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Department of Agriculture, Water, and the Environment

Consultation findings report

May 2022

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Executive summary

Australia's organic market currently operates via a dual system, whereby domestically sold products do not need to be certified or comply with a particular standard to be labelled 'organic', and organic producers seeking to export their goods are required to obtain certification under the National Standard for Organic and Bio-Dynamic Produce.

Given this framework, different requirements are imposed on organic businesses depending on whether their product is intended for export, import or domestic consumption. These differences lead to a greater administrative burden on businesses in determining how they conform to and substantiate organic claims.

With no single legal definition of the term 'organic', along with the use of several standards, inconsistent labels, differing certifying body logos, and multiple terms on product packaging, the current practices of businesses may be causing consumer confusion and undermining shopper confidence.

Further, with no domestic regulation in place, the ability for government to negotiate equivalency arrangements with other countries is limited, resulting in greater certification costs for businesses requiring certification for international markets. This may create a disincentive to organic businesses interested in exporting to those markets under private arrangements due to the upfront and ongoing costs associated with maintaining export market access.

Due to these challenges, the Department of Agriculture, Water and the Environment (DAWE) commissioned a consultation process involving the following consultation mechanisms: an online consumer survey; a targeted online industry survey; and roundtable consultations with peak bodies and industry representatives.

Across these various mechanisms, the options presented in Table 1 were presented to stakeholders to test the extent to which they could eliminate the challenges mentioned above.

Table 1: Options presented during consultation

<table>
<tr><th>Option</th><th>Detail</th></tr>
<tr><td rowspan="2">Option 1 – via new Commonwealth legislation, enforced through a new Commonwealth regime</td><td>Option 1a – with a mandatory certification mechanism (though no compulsory logo use)</td></tr>
<tr><td>Option 1b – with no mandatory certification.</td></tr>
<tr><td>Option 2 – via a standard introduced via the Australia NZ Food standard code developed by Food Standards Australia New Zealand (FSANZ) and enforced by state and territory authorities.</td><td>This option would not require mandatory certification of organic businesses and would not apply to non-food operators</td></tr>
<tr><td rowspan="2">Option 3 – via an Information standard incorporated in the ACL, enforced by the ACCC and state and territory consumer affairs regulators</td><td>Option 3a – with mandatory certification mechanism.</td></tr>
<tr><td>Option 3b – without mandatory certification.</td></tr>
<tr><td>Option 4 - via a non-regulatory option which is funded by the department with cost recover measures in place.</td><td>A range non-regulatory options were contemplated in consultation including consumer education and industry support</td></tr>
</table>

Consumer survey – key findings

Based on consumer responses, the following key findings were identified:

1. Current purchasing habits of organic products

- 51 per cent of survey respondents purchase organic products. Of those that do not purchase organic products, reasons included a lack of information or the fact that the difference between organic and non-organic products could not be established.

- 55 per cent of respondents who consumed organics only consume a small proportion (less than 10 per cent) in comparison to their total purchases.

- The majority of respondents do not search for the phrase ‘organic’ when purchasing a product (53 per cent).

- Participants were most likely to purchase organic fruit and vegetables (56 per cent of respondents), followed by grain (31 per cent), dairy (31 per cent), meat/seafood (30 per cent) and cleaning products (25 per cent).

- Reasons why respondents do not purchase organic products is due to them not being able to see the difference between organic and non-organic products (16 per cent), or because they find organic products to be too expensive.

2. Reasons that consumers purchase organic products

- To understand the reasons why consumers purchase organic products, consumers were asked to selected all the factors which influenced their purchases. Matters which influence respondents to purchase organic foods include ‘quality’ (23 per cent), ‘health’ (22 per cent), ‘price’ (21 per cent) and the ‘environment’ (17 per cent).

3. Value consumers attribute to organic products

- The majority of participants (51 per cent) are willing to pay up to 25 per cent more for organic products.

- 51 per cent of consumers reflects that their willingness to spend more on organic products was affected whether the product in question was food or non-food.

- The majority of participants (50 per cent) strongly agree that if organic products were the same price as conventional products, they would purchase them.

4. Definition of organic

- The majority of participants believed that ‘organic’ meant ‘no chemicals’ (28 per cent) and/or ‘no pesticides’ (27 per cent).

- 49 per cent of participants stated that they identify a product as organic by the ‘certification status’ or by ‘packaging notes’ (36 per cent). This suggests that a product’s label is a primary source used by consumers to confirm whether a product is organic or not.

- Notwithstanding the information provided to consumers via the labelling adopted by a product, majority of participants were unsure if the labelling of organic products is an accurate reflection of its organic nature, resulting in 62 per cent of participants selecting a ‘probably’ response.

5. Understanding of certification

- The majority of participants identified that certification of products ‘confirms that a product meets defined criteria and safety aspects’ (52 per cent).

- Participants were most familiar with the ‘bud’ logo (currently used by the Australian Certified Organic Limited) being associated with certification which confirms that a product is ‘organic’ (33 per cent).

- The vast majority of participants (77 per cent) do not believe there is enough information surrounding the nature of organic certification.

- Participants were found to trust a ‘government certified’ certification mechanism the most (45 per cent of respondents reporting trust) followed by certification from a ‘certification organisation/body’ (41 per cent).

- Respondents have varying perspectives on who should be responsible for the correct signalling of organic products; 29 per cent believe this is a responsibility for industry, while 23 per cent believe that responsibility is bestowed on government.

- A majority of consumers reflect a level of confidence in the information communicated to producers around their products – 58 per cent confirmed their trust when producers indicate their products are organic, while 42 per cent do not.

6. Introduction of a mandatory standard

- Most participants stated that government certification would not change their buying habits (58 per cent). Notwithstanding this share of consumers, 35 per cent confirmed that government certification would encourage them to buy more.

- The majority of participants believed the organics industry is responsible for making sure the organic certification system is reliable and trustworthy (36 per cent) closely followed by the federal government (35 per cent).

- 39 per cent of consumers somewhat agreed with the statement that 'they would reconsider purchasing organic products if there was more information about them'.

- 52 per cent confirmed that more organic advertising would convince them to purchase organic products.

Industry survey – key findings

A targeted online industry survey was conducted seeking perspectives on Australian organic industry. Specifically, this survey targeted insights from organic businesses and stakeholders in the organic industry. A total of 139 contributors participated in this survey.

The key findings of the survey were as follows:

1. Reasons for undertaking organic production

- The major reason respondents participated in organic production related to the price of products sold (27 per cent), followed by personal values (21 per cent), environmental needs (17 per cent), health benefits (15 per cent) and consumer demand (13 per cent).

- Where drivers were ranked according to their level of impact, it was found that export market requirements had a significant impact on industry participating in organic production.

2. Market channels used to sell organic products

- 25 per cent of operator respondents made their products available through a non-major retailer, while 16 per cent sold to consumers online or a farmer's market, followed by major supermarkets (i.e. Coles, Woolworths, IGA) (15 per cent).

3. Domestic and export markets

- The domestic market was reported by the majority of respondents (74 per cent) as the primary destination for a high proportion of the respondent's organic sales (81 to 100 per cent). In contrast, respondents indicating that domestic organic sales contributed to less than half of their total organic sales only represented 12 per cent of respondents.

- In identifying hindrances in accessing the international organic market, 23 per cent of respondents reflected that it was simply easier to sell their organic products locally. 19 per cent were reluctant to enter into the international market due to the cost of getting organic certification, while 18 per cent associated their reluctance to the time commitment needing to be taken to get organic certification overseas.

- The greatest potential in international markets was associated with Asia, followed by North America (12 per cent) and Europe (12 per cent). 20 per cent selected 'other'.

4. Understanding of the term 'organic'

- An array of definitions were provided from industry respondents around their understanding of the term 'organic'. Common themes included 'chemical free' and 'certified'.

5. Measures taken by businesses to participate in the organic market

- To operate in the organic market, most businesses have looked to adopt certification (27 per cent), followed by adopting changes to packaging (15 per cent), marketing (14 per cent), and handling products (14 per cent).

- The most used certification obtained by respondents was ACO Certification Ltd (ACO) (25 per cent), followed by NASAA Certified Organic (NCO) (23 per cent), Southern Cross Certified Australia Pty Ltd (SXC) (7 per cent) and AUS-QUAL Pty Ltd (AUS-QUAL) (7 per cent). A clear preference for Australian certification processes could be seen over overseas certification equivalents. 16 per cent of respondents also reflected that they currently use no certification.

- To achieve certification status, respondents reported an array of associated costs. In terms of dollar costs, respondents provided varying responses to explain the financial burden associated with achieving certification status, ranging from a few thousand to ten thousand dollars per year.

- Downfalls of the current voluntary certification process included possibility of poor consumer perceptions (due to untruthful labelling) (32 per cent), the fact that there is no oversight over the use of the term 'organic' (32 per cent), and the lack of consistency in the industry (25 per cent).

6. View on options

- Most operators are in support of a domestic organic standard but some have also expressed concern around such a standard introducing cost and red tape to the process for verifying organic products. 61 per cent confirmed that they would benefit form a domestic organic standard, 12 per cent disagreed, and 37 per cent were not sure.

- Concerns that respondents have around a domestic organic standard being introduced include additional red tape (33 per cent), cost (28 per cent) and impact on business (14 per cent).

- Most respondents agreed that greater marketing of the term 'organic' would improve the current market if no domestic organic standard was introduced (69 per cent of respondents).

Consultations with key stakeholders – key findings

Roundtables were held with key stakeholders to facilitate discussion around the current market and the potential options (reflected in Table 1).

Representatives, industry groups and certifiers generally demonstrated a preference for option 1, namely the introduction of new Commonwealth legislation, noting that it is preferred by industry and the most likely to promote consumer trust. Within this preference, several key discussion points around Commonwealth legislation included:

- The need for it to be consistent in enforcement throughout Australia and the complexities of that noting that enforcement may rely on state and territory bodies.
- The consideration of measures to alleviate the pressures of mandatory certification for small businesses.
- Potential for flexibility in the applicability of the standard across industries, or the differences needed in the standard depending on the product.
- A requirement for a common framework and guidelines around the process for verification.
- The need for additional work on top of Commonwealth legislation to ensure that equivalence arrangements can be made.

Exceptions within these groups included the cosmetics industry and non-alcoholic beverages industry which expressed preference for adherence to international standards and the non-regulatory option of an education campaign respectively.

Contents

2 Introduction

2.1 The Australian organic market

The Australian organic domestic and export industry is currently reported to be worth over $2 billion with organic agricultural land held by Australia totalling over 23 million hectares - the most organic agricultural land held by a single country globally.[1]

This size is attributed to the number of organic products produced in Australia, including several sectors, for example:

- animal products (meats, eggs, and milk)
- produce (fruits, vegetables, and herbs)
- beverages (alcoholic and non-alcoholic)
- grains
- cosmetic and personal care products.

Distribution and sale of organic products is facilitated across several avenues such as through direct online sales, farmers markets and retailers. Woolworths and Coles now stock private-label organic ranges in line with increasing demand for organic alternatives from consumers.

Consumer demand has thus far has driven an 8 per cent growth per annum compounding in the national gross revenue from the sales of organic products from 2016 to 2021.[2] Into the future, from 2021 to 2025, this revenue is expected to grow annually at a rate of over 12.5 per cent, resulting in $3 billion in total revenue for the Australian organic market.[3] This growth is reflective of a shift in consumer awareness and preference for products which aim to deliver environmental and potential health benefits.

Given this overall expectation of growth in the sector, there is opportunity and need to better understand the implications of the current regulatory regime on consumers and operators.

2.2 Current regulatory arrangements

Use of the term 'organic' is managed under two main voluntary Australian standards which, together, outline the process for organic production and labelling of exported, imported and domestically sold organic products.

- **Exported organic products –** *The National Standard for Organic and Bio-Dynamic Produce* (National Standard), in conjunction with the *Export Control (Organic Goods) Rules 2021* (Cth) and *Export Control Act 2020* (Cth), requires that exported organic products hold an organic goods certificate, issued by an approved certifying body or authorised officer.[4]

- **Domestically sold and imported organic products –** *The AS6000:2015 Organic and biodynamic products standard* (AS6000:2015) – in conjunction with the *Competition and Consumer Act 2001* (Cth).

The enforceability of these two standards is dependent of various legislative instruments, resulting in no single definitive term for 'organic' or single organic labelling regime in Australia.

Furthermore, we note that private standards outlining the term 'organic' based on the National Standard and the AS6000:2015 have also been established and used by industry.

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[1] IBISWorld, *Organic Farming in Australia – Market Research Report,* 2022.

[2] Australian Organic, Australian Organic Market Report 2021.pg. 14.

[3] IBISWorld, *Organic Farming in Australia – Market Research Report,* 2022; Australian Organic, Australian Organic Market Report 2021.pg. 8.

[4] *Export Control (Organic Goods) Rules, 2021.*

2.3 Potential options

The overall voluntary nature of the existing standards under the current regulatory regime and the active use of different privately-held standards by industry to verify the 'organic' status of a product, have the potential to introduce inefficiencies and confusion (particularly to consumers) to the organic market.

The Department of Agriculture, Water and the Environment (DAWE) engaged PwC Consulting to investigate stakeholder views on the current regime and perspectives on potential options for improving regulatory outcomes. The options presented to the stakeholders were as set out in Table 2.

Table 2: Options presented to stakeholders

Option	Mechanism	Developed by	Enforcing body	New regulatory regime?	Mandatory Certification?	Mandatory logo use?
1a	Commonwealth legislation	Federal government	Federal government	Yes	Yes	No
1b	Commonwealth legislation	Federal government	Federal government	Yes	No	No
2	Standard introduced via the Australia NZ Food standards code developed	Food Standards Australia New Zealand (FSANZ)	State and territory governments	Yes	No	No
3a	Information standard incorporated in Australian Consumer Law (ACL)	Australian Competition and Consumer Commission (ACCC)	ACCC	Yes	Yes	No
3b	Information standard incorporated in ACL	ACCC	ACCC	Yes	No	No
4	Education campaign	Federal government and industry*	None	No	No	No

* initially funded by the department with cost recovery measures in place

2.4 Consultation

Stakeholder findings from the following consultation activities has been collated and outlined in detail within this report:

- **Consumer survey** – PwC developed and delivered an online consumer survey to capture insights regarding consumer awareness and buying behaviours of organic products. This survey was distributed to a panel of adults, and we received the number of responses which were representative of the Australian population by age and gender.
- **The *Have Your Say* industry survey** – an industry survey was developed to ascertain insights into organic production, the business practices of organic operators and the general sentiments of organic operators around organic certification and the current and future organic market. This survey was made available to respondents via DAWE's *Have Your Say* website. A total of 139 contributors participated in this survey.
- **Roundtables and further discussions –** PwC engaged in seven group 'roundtable' consultations to gather detailed insights on the current market and perspectives on the proposed options in Table 1. These groups included: government departments and agencies; business/retailers; fresh produce, grains and sugar; animal products; consumer representatives; beverages and certification and advisory bodies.
- **Pre-engagement certifier survey** – Prior to engaging with key certifying bodies, a pre-engagement survey was developed and shared with certifiers to gather information on their current activities to understand the level of certification existing within the market, in conjunction with their initial thoughts on the proposed options in Table 1.
- **Independent submissions** – An invitation was also extended to stakeholders to prepare and submit industry submissions, outlining any opinions held on the current regulatory regime and recommendations for change, in the event stakeholders were not available to be involved in roundtables. Where these were received, insights have

been reviewed and recorded. A total of three independent submissions relevant to this process has been received and summarised in this document.

In reporting the insights gather, the following document is arranged as follows:

- Chapter 3: Consumer survey
- Chapter 4: Industry survey
- Chapter 5: Roundtables and further consultations
- Chapter 6: Independent submissions

These chapters summarise the work performed by PwC in engaging with consumers, industry and key stakeholders across the consultation mechanisms detailed above. Notwithstanding this information, we recognise that concurrent consultation activities have been undertaken which have been considered by DAWE, include:

- meetings with DAWE's Interdepartmental Committee (IDC) and Organic Industry Advisory Group (OIAG)
- producer survey conducted by KG2
- submissions provided to DAWE via the Consultation Regulatory Impact Statement (CRIS).

3 Consumer survey

3.1 Context

The consultation process included the delivery of a consumer survey to collate consumer perspectives on organics, alongside their appetite towards changes to the domestic regulatory framework.

The survey collected 1006 responses from a randomised and representative by age and gender sample of Australia's adult population. It was not specifically targeted at organic consumers, allowing for valuable insights into the current level of understanding of the term 'organic' as well as other consumer purchasing behaviours.

Given the nature of the survey and its aim to obtain a randomised and representative sample of Australia's adult population, some key breakdowns of the surveyed population included age, average household income, highest level of schooling, residing state and ethnicity. Some of these factors have been reflected within Figures 1 to 3 below.

