



Ceres Natural Foods
Trading as PureHarvest
National Organic Standard Bill 2024 Submission



Executive Summary

PureHarvest is an Australian owned manufacturer and organic brand owner, and our products are available throughout Australia and overseas. Operating in Drouin, in regional Victoria, we are one of the largest certified organic operators in Australia, directly employing over 100 people.

The current lack of a legislated definition of ‘organic’ in the domestic market creates a significant limitation on the growth of our business, both domestically and internationally. It erodes consumer confidence, allows other parties to engage in deceptive conduct, and undermines the investment we have made in the industry over the last 45 years. The lack of legislation has entirely curtailed the ability of our business to made inroads into the key export markets of China, the USA, and South Korea, despite significant demand and investment over a number of years.

The introduction of a legislated definition of ‘organic’ will have a significant positive impact for our business, our employees, and customers. It will protect the investment and goodwill that has been built up over the last 50 years, and will open new opportunities for significant growth and value creation.

Australia is the only OECD country to not have a legislated domestic market, and this bill is necessary to ensure we are not left behind in accessing key areas of the \$300 billion export market. A regulated National Organic Standard will deliver immediate access to significant export sales of several million dollars a year for our business, with even greater growth opportunities in the short term.

We are asking you to support our business, the Australian Organics Industry, and Australian consumers by recommending support of this bill.

Our Background

PureHarvest is an Australian owned business which has been selling organic food for over 45 years. We started as a retail and distribution business in 1979 and have been manufacturing at our site in regional Victoria since 2001.

We have been a leading brand and business in developing and growing the Australian organics industry and are one of the largest certified organic brands in Australia today.

Situated in Drouin, Victoria, PureHarvest today directly employs over 100 people and supports many many more throughout the certified organic supply chain; from dairy milk, to soy beans, almonds, and honey.

PureHarvest products are available throughout Australia in all major supermarket chains and independent stores, and are exported to over 25 countries around the world.

Notably we do not export to the key international markets of South Korea and the United States, despite constant interest from these markets, due to the ongoing state of Australian domestic regulation.



Impacts of the Bill

This bill is of significant importance to our business both in regard to our domestic operations, and our ability to access export opportunities.

- Domestic business

- The current lack of regulation allows uncertified operators to make unsubstantiated claims about organics and give themselves the false appearance of equivalence in the market to our certified organic products, undermining both;
 - the appearance of value to customers (as their products are made of cheaper ingredients), and
 - the high quality reputation of organics (through these sub-standard products).
- These factors combine to limit the growth and goodwill of our brand in the marketplace, despite our significant investment over the last 45 years, as many consumers are unable to clearly differentiate between certified and uncertified operators without stronger regulation of the use of organic.
- Ultimately this undermines the confidence of organics with consumers, and destroys value present in the certified organics system.
- As a result our business has had to continually compete with more cheaply made, lower quality, products in the market making similar claims to ours. Consequently we have exited certified organics for a number of different products as we could not support them while ensuring the viability of our business.
 - Whenever these changes are made we get significant feedback from customers who valued the products telling us that they miss them and there are no alternatives in the marketplace, but this informed group is a minority that is unable to grow with the confusion and lack of confidence that exists without stronger regulation.
- We believe that domestic regulation is of value not only to support certified operators like ourselves, but also to support consumers by protecting them from deceptive and misleading conduct.
- We believe the evidence of these impacts is not only borne out through our experience as a business, but is logically straightforward: that Australia is the last OECD to have a legal definition of the word organic clearly shows this is a necessary step to take to protect Australian producers and consumers.

- Export business

- While our business exports products around the world there are a number of key markets we have been unable to access, and many where access has been hindered or where we have been forced to pull out, due to the lack of recognition of our Australian certification.
- There are three key markets in particular where this impact is being felt: China, South Korea, and the United States.
- *China*



- Without equivalence the only considerations for sales into China are to sell the product under alternate non-organic packaging, or to attain duplicate Certification to a Chinese recognised standard.
- We have explored both these options many times, and for a short while had a growing business in China selling Organic Dairy milk under Chinese certification. However the costs of maintaining Chinese Organic certification increased, while the organic dairy milk from other countries became more competitive, and we were unable to compete. As a result of this impact we have to withdraw these products from China altogether.
 - At peak we had over \$1,000,000 annual sales of Organic products to China, and today we have \$0.
- For plant based products, with more input ingredients, the cost of duplicate certification is prohibitively expensive and this model is not possible. Without equivalence the only opportunities required the product to be sold as a conventional product, which required heavy stickering of product to cover up organic claims.
- Significant demand exists and 10 customers over the last 2 years have attempted to import our products into China. In each case their efforts have been unsuccessful due to the many cost and perception issues associated with product stickering and the inability to claim our organic certification.
- Demand is still strong with interested distributors regularly contacting us to see if they can import our range to China, but none have progressed due to the above-mentioned issues. Without recognition of Australian organic certification, which requires a regulated domestic standard, we do not see this situation changing.
- We estimate the missed opportunities have a current value of around AUD\$2,000,000 per year, with the upside growth potential being far higher.
- *South Korea*
 - We have experienced even more demand in South Korea than China, with around 25 potential customers expressing interest over the last 3 years.
 - As with China we are unable to sell our organic product as organic. The costs of stickering, non-conventional packaging, or duplicate certification are not viable and have consistently stopped progress.
 - South Korea is a key growth market with significant upside potential, provided it can be accessed while still in this growth phase. We estimate it has the potential to deliver up to AUD\$1,000,000 in revenue per year in the short term and significantly more in the medium term.
- *United States*
 - The United States is a much more developed market for our products than China or South Korea, and we continue to see unsolicited demand from the area.
 - The issues with this market are the same as China and South Korea, but the upside potential is significantly higher. Due to the size of the US market even a small opportunity has the potential to deliver significant sales and massive



growth. However because the market is so developed this also means the costs to reach it are far higher, and the appetite to wear those costs, in the face of the issues raised by a lack of equivalence, means that it has not been one we have been able to pursue.

- There is significant opportunity for multi-million dollar sales should the situation change, but this requires an equivalence arrangement and regulated Australian National Organic Standard.

- Challenge to Development of the Global Brands of Australian Organics

- In addition to the specific issues faced in individual export markets (and the significant lost sales in those markets) there is a broader issue for Australian Organic businesses like ours due to the disadvantages we face in the growth and recognition of our global brand.
- Without reliable access to the key markets across the Asian and North American regions our efforts to the PureHarvest brand internationally - which will boost sales across all markets, improve business cost efficiencies, and improve the reputation for Australian products - is limited.
- We continue to see the benefit that foreign owned multi-national brands have when entering into markets to compete with us, as their global footprint allows them to market effectively to a broad audience; establishing recognition as a brand before their products enter a market, and increasing demand for those products to be brought into that market.
- Because we are currently limited in access to key markets it is much harder to develop this position, and we have to devote more resources in each new market to grow the brand over and over again. This places more responsibility and cost on our export partners, as they have to shoulder this effort and cost, and makes it less likely for them to take on this risk.

Conclusion

Your support of a regulated National Organic Standard will greatly assist our business, Australian consumers, and the global reputation of Australian made and produced organic products.

The current lack of a legislated definition of 'organic' had broad reaching impacts on domestic and export opportunities. It erodes consumer confidence, allows other parties to engage in deceptive conduct, and is a hugely significant limitation to export sales of Australian businesses.

We are asking for your support to ensure Australia joins every other OECD country in having a legislated domestic organic standard, protecting the value and goodwill created by the organics industry, and ensuring Australia's reputation and position as a global leader in organic production is not lost.