



Australian Organic Limited

**Understanding and Utilisation of Benefits Under
Free Trade Agreements Submission**

EXECUTIVE SUMMARY

Free Trade Agreements (FTAs) play a vital role in modern trade policy by providing equal benefits and market access opportunities for various industries across Australia. Despite this goal, Australia's organic industry faces challenges in accessing these benefits. While organic operators are eager to leverage the opportunities offered by FTAs, they are hindered by a domestic regulatory framework that is not aligned with many of our trading partners. This misalignment results in increased costs and prolonged timeframes for achieving conformity with countries such as the United States, a major market for organics. Addressing these issues could significantly enhance market access and growth potential.

The negotiation process for FTAs often sidelines organics, necessitating ongoing dialogue long after agreements are signed. Australian Organic Limited (AOL) has consistently raised these concerns with government and departmental stakeholders. While AOL acknowledges the complexities involved in confirming equivalency with trading partners for organic products, it is crucial to recognise that this uncertainty discourages organic operators from exploring new opportunities.

There is also a need to improve the availability of information for Australian operators regarding trade and market access conditions in countries with which we are negotiating or have negotiated FTAs. Currently, information on these markets is very limited, making it difficult for organic operators to fully understand the market potential for their products.

AOL has provided the following recommendations to better integrate organic into FTAs and provide greater support to organic industry members:

RECOMMENDATIONS

1. **Update the domestic regulatory framework:** enshrine a definition of organic in domestic regulation to align Australia with key trading partners, such as the United States and Korea.
2. **Streamline negotiation processes:** ensure that organic products are considered concurrently with other agreements, to avoid the post-agreement delays that often take place.
3. **Implement a continual revision program for the Manual of Importing Country Requirements (MICOR) organic page:** regularly update the MICOR organic page to include comprehensive information on organic markets and the benefits arising from FTAs as they become available.

AOL welcomes this opportunity to contribute to this inquiry and is happy to provide any further information or participate in hearings should the inquiry wish to discuss these issues in more detail.

ORGANIC INDUSTRY OVERVIEW

Australia is an agricultural export nation, with over 72 per cent of all production being exported¹. As Australia's organic sector continues to grow and mature, there is an increasing need to expand the current market scope and diversify trade and market access for organic products.

Australia currently boasts over 53 million hectares of certified organic farming land². This represents approximately 12.4 percent of arable farmland across the country and about 60 per cent of the world's total organic land. These figures affirm that the organic sector is fast becoming a key component of Australia's agriculture industry.

The Australian organic industry is currently worth a conservative total of \$2.6 billion, inclusive of direct and indirect contributions to the economy, which is approximately one per cent of the global industry's \$220 billion value. There are currently 3,035 certified organic businesses in Australia, with over 22,000 full-time equivalent workers contributing to the local industry³.

Domestically, there is a growing demand for organic products. In a recent survey, 35 per cent of shoppers who purchased organic products increased their household budget for organic items from 2021 to 2022⁴. It is forecast that over the next five years, the domestic organic industry's value will more than double from \$2.6 billion to \$5.8 billion⁵.

Importantly for the future growth of the organic industry, the demographic most likely to buy organic products is between the ages of 18 and 39⁶. This highlights that younger generations are increasingly concerned with the origin and sustainability credentials of their food and are seeking alternatives such as organic products where possible.

Despite these positive trends, one of the key challenges facing the sector is that organic produce is often sold into conventional streams at lower value due to limited market access. This contributes to the conservative valuation of the industry at \$2.6 billion. Once organic produce is sold into the conventional stream, it loses its organic classification. In terms of trade, the largest export markets for raw organic products are the United States (48 per cent), Singapore (19 per cent), and Malaysia (7 per cent)⁷. The future for organic trade remains positive, with Australian organic exports expected to grow by 29 per cent up to the 2026/27 financial year⁸. Greater collaboration between the government, relevant departments, and the organic industry may help reach and surpass this projection. This collaboration is crucial to addressing the paradox of Australia's organic industry, where the country holds 60 per cent of the world's organic farmland but contributes only about one per cent to the industry globally.

