Opportunities Issues Constraints

The Tasmanian Organic Industry

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Tasmania
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The biggest acknowledgement is to the people that readily provided their time to consult with us. All of the industry participants were more than willing to assist and were also very candid and forthcoming with their responses. All of these people are listed in Appendix A simply as an acknowledgment of their efforts and time.

Brent Dawkins
Project Officer
Department of Economic Development

DISCLAIMER

It must be emphasised that the views expressed in this report are simply the impressions of general trends and issues that were gathered throughout the interview stage of the project. The views and recommendations are not those of the State Government, nor anyone working within the government. The respondents from the industry raised all matters discussed in this report. However, this does not mean that they represent the views of any industry organisation or certifying body, they are simply issues, views, concerns and recommendations raised by respondents.

Executive Summary

The major issues concerning respondents were raised under the general market/industry section of the questions and included the use of the word “organic” on the labels of products that were not certified. The fact that every respondent raised this issue is a reflection of its importance. This issue infuriates certified producers as they have put in the extra work and incurred the extra expense of certification and it is then seen as unfair for others to simply use the word “organic” to mislead consumers (if the products aren’t actually organic). The certification systems act as a quality assurance measure and it is difficult to substantiate an “organic” claim without a certifying number and/or logo. The respondents also believe that this issue should be a relatively easy problem to address and it should be addressed quickly as it has the potential to undermine the integrity of the industry.

The major competitive advantage for the Tasmanian organic industry is the state’s clean and green image however it was highlighted by most respondents that this is simply an image or a perception. Publicity surrounding forestry practices, the use of chemicals and the possible contamination of water were identified by respondents as issues that can damage the image and this competitive advantage. With the increasing emphasis on food safety and consistent regulations throughout Australia, this image becomes important as other states can also claim it. Therefore Tasmania has to work hard to protect the image.

The costs of certifying bodies were another major issue as these are seen as very expensive and as a significant impost upon many organic businesses. The major issue appears to be some bodies charging a fee based on a percentage of gross turnover which may create a disincentive to become certified. There are other costs as well, such as administrative costs which include all of the record keeping that is required to maintain certification. There are, however, other incentives to incur these costs including the fact that certifying bodies provide quality assurance, mentoring and education services.

There is no continuity of supply within the Tasmanian organic market as it is difficult to supply some organic products for the entire year as a result of insufficient volumes from producers and owing to seasonal constraints. This makes it difficult to keep the market satisfied and as a result impacts on the demand for organic product. If consumers can not purchase a product they want, then they will either leave the organic market or be forced to choose organic products produced outside Tasmania. Another cause for the inconsistent supply issue is that the Tasmanian organic industry consists of many small to medium sized operations that are satisfied with their business and unwilling to expand. This may require significant investment to attract some larger suppliers with both the capacity and desire to produce increased volumes before the issue will begin to be addressed.

Many informal arrangements exist throughout the industry with both suppliers and customers. This is a result of the continuity of supply issue as suppliers and producers can not guarantee set amounts or quality. There was little enthusiasm from the respondents, with the exception of some larger ones, to move towards more formal arrangements and the industry appears to be content with the current arrangements as they provide flexibility in terms of quality and quantity.

The Tasmanian market is the primary focus of many organic producers. Approximately 65 per cent of respondents indicated they supplied the Tasmanian market and only 35 per cent indicated that their products went to the Australian market. There were also some exports overseas, primarily by those that also supplied the Australian market. The Tasmanian organic market is also relatively small given the size of Tasmania's population which generally has less disposable income. Therefore, producers have to be very conscious of costs so as to not price themselves out of the market and some products are not sold or produced in Tasmania because they can not be sold at an acceptable price.

Some organic products are sold through conventional markets which is not a problem if the price in the conventional market is sufficiently attractive for organic producers. Issues arise if organic product is being sold there because it is unable to be sold in an organic market (for example there may be a lack of processing facilities or the organic market is saturated). The best returns for organic product are commonly received when the product is sold in a niche market.

Respondents often encounter major difficulties in sourcing organic seeds, hay and straw which causes major issues in terms of added expenses (including freight charges) and requires significant time to address.

This report identifies these as the most important issues currently facing the Tasmanian organic industry. It is hoped that the information and issues raised throughout this report will encourage further investigation and action by appropriate bodies.

The project

The genesis for this project and report are outlined in the introduction. This section briefly details how the project was conducted.

This project sought information relating to the Tasmanian organic industry and in particular information regarding:

- market gaps that may exist
- potential barriers to growth
- where any opportunities may exist
- general issues that industry participants were encountering.

With this in mind, questions were developed to try and extract this information.

It was determined that there were four key sectors to the industry that were relevant to the project. These four sectors were:

(1) growers/producers
(2) retailers
(3) wholesalers/distributors
(4) processors.

Therefore each of these sectors had slightly different questions. The questions for all four sectors are attached in Appendix B.

Further, each set of questions was divided into the following three sections:

(1) Supplies/Inputs
(2) Customers/Outputs
(3) Market/Industry.

These are self explanatory and simply clarify that the project was seeking information concerning where industry members are sourcing their inputs (and why they are choosing these suppliers), where their output is going (and again why they are choosing these markets) and general industry and market information.

An initial contact list was developed with over 50 names of people involved in the Tasmanian organic industry in various ways. This initial list aimed to identify a representative sample across the state from a broad cross section of the industry. Phone calls were made to each to explain the reasons for the research and to determine if they were interested in helping. Following these calls, there were 33 people and organisations that agreed to participate resulting in a smaller representative sample from the initial list. Each was sent a letter further explaining the project and also a copy of the questions that would be asked. The questions were sent out in advance to allow the respondents an opportunity to consider them and the information they may provide at interview. The questions further indicated the aim of the project but were primarily sent out to allow respondents time to consider them.

It was initially thought that 30 respondents would be suitable both in terms of the information gathered and also the resource constraints of the project. The project sought representation from across the industry and of these 33 respondents there were seven retailers, 26 growers/producers, six distributors/wholesalers and three processors. This breakdown exceeds 33 simply because some growers/producers are also processors or wholesalers/distributors. The respondents who fell into more than one category were asked each set of applicable questions and to keep their activities as separate as they could when answering.

The “organic industry” incorporates all sectors of agriculture and as a result respondents were interviewed from a range of these sectors. These sectors include fruit, vegetables, dairy, beef and wine.

It was also important to have representation across the state and therefore the breakdown of respondents is:

South - 16
North - 8
North West -9

Interviews were conducted between 27 October 2004 and 9 December 2004. Of the 33 respondents, 29 were interviewed face to face. It was believed that face to face contact would produce better results in terms of the quality of information delivered and would allow issues that were raised to be further explored. There were two interviews conducted by phone, due to time and travel constraints and two written responses were received.

All responses were treated as confidential and to protect the integrity of both the respondents and the information gathered, all information has been aggregated when presented in this report.

Issues recommended for further consideration and discussion by MOAG:

1) The Tasmanian organic industry may benefit from a careful consideration of the content and recommendations of the Organic Seed and Seedling Production Report (November 2004). This seed report could be distributed and made widely available to the industry to establish if any of the recommendations should be acted upon at a local level. One particular issue is to consider whether Tasmania is involved or represented in any proposed National Organic Industry forum and to provide input for the interpretation of the rule requiring certified seed and the rule allowing for derogation.

2) The Tasmanian organic industry may benefit from an examination of the issue surrounding the lack of organic beef processing facilities. There are beef producers who have significant difficulty in getting their meat processed and the viability of lamb and chicken production and processing could also be examined.

3) The Tasmanian organic industry may benefit from a detailed assessment of the lack of continuity of supply issue to determine its impact on the industry and whether this is positive or negative.

4) Examining the impact that the costs of certifying bodies have on the industry could be of benefit to the Tasmanian organic industry. The costs of certification may determine the extent to which people decide to certify or decertify. Possible solutions could also be explored.

5) The Tasmanian organic industry may benefit from an investigation into what has been done in relation to protecting the use of the word “organic” on labels and in business names. This could include identifying what are the major problems with protecting this word and why a solution acceptable to the industry is yet to be developed. Alternatively, if nothing is being done, the issue of labelling and the use of the word ‘organic’ in business names should be examined to determine appropriate solutions to protect the integrity of the label. The industry should work together and cooperate to maintain pressure to ensure this problem is solved.

6) The Tasmanian organic industry may benefit from an examination of whether any options exist or may be developed to assist people through the conversion period, whether financial facilitation or information support.

7) The Tasmanian organic industry may benefit from the establishment of a central web based portal where stakeholders could exchange a variety of information including product information and technical knowledge. The development and maintenance of an internet based “clearing house” or information portal could be explored. The investigation would have to determine whether it is viable, who will establish, maintain and fund it and whether people would utilise it.

