



Australian Organic Limited

**Submission: Australian Government Trade and
Investment Agreement Negotiations Inquiry**

Executive Summary

The Australian organic industry is growing and is primed for further growth as consumers are increasingly turning to organic products that are sustainably grown. Regarding trade and market access for organic products, the export market for Australian organic operators can be seen as being made up of three distinct groups:

- Countries with which Australia has organic equivalency arrangements.
- Countries with which Australia has conformity agreements.
- Emerging markets that accept the National Standard for Organic and Bio-Dynamic Produce (The National Standard) which is used for export only.

There is strong potential for organic trade to increase with Australian Organic Limited's (AOL) 2023 Market Report projecting a significant increase in demand for organic products over the coming five years. This positive news is offset by concerns that the current organic export market is too concentrated, with some commodities only being exported to one country based on available data. Data also shows that there has been a contraction in the number of overseas markets Australian organic products are reaching, down from 62 different countries in 2020 to 36 in 2022¹.

AOL sees an opportunity to build trade relationships with ASEAN countries that are demonstrated to have a growing middle class that is increasingly demanding sustainably grown products, such as organic. While there has been a contraction in export markets for organic goods, two of our largest export countries are Singapore and Malaysia (excluding the United States, Australia's biggest export market for organic products).

The global organic market is currently worth approximately \$220 billion and is expected to grow by around 16 percent each year. This highlights the potential value of strengthening our agricultural export markets and presents a clear opportunity for government and the department to work with industry to improve outcomes.

Regarding the terms of reference of the inquiry, this submission will be focused on terms a, c, e, f, i, and j.

Recommendations

1. That any trade negotiations consider the regulatory framework for organics in any other country involved in a bilateral or multilateral trade negotiation.
2. That Government and/or the Department of Foreign Affairs and Trade (DFAT) adapt protocols to liaise with the organic sector to determine whether a particular country is a priority for equivalency.
3. That the National Standard is regularly updated (with industry feedback and support) so that it remains a fit-for-purpose standard for organic produce when negotiating trade and market access agreements.

¹ Australian Organic Limited 2023, *Australian Organic Market Report 2023*

Organic Industry Overview

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

Australia currently has over 53 million hectares of certified organic farming land³. This represents approximately 12.4 percent of arable farmland across Australia and approximately 70 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, approximately one per cent of the global industry's \$220 billion value. There are currently 3,035 certified organic businesses in Australia and these businesses help employ over 22,000 full-time equivalent workers at any given time⁴.

Domestically, there is a growing demand from shoppers for organic products. 35 per cent of shoppers surveyed who bought organic products increased their household budget spend on organic from 2021 to 2022⁵. It is forecast that over the next five years the domestic industry will more than double from \$2.6 billion to \$5.8 billion⁶.

Importantly for the organic industry and its future growth, the most likely group of shoppers to buy organic products is between the ages of 18 and 39⁷. This highlights that younger generations are becoming more concerned with the origin and sustainability credentials of their food and are looking to alternatives such as organic where possible.

While these are positives for the organic industry domestically, 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 is part of the reason 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. In terms of trade, the largest export markets for raw organic products are the United States with 48 per cent, Singapore with 19 per cent and Malaysia with 7 per cent⁸. The future for organic trade is still positive with Australian organic exports expected to grow by 29 per cent up to the 2026/27 financial year⁹. Greater collaboration between the government, relevant departments and the organic industry may help reach and surpass this projection. It will also help begin to solve

² Department of Agriculture Fisheries and Forestry 2023, *Snapshot of Australian Agriculture 2023*, accessed on 12 May 2023

³ Ibid 1

⁴ Ibid 1

⁵ Ibid 1

⁶ Ibid 1

⁷ Ibid 1

⁸ Ibid 1

⁹ Ibid 1

the paradox of Australia's organic industry, where Australia has 70 per cent of the world's organic farmland but only contributes approximately one per cent of the worth to the industry globally.