Figure 1: Age of consumer participants

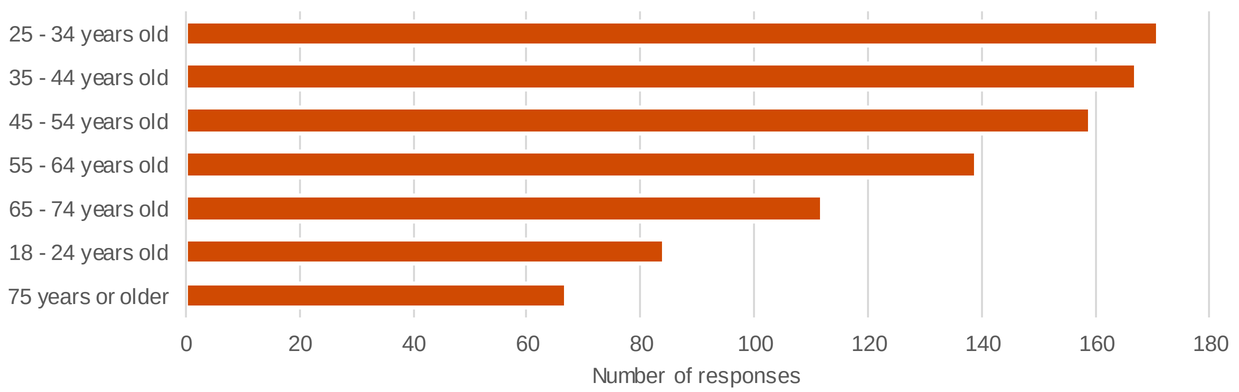


Figure 2: Highest level of schooling

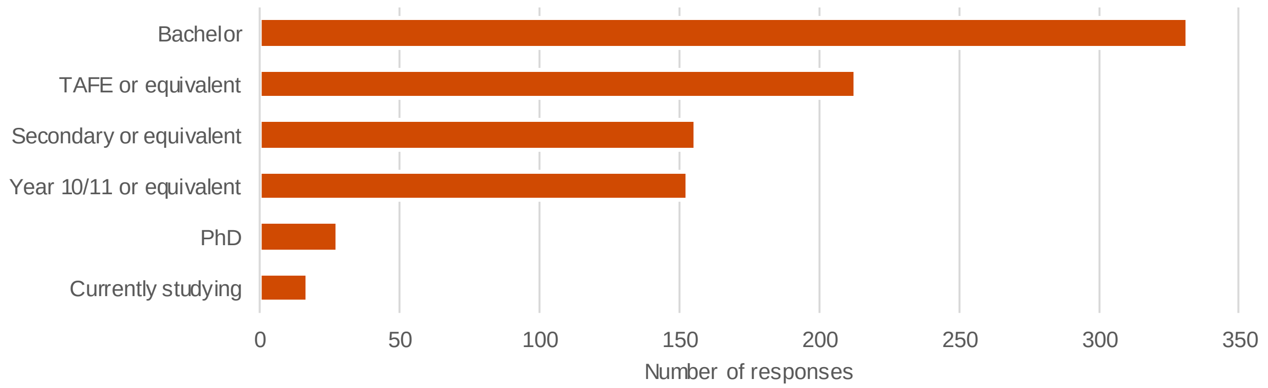
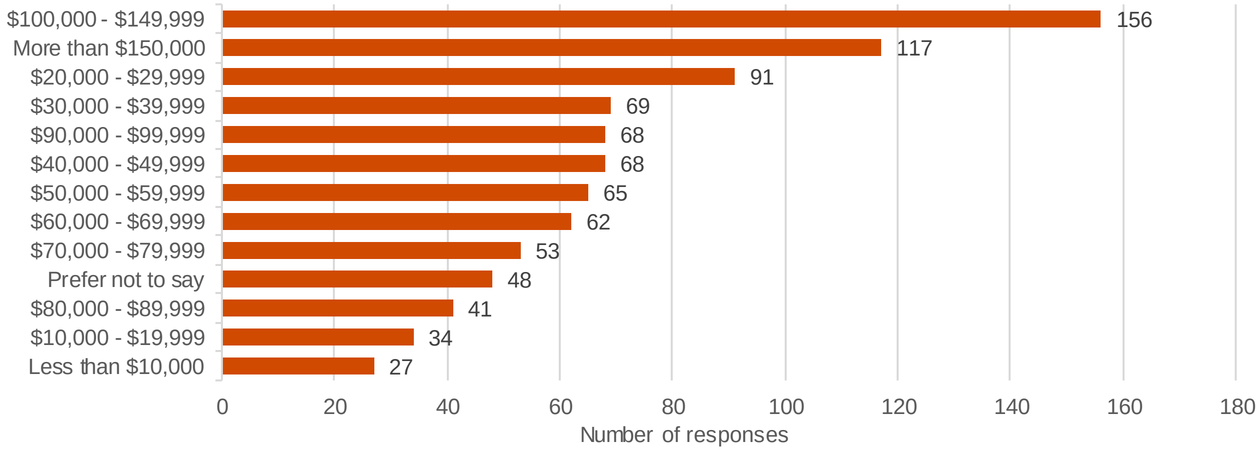


Figure 3: Average consumer household gross income



In achieving a representative sample, the figures above reflect that an array of responses were obtained across each of the available options within the initial screening questions included in the consumer survey.

For the purposes of understanding the key insights of this survey, the data has been filtered to capture responses from the prime household purchaser.[5] This has resulted in 899 responses being anaylsed by consumers who are the predominant shopper in their household.

3.2 Key findings

3.2.1 Purchasing habits of organic products

- The majority of consumers surveyed (51 per cent) said they purchase organic products, while 47 per cent do not. Reasons that consumers reported for not purchasing organic products included a lack of information or the fact that the difference between organic and non-organic products could not be established.
- The majority of participants (55 per cent) said only a small proportion (less than 10 per cent) of their total purchases were organic products. Very few participants (2 per cent) reported that a clear majority (above 60 per cent) are organic.
- The majority of participants do not search for the phrase 'organic' when purchasing a product (53 per cent).
- Participants were most likely to purchase organic fruit and vegetables (56 per cent), followed by grain (31 per cent), dairy (31 per cent), meat/seafood (30 per cent) and cleaning products (25 per cent).
- Organic products that consumers would most likely reach for[6] included fruit and vegetables (39 per cent) and meat/seafood (26 per cent). Participants reached the least for[7] organic pet food (74 per cent) and organic alcoholic beverages (73 per cent).
- Most participants do not purchase organic products because they report that they are not able to see the difference between organic and non-organic products (16 per cent), or because they find organic products to be too expensive.[8]

[5] Identifying the prime household purchaser relates to question 8 of the consumer survey, For further information, please refer to Appendix A.

[6] Percentage based on a 4 or 5 rating allocated by a participant.

[7] Percentage based on a 1 or 2 rating allocated by a participant.

[8] 11 out of 22 participants who selected 'other', indicated that the cost premium associated with organic products deterred them from buying organic products.

3.2.2 Reasons that consumers purchase organic products

- Matters which influence consumers to purchase organic foods include ‘quality’ (23 per cent), ‘health’ (22 per cent), ‘price’ (21 per cent) and the ‘environment’ (17 per cent).

3.2.3 Value consumers attribute to organic products

- The majority of participants are willing to pay up to 25 per cent more for organic products (51 per cent). 38 per cent are not willing to pay more for organic foods, while 8 per cent indicated they are willing to pay up to 26 per cent to 50 per cent more.
- 51 per cent of consumers reflects that their willingness to spend more on organic products was affected whether the product in question was food or non-food.
- The majority of participants strongly agree that if organic products were the same price as conventional products, they would purchase them (50 per cent). This suggests that such consumers may be sensitive to price, particularly where quality, health and environment are not primary influences.

3.2.4 Definition of ‘organic’

- The majority of participants believed that ‘organic’ meant ‘no chemicals’ (28 per cent) and/or ‘no pesticides’ (27 per cent). Some participants believed that ‘organic’ meant ‘no harm to the environment’ (18 per cent).
- 49 per cent of participants stated that they identify a product as organic by the ‘certification status’ or by ‘packaging notes’ (36 per cent). This suggests that a product’s label is a primary source used by consumers to confirm whether a product is organic or not.
- Some of the participants who left comments were unsure how they would be able to confirm if a product is ‘organic’ as indicated by 4 out of 16 comments. 8 out of 16 comments suggested negative sentiments by participants about the organic labelling with participants stating that ‘nothing’ confirms that a product is organic.
- Notwithstanding the information provided to consumers via the labelling adopted by a product, majority of participants were unsure if the labelling of organic products is an accurate reflection of its organic nature, resulting in 62 per cent of participants selecting a ‘probably’ response.
- Of those participants who do not believe that labelling of organic products is an accurate reflection of its organic nature, noted their reasons were in relation to businesses not needing to be certified to use the term organic, and that this claim could not be easily substantiated.

3.2.5 Understanding of certification

- The majority of participants identified that certification of products ‘confirms that a product meets defined criteria and safety aspects’ (52 per cent) – notwithstanding this recognition within the market, a significant portion of participants indicated that they ‘do not know anything about certification of products’ (30 per cent).
- Participants were most familiar with the ‘bud’ logo being associated with certification which confirms that a product is ‘organic’ (33 per cent)[9].
- The vast majority of participants do not believe there is enough information surrounding the nature of organic certification (77 per cent).
- Consumers were found to trust a ‘government certified’ certification mechanism the most (45 per cent) followed by certification from a ‘certification organisation/body’ (41 per cent) and no regulation (13 per cent).
- Consumers have varying perspectives on who should be responsible for the correct signalling of organic products; 29 per cent believe this is a responsibility for industry, while 23 per cent believe that responsibility is bestowed on government.

[9] The ‘bud logo’ refers to the Australian Certified Organic Bud trademark logo, which is one of the most well-known organic trust mark in Australia and has been so for over a decade.

- A majority of consumers reflect a level of confidence in the information communicated to producers around their products – 58 per cent confirmed their trust when producers indicate their products are organic, while 42 per cent do not.

3.2.6 Introduction of a mandatory standard

- Most participants stated that government certification would not change their buying habits (58 per cent). Notwithstanding this share of consumers, 35 per cent confirmed that government certification would encourage them to buy more. A small majority said it would encourage them to buy less (7 per cent).
- The majority of participants believed the organics industry is responsible for making sure the organic certification system is reliable and trustworthy (36 per cent) closely followed by the federal government (35 per cent). A small proportion stated that the state government should be responsible (14 per cent).
- 39 per cent of consumers somewhat agreed with the statement that 'they would reconsider purchasing organic products if there was more information about them'. 14 per cent of consumers strongly agree with this statement. The remainder of participants were indifferent about this (36 per cent).
- 52 per cent confirmed that more organic advertising would convince them to purchase organic products.

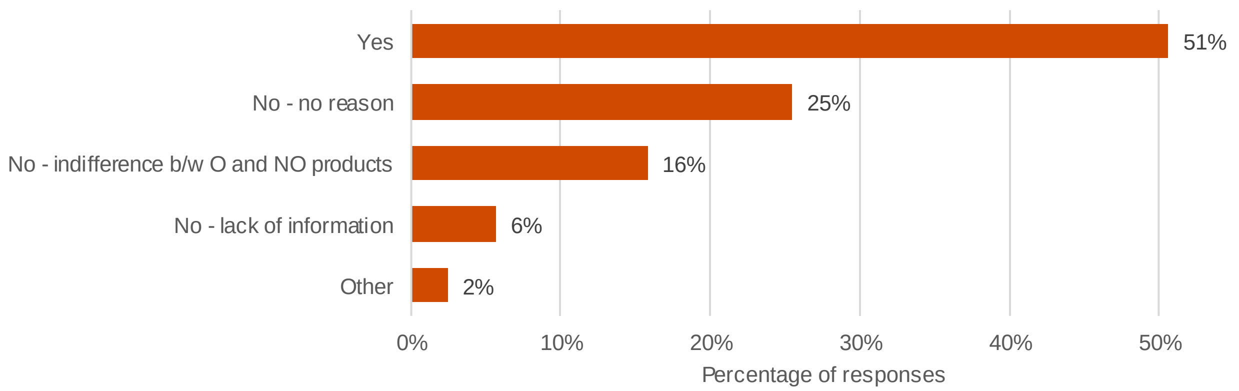
3.3 Detailed insights

Further detail around some of the key findings detailed above have been provided below, where relevant information has arisen. This further detail has been reflected in accordance with the themes identified under Section 3.2.

3.3.1 Purchasing habits of organic products by consumers

The survey includes a number of targeted questions looking to capture consumers' current purchasing habits within respect to organic products.

Figure 4: Consumption of organic products by consumers[10]

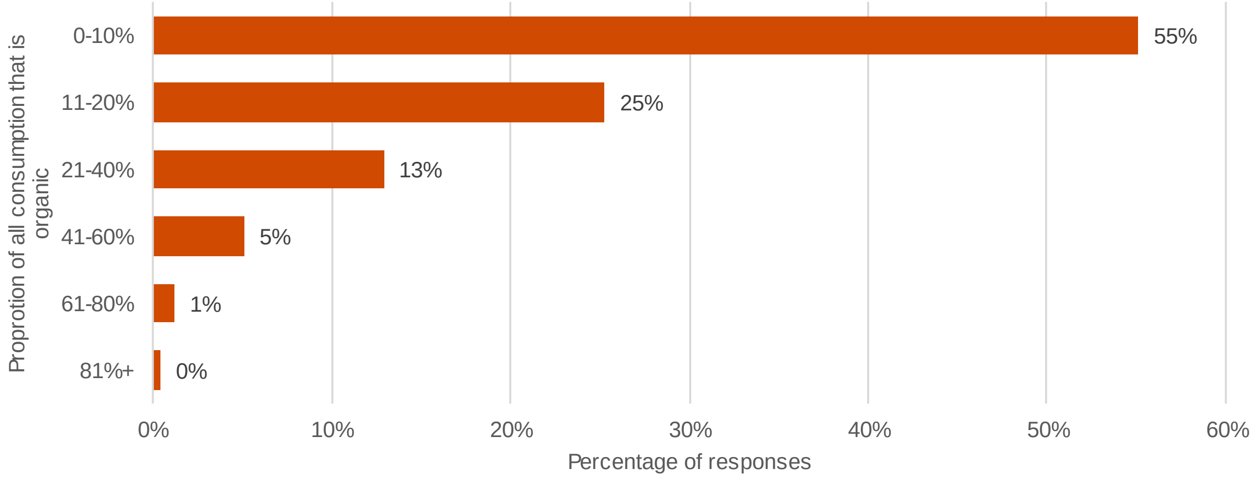


As reflected within Figure 4, 51 per cent of consumers indicated that they purchase organic products, while 49 per cent do not. Of the 49 per cent who do not, 25 per cent did not attribute this decision to anything, while 6 per cent outlined it was a due to a 'lack of information' within the market, and 16 per cent to the perception that there is no difference between organic and non-organic products. Of those participants who selected 'other', some participants noted 'cost' to be an influencing factor.

Consumers also indicated the quantum of organic products they consume, as reflected within Figure 5.

[10] Terminology within Figure 5 includes – 'b/w' which refers to between, 'O' refers organic, and 'NO' refers to non-organic.

Figure 5: Level of consumer consumption of organic products compared to total consumption



This suggests that majority of consumers don't consume a great deal of organic products. Notwithstanding this level of consumption, an average of 15 per cent of consumers within the 0 – 10 per cent category indicated they would potentially purchase more organic products, across meat/seafood, dairy, fruit and vegetables, pet food, cosmetics, clothing/wool, grain, beverage (non-alcoholic), beverage (alcoholic), sugar, and cleaning products. Meat/seafood (30 per cent), fruit and vegetables (32 per cent) and grain (28 per cent) had the highest potential for consumers to be purchased as organic (where their current consumption remains within the 0-10per cent category). This is reflected within Figure 6.

This potential also exists within other consumption categories, although at lower levels, given the number of consumers who purchase higher levels of organic goods (i.e. greater than 0 – 10 per cent category) decreases across the categories.

Figure 6: Extent to which purchases across these categories are organic

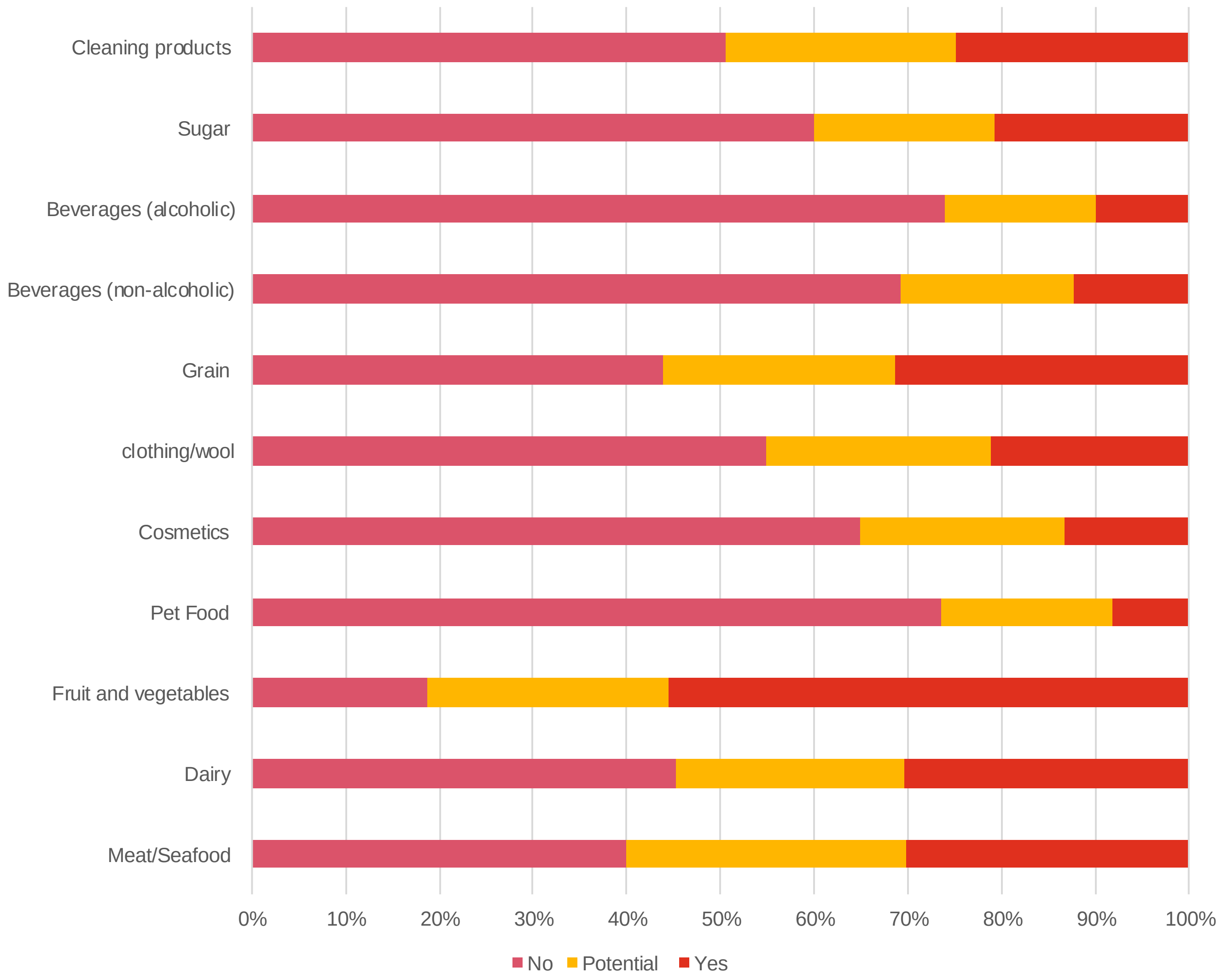


Figure 7: How often consumers reach for organic options[11]