8) A number of market gaps were identified by the respondents and included eggplant, potatoes, avocados, peas, apricots, peaches, biscuits, jams/chutneys, mushrooms, olive oil, goats milk (and associated products such as cheese and yoghurt), bread, butter, cheese and honey.

9) Other opportunities identified by respondents included capitalising on Tasmania’s image as clean and green and also the short distance from farm gate to plate. Respondents thought that these could be utilised more effectively throughout the Tasmanian organic industry. The fact that Tasmania is able to produce fruit and vegetables in the counter season to the Northern Hemisphere is another opportunity that could be explored.

Introduction

It must be emphasised again that the views, concerns and issues expressed in this report do not represent those of the State Government nor any industry organisation or certifying body. This report aims to communicate issues raised by the respondents, particularly those that they identified as important.

This project and report was initiated by the Ministerial Organic Advisory Group (MOAG) in conjunction with the Department of Economic Development and the Department of Primary Industries, Water and Environment. MOAG believes that potential exists within the Tasmanian organic industry and that a lack of information means that this potential is not being realised. It is not the only group to identify a lack of information as a barrier to growth within the industry. The Organic Coalition of Tasmania (OCT) in its 2003 - 2004 strategic plan identifies information and providing information as the top driver for the industry. The strategic plan states “considerable original research is also needed to fill information gaps and assess anecdotal experiences”.

This report aims to partly address this issue by providing some information concerning the general state of the industry, the major barriers to growth and potential for industry development. The report is intended to provide the foundation for further action and investigation.

This report is split into three major sections, as per the questions. These are:

(1) Supplies/Inputs
(2) Customers/Outputs
(3) General industry/Market.

The respondents consulted for this project own properties that are either certified or in conversion. Respondents with properties in conversion were included because these people have decided to enter the organic industry and may bring fresh perspectives. Further, some respondents have properties that are certified but also own another property that is in conversion. The producers consulted were largely certified but there were a small percentage still in conversion.

There were two other reports into the Australian organic industry released while this project was being undertaken. These are “Australian Organic Agriculture – Prospects for Growth” (Rural Industries Research and Development Corporation – October 2004) and “The Australian Organic Industry – A Profile” (Department of Agriculture, Fisheries and Forestry – November 2004 and see also the summary version).

Whilst these reports did not input into this document, it is interesting to note that many of the issues raised by this report and project are consistent with the issues raised throughout the rest of Australia.

1 Supplies/Inputs

Respondents were asked to identify the major organic inputs they require for production or sale and where these inputs are sourced. Questions also concerned why the respondents choose their suppliers, what arrangements are in place with these suppliers and whether there are any inputs that are difficult to source.

Obviously the key inputs required by each respondent varied according to whether they were a retailer, a grower/producer, a distributor/wholesaler or a processor. Further, it depended upon the relevant products for each but the following are some general trends and issues that were raised.

1.1 Key findings

- Respondents try to source their supplies and inputs locally where they can.
- The main reasons for choosing a supplier include that they are often the only available source. The quality and price of the inputs are also important.
- Nearly every respondent has informal arrangements with their suppliers. There are very few formal contracts.
- Organic seeds, hay and straw are very difficult to source.

1.2 Trends

Amongst the growers and producers, right across the different sectors, from wine to beef to fruit and to vegetables, some common inputs were identified. Compost is needed for all facets of agricultural production and it is no surprise that organic compost was continually raised as a required input. Other common organic inputs across the sector included liquid fish fertiliser and kelp.

Respondents try and source products and inputs locally but sometimes this is impossible and there is no alternative but to seek other sources. These sources are naturally either interstate or international, but it is clear that respondents will initially try and source required inputs locally. This is usually done with a fair degree of success. Two common inputs that are consistently sourced from within the state are compost and kelp.

A philosophy of the organic culture that was evident in the responses to the questions and is consistent with the above comments, is that people should support local people and industry. Wherever possible, people should try and purchase from local suppliers and to build relationships within the industry. These relationships will then work both ways to sustain the industry – i.e. if you support locally, then you will in turn be supported and the relationships will allow you access to inputs in the event of scarce supply. It also appears that preferential treatment is given to long term loyal customers and this concept may not be unique to the organic industry, but it is very explicitly stated.

Sourcing supplies locally not only means that the industry is supported from within and that strong relationships are established, but the quality of the products may be better. In the case of retailers, if they purchase local fruit and vegetables, then they are more likely to be fresher and of a better quality. Purchasing from local suppliers also reduces transport and freight costs helping to control the price of organic products. Both the issue of freight and pricing are discussed under the general market and industry section of this report.

In terms of growers and producers, some examples of organic supplies that were sourced from out of the state include, but are not limited to:

- Animal feed
- Weed gunnel (plastic like item to help control weeds)
- Gypsum
- Dynamic lifter.

For retailers and distributors/wholesalers, some examples of supplies that were sourced from out of the state include, but are not limited to:

- Peas
- Potatoes
- Lemons
- Fruit juices
- Dried fruit.

While these products may be available within the state, some respondents mentioned that they have to source these from elsewhere for a variety of reasons including price, quality or availability.

Amongst the growers and producers, there were also two very evident schools of thought concerning the production of their own inputs (for example compost or hay). Some respondents believe that it is better to make their own because they can keep control of the quality and ensure the organic character of it. It is also an element of the Biodynamic ethos in that no outside inputs should be introduced. If inputs are purchased then they have to be checked to determine whether they can be used. It could go as far as checking the inputs of the inputs. Eg, that animals have been organically fed to produce compost. Further some organic inputs are very expensive and add significantly to the costs of production, especially with freight incorporated. People throughout the industry are constantly watching prices because the Tasmanian organic market is limited in terms of numbers and income. Some respondents simply made their own because there are no other viable options for supply.

The other school of thought is that it is better to purchase the inputs to allow producers to concentrate on the core functions of producing the product. Organic producers already have enough tasks to complete and they do not have a lot of time (or necessarily the skills required) to make their own inputs. Therefore it is better and easier to purchase inputs.

Respondents were also asked why they choose the suppliers that they do. They were given the options of quality, price, reputation, established links, only available source, convenience or any other reason they could provide.

The following table presents the breakdown of the three most popular responses:

RESPONSE	%
Only available source	41
Quality	35
Price	24

As illustrated above ‘only available source’ was the most popular response and this may be due to the fact that among all of the inputs and supplies required by each respondent, there are often one or two inputs that are difficult to source. As a result, these ‘scarce’ inputs are only available from a limited number of suppliers and the respondents would inevitably respond with ‘only available source’.

The second most popular response was quality. The organic industry and those involved within it, have to be satisfied of the organic character of their inputs or risk the consequences which include compromising the integrity of their products or decertification. Not only do they have to be assured of the organic character but they need quality inputs to produce a better standard of product and also to reduce their work load. For example, if the growers can obtain good quality compost, then this may reduce the introduction of weeds to their soil. If they obtain poor quality compost, then weeds can become an issue and create additional work for them. Therefore the quality of the inputs is very important.

The third most common response was price. Some comments from respondents suggest that they have to watch prices of their inputs as they have to be careful not to price their final product out of the Tasmanian market. The Tasmanian organic market is an issue discussed under the general market and industry heading, but it is clear that while some people are willing to pay extra for organic products, there are limits as to what people will pay. This extends up the chain to affect the choice of inputs that people choose.

Some of the retailers are more comfortable choosing suppliers with certification systems that they know. For example, if a retailer had experience with certifying body X, then they might be more inclined to choose suppliers also certified with body X. All certifying bodies provide an independent assessment of the quality assurance system and it may be beneficial for growers/producers to determine whether a retailer prefers one certification over another. There may be benefits to people choosing certification systems that they know and understand. Issues relating to certifying bodies are discussed under the general market and industry section. The costs of these certifying bodies are seen as expensive (as discussed later) and cost may be a greater influence of choice.

Another clear trend to emerge from the responses is that arrangements with suppliers are predominantly informal. There are simply no formal contracts and this is identical to the customer and output side. It appears that it is too difficult to guarantee a set amount of supply (for a variety of reasons including climate) and the respondents feel that it is better not to be locked into any commitments. This affords them flexibility and they can try to obtain what they need, when they need it. Even the retailers and distributors/wholesalers have informal arrangements with their suppliers and most respondents take what they can when they can. The lack of continuity of supply throughout the industry makes it difficult for both producers and customers. This creates uncertainty and issues surrounding this are discussed under the general market and industry section of this report.

One problem with these informal arrangements is that sometimes people fail to source their inputs in time. Most respondents identified that there is little difficulty in sourcing most of their inputs, but they have to be organised. For example, some respondents expressed concern about the fact that they have to order a seasons worth of fertiliser two months in advance. This creates obvious difficulties for their operations but they have no choice or alternative. They have to know what they need, how much, when and where they can get it. While the informal arrangements that are evident throughout the industry create some problems, they do allow people to adjust according to external factors, primarily climate. Given the current uncertainties in the industry, there appears to be little enthusiasm for formal arrangements and the respondents seem to be relatively content with the flexibility.