This opportunity for exports is in part due to the strong export markets for organic livestock and poultry (61 per cent of organic livestock and poultry farming industry revenue came from exports in 2022)¹⁰. Countries such as Vietnam have also shown a willingness to pay premiums on Australian organic beef, with approximately 79 per cent of respondents to a CSIRO survey indicating they would be willing to pay up to 35 per cent more for Australian organic beef compared to conventional beef¹¹. Moreover, 70 per cent of respondents living in China would also pay the same premium¹².

a) How the Australian Government develops a negotiating mandate and framework which factors in whole of government principles.

The government needs to develop protocols where relevant stakeholders can provide information on trade negotiations that provide greater context on the industry and what should be considered as part of any negotiations.

The creation of a negotiation mandate is reliant on being able to engage with all sectors, or at the very least offer the opportunity for relevant stakeholders to engage. As far as the organic industry is concerned, the current nature of the regulatory framework means that the development of a mandate requires direct consultation with the organic industry. This is because the challenges around a regulatory framework are materially different to those seen in the conventional agriculture industry.

As highlighted in recommendation two, protocols for consulting with relevant stakeholders need to be enacted to allow stakeholders to assist in this process. Organic farmland represents 12.4 per cent of Australia's arable land; this is over three times the area represented by cropping and horticulture separately. This percentage of organic farmland demonstrates the need for consistent market access that will drive continued growth.

Organic is a major stakeholder within agriculture, which is a rapidly growing and developing industry. A more formalised approach to ensuring inclusion of organic market access and priorities will benefit Australian organic operators. Development of this approach will afford organic operators the opportunity to contribute to reaching and exceeding the \$100 billion farmgate goal by 2030.

Previous discussions concerning trade and market access for the organic industry have noted concerns around cost recovery as a barrier to investment and development in the organic space. The approach of this submission is different. In this submission, the organic industry is asking for the opportunity to collaborate with government about trade

¹⁰ Ibid 1

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

¹² Ibid 10

negotiations. This would help the organic industry understand how it can achieve its goals concerning growth while providing government with input on market access and prioritisation of markets for the organic industry in trade negotiations.

c) The consultation process undertaken with interested parties, including representatives of industry and workers

Without established protocols to consult with the Australian organic industry it will be very difficult to proactively deliver market opportunities to the organic sector within Australia. Engagement through scheduled market access discussions, as well as inclusion within larger agricultural market access projects are both key to changing this paradigm.

As stated earlier, a concern for Australian organic industry exports is the level of concentration that sectors have in different countries. The three nations mentioned above (United States, Singapore, and Malaysia) have a high concentration of a particular product going to that country. The table below highlights the breakdown of the three biggest markets and the concentration of a particular product in that industry¹³.

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 per cent
United States	Manufactured Dairy Products	95 per cent
Singapore	Milk	100 per cent
Singapore	Fruit and Nuts	78 per cent
Malaysia	Imported Vegetables (including herbs)	97 per cent

The breakdown of products going to these key markets highlights that the margin for error in terms of the current export market is thin. While around 40 per cent of global trade is concentrated, the above figures show how concentrated some product markets have become for organic operators in Australia.¹⁴ The government has an ongoing commitment to a Trade Diversification Strategy¹⁵ (the Strategy); the current concerns for organic can be addressed as part of the government's broad suite of actions outlined in the Strategy¹⁶. This would help further complement the government's goals to increase trade diversification and strengthen the organic industry's market reach, particularly in Asia. From an agriculture industry perspective, this will also help achieve and surpass goals of

¹³ Ibid 1

¹⁴ O, White, et al 2023, *Complication of concentration in global trade*, McKinsey Global Institute, accessed 8 June.

¹⁵ Minister for Trade, Senator Don Farrell 2022, *Supporting Australia's international economic engagement*, Media Release, accessed 12 June 2023.

¹⁶ Madeleine King MP 2022, *Labor Launches Trade Diversification Plan*, Media Release, accessed 12 June 2023.

becoming a \$100 billion industry¹⁷. Therefore, a strategic market diversification of organic products is required to increase trade access and market resilience to future policy and market changes.