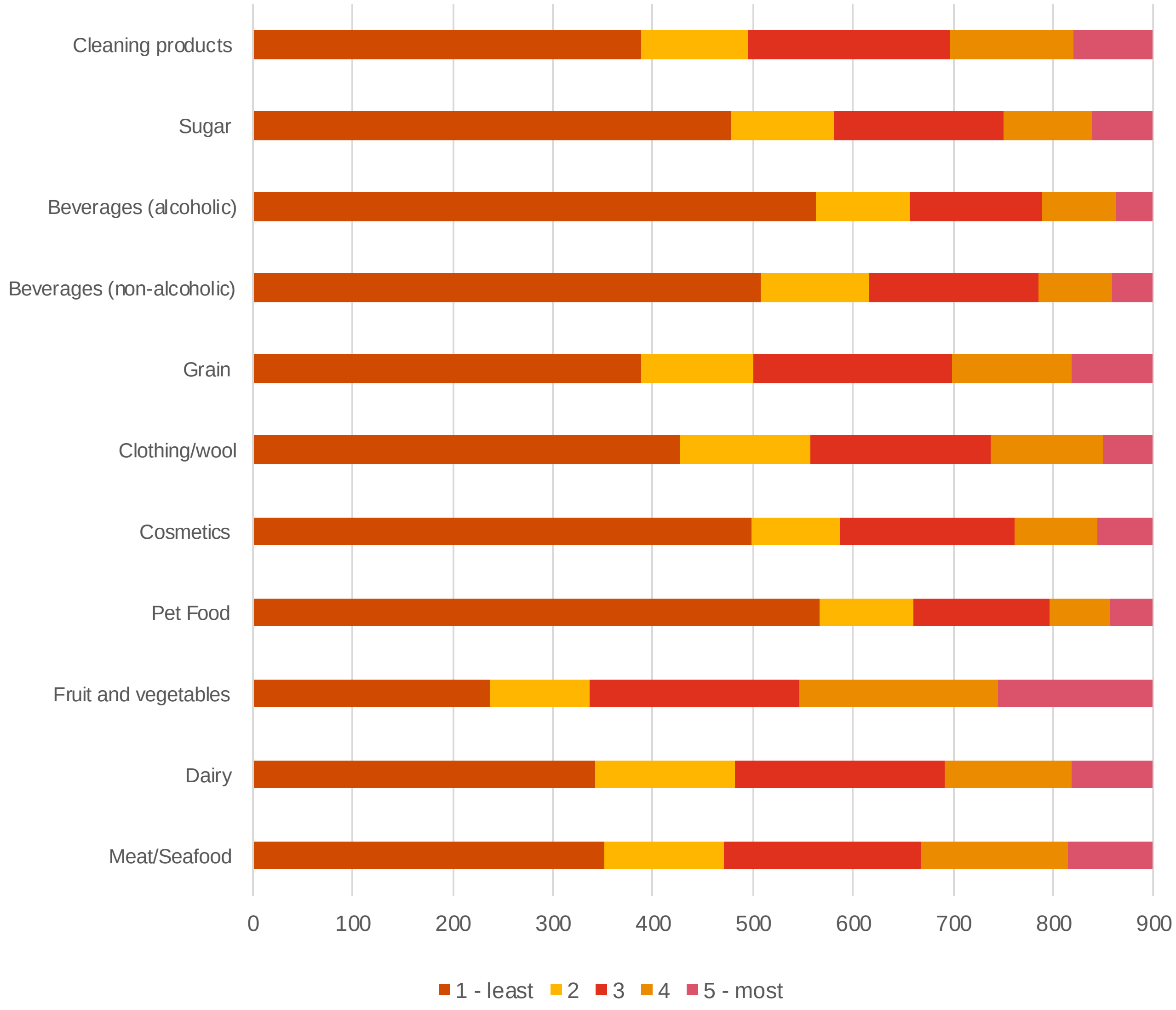


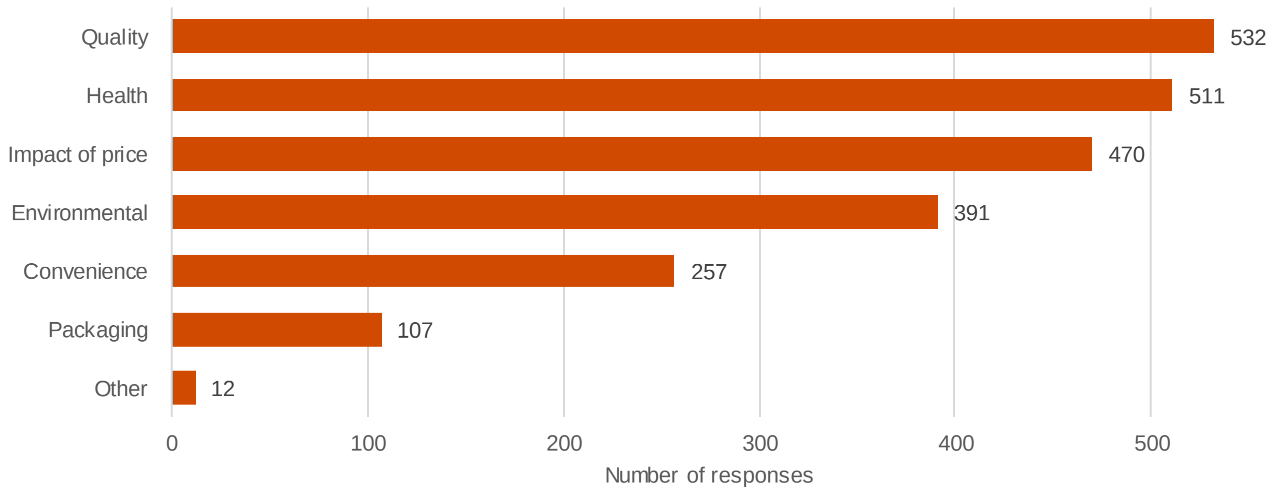
Figure 7 reflects that non-organic products continue to be the type of product consumers opt for across a range of categories. The extent of this differs, however, depending on the product in question and the maturity of the market.

[11] Reference of numbers 1 to 5 in Figure 8 note the responses available to consumers in addressing this question, 1 being the least likely to reach for and 5 being the most likely to reach for.

3.3.2 Reasons that consumers purchase organic products

Figure 8 details what factors influence consumers' purchasing decisions.

Figure 8: Factors which influence consumers to purchase organic products (question allowed multiple selections)

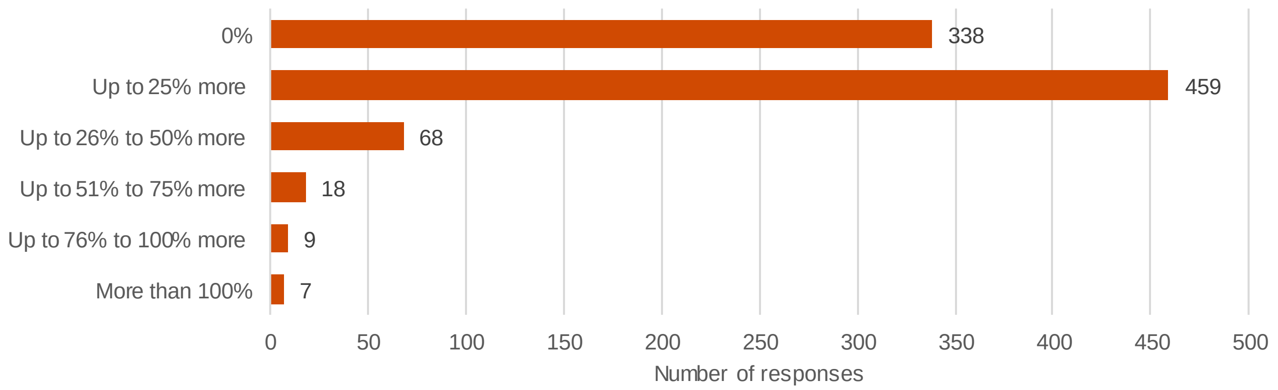


In terms of comparing these influences, consumers indicated that the factors outlined each had a varying order of impact on their purchasing decisions. Where consumers choose health or price, 53 per cent of consumers indicated that this was most influential to them. The relevant order consumers then selected reflects no clear trend, aligning with the unique and individual perceptions consumers will have on organics.

3.3.3 Consumer spending habits on organic products

Figure 9 shows that a majority of participants (51 per cent) are willing to pay up to 25 per cent more for organic products. 38 per cent are not willing to pay more for organic foods, while eight per cent indicated they are willing to pay up to 26 per cent to 50 per cent more. This willingness to pay reflects majority of consumer see value in organic products and are willing to pay a reasonable premium in terms of acquiring such products.

Figure 9: Willingness to pay for organic products



Notwithstanding the willingness to pay reflected within Figure 9, 50 per cent of consumers also strongly agreed with the position that if organic products were the same price as conventional products, they would purchase them. This suggests that such consumers may be sensitive to price, particularly where quality, health and environment are not primal influences.

To further appeal to consumers, survey responses indicated that industry could do the following:

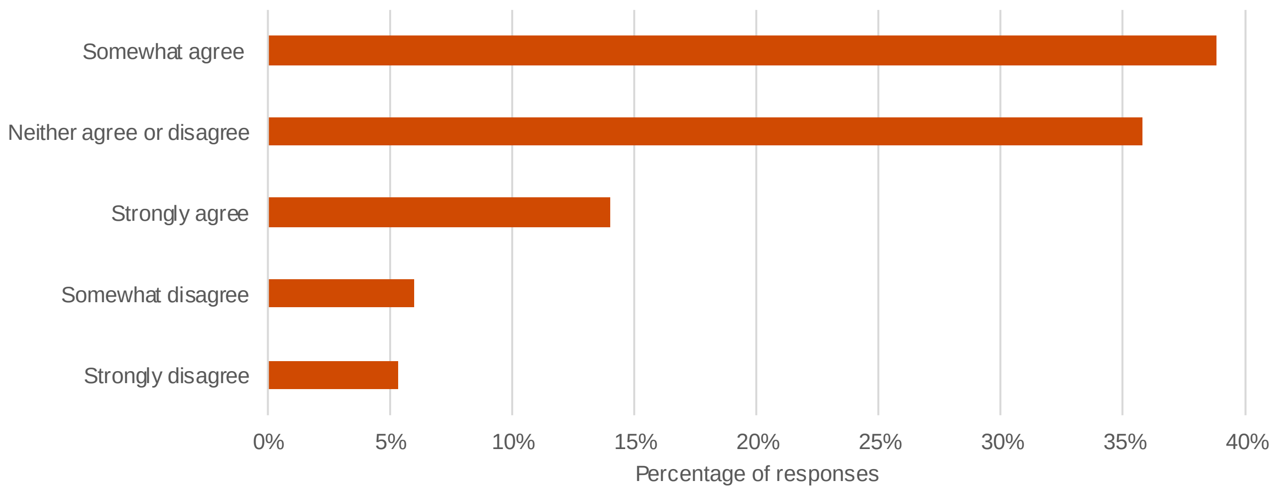
- *'have strict certification processes'*

- *'official certification methods and reasonable prices'*
- *'provide more easy information access'*
- *'consumer education'*
- *'create a guarantee that it is organic'*
- *'greater transparency and reducing the cost barrier'*
- *'educate end users'*
- *'reduce the price point'.*

A number of consumers also reflected that they 'don't know' or were unsure how to address this.

With respect to more information being made available to consumers regarding organic products, 39 per cent of consumers indicated they somewhat agree, while 36 per cent neither agree nor disagree. This suggests that consumers are somewhat indifferent to additional information in the market or are uncertain as to how additional knowledge may impact on their purchasing habits.

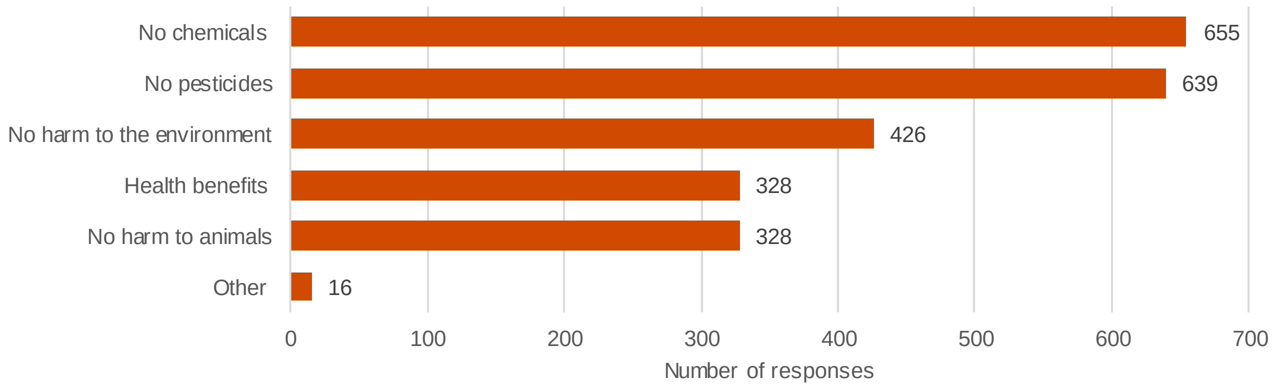
Figure 10: Likelihood of consumers purchasing more if there was more knowledge surrounding organics



Interestingly, of those who selected 'somewhat agree' in Figure 10, 67 per cent would be motivated to purchase more organic products if organics was advertised more. Of those who selected 'neither agree or disagree', 72 per cent would not be motivated to purchase more organic products if organics was advertised more.

3.3.4 Definition of organic

Figure 11: Consumer understanding of what 'organic' means



Of those participants who do not believe organic labelling is an accurate reflection of a product's organic nature, the reasoning for this view included:

- *'no clear definition of organic, no reason for the labels to be honest'*
- *'because labels can be false'*
- *'there is no guarantee'*
- *'it is largely a term of marketing these days and has very little meaning'.*

3.3.4.1 Understanding of certification

To capture current consumer understanding of certification logos, the survey asked consumers to confirm which of the logos in Table 3 confirmed a product was organic.

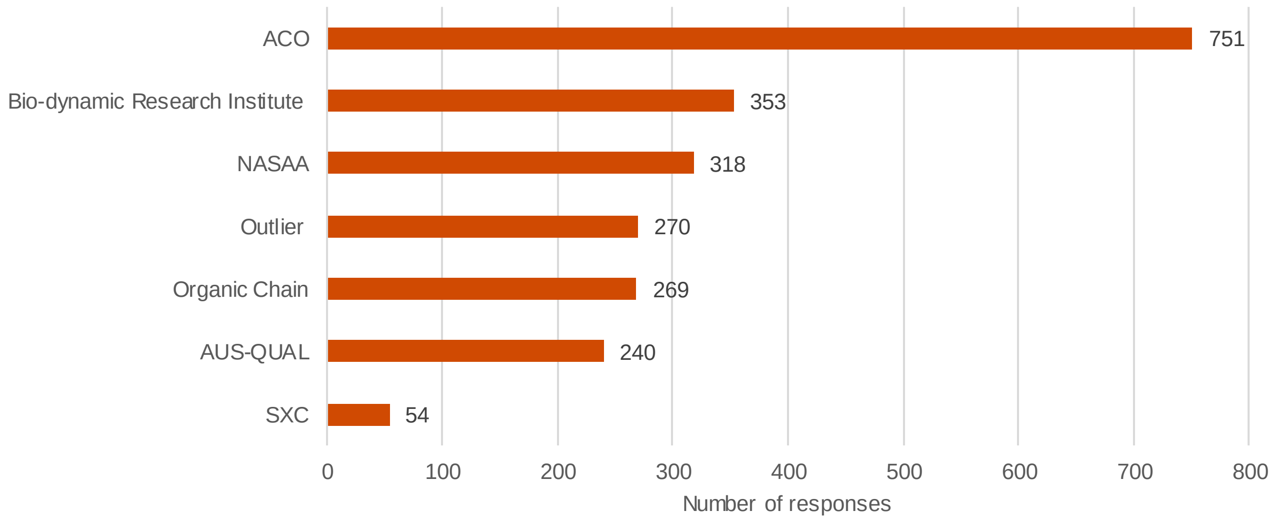
Table 3: Certification logos

Image	Certifier
	Australian Certification Limited (ACO)
	Southern Cross Certified Australia Pty Ltd (SXC)
	AUS-QUAL Pty Ltd

Image	Certifier
	NASAA Certified Organic (NCO)
	Bio-dynamic Research Institute (BDRI)
	Southern Cross Certified Australia Pty Ltd (SXC)
	The following logo was included as a dummy option to test consumer awareness

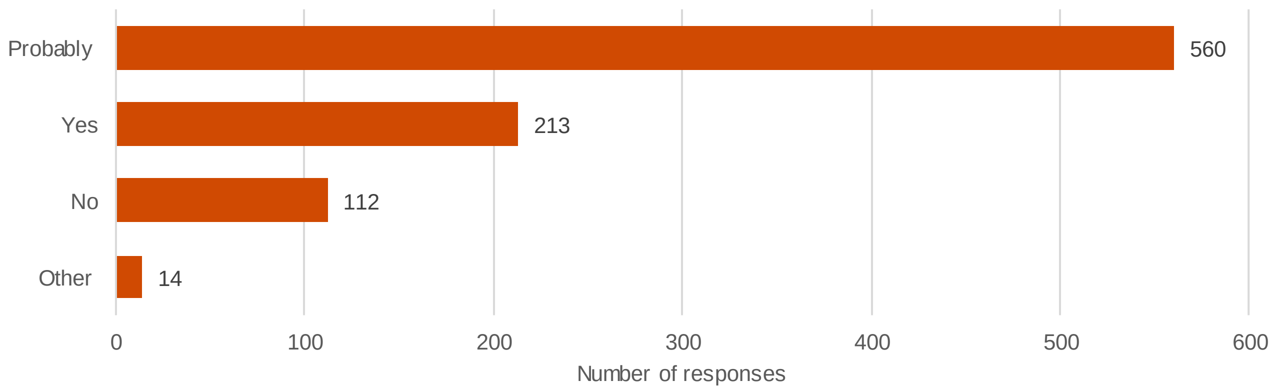
Figure 12 details that consumers are most aware of the 'bud logo' used by ACO. This is expected given the 'bud logo' was initially designed in 1989 and has been in circulation for a much longer period of time than other certification logos presented in Table 1.

Figure 12: Consumer ability to recognise organic certification logos[12]



Notwithstanding consumer awareness of certification within the market, there exists varying trust in the accuracy of product labels in the market. Figure 13 reflects that approximately 62 per cent of consumers assumed that if a product label indicated that a product was organic, it would probably be organic.

Figure 13: Consumer trust over an organic label



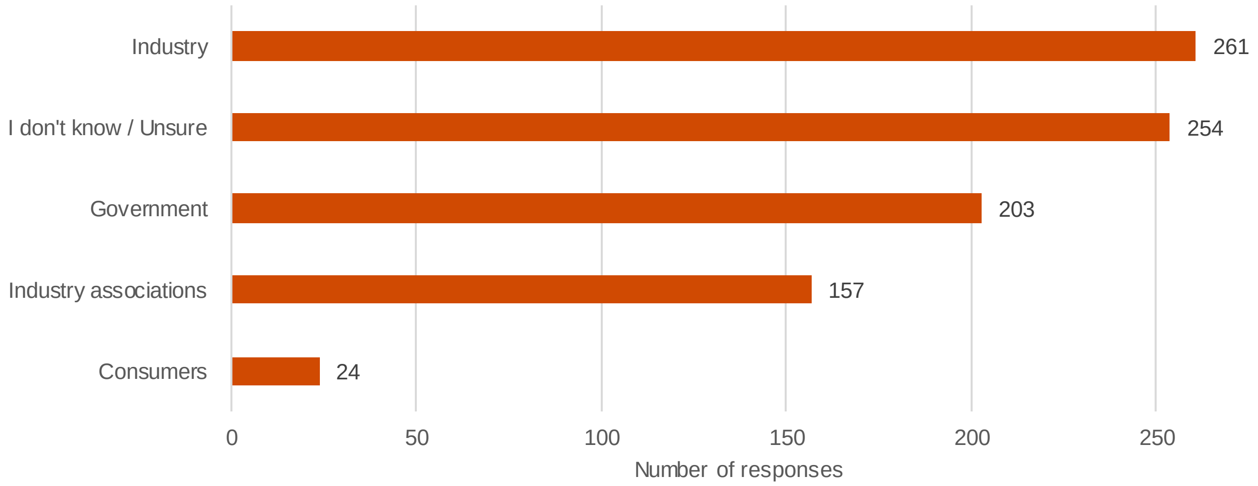
Of those participants who do not believe that labelling of organic products is an accurate reflection of its organic nature (including those who selected the option 'probably'), a number of consumers justified their selection with the following responses:

- *'it is a marketing tool'*
- *'I don't know'*
- *'there is no guarantee'*
- *'there are no strict guidelines'*
- *'there are different logos and certifications – not one standard'.*

[12] The question has allowed for multiple selections. The question has also included a 'dummy' organic certification logo to understand the extent to which consumers are able to identify existing certification logos within the market.

