into a higher demand for free range and organic products.

Under certified organic systems there are uniform and nationally enforced stocking rates—they are some of the lowest in the country. Under organic systems birds must be fed certified organic feed, no antibiotics are allowed, synthetic agrochemicals cannot be used on pasture, and synthetic yellow colouring additives aren't permitted in feed. Organic poultry must also be able to free range at all times. The Australian Certified Organic Standard details the requirements.

To use Australian Certified Organic’s Bud logo, egg farmers can’t stock more than 1500 birds per hectare if set stocking or up to 2300 birds per hectare for layers on pasture rotations.

**POULTRY (EGGS) SALES AND VOLUME**

The organic egg market has shown an annual growth of 14% through 2013–2014 (12% in 2012). There are 18 certified organic egg producers across five states comprising 3871.9 ha of farmland associated with poultry production as the main agricultural business.

In the smaller markets, retail prices for a dozen organic eggs is $7.8. This sector is now experiencing price pressure with the challenge of the entry by mid-to-large-scale operators with additional economies of scale. Big retail in comparison is seeing offers as low as $6 per dozen (or in some cases offers of 10 eggs in a carton), while at the boutique end some operators are able to direct sell their products for $9–12 per dozen.

**LOOKING FORWARD**

The organic egg sector is under pressure to ensure a growing supply of feed grain and other feed supplements, including plant protein sources and animal origin (for example, meat meal) sources that comply with organic standards.

Producers that have locked in forward supply of feed grain may be able to buffer the limited supply in the short term. Another challenge for the industry is preparing for the next drought cycle and its pressure on grain production and demand.

Producers are reporting grave concerns about security of longer-term supplies of grains in particular to feed their current businesses, let alone expected and projected growth. This remains a critical issue for this sector to resolve in the coming years.

**POULTRY (MEAT) SALES AND VOLUME**

**POULTRY (EGGS) SALES AND VOLUME**

**PORK**

Demand for pork products remains unsatisfied. New technology for curing products opens future opportunities for this sector.

The pig sector has a limited number of operators. The most recent ABS data in 2011 recorded seven operators across New South Wales, Queensland and Western Australia.

From ABS 2011 Agricultural Census reports, the area of certified land where pigs are the primary agricultural business is 405 ha. New South Wales has the most certified organic land under pigs with 309 ha (ABS, 2012). There have been no major new entrants into this market since.

**SALES AND VOLUME**

The most recent data from ABS in 2012 valued organic pork at $3.64m with an annual growth of 9% to 2014.

Most organic pork sales are direct through marketing avenues such as retailers, direct to the consumer and farmers’ markets. There remains a growing interest from the major retailers in organic cured products such as ham, bacon and pork.

**LOOKING FORWARD**

High production costs due to free range requirements and high feed costs for certified organic feed constrain the pork industry.
DAIRY

Dairy products make up 22.3% of organic farm-gate sales.

The dairy product segment has grown dramatically since 2009. This is largely due to rising organic milk sales, driven by increased consumer demand for milk and downstream demand from processors to create new organic dairy products such as butter and cheese.

This section reports on bovine (cow) dairy only; however, there are some organic goat and sheep dairies.

Typically, the average retail price for organic milk is two to three times higher than that of conventional milk. The challenge for the organic milk segment over the next five years will be expanding production to increase supply and meet continually rising demand. Otherwise, the industry will lose this growth opportunity to organic dairy product imports from New Zealand.

Most organic dairy farms are family owned and operated and are, on average, smaller than conventional dairies. There is also activity suggesting the organic dairy industry is attracting investment from larger companies following the sale of five:am and the ASX listing of Bellamy’s Organic.

The total farm-gate value of dairy products is $113,544,900, up from the ABS 2011 figure of $29,225,572.

Amongst the range of organic dairy products – butter, cheese, cream, milk and yoghurt – yoghurt is one of the fastest-growing categories. Organic milk is in such demand from yoghurt manufacturers that sourcing it has become competitive since 2012, with some major organic yoghurt manufacturers saying they can’t get enough organic milk to meet demand for yoghurt.

five:am has achieved phenomenal growth in its short life, securing supply and making certified organic yoghurt widely available.

Organic butter and some cheeses are becoming more available in supermarkets and independent stores and 2014 saw the return of certified organic Australian produced and manufactured butter, which competes with imported butter from New Zealand and the EU.

Retailer-owned private labels have entered the market in recent years with Coles, Woolworths and ALDI launching their own organic UHT and/or extended-shelf-life fresh milks. The lower price point likely means organic dairy products are being purchased by a wider range of consumers.

SALES AND VOLUME

The total farm-gate value of dairy products is $113,544,900, up from the ABS 2011 figure of $29,225,572. There is little expectation the demand in this market sector is slowing down. Three key dairy operators alone reported total sales of $166.7m.

Hay cut from pasture, cereal or other crops remains significantly undersupplied. In particular, there remains an interest from some producers in seeking a supply of National Organic Program (organic certification required by the US) certified feedstock for producers interested in expanding into that market in the longer term. Without NOP-certified supply, this market will remain undersupplied from Australia. Products are however being exported into Asia and other developed markets.

LOOKING FORWARD

The future is promising for organic dairy producers, with dairy processors actively encouraging producers to switch to organic farming.

Dairy producers involved in cooperative marketing chains continue to be successful. Cooperatives offer long-term commitment to supply – and reward farmers for the risks and efforts of growing organically – rather than fluctuate with the conventional market and its milk price wars.

“Organics are burdened by high costs of production given the relatively small production runs and the need for segregation. As the industry and scale of production increases, organic products will become more accessible for a growing consumer base.”

“Organic dairy has a sound future and the recent sale of five:am and ASX listing of Bellamy’s Organic at extraordinary valuations reinforces that.”

“Organic dairy has a sound future and the recent sale of five:am and ASX listing of Bellamy’s Organic at extraordinary valuations reinforces that.”
**COMPANY PROFILE**

**FIVE:AM**

five:am was founded by surfer and long-time yogi David Prior.

David has realised his vision to take organic yoghurt from a health food niche into the mainstream – making it more affordable and accessible. All the milk used in five:am’s yoghurt range is sourced from the Organic Dairy Farmers Australia cooperative in Victoria, a group of farms dedicated to upholding the highest standards of sustainable and organic farming.