1.3 Issues

While some respondents stated that sourcing organic inputs is limited but not difficult, there are clearly some organic inputs that are in demand but also in very short supply. The major input that was repeatedly raised was seed. Organic seed for grain, vegetables and clover is apparently very difficult to source, even from outside of the state. This was an extremely common response and some respondents even indicated that they would be willing to pay extra if they knew of and could trust someone to find the cheapest seed available. This would save both their time and money.

The main reason for this problem is simply that there are not enough growers of organic seed. There are not enough growers because the demand referred to above does not justify someone concentrating on producing organic seed *commercially*. Therefore people find it difficult to source organic seed but this market gap is not large enough to entice a commercial operator. This relates to the size of the Tasmanian organic industry and market and the need to look for external markets (for both supply and customers) to make an operation viable. Some respondents believe that the Tasmanian market for organic produce is simply not big enough and therefore people need to look to external markets. This issue is discussed in more detail in the general market and industry section of this report.

Another reason for the shortage of organic seed in Tasmania is the quarantine restrictions imposed upon importers. For example alliums (which include onions and garlic) and different tomato varieties can be brought into Australia but in order for them to be brought into Tasmania, they have to be treated. Once they are treated, they lose their organic status and this limits purchasing options. Quarantine regulations also prevented some retailers from receiving certain stock which limits the supply of organic products available to the Tasmanian market and compounds the lack of continuity of supply.

While the regulations were identified as a barrier, they were generally acknowledged for establishing and protecting Tasmania's clean and green competitive advantage. The regulations help to ensure that Tasmania is free from certain diseases and pests, a status that provides (or helps to provide) access to some markets. This image was identified by all respondents as a competitive advantage to the Tasmanian organic industry. (This is discussed under the general market and industry section of the report.) Therefore these regulations may prevent some specific items from entering the state but they are not a barrier to growth within the industry. While some of the respondents raised quarantine regulations as an issue, they did not go so far as to suggest the removal of them or an exemption as they realise their importance.

The seed problem has recently been illustrated by a report – "Organic Seed and Seedling Production" (the "Seed Report") – which is a report produced for the Rural Industries Research and Development Corporation[1]. The Seed Report outlines the requirement of organic producers to use organic seed and the confusion within the industry about the derogation rule. It outlines changes to Australia's National Standard for Organic and Bio-Dynamic Produce that requires certified growers to use certified seed, apparently in response to a requirement imposed by the European Union's organic regulators. This change was effective from 1 January 2004. Australia's National Standard also included a derogation rule allowing for growers/producers to source non certified seed where certified seed could not be sourced in sufficient quantities or of a sufficient quality. Then the onus is on the grower/producer to establish these requirements and seek written approval from their certifying body. In August 2003 the derogation rule was extended indefinitely[2].

Among other things, the Seed Report found that there was a reluctance of large commercial suppliers of seed to supply the organic market. When this is coupled with tight quarantine regulations which limit imports, further problems arise for Tasmanian organic producers. In preparing the seed report, workshops were conducted and from these workshops concerns were raised about inconsistent supply of organic seeds, their quality and a lack of market choice both in terms of varieties and price[3]. This Seed Report highlights that the issue is not limited to Tasmania and Tasmanian producers have to work with the rest of the country to solve some of these issues. The major recommendations from the Seed Report are outlined in Appendix C. The Seed Report contains valuable information and Tasmanian producers should be made aware of its content and recommendations.

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[1] The report was produced by Robyn Neeson and Dr Greg Howell in conjunction with the NSW Department of Primary Industries.
[2] *Organic Seed and Seedling Production*, RIRDC and NSW Department of Primary Industries, Neeson, R. and Howell, G., November 2004, pg 12.
[3] Ibid pg 18.

Organic straw and hay were also consistently raised as difficult to obtain and again the reason given was a lack of growers. The people that could source it often did so from an established link or a close friend who had produced it for themselves and had surplus product.

These shortage issues were addressed by a number of respondents supplying themselves with a limited quantity. Some vegetable producers keep plants simply for seeding and there are those who grow their own hay and straw. These tend to be smaller amounts and they generally cannot supply others. As mentioned previously, producing these sorts of inputs can add extra complexities to an operation but clearly some people have limited options.

1.4 Barriers

As mentioned above organic seed, hay and straw are extremely difficult to source. Obviously these are basic inputs for many organic producers and their unavailability (or at least their difficulty in sourcing) presents a barrier to the development of the organic industry. The same applies to organic feed as a large amount has to be imported into the state. This limits the expansion of those sectors that rely on animal feed, such as beef, eggs, dairy products etc. Importing it also adds additional expenses. If these inputs were more readily available then growers could focus on their core activities.

From a retail perspective, a lack of growers is also a barrier to growth. The respondents believe that demand consistently exceeds supply and that a lack of growers means that products are unavailable at reasonable prices all year. Therefore the shortage of growers appears to be a barrier that extends right through the industry.

The issue of freight and transporting supplies and inputs that are not available in the local area is also a barrier as this can push costs higher and increase the ultimate price of the product. However, freight and transport costs are not unique to the Tasmanian organic industry; it is an issue that most businesses have to overcome and is addressed under the general market and industry section of this report.

1.5 Opportunities

While it may initially appear that there are clearly opportunities to address some of these shortages, for example, to grow seed, hay or straw, the responses indicated that there is probably not the demand for someone to specialise in producing these inputs commercially. The responses did not reveal the quantity that each person wanted or needed but they certainly demonstrated that there was a real shortage.

There are opportunities to form good informal relationships with suppliers. There appears to be no (or little) opportunity for formality and the majority of respondents have accepted that they must operate under informal conditions. If a good relationship can be built and maintained, then suppliers will have a better idea of demand and therefore plan ahead to determine an appropriate amount to produce and supply those loyal customers who keep returning.

1.6 Issues recommended for further consideration and discussion by MOAG

1) The Tasmanian organic industry may benefit from a careful consideration of the content and recommendations of the Organic Seed and Seedling Production Report (November 2004). This seed report could be distributed and made widely available to the industry to establish if any of the recommendations should be acted upon at a local level. One particular issue is to consider whether Tasmania is involved or represented in any proposed National Organic Industry forum and to provide input for the interpretation of the rule requiring certified seed and the rule allowing for derogation.

2 Customers/Outputs

Respondents were asked what they produce or sell, whether these products are certified and by which certifying body and where the products are sold – for example to a retailer or a wholesaler or a restaurant. Respondents were also asked where these markets are located, why they choose these markets and what arrangements they have with their customers.

The Tasmanian organic industry produces a wide variety of products. This ranges from wine to all types of vegetables (carrots, onions, tomatoes, broccoli etc), fruit (apples, blueberries and many others) herbs (all varieties and garlic), beef, cheese, milk, ginseng, compost, fertiliser and many others. The retailers also stocked a wide range of products including personal care products, sweets, pasta and pasta sauces to name but a few.

2.1 Key findings

- For a variety of reasons, some growers/producers and retailers try to remove the “middle man” (e.g. wholesalers/distributors). These reasons include that it allows growers/producers to charge retail as opposed to wholesale prices and they can keep control of their product.
- There are two distinct schools of thought – (1) the local market should be satisfied before others or (2) the Tasmanian market is insufficient and as a result larger markets should be the focus.
- Some organic products are sold through the conventional market because there are no processing facilities to keep the organic character of the product or the organic market is saturated or the price in the conventional market is attractive.
- Respondents choose their markets because they have established links into these rather than for the price they could receive in that market.

2.2 Trends

The main certifying bodies that Tasmanian producers choose include Tasmanian Organic-Dynamic Producers (TOP), National Association of Sustainable Agriculture Australia (NASAA), Biological Farmers of Australia (BFA) and Organic Growers of Australia (OGA). Amongst the sample chosen for this report, there were more TOP certified producers than any other, however producers were not chosen on the basis of their certifying body.

TOP is a Tasmanian based certifying body and it appears to be a popular choice for Tasmanian producers. This reinforces the concept of people involved in the organic industry supporting locals and building relationships with those in their regions. Some respondents expressed that their support for TOP is based on the fact that it is a Tasmanian certifying body. The major advantage of being local is that TOP is acutely aware of local issues and has good knowledge specific to Tasmania. TOP is one of only two state based certifying bodies registered with the Australian Quarantine and Inspection Service (AQIS), with the other in Queensland[4].

However some people also revealed that they choose their certifying body on the basis that membership of that body gives them access to overseas markets. For example, BFA and NASAA can provide access to the US, Japanese and European markets, which obviously makes some certifying bodies more attractive than others. This consideration is dependent upon the scale of production and the market focus of the producer, but some did raise it as a consideration in the choice of certifying bodies.