Subject to the current acceptance of information within the market, consumers currently are either unclear as to who should be responsible for correct signalling within the market, or bestow this responsibility to industry, followed by government and industry associations. The uncertainty was further echoed when consumers were asked to justify their selection.

Figure 14 – Responsibility for correct ‘organic’ signalling



4 Industry survey

4.1 Context

In addition to the consumer survey, an industry survey was deployed to gather insights into organic production, the business practices of organic operators and the general sentiments of organic operators around organic certification and the current and future organic market. The survey was specifically targeted at organic operators working in the production, processing and sale of organic products in order to gain insights into the organic market.

The survey was developed by PwC in consultation with DAWE and was administered through the DAWE's *Have Your Say* platform. The survey was open from 17 December 2021 to 8 February 2022 and was delivered alongside consultation discussions as an avenue through which more industry participants could be reached to ensure that all participants had the opportunity to contribute to the general discussion concerning a new regulatory framework.

The survey collected responses from 139 contributors across a broad range of stakeholders, including producers, wholesalers, retailers and industry stakeholders.

Across the 139 responses collated, the sample of respondents shown in Figure 15:

Figure 15: Respondent type

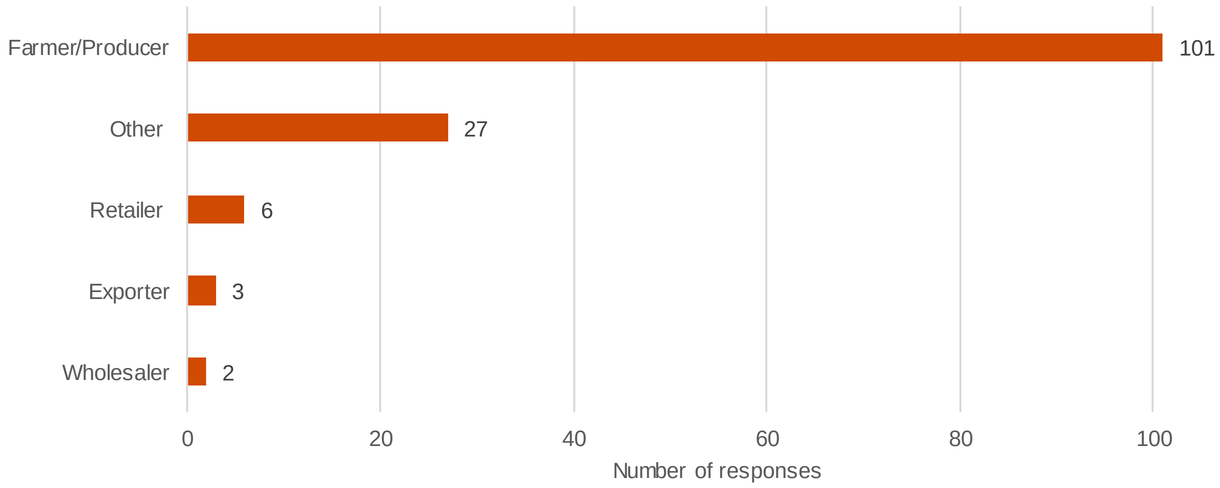


Figure 16: Operations involved in the production, processing, or sale of organic products

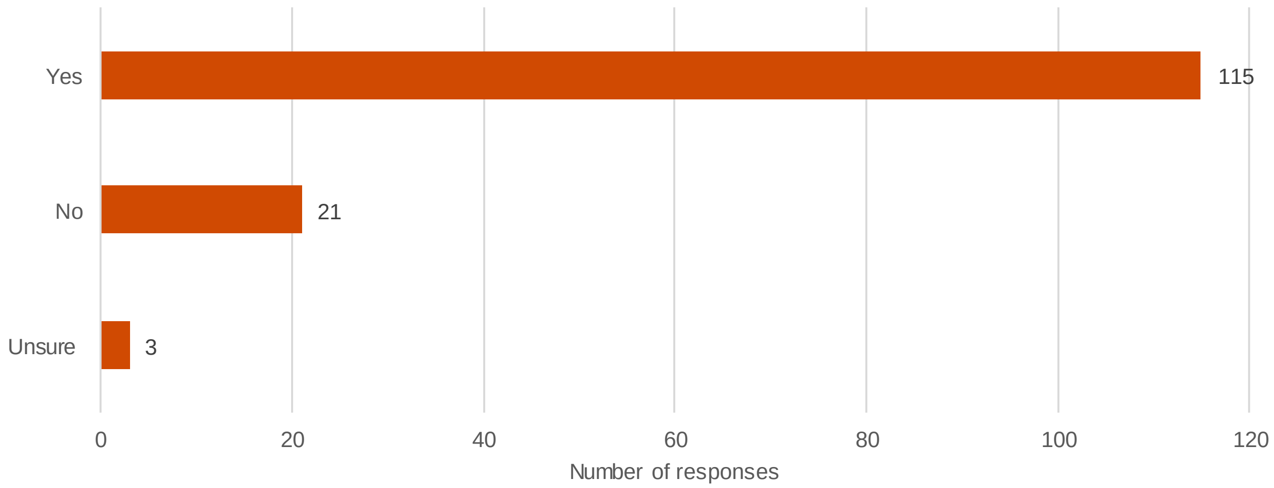


Figure 17: Items that respondents currently organically produce, process, store and sell

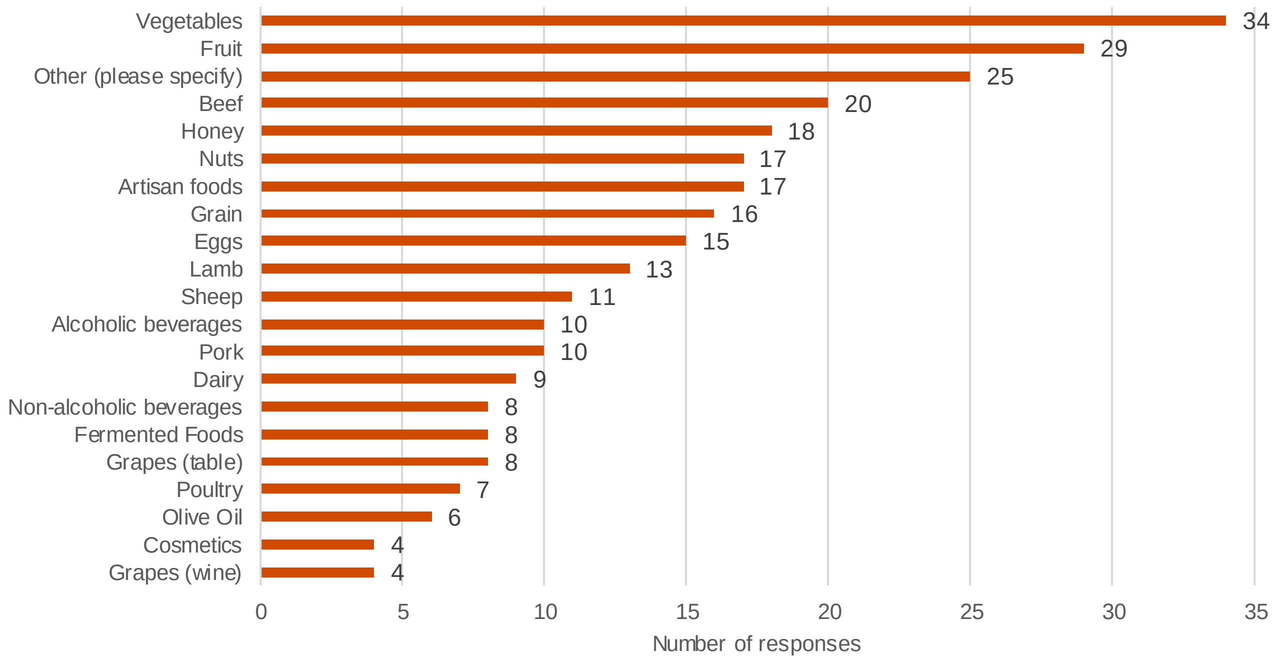
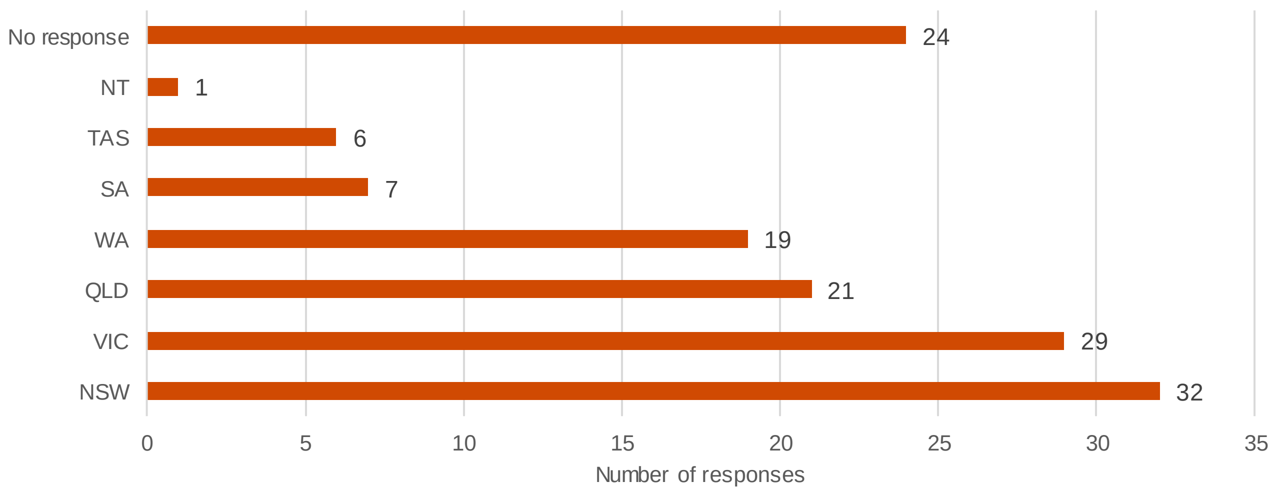


Figure 18: Location of respondent's operation



4.2 Key findings

4.2.1 Reasons for undertaking organic production

- The major reason for respondents to participate in organic production related to selling price of products (27 per cent), followed by personal values (21 per cent), environmental needs (17 per cent), health benefits (15 per cent) and consumer demand (13 per cent).
- Where drivers were ranked according to their level of impact, it was found that export market requirements had a significant impact on industry participating in organic production, while personal values, and health and environmental needs were less significant in driving participation of businesses into the organic market.

4.2.2 Market channels used to sell organic products

- 25 per cent made their products available through a non-major retailer, while 16 per cent sold to consumers online or a farmer's market, followed by major supermarkets (i.e. Coles, Woolworths, IGA) (15 per cent).

4.2.3 Domestic and export markets

- The domestic market was reported by the majority of respondents (74 per cent) as the primary destination for a high proportion of the respondent's organic sales (81 to 100 per cent). In contrast, respondents indicating that domestic organic sales contributed to less than half of their total organic sales only represented 12 per cent of respondents.
- In identifying hindrances in accessing the international organic market, 23 per cent of respondents reflected that it was simply easier to sell their organic products locally. 19 per cent were reluctant to enter into the international market due to the cost of getting organic certification, while 18 per cent associated their reluctance to the time commitment needing to be taken to get organic certification overseas.
- The greatest potential in international markets was associated with Asia, followed by North America (12 per cent) and Europe (12 per cent). 20 per cent selected 'other'.

4.2.4 Understanding of the term 'organic'

- An array of definitions were provided around the term 'organic'. Common themes included 'chemical free' and 'certified'.

4.2.5 Measures taken by businesses to participate in the organic market

- To operate in the organic market, most businesses have looked to adopt certification (27 per cent), followed by adopting changes to packaging (15 per cent), market (14 per cent), and handling products (14 per cent).
- The most used certification obtained by respondents was ACO Certification Ltd (ACO) (25 per cent), followed by NASAA Certified Organic (NCO) (23 per cent), Southern Cross Certified Australia Pty Ltd (SXC) (7 per cent) and AUS-QUAL Pty Ltd (AUS-QUAL) (7 per cent). A clear preference for Australian certification processes could be seen over overseas certification equivalents. 16 per cent of respondents also reflected that they currently use no certification.
- To achieve certification status, respondents reported an array of associated costs.
- In terms of dollar costs, respondents provided varying responses to explain the financial burden associated with achieving certification status, ranging from a few thousand to ten thousand dollars per year.
- Downfalls of the current voluntary certification process included possibility of poor consumer perceptions (due to untruthful labelling) (32 per cent), the fact that there is no oversight over the use of the term 'organic' (32 per cent), and the lack of consistency in the industry (25 per cent).

4.2.6 View on options

- Most operators are in support of a domestic organic standard but some have also expressed concern around such a standard introducing cost and red tape to the process for verifying organic products. 61 per cent confirmed that they would benefit form a domestic organic standard, 12 per cent disagreed, and 37 per cent were not sure.
- Concerns that respondents have around a domestic organic standard being introduced include additional red tape (33 per cent), cost (28 per cent) and impact on business (14 per cent). 11 per cent of respondents were unsure of their concerns.
- Most respondents agreed that greater marketing of the term 'organic' would improve the current market if no domestic organic standard was introduced (69 per cent of respondents).

Please refer to the sections below for detail and elaboration on these findings.

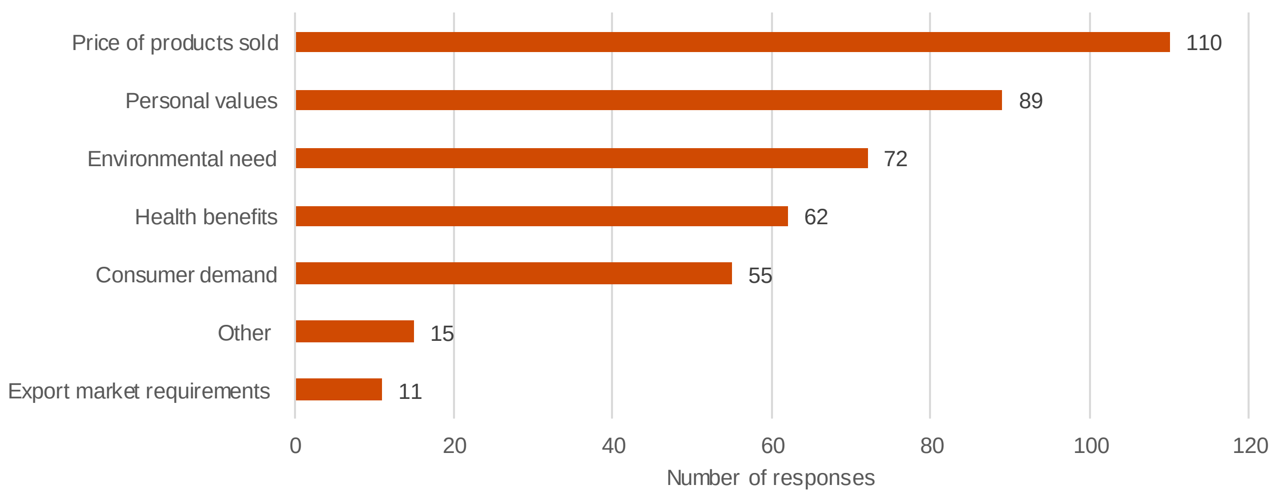
4.3 Detailed findings

4.3.1 Reasons for undertaking organic production

Participants were asked to indicate what factors drove them to undertake organic production. As reflected within Figure 19, the major reasons for respondents undertaking organic production were related to price (27 per cent), followed by personal values (21 per cent), environmental needs (17 per cent), health benefits (15 per cent) and consumer demand (13 per cent). Other reasons detailed by respondents included:

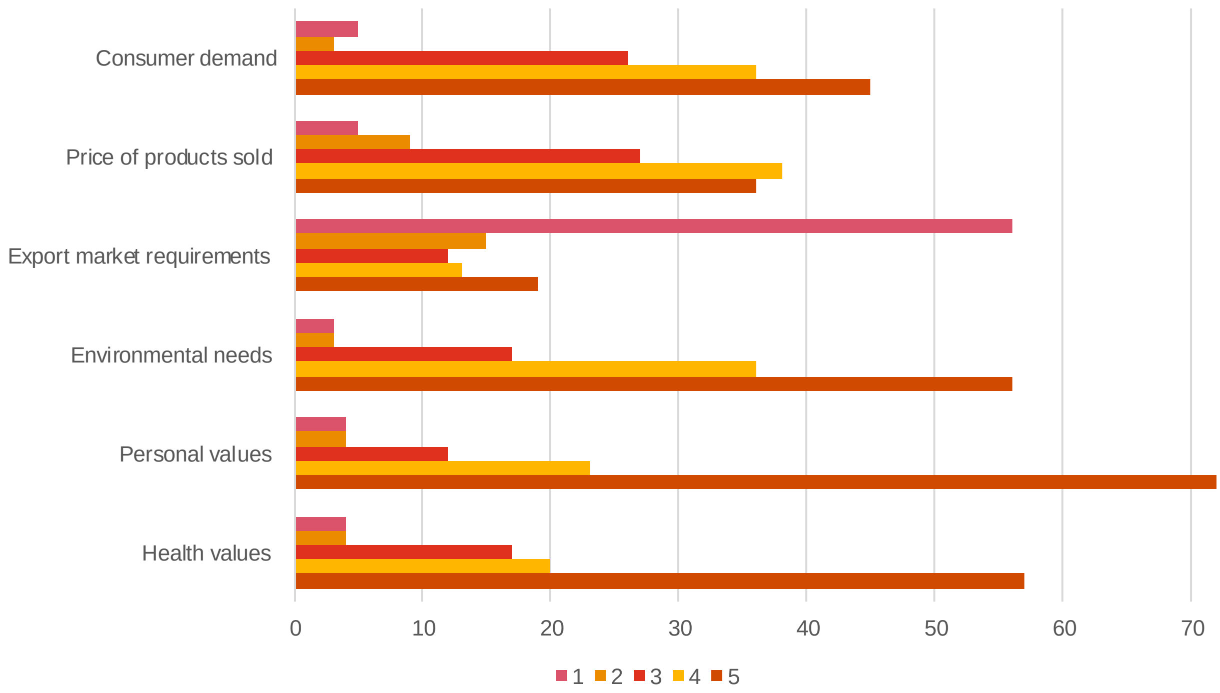
- '*it was becoming obvious that continued conventional farming methods were not sustainable in the long term'*
- *'just don't like to spend more money than needed of pesticides'*
- *'farm and soil health, in particular sustainability. Also the need to stop the reliance on the purchase of chemicals for both weed/pest control, cropping and for livestock well being'*
- *'industry advocacy'*
- *'existing markets'*
- *'health of the planet'*
- *'to grow high quality food and other crops free of applications of toxic chemicals and poisons'.*

Figure 19: Drivers to undertake organic production



In addition to respondents being asked to select which drivers influenced their uptake of organic production, respondents were also asked to rank these drivers based on their level of impact. Figure 20 reflects that export market requirements have had a significant impact on industry participating in organic production, while personal values, and health and environmental needs have been less significant in driving participation of businesses into the organic market.

