Summary of Methodology

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The difficulties of collecting, analysing and reporting market intelligence on organics have been well-canvassed in both Australia[1] and internationally.[2] These difficulties persist and given the limitations of the dataset, some caution should be exercised in relying on these figures, which should be regarded as indicative. Although the Australian Bureau of Statistics (ABS) released its five-yearly farm census data on organic production for 2015/16[3], Wynen (2019)[4] discusses three issues with organic production value calculation based on the ABS data: (1) the organic production value is calculated using the conventional prices adding an organic premium, which the accuracy of the latter information can be improved with a system of collection organised by the industry; (2) working out the proportion of the farm under organic management can be problematic for industries such as grapes for wine, and poultry for meat and eggs; and (3) obtaining a reliable percentage of the product sold in the organic market remains difficult. This summary outlines an alternative methodology, while we note that the task of improving the reliability of organic value calculation remains a work in progress.

Estimates of organic market value were based on analysis of the results of a survey of clients conducted by Australian Organic (AO) in late 2018. Clients were asked to identify the nature of their operations and nominate total sales value for the 2017-18 financial year, where 36% of producers responded to the survey. In the absence of more precise data, an assumption was made that the survey respondents represented 36% of the total value of organic production in Australia.

The value of production exported for most commodities/sectors was estimated by adapting literature on typical percentages of total production revenue exported.[5] The literature refers to conventional (non-organic) production and feedback was sought from AO on organic industry experience. As a result, the total export value was adjusted upwards, by raising the percentages of production exported.

The value of production channelled into domestic retail was estimated as the difference between total production and exports.

Total domestic retail was estimated by adapting literature on typical producers' shares of retail revenue and adjusting these shares based on feedback from AO on organic industry experience. As a result of the feedback, the total retail value was adjusted downwards, by raising the producers' shares of retail.[6]

Total processing value was estimated as a mark-up from total production by adapting relevant figures from the literature where available. Exports from processing were estimated by adapting literature on the typical percentages of total processing revenue exported, and adjusting as per production exports above.

Wine was treated as an exception, because all retail and export derives from the processed product (i.e., wine), not the raw produce (wine grapes). In this case, processing value was estimated using survey data from AC *processor* respondents, and production and exports estimated by adapting shares from wine industry literature. Similarly, processing values for mixed production categories that could not easily be separated into the selected production sectors/commodities were estimated using survey data from AC processor respondents.

Total exports were the sum of production exports and processing exports.

Overall total value was the sum of domestic retail and total exports.

The literature used for calculating export and retail value relates to some sectors but not all, in which case estimates were applied.

Endnotes

[1] Els Wynen, *Improving the Measurement of the Value of Organic Production in Australia*, Organic Trust Australia – Research and Education, 2016.
[2] Robert Home, Catherine Gerrard, Corinna Hempel, Michal Lošťák, Anja Vieweger, Jakub Husák, Matthias Stolze, Ulrich Hamm, Susanne Padel, Helga Willer, Daniela Vairo and Raffaele Zanoli, 'The quality of organic market data: providing data that is both fit for use and convenient' (2017) 7(2) *Organic Agriculture*, 141.
[3] https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/7121.02015-16?OpenDocument
[4] Els Wynen, *Organic Agricultural Production in Australia: 2010-11 and 2015-16*, Organic Trust Australia – Research and Education, 2019.
[5] RIRDC, *From Farm to Retail – How Food Prices are Determined in Australia* (2016) https://rirdc.infoservices.com.au/downloads/16-013 ; Lynne Ziehlke, Australian Macadamias Market

Development (2015) https://horticulture.com.au/wp-content/uploads/2015/09/Macadamia-presented-by-Lynne-Ziehlke1.pdf ; Gillespie Economics and AgEconPlus, *Economic Contribution of the Australian Wine Sector* (Australian Grape and Wine Authority, 2015), 14; South Australian Government, *South Australian Wine ScoreCard Overview 2014-15* (Primary Industries and Regions South Australia, 2015), 4 http://www.pir.sa.gov.au/__data/assets/pdf_file/0004/268861/Wine_Scorecard_2014-15.pdf ; Australian Government, *Processed Food* (Australian Trade Commission, 2013) https://www.austrade.gov.au/ArticleDocuments/2814/Processed-Food-ICR.pdf.aspx

[6] This does not take into account organic products imported into and retailed in Australia. Imports were not estimated in this report.