¹ Department of Agriculture Fisheries and Forestry 2023, *Snapshot of Australian Agriculture 2023*, accessed on 12 May 2023

² Australian Organic Limited 2023, *Australian Organic Market Report 2023*

³ Ibid 2

⁴ Ibid 2

⁵ Ibid 2

⁶ Ibid 2

⁷ Ibid 2

⁸ Ibid 2

The organic industry's desire for a singular definition for organic within the domestic market, enshrined in regulation, remains an ongoing reform goal. The absence of a clear definition between products claiming to be organic and those that are certified organic leads to confusion within the domestic market and with key trading partners such as the United States. This lack of clarity negatively impacts trade and market access for organic operators. A regulatory framework will facilitate the streamlined inclusion of organic within FTAs and ensure operators can maximise their opportunities.

The previous government undertook a consultation regulatory impact statement process prior to the 2022 election on this issue. However, the current government decided against continuing the process in 2023, citing concerns around the implementation cost for both the government and the industry. AOL continues to work with government and industry stakeholders to advance the implementation of an improved regulatory framework for organics in Australia. This advocacy includes participation in inquiries into greenwashing⁹ and food and beverage manufacturing¹⁰ to highlight the issues caused by the lack of domestic regulation for operators in the organic industry seeking to access new markets.

a) What Level of Understanding is Present Regarding the Social and Economic Benefits Provided by FTAs?

Given the issues that organic operators face, as highlighted in part d) of the terms of reference, organic operators understand the importance of market access. There is significant opportunity for growth in the organic export market; however, under the current frameworks, this opportunity is not accessible to all producers. Without viable market access, it is challenging for organic operators to fully realise the social and economic benefits of FTAs. As a result, under Australia's current regulatory framework, organic operators are more likely to emphasise the costs and lost opportunities for market access rather than the benefits provided by FTAs.

Presently, Australia is the only country within the OECD without a domestic standard for certified organic products. This lack of standardisation puts Australia at odds with countries such as Korea and the United States, with whom we have FTAs in place¹¹. These countries have indicated that without domestic standards for organic products in Australia, establishing organic product equivalencies between Australia and said nations is not feasible.

Further disadvantaging Australian organic operators is the fact that overseas businesses claiming to be organic can export their products into Australia without any verification processes for their organic claims, due to the regulatory framework. This creates the perception that those importing

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https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Greenwashing

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https://www.aph.gov.au/Parliamentary_Business/Committees/House/Industry_Science_and_Resources/FoodandBeverage

¹¹ <https://www.dfat.gov.au/>

organic products into Australia benefit more than Australian organic operators attempting to export their products to these markets.

If Australia remains out of sync with our key trading partners within the organic sector, the primary concerns for the organic sector will continue to be fair access to FTAs rather than the social and economic benefits that could be provided. Addressing these regulatory disparities is crucial to ensuring that organic operators can fully leverage the opportunities presented by FTAs.

b) The Uptake of Economic Benefits to Australian Businesses Created by FTAs across Australia

The USA, with a market size of approximately USD \$62 billion¹², is the largest market within the \$220 billion global organic industry and is thus a critical market for Australian organic operators. While the economic benefits of accessing the US market are well-known, the challenge remains in having the appropriate framework in place to capitalise on this opportunity.

Similar to the response to part a), the uptake of FTAs by the organic sector is hindered by the current regulatory framework for certified organic products in Australia. As noted in response to part d), the costs associated with entering some of these markets are prohibitive for organic operators, making it difficult for them to take full advantage of FTAs with countries like the United States and Korea.

Without substantial government support, these issues will persist, hindering the uptake of FTAs by organic operators and consequently depriving them of the economic benefits that FTAs can provide.

Additionally, the use of side letter protocols has led to delays in market access and slowed down the progress of FTA uptake. For instance, the agreements with Chile and Peru included side letters for organics that have not been acted upon in over 6 years, based on discussions AOL has had with department officials. As a result, no organic products have entered these markets.

