



Australian Organic Limited
Australian Agriculture in Southeast Asian
Markets Inquiry Submission

Executive Summary

The Australian organic sector is a growing industry that is primed for further development as more consumers turn to sustainably produced goods. Despite this potential, there are markets that Australian organic operators cannot access at the present time, such as India where no Australian organic products are currently being allowed into the country. In terms of trade and market access for organic products, the export market for Australian organic operators can be categorised into three distinct groups:

- Countries with which Australia has equivalency arrangements.
- Countries with which Australian producers have or require conformity agreements.
- Emerging markets that accept the National Standard for Organic and Bio-Dynamic Produce (The National Standard) primarily for export purposes.

There is strong potential for organic trade expansion in Southeast Asia, as highlighted in Australian Organic Limited's (AOL) market report that projects a significant increase in demand for organic products over the next five years. However, this positive projection is offset by concerns that the current organic export market is too concentrated. Available data shows that certain commodities are being exported to only one country or mostly to one country, indicating a lack of diversification. The following table shows some examples of this¹.

Table 1: Examples of concentrated markets in the organic industry

Country	Product(s)	Percentage of Product Exported to that Country
United States	Processed Meat	71 percent
United States	Manufactured Dairy Products	95 percent
Singapore	Milk	100 percent
Singapore	Fruit and Nuts	78 percent
Malaysia	Imported Vegetables (including herbs)	97 percent

Moreover, there has been a reduction in the number of overseas markets Australian organic products reach, declining from 62 countries in 2020 to 36 in 2022. Being able to access and develop new markets for organic in Southeast Asia provides an opportunity to help alleviate this issue.

In line with the committee's interest in reviewing opportunities for Australian agriculture in Southeast Asia, AOL sees an opportunity to build trade relationships with ASEAN countries. These nations exhibit a growing middle class with an escalating demand for sustainably produced goods, including organic products. It is important to ensure that organic is integrated into engagements with government, departments, and other industry stakeholders. Providing opportunities for organic markets to flourish in these countries will be an important step forward for the organic

¹ Australian Organic Limited 2023, Australian Organic Limited: Discussion Paper Trade and Market Access.

industry, in turn advancing broader sustainability targets for Australian agriculture. Taking advantage of the premium that comes from organic products will also benefit Australian agriculture and open avenues to invest further into long-term sustainability outcomes.

In this submission, AOL presents five recommendations for the committee's consideration. AOL thanks the committee for the opportunity to contribute to this inquiry and hopes that these recommendations will serve as valuable options for broader engagement strategies.

Recommendations

1. Improve the accessibility and detail of information provided on the Manual of Importing Country Requirements (MICOR) and Austrade websites, with a specific focus on catering to the requirements (treatments, regulatory) for prospective organic operators seeking to export, particularly targeting countries in Southeast Asia.
2. Appoint a dedicated point of contact officer for Asian markets, with a background in the organic industry and a thorough understanding of the requirements for organic export. This individual would be a valuable resource for organic operators seeking market access in Asia.
3. Allocate ongoing budgetary funding to improve resources available for the organic industry. This funding would help nurture stronger trade relationships in Southeast Asia, thereby facilitating improved market access.
4. Implement organic-specific grant programs tailored to support organic operators seeking entry into the Southeast Asian market.
5. Conduct a review of domestic regulatory framework to ensure its alignment with current international standards and potential rival jurisdictions. Additionally, establish mechanisms within the framework to define and regulate organic products within Australia's domestic market, promoting clarity and consistency.

Organic Industry Overview

Australia is an agricultural export nation with over 72 per cent of all production exported². As the organic sector continues to evolve, there is an increasing need to expand market scope and diversify trade access for organic products.

Australia currently has over 53 million hectares of certified organic farmland³. This represents approximately 12.4 percent of arable farmland nationwide and about 60 per cent of the world's organic land mass. These figures underscore the organic sector's burgeoning significance within 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, constituting roughly one per cent of the global

² Department of Agriculture Fisheries and Forestry 2023, *Snapshot of Australian Agriculture 2023*.

³ Australian Organic Limited 2023, *Australian Organic Market Report 2023*.

organic industry's \$220 billion value. With 3,035 certified organic businesses, this sector supports over 22,000 full-time equivalent workers at any given time⁴.

Domestically, there is a growing demand for organic products, with 35 per cent of surveyed shoppers increasing their household budget allocation for organic purchases from 2021 to 2022⁵. Projections suggest that the domestic industry will more than double in the next five years, increasing to \$5.8 billion from the current \$2.6 billion total⁶. 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 is still promising however, with Australian organic exports projected to grow at an annualised rate of 29 per cent up to the 2026/27 financial year⁸.

Importantly for the organic industry and its future growth, the demographic most inclined to purchase organic products falls within the 18 to 39 age bracket⁹, indicating a growing trend among younger generations towards prioritising origin and sustainability in their food choices.