The bustling home of five:am is in Carrum Downs, southeast of Melbourne, where the team has refined its yoghurt making technique to create the best-tasting yoghurt around. And that’s just what you’ll find at five:am.

five:am’s organic yoghurts and granolas are certified by Australian Certified Organic and are available in Coles, Woolworths, independents and also overseas.

**A ROUGH START**

Getting five:am to market at the start was intense. David says, “I didn’t initially appreciate the enormity of it.

“We hadn’t trialled the factory because we ran out of time. The commissioning of the plant doubled in preparation for the first batch of stock for Woolworths. This was the most defining week of the entire business. Monday and Tuesday, everything in the plant went wrong and we went from one disaster to the next.

“On the Wednesday morning I acknowledged it was all over. I got home after sleeping in the factory all week, as everyone was working 20-hour days. I said to my wife, ‘It’s all over, we’ve missed it, and we can’t make the launch date on Friday’.”

“**It was an incredible moment. Despite everything, my wife told me she was proud of me. I got a couple of hours’ sleep and woke up with a renewed energy. We still had 48 hours and we did everything by hand. We packed all 48,000 tubs and got the delivery out on the Friday. It was the most uplifting experience to go to market. Forty-eight hours earlier, I’d actually accepted that it was over. The next day, we had another stack of orders come in and we haven’t looked back.”**

**KEY SUCCESSES**

David says five:am has been successful since its first year in 2010. Securing consistent access to organic milk was one of its earliest challenges and now it has an exclusive supply with Organic Dairy Farmers.

He says, “I don’t believe you ever have a long-term sustainable advantage. You have to be on top of your game across every single aspect of the business, whether it’s supply, branding, positioning or distribution.

“Importantly, we have managed to sustain and grow five:am by sourcing the right people for the job, making up our team of passionate and committed employees.”

**WORDS OF WISDOM**

“The best advice I can give to anyone is to know yourself and be yourself and back yourself. Going organic was something that was aligned with my personal values. It’s much easier to sell something you truly believe in, even if the raw materials are more expensive,” David says.

five:am’s successful sale to PZ Cussons will help the company enormously. five:am is staying exactly where it is and will continue to make delicious certified organic products. The company now has the means to reach new markets and spread the importance of organic dairy and yoghurt further – always reminding us to ‘Wake up, be amazing’.

**WOOL, COTTON AND TEXTILES**

The organic wool, cotton and textile sector is highly productive but hasn’t developed a supply chain to provide consistent supply to end markets. Lack of critical volume of product and technical issues with processing wool into textiles has hampered the growth of this sector.

Large numbers of organic sheep are integrated into broadacre and horticulture farms; however, their wool is often not in line with market specifications. The industry continues to be hindered by a lack of logistics and processing capacity.

Certified organic cotton production remains without a presence of any consideration in Australia. Similar to wool production in terms of downstream processing, this sector is expected to remain suppressed. Requirements for segregation from non-GM cotton would further exacerbate such a challenge. Conventional and certified organic cotton remains more cheaply produced by regions such as Pakistan, India and South and North/West Asia. Most cotton traded in Australia arises from imports that have also been processed overseas before being retailed either online or in limited instances in major retailers such as Target.

**LOOKING FORWARD**

While there have been marketing attempts of Australian organic wool products over the years, from doorways for the domestic market to exports of fine suits to Japan and Europe, managing the supply chain and the variety of points in it, has proven too difficult for most. The market needs to overcome processing issues to advance.

In contrast, interviews with organic cotton manufacturers who use imported product indicate an optimistic double-digit forecast for growth in this sector.

**FRUIT AND VEGETABLES**

Fruit and vegetables make up 11.9% of the total organic market. Sixty per cent of organic consumers note fruit and vegetables as their most regular purchase. This organic sector still has significant room for growth.

Organic vegetables and herbs have traditionally been the largest product segment within the organic industry.

In terms of value, carrot, potato, other root crops, pumpkins, zucchini and cucumbers dominate the segment. Revenue from the vegetables and herbs segment is expected to grow marginally over the next five years as supply issues ease.

**SALES AND VOLUME**

The farm-gate value of organic fruit and vegetables is $122,226,971m in 2014 with an annual growth rate of 13% and a combined growth rate of 44% between 2011 and 2014 for the vegetable sector.

The major value crops are bean ($14m), potato ($18.2m), olive ($3m) and broccoli ($5.91m), while lines such as lettuce ($1.97m) and tomato ($5.97m) filled niches in this market.

The ABS categorisation means the ‘other vegetables’ category – which includes...
Prices per kilogram are generally lower than in the two years to 2014. This is most likely due to the entry of larger producers who are supplying higher volumes into the major retail chains. This may account for some of the estimated lowering in overall value of this sector through this time. Some product lines such as tomatoes and broccoli are undersupplied. Vegetables such as kale are now mainstream and available year round.

**LOOKING FORWARD**

Post-farm-gate surveys from organic processors and wholesalers, such as Moraitis, make this point clear. "The lack of a reliable and constant supply of organic fruit and vegetables (for processing) in Australia makes it extremely difficult for the processors to support local growers."

Larger retailers continue to cite lack of consistent volumes of supply of a range of staple organic vegetables as hampering the potential growth of this sector — this is despite many farmers claiming they are regularly stocked with product that cannot be sold on the organic market at a reasonable price.

Producers also cite pricing and cutting of margins to points where it is not viable for them to risk production of a given crop. The work of wholesalers and retailers collaborating to establish more confidence in supply and production planning will be critical in moving this industry sector beyond this impasse.

Segments not specifically covered in the organic vegetable sector include certified organic nursery production. Operations recorded by the ABS are in Western Australia, Northern Territory, South Australia, Victoria and Queensland, with Queensland rating the highest production of undercover nursery production. National farm-gate value for the nursery sector is $3.58m.

While operators are increasingly seeking certified organic seedlings, there remains an undersupply of reliable, certified nursery material. While it is not mandatory to source certified organic seedlings (if not available in commercial quantities) the production and certification of seedlings for producers remains a market opportunity for nurseries.

Organic horticulture (flower farming) in Australia is in an infantile state, but with prospects as the market for organic lifestyles continues to develop. Areas in Queensland and Victoria are producing in this sector, however, retail sales of such products have not been recorded.

**FRUIT LINES (INCLUDING OLIVES AND WINE GRAPES)**

Fruit has seen a significant rise in production and sales due to high demand. Niche and seasonal crops such as berries have a small number of dedicated professional and productive producers. Bananas recorded a $2.08m farm-gate value, while pomegranates recorded $0.77m.