Given the size of the global organic market, this represents a lost opportunity for Australian organic operators and, more broadly, for Australian agriculture and the overall economy. The government and relevant departments need to recognise that insufficient regulatory frameworks and delays in formalising organic provisions in FTAs are harming the uptake of economic benefits.

Improving regulatory frameworks and expediting the inclusion of organic products in FTA negotiations are essential steps to ensuring that Australian organic businesses can fully realise the economic benefits provided by these agreements.

c) To What Extent do Regional, Diaspora, and First Nations Communities Take Advantage of Trade Opportunities, Including the Benefits Created by FTAs?

Within the organic industry, regional, diaspora, and First Nations communities face the same challenges as the broader industry regarding inconsistent regulatory frameworks in Australia.

¹² <https://ota.com/news/press-releases/22820>

Focusing on regional operators involved in horticulture, viticulture, or livestock production, these communities encounter similar restraints as the broader organic sector when attempting to sell products to countries like the United States. These markets do not accept equivalency with Australian organic regulatory frameworks due to the absence of a domestic regulatory standard.

The lack of a domestic regulatory framework hampers these communities' ability to take full advantage of FTAs. Regional, diaspora, and First Nations operators are equally affected by the cost and complexity of conforming to multiple certification processes required by our trading partners. This prevents them from accessing the economic benefits and market opportunities that FTAs are supposed to provide.

Addressing these regulatory inconsistencies and implementing a domestic standard for organic products are crucial steps to ensure that all Australian organic operators, including those from regional, diaspora, and First Nations communities, can fully capitalise on the trade opportunities and benefits created by FTAs.

d) What Difficulties are Faced by Australian Businesses, Workers, and Communities in Accessing the Benefits Created by FTAs, Including Non-Tariff Trade Barriers?

The absence of a regulatory definition for organic products within the domestic market poses significant challenges for organic operators in taking advantage of FTAs. For example, although Australia has FTAs with the United States and Korea, there is currently no equivalency between the organic standards of these two countries. Consequently, Australian operators must undergo a conformity assessment process that involves multiple stages and requires multiple certification processes before they can export their products to markets such as the USA, China, and Korea¹³.

These multiple certification processes are costly and constitute arguably the largest non-tariff trade barrier facing organic operators looking to export. Despite repeated concerns raised by AOL and the broader organic industry, the issue of defining organic products within the domestic market remains unresolved. As highlighted in part a), officials within the United States Department of Agriculture have indicated that equivalence for Australian organic products will not be possible until a domestic program for certified organic products is established. Until such a program is in place, Australian organic operators will continue to face the same market access issues, irrespective of existing FTAs.

Another issue facing organic operators is the status of negotiations for the recognition of organic products. For instance, in a recently negotiated agreement with India, discussions concerning organic products¹⁴ were stipulated for ongoing discussions rather than being resolved within the main agreement. This approach delays the confirmation of opportunities for organic products compared to other industries that can benefit from FTAs immediately upon ratification.

¹³ Australian Organic Limited 2024, *The red tape holding back Australia's certified organic industry*, <https://austorganic.com/the-red-tape-holding-back-australias-certified-organic-industry/>

¹⁴ <https://www.dfat.gov.au/trade/agreements/in-force/australia-india-ecta/australia-india-ecta-official-text/side-letters-trade-organic-goods-australia-india>

The lack of a streamlined process for including organic products in FTAs and the ongoing need for multiple certifications create significant barriers for Australian organic operators. Addressing these issues is essential for enabling organic businesses to fully access the benefits of FTAs and compete effectively in global markets.

e) How the Australian Government Monitors and Measures Utilisation of FTAs

FTAs offer significant financial opportunities for the organic sector, as highlighted earlier. However, given the current situation with the organic sector and the regulatory framework in Australia, there are challenges in how the government can effectively monitor and measure the utilisation of FTAs. As noted, despite being aware of the issues facing the domestic regulatory framework for organic products for some time, the Government has not yet acted on industry concerns¹⁵.

The government's decision not to move forward with regulatory changes was attributed to the perceived costs to both government and the organic industry¹⁶. Nevertheless, AOL continues to work with stakeholders within the government and the industry to advocate for improvements to the domestic regulatory framework for the organic sector.