Despite these positive domestic trends, one of the key challenges facing the sector is the devaluation of organic produce when sold into conventional streams due to limited market access. This is partly why the overall value of the industry at \$2.6 billion is considered conservative. Once organic produce is sold into the conventional stream, it is no longer classified as organic.

Greater collaboration between the government, relevant departments, and the organic industry is crucial to surpassing these projections and addressing the disparity where Australia contributes only about one per cent of the global industry's value, despite possessing 60 per cent of the world's organic farmland.

The export potential for organics is boosted by the strong demand for organic livestock and poultry, with 61 per cent of organic livestock and poultry farming industry revenue derived from exports in 2022¹⁰. Moreover, Southeast Asian countries like Vietnam have shown a willingness to pay premiums for Australian organic beef, with approximately 79 per cent of respondents indicating they would be willing to pay up to 35 per cent more for Australian organic beef compared to conventional beef¹¹.

As the middle class grows in Southeast Asia, organic products present an opportunity for broader trade and market access for a diverse range of Australian agricultural products.

⁴ Ibid 2

⁵ Ibid 2

⁶ Ibid 2

⁷ Ibid 2

⁸ Ibid 2

⁹ Ibid 2

¹⁰ Ibid 2

¹¹ CSIRO 2023, *The Premiumisation Roadmap: Consumer willingness to pay for Australian organic beef, 2023*, accessed 8 June 2023.

a. How the Australian Government can Support Agriculture and Food Industries in Leveraging Opportunities within the Region

The Australian organic industry stands to benefit from improved stakeholder engagement between government, departmental, and industry stakeholders. A recent submission by AOL to the House of Representatives Industry, Science, and Resources Committee's inquiry into Food and Beverage Manufacturing highlighted discrepancies in engagement levels between Australian and New Zealand representatives involved in building market access opportunities, with greater proactivity observed from New Zealand¹².

In consideration of this inquiry's purpose to build on the *Invested: Southeast Asia Economic Strategy 2040* paper that was released in 2023, the committee must assess the current capabilities of key trade and investment organisations such as AusTrade and determine whether additional investment is needed to leverage opportunities in Southeast Asia effectively. Without adequate investment, efforts to promote Australian¹³ organic goods may be hindered by existing limitations in the current forms¹³.

Incorporating organic as part of the 'whole of nation' approach and recognising the opportunity to promote our sustainable and respected organic industry is an important consideration for the committee¹⁴. Organic in Australia is currently not part of the levies system, making it harder for industry investment to take place. Therefore, AOL is advocating for ongoing budgetary support to facilitate engagement with Southeast Asian markets for organic producers. This aligns with the budget submission AOL provided to the Federal Government for the 2024/25 Budget¹⁵.

b. Opportunities to Build and Strengthen Partnerships in Southeast Asia

Despite AOL's concerted efforts to educate and engage Australian organic operators on accessing Southeast Asian markets (such as via the 'Trade Organic' webinar series and online portal), there remains a need for improved information and resources for organic operators interested in entering these markets. AOL's capacity to assist organic operators is limited, particularly without the backing of the levies system which helps support the broader agricultural sector.

Addressing this gap requires an improvement in basic informational resources for Southeast Asian markets through departmental channels. In a Trade and Market Access discussion paper submitted to the Federal Government in June 2023¹⁶, AOL called for improvements to the Manual of Importing Country Requirements (MICOR) and the allocation of greater resources for staff with organic industry expertise in key Southeast Asian locations¹⁷.

¹² Australian Organic Limited 2024, *Australian Organic Limited Submission: Food and Beverage Manufacturing*.

¹³ Ibid 12.

¹⁴ Nicholas Moore AO, 2023, *Invested: Australia's Southeast Asia Economic Strategy to 2040*, Australian Government.

¹⁵ Australian Organic Limited 2024, *Australian Organic Limited: Federal Budget Submission 2024/25*.

¹⁶ Australian Organic Limited 2023, *Trade and Market Access Discussion Paper*.

¹⁷ Ibid 15.

While introducing dedicated staff with existing organic knowledge may not be feasible, AOL strongly encourages the committee to recommend improvements to the current information available in MICOR. Additionally, providing resources to departmental officials based in Asia to broaden their understanding of the organic industry would improve facilitation and partnership-building efforts for the organic industry in the region.

c. Identifying New and Emerging Opportunities and Challenges in the Region for the Australian Agriculture Industry

Current export market access arrangements for the organic industry can be categorised as follows:

Table 2: Current types of markets for Australian organic goods

<p><u>Equivalency Arrangements:</u></p> <p>Equivalency arrangements facilitate direct market access for organic operators looking to export certain organic products. Countries with equivalency typically 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: Limitations arise when standards do not cover certain products. For example, Australian organic wine operators can only export to Taiwan among the five listed regions. Access to other markets necessitates additional organic certification(s), incurring significant additional costs that restrict export opportunities.
<p><u>Conformity Arrangements:</u></p> <p>In the absence of full equivalency agreements, conformity arrangements accept specific Australian certification bodies that 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, South Korea, Canada, China. • Challenges for AU Organic Operators: While these arrangements do provide access, the associated costs can be prohibitive. Conformity assessment processes between certifying organisations and relevant overseas government entities are managed individually and involve significant costs. Certain countries that have organic importing requirements like India, do not have established protocols in place with Australian Certification bodies to allow importation of Australian organic products.
<p><u>Emerging Market / No Current Arrangements:</u></p> <p>At present, several markets lack formal equivalency or conformity arrangements for Australian organic products. Nonetheless, trade in organic products is feasible. These countries are defined as having regulation on organics, but the implementation of this</p>

legislation is not yet mature [and/or require only slight labelling adjustments and adherence to import protocols](#).

- **Countries:** Many markets, including Indonesia and Vietnam.
- **Challenges for AU Organic Operators:** Limited information availability about these markets and strategies for how to approach them pose challenges for organic operators, and this lack of understanding leads to red tape issues for these countries. Improved information dissemination through government and department channels would help alleviate this burden for organic operators.

As evident from Table 1, several emerging markets within Southeast Asia lack current arrangements with Australia. Leveraging these markets, with comparatively lesser regulatory frameworks, presents an opportunity. Australia's well-established and trusted organic certification processes, which have been in existence since 1992, position us favourably to promote organic products in these developing markets.

However, as Southeast Asian countries progress with their organic industry regulations, maintaining a regulatory framework for organic conducive to continued trade and market access becomes imperative. Australia's current domestic framework, which is out of step with OECD standards, necessitates this alignment to avoid potential market exclusion.

More recently the European Union¹⁸ and the United States¹⁹ have begun to invest heavily in organic programs which may influence expectations for organic produce. As noted above, Australia's conformity arrangement with the United States reflects the lack of a mandatory domestic organic standard. Should Southeast Asian nations develop more stringent organic regulatory frameworks requiring equivalency, Australian operators risk further limitations on market options. The recent passing of legislation to implement a domestic regulatory framework for organic in countries like New Zealand underscores the urgency of improving Australia's regulatory framework²⁰.

Improving the Australian organic industry's regulatory framework will mitigate these potential blockages highlighted in the *Invested*. If Australia does not implement a system that includes a consistent definition of organic domestically, it will risk falling behind regional competitors like New Zealand. Further, Australia will miss out on the latent opportunities that exist within Southeast Asia and organic operators may experience the same market access situation currently faced with India in other local markets. Aligning with international standards by having a domestic regulatory framework will help secure ongoing trust in Australian organic products in this region.

¹⁸ European Commission 2020, Farm to Fork Strategy: For a fair, healthy and environmentally-friendly food system, European Union.

¹⁹ Organic Trade Association 2022, Organic Trade Association Applauds Investment of up to \$300 Million in New Organic Transition Initiative, Media Release.

²⁰ Brendan Hoare 2023, Behind the scenes of the Organic Act, OrganicNZ, Online Article.

d. Mechanisms for Government and Industry to Leverage Identified Opportunities for Australian Agriculture Industry

AOL has previously outlined mechanisms in Sections A and B to address present opportunities. We believe there is a pressing need for greater commitment in budgetary funding to support these mechanisms within the organic sector. Alternatively, funding through an organic-specific grant program could enable organic operators to leverage opportunities for Australian organic products in Southeast Asia.

Until levies are utilised more effectively for the benefit of the organic industry, such interventions are likely the primary means of consistent funding for the industry. The government's recent emphasis on improving sustainability in Australian agriculture²¹ aligns with the interest in progressing agriculture in Southeast Asian markets. Recognising the benefits of organic agriculture in achieving these goals is crucial.

e. How Australian Agriculture can Support Southeast Asia's Food Security

Australia's significant organic landmass means we are in a prime position to contribute to Southeast Asia's food security. With the largest amount of organic land globally, Australia plays a key role in supporting food security efforts in the region.

The Australian organic industry can offer an alternative for improving food security in Southeast Asia while offering premium products to markets like Vietnam, which have demonstrated willingness to pay premium prices²². Organic products cater to the preferences of the growing middle class, which can benefit Australian organic operators and contribute to the broader agricultural sector goal of becoming a \$100 billion industry by 2030²³.

Recommendations outlined in previous sections will aid the committee in enhancing the incorporation of organic into the broader agricultural strategy for Southeast Asia.

Previous Engagement

Over the past two years, AOL has actively engaged with government and departmental stakeholders to enhance trade and market access opportunities. Through this engagement, AOL has recognised Southeast Asian markets as a significant avenue for growth in the organic sector.