**GRAPEVINES**

Farm-gate value for organic grapevines is $54.5m in 2014, up from $25.13m in 2012. Yearly growth since 2012 is 29%.

Organic wine grape production increased by 120% between 2011 and 2014. Larger wine houses, such as Angove and Yalumba, and expansions have contributed to this increase. The total sale value of wine production in 2014 is $12.07m, reflecting a profit margin of 48%.

Farms with certification across the whole farm (greater than 95% of land) produced organic wine grapes to the value of $2,058,216. South Australia represents most of this production with $1,940,026 for 2014 at the combined growth of 30% from 2011 to 2014, with an evident unmet demand for grapes at retail level (particularly the popular seedless varieties), mostly produced in New South Wales, South Australia and Western Australia. Similarly, grapes for drying is $5.75m for 2014, up from the production value of $5.44m reported in the ABS 2011 Agricultural Census.

**KIWIFRUIT**

Kiwifruit production was only reported by ABS in New South Wales from five producers with 10.1 ha of farmland connected with mixed farming enterprises.

The farm-gate estimate of kiwifruit in 2014 is $30.15m and has grown by 30% from 2011 to 2014. An additional 11.5 ha of immature crop has been recorded, suggesting additional capacity for expansion of supply. The production value of kiwifruit is reported as $2.7m in the ABS 2011 Agricultural Census, the most recent statistics available.

Kiwifruit is also imported from New Zealand in unrecorded but significant volumes. It is one of a very limited number of fresh organic produce lines imported into Australia (there are stringent quarantine requirements and mandatory fumigation with prohibited inputs for many other fresh fruit and vegetables). Australian producers are faced with the challenge of a higher Australian dollar against the NZ dollar. NZ also produces greater volumes and has lower production costs, so NZ kiwifruit is noticeably cheaper on average.

**BERRIES**

The production value of berry fruit in 2014 is $9.16m, up from $7.07m in 2012. Organic blueberries come from 14 operators in Victoria and South Australia. They produce 18,746kg from fully certified farms (6.9 ha) and 12,994kg from partially certified farms. Blueberries have a farm-gate value of $0.93m.

Strawberries are reported from eight operators — 991kg. Queensland produces the majority of the volume. Raspberries are reported as 2003.7kg with only 0.2 ha of land noted as not-yet-productive crop coming on in the two years to 2014.

**POME FRUIT**

The production value of pome fruit in 2014 is $39m.

Farm-gate value for organic apples and pears is $11,076,760. Victoria represents over $3.5m of this value, with production in South Australia and Western Australia also higher than the national average.

The value of pears nationally is less than $1.5m. Organic pears are mostly produced in Victoria, registering $857,392 in value from fully certified farms. Western Australia is the second-largest producer. Pears are undersupplied according to retailers and wholesalers. Processors are also seeking more juicy fruit.

The recent repeal of the ban on New Zealand apples may have a long-term impact on the organic apple sector, though quarantine protocols (which may potentially permit access for organic apples) are expected and may slow any development of imports.

**STONE FRUIT**

The production value of stone fruit in 2014 is $8.25m.

The most recent ABS data shows the production value of stone fruit was reported at $6,372,626 in 2011. This total value includes farm-gate value of plums $1.04m, nectarines $0.9m, apricots $0.8m and cherries $0.63m.

According to the most recent ABS figures there are 33.6 ha of land certified for farms with stone fruit as their major commodity. Victoria has most of this farmland, followed by New South Wales and South Australia.

**ORCHARDS**

The value of citrus in 2014 is $6.86m.

With the increased presence of organic produce in major supermarkets, farm-gate prices are likely to come down, particularly as more production comes onto the market, creating opportunities for marketers to find alternative suppliers.

**OLIVES**

Farm-gate value of olives is $3,021,310 (ACMR 2012: $2,093,919).

Western Australia has the most certified organic farmland where olive production is the major commodity for that agricultural business with some 328.4 ha. Victoria (ACMR 2012) has 261.8 ha of land associated with fully certified farms and a further 573.4 ha of farmland where there is partial (more than 50%) farmland certified. South Australia is next with 24.4 ha recorded and followed by New South Wales 23.5 ha. Areas were reported from 22 separate agricultural businesses (ABS, 2014c).
Australia’s leading integrated fruit and vegetable business, the M Group, is looking to innovative packaging solutions to help grow its share of the organic market.

Founded more than 55 years ago by Nick Moraitis, the M Group, which trades as Moraitis, operates a grower-aggregator, value-added business model providing fresh produce year round. Moraitis shifts more than 350,000 tonnes of produce a year to all major chain stores, independent retailers and food service customers.

Its organic range is certified by Australian Certified Organic.

A staff of more than 700 operates the nationwide infrastructure, including farms, grading machinery and packing plants, ripening and pre-packing facilities and wholesaling activities.

**INNOVATION & A KEY BUSINESS DECISION**

Karl McIntosh, national general manager – logistics, says, “Our commitment to invest in innovation is by far one of the best business decisions we have made. Investments in new warehouse facilities, packaging technology and more efficient supply-chain models allow us to consistently drive efficiencies in the process as well as offer a range of innovative packaging options to our customers.”

Karl says the growth experienced by Moraitis in its organic lines is expected to continue as more mainstream consumers embrace organics. “You have the traditional organic consumer and then you have the mainstream consumer who is leaning more toward organics. That’s the area we want to help grow. As more people become aware of what they are cooking and what’s involved in agriculture, they want the opportunity to buy something organic. Therefore, I believe supermarkets have a great opportunity to increase sales in the organic category.”

**FINDING THE RIGHT PRICE POINT**

Expanding the organic marketplace relies on finding the right price point. Karl says, “Trying to maintain margins that are sustainable to our growers yet able to hit the right price point with the end product is one of the greatest challenges. Our experience has always been with serving the major chain stores as efficiently as possible and so, for us, the challenge is to continue to drive those efficiencies in the organic supply chain while supporting our growers to provide a quality product.”

**PUTTING ORGANIC WHERE IT CAN BE SEEN**

Karl believes there are real opportunities to put more organic produce in front of more organic consumers, particularly in the supermarket. He says, “There is a challenge at store level to get produce managers and category buyers to continually range organic produce and think long term. If we can get their support, I am confident Moraitis can supply the right stock consistently and we will see growth in the organic produce category.”