Obviously the retailers and wholesalers/distributors had a variety of certifying bodies represented across their product range but again the main bodies are TOP, NASAA, OGA and BFA.

The market that respondents supply differs according to various philosophies. Some respondents do not supply restaurants because of a belief that consumers in a restaurant are not concerned with organic food, production or philosophies; but customers who visit specialist organic retailers appreciate these factors. They care for both their health and the environment. Other respondents supply restaurants as they pay a very attractive premium.

Some respondents expressed a conscious effort to remove the "middle men" (such as wholesalers/distributors). Growers/producers prefer to sell straight to the customer or retailer. They can then charge retail prices (as opposed to wholesale prices) which improve their returns and it also helps to maintain sustainable prices. Producers also receive reliable feedback from the customer which is very important and is a key consideration in determining which markets they supply.

Further, if the product is sold to a wholesaler, the grower/producer loses control of the product before it reaches the retailer or the customer. This is very important for items that require specific conditions, for example cheese. If the cheese is sold to a wholesaler and is left out of refrigeration, then the quality is not what it should be and this reflects poorly back on the grower/producer. Therefore they prefer to sell directly to the customer if possible or straight to a retailer.

Removing the "middle men" was also raised by retailers throughout their responses. Many of the retailers preferred to see the money, profits and returns flowing straight through to the grower/producer than to a "middle man". The retailers felt that the growers and producers should be rewarded and some of the retailers are consciously making decisions to purchase products where the money is going back to farmers who have adopted sustainable practices. It also enables direct relationships to be established which can benefit both the retailer and the grower/producer.

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[4] *The Australian Organic Industry – A Summary*, Department of Agriculture, Fisheries and Forestry, November 2004, pg 3-4.

These relationships allow for direct communication and further opportunities for marketing as growers/producers can take the time to tell the story behind the produce either to the retailer or directly to the customer. This story can add to the product as people get to hear where the product has come from and how it has been produced. If this story is told to a retailer or a restaurant then it adds another selling point to the product and can be an effective marketing tool.

Further, selling to a wholesaler creates uncertainty as they may accept x amount one time but then the next time they do not need any product so they take nothing. If growers/producers can sell to the end customer or as close to the customer as possible, then this helps create certainty as they get to know the individual customer and their demands. It also helps to build customer loyalty more effectively than if a wholesaler is used.

Clearly wholesalers/distributors have their role to play – six were consulted for this project. In some circumstances growers/producers in particular, have no alternative but to sell to a wholesaler or distributor particularly when they want to supply the mainland markets (or in the rare case, the international market). In this situation, the products are commonly sold to a wholesaler/distributor in order to get the product to bigger markets.

There were also two schools of thought concerning whether the Tasmanian market as opposed to the mainland (or export) market should be concentrated upon. One school of thought was identified in the supply section of this report - that organic producers should concentrate on supplying the local market and ensuring that local customers are satisfied. This would benefit the local industry and everyone involved in it.

This appears to be a philosophy of small scale producers within the organic industry, however another school of thought is that the Tasmanian organic market is simply not big enough and respondents have no alternative but to look for bigger markets, invariably on the mainland. The eastern seaboard (Sydney, Melbourne and Brisbane) is a popular destination for much of Tasmania's organic production and there are some producers exporting overseas to places such as Japan, Korea, Malaysia and Holland.

These two schools of thought are in stark contrast to each other and it is not possible to state which is more popular given the responses gathered in this project.

The retailers also commented that the market for organic product consisted mainly of two sets of customers. The first included those that had excess income to spend on such "luxury" items and were both prepared and able to pay extra. The other set did not have much disposable income but purchased organic because they believe in the philosophy behind it and have concerns for the environment and/or their health. This creates problems in terms of pricing because one set are willing to pay a very large premium for the product but if this is done then it may price the other set of customers out of the market.

One clear trend to emerge is that arrangements with customers (whether they are the end customer or not) are predominately informal. This extends rights across the sector from retailers to growers/producers to wholesalers/distributors to processors and is the same trend that is evident when the supply and input side is examined. A recent national report confirms this and highlights that arrangements with customers are largely informal. For example, the report *The Australian Organic Industry – A Profile* estimates that approximately 94 per cent of beef producers who were surveyed had informal arrangements with their customers[5]. Likewise, 96 per cent of vegetable producers surveyed in the national report reported informal arrangements. It is therefore clear that there is little formality throughout the organic industry and there is a belief that there is simply not enough product to justify the use of contracts or to make them viable. Respondents are happy with the flexibility that informal arrangements afford them. They are not locked into any quantity or quality requirements and therefore there is no pressure to produce x amount per year.

Respondents were also asked to identify the major reason(s) for choosing the markets they do. As with the supplier question, they were given choices of price, ease, established links or any other reason that they could provide. The most popular response was established links which had twice as many responses as the other options. Surprisingly, price was not the most mentioned and in fact, price and ease were equal in the number of responses. Therefore people tend to choose their markets not on the basis of price but because they have an established link into that market.

This could either reflect the value that organic industry members place on relationships or derive from the fact that most of the operations are small to medium enterprises. If they have a relationship built and established then they tend to honour this and ensure that the relationship continues. From the responses given above, these relationships come before price. This may reflect a long term focus of industry members as they are not willing to earn a bit more revenue or profit in the short term to sacrifice relationships. If they have a link into a market then this may make it easy for them to supply that market and they want to maintain this even if they may lose some immediate revenue.

Some other responses provided to this question included demand in that respondents supply a market because the demand is there. Another response was feedback and as mentioned above, some respondents choose their markets because they can obtain direct feedback from the customer.

Respondents were also asked to identify which of their products attract a notable premium for their organic character. Responses naturally included the main products they produced - for example a beef producer would identify beef as the product that attracted a notable premium. As mentioned below, some respondents suggested that profit and market premiums should not be motivating factors for entering the organic industry and there appears to be a belief that organic goods should be sold for value with a fair return. From this question concerning premiums two interesting responses emerged.

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[5] *The Australian Organic Industry – A Profile*, Halpin, D., Department of Agriculture, Fisheries and Forestry, 2004, pg 32.

The first is that some products are not attracting a premium for their organic character but they are for their overall quality. It was repeatedly stressed that products had to be quality first and then if they were organic that was good, but the quality has to be there. Customers will not purchase inferior products even if they are organic, therefore producers should focus on quality. If a quality product is produced then it may attract a premium.

The second is that sometimes there is simply not an organic market and products have to be sold through the conventional market and once again there is not a premium for the organic character. This was a common response for the beef producers who were consulted. They find it difficult to get the beef processed and as a result have to sell it on the conventional market. This is less of a problem when the conventional beef prices are high (as they currently are) and the premiums become less important. There were also some fruit and vegetables sold through conventional markets as there may be no organic market. Sometimes, however, organic producers will sell through the conventional market because the price in the conventional market is good. This was reported to have happened with apples and blueberries. As mentioned above, some products are sold on the basis of their quality rather than its organic origins, for example wine, and are sold in conventional markets.

2.3 Issues

There is a general belief right throughout the organic industry that supply simply does not meet the demand. The retailers are constantly asked for product they do not have because not enough is produced and as a result growers are always asked if they can produce more. They may also be asked if they can produce product that they have not previously produced. This issue is not confined to the Tasmanian market and it was recently reported that "throughout the world demand outstrips supply in many organically produced commodities"[6] and that "most industries reported a strong market demand for organic products with several reporting an inability to satisfy the demand"[7]. Further this issue is likely to continue as the "market for organic produce is expanding here and overseas because more informed consumers are concerned about their health and the health of the environment"[8].

Existing producers are unwilling to expand because they are satisfied with their operations and it is difficult to attract new entrants or convince conventional producers to convert. (See discussion under the General Market/Industry section.) Unless the situation changes, this unmet demand will continue and exacerbate the continuity of supply issue.

All of the organic beef producers consulted through the project raised the issue that they had little or no processing facility to ensure that beef can be sold as organic. Grove

[6] *Australian Organic Agriculture – Prospects for Growth?*, Alexandra, J. and May, R., Rural Industries Research and Development Corporation, October 2004, pg 2.
[7] ibid, pg 13
[8] ibid, pg 3.

Slaughterhouse in the south of the state has the ability to process beef but this is less than ideal for the producers in the North and the North West of the state. There has been some beef processed out of the Longford meat works as well but the company requires a minimum of 20 head for a run before it will consider it. A slaughterhouse at Gawler has recently become certified and it will process individual beasts.

Selling organic product on the conventional market does not present any problems if it is still attracting a premium because of its quality or because organic producers have been attracted to that market as the price is good. However, selling organic products in the conventional market creates problems if it is simply being sold there because there is no organic market or the organic market is saturated. Organic products are generally marketed as a niche product. This helps attract the premiums and also means that smaller organic producers do not have to compete against larger companies in the conventional market. Organic products need to be established as specialty products and if this is not done then it will not attract other people to enter the industry. No one will find it attractive to do the extra work just to compete with conventional products in the conventional market.