The current utilisation of FTAs in the organic sector is arguably not as robust as it could be due to the existing issues in developing equivalency arrangements with countries like the United States. Improved monitoring and utilisation of FTAs for organic operators would require consistently updated organic standards and regulatory frameworks that align with those of our FTA partners. This alignment would ensure that the benefits of FTAs can be fully realised by the organic sector.

f) How the Australian Government Works with Stakeholders, Including State and Territory Governments, to Promote Trade Including the Benefits Created by FTAs

Having previously engaged with this committee during its inquiry into the Australian Government's approach to negotiating trade and investment agreements, AOL believes that the issues raised in that submission are still relevant to this inquiry regarding how the government works with stakeholders.

As noted previously, without established protocols to consult with the Australian organic industry, it will be very challenging to proactively deliver market opportunities to the organic sector within Australia. Ongoing engagement through scheduled market access discussions, as well as inclusion within larger agricultural market access projects, are both essential to changing this paradigm and ensuring ongoing transparency around additional trade investment for the organic sector.

This submission has touched on the issues around equivalency, but the table below highlights the different types of markets for Australian organic goods.

¹⁵ <https://www.agriculture.gov.au/agriculture-land/farm-food-drought/food/organic-biodynamic/organic-industry-advisory-group>

¹⁶ Ibid 11.

Table 1: Current types of markets for Australian organic goods

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| <p>Equivalency Arrangements:</p> <p>Equivalency arrangements support direct market access for organic operators looking to export certain organic products. Countries with equivalency tend to have maturing organic markets with established regulation of organic goods.</p> <ul style="list-style-type: none"> • Countries: European Union, Japan, Taiwan, Switzerland, United Kingdom • Challenges for AU Organic Operators: There are limitations to equivalency arrangements when the standards in question do not cover all products. For example, Australian organic wine operators can currently only export to Taiwan out of the five regions listed above. Access to other markets requires additional organic certification(s), which significantly increase costs and restrict export opportunities. |
| <p>Conformity Arrangements:</p> <p>Conformity arrangements exist where there is no full equivalency agreement in place, but a specific Australian certification body is accepted and found to conform with the organic requirements of the importing country. Countries with conformity arrangements also tend to have maturing organic markets with established regulation of organic goods.</p> <ul style="list-style-type: none"> • Countries: United States, Korea, Canada, China • Challenges for AU Organic Operators: While these arrangements provide access, the associated costs can be prohibitive. The conformity assessment arrangement process is between an individual certifying organisation and the relevant overseas government entity, with management coming at a significant cost. |
| <p>Emerging Markets / No Current Arrangements:</p> <p>At present, several markets have no formal equivalency or conformity arrangements for organic products. However, trade in organic products is still possible. These countries are defined as having regulations on organics but lack mature implementation <u>and/or require only slight labelling adjustments and adherence to import protocols.</u></p> <ul style="list-style-type: none"> • Countries: Many markets, including Cambodia and Vietnam • Challenges for AU Organic Operators: Current challenges include a lack of information about these markets and how to approach them. This lack of understanding leads to issues around red tape. Improved information from the government and departments would help ease this burden for organic operators. |

As this table notes, each type of market includes examples of countries that currently have an FTA with Australia. While AOL recommends the government address the regulatory framework loopholes that hinder the organic industry, there are still ways the government can work with the organic industry to improve understanding of available opportunities across different markets.

Most notably, the government and the Department of Agriculture can assist the organic industry by providing detailed information on these countries and the opportunities they present. Currently, the Department of Agriculture's Manual of Importing Country Requirements (MICOR) Organics page only provides information for countries and regions with which Australia has equivalency¹⁷. AOL understands from discussions with the Department that steps are being taken to increase the level of information available on MICOR. AOL encourages these efforts and, as part of this inquiry, suggests incorporating the market access status for countries with FTA agreements with Australia into future updates. This will help ensure transparency on agreement update schedules and consistency in updating regulatory frameworks for the organic sector.