**ADVICE**

“If you don’t have the packaging and labelling right in supermarkets, then you don’t have organics. Obviously, the Australian Certified Organic logo carries a lot of weight. It’s about what you can do in that packaging and promotional space to really hit the right price point and differentiate the product.”

Karl believes organic growers need to focus on consistency in quality and supply.

“You are always going to have challenges and fluctuations in weather patterns and other factors. But the one thing you don’t want is surprises. My advice would be to facilitate information flow down the chain so you can advise your customers on what’s happening and then you get a better plan.”

“Moraitis is keen to work with like-minded growers who want to expand and offers support and opportunities to help achieve this.”

One of Australia’s leading producers of organic wine, Angove Family Winemakers, is experiencing exponential growth – both here and overseas.

Established in 1866 in the redgilling township of Tea Tree Gully, South Australia, the company is now based in Renmark and McLaren Vale and is Australia’s 16th-largest wine company.

Angove entered the organic market in 2005 and today produces five wines certified by Australian Certified Organic, with another three to debut in the market by the end of 2014. Angove has 69 hectares of organic vineyard spread across the Riverland and McLaren Vale regions, and an additional 55 hectares in conversion to organic.

The family has strong relationships with a number of organic growers. Angove’s organic wine range is sold in 1000 stockists across Australia.

**MARKET GROWTH**

The introduction of a certified organic sauvignon blanc in 2013 has driven domestic sales. Matt Redin, Angove marketing manager, says, “Domestically we are experiencing about 40% growth, which is staggering. A lot of that is because we have introduced a sauvignon blanc to the range but, having said that, all of our organic wines in the range are growing really strongly.”

In 2012, Angove started exporting. “Our export is ticking along. We are seeing wins, especially in the Netherlands. Our exports have grown 30% from a very small base, but it’s been successful. We are getting repeat orders. More and more people are taking note of what we are doing, which is fantastic.”

**GLOBAL EXPANSION**

Angove is looking to China and the United States markets to boost its export sales. Matt says, “The different accreditation in the various markets was a challenge but having worked through that with Australian Certified Organic, we have jumped hurdles for Canada, North America, Europe and China. We are confident we can offer into these markets with some minor label changes.

“Like everyone in the Australian wine industry, we are looking at China as a big possibility. We have our China accreditation up and running so we can export into China but in places like the United States where organics is slightly different we still see signs that organics could be a big thing there.”

Matt believes greater public awareness about organic wine has helped the company take a foothold in the marketplace. “Organic wine used to have this thing that if it was organic wine, it was not made as well. I think as a company we have shown we can make wine organically and it can be a really good wine as well, which adds that trust factor.”

**ADVICE**

Matt says, “Keep your packaging simple. If you are hanging your hat on being organic, say it loudly and say it boldly because there is too much conventional produce out there masquerading as organic. If you have a unique selling proposition that is organic, you can get that premium price point.”

“Domestically we are experiencing about 40% growth, which is staggering.”

**ORGANIC – THE BEST BUSINESS DECISION**

Matt says the company’s expansion into organic wines is one of its biggest success stories.

“It’s really surprised all of us how well the organic wine portfolio is doing and now we are looking five or 10 years ahead to see how much more we need to convert across to organic viticulture.”

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While production conditions have improved over the two years to 2014, the market remains undersupplied.

PROCESSED FOODS

Euromonitor reports an increase in the sales of organic processed foods in Australia over the five years to 2014. However, private label organic brands from major retailers have entered this market with lower prices than those of branded organic offerings. Organic packaged food in Australia is expected to grow by approximately 5% in constant retail value CAGR terms over the next five years.

Overall, private labels accounted for approximately 19% retail value share of organic packaged food in 2013. The more popular brands have built in organic extensions, for example, Heinz Organic soup or San Remo Organic pasta. Most of the domestic players are small operators with relatively small product lines; however, this makes up the majority of organic packaged food alongside private label.

The demand for these products is extremely price sensitive, and this explains their reduced uptake during the global financial crisis. The smaller brands are considered attractive acquisition targets for larger local companies and multinationals. The main competitive advantage of these smaller companies is their domestic status, as Australians tend to have a strong preference for Australian-made and Australian-owned brands. However, owing to their limited resources they are unable to compete with larger domestic and multinational companies in terms of research and development, marketing and distribution.

SALES AND VOLUME

According to Euromonitor, organic packaged food in Australia grew by 10% in current retail value terms to reach $587m in 2013. Organic pasta grew by 18% in current retail value terms in 2013. Bead Foods Pty Ltd leads sales of organic packaged food in 2013 with an 11% value share.

Looking forward

Organic fresh food is a key competitor to organic packaged food. Potential consumers of organic packaged food

While production conditions have improved over the two years to 2014, the market remains undersupplied.

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| TOTAL | 338.2 | 392.6 | 443.1 | 484.3 | 534.3 | 587.4 |

Source: Euromonitor, 2014b

Organic packaged food values

GROWTH %

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<td>9.9</td>
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| TOTAL | 9.9 | 11.7 | 73.7 |

Source: Euromonitor, 2014b

Organic packaged food values growth

The Right Food Group

TheRightFood.com.au

“The belief that innovation, wellness, flavour, ease of use and the need to satisfy consumer demand for clean, certified organic food.” - Anni Brownjohn, The Right Food Group

The Right Food Group is Australia’s leading certified organic, low allergy food developer and manufacturer. Over the years the company has received numerous awards for its innovative products, most recently, Food Magazine’s 2014 Best New Organic Product for the OZGANICS No Added Sugar Salsa.

Signature brands including OZGANICS and Organic Noodle Kitchen are produced along with private label products for independent brands and major supermarkets that reach consumers in over 20 countries.

The Right Food Group’s commitment to excellence spans from the development and manufacturing to distribution of innovative organic alternatives that empower the consumer with a greater range of sustainable choices.
Nathan Free

**Everyday’s Peachy**

For 26-year-old organic fruit and vegetable grower Nathan Free, 2014 has been an excellent year.

There have been new winter vegetable lines, improvements to pre-packing, a national grower award and a Nuffield Scholarship win to top it off. But it’s the big shift in the organic market thanks to wider public awareness that has Nathan excited about the future.

**Demand Pushes Expansion**

Nathan plays a pivotal role in his family’s Alkira Organics, which is certified by Australian Certified Organic.