2.4 Barriers

As mentioned above the lack of a processing facility for organic meat presents a huge barrier to the development of this sector. A suggested solution might be to get the beef producers to cooperate to pool their numbers together in order to get the 20 head required for a run at Tasman Meats at Longford. However this presents problems as it makes it difficult to control the quality of the beef as the steers may be of varying quality. Uniform lines of animals are also a problem. Not all producers have the same quality of product ready at the same time which can create dissatisfaction within the market. If the quality can not be controlled, then this presents risks in terms of poor quality meat diminishing the reputation of the meat, making future processing more difficult.

Continuity of supply also presents a barrier because if people enter the organic market and then find that they cannot purchase something for a period of time, then chances are they will leave the market dissatisfied. It also causes a dilemma in that some producers (mainly those with commercial motives) would be willing to supply more if they could be assured the demand is there while the retailers suggest the demand would be there if there was more regular supply. It is the “chicken and egg” argument that is difficult to resolve.

For those that consider it necessary to export their products, then freight and transport issues arise. There are problems with getting small amounts of produce out of the state and it is generally easier to get larger volumes out. It also appears that it is more difficult to get refrigerated products out. The costs of exporting and organising the logistics of it can present major barriers to producers. As mentioned previously this is not an issue unique to the organic industry. Collaboration may be needed to get marketable quantities for export to the mainland.

2.5 Opportunities

The industry believes that there are ample opportunities within the Tasmanian organic industry. Some of these opportunities include the production of cherries, raspberries, strawberries, pork, lamb, chicken and beef. In particular there is a huge opportunity for processing facilities for meat but this obviously requires significant investment and again it requires someone to commit – producers might increase herd sizes if there were processing facilities or a processing facility might be built if herd sizes were increased.

2.6 Issues recommended for further consideration and discussion by MOAG

2) The Tasmanian organic industry may benefit from an examination of the issue surrounding the lack of organic beef processing facilities. There are beef producers who have significant difficulty in getting their meat processed and the viability of lamb and chicken production and processing could also be examined.

3 General Market/Industry

Respondents were asked to identify what they believed were the barriers to growth and the competitive advantages to the Tasmanian organic industry. They were also given the opportunity to raise any comments or issues that they thought were appropriate.

3.1 Key Findings

- Tasmania's clean and green image was raised by every respondent as a competitive advantage but each time it was stressed that this is only a perception or an image.
- Other competitive advantages include Tasmania's isolation and climate.
- Respondents have entered the organic industry primarily for lifestyle reasons or concerns over the use of chemicals.
- The costs of certifying bodies are a major issue that needs to be examined.
- The use of the word "organic" and "biodynamic" on labels of products that are not certified may mislead consumers and was seen as unfair by the respondents. This issue was repeatedly raised throughout the project and the respondents want something done about it.
- There is no continuity of supply throughout the organic industry which impacts upon the demand for products, as does the relatively small size of the Tasmanian market.

3.2 Trends

Tasmania's clean and green image was raised by every respondent as a competitive advantage for the Tasmanian organic industry. However this was qualified and it was repeatedly stressed that it was only an image or a perception. This image is easily damaged and it is important for Tasmania to be able to substantiate this claim. Respondents felt that publicity concerning forestry practices and chemical use is very damaging to this image and Tasmania needs to work hard to ensure that the image is developed and utilised. There is the potential for world recognition however Tasmania needs to be careful in protecting the clean and green reputation.

Other competitive advantages raised were Tasmania's isolation and climate. Tasmania's isolation contributes to it remaining free of many diseases, pests and weeds. This also relates to the clean and green image but it also makes it easier to produce organically as there are less pest and disease issues to address. If Tasmanian organic producers do not have to contend with a pest that other states do, then this makes it easier and presumably cheaper to produce the relevant product. It should be cheaper as materials used to address the problem are not required.

The climate in Tasmania is also suited for growing quality produce. The relatively clean air and soil combined with even rainfall and light provide a competitive advantage in growing fruit and vegetables. There is also good access to water around the state. The climate also contributes to pest control as the cold weather in particular can break the life cycle of some pests. It is then a matter of examining the climate and establishing what it is best suited to produce.

Tasmania's climate also provides seasonal advantages in that fruit and vegetables in particular can be produced here when other parts of the world cannot. Tasmania's small production base for organic products however limits the degree to which this can be capitalised on. There is simply not enough organic product to satisfy demand within this state and as mentioned previously, some people will focus on the local market first. There is not a significant amount being exported outside of Australia and this competitive advantage may not be fully capitalised upon as yet.

The growers/producers and processors were asked to identify the major reasons for entering the organic industry and were given the following choices:

- Profit/market premiums
- Lifestyle choices
- To fill perceived gaps in markets
- Previous experience/interest in organic production
- Concerns about the use of chemicals
- Wider environmental concern
- Other.

Lifestyle choices and concerns about the use of chemicals, both in terms of their impact on human health and the environment, were the two most popular responses. Profit/market premiums and to fill perceived gaps in markets were the least popular choices and were consistently rated last. Some respondents strongly expressed that it was definitely not either of these choices and some went further to suggest that if people enter the organic industry for profit, then they are entering for the wrong reasons. It is interesting to compare this to a recent trend in the United States where large companies, such as General Mills (one of the largest food companies in the world that incorporates brands such as Betty Crocker, Cheerios, Wheaties and Yoplait) have acquired the organic businesses Cascadian Farms and Muir Glen.

A consistent theme that emerged throughout the responses is that people are happy with the size of their current operations and they do not want to expand. If people enter the organics industry for the lifestyle and are not driven by profit or money, then they will reach a certain level where they are comfortable and support the lifestyle they are seeking and remain satisfied with their operation. Therefore, while they believe that there is unmet demand, they are unwilling to expand to satisfy this demand. This may suggest that growth is dependent upon encouraging new entrants into the industry or sufficient incentives to encourage current participants to expand. This also adds to the problem of continuity of supply discussed later.

There is also a perception that to be organic, then you have to be small. While this is clearly not true, as there are some large operations both here in Tasmania and throughout Australia, most respondents are happy with their current size of operations and do not want the extra work associated with expanding their production.

3.3 Issues

Respondents stated that publicity surrounding forestry practices and the use of 1080 could put Tasmania's clean and green image at risk, as does other environmental issues including the use of aerial spraying of chemicals and unresolved oyster deaths. Many respondents expressed the view that the Tasmanian Government is eager to promote the island as clean and green, but this is difficult when publicity surrounding these and other issues is aired.

The use of chemicals not only affects this image but it can directly impact on the organic growers/producers. These people have to take measures to ensure that no chemicals or chemical traces are found on their property. A concern was raised that an animal poisoned with 1080 could walk onto an organic property and die which may create problems for the grower/producer. There is also an issue with using water that may contain traces of chemicals and therefore growers/producers have to be careful of their water sources.

Maintaining the moratorium on genetically modified crops is another important factor in strengthening the clean and green image and perception. The current moratorium on the growing of genetically modified crops extends to 2008 at which time the position will be reviewed. To help maintain and protect the island's clean and green image this moratorium should be extended. The image is an important and effective competitive advantage for the state.

The cost of certifying bodies is another issue that was raised by many respondents. Some certifying bodies charge an annual fee, a fee for the inspections and tests and a fee calculated on the basis of gross turnover. This is seen by many as expensive and not worth the money and has led some respondents to either decertify or at least discuss it. AQIS charges each certifying body a significant fee which they have to recover and this may be compounded in Tasmania because of the small number of producers in the state.

Further, AQIS requires certification according to international standards and as a result certifying bodies have to assess, audit and certify according to this standard. Some respondents suggested that it may be possible for two standards to be developed – the first for export and the second for domestic trade. This is not possible at the AQIS level but it might be developed further down the certifying chain; however, if this is explored, care should be taken so as not to jeopardise the industry. As very little of Tasmania's organic product is exported internationally, then it makes the fees and charges difficult to justify.

These fees also add to the difficulty of converting to organics which is a challenging period and process. Most properties are in conversion for three years and during this period the products are not allowed to be sold as organic, but all of the extra costs, whether they are certifying costs, labour or costs of materials are imposed. Therefore producers have extra costs without any premiums for the products. This makes it difficult to get people to convert. It can also be a steep learning period and generally you have to experiment for yourself which can be expensive and time consuming.

The possibility of receiving some form of assistance through this conversion period, whether that is financial facilitation or information, was raised by some of the respondents. More were enthusiastic about information support rather than financial as financial support often runs out and it can give people false impressions.