Equivalency/Conformity Arrangements/Potential Markets

There are currently three different 'levels' of trade and market access arrangements for Australians looking to export.

These range from equivalency arrangements negotiated with countries that have an established organic program, to emerging organic markets where there are no formal agreements in place. These three categories are explained below.

Table 2: Current types of markets for Australian organic goods

<p><u>Equivalency Arrangements:</u></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> <p>Countries: European Union, Japan, Taiwan, Switzerland, United Kingdom.</p> <p>Challenges for AU Organic Operators: In practical terms, there are limitations to equivalency arrangements when the standards in question do not have scope for products covered. As an example, Australian organic wine operators can presently only export to Taiwan out of the five regions listed above. Access to other markets requires the operator to seek additional organic certification(s), a significant additional cost that restricts export opportunities.</p>
<p><u>Conformity Arrangements:</u></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> <p>Countries: United States, South Korea, Canada, China.</p> <p>Challenges for AU Organic Operators: While these arrangements do provide access, the associated costs can be prohibitive. The conformity assessment arrangement process is between an individual certifying organisation and the</p>

¹⁷ National Farmers Federation 2019, *2030 Roadmap: Australian Agriculture's Plan for a \$100 Billion Industry*, Report, accessed 12 June 2023.

relevant overseas government entity, with management coming at a significant cost.

Emerging Market / No Current Arrangements:

At present, there are several markets with which Australia has no formal equivalency or conformity arrangements for organic products. However, trade in organic products is still possible. These countries are defined as having regulation on organics, but the implementation of this 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: Current challenges for organic operators involve the lack of information available with regard to these markets and how to approach them. This lack of understanding leads to issues around red tape for these countries, of which improved information via government and department information would help ease this burden for organic operators.

For more information on Australia's equivalency and conformity arrangements with export trading partners, please see Appendix A.

While this current process allows for some input, being able to provide more consistent and ongoing feedback will support the development of trade and market access policies that factor in risks and opportunities for Australia's organic industry.

e) How the economic, social, and environmental impacts of an agreement are considered and acted upon

This section highlights an opportunity for the government and the department to enact protocols that work with the organic industry. These protocols will highlight the economic opportunities of increasing access to Australia's organic goods, as well as the positive social and environmental impacts that this increased access would confer societally.

While the Australian organic industry continues to develop, the National Standard is already in place as a regulatory framework which can be used as a baseline in any negotiations. The National Standard highlights the requirements of organic operators from a social and environmental perspective. Certification with this standard is mandatory for exports and highlights the legitimacy of the organic claim. This allows for the social and environmental benefits of the Australian organic product to be highlighted and promoted as part of any trade deal. The National Standard is government owned and enforced as the export standard. As such, organic products are a prescribed good. It is this certification requirement to the National Standard that must be considered as part of any trade agreement.

Free Trade Agreements – Environmental Considerations

Organic products have the potential to play a key role in the improvement of Australia's environmental credentials as part of Free Trade Agreements. The amount of organic land in Australia and projected industry growth both provide opportunities to highlight the environmental credentials of the organic industry. This is vital as key trading partners look to introduce targets for increasing organic land and investment in organic industries to improve the sustainability of their agriculture industries.

As an example, the European Union has developed a strategy as part of its European Green Deal that would see at least 25 per cent of its agricultural land under organic farming, as well as a significant increase in organic aquaculture by 2030¹⁸. Meanwhile, the United States Department of Agriculture has announced a \$300 million USD investment in a New Organic Transition Initiative designed to provide comprehensive support for farmers to transition to organic production¹⁹.

These are both major announcements that impact the organic sector and agriculture broadly, and as such this is something the federal government and relevant departments need to understand when negotiating trade agreements. It is why this submission is calling for greater protocols to engage with relevant stakeholders.