The former conventional stone fruit growers converted to organic six years ago in the midst of an eight-year dry spell on their 161-hectare farm at Lake Boga, 325 kilometres northwest of Melbourne.

The fourth generation farm grows perennial stone fruit, persimmon, fig, tomato, corn, zucchini, pumpkin and melon, and kale and broccoli in winter. Alkira Organics supplies to Woolworths and wholesalers and is developing exports into China.

Nathan says, “We have a fair bit on. We often don’t have enough of the products that we do have, so we are looking at expansion. We have about 161 hectares of our own and have just signed up another 202 hectares. We are looking at growing more vegetables and also development in stone fruit growing, using techniques with proven benefits for tree health. It’s a fast-moving place at the moment. Some lines are overdue but a lot are in short supply.”

**Wider Public Awareness**

Nathan was named the AUSVEG 2014 Young Grower of the Year in June. “Winning the award was a big achievement for organics, particularly given AUSVEG represents 13,000 primary producers. To be able to pick up an award in such a big industry and against conventional farmers was great. It also goes a long way to improving the acceptance of organics.”

Nathan also featured on ABC’s Landline in 2014 and was surprised at the spin-offs from his “small amount of fame”: “From the little story on Landline about a month ago, we’ve had a huge amount of people start following us on Facebook and commenting that it is amazing to see the farmer behind the produce.”

As a recipient of a prestigious Nuffield Scholarship, Nathan will study variety selection and soil amendments during conversion from conventional to certified organic farming. This will take him to the United States to visit The Rodale Institute and inspect the Californian stone fruit and organic seed industries, as well as to England, to meet with the UK’s largest organic group, the Soil Association.

**Delivering to Every Consumer**

Nathan has his sights set on making organics affordable and accessible to the everyday consumer. “We want to develop our business so we can get the right organic products to the right organic consumer. We want to build our knowledge so we can grow products with fewer inputs, while following organic principles and meeting certification requirements. We want to make it a little more efficient and find another line of organic consumers. Our primary goal is to make organics affordable to anyone who wants to buy it.”

**Challenges and Rewards**

Nathan says market and industry acceptance, building knowledge and the high cost of inputs – which impacts mostly on the consumer – are the greatest challenges facing organic growers. Yet with challenges come rewards. “Every day we can create a product that uses natural inputs and is delivered fresh to the consumer. It’s pretty easy to sleep at night.”

**Quality in the Field and Beyond**

Quality underpins Alkira Organics. Nathan says, “We put effort into the field to get produce right – by pruning it right, and keeping it free from disease and growing healthily. We put as much effort into the packing facility to get it right temperature, pack it and get it away. We communicate with the marketplace to make sure when we pick it everyone is clear about what we have got and what we want to do.”

**Advice to Other Young Growers**

Nathan says it’s important for growers to know their customer. “Certain customers in organics want economy lines, some are willing to pay anything and then there’s everyone in between. As much as it is to grow a crop, it’s just as important to know the customers you are aiming for. Find that customer and once you have found them, that’s where you can grow your business. Like any business – do it for a purpose and meet someone’s demand.”

Brendan Murray

**Thinking Big**

Organic vegetable growing couldn’t be further from Brendan Murray’s former career as an electronic engineer building systems for the US military.

In 2009 he joined the family business, Nature’s Haven – a leading certified organic vegetable business with farms in New South Wales and Queensland. The farms produce zucchini, onion, pumpkin and sweet corn. Tomato trials are underway.

Brendan, 28, farms Nature’s Haven’s 80-hectare Coleambally farm, 65 kilometres south of Griffith on the Riverina.

**Two Farms, Two Different States**

Nature’s Haven expanded into Far North Queensland in 2011 as a way of growing a year-round supply of vegetables certified by Australian Certified Organic.

Brendan says, “Each location has its different problems, mostly because of climatic conditions. In Dimbulah, there are transport issues because it takes four days to get anything to Melbourne.

“At Coleambally, the farm is on sandy loam. Farming in sandy loam soil has its own struggles. Because of the type of weather, we don’t have much of an insect problem in the crops we grow. Our biggest problem is trying to grow stuff in cold weather, which is stretching the friendship a bit with what the plants can handle.”

Brendan says growing in Dimbulah requires “different thinking”. “Down south we can get away with watering after we plant but in Dimbulah you have to have everything right before you put the seed in the ground.” Brendan says the key to successfully growing in two states is communication. “It all comes down to the people you have around you and how good the communication system is. We spend quite a few hours making sure we have good communication happening.”

**Landing in Australia’s Leading Fresh Food Giant**

Eighteen months ago, Woolworths approached Nature’s Haven looking for a consistent supply of organic vegetables. Brendan says, “We started working with Woolworths, talking to them directly and through our wholesaler to try and give them a consistent product. That has given us the confidence to keep growing. We work with Woolworths about numbers of what they are expecting and how we can meet those numbers with confidence.”

Nature’s Haven supplies to its wholesaler twice a week, with stock hitting Woolworths every day.

Brendan says communication again is the key, and has regular – sometimes daily – conversations with Woolworths.

**Good Wholesalers Are Crucial**

Brendan sees strong relationships with wholesalers as vital. “We try and do everything through our wholesalers,” Brendan says. “If someone new comes in, we refer them to our wholesalers. There are times someone will be chasing a particular product and the best way we can guarantee they will get that product is through the wholesalers, as we look after our wholesalers before we look after anyone else, particularly if we are short in supply. It’s all about giving our customers reliability when things are short.”

**Quality Secures Reputation**

Nature’s Haven is firm about the quality of the produce it sells – if it doesn’t meet specification, it’s generally ploughed in. This position has earned the business a solid reputation in the market. Brendan says, “We aim to be on the upper end of quality. If things don’t meet specification, we want to know. We work to get problems resolved as quickly as possible.”

**Innovation Keeps Business on Top**

Nature’s Haven embraces innovation as a way of keeping one step ahead of its competitors. It is currently trialling a new variety of organic pumpkin, which it hopes to launch in the marketplace by the end of 2014. Amber Sweet is similar in shape to a Kent but has a skin like a butternut and is sweeter.

Brendan says, “We have our proven methods for growing crops, so someone else could come in and grow those crops. We have to be continually looking at new ways of doing things, new varieties or new crops to keep on top of the game.”