While many respondents highlighted the costs of certifying bodies as an issue, some also stated that certification was worth the money and people should be willing to pay certification costs as there are many benefits. Certification (and certifying bodies) helps to maintain the integrity of the industry as it acts as a quality assurance tool which ensures that everyone is producing according to standards and regulations. The system can also act as a mentoring and support mechanism. In addition, the certifying bodies are also an educational resource and they also monitor the industry and monitor breaches of regulations and standards. It also assists consumers in their choice of product as they can look for certified organic product and be assured that what they are purchasing is organic. It has also been stated that "demand appears to have grown because of consumer confidence in the certification system"[9]. Some even argued that if a producer does all of the extra work to farm organically then they should be willing to pay the certifying costs and receive associated benefits including the ability to use "certified organic" on their labels.

The impression received from respondents was that certifying costs are an issue and can dissuade people from entering the industry. There are some people that are producing organically but fail to get certification and there are those who were previously certified but now believe it is not worth the expense and have decertified. Again this is not a problem limited to Tasmania and a recent national report stated "anecdotal evidence suggests that many farm operators pursue organic production methods but are not certified for various reasons including costs."[10] It is clearly an issue for the industry and even some people who thought that there were a lot of benefits to certification acknowledged it is expensive and needed to be looked at.

A major issue raised by a large majority of respondents concerned labelling and the use of the word "organic" and "biodynamic" for non organic or non certified products. This is an issue right throughout the industry and respondents were annoyed that people and organisations can use the word organic without being certified. Certified producers felt that this was unfair as they had paid the extra costs and put in the hard work and that misleading consumers could damage the industry.

It was felt that this issue could be addressed through legislation and regulations and also through consumer education. Some people have investigated the issue with Australian authorities and were informed that the solution is through the Australian Competition and

[9] Op cit n 2, pg 6.
[10] *The Australian Organic Industry – A Profile,* Halpin, D., Department of Agriculture, Fisheries and Forestry, 2004, pg 1.

Consumer Commission and the Trade Practices Act (or a state's Fair Trading Act). This solution takes a lot of time and money and may involve the courts which add extra complexities, expenses and time.

This issue is very important to the industry and it was repeatedly raised by the respondents who felt very strongly about it. Many respondents cannot see why the appropriate authorities cannot draft legislation and regulations to limit the use of the word "organic" to certified products. AQIS has recently developed an Australian Government Certified regulatory mark which is designed to provide greater assurance to consumers, but it will not replace the logos of certifying bodies and it is not compulsory to use it[11]. The mark is reproduced below.

This may assist to partly resolve the problem but it requires consumer education and for the industry and government to drive consumers to choose products only with this mark (or the mark of other certifying bodies). However, the mark is voluntary and people may elect not to use it (for example if their labels have been produced and they do not want to redesign them). It also does not prevent a person from using the word "organic" which is at the heart of the problem. Further, not one of the respondents consulted during this project mentioned it or the fact that it was being developed indicating that considerable work is needed to raise awareness amongst both the industry and consumers.

There is also a perception that "organic" is associated with "greens" or "greenies" and prejudices associated with "greenies" impact upon the organic industry. Some people are unwilling to purchase or trade with people involved in the organic industry for fear of being labelled "green". This was also identified in a recent national report where it was stated that "constraints to adopting organics include: an image problem – organic production is perceived as a fringe activity"[12]. This perception extends to potential customers as well which limits the market as some people may not want to buy organic products if they are associated with "greenies". It may also limit the outlets that will stock organic products for the same reasons.

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[11] *The Australian Organic Industry – A Summary*, Department of Agriculture, Fisheries and Forestry, November 2004, pg 4.

[12] *Australian Organic Agriculture – Prospects for Growth?*, Alexandra, J. and May, R., Rural Industries Research and Development Corporation, October 2004, pg 13. See also the same report at pg 20 where it states "The workshops identified the fringe image of organic agriculture as an impediment to conversion".

Freight was also consistently raised as an issue, both in terms of getting product into and out of the state. This presents an added expense for Tasmanian producers and as mentioned below, these producers are constantly watching their prices. The costs of their inputs will be higher if they have to import them which directly impacts upon the ultimate price of the products. However the issue of freight is not unique to the organic industry. It impacts on all businesses that have to import or export and has been examined by various levels of government on previous occasions and as a result schemes such as the Freight Equalisation Scheme have been developed.

It is not only the cost of this freight but also the difficulty in organising it and it can be difficult to get small quantities of product exported, particularly refrigerated products. Again these difficulties can limit the market for those that want to send product out of the state. Stakeholders who wish to export may find it beneficial to combine their goods to make it commercially viable to export.

3.4 Barriers

Some of the issues identified above present barriers to growth within the Tasmanian organic industry. The Tasmanian organic market is relatively small due to Tasmania's population and also the income demographics of the state. There are fewer people and generally they have less disposable income than people in the larger markets of Sydney and Melbourne. As a result respondents have to be very conscious of price as it is easy to price yourself out of the market. There is a market in Tasmania where people are willing to pay extra for organic products but there are limits to this and respondents have found that people will not pay past a certain point. Also as a result some products are not produced or imported into the state as they are not commercially viable given the price that needs to be charged. Some growers and producers are sometimes happy to charge cost price of a product simply because they know they cannot sell it with any profit.

Another issue is that there is no continuity of supply within the organic industry. The distinct impression received from all of the retailers consulted is that demand is simply not being met. Some of the retailers identified many products that could not be sufficiently sourced within Tasmania. This meant that the products had to be imported. Some of the products identified included eggplant, potatoes, avocados, peas, apricots, peaches, biscuits, jams/chutneys, mushrooms, olive oil, goats milk (and associated products such as cheese and yoghurt), bread, butter, cheese and honey.

This problem is not limited to the Tasmanian industry and it has been reported that "inconsistent supply is one of the organic industry's major obstacles to growth"[13], referring to the national industry. The Tasmanian organic industry is limited by its small

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[13] *The Australian Organic Industry – A Summary*, Department of Agriculture, Fisheries and Forestry, November 2004, pg 15. See also the extended version of this *The Australian Organic Industry – A Profile*, Halpin, D., Department of Agriculture, Fisheries and Forestry, 2004, pg 30 where it states "inconsistent supply is noted as one of the major factors constraining the growth of the industry".

production base and the fact that many producers are unwilling to expand. The retailers stated that continuity of supply is very expensive for them as it creates dissatisfied customers and lost sales. The retailers need reliable products and a consistent supply to keep their customers satisfied. If consumers cannot purchase a product that they want, then they will leave the market and may never re-enter, particularly if it is a recurring problem. Therefore demand for organic product could be much stronger than its present levels and if supply increased it might instil some confidence in consumers. As people are unwilling to expand and there is unmet demand, new entrants have to be attracted to the industry, which presents a whole range of other issues. Some respondents noted that inconsistent supply was not always a problem however, as restricted supply of products can increase the prices.

Another problem identified is that some organic grower/producers do not have all of the necessary skills to efficiently operate an agriculture business. There are very few growers/producers with previous experience in agriculture production and there are also very few with the marketing and business skills required to operate a successful small business. This is not to suggest that organic producers have no idea of how to operate their business. Cleary they do as there are many people satisfied with their operation. However, if the industry is to grow or become more efficient, then maybe new skills have to be acquired, whether they are agriculture based or business and marketing training.

Other barriers include the cost and availability of suitable land given the land is being employed for other uses, such as housing, conventional agriculture or forestry. Initial capital costs can be very expensive and add to the difficulty of entering the industry, particularly for younger people. Another strong disincentive is the additional work required for organic production. Attracting younger people to agriculture is not a problem limited to organics and is evident right throughout the agriculture sector. Attracting new entrants is a major barrier and converting to organics can be a strong disincentive. Nearly all of the respondents entered the organic industry for lifestyle choices or concerns over the use of chemicals, not profit. There are obviously profits to be made within the industry (otherwise current members would not survive) but the bigger profits to attract other people may not be there. Therefore this makes it difficult to attract large investment, particularly an investment that will address the continuity of supply issue. There are simply not enough growers/producers within the industry and it is difficult to attract others.

Added to this difficulty is that organics is perceived to be associated with “greenies” as mentioned above. As a result, convincing conventional farmers to convert is very difficult as they do not like significant change and some do not want to be associated with “greenies”. Attracting conventional farmers would provide some agriculture skill to the industry; however it is very difficult to attract them. A recent report stated that “most of the farmers who converted from conventional farming agreed that the financial rewards of becoming a certified organic producer were greater than the financial costs”[14]. Similar

[14] *The Australian Organic Industry – A Summary*, Department of Agriculture, Fisheries and Forestry, November 2004, pg 11..

information needs to be communicated to conventional farmers. It may be possible to get someone, whether from Tasmania or interstate, who has converted from conventional agriculture to organics, to talk to interested parties about their experiences. This may be particularly useful if the person chosen was a very successful operator producing a sizeable profit.