Free Trade Agreements – Economic Considerations

From an economic perspective the organic industry faces considerable challenges around the loss of organic produce to the conventional agricultural market. This leads to a loss of value to the organic industry and to the broader economy, as the premium these products would otherwise have within the organic market is lost. This impacts organic producers and the overall value of the agricultural sector.

Being able to increase trade and market access opportunities for organic products will help reduce the sale of organic products into the conventional market. Ideally, the protocols recommended as part of this submission would also allow for industry to help identify relevant trade and market access opportunities for the organic industry.

f) The steps taken to ensure agreements protect and advance Australia's national interests, including the ability to regulate in the public interest

Australia is currently out-of-step with countries in the Organisation for Economic Co-Development (OECD) due to being the only country in the OECD which does not have a domestic organic standard. While the current government has made the decision not to pursue a domestic standard in Australia, there are still ways to protect and advance

¹⁸ European Commission 2020, Farm to Fork Strategy: For a fair, healthy and environmentally-friendly food system, European Union, accessed 11 April 2023 < https://food.ec.europa.eu/system/files/2020-05/f2f_action-plan_2020_strategy-info_en.pdf >

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

Australia's organic industry and support operators in contributing to the \$100 billion agriculture industry farmgate goal.

The National Standard is the export standard used for Australian organic products. Regularly updating the National Standard will play an important role in maintaining connection with emerging markets as they develop their own standards. It will also help to ensure the maintenance of Australia's equivalency and conformity agreements as highlighted above.

It is a positive that the Department has recently updated the National Standard to include wine products²⁰ and is continuing to work towards further updates through the Department of Agriculture 'Have your say' processes²¹. Building on this work will help improve the National Standard and ensure its strategic relevance and reputation as an export standard. Just like the definition of 'sustainability' overseas continues to advance, organic standards and regulations require consistent updates to ensure optimal outcomes for producers and potential market access negotiations.

Both the European Union and the United States have considerable resources attributed to their own systems and are beginning to expect similar standards in complementary markets. Should the National Standard fall behind, this will weaken opportunities for the Australian organic industry in negotiations for trade and market access.

The organic industry is looking for opportunities to work with government and department stakeholders to provide more insights on the organic industry. Based on engagement with the federal government, an increase of trade in the organic market of just one percent would lead to cost recovery for trade for the organic industry²². When suitable markets are considered, the largest scope for improvement comes from the countries in South-east Asia.

South-East Asia markets

South-East Asia offers strategic trade locations that are geographically beneficial to Australia. Not only is there scope to increase Australian trade in the organic space, but this strategic opportunity may help build closer bonds with our neighbours in South-East Asia. Many of these countries are experiencing economic growth that is facilitating the growth of middle classes that have not previously existed within said nations.

Data also shows that the top five nations in the ASEAN region for compound annual growth rate of middle income saw an increase in middle income population of over five per cent between 2016 and 2021.²³ The continued growth of the middle class in these

²⁰ National Standard for Organic and Bio-dynamic Produce 2023, Edition 3.8.

²¹ Department of Agriculture, Fisheries and Forestry 2023, *Amendments to the National Standard for Organic and Bio-dynamic Produce*, Surveys.

²² PricewaterhouseCoopers 2022, *Cost Benefit Analysis of a New Regulatory Approach for Domestic Organics*, Department of Agriculture, Water and the Environment, accessed 14 September 2023.

²³ Leander von Kameke 2022, *Compound growth of middle income population in ASEAN 2016-2021, by country*, Statista, accessed 8 June 2023.

countries offers an opportunity to increase the trade of Australian organic products into these emerging markets. Countries such as Vietnam have also been shown to have high support for organic beef production²⁴.

More broadly, a study conducted by ABARES highlighted that long-term agrifood demand in Asia is expected to grow by 45 per cent ²⁵²⁶. For organic specifically, it highlights the opportunities that exist to expand the trade of organic products into these emerging markets while their regulatory systems are still in a state of immaturity.