**Advice to Other Young Growers**

“Opportunities appear all the time. Watch and be ready to grab the bull by the horns – and hang on for the ride.”
need to be convinced about the benefits and invariably certification plays a huge role in assuring them about organic status. Additionally, bringing the unit price of organic offerings more in line with conventional equivalents would undoubtedly assist in their increased demand.

BEVERAGES

Over the five years to 2014, consumers in Australia have become more concerned about the provenance of their food, emphasising locally produced and organic products.

Ethical and environmental issues are a major driver and this has been particularly evident in the coffee market where organic alternatives are favoured based on sustainability and social responsibility values. Consumers have shifted from mainstream products to organic, and companies seeking to capitalise on this are required to substantiate their claims by displaying the logo of an organic certifier on their product labels.

Supermarkets remained the dominant channel for organic beverages in Australia in 2013, accounting for a retail value sales share of 70%. This channel saw ongoing retail value sales share gains over the review period, as it expanded its range of organic beverages and offered products at lower price points compared with other channels such as convenience stores. Supermarkets stocking a wider range of organic beverages also assisted organic beverages to become more mainstream over the review period.

According to Euromonitor (2014), organic beverages sales grew 6% in 2013 to reach $53 million. Retail value sales growth in 2013 was in line with the CAGR of 6% recorded over the 2008–2013 period, as demand for organic products continued to grow.

Organic coffee saw the most dynamic retail value sales growth of 15% to reach $10 million in 2013.

Organic beverages tend to be marketed in the premium segment. The average unit price of organic 100% juice was $5.40 per litre in 2013 compared with an average unit price of $2.32 per litre for conventional 100% juice.

Organic products were generally positioned in the premium price tier, given the higher production costs and smaller harvest yields for organic producers. Consumers understood the factors behind the premium pricing of organic products and were willing to pay more for health and environmental benefits. Private labels continued to have a negligible presence in organic beverages in 2013, holding a marginal retail value sales share of 2%.

WHERE SHOPPERS BUY ORGANIC TEA AND COFFEE

Source: Euromonitor, 2014b

Organic packaged food forecast values

**SALES SM**

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Source: Euromonitor, 2014b

Organic packaged food forecast growth

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<tr>
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<th>CAGR 2013–18</th>
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<tr>
<td>BAKERY</td>
<td>6.5</td>
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<td>SAUCES, DRESSINGS AND CONDIMENTS</td>
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<td>SNACK BARS</td>
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<tr>
<td>SPREADS</td>
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</table>

Source: Euromonitor, 2014b

Organic packaged food forecast growth
A focus on research and development will pay huge dividends for certified organic liquid seaweed producer, Seasol International Pty Ltd.

The company has made a significant investment in proving to farmers the economic return of Seasol products, with results over the past five years showing great promise. Seasol has been manufacturing and marketing organic and environmentally friendly products for more than three decades. The company’s two largest markets are viticulture and tree crops, with vegetables and livestock pasture also strong.

Seasol has a solid foothold in the retail market, accounting for more than 75% of the liquid fertiliser market.

Seasol is the only seaweed company in the retail market that takes its product from harvest to manufacture and bottling, and right through to the retail shelf.

In the past two-and-a-half years, the company has also focused on the export market, with plans to increase export from 12 to 20 countries.

PROVING THE ECONOMIC RETURN

The growing body of evidence for the validity of seaweed in conventional commercial horticulture is expected to play a key role in the company’s growth.

Seasol managing director Lisa Boyd put together a research and development team led by Dr Tony Arioli (formerly of Bayer) five years ago. Lisa says, “We are working with some of the largest growers in the country to demonstrate the economic return of Seasol. Farmers need to know they are getting not just a technical result (improved vigour, reduced stress) but an economic one as well. Seaweed is becoming more accepted by conventional farmers to use as a routine input. We have data and there is a compelling international body of evidence demonstrating that seaweed has a place in conventional growing. We have refined our knowledge about specific application rates over the past five years.”

Lisa says, “In addition, previously unknown compounds in seaweed have recently been discovered. I think there is still much more to discover.”

THE POINT OF DIFFERENCE

Lisa says, “We have considerable expertise in manufacturing and our process is unique. Our manufacturing plant is the only one of its kind in the world and in recent years we have refined that even more. We have focused on research and development. It’s the key to our growth and future.”

ADVICE

“A business in an organic market is like one in any other market – it’s all about your people. You need to invest in your people.”

“Staying number one is all about being a supplier of choice.”
COSMETICS, PERSONAL CARE AND ESSENTIAL OILS

Cosmetics, personal care and essential oils make up 1.9% of the organic market. This sector deals mainly with cosmetics, skincare products, hair care products, perfumes and fragrances. Processors have commented that the ingredients for products in this sector are not locally available, which increases production costs by forcing the industry to import.

COSMETICS AND PERSONAL CARE

The organic skincare products segment comprises moisturisers, cleansers, scrubs, facial masques, lotions and body oils. It is envisaged that skincare products will contribute to a higher proportion of the revenue in this industry over the next five years. The second-largest segment in this industry is hair care. The demand for these products is increasing.

COSMETICS AND PERSONAL CARE

The farm-gate value of organic essential oils for 2014 is $18,010,707. Essential oils processors and manufacturers have enjoyed a strong margin of 27%. The industry has experienced strong sales and prices and anticipates the double-digit growth rate will continue through 2015–2016.

ESSENTIAL OILS

Essential oils remain significantly undersupplied, with a growing demand for organic cosmetics and other personal products.

Primary production for essential oils is fragmented, with mainly small to medium-sized producers supplying a wide variety of markets.

While cosmetics as a market sector is not reported in the Australian Organic Market Report 2012, there has been a focus on essential oils as a sector given the large base of producers who supply this market.

The industry is without significant-sized dedicated essential oil producers, driving the local processing industry to import ingredients.

SALES AND VOLUME

The farm-gate value of organic essential oils for 2014 is $18,010,707.

The organic cosmetics sector is increasingly attracting businesses that wish to supply and market their products to discerning consumers. Some of these companies are already exporting, while others are importing finished products. Organic and natural offerings for cosmetics is expected to grow in the years ahead as organic becomes more of a lifestyle option for consumers beyond just food.

LOOKING FORWARD

Certified organic manufacturers and retailers face competition from companies that market products as ‘natural’, ‘eco’ or organic without the certification. Marketing that highlights the differences between these claims and what organic certification is would increase consumer confidence in their products.
Australian Organic Market Report 2014

The Organic Consumer 2014

Each year Australian grocery shoppers are asked a range of organic-specific questions. The 2014 survey results build on Mobium Group’s six years of comparative data on primary household shoppers and also include some new questions to Australian consumers.