3.5 Opportunities

There is currently a lack of information regarding the Tasmanian organic industry and better communication of who is producing what would benefit the industry. The idea of a website to act as a central portal was raised numerous times and has been explored before in the industry. This website could act as a central "clearing house" where people could post what products they have, the quantity they have and associated prices. Customers could also use the website to purchase or to post products that they wanted. The website could also act as an information portal and provide general information concerning the organic industry. There are some issues with this concept and it requires someone or an organisation to establish it, maintain it and fund it.

There is also an opportunity to build on some of the competitive advantages identified by the respondents. Tasmania's reputation or perception can be built upon and used more effectively in marketing and the fact that the distance from farm gate to plate is relatively short (where the product is consumed in Tasmania) is another marketing idea that could be better utilised. Another opportunity for organic producers exists with Tasmania's ability to produce fruit and vegetables in the counter seasons to many other parts of the world. There is also an opportunity to provide more recognition to organic producers as awards (such as Landcare awards) very often go to conventional producers. Organic producers could be recognised in a similar way, if not by the same awards, which would raise the profile of the industry.

Given the small size of the organic industry in Tasmania, some respondents suggested that potential networking opportunities were not maximised and there may be benefit in encouraging the industry to cooperate to present a stronger and unified front on issues. This may make the industry more cohesive and also provide a stronger voice for lobbying, marketing and educating.

3.6 Issues recommended for further consideration and discussion by MOAG

3) The Tasmanian organic industry may benefit from a detailed assessment of the lack of continuity of supply issue to determine its impact on the industry and whether this is positive or negative.

4) Examining the impact that the costs of certifying bodies have on the industry could be of benefit to the Tasmanian organic industry. The costs of certification may determine the extent to which people decide to certify or decertify. Possible solutions could also be explored.

5) The Tasmanian organic industry may benefit from an investigation into what has been done in relation to protecting the use of the word "organic" on labels and in business names. This could include identifying what are the major problems with protecting this word and why a solution acceptable to the industry is yet to be developed. Alternatively, if nothing is being done, the issue of labelling and the use of the word 'organic' in business names should be examined to determine appropriate solutions to protect the integrity of the label. The industry should work together and cooperate to maintain pressure to ensure this problem is solved.

6) The Tasmanian organic industry may benefit from an examination of whether any options exist or may be developed to assist people through the conversion period, whether financial facilitation or information support.

7) The Tasmanian organic industry may benefit from the establishment of a central web based portal where stakeholders could exchange a variety of information including product information and technical knowledge. The development and maintenance of an internet based "clearing house" or information portal could be explored. The investigation would have to determine whether it is viable, who will establish, maintain and fund it and whether people would utilise it.

8) A number of market gaps were identified by the respondents and included eggplant, potatoes, avocados, peas, apricots, peaches, biscuits, jams/chutneys, mushrooms, olive oil, goats milk (and associated products such as cheese and yoghurt), bread, butter, cheese and honey.

9) Other opportunities identified by respondents included capitalising on Tasmania's image as clean and green and also the short distance from farm gate to plate. Respondents thought that these could be utilised more effectively throughout the Tasmanian organic industry. The fact that Tasmania is able to produce fruit and vegetables in the counter season to the Northern Hemisphere is another opportunity that could be explored.

Conclusion

Labelling and the lack of domestic regulations governing the use of the words “organic” and “biodynamic” is a major issue borne out by this project and report. Certified organic producers want this protected for both the industry’s and consumer’s benefits. This requires further investigation and should be examined by government and industry to develop a solution. It may also involve a consumer education program to encourage consumers to choose certified organic products. This would also make the costs of certifying bodies more attractive as there is more value placed on certified products.

The inconsistent supply of organic products is a major barrier to growth and it is an issue caused by a number of factors including the small to medium size of the majority of organic producers, the failure to attract large investment and new entrants and that people involved in the industry are not encouraged or inclined to expand.

Another major issue relates to the costs of certifying bodies and some respondents believed that these costs are simply not worth it and were planning to decertify. In part this is because it can be called organic even if it is not certified. Others acknowledged that the costs were expensive but that it was worth it because these bodies protected the integrity of the industry and acted as a quality assurance system that consumers could rely on. This is another issue that needs to be examined.

Some issues raised by respondents were not unique to the organic industry but applied to other Tasmanian industries. The issue of freight was raised by many respondents as was the difficulty in attracting youth to the industry. These issues are not unique and are either being examined or have been investigated.

Many of the issues raised by this report are consistent throughout Australia and for the benefit of both Australia’s and Tasmania’s organic industries, a cooperative effort should be encouraged to address the issues raised in this and other reports.

This report will be made available to all relevant stakeholders, both from industry and government and hopefully solutions to some of the problems identified in this report can be developed through collaborative efforts of interested parties. All of the issues raised in this report should be considered by organisations such as MOAG and OCT to identify what the industry believes is the most important issues. Following this they may recommend to the government that further action is required. This report was only ever intended to identify issues and opportunities that were being encountered by the industry and by resolving these issues, the industry will hopefully grow. These constraints should be addressed as quickly as the resources will allow and there is no doubting the belief of the people involved in the industry. They firmly believe that many opportunities exist and that the industry has a solid foundation from which it will grow with some help.

Appendix A: People and organisations that were consulted

The All Organic Shop – Ms Marianne Bekkema
Chungs Fruit Market – Mr Michael Chung
Green Grow Organics – Mr Peter De Vries
Mr Chris Steenholdt
Bronze Wing – Mr Greg Whitten
Frogmore Creek Vineyard - Mr Tony Scherer
Mr Will Brubacher
Huon High School – Mr Mark Patton
Mr and Mrs Martin and Ann Joyce
Mr John Middleton
Mr Jim Rossiter
U C Forever – Mr Mike Ashmore
Keltic Farm – Mr Rex Williams
Cackleberry Farm - Mr Stuart Young
Davies Grand Central –Mrs Lynne Davies
Tamar Valley Wholefoods – Mr John Farrar
Elgaar Farms - Mr Joe Gretschmann
Mr and Mrs John and Norma Geering
Highland Herbs – Greg and Libby Mulder
Youngtown Organics – Mr Bruce Jackson
Anchor Organics – Mr Terrence Rattray
Bio-Distributors – Mr Ric and Jo Easton
Field Fresh Tasmania – Mr Nigel Carey
Marrawah Kelp Pty Ltd – Mr Stafford Heres
Forest Hill Farm - Mr and Mrs Ian and Gloria Benson, Mr Mark Benson and Ms Sharon Benson
Mr Mike Dalton
Mr Graham Elphinstone
Mr Greg Matthews
Ms Julie Page
Mr Mal Thorpe
Eumarrah – Mr Andrew Bell
Mr David Pinner
Grandvewe Cheeses – Mr Alan Irish and Ms Diane Rae

Appendix B: Questions asked of respondents

This survey aims to collect market information as well as information concerning demand and supply issues within the Tasmanian Organic Industry. The information should help to identify any barriers to growth that may exist within the industry while also providing valuable information on potential areas for growth.

Growers/Producers

Customers/Output

1. What organic products do you currently grow/produce?
2. Are your products certified and if so, by which organisation? Or are you currently in conversion? If so at what stage of the conversion process are you at?
3. Which of your products go to which markets? (For example do you sell to distributors/wholesalers or straight to retailers or restaurants or processors?)
4. Where are these located?
    - Local (within your region – South, North, North West)
    - Statewide
    - Interstate
    - International.
5. Why do you sell to these markets?
    - Price
    - Ease
    - Established links with them
    - Other (please specify).
6. Are all of your products sold as organic? If not, why not?
7. For whatever reason, are there any organic products that you would like to grow/produce or have been asked to grow/produce, but are unable to grow/produce at all or simply not enough of?
8. What are the reasons for this?
9. What arrangements do you have with your customers? (For example, are there formal contracts, sell through a co-op, informal arrangements etc?)
10. Is this the preferred option for you?
11. Are there any issues with this current arrangement?
12. Is there potential for other arrangements?

Suppliers/Inputs

13. What are the major organic inputs required for the products that you grow/produce?
14. Where do you source these inputs from? (For example, do you purchase these supplies from retailers or wholesalers/distributors or specialists etc?)
15. Where are these suppliers located?
    - Local

- Statewide
- Interstate
- International.

16. What are the reasons for choosing these suppliers?
    - Quality
    - Price
    - Reputation
    - Established links
    - Only available source
    - Convenience
    - Other (please specify).
17. Are there any inputs that you have difficulty in sourcing?
18. Do you know the reasons why you can not source this/these product/s? If not, what do you believe the reasons are?
19. What arrangements do you have with these suppliers? (For example, are there formal contracts or do you source what you can, when you can or is there a "co-op" arrangement?)
20. Is this the preferred option for you?
21. Are there any issues surrounding the current arrangements?
22. Is there potential for other arrangements?