Such improvements would promote the benefits of FTAs for organic operators and provide them with the information needed to assess the opportunities for market access through these agreements.

PREVIOUS ENGAGEMENT

AOL has previously engaged with the Joint Standing Committee on Trade and Investment Growth's inquiry into negotiating trade and investment agreements. In its submission, AOL made three key recommendations regarding trade negotiations¹⁸:

1. **Consider the Regulatory Framework for Organics:** Any trade negotiations should take into account the regulatory framework for organics in any other country involved in a bilateral or multilateral trade negotiation.
2. **Liaison Protocols with the Organic Sector:** The Government and/or the Department of Foreign Affairs and Trade (DFAT) should adapt protocols to liaise with the organic sector to determine whether a particular country is a priority for equivalency.
3. **Regular Updates to the National Standard:** The National Standard should be regularly updated (with industry feedback and support) to remain a fit-for-purpose standard for organic produce when negotiating trade and market access agreements.

These recommendations and concerns were reiterated by AOL CEO Niki Ford at the committee's agricultural industry roundtable held in October 2023, where the size of the organic industry and the opportunities for growth were also discussed. The hearing provided an opportunity for AOL to raise concerns about regulatory reform in the organic industry and the trade barriers it creates. These are the same issues that have been highlighted in this submission¹⁹.

The final report from this inquiry was released in April 2024 and has yet to receive an official response from the current government. AOL notes that the report made little reference to the

¹⁷ <https://micor.agriculture.gov.au/organics/Pages/default.aspx>

¹⁸ Australian Organic Limited 2023, *Submission: Australian Government Trade and Investment Agreement Negotiations Inquiry*, [Submissions – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au/submissions)

¹⁹ Joint Standing Committee on Trade and Investment Growth 2024, *Public Hearing Friday 20 October 2023*, [Trade and Investment Growth Joint Committee 2023 10 20 Official.pdf;fileType=application/pdf \(aph.gov.au\)](https://aph.gov.au/joint-committee-on-trade-and-investment-growth-2023-10-20-official.pdf;fileType=application/pdf)

organic industry, except to acknowledge that AOL had raised concerns about non-trade provisions affecting the agricultural sector²⁰.

CONCLUSION

The organic industry has the potential to significantly enhance the effectiveness of any FTAs that Australia participates in. As a premium product in a world increasingly concerned with the origins and sustainability of food production, Australia's organic products can be at the forefront of adding value to Australia's agricultural exports. However, this potential can only be realised if the regulatory framework and availability of information are improved.

Without these improvements, the gap between the existing opportunities and their actual utilisation will persist. AOL has provided comprehensive recommendations on how to address these issues. It is now up to the committee to further promote these solutions and emphasise that the costs of implementing changes are minimal when compared to the substantial opportunities being lost or diminished by the current regulatory frameworks.

The current climate for the industry shows that operators looking to export face limited trade opportunities due to a regulatory framework that is out of step with key trading partners. Delays in agreements on the status of organic products and limited information on potential markets further exacerbate these challenges.

AOL and its members have consistently highlighted these issues across various inquiries. The organic industry is eager to see these challenges resolved, but this can only be achieved through proactive government action to close the loopholes in the current system. These regulatory deficiencies act as anchors, hindering the growth and potential of the organic sector.

By addressing these regulatory and informational gaps, the government can optimise the opportunities within the organic industry, ensuring it thrives in the global market and fully capitalises on the benefits provided by FTAs. This will not only benefit organic operators but also contribute significantly to the overall growth and sustainability of Australia's agricultural sector.

ABOUT AOL

Australian Organic Limited (AOL) is a member-owned industry body that strives to create a positive impact for humans, animals, and the environment, now and into the future. AOL is led by an experienced team committed to progressing the interests of the organic sector and delivering a world where organics is recognised for its environmental, social, and economic benefits.

²⁰ Joint Standing Committee on Trade and Investment Growth 2024, *Strengthening Australia's approach to trade negotiations*, [Strengthening Australia's approach to trade negotiations \(aph.gov.au\)](https://aph.gov.au)