Figure 20: Level of impact factors have on organic production[13]



Based on a respondent's involvement in organic production, the benefits which have been realised through such activity have included lower environmental impact (40 per cent), achieving a greater revenue (27 per cent) and market presence (22 per cent).

4.3.2 Market channels used to sell organic products

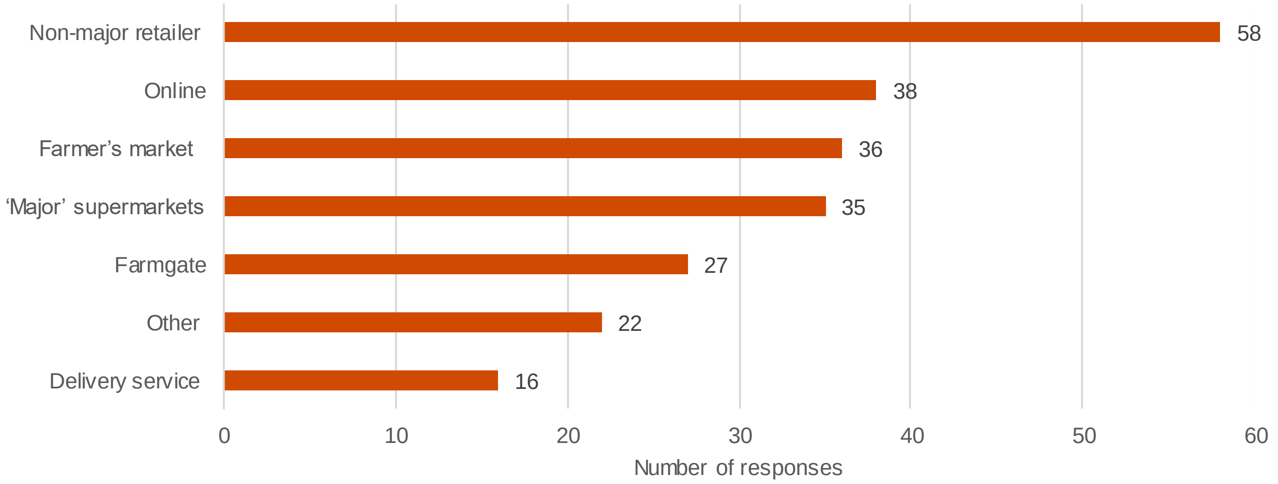
Respondents were asked to detail what channels they use to sell their products to consumers. 25 per cent made their products available through a non-major retailer, while 16 per cent sold to consumers online or a farmer's market, followed by major supermarkets (i.e. Coles, Woolworths, IGA) (15 per cent).

Of those who selected 'other', channels detailed included:

- *'sell to a wholesaler packer'*
- *'word of mouth. An established clientele who keep me informed as to when honey and ointment are required. Excess honey is sold through club and church activities'*
- *'all product sold to processors before consumers'*
- *'market agent'*
- *'wholesale to organic wholesaler, then to organic retailers'.*

[13] A legend of 1 to 5 has been used to understand the level of impact certain factors have on organic production. Where 5 is allocated to a factor, this reflects that the factor is highly influential. The numbers preceding this reflect lower levels of influence.

Figure 21: Channels products are used to sell products to consumers

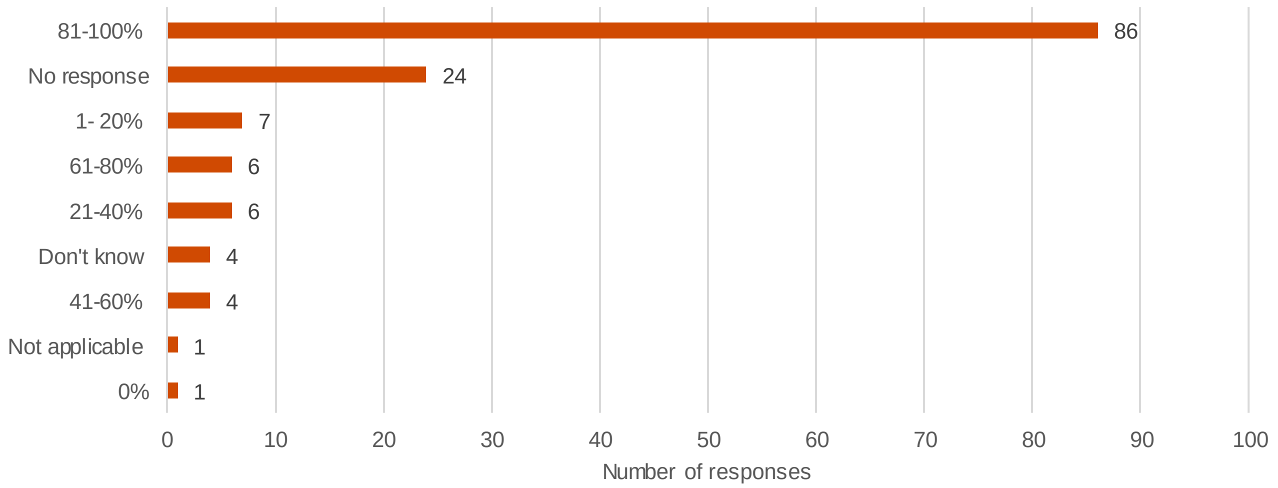


4.3.3 Domestic and export markets

The survey looked to gather insights around the level of production undertaken by industry for both domestic and export purposes.

In doing so, respondents were asked to indicate what proportion of total organic value was destined for domestic consumption (i.e. not imported). Based on Figure 22, the domestic market was reported by majority of respondents (62 per cent) as the primary destination for a high proportion of the respondent's organic sales (81 to 100 per cent). The preference of Australian organic operators for selling domestically was an expected outcome in the survey and is largely corroborated in the findings from consultation discussions (see Section 5).

Figure 22: Proportion of total organic value destined for domestic consumption



Domestically, respondents were asked to identify barriers to entry regarding the organics market. Examples of these included: *'paperwork', 'fees for small producers represent a high cost', 'uncertainty about the certification process', 'soil and product testing', 'too much red tape', 'lack of equivalence', 'great deal of admin workload for small farmers', 'paying higher prices for raw material, modifying production facilities, finding enough certified suppliers who are credible', 'time input'*, along with a few comments saying there are no major barriers.

Figure 23: Hindrances for accessing the international organic market

Where applicable, respondents indicated what factors have been perceived as hindrances in accessing the international organic market, detailed in Figure 23. 23 per cent reflected that it was simply easier to sell their organic products locally. 19 per cent were reluctant to enter into the international market due to the cost of getting organic certification, while 18 per cent associated their reluctance to the time commitment needing to be taken to get organic certification overseas. 12 per cent also attributed their reluctance to the environmental impacts associated with transporting products over long distances.

20 per cent of respondents indicated other hindrances existed which influenced their interest in accessing the international organic market, indicating:

- *'insufficient volume in production'*
- *'we product low volumes so only have domestic certification'*
- *'produce is fresh or refrigerated and not suitable for export'*
- *'variances in food regulations between countries'*
- *'depends on where relevant market demand is situated'*
- *'Lack of mutual recognition of the National Standards for Organic and Bio Dynamic Production by some Countries. Access to Canada, USA, Japan and Korea is stymied by the need to be separately certified to each country's Organic Standards. Yet Australia recognises all other countries organic standards'.*

Notwithstanding these hindrances, 34 per cent of businesses who currently do not operate within the international market said they were either significantly or somewhat thinking to expand into this market in the next five years. 16 per cent indicated that they were not sure whether they would be looking to explore the international organic market in the near future, while another 17 per cent provided no response, on the basis that this question did not apply to them.

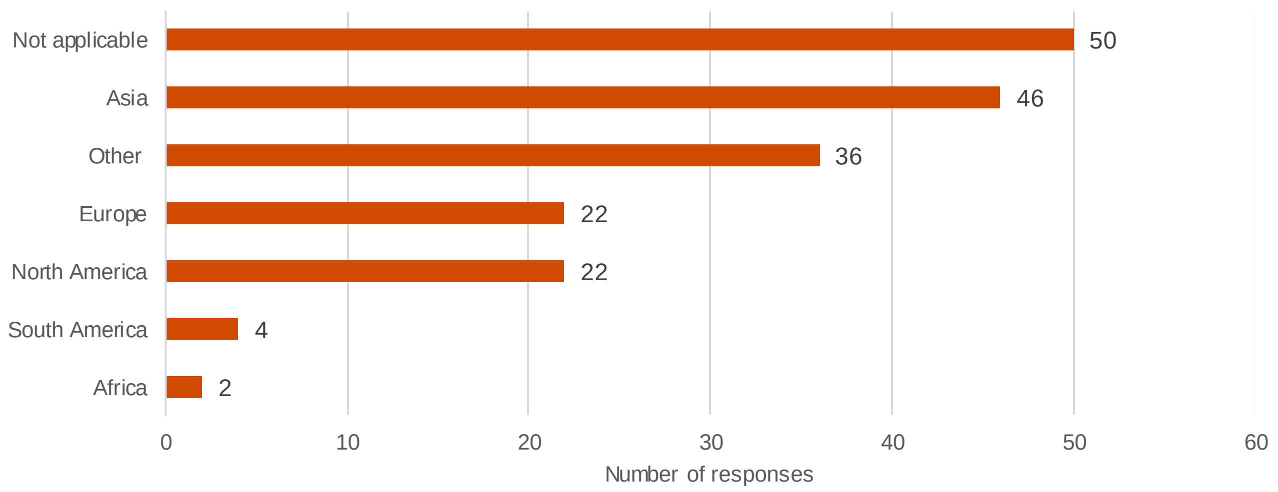
33 per cent of respondents selected 'other', opting to provide a written response to this question. Respondents provided the following comments to address this question:

- *'already provide to the international market'*
- *'lack of space'*
- *'no interest'*
- *'no time or capacity'*

- *'only want to supply to the local market'*
- *'only process a small number of animals each year, not enough organic growers to all for expansion'*
- *'high freight costs'*
- *'perishability of fruit/vegetables'.*

Further, to understand what potential respondents see in the organic exports market, respondents were asked to reflect what markets were of particular interest for them to access. Where this question was applicable, the greatest potential was associated with Asia, followed by North America (12 per cent) and Europe (12 per cent). 20 per cent selected 'other'.

Figure 24: International markets of interest to export to for respondents



4.3.4 Understanding of the term 'organic'

From an industry perspective, businesses were asked for their definition of what the term organic means. This question was included not only to capture the current understanding within the market, but to contrast this understanding with consumer responses (reflected within Section 3).

Examples of responses included:

- *'chemical free'*
- *'produce grown in soil without the use of synthetic fertilizers or pesticides'*
- *'natural'*
- *'Naturally and sustainably grown. Chemical and Synthetic Fertiliser free.'*
- *'We do not have a definition. The certifying bodies dictate that.'*
- *'certified Organic to the National Standard'*
- *'certified - no herbicide / insecticide / fertiliser / animal treatments excluding vaccine during lifetime production'*
- *'production that uses no chemicals and that is certified by a governing body to prove that'*
- *'produce or product that has been grown or made using 100% natural products with no contamination'*

- *'there is no legal definition of the term "organic" in Australia, the closest approximation would be AS6000 potentially, but this would require action on the legislative front by the Government'*
- *'CERTIFIED by ACO or other organic certification body! Audited and verified as having no chemicals or other non organic or non approved inputs'*
- *'as a grower, not using artificial fertilisers'*

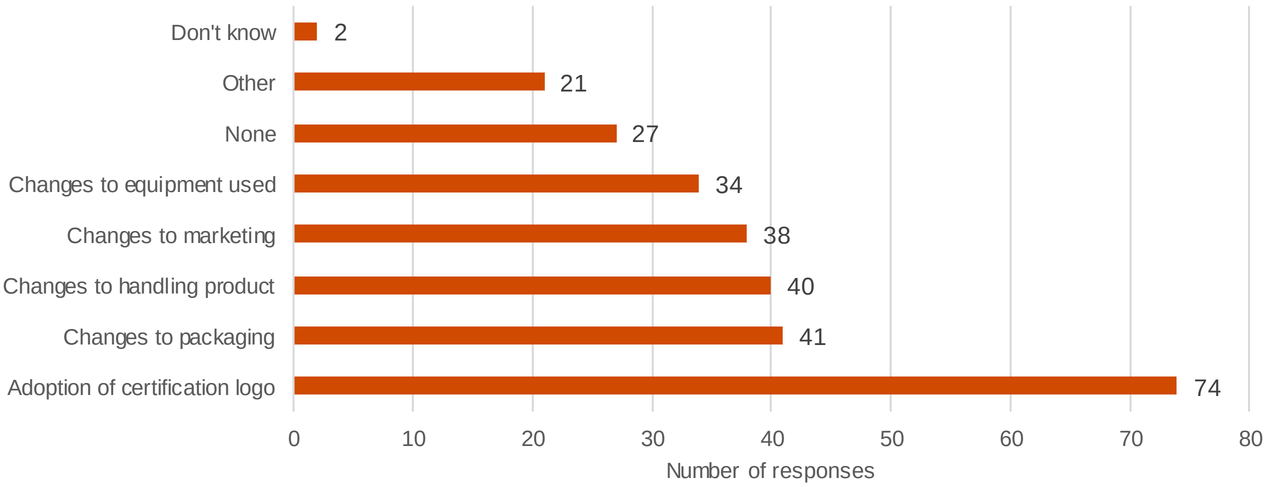
4.3.5 Measures taken by businesses to participate in the organic market

In understanding the level of effort required of businesses to participate within the organics market, respondents were asked to select all the measures which they have been required to adopt to date. Figure 25 indicates that most businesses have looked to adopt certification (27 per cent), followed by adopting changes to packaging (15 per cent), marketing (14 per cent), and handling products (14 per cent).

'Other' responses included, for example:

- *'changes to production methods'*
- *'more staff as it more manual and intensive farming'*
- *'develop internal systems and processes, to ensure that the organic integrity of product, going to market, is maintained'*
- *'develop underpinning knowledge of the entire industry sector applicable to market demand'*

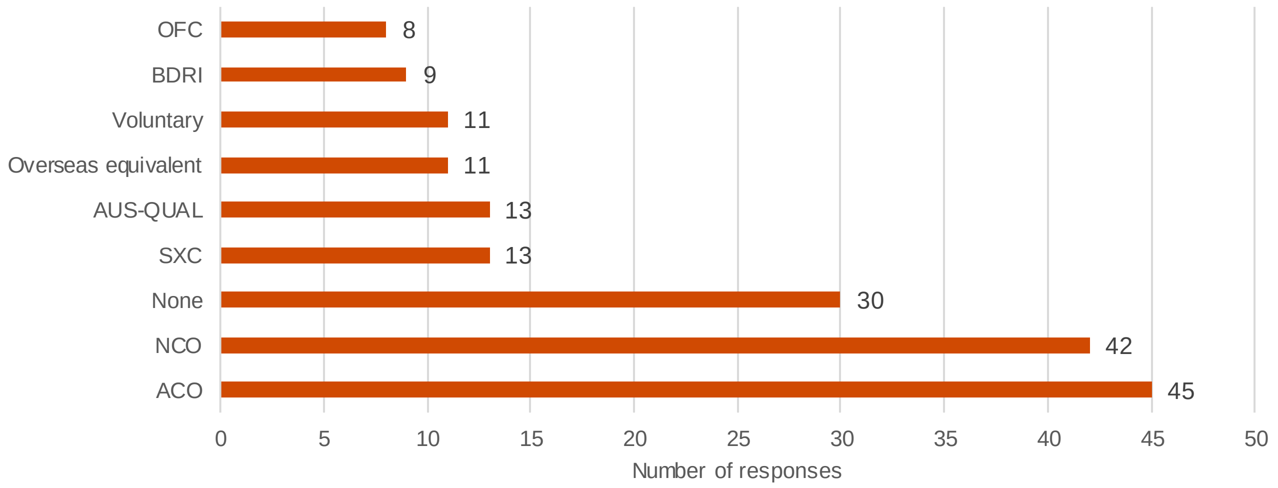
Figure 25: Measures adopted to participate in the organics market



The most used certification obtained by respondents was ACO Certification Ltd (ACO) (25 per cent), followed by NASAA Certified Organic (NCO) (23 per cent), Southern Cross Certified Australia Pty Ltd (SXC) (7 per cent) and AUS-QUAL Pty Ltd (AUS-QUAL) (7 per cent). A clear preference for Australian certification processes could be seen over overseas certification equivalents.

16 per cent of respondents also reflected that they currently used no certification. This echoes the use of certification currently in Australia's organic market, in that there is an array of certification logos used, alongside businesses who claim to be organic but are not certified.

Figure 26: Certifications used by organic operators

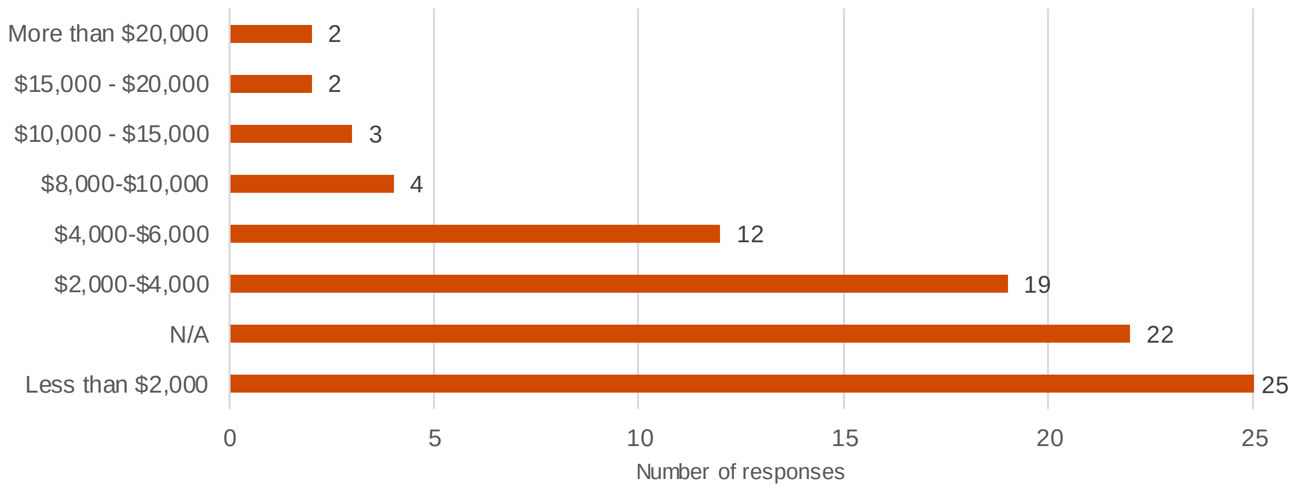


To achieve certification status, respondents reported an array of associated costs, including:

- auditing costs
- annual inspection fee
- time cost for record keeping
- training of staff
- support to suppliers
- labelling costs
- extra staff.

