



Introduction

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. AOL welcomes the opportunity to contribute to the submission process undertaken by the Senate Standard Committee on Rural and Regional Affairs and Transport concerning the Primary Industries (Excise) Levies Bill 2023 and related bills.

As noted in AOL's submission to the 'Have Your Say' survey earlier this year, the organic industry has separate production principles and requirements, and as such was not covered under the previous regime. Within Australia, it is mandatory for organic operators to be certified by a department-approved certification body if they wish to export. There is no such requirement for domestic sales, yet many Australian operators opt to become certified to promote trust in the industry.

As organic products are a prescribed good, they require certificates similar to those necessary for primary industry goods like dairy, live animals, meat products and plant products. However, unlike non-organic operators dealing with similar prescribed goods, organic operators face additional certification burdens. For instance, countries like the United States only have conformity arrangements with Australia for organic products; and as such, Australian organic operators are forced to obtain a second certification if they intend to export to such countries. This is a considerable burden in terms of time and cost and serves as a substantial barrier to expanding organic exports.

AOL would like to highlight the absence of any reference to organic in the proposed legislation, which is disappointing for the organic sector. This omission will ensure that organic operators continue to miss out on benefits from levies tailored specifically to their industry. The exclusion of organic categories from the current levy system underscores a lack of fair consideration for Australia's organic operators within this framework.

Imposition of levies

There are approximately 3,035 organic operators in Australia, yet in the past five years there has only been one dedicated research project for the organic industry. All additional biosecurity measures aligned with organic certification regulations have been researched, verified, and proposed by AOL. As a member-funded non-profit, AOL has had to engage state biosecurity bodies to ensure the consideration of specific industry requirements.

Unless there is distinct classification for organic operators and their associated levy contributions, along with adequate consideration given to the unique biosecurity needs of the organic industry, AOL foresees no scenario wherein the levy is beneficial to the organic sector.



There must be opportunities for industry representative bodies (IRBs) not covered by the current levy system to engage more effectively with the current IRBs. This would ensure that the specific research needs of their members are adequately addressed.

Despite organic operators contributing equally to their non-organic counterparts, levies paid by organic operators do not provide commensurate benefits specific to their output. Hence, the management of levies needs to encompass the broader requirements of the organic industry. However, how this takes place when representative bodies for the organic industry do not have an established role within IRBs necessitates further discussion.

Other possible routes for better recognition of organics appear limited. While organic agriculture accounts for 12.4% of Australia's arable land, it is distributed across all agricultural sectors, further complicating the aggregation of beneficial research outcomes for levy-paying producers. Organic farming does not fit within AgriFutures Australia's definition of a minority industry as it is industry-wide, encompasses processing, and is not limited to a specific commodity. Yet, organic holds unique research needs and faces distinct challenges compared to non-organic farming. Prioritising these considerations is crucial when addressing key barriers to further expansion and prosperity within the organic sector.

Other jurisdictions have begun to implement levy systems where organic agricultural funds are segregated from non-organic ones due to policy considerations. For instance, in alignment with the European Union's (EU) goal for 25% of farming land to be organic, Germany is considering a proposal where 30% of agricultural levies are allocated to organic industry and research priorities. This proactive policy aims to ensure sustainable solutions for improved environmental outcomes in agriculture—a model worth considering within Australia's agricultural levy system.

For Australia, the proposed legislation overlooks these considerations, leaving organic operators facing the same challenges regardless of the introduction of this legislation.

Collection bill

In AOL's response to the 'Have Your Say' process earlier this year, the lack of clarity regarding differentiation between organic and non-organic products within the proposed bill was emphasised. This ambiguity poses challenges in determining penalties, especially when organic products sold to non-organic operators are misrepresented as organic, regardless of whether they have undergone the prescribed processes outlined by the National Standard for Organic and Bio-Dynamic Produce (the National Standard).

The distinct farming techniques and meticulous record-keeping requirements of organic farming demand consideration. Failure to clearly delineate products that are certified organic risks damaging the industry's reputation. Unfortunately, these aspects seem to have been overlooked in the drafting of the current bills.



AOL is also deeply concerned about the inability to track organic operators selling their produce in non-organic markets. Certified organic operators strictly adhere to the stringent requirements outlined in the National Standard, the Australian Certified Organic Standard (ACOS) and other industry standards used by producers.

While organic produce sold to non-organic operators loses its certified status, the current levy system fails to acknowledge that certified organic operators continue paying levies. The decision for organic operators to sell to non-organic markets often stems from the considerable trade barriers imposed on organic products. As a prescribed good, certified organic produce faces limitations in trade and is restricted to regions with government-to-government equivalency arrangements (such as EU, Taiwan, Switzerland, Japan, and UK), or to countries where operators must undergo costly recertification processes for market access through conformity arrangements (such as South Korea, China, USA, and Canada).