<u>Market/Industry</u>

23. Which of your products attract a notable premium for their organic character and within those that do, which products offer the best returns?
24. What do you think are the barriers to growth within the Tasmanian organic industry?
    - Lack of demand
    - Difficulty in sourcing inputs
    - Insufficient premiums for the products
    - Labour intensive
    - Other (please specify).
25. What do you think are the solutions, if any, to these barriers to growth?
26. Do you think Tasmania has any key competitive advantages in organic production?
27. Rank the following as the most important reasons for entering the organic industry (with 1 being the most important):
    - Profit/Market Premiums
    - Lifestyle choices
    - To fill perceived gaps in markets
    - Previous experience/interest in organic production
    - Concerns about the use of chemicals (the type or amount or the unknown aspect)
    - Wider environmental concern
    - Other (please specify).

28. Any other comments about the organic industry, particularly the local industry?

Retailers

Suppliers/Inputs

1. What organic products do you currently receive/stock?
2. Are these products certified and if so, by which organisation?
3. Where do you source these products from? (For example, growers, wholesalers/distributors etc)
4. Where are these located?
    - Local
    - Statewide
    - Interstate
    - International.
5. What are the reasons for choosing these suppliers?
    - Quality
    - Price
    - Reputation
    - Established links
    - Only available source
    - Convenience
    - Other (please specify).
6. For whatever reason, are there any organic products that you would like to stock or supply or have been asked to stock or supply, but are unable to at all or simply not enough of?
7. What are the reasons for this?
8. What arrangements do you have with your suppliers? (For example, formal contracts, purchase through a co-op, supply when they can etc?)
9. Is this the preferred option for you?
10. Are there any issues with this current arrangement?
11. Is there potential for other arrangements?

Customers/Outputs

12. Which of your products go to which markets? (For example domestic home customers, food outlets, restaurants etc?)
13. And where are they located?
    - Local
    - Statewide
    - Interstate
    - International.
14. Why do the products go to these markets or do you provide preferences to one market over another and what are the reasons for this?
    - Price

- Ease
- Established links
- Other (please specify).

15. What arrangements do you have with these customers? (For example, a formal contract or do you supply what you can, when you can or is there a "co-op" arrangement etc?)
16. Are there any issues surrounding the current arrangements? Is there potential for other arrangements?
17. Are there any organic products that you would like to supply but are unable to supply at all or simply not enough of?
18. What are the reasons for this? (Or what do you believe the reasons are?)

<u>Market/Industry</u>

19. Which of your products attract a notable premium for their organic character and within those that do, which products offer the best returns?
20. What do you think are the barriers to growth within the organic industry?
    - Lack of demand
    - Difficulty in sourcing inputs
    - Insufficient premiums for the products
    - Labour intensive
    - Other (please specify).
21. What do you think are the solutions, if any, to these barriers to growth?
22. Do you think that Tasmania has any key competitive advantages in organic production?
23. Any other comments about the organic industry, particularly the local industry?

Processors

<u>Suppliers/Inputs</u>

1. What organic products do you currently source and for what uses? (For example, organic seeds may be used for some breads.)
2. Are your organic inputs certified and if so, by which organisation(s)?
3. Who are your main suppliers of organic products? (For example, direct from grower/producer, through a retail outlet, wholesaler? Be specific – which products from which suppliers)
4. Where are these suppliers located?
    - Local
    - Statewide
    - Interstate
    - International.
5. What are the reasons for choosing these suppliers?
    - Quality
    - Price

- Reputation
- Established links
- Only available source
- Convenience
- Other (please specify).

6. What arrangements do you have with your suppliers? (For example, formal contracts, supply when they can, a co-op arrangement etc?)
7. Is this the preferred option for you?
8. Are there any issues with this current arrangement?
9. Is there potential for other arrangements?
10. For whatever reason, are there any organic products that you would like to use but are unable to get at all or simply not enough of?
11. What are the reasons for this unavailability? (If these are not known, what do you believe the reasons are?)

<u>Customers/Outputs</u>

12. Are all of your products sold as organic? If not, what are the reasons for this, especially if your inputs are all certified?
13. Who are your main customers? (For example, wholesalers, retailers, restaurants etc)
14. Where are these located?
    - Local
    - Statewide
    - Interstate
    - International.
15. Why do you sell to these markets?
    - Price
    - Ease
    - Established links
    - Other (please specify).
16. What arrangements do you have with these customers? (For example, formal contracts, supply when you can.)
17. Is this your preferred option?
18. Are there any issues with this current arrangement?
19. Is there potential for other arrangements?
20. Are there any products you would like to produce/supply but are unable to do so?
21. Why are you unable to supply these products? (Or what do you suspect these reasons are?)

<u>Market/Industry</u>

22. Which of your products attract a notable premium for their organic character and within those that do, which products offer the best returns?

23. What do you think are the barriers to growth within the Tasmanian processing sector of organic products?
    - Lack of demand
    - Difficulty in sourcing inputs
    - Insufficient premiums for the products
    - Labour intensive
    - Other (please specify).
24. What do you think are the solutions, if any, to these barriers to growth?
25. Do you think that Tasmania has any key competitive advantages in organic production?
26. Rank the following as the most important reasons for entering the organic industry (with 1 being the most important):
    - Profit/Market Premiums
    - Lifestyle choices
    - To fill perceived gaps in markets
    - Previous experience/interest in organic production
    - Concerns about the use of chemicals (the type or amount or the unknown aspect)
    - Wider environmental concern
    - Other (please specify).
27. Any other comments about the organic industry, particularly the local industry?

Distributors/Wholesalers

<u>Suppliers/Inputs</u>

1. What organic products do you currently receive?
2. Are these products certified and if so, by which organisation?
3. Where do you source these products from (For example growers or co-ops etc)?
4. Where are these suppliers located?
    - Local
    - Statewide
    - Interstate
    - International.
5. What are the reasons for choosing these suppliers?
    - Quality
    - Price
    - Reputation
    - Established links
    - Only available source
    - Convenience
    - Other (please specify).
6. For whatever reason, are there any organic products that you would like to receive or supply but are unable to get at all or simply not enough of?

7. What are the reasons for this? (Or what do you believe the reasons are?)
8. What arrangements do you have with your suppliers? (For example, formal contracts, through a co-op, supply when they can etc?)
9. Is this the preferred option for you?
10. Are there any issues with this current arrangement?
11. Is there potential for other arrangements?

<u>Customers/Outputs</u>

12. Which of your products go to which markets? (For example, to retailers, restaurants, processors etc?)
13. And where are they located?
    - Local
    - Statewide
    - Interstate
    - International.
14. Why do you choose these markets?
    - Price
    - Established links
    - Convenience
    - Other (please specify).
15. What arrangements do you have with these customers? (For example, a formal contract or do you supply what you can, when you can or is there a "co-op" arrangement etc?)
16. Are there any issues surrounding the current arrangements?
17. Is there potential for other arrangements?
18. Are there any organic products that you would like to supply but are unable to?
19. Why are you unable to supply these products?

<u>Market/Industry</u>

20. Which of your products attract a notable premium for their organic character and within those that do, which products offer the best returns?
21. What do you think are the barriers to growth within the Tasmanian organic industry?
    - Lack of demand
    - Difficulty in sourcing inputs
    - Insufficient premiums for the products
    - Labour intensive
    - Other (Please specify).
22. What do you think are the solutions, if any, to these barriers to growth?
23. Do you think that Tasmania has any key competitive advantages in organic production?
24. Any other comments about the organic industry, particularly the local industry?

Appendix C: Major Recommendations from the Seed Report

The major recommendations from the Seed Report suggest that the organic industry[15]:

- Convene a National Organic Industry Forum bringing together key stakeholders to discuss issues associated with the Rule [requiring certified seed] for organic plant propagation material and the development of a harmonised approach to facilitate the supply and demand for this material within Australia.

- As a matter of urgency, industry should determine a clear, concise and harmonised interpretation of the Rule [requiring certified seed] and derogation, including a time frame for full implementation (i.e. removal of the derogation).

- The development of an interactive web-based national database for listing of suppliers of certified organic varieties of seed and seedlings, which in addition, contains a listing of those species for which, as yet, no organic material is available. The database should aim to satisfy all the requirements of EEC Regulation (EEC) No 1452/2003.

- Investigate opportunities and threats posed by the implementation of a national organic crop breeding program.

It further recommended that organic producers:

- Where appropriate, organise into cooperatives to facilitate the supply and purchase of organic seed and seedlings.

- Consider on-farm production for their requirements of organic seed and seedlings.

- Form alliances with larger ‘commercial’ suppliers of seed and seedlings to provide mutual benefits with the facilitation of supply and demand.

- Determine the annual requirements for organic seed and seedlings well in advance of the production season.

[15] *Organic Seed and Seedling Production,* RIRDC and NSW Department of Primary Industries, Neeson R. and Howell G., November 2004, pg 54.