In terms of dollar costs, respondents provided varying responses to explain the financial burden associated with achieving certification status. Some indicated that these costs were only a few thousands, while some reported they pay up to ten thousand a year to maintain this status. Of those responses that detailed a specific cost, these responses have been reflected within Figure 27, reflecting that majority of costs are less than $2,000.

Figure 27: Annual costs of maintaining and achieving certification



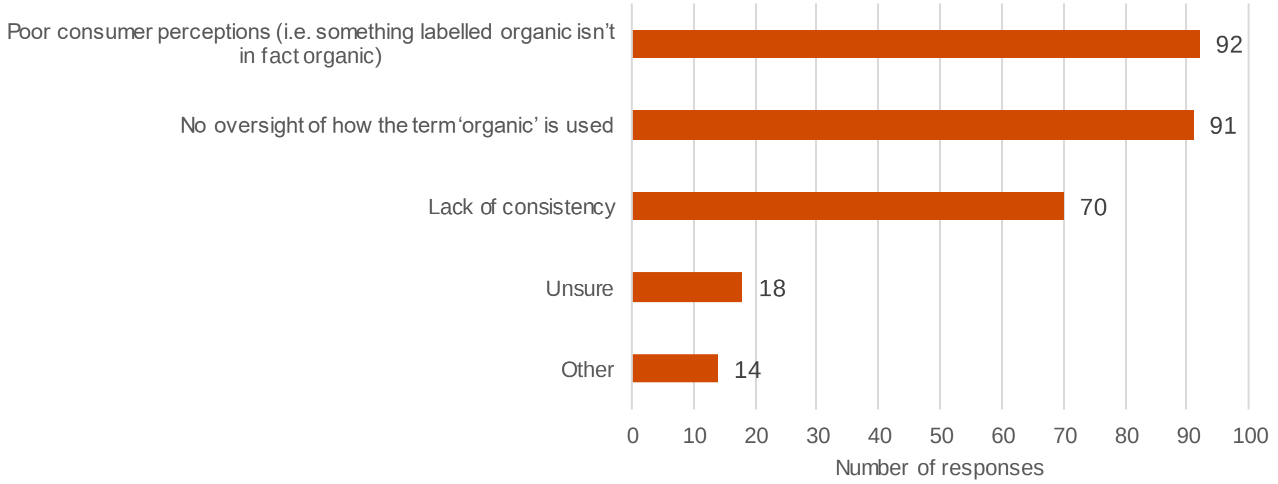
Additionally, survey respondents appeared to be positive about the experience of obtaining certification. 48 per cent claim that the process is user-friendly. However, some respondents were neutral about the experience (23 per cent), while 22 per cent found the process somewhat difficult.

In terms of maintaining certification status, respondents reported to need to undertake the following steps, including, for example:

- *'documenting every activity'*
- *'maintaining an organic management plan'*
- *'continued compliance of organic standard'*
- *'ensure there is no contamination from non organic products'*
- *'Maintaining paperwork, which can be challenging timewise. This is the greatest challenge to me but I am more interested in producing an excellent product that consumers will come back for.'*
- *'annual audits'*
- *'continue to adhere to Australian Organic Standard'*
- *'extensive paper work'*
- *'continue to follow the Organic national standards and ongoing audits'*

When specifically prompted on some of the downfalls of the current voluntary certification process, respondents noted the possibility of poor consumer perceptions (due to untruthful labelling) (32 per cent), the fact that there is no oversight over the use of the term 'organic' (32 per cent), and the lack of consistency in the industry (25 per cent). These have been reflected within Figure 27.

Figure 28: Downfalls of Australia's current voluntary certification process



'Other' downfalls mentioned include:

- *'There are no checks and balances to ensure that products are sold are truly grown in accordance with the organic standard'*
- *'There is no downfall. Certification will not improve the system but will impose an unnecessary regulatory burden. Consumers who are interested in sourcing local organic produce can choose to meet and get to know their farmer, with a relationship pf mutual trust the result'*
- *'No protection of producers, processors and consumers'*
- *'None; truth in labelling laws protect consumers'.*

4.3.6 Views on options for improving regulatory outcomes

In capturing respondents' view on the potential options, 61 per cent confirmed that they would benefit from a domestic organic standard, 12 per cent disagreed, and 37 per cent were not sure.

Of the 61 per cent who anticipated to receive some level of benefit form a domestic organic standard, the reasoning for this view included, for example:

- *'more products to sell'*
- *'guarantee to the consumer that the product is organic'*
- *'ensuring a level playing field for all participants'*
- *'Very clear standards for the industry/sector. Confidence with the consumer as to why to buy Organic'*
- *'Consistent rules for certification, clarity for producers when dealing with retailers etc.'*
- *'Too much greenwashing & misconception in the market with anyone using the term organic. It is an uneven playing field, confusing to consumers & buyers.'*
- *'More integrity - more trust'.*

Notwithstanding the associated benefits, concerns that respondents have around a domestic organic standard being introduced include additional red tape (33 per cent), cost (28 per cent) and impact on business (14 per cent). 11 per cent of respondents were unsure of their concerns.

Most respondents agreed that greater marketing of the term ‘organic’ would improve the current market if no domestic organic standard was introduced (69 per cent of respondents).

5 Roundtables and further consultations

Alongside the consumer and industry surveys, we engaged in seven group 'roundtable' consultations to gather detailed insights on the current market and perspectives on the proposed options in Table 1. These groups included:

1. Fresh produce
2. Animal products
3. Beverages
4. Business representatives
5. Retail
6. Consumer representatives
7. Certification and advisory bodies
8. Regulatory bodies

Across these groups, over 120 organisations were invited to participate within these roundtables. Upon completion of this consultation process, we are pleased to confirm that 63 organisations were in attendance, including approximately 100 representatives, resulting in a broad level of engagement of individuals across the organics sector.

Key insights shared and gathered across each roundtable are highlighted in the following sections.

5.1 Fresh produce

These insights were gathered from representatives of:

- Mallee Organics and Wattle Organic Farms
- Australian Farmers' Markets Association
- Dairy Australia Limited
- Horticulture Innovation Australia Limited
- Master Grocers' Association
- AusVeg
- Australian Melon Association
- Grain Producers Australia Limited
- Grain Growers Limited
- Egg Farmers of Australia
- Agrifuture Australia
- Cotton Research and Development Corporation
- CropLife Australia
- Grains Research and Development Corporation

The following are the opinions expressed by representatives of the produce industry in roundtable and additional consultation discussions.

5.1.1 Current market

The representatives suggested that though there is a demand for organic products, the lack of a single mandatory standard for organic products is limiting the market. The industry reported to seeing the potential for the organic market as being higher that its current measurable performance and cited the reason for this thinking being an observable shift in consumer preference towards 'organic' alternatives and general community awareness of the existing organic standards.

Industry observes that consumers prefer to purchase certified organic products and that, overall, there have been more consumers shifting their buying preference towards organic products compared to a conventional counterpart. Smaller organic producers were reported to be capitalising on the demand for organic products. The industry as a whole, is expected by the group to experience growth due to consumer preference for environmentally friendly products and a general shift in consumer focus towards health and wellbeing. There was reported to currently be significant demand for organic and fresh produce in particular.

5.1.1.1 Information gap in industry

All industry representatives share the view that data and information improvements are critical for industry growth. Transparency around trading practices, depth of the organics market and common practices are reported to be important for future growth in the organic market.

The representatives note that industry representatives do not have a record of certified organic members, and that as a result, it is difficult to monitor new market entrants and exiting businesses. Furthermore, this information gap is reported to extend to a lack of information around the trading practices of organic goods, the tracking of organic product inputs during production and an understanding of the general depth of the market. Improvements to the circulation of common practices of organic producers and how organic producers are addressing challenges to growing organic products is encouraged by industry as, according to the group, this may form the basis for effective levying for organic producers.

Industry representatives stated that grain, which is inputted into feed and further processed into other organic products, are not coded, tracked, or traced separately. This is claimed to make it difficult to track trading practices and therefore verify if the inputs into organic products are verifiable. Furthermore, the produce industry states that it, overall, does not have data on the volumes of organic products traded across Australia and has minimal visibility on production lines where grain is an input. The information available is reported by the representatives to be derived directly from and about a limited number of organic producers. In addition, some industry representatives pointed out that the current system for tracking and verifying inputs into organic products may not be sufficient for certain subsets of the grain industry such as wheat as there is currently no demarcation between 'organic' and conventional wheat.

The industry also reports that there is a lack of information around the depth of the market, that is, in the number of consumers who buy organic products, the elasticity of demand and other relevant consumer-dependent trends. The Industry states that a lack of information means that it is difficult for possible entrants to gain a strategic perspective on how to grow their business and how the industry is expected to perform in the future. The industry recognises that there is a need to better understand the complexities of growing organic products and how representatives are address these challenges. For example, managing grain storage to meet an organic standard is reported to be difficult. Consultations with multiple organic growers and knowledge sharing to inform a standard is suggested by the group as a way to meet this gap.

5.1.1.2 Organic certification

The industry has mixed responses to the current requirements and process for achieving an organic certification on products. Industry representatives representing small businesses report that the current certification process and avenues for certification are too complex and costly, however, some representatives representing larger producers report that achieving certification is manageable.

The industry believes that customers rely on organic certification to determine if they will purchase a product or not but report that they are generally not concerned about the specific certification obtained. Rather, according to the group, consumers look to purchase certified products which met the requirements under the National Standard.

Across the farmers market sector and smaller producers (such small family farms), many are reported by the industry as either holding a certified organic status or striving to acquire certification. However, the gap in the current understanding around the breadth of businesses which are certified versus not is stated to make this difficult to quantify and prove at a country-wide scale. The industry reports that smaller producers are confused as to which certification to pursue when taking into account the resources required to obtain the certification and the benefits of one certification over another. This is emphasised as an important consideration as the industry purports that smaller businesses may not be pursuing certification through the mechanisms which are available currently as the hurdles, around complexities in addressing the standard and the cost issues that arise from it, are numerous and difficult to navigate.

However, some industry representatives also report, that certification is not difficult to navigate. Some representatives representing larger operators state that from a producer's perspective, meeting the requirements for organic certification is achievable. Indeed, it is stated that meeting the requirements for organic certification is less difficult than meeting food safety requirements which are mandatory for all producers to meet. The current process for certificatio n was deemed important by the industry for organic products to be recognised and sold on the merit of being 'organic'. Industry representatives state that the number and a code provided under organic certification provides sufficient evidence and backing for consumers to have confidence that products are 'organic' in nature.

Based on the mixed response to certification, the group suggested that it may be appropriate to consider introducing exceptions to the mandatory standard for small scale organic businesses and producers to be able to continue operating.

5.1.1.3 Market efficiency

Industry representatives state that the lack of an enforceable standard results in market inefficiencies as it, according to the group, promotes inappropriate practice in the sale of organic products, hinders the development of technologies into improving growth practices and complicates the process for exporting organic products.

The produce industry stated that under the current industry understanding of organic, some organic practices are impractical. The treatment of organic melons was mentioned as an example demonstrating this as some organic standards dictate that a melon product cannot be termed 'organic' when washed. However, it was pointed out that washing is a requirement under health and safety meaning that it is unsafe for unwashed melons to be distributed. This, the industry explained, demonstrates the need for a mandatory standard outlining the term 'organic' which is nuanced appropriately to encourage safe practice in the organic industry.

The hindered access to equivalency arrangements as a result of the voluntary nature of the current standard was mentioned to be of particular detriment to the industry as a whole. Industry representatives state that the pressure to meet numerous government standards when trading into overseas markets (such as the US or South Korea) is too burdensome and costly. Industry representatives state that it is difficult to ascertain which producer may be able to meet the requirements for individual government standards due to a lack of a common process for recording and verifying 'organic' processes. Ideally, industry reported that operators would prefer one mandatory standard for all markets (domestic and exporting) as multiple audits and checks are particularly difficult for producers to navigate.

5.1.2 Industry view on options

The industry preference is to establish a single common national standard under Commonwealth legislation which is enforceable, and which includes a framework for verifying the production and trade of organic products.

Industry believes that enforcement through Commonwealth legislation is the most practical enforceable option available. An alternative option for establishing a standard under Australian Consumer Law was also explored but was ultimately determined to be potentially problematic for industry citing that a decentralised mechanism for enforcement would introduce additional costs to businesses. The industry perspective is that should enforcement become the responsibility of state governments, the execution of the standards would be inconsistent and time consuming. The representatives believe that enforcement by the Commonwealth on the other hand, would be executed faster and enforced more harmoniously across Australia.

Industry representatives cite other potential cost efficiencies to be a further benefit of Commonwealth legislation. Mandatory compliance under this option is expected by the group to be less costly for producers. This is of particular importance to the industry as producers are reported, at present, to be facing heavy costs to meet climate and omissions production commitments. Imposing additional costs to producers as a result of introducing a mandatory standard is an extremely unfavorable outcome for the group.

Although legislation is clearly preferred, the group also emphasised that this option should only be undertaken if the Commonwealth Government had the appetite and commitment to drive and execute a new standard. Many industry representatives acknowledge that Commonwealth legislation is difficult to reach without this.

5.1.2.1 Mandatory certification

The representatives expressed that they were partial to the introduction of mandatory certification. However, it was emphasised that there would need to be a lower access point for smaller growers to access certification as larger growers are reported comparatively to be in a better position to have access to resources for achieving organic certification or an equivalent status. Exemptions, (long-standing or otherwise not specified) to the costs associated with meeting the mandatory requirement for less well resourced businesses is suggested as a way to address this.

5.1.2.2 Education campaign

Overall, the prevailing sentiment from industry on the topic of an education campaign is that a simple, unified message regarding the meaning of the term ‘organic’ and the current organic market across the country is preferable as it minimises noise and confusion for existing representatives, entrants and consumers.

5.2 Animal products

These insights were gathered from representatives of:

- Arcadian Organic and Natural Meat Co
- Australian Pork Limited
- Australian Meat Industry Council
- Hive and Wellness Australia
- Australian Honey Bee Industry Council

The following are the opinions expressed by representatives of the animal products industry in roundtable and additional consultation discussions.

5.2.1 Current market

The group expressed the view that the potential for growth in the market for organics products is evident. It was stated that there appears to be increased interest and activity to improve consumer access and awareness, with representatives having noted that the current interest expressed by the Australian Government to further regulate the domestic organic market demonstrated the flow on effect of consumer interest and demand.

The industry representatives expressed that a standard which meets the following functions would be effective in promoting this growth; firstly, that it would be a single organic standard which is enforceable uniformly across Australia, secondly, that it meets the conditions to support in the formation of equivalency arrangements and thirdly, that it would maximise commercial opportunities for industry.

5.2.1.1 Importers and exporter differences

The industry representatives reported that organic operators which export in addition to selling domestically are currently experiencing difficulties staying financially and commercially viable. This is primarily explained to be a flow on effect due to dissimilarities between the treatment of domestically sold products and exported products.

The representatives noted that the current regime does not require for domestic providers and importers to meet the same requirements as exporters. The group expressed that it was unfair that exporters are required to obtain certified organic status, whilst domestic providers are not. The requirement for obtaining certification was claimed to introduce additional costs associated with verification and labelling to organic operators which export and sell domestically, that domestic-only operators do not incur. Representatives emphasised that this disparity leads to market inefficiencies, as under the current system, both types of operators, can market their respective organic products under the same 'organic' labelling umbrella. The group believes that this causes confusion in the interpretation of the term 'organic' amongst consumers, leading to confusion between what is perceived to be organic and what is organic.

Furthermore, it was stated that producers only selling in the domestic market also see an additional advantage in being able to apply a premium on an organic product (compared to its conventional counterpart) whilst not being subjected to the costs associated with certification that exporting operators would need to incur. The group emphasised that this contributes further to market inefficiency. It was expressed by a number of industry representatives that the use of the term 'organic' should be accompanied by a requirement for businesses to meet a series of qualifiers demonstrating that the product is verified 'organic'. The group overall agreed that this is required to ensure that integrity in the organic market is maintained and to therefore ensure that the use of a premium is justified in the eyes of the consumer. This was recognised by representatives to be influential in building consumer confidence and trust in organic products and paving the way for future market opportunities.

5.2.1.2 Definition of 'organic'

The industry representatives expressed that there needs to be a clear set of principles and/or practices which underline to the meaning of the term 'organic'. The pressure to address and work across multiple nuances in the meaning of the term 'organic' was deemed to be excessive by the group.

Currently, the industry is reported to work within a set of individual ideals around what 'organic' means with no common basis for an operator to claim that a product is verified organic. The ambiguity around the organic standards is noted by representatives to have culminated in a fragmented understanding of the term 'organic' across industry and therefore consumers. It is noted by some representatives that this adds to the complexity and volume of requirements a product needs to meet. Industry representatives emphasised that businesses must therefore invest time and resources to appease multiple interpretations of the meaning of the term 'organic' across industry and amongst consumers - resources which many representatives state may otherwise be invested in pursuing commercial opportunities or growing the businesses overall organic offering. It was agreed upon by the group that a single, commonly understood definition for the term 'organic' which is based on a set of principles such as animal welfare, biosecurity and food nutrition would help prevent or alleviate this pressure on operators.

5.2.1.3 Obstructions to sale

The group indicated that the voluntary nature of the current regulation of the term 'organic' contributes to inefficiencies, complexities and cost burdens experienced by organic operators. Suppliers in particular are claimed to be overwhelmed under the current system when pursuing export markets.

It was explained by representatives that other nations are typically unwilling to enter into equivalence arrangements with Australia due to the fact that the Australian organic standards are voluntarily followed by organic operators in Australia. The group considers this to be the primary reason for why multiple certifications and verification costs are incurred by organic operators selling products both domestically and overseas.

The representatives reported that, in the absence of equivalence arrangements, certification or verification according to international or country-specific standards must be met by organic operators to access the overseas market. This is claimed to be a more drawn-out and costly process than if equivalency was obtained. This is also reported to introduce a significant cost burden to operators as any audits required for these processes are required to be conducted on top of existing audits run by the business. The industry argues that the costs (which are stated to be significant) associated with this process mean that many commercial opportunities overseas are foregone.

Furthermore, the group stated that with regards to exported products, suppliers must be notified of, participate in and provide information to obtain multiple international certifications and complete various overseas government-specific checks. For products which are exported and sold domestically, representatives stated that there is an added cost when pursuing certification in Australia, which though not mandatory currently, is regardless considered to be required by the industry to communicate to the consumer that the product is of quality. Suppliers have expressed being discouraged and overwhelmed by the burden of undergoing multiple checks and audits to obtain these certifications.