Moreover, there are a limited number of organically certified abattoirs and processing facilities within the vicinity of organic producers. These technical and logistical barriers to trade exacerbate potential market saturation within domestic organic markets, particularly during good years, due to fewer easily accessible avenues for selling produce.

The current levy system often considers the status of the buyer over the seller, effectively converting organic industry contributions into non-organic ones. Consequently, spending priorities for projects tend to overshadow the needs of organic operators. Compounding these challenges is the issue of domestic organic sales data collection. The differentiation of data is currently protected under Rural Research and Development Corporation (RDC) agreements, preventing the organic industry from accessing or utilising the contribution of organic levies due to restrictions under the Privacy Act 1988.

The Australian Organic Market Report 2023 noted that there is now over 53 million hectares dedicated to organic farmland in Australia, constituting 12.4% of the country's arable farming land, as well as 3,035 certified organic operators. Despite this, the direct economic contribution of the organic industry stands at only \$851 million, accounting for less than 1% of the agriculture industry's total worth of \$93 billion AUD. This signifies an untapped opportunity to better harness Australia's organic land and leverage the organic industry's growth for the broader benefit of agriculture.

As highlighted previously, there has only been one authorised organic research project conducted in the past 5 years, despite available funds. AOL acknowledges the challenges of integrating organic levies across all commodity groups and the subsequent collection of these levies. However, the lack of projects dedicated to organics within the levy system renders the present situation inadequate from the perspective of the organic industry. Even with the impending legislative changes, it appears likely that organics will continue to be overlooked in this context.

Disbursement Bill



AOL wishes to express its concern regarding the Disbursement Bill's structure and its lack of improvement in the allocation of funds for organics under the proposed changes.

Organic producers pay levies at equivalent rates to non-organic operators within the agricultural industry. However, the organic sector operates differently, facing unique trade and market access requirements such as equivalencies and conformity assessments. For instance, while the current breakdown for avocado marketing levies is 4.5 cents per kilo, there is a lack of promotional opportunities for certified organic produce within that allocation. Consequently, growers of organic avocados and other commodities receive only partial benefits--they receive a benefit from the commodity, but not from the method of cultivation.

This discrepancy is especially frustrating for the organic industry. A recent cost-benefit analysis conducted by PricewaterhouseCoopers (PwC) revealed that while the industry currently operates at a negative cost recovery, a mere 1% increase in organic trade could transform this into a positive trajectory. Notably, Australia stands as the last OECD country without domestic regulation of the term 'organic.' While other nations actively pursue opportunities for their organic industries, Australia risks lagging behind due to outdated regulations and levy disbursement structures that fail to provide adequate opportunities for levy-paying organic operators.

AOL acknowledges that organic operators do receive some benefit from the levy system, as any disbursement into a commodity involving organic operators can assist them in that particular market. However, where the issue currently lies is the lack of direct benefit for organic growers based on their specific cultivation methods—specifically, their use of organic techniques. Furthermore, research priorities specific to the organic sector might not be adequately addressed, potentially impacting production and consequently, the producers' bottom line.

It can take up to three years for an organic operator to become certified. It is a process that demands discipline, commitment, and a significant time investment. The absence of levy disbursement specifically tailored for organic operators undermines their efforts, as they pay levies but receive only a partial benefit in return.

While organic produce sold to non-organic operators loses its certified status, the current levy system fails to recognise that certified organic operators continue to pay levies. Organic operators resort to selling to non-organic markets because of trade barriers, including limited market access, inadequate transport facilities for organic produce and oversaturated markets.

Unfortunately, this highlights the challenges surrounding data collection of domestic organic sales. Differentiating data is currently protected under RDC agreements, and the organic industry's contribution to the system via levies remains inaccessible and unusable by the organic sector. The absence of a framework within the levy system to identify certified organic producers paying levies across various commodities poses difficulties in securing funding for organic-oriented marketing and research initiatives.



It is disappointing that the current legislation drafted for disbursement fails to address these concerns. However, AOL remains hopeful that over time, there will be opportunities to adapt the legislation to mitigate some of these pressing issues.

Conclusion

Upon review of the proposed bills, it's evident that none of the provisions cater to the organic industry, meaning the concerns initially raised during the 'Have Your Say' process have not been incorporated into the overall drafting of these bills.

While AOL continues to pursue avenues to improve the levy system for organic operators, there is lingering concern within the organic industry regarding the lack of consideration from the Government and the Department of Agriculture, Fisheries and Forestry toward organic operators when it comes to levy system updates.

The absence of adequate consideration within levies, specifically in providing benefits for organic research, development, extension and marketing, perpetuates a situation where the industry continues seeing the levies it generates benefitting only half of its output - the commodity, rather than acknowledging the method of production.

AOL is hopeful that future updates to legislation will incorporate the following:

1. Inclusion of distinct classification for organic operators and associated levy contributions.
2. Government collaboration with organic sector in levy system improvements.
3. Focus on allocating levies to support organic research, development, extension and marketing.
4. Acknowledgement and support for certified organic produce and its distinct production methods.