The following examples highlight the work AOL has done previously with regard to trade and market access and the importance of Southeast Asia as a potential growth market for Australian organic products.

Indo-Pacific Economic Forum

²¹ National Farmers' Federation 2024, Positive step forward in transition to net zero' Media Release.

²² CSIRO 2023, The Premiumisation Roadmap: Consumer willingness to pay for Australian organic beef

²³ National Farmers Federation 2019, 2030 Roadmap: Australian Agriculture's Plan for a \$100 Billion Industry

AOL provided a submission on the proposed Indo-Pacific Economic Forum (IPEF) which notably involves participation from Southeast Asian countries. The submission outlined opportunities for Australian organic agriculture in Southeast Asia, while highlighting potential challenges posed by the existing regulatory frameworks domestically²⁴. AOL also emphasised the organic industry's potential to contribute to agricultural sustainability within IPEF nations and noted the opportunity for the development of organic industries as part of broader sustainability initiatives within these countries²⁵. While negotiations are ongoing, AOL remains committed to understanding the IPEF process and actively maintains its presence in updates provided by the Department of Foreign Affairs and Trade.

Discussion Paper on Trade and Market Access

AOL submitted a discussion paper to the office of the Minister for Agriculture on 20 June 2023, highlighting the three levels of market access that currently exist between Australia and its overseas trading partners²⁶:

- *Equivalency Arrangements* – Direct market access is available for organic operators looking to export certain organic products.
- *Conformity Arrangements* – No direct equivalency exists, but specific Australian certification bodies are accepted in a particular jurisdiction and conform with the requirements of the country Australian organic goods are being exported to.
- *Emerging Markets/No Current Arrangements* – These markets have no equivalency or conformity agreements with Australia, but trade is still possible because regulation of organic is still in its infancy.

The paper highlighted the significance of Southeast Asian markets for organic products and recommended establishing a point of contact with organic industry experience within Asia to facilitate trade and market access for organic operators²⁷. However, this recommendation has yet to be acted upon by the Minister.

Federal Budget Submission 2024/25

As part of the pre-budget submission process, AOL requested for \$2.5 million over four years to improve market access opportunities for organic operators²⁸. In support of this budgetary request, AOL emphasised Asia as crucial for diversifying markets for organic products, citing *Invested* to support arguments for increased support for organic trade and market access in the region²⁹.

²⁴ Australian Organic Limited 2023, *Australian Organic Limited: Submission to Indo-Pacific Economic Framework*.

²⁵ Ibid 21.

²⁶ Ibid 15

²⁷ Ibid 15

²⁸ Ibid 14

²⁹ Ibid 14

The budget submission noted that in terms of opportunities the organic industry in Australia has a reputation for producing high quality organic produce with the infrastructure in place to build markets in Southeast Asia³⁰. It was noted that there is broad scope to build a market for premium products that would diversify trade for the organic industry and broader Australian agricultural industry³¹.

Although the budget did not allocate additional funds for this purpose, AOL remains committed to collaborating with government and departmental stakeholders to assist organic operators in accessing opportunities in the growing markets of Southeast Asia.

Conclusion

AOL has provided submissions to stakeholders across government departments, emphasising the significance of Southeast Asian markets and the opportunities they present for the organic industry. As this committee explores opportunities in this fast-growing region, AOL would like to highlight the importance of integrating the organic sector into this process.

The markets under consideration in this inquiry lack the same level of maturity as the Australian organic market. This means that the issues around equivalency and conformity arrangements that Australia is faced with in other mature jurisdictions are not the same. This offers a window of opportunity for Australian organic products to build a foothold as part of a broader strategy of agricultural engagement into Southeast Asia; however, these opportunities are time-sensitive, as Southeast Asian countries begin to invest and develop their own organic programs.

The Australian organic industry has the experience and maturity to play a pivotal role in agricultural engagement in the region, but it requires support. Currently, there is insufficient information available for industry stakeholders to grasp the opportunities and considerations associated with entering these markets. Furthermore, there is a lack of engagement with the organic industry in developing opportunities for organics as premium products and promoting sustainable Australian agriculture.

Despite efforts by industry bodies like AOL to bridge knowledge gaps through education programs, there are limitations to what can be achieved. Alignment among government (regardless of party affiliation), departmental stakeholders, and industry is essential to building greater understanding of how organic can be promoted in Southeast Asia and integrated into the recommendations outlined in the *Invested* paper.

With stakeholders and mechanisms in place, the onus now lies on these stakeholders to promote the positive opportunities organic can offer, including its potential as a premium market and scope to support the ongoing pursuit of sustainability in Australian agriculture.

³⁰ Ibid 14

³¹ Ibid 14

About AOL

Australian Organic Limited (AOL) is the peak industry body for the organic in Australia 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.