5.2.1.4 Consumer confidence in certified organic products

The group explained that when a product is claimed to be organic, consumers believe that there is a different production process for these products compared to their conventional equivalents. Certification labelling on organic products was stated to be a significant driver in encouraging consumers to buy. Representatives noted that labelling allows for consumer to be able to research and gain confidence that the term ‘organic’ is used appropriately to describe the product.

The industry admits that consumers have demonstrated that confidence in the current certifications and voluntary standards. Despite this, the group believes that there is a definite need for the standards to be mandatory and enforceable. The benefit envisioned by the representatives in enforcing the standard is that there would be less competitors misleading the consumer and therefore more genuinely ‘organic’ products in the market. The group states that this trend may also lead to consumers having more options to buy verified organic products. Further to this, more parties are expected by the group to be able to enter and engage with the market once confidence around organic claims build. Many representatives also stated that if consumers understand what truly differentiates an organic product, it can be expected that they will be willing to buy it on this basis despite the conventional counterpart being cheaper.

5.2.2 Industry view on options

Most representatives stated that a regulatory option is preferred over a non-regulatory approach. Application of a mandatory standard which requires for mandatory certification across the whole of industry and throughout Australia is what is most preferred by the group.

State-based regulation appeared undesirable for the industry, as some representatives stated that the requirement for Australian businesses to work across several states, as well as internationally, whilst needing to meet individual state requirements would be a burdensome endeavour. It was reported that variation in the way the states can be expected to address and enforce a national standard would introduce an additional cost burden to industry. Furthermore, it was mentioned by many representatives that state-based enforcement of an Australia-wide standard does not encourage accountability and consistency at a Federal Government level.

Regarding the specifics of the standard itself, the representatives emphasised that the standard would need to be formulated with equivalency arrangements in mind and with the view to minimise the number of checks each product must undergo to be purchasable both in an export capacity and domestically. Representatives also emphasised that a mandatory standard should be formulated in a way that allows for it to be flexibly applied practical to follow for all organic operators.

5.2.2.1 Mandatory certification

The group reported that a mandatory approach which requires for mandatory certification would benefit organic operators currently meeting certifications requirements and those that can obtain certification. It should be noted that these operators are considered by the group to be the businesses which are best placed to successfully deliver organic products to consumers.

5.3 Beverages

These insights were gathered from representatives of:

- Cullen Wines

- Angove Family Winemakers
- Pure Harvest
- Australian Grape and Wine Incorporated
- Australian Beverages Council

The following are the opinions expressed by the organic beverage industry in roundtable and additional consultation discussions.

5.3.1 Current market

The beverage industry representatives stated that an increase in the demand for organic products, including organic beverages, has been observed and that there is potential for this to extend into the future due to climate change concerns and shifting consumer priorities.

The representatives reported that since 1998, feedback and global interest in organic products reached a tipping point due to the climate change crisis. It was stated that the demand for and interest in organic products has increased through the peak periods of the pandemic. The group emphasised that it is important to have mandatory regulations in place to ensure that organic industries move forward. The success of these industries is considered to have wider implications for the carbon race, as organic practices were stated to have a role - through biodynamic production – in supporting the pursuit of alleviating the effects of climate change.

The overall escalation in demand for organic products was more than was expected, according to the group, as consumers were found to be basing their purchasing decisions on specific priorities which organic products were able to meet. The group stated that the industry found that consumers prioritise minimising their carbon footprint and are generally health conscious. However, to ensure that organic products meet these priorities, the representatives discovered that consumers demand traceability and integrity in the organic market.

5.3.1.1 Organic claims

The broad industry representatives stated that the term ‘organic’ is used inappropriately under the current state and that this can lead to consumer confusion around which products are organic and not. Non-alcoholic beverage industry representatives however, reported a different experience, namely that businesses operating organic non-alcoholic beverage businesses were found largely, to utilise the term appropriately.

The group referred to many specific examples in the beverage industry to demonstrate instances of misleading use of the term. An industry representative noted that some mainstream consumers who purchase at supermarkets may be misled by ‘plant-based’ beverages which claim to be ‘organic’ beverages but are not certified organic. Furthermore, the industry reported that when consumers purchase online, wines which are not ‘organic’ can come up under the search term ‘organic’ and that, in some cases, businesses will use the term ‘organic’ to advertise the product but will state in fine print on the label that the beverage does not meet the voluntary requirements for being ‘organic’. It was explained that inappropriate use of the term ‘is particularly undesirable as it undermines the credibility of organic claims in general and therefore undermines the ability for organic beverage producers to effectively brand products.

On the other hand, the non-alcoholic beverage industry representatives noted that operating businesses do generally utilise organic labelling appropriately by following through with the required processes for organic manufacturing and operation and by complying with certification requirements. Furthermore, in response to current claims that an unregulated industry will create harm to the consumer, the non-alcoholic beverage industry subset reports that consumers consider the concept of organic as an added-value attribute to a product and so does not expect harm to result from health benefit claims not being realised by the consumer.

5.3.1.2 Impact of the current term

The group attributes the current lack of a single clear definition for the term ‘organic’ as the primary reason for inappropriate use of the term in the beverage industry. Prosecution of businesses is also, according to the group, difficult and is less likely to prove fruitful under the current regulatory state. The industry expressed concern regarding the potential negative effects on the market if a common understanding of the term is not reached.

Representatives from the group emphasised that ambiguity in the term can result in potential flow on effects in increasing the risk of diminishing consumer confidence and affecting the performance of existing certified products and producers. With regards to organic exports and export markets, the industry group stated that the ambiguity may be contributing to a lack of international confidence in the Australian organic market, which can affect outcomes for equivalency claims in an importing country. An industry representative pointed out that if inappropriate use of the term 'organic' persists, consumer confidence may erode to such a point that it would impact the viability of the domestic organic market.

5.3.1.3 Costs

Many representatives emphasised that there is a cost burden enforced on industry as a result of the lack of a mandatory domestic standard in Australia and that this burden disrupts the growth of organic operators.

The group explained that an organic business needs to undergo separate audits to export internationally to countries in Europe and Asia and to operate domestically. It was expected that if a mandatory Australian standard was introduced, equivalency claims may be easier to pursue and that the number of audits required for exporting organic products would be limited as well. The group claims that this will result in immediate cost reductions. Some industry representatives cited their personal experience around the challenges faced when importing organic products for sale in Korea as the reason for advocating for a mandatory standard. It was stated that Korea, in particular, requires for changes to be made to the product, such as change to the label and logo, which was said to introduce a higher administrative burden to organic operators.

The group explained that if Australian organic operators were able to claim meeting a mandatory standard, that equivalence could be reached more readily. Some industry representatives reported to only pursuing the Australian and Chinese organic markets, and explained that the upfront cost of pursuing other international markets and their respective standards was too large. Overall, it was expressed by the group that businesses have been subjected to unnecessary costs that restricted their ability to explore potential large markets.

5.3.2 Broad industry view on options

Beverage industry representatives overall prefer that a mandatory standard be enforced through legislation with certification being a requirement as part of this option.

An option which requires for state-based enforcement is stated to be undesirable by beverage industry representatives. The group explained that the reason for is this is that ambiguity around jurisdiction borders and confusion on the individual responsibilities of states in enforcing the standard can be expected to disrupt the effective implementation of a standard. The group cited an example to demonstrate the possible complications which can arise from differences in enforcement across multiple jurisdictions. A representative mentioned that a product which is advertised as brandy but does not have enough content as part of its contents to be classified formally as brandy is not subject to the appropriate enforcement standards as other beverages when travelling through ports in WA. It was explained that the responsibility of determining and enforcing the standard most applicable to the product is handballed between jurisdicti ons and departments in this situation.

Most beverage industry representatives agree that the current export requirements for organic products will serve as an appropriate template for a national system or regime. It was stated that a 3-year transition period when moving to a mandatory standard is preferred. The group agrees that generally businesses will have sufficient time and will be able equipped to transition to a mandatory standard, therefore the industry does not see the requirement to transition as being a significant risk to organic market demand.

5.3.2.1 Mandatory certification

The beverage industry group stated that it is preferred that certified organic beverages are required to be 100 per cent organic to meet the standard, likely to mitigate consumer confusion. It was noted by the group that the requirement for mandatory certification, would improve the current market options for consumers by providing greater abundance in the choices of confirmed organic products. Industry representatives reported that 40 per cent of the current organic market does not consist of certified organic producers but that 50 per cent of these producers would pursue certification if required. An industry representative stated that though most businesses, including small businesses will be find solutions to achieve certification if it is required. Alternatively, the group noted that, businesses which are not able to meet the requirements under an organic definition would be able to utilise a different term or adjust the premium – which the industry explains is required to recoup the additional costs incurred to meet the operational requi rements for producing an organic product - to be able to participate in the market. It was reported that this response can be expected for around 30 per cent of the market which is currently claiming to be organic but may not be able to meet an organic standard requiring for certification.

5.3.2.2 Education campaign

An education campaign is not considered to be required by beverage industry representatives, with representatives stating that there are multiple logos demonstrating certification. Indeed, the use of a specific single logo is considered undesirable by the group as industry representatives expect that such a logo would require for specific content to accompany it and explain that this would take up the limited space available on the beverage container otherwise used for branding. Furthermore, some industry representatives noted that an added negative to a single logo requirement would be that there would be an added cost to business to alter packaging and labelling to include a new logo.

5.3.3 Non-alcoholic beverage industry view on options

In contrast to the opinions held by the broad beverage industry group, representatives from the non-alcoholic segment of the industry stated that a non-regulatory option of a consumer education campaign is preferred.

This segment of the industry prefers that a non-regulatory option be introduced which focuses on consumer education and industry guidance around the term organic. Representatives from this segment of the beverage industry has stated that although the benefit of regulation is evident in the potential for consistency and common understanding of the term organic amongst consumers and industry, there does not appear to be an urgent need for the introduction of regulation. Current practice and performance across the organic market is stated by these representatives to be appropriate. Indeed some non-alcoholic beverage industry representatives have expressed concern that the introduction of new regulation will introduce further costs unnecessarily to businesses which are currently meeting organic standards.

5.4 Business representatives

Consultations were attended by (or submissions were received from) representatives from:

- The Australian Retailers Association (ARA) – ARA is Australia's peak retail body, representing more than 100,000 retail shop fronts and online stores, the ARA informs, advocates, educates, protects and unifies our independent, national and international retail community.
- The Small Business Association of Australia (SBAA) – SBAA is an active organisation that specialises in supporting and advocating for the SME sector.
- Accord Australasia (Accord) - Accord is the peak national industry association representing manufacturers and marketers of hygiene, personal care and specialty products, their raw materials suppliers and service providers.

The following are the opinions expressed by industry representatives in roundtable and additional consultation discussions.

5.4.1 Current market

Stakeholders reported that in the current market:

- There is greater emphasis around adopting environmentally friendly practices, something which could be achieved through a shift towards the production of 'organic' products. This is expected as sustainability is generally a theme of 'organic' production.
- There is diversity in the use and understanding of 'organic' labelling, reflecting the voluntary nature of certification for domestic market.
- The term 'organic' is interpreted either as indicated by the National Standard, in accordance with internationally developed standards, or in minimal circumstances, via a principles-based approach.

5.4.2 Cosmetic and non-food products

Cosmetic, hygiene and other non-agricultural organic products were identified by stakeholders as a distinct subset to food products that are traditionally considered when organic issues are examined. These non-food products were mentioned as having unique needs from a regulatory standpoint. The treatment of this subset across current Australian export and domestic standards was considered by the group to be complex and imposes an unfair cost burden on operators who sell such products.

To mitigate this, stakeholders suggested distinguishing cosmetic and associated products from organic agricultural ones. Stakeholders cited that the process for producing organic cosmetic, hygiene and specialty products significantly differs to that for organic food and other agricultural products. Currently, this specific industry was reported to prescribe to the International Organization for Standardization (ISO) standard to demonstrate the 'organic' status of formulated products. It was noted that the ISO standard is generally considered preferable to the AS6000:2015 standard and the Australian National Standard as neither are compatible for providing guidance or accurately defining 'organic' as it relates to non-agricultural products. Indeed, the representatives reflected that this subset of the industry are of the opinion that the AS6000:2015 does not address the unique differences in production, supply chains and distribution for cosmetic and associated products and that, therefore, the standard should not apply for these products.

For small businesses operating across the cosmetics industry and selling both to overseas and domestic markets, it was reported that based on consumer expectations, there is an inherent expectation for these operators to meet International standards as well as the Australian National Standard whilst obtaining Australian certified 'organic' status. Representatives of these small businesses reported that the dissimilarity between the two standards introduces a burden to comply which may otherwise be avoided by an amendment of the domestic Australian standard to a set of standards which are compatible with or equivalent to the ISO standard.

A mandatory domestic standard was stated to be undesirable from a cosmetics and associated products industry perspective. Within this specific industry, the cosmetics industry, in particular, is explained by the representatives to be complex and have existing processes in place to verify the 'organic' status of products. Furthermore, it was reiterated by the representatives, that this subset currently prescribes to the ISO standard which differs significantly to the current Australian National Standard for domestic sale. Representatives expect that the adoption of a mandatory standard in Australia which is similar to the National Standard or AS6000:2015 standard (as is considered most likely to be the case by the group) would prove to be a burdensome compliance process for non-agricultural organic operators.

5.4.3 Certification

Stakeholders noted that, when an operator seeks to obtain organic certification, at various points throughout the supply chain the certification of 'organic' needs to be verified. As a result, significant costs are understood to arise for many entities along the supply chain when a business seeks to meet these certification requirements for a product. The sale of organic products, particularly through retailers, often needs records confirming organic certification requirements have been met, what the requirements are and if adequate checks have been made throughout the supply chain to meet certification.

With respect to small businesses, stakeholders stated that these types of businesses generally do not obtain certification for products due to resource constraints (i.e. costs, administration, etc.). Rather, it was noted that small businesses seek to rely on a declared ethos and opt to maintain transparency around their business practices in order to build consumer confidence that their products are indeed 'organic', despite a lack of formal certification. It was emphasised that, generally, in these cases it is the integrity of the brand rather than the backing of organic certification which drives consumers to purchase 'organic' products from small businesses.

5.4.4 Industry representative view of options

Perspectives on the preferred regulatory option by stakeholders were varied. Stakeholders confirmed that organic operators have different ideas of the meaning 'organic' as it relates to organic products. Additionally, stakeholders expressed that operators had varying levels of preference as to whether a mandatory organic standard should be implemented.

5.4.5 Small business perspective

Stakeholders agreed that small businesses are open to being subjected to a mandatory standard but expressed that sufficient government support will need to be provided to help in the transition. The effect of implementing mandatory certification and the costs associated with this is expected by representatives to affect most small businesses disproportionately in their ability to stay viable in this current climate and market (particularly in light of COVID-19).

A subsidy for obtaining certification or a certification free period was suggested by stakeholders based on the rationale that it can be expected to alleviate the initial financial pressure small businesses could experience during the initial stages of reform being implemented.

When different approaches for executing a mandatory standard was proposed, segmenting the market and imposing a standard based on the type of product produced by an operator was specifically mentioned to be undesirable. The reasoning for this was that the current economic climate makes it difficult for all industries to operate and that it would be unfair to impose financial pressure on one subset of the industry and not another.

5.4.6 Mandatory certification

The representatives believed that small businesses would generally be open to mandatory certification provided that the costs do not prove to be excessive. It was noted that introducing a standard which is mandatory from the implementation stage is expected to create excessive pressure for small businesses to comply whilst remaining operational. The representatives propose that a transition period (one or more years) be considered; during which it is optional for businesses to meet the standard before mandatory compliance is required.

It was also suggested that a good definition for the term ‘organic’ (mandatory or otherwise) in place and backed by the government negates the need for an organic certification and that the implications of this should be considered.

5.5 Retailers

The following are the opinions expressed by representatives of a major retailer in additional consultation discussions.

5.5.1 Current market

A representative reported that the domestic organic market has been growing consistently year to year but do also acknowledge that there may be obstructions affecting this growth due to misalignment between Australian and International standards and approaches regarding organic products; specifically around the absence of a mandatory domestic standard.

Overall, the trend expected in the event of ease of access to overseas markets for industry, resulting from mandatory regulation, is an improvement in the reach of existing industries rather than an increase in the range of products. The representatives explained that the ability for industries to reach equivalency is of primary focus for organic Australian products. The markets currently accessed for exportation purposes were stated to be (outside of Europe and the USA) Asia, specifically South Korea and Japan and in some cases the Middle-east. There is reported to be specific complexities which come about when accessing South Korea as a market for organic products as the products often must have artwork and logos altered to be fit for sale.

5.5.2 Retailed organic products

It was also stated that the retailer typically does not mandate that an organic product be certified but do work on the expectation that an organic product meet some form of organic standards or certification standard in Australia or internationally. Pricing for certified organic products were stated to be determined with the cost of certification baked in.

Nevertheless, the majority of products sold at retailers are identified to be certified organic. With regards to certificatio n, the treatment of organic products appear to differ; the retailer currently conducts checks to ensure that fresh organic products are certified but do not check or require that organic cosmetic products are certified. The requirement for cosmetics products from the retailer’s point of view is that the manufacturer must not provide false or misleading claims of being organic. Imported products are subject to a process to verify its organic origin through the ACO by checking against ACO standards.

In response to the question of product pricing, it was stated that organic product prices are typically locked in for roughly 3 years at a time and that suppliers typically factor in the cost of certification for the product in the cost of the good and the product price.

5.5.3 View on options

As was done across consultation discussions, the retailer was presented with the options for introducing a mandatory standard and a non-regulatory framework involving the introduction of an education campaign. The option for introducing a mandatory standard through commonwealth regulation was considered to be the more favourable option, with the requirement for mandatory certification being admitted produce more cost savings for an organic operator.

Of the initial options presented, the options for development of a standard through FSANZ and the ACCC were not favoured by retailers.

Specifically, comments around these options included:

- the FSANZ option may result in inconsistent enforcement of a standard bought on by differences in treatment between jurisdictions as well as limitations in enforcement, as the standard would only address organic claims for food products.

- the option for enforcement through the ACCC was also not desirable as the representatives regarded enforcement through this option to be too strict based on previous examples. The representatives stated that the 'Country of Origin' labelling proved to be challenging for businesses to navigate in the wake of situations outside of their control such as bushfires. Consultation was stated to be key in mitigating this risk in the event that such an option was selection.

The option for enforcement through legislation is preferred by retailers. Representatives reported that this is desirable as such regulation would capture all organic products and promote consistent enforcement, thereby avoiding the limitations of other regulatory options. However, retailers also cautioned that the cost of such an option would need to be considered and that this would depend on the particulars of what is required under legislation such as certification of an organic product or the need to meet specific audit requirements. It was stated by retailers that it would be a cost saving measure to introduce a single certification logo once an audit on the organic claims of the product was passed by the organic business. Organic labels were stated by the representatives to be useful for exported products provided that there is customer or export market need for such labels.

When prompted what the possible effects on industry following the introduction of mandatory regulation would be, representatives explained that it would be difficult to ascertain the flow-on and direct effects as this would depend on the specific method of implementation for the proposed option. It was noted that should certification be required for the retailer to verify, that smaller retailers will be subjected to an added cost burden.