The sample is 1011 Australians aged 18–69.

In 2014, more Australians are purchasing organic than previously. Organic consumers continue to favour easy access to products – most often buying from supermarkets.

‘Free from’ and ‘environmentally friendly’ attributes remain the key perceived benefits of organic food in the Australian community. In order of importance, the perceived benefits of organic food are: chemical free, additive free, environmentally friendly, artificial hormone and antibiotic free (meat), non-GM and free range. Fruit and vegetables are the most common organic purchases, followed by non-alcoholic beverages, dairy, bread/bakery and eggs.

Organic purchases by those who are not categorised as green or sustainable shoppers increases from 24% in 2012 to 40% in 2014.

Shoppers are buying more organic dairy products than previously, making it the fastest-growing organic category in 2014.

The Australian Certified Organic logo is by far the most recognised organic certification mark – a significant leap of 22.5% in awareness from 2012.

One-third (32%) of shoppers say they would only buy a product labelled as ‘organic’ if it is certified organic.

Why Organic?

The Australian Organic Market Report 2014 asks organic shoppers for the first time why they first purchased organic. Most (49%) first bought organic because they became aware of the impact food, fibre or cosmetics may have on their health. Thirty-two per cent first bought organic for environmental reasons, 25% because of animal welfare and 16% because of a health crisis. Respondents could choose more than one reason.

How do consumers know it’s organic?

Another new consumer question for the Australian Organic Market Report 2014 is: How do you know/check what you’re buying is organic?

Perceived benefits of organic are consistently associated with what organic food does not contain and is not produced with. The top six: chemical free (80%), additive free (77%), environmentally friendly (68%), artificial hormone and antibiotic free (meat) (60%), non-GM and free range (each 57%).

Free range, cruelty free, pasture fed and sustainably fished are four new attributes added to the 2014 consumer survey.

We also ask organic shoppers to state which of the known benefits of organic are important to them. Shoppers are particularly interested in ‘What’s in it for me?’ benefits. A comparison with Australian Organic Market Report 2012 research shows characteristics that deliver personal health/wellness outcomes resonate strongly with most shoppers.

Who buys organic?

Mobium Group’s findings suggest demographic characteristics are not the best predictor of whether a consumer will buy organic. Rather, a person’s values concerning personal, community and planetary wellbeing are the best indicators of a consumer preference for organic. Shoppers strongly aligned with these issues are the primary participants in the organic market. Instead, in fresh produce, consumer alignment with these values leads to participation rates of two to three times more than the overall average.

However, the research shows the buying capacity amongst the most committed organic shoppers could be reaching its limits, as many are now exhibiting high levels of cross-category participation and regular buying patterns.

A closer analysis of the 2014 results suggests a mainstreaming of the organic buyer profile. Shoppers with lower levels of cross-category participation and regular buying patterns exhibit characteristics that deliver personal health/wellness outcomes resonating strongly with most shoppers.

Sustainability and personal values are the key drivers in buying organic. As such, shoppers are seeking organic brands and products that align with their values, and they are prepared to pay a premium for this reassurance.

False marketing claims are common in the hair care and beauty industry in Australia and it’s an issue Australian Organic continues to raise with the Australian Competition and Consumer Commission.

How do consumers know it’s organic?

Purpose

The purpose of this report is to provide a summary of the key findings of the Australian Organic Market Research 2014 survey, conducted by Mobium Group.

Methods

The survey was conducted with a sample of 1011 Australians aged 18+ between 10 June and 4 July 2014.

Results

The survey results are based on the responses of 1011 Australian consumers aged 18+.

Conclusion

The research shows the buying capacity amongst the most committed organic shoppers could be reaching its limits, as many are now exhibiting high levels of cross-category participation and regular buying patterns. A closer analysis of the 2014 results suggests a mainstreaming of the organic buyer profile. Shoppers with lower levels of commitment to personal, community and planetary wellbeing are the best indicators of a consumer preference for organic. Shoppers strongly aligned with these issues are the primary participants in the organic market. Instead, in fresh produce, consumer alignment with these values leads to participation rates of two to three times more than the overall average.

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New organic customers have low levels of interest with the overall theme of health and sustainability, however, their organic purchasing jumps from 24% in 2012 to 40% in 2014.

Current organic product purchasers are drawn from all parts of the community. The profiles of an organic purchaser and non-purchaser generally exhibit similar characteristics. Whilst some demographic variances exist, there are only minor differences in gender, location and age. Factors of income distribution, household composition and education level show greater variance. There is some over-indexing amongst purchasers who are earning over $84,000, have children living at home and are university educated.

**WHAT ARE THEY BUYING?**

Fresh fruit and vegetables is the most purchased organic category, with 58% of households purchasing fresh produce in 2014 - down by 2% since 2012. Household staples such as organic home-cooking ingredients (e.g., flour, sugar) are next (42%), followed by organic dairy (41%), organic canned goods (38%) and organic bread and baked goods (37%).

**HOW MUCH DO CONSUMERS SPEND?**

Most organic shoppers allocate 5% or less of household food expenditure to organic purchases. Forty-four per cent say this is their total estimated spend. A cluster of highly committed organic purchasers exists within the current market, with 10% saying they usually outlay 40% or more of their household food spend on organic products. As noted earlier, the growth in new consumers purchasing some organic is growing the organic industry overall, as the committed end of the market may be saturated.

**MOST PURCHASED ORGANIC GOODS**

- 58% organic shoppers bought fruit & vegetables
- 42% organic shoppers bought home-cooking ingredients
- 41% organic shoppers bought dairy

Fresh produce, home-cooking ingredients and canned goods record declines in purchasing in 2014, while dairy (+7%), packaged meals (+7%), non-alcoholic beverages (+6%) and alcoholic beverages (+5%) all record strong gains. As suggested above, increased availability of these products in supermarkets could explain the growth.