As these markets in South-East Asia continue to mature, future trade agreements (whether they be bilateral or multilateral) must ensure the continued opportunity to grow Australia's organic export market. Otherwise, Australian organic operators will continue to face barriers to entry that have made it historically difficult to export to new markets. Although Australian organic operators currently have access to 71 different countries, the Australian Organic Market Report 2023 indicated only 36 of these countries received Australian organic products²⁷. For example, as noted in Appendix A, Australian organic wine currently only has access to one of the nine markets with which Australia currently has equivalency or conformity agreements in place.

The government's *Invested: Australia's Southeast Asia Economic Strategy to 2040* highlighted the commitment to look towards South-East Asia for increased trade and market access²⁸. Recommendations to pursue a whole-of-nation approach to agricultural trade and investment advocacy demonstrate an opportunity to work with the organic industry. An approach of this nature will bring to light the unique opportunities of these growth markets and allow Australia to support the increased desire for sustainable organic produce across the region.

While it remains the long-term goal of the Australian organic industry to enact a domestic standard, the lack of such legislation should not be a roadblock for Australian organic operators looking to export their goods. It also should not preclude the Australian government and the Department of Agriculture from negotiating arrangements that would allow for equivalency or conformity agreements being put in place to the benefit of Australian organic operators. Australia has a well-known export standard that has been used as part of market access since 1992. If this standard is maintained there will always be opportunities to access markets and negotiate trade agreements, with this standard as the benchmark for Australian organic exports.

i) How the Australian approach compares with other, similar countries.

²⁴ Ibid 10

²⁵ Hafi et al 2023, *What Asia Wants: Long-term agrifood demand in Asia: 2023* Revision, ABARES.

²⁶ Ibid 22

²⁷ Ibid 1.

²⁸ Nicholas Moore 2023, *Invested: Australia's Southeast Asia Economic Strategy to 2040*, Australian Government, accessed 12 September 2023.

Regarding trade negotiations, the biggest concern for the Australian organic industry is that Australia is currently the only country in the Organisation for Economic Co-operation and Development (OECD) that doesn't have domestic regulation for organic products. Therefore, Australian organic operators are currently exposed in comparison to similar countries due to the lack of domestic regulation. This risks a future where Australia's organic industry will be out of step with major trade partners such as the United States and European Union, who have already made large investments or announcements concerning the growth of the organic industry in their jurisdictions as highlighted previously.

There is also the issue (as highlighted in Appendix A) that not every equivalency or conformity agreement covers every organic product that could be exported. This means that Australian organic producers and operators are either left out entirely or must undertake certification measures that are not worth the cost of doing business in that export market.

The organic industry continues to work with the government and the Department of Agriculture on short, medium, and long-term goals for the organic industry. AOL has previously highlighted the opportunities that exist in ASEAN countries and will continue to engage relevant government and departmental stakeholders to help realise these opportunities. These countries are still emerging markets for organic products and have not negotiated the same level of equivalency or conformity requirements as the countries in Appendix A.

This is also why this submission recommends the need for consistent engagement protocols for the organic industry, so that trade negotiations the government and the department undertake involving organics are informed regarding specific issues that may impact Australia's organic operators.

j) How the process could be appropriately legislated to enshrine this approach in law

Organic operators in Australia produce goods within all agricultural sectors in all states. As a result, any trade negotiations Australia undertakes concerning the agricultural industry will also impact organic operators across Australia.

In terms of the process for the organic sector, one way to enshrine the approach would be to develop legislation that would require governments to offer engagement on trade negotiations to all relevant stakeholders within the organic industry.

Please see recommendations in this submission as options to include in any legislated approach, particularly regarding engagement protocols and maintenance of government-owned export standards.

Recommendation three of this submission calls for the regular updating of the National Standard to ensure it is a relevant instrument when negotiating market access and trade agreements. As part of this process, the government should consider legislating

timeframes for the review of standards (like the National Standard) as an appropriate protocol to ensure they remain applicable to our present and future trade and market access partners.