**HOUSEHOLD ORGANIC PURCHASING – PAST 12 MONTHS %**

- Fresh fruits & vegetables: 58%
- Home-cooking ingredients: 42%
- Dairy: 41%
- Canned goods: 38%
- Bread/Bakery: 37%
- Red meat: 37%
- Non-alcoholic beverages: 33%
- Poultry: 31%
- Confectionery & snacks: 29%
- Breakfast cereals: 24%
- Tea/Coffee: 22%
- Cleaning: 22%
- Pork: 22%
- Eggs: 21%
- Packaged meals: 21%
- Cosmetics/skincare: 19%
- Desserts/Ice cream: 18%
- Wine/Beer/Alcohol: 18%
- Pet care: 13%
- Gardening: 12%
- Seafood: 9%
BARRIERS TO BUYING ORGANIC

Continuing the trend of previous Australian Organic Market Report findings, price remains the number one barrier to purchasing organic. Eighty-two per cent of all shoppers say it’s a barrier, compared with 80% in 2012. Most other barriers trend lower compared with 2012 results.

Shoppers have more trust in organic products in 2014. ‘Knowing you can trust it’s organic’ is a barrier for 43% of all shoppers – down from 48% in 2012. There is growing confidence in the veracity of organic food claims. Thirty-eight per cent say they want to know more about organic products, compared with 41% in 2012.

In support of our hypothesis that supermarket access is driving growth, availability and convenience issues continue to wane as barriers, with ‘easier access/convenience of buying’ dropping to 32% in 2014 from 39% in 2012 (and 50% in 2010).

WHERE DO CONSUMERS BUY ORGANIC?

Most organic shoppers buy their organic products from supermarkets. Ninety-five per cent of organic buyers shop for organics in a major supermarket on occasion. Next is greengrocers (75%), then markets (73%) and organic/wholefoods stores (54%). As was the case in 2012, many organic shoppers regularly shop at a variety of outlets to meet their organic purchasing needs.

Most (40%) organic shoppers think organic/wholefoods stores offer a ‘very good’ selection of packaged goods, followed by online stores (27%), Woolworths (23%) and Coles (21%).

Price remains the number one barrier to purchasing organic.
Wray Organic founders, Deborah Wray and Gary Davis, live, breathe and champion the certified organic way of life. When they opened their first organic grocery store in a 70-square-metre retail space in Palm Beach, Queensland, in 2005, the couple never dreamed their vision to provide Australian families with clean, nutritious certified organic food would be realised so quickly.

Today, there are Wray Organic Market & Cafe outlets in nine locations in South East Queensland, with plans to expand. The exponential growth of Wray Organic matches the groundswell of change taking place across Australia, as consumers seek out a cleaner way of eating and living. Deborah Wray says, “There isn’t an Australian out there who doesn’t want this food. It’s just a question of making it convenient and that means opening a store in your town.”

A STRONG CERTIFIER IS CRITICAL

Deborah believes there are several “bigger picture” challenges for the organic industry. “Certifiers must never water down certification. They need to ensure it remains black and white; for example, that there is zero tolerance for genetically modified food. People want something that is clean alternative.” Packaging is another area that needs to be addressed: “Currently in our stores we are not stocking certified organic tinned tomatoes because they contain a white plastic BPA lining. Certifiers should not allow plastic lining in a certified organic product.”

BEST BUSINESS DECISION

“Opening the business in 2005 was by far the best business decision. Apart from providing clean, nutritious food for Australian families, we are encouraging people to change their shopping patterns, because eating certified organic is life changing for the whole family on so many levels.”

ADVICE

“For anyone who is considering opening a store like ours, they need to be committed to a program of education. It’s not a matter of just opening the doors. We educate in many ways so our customers can make informed choices.”

“There isn’t an Australian out there who doesn’t want this food.”
ORGANIC CERTIFICATION AND CONSUMER TRUST

Recognition of the Australian Certified Organic logo increases from 31% in 2012 to 38% in 2014, making it the most recognisable logo amongst consumers. It’s followed by NASAA (23% compared with 19% in 2012) and the United States logo USDA Organic (7%, the same as 2012).

Overall, 8 in 10 shoppers believe that all other attributes being equal, an organic certification mark may influence their purchase decision.

In 2014, 70% of all shoppers indicate that an organic certification mark increases their level of trust in a product, compared with 61% in 2012. Eighty per cent of organic shoppers state that a certification mark increases their trust.

One-third (32%) of shoppers say they would only buy a product labelled as ‘organic’ if it is certified organic.

ORGANIC PRODUCT QUALITY – CONFIDENCE IN OUTLETS %

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<tr>
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<td>69</td>
</tr>
<tr>
<td>Market/Farmers’ Market</td>
<td>62</td>
<td>60</td>
</tr>
<tr>
<td>Greengrocer</td>
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<td>61</td>
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<tr>
<td>Woolworths</td>
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<td>Discount Dept Store</td>
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RETAIL

Over the past few years, major supermarkets have begun offering organic products under their own ‘home brands’ (also known as private labels). Examples include Coles Organic, Woolworths’ Macro Organic and ALDI’s Just Organic.

Over 80% of current organic purchasers indicate they’ve previously bought an organic ‘home brand’ product and only 19% state they ‘never buy organic home brand products’. However, 66% of organic shoppers buy ‘home brand’ intermittently.

Current organic purchasers have more confidence in branded products (those other than ‘home brands’). Seventy-five per cent have high levels of comfort with branded products, compared with 52% for home brands.

Organic/wholefoods stores are considered amongst nominated outlets to have the best quality certified organic products. In general there is increased confidence in specialty outlets, while confidence in major supermarket chains falls slightly, with the exception of ALDI.

When it comes to the perceived integrity of organically certified products in outlets, organic/wholefoods stores continue to generate the highest level of confidence (an aggregate of 64%), followed by Woolworths/Safeway (62%), Coles (61%) and greengrocers (54%). Overall the perceived integrity is up only slightly from 2012.

The complete Mobium Group survey results for organic consumer participation and perceptions is available to Australian Organic members. Visit austorganic.com for more information.

The Australian Organic Schools website has an exciting new look!

The new look website now has separate ‘Teacher’, ‘Student’, ‘Canteen’ and ‘Parent and Carer’ sections, easy-to-use navigation, revised units of work and student activity sheets (incl. interactive whiteboard files).

Why not become an Australian Organic Schools partner or sponsor?

There are many great options available. Contact Joanne Barber for details on (07) 3350 5716 or by email joanne.barber@austorganic.com

Meet the Australian Organic Schools Ambassadors

Pete Evans, Therese Kerr and Costa Georgiadis each share a passion for organic produce and products and believe that improving the health and wellbeing of children is an important message to share.

The new Australian Organic Schools website was developed by Kids Media.

Visit the website today www.organicschools.com.au