Conclusion

The organic industry has become a significant contributor to the Australian agricultural sector. The promise of export growth highlighted in the 2023 Australian Organic Market Report²⁹ shows that with the right mechanisms of support, the organic industry can actively contribute to Australian agriculture's \$100 billion industry goal by 2030.

A strategy to provide organic operators with the resources and support towards increasing exports markets for Australian organic products would be a positive for the growth of the organic industry, and the agriculture industry more broadly. Increasing the agricultural trade relationship between Australia and South-East Asian nations, as well as maintaining and improving equivalency and conformity agreements, will assist operators in accessing the burgeoning opportunities within the \$220 billion-dollar organic sector.

Many of these nations fall within the emerging markets highlighted in the Table 2 above and would provide an opportunity to increase market access for Australian organic products. When the geographical proximity of these countries is considered, any increase in industry development carries significant potential for the organic industry.

The introduction of greater protocols for feedback on negotiations involving organic products is a must for the organic industry. The complex nature of regulatory frameworks across the world requires feedback from the industry on how to incorporate these concerns as part of negotiations. Consideration of this feedback will ensure Australia's organic industry has the best chance to enter new markets. It will also introduce collaborative opportunities with relevant government and departmental stakeholders which will add to the shared understanding of growth potential within Australia's organic industry.

²⁹ Ibid 1

Appendix A – Current Equivalencies and Conformity Arrangements

Types of Products & Categories	Organic Export Markets that are included within equivalency agreements and/or can be accessed without additional certification									
Category produce access	Equivalence Arrangement					Conformity Assessment Arrangements				
	EU		Switzerland	Taiwan	Japan	UK	USA	Canada	South Korea	China
Unprocessed plants and plant products	A	YES ¹	YES	YES	YES	YES ¹⁰	NO	NO	NO	NO
Livestock and unprocessed livestock products	B	NO	NO	YES ⁵	YES ⁷	NO	NO	NO	NO	NO
Algae and unprocessed aquaculture products	C	NO	NO	YES	NO	NO ¹⁰	NO	NO	NO	NO
Processed agricultural products, including aquaculture products, for use as food	D	YES ²	NO	YES ⁶	YES ⁸	YES ¹¹	NO	NO	NO	NO
Processed agricultural products for use as animal Feed	E		YES ³		NO		NO	NO	NO	NO
Vegetative propagative material and seed for cultivation	F	YES	YES		NO ⁹	YES	NO	NO	NO	NO
Wine		NO	NO ⁴	YES	NO	NO	NO	NO	NO	NO
Bee Products (Honey)		NO		NO	NO	NO	NO	NO	NO	NO

¹ Included in the equivalency agreement with Aust & EU, but seaweed isn't included –
Unprocessed plant and plant products **(excluding seaweed) Must have been grown in Australia.**

² Included in the equivalency agreement with Aust & EU, exclusions are wine **and yeast**. Wine is listed specifically in the table; however, yeast is also excluded. **Processed agricultural products for use as food composed essentially of one or more ingredients of plant origin**, excluding wine **and yeast. Must have been processed in Australia with organically grown ingredients that have been grown in Australia.**

³ Processed agricultural products for use as feed (composed of essentially one or more ingredients of plant origin)

⁴ Wine **and yeast** are not included in the agreement.

⁵ **Offal and bone are excluded.**

⁶ Agricultural products that are produced in the organic conversion period, or processed products that use agricultural products produced during organic conversion period as raw material or an ingredient are excluded.

⁷ National Standard is equivalent, with the additional requirement that the importer must apply the JAS logo and an OGC must be used.

⁸ Fishery products are not included under the JAS standard so are not eligible for the JAS logo in Japan.

⁹ Organic plant products are included, however requirements do not specifically state that propagation material and seed is eligible.

¹⁰ Unprocessed plant products, **excluding seaweed.**

¹¹ Processed agricultural products for use as food composed essentially of one or more ingredients of plant origin, excluding wine **and yeast.**