5.6 Consumer representatives

These insights were gathered from representatives of:

- Organic Consumers Association of Australia
- Consumers Federation of Australia
- Fair Trading Advisory Council
- CHOICE Australia

The following are the opinions expressed by consumer representatives in roundtable and additional consultation discussions.

5.6.1 Current market

It was stated by the group that although a large population of consumers generally do buy products based on price, there is still demand for premium-priced goods such as organic products. Many representatives followed up by noting that, currently, organic products tend to sell well overall.

Indeed, it was reported by the representatives that consumer demand for products, particularly organic products would continue through seasons when domestically grown organic produce are unavailable. Furthermore, the group stated that consumers who purchase organic products are not necessarily those who are 'premium' buyers. It was mentioned that there were many consumers from lower income backgrounds who would actively search for organic alternatives in pursuit of what was believed to be a more personally beneficial alternative. The representatives reported that consumers prefer to buy organic products as they are of the opinion that, compared to conventional products, organic products are a healthier option since organic products are believed to not be subjected to pesticides.

The group did also admit however that despite this, the potential for growth in the market may be hindered by confusion and a lack of trust in the organic market which the representatives report to be as a result of a lack of a single qualified meaning of the term 'organic' and low consumer awareness of organic processes.

5.6.2 Consumer confusion

Consumer representatives acknowledge that there is a lack of consumer understanding about organic products and the current system and treatment of products claiming 'organic' status. It was reported that based on the observations of representatives, that consumers may be confused about the common principles forming the basis for organic claims, the topic of organic certification and the rationale for the premium charged on organic products.

For instance, it was stated that some consumers believe that the products have been cultivated under principles of husbandry, when indeed this may not be the case for all domestic organic products. Some representatives reported to observing the term 'organic' used in multiple ways on labels namely through phrases such as 'transitioning to organic' or a 'percentage organic' or in the implied interchangeable use of 'natural' and 'organic' in packaging. The group expressed that this may likely further confuse customers.

Furthermore, the group noted that the average consumer does not understand the difference between certified and uncertified organic products or the requirements to be met by producers under organic certification. However, the group did admit to noticing that there are some consumers (consumers which actively search for organic products) who are willing to research certification status and the meaning of specific certifications. Regardless the group concurred that multiple certifications and logos for each form of certification was unnecessarily confounding to the every-day consumer and may work to inhibit consumer confidence. Regarding the premium generally claimed for organic products, the representatives stated that the direct reasoning, processes and attributes of the product which rationalise the premium were unknown to the average consumer.

The consumer group concluded there is likely no easy way to implement a single standard as there is no shared understanding of the term organic between the industry and consumers and that as a result, preventing consumer confusion should be a point of focus in any actions taken to further regulate the organic market.

5.6.3 View on options

The general sentiments and statements from the group reflected that the legislative option for introducing a mandatory organic standard was most preferred. Preference for mandatory certification was also expressed, however the groups views on an education campaign were not explicitly stated.

The option for inclusion in a FSANZ Food Standard raised some concerns for consumer representatives. It was stated that this option was somewhat limiting in its exclusion of non-food organic products. Furthermore, it was pointed out that in the wake of upcoming legislation around the term 'organic' in New Zealand, the introduction of Australian regulation through this option may have negative implications for the Trans-Tasman alliance between New Zealand and Australia.

The legislative option was deemed to be the preferred option from a consumer perspective with representatives stating that it can be expected to build consumer confidence and understanding around the process of certification and the meaning behind organic claims. The group stated that from a consumer perspective, it is preferred that the requirement for organic certification is included in a legislative option than not. The implementation of a single logo overseen by government and funded by industry was reported to be an extremely beneficial outcome for consumers. The representatives also stated that a mandatory Australian standard for organic products which applies to imported goods and which specifies that imported goods must meet the mandatory standard is most preferred for the benefit of consumers.

5.7 Certification and advisory bodies

These insights were gathered from representatives of:

- Southern Cross Certified
- NCO Certified
- NASAA Organic
- AUS-QUAL
- ACO Certification Limited
- Organic Food Chain
- The Bio-Dynamic Research Institute
- Organic and Regenerative Investment Co-operative
- Australian Organic Limited
- OBE Organic
- Organic Industries of Australia
- Certified Organic Biodynamic Western Australia
- Organic Systems & Solutions
- Organic Advisory Service Australia

The following are the opinions expressed by representatives of organic certification and advisory bodies in roundtable and additional consultation discussions.

5.7.1 Current market

It was stated that growth in the organic market has been observed widely across different organic product ranges over the last few years. However, the group also notes that there has been some level of attrition due to distribution network limitations.

Retailers were reported to sell more organic products today compared to previously, with 60 per cent of the growth seen in the last 10 years across organic products coming from value-added products. To meet this significant increase in demand domestically, the group stated that processers were required to source organic products from overseas. It was also noted that the number of organic producers has been observed growing at a slower pace when compared to organic processors and manufacturers.

However, the group acknowledges that overall growth is observed across most organic products, including uncertified organic products. The representatives reported that private label organic products typically display 100 per cent certified organic, whereas non-private label products show less than 100 per cent certified organic. Food products are typically 90-100 per cent certified organic. Household products and cosmetic goods were reported to generally be less than 100 per cent certified organic.

Messaging around sustainability and the recent emphasis on health following the pandemic has been noted to have encouraged growth in organic products. In addition to this, representatives stated that as regenerative agriculture practices are gaining market traction, organic products are also becoming more popular – being similarly associated as being environmentally friendly or environmentally conscious – and that these products are likely to see growth as well.

Despite this, however, most representatives agree that issues around supply chains and distribution of products, particularly in the horticulture sector has resulted in attrition in the organic market. The dairy industry in particular was noted by representatives to have experienced this reduction over time. Furthermore, the grain sector was also noted to have undergone some level of attrition localised to specific regions across Australia.

5.7.1.1 Organic claims

The lack of a mandatory standard is noted by representatives to allow for higher risk of contamination of organic products and fraudulent claims which contributes to low consumer confidence in products labelled as organic. The group elaborated that the lack of regulatory scheme to address sub-standard organic practices and incorrect claims as being a contributing factor.

Some representatives noted that the lack of a mandatory standard does not incentivise all businesses to engage in robust organic practices and that this increases the risk of organic products becoming contaminated by non-organic inputs which claim to be organic.

Many representatives noted that there is a history of claims around fraudulent organic products, specifically cases where expired certified organic labels are used by businesses and where businesses have been utilising an organic certified label when certification status has never been reached by a product.

A consumer survey conducted by a certifier in the industry group reported that 31 per cent of consumers of organic products were misled by labelling, which at a household level, is reported to amount to nine million households purchasing organic products left unsatisfied by. Certifiers also noted that they receive complaints from consumers who have been misled and report that they are unable to refer these individuals to a body which may be able to enforce consequences on suppliers for misleading.

5.7.1.2 Online sales

Retail platforms which do promote the sale of certified organic goods are considered by the group to be high risk to the consumer and suggested to contribute to market failure.

The industry group noted that historically, the organic products industry has worked with retailers to ensure more certified organic products which meet AS6000 standards are stocked on shelves. Producers in the industry group explained that this has been achieved through an arrangement of mutual understanding that this is beneficial for both parties and not through a formal arrangement. Online direct sales and marketplaces are reported to be places where this is not possible.

As the group considers certification which meets the export standard to be the gold standard in verifying the organic status of a product, online direct sales and marketplaces, where certified organic is not a requirement for sale, are considered to be platforms where consumers are likely to access low quality organic products. Many representatives noted that this concerns the organic products industry as online sales are becoming more prevalent and that there is a possibility of market failure resulting from consumers purchasing organic claiming products which may be found to not be organic.

5.7.2 Industry view on options

Representatives specifically noted a lack of preference for state-based enforcement of a mandatory standard citing that state governments often devolve enforcement duties to local governments which may not have the resources to effectively enforce a standard. The most preferred option by the industry group was instead stated to be a streamlined mandatory standard which is developed and enforced by the Federal Government via Commonwealth legislation.

According to the industry group, currently, organic processes which are conducted in parallel to conventional processes are stringently audited. The group suggest that a mandatory standard will allow for the industry to grow and overcome the difficulties that the organic side of a business faces in being a low productivity contributor. Many representatives agreed that growth is expected to culminate in organic products becoming a higher priority for businesses and therefore create more resources for eliminating the risk of contamination.

However, some representatives, are discouraged by the amount of time a national mandated standard will take to implement and argue that a change needs to be made now. It was proposed that the AS6000 standard be enforced by government and that additionally, government provide backing for setting up guidelines for organic producers. Representatives state that a staged, streamlined, and efficient implementation process is needed.

5.7.2.1 Mandatory certification

Ultimately certification as a mandatory requirement was agreed upon across most representatives with the preference for a level of flexibility around this requirement to protect against the attrition of supplier numbers.

Most certifiers from the industry group expressed a preference for mandatory certification and did not believe that certification is too onerous or expensive. Some members of the group stated that the organic industry exists for consumers which require for a product to have a particular quality and that certification acts (and is required) to ensure that the integrity of organic products is met.

When prompted on the possibility of certification becoming more expensive to organic operators under a mandatory certification scheme, some representatives from certification bodies reported that the price of certification would not increase if more businesses pursued organic certification for their products.

There was however acknowledgement of a need to develop a process which does not limit the capacity for supply. Third party certifications were reported to be pursued by smaller scale organic producers which are entering the market. Placing a mandatory requirement on certification for organic products was acknowledged by some to limit the access of these producers and possibly result in market attrition.

Following this, there was general agreement across representatives that flexibility around how businesses can look to meet standards should be a requirement under any option actioned by government. The example of meat processing was used by representatives to illustrate that there is a lack of organic processers – individual representatives noted that organic producers are forced to transport and distribute their animals to far off abattoirs to be processed to ensure that the product will meet the organic certified requirements.

5.7.2.2 Education and awareness campaign

Overall, the group agreed that any education campaign would need to demonstrate that the integrity of the regulatory framework, mandatory or otherwise.

The group stated that, regarding an education campaign accompanying a mandatory standard or the current non-regulatory framework, that all documents created should work in parallel with the existing standard and be readily accessible to the public. Representatives from certifiers agreed that they would be able to disseminate a single source of truth as determined by the government based on guidelines presented.

5.7.2.3 Views on a non-regulatory option

Some representatives proposed that an alternative non-regulatory option would be to encourage the development of an industry body which promotes a government backed code (developed and based on the AS6000:2015) as the industry standard.

Under this option, the representatives purported that industry would own the organic standard and would therefore have the opportunity to provide input into what would be widely understood as the primary industry standard. As this would not be a mandatory government enforced standard, the industry representatives also expressed support of the added benefit for industry to maintain some level of independence and ownership of the standard. Furthermore, it is expected by the group that as this code will also be ISO accredited as it would be based on the AS6000:2015. An industry representative also added that staging this option over a 5-year period will ensure that it is viable and adhered to by industry.

Some certifiers in the industry group countered however, that the only avenue for a consistent outcome is a legislative option. It was stated that as there is legislation-backed national standards enforced globally and that Australia should also aspire to achieve a similar standard in preference of a non-regulatory option.

5.8 Regulatory bodies

These consultations were attended by representatives from:

- Australian Competition and Consumer Commission (ACCC)
- Food Standards Australia New Zealand (FSANZ)

The following are the opinions expressed by representatives of regulatory bodies in additional consultation discussions.

5.8.1 Current market

The ACCC promotes competition and fair trade in markets to benefit consumers, businesses and the community. In delivering on this responsibility, the ACCC is tasked with reviewing and assessing emerging issues affecting business from a competition and consumer perspective.

The ACCC has not received many complaints of misleading organic claims. For example, over a three year period from 24 February 2019 to 24 February 2022, the ACCC received 118 complaints regarding potentially misleading organic claims out of a total of 337,600 complaints received (excluding scam complaints).

However, a low level of complaints to the ACCC and other ACL regulators is not indicative that there is not harm or potential harm in the market. Consumers are generally less likely to complain about claims that they are unable to easily test or substantiate for themselves.

The ACCC also closely monitors and values complaints and reports from industry participants that have technical expertise and knowledge, although complaints of this nature are also low.

FSANZ is a statutory authority responsible for developing food standards for Australia and New Zealand. FSANZ representatives reported that regulatory measures formulated by the body around food labelling fall into three main categories - food safety, preventative health issues and consumer issues. The development of a standard outlining the production, labelling and distribution of organic products is considered to be categorised as a consumer issue, one which may be more complex than initially expected where ‘organics’ looks to capture a greater pool of products than just food.

5.8.2 Organic claims

The ACCC reported that complaints received regarding organic claims primarily came from industry participants, with a slightly smaller percentage of complaints made by consumers. It was mentioned that there is a tendency for consumers not to report claims that are difficult to verify. Additionally, these complaints have tended to focus on smaller local businesses which is within the remit of State and Territory ACL regulators. Additionally, these complaints have tended to focus on smaller producers rather than larger operators and around themes such as the definition of ‘organic’ and the inappropriate use of the term organic domestically.

Given the nature of complaints considered with respect to ‘organics’, stakeholders reported that consumers were likely to change buying habits in response to being dissatisfied with an organic product rather than pursue prosecution or complaints. The likely reason for this, as reported by the stakeholders, was that consumers were found typically to not experience significant loss or detriment following the use of organic claiming products, which typically had a cost price which was considered low (ie. under $200).

Based on the ACCC’s experience as an economic regulator, consumers are relatively price sensitive. This means that although consumers will often indicate that they would be prepared to pay more for ethically sourced or more sustainable goods, in practical terms this may not eventuate when consumers make purchasing decisions in store or online.

5.8.3 ACCC views on options

Notwithstanding all the proposed options, Option 3, centred around the implementation of a mandatory standard via an Information standard incorporated in the ACL, was considered in detail by the ACCC, given the ACCC’ involvement in enforcement of this option, alongside state and territory consumer affairs regulators.

In terms of implementation, the ACCC raised the possibility of a voluntary industry code. The appropriateness of such an approach, however, would depend on the challenges of the current system looking to be addressed. The ACCC noted that these codes are typically more aligned with addressing business to business behaviour, which may be a shortcoming where business to consumer outcomes are also wanting to be addressed.

In terms of costs, the ACCC noted that these vary depending on the complexity and length of cases. In some instances, an ACL case may cost up to $500,000 to run, but in some complex contested cases it could cost up to $1 million. Separate to enforcement, the ACCC raised the importance of considering the potential supply chain costs which could arise for industry. These costs were stated to likely be taken on by industry, specifically producers, to meet expected compliance under a new regulatory regime.

It was emphasised that the effect of regulation on smaller businesses should also be considered closely. The representatives expressed particular concern, from a competition perspective, should a substantial reduction in the number of overall operators result and the flow on effects of this to consumers.

5.8.4 FSANZ views on options

Option 2, involving the implementation of a mandatory regime via the Australia NZ Food standard code developed by FSANZ and enforced by state and territory authorities, was largely discussed with FSANZ given their intended involvement in the development of the standard

FSANZ reported that a food and regulatory measure may be undertaken in one of two ways, firstly, in response to an application from industry which is supported by data or, secondly, via a proposal raised by FSANZ with policy guidance from Ministers. Based on their role, FSANZ itself would draft and formulate the standard. It was emphasised that support and backing from state and territory governments as well as the federal government would be required to implement and enforce any measures.

A limitation of this approach was raised, noting that proposals have no specific statutory timeframe and are subject to the timing taken to obtain the best data and policy backing to implement. Costs to pursue developing a measure were expected to total over $1 million in addition to the cost of consultations with industry and associated regulatory bodies.

Further, FSANZ representatives noted that the standard itself would need to be accompanied by guidance on implementation and monitoring of industry and consumer issues. FSANZ anticipated that industry's primary concerns (reported to FSANZ under similar approaches) would be the variation in enforcement approach taken by states and territories.

6 Independent submissions

6.1 Submission from the RSPCA

RSPCA Australia is a leading source of animal welfare science, and works with governments and industries to progress animal welfare across a range of issues.

6.1.1 Context

RSPCA is of the opinion that the practices of organic certified operators do not meet a sufficient standard for animal welfare across animal farming, transportation of animals and animal slaughter processes.

6.1.2 Recommendations

In response to the options being considered, the RSPCA detailed the following recommendations should be addressed upon an option being adopted:

1. a single and agreed definition of the term 'organic' be introduced via a mandatory standard which articulates high standards for animal welfare

2. labelling requirements be implemented which reflect the need for accurate, clear and thorough labels

3. a single certification body be introduced to streamline the current certification process.

Upon implementing these recommendations, the RSPCA are of the view that an organic industry which meets consumer expectations of animal welfare will be realised, which in turn will bolster the confidence of international and Australian consumers of organic products, specifically animal products.

6.2 Submission from AMIC

The Australian Meat Industry Council (AMIC) is the representative body for Australian businesses in the post-farmgate meat industry.

6.2.1 Context

The Australian Meat Industry Council (AMIC) reflected within their submission that:

- the Australian organics industry to grow significantly in the next three years nationally and globally across export markets
- the likely result of current regulation in a growing organics industry is anticipated to include certification complexity, continued cost, poor transparency and unfair competition and lower consumer confidence
- primary challenges under the current voluntary standard include:
    - consumers may be misled by producers which meet minimal organic standards,
    - importers may be able to similarly mislead consumers and receive a premium whilst doing so,
    - export supply chain management is currently too costly and,
    - that exporters are unable to reach MRAs with countries to export organic goods
- organic regulation is expected is key in ensuring the longevity of broader markets, noting that the current lack of a regulatory framework exposes the current industry to claims of consumer deception
- Australia is currently positioned to be a major organic supplier on the basis that the country contributes to 35 per cent of the global organic land production area and that it has further capacity for the production and processing of organic goods
- a voluntary standard, where products are not required to meet organic authenticity credentials, would result in organic products being sold at lower price points (to account for lack of quality verification)
- two potential consequences of a voluntary organic model would include: Australian consumers being subjected to lower quality organic products by businesses seeking to reduce costs and businesses being discouraged from producing organic products for the Australian market at the prospect of receiving diluted returns.

6.2.2 Recommendations

It was proposed that the two standards currently set out for the domestic and export markets (the National Standard and AS6000:2015) be unified into a single standard. Specifically, AMIC noted their preference around the current AS 6000:2015 voluntary domestic standard being the basis for a single standard applying in the organics market.

In terms of reforming the organics regulatory framework, AMIC's overall preference aligned with introducing a Food Standard Code (recognises the AS 6000:2015 standard) developed by FSANZ.

In addition to these preferences, AMIC recommended consideration of exports, imports, as well as the domestic organic industry, given the organics industry's current reliance on and potential to expand globally across export and import markets.

The United States Department of Agriculture (USDA), which does not recognise the National Standard, was cited by the representatives as an example demonstrating regulatory failure.

6.3 Submission from Accord

Accord is a national industry association representing manufacturers and suppliers of hygiene, personal care and specialty products, their raw material suppliers and service providers.

6.3.1 Context

Under the current regulatory framework, Accord detailed that their members look to meet requirements according to standards set out by the ISO which inform the definitions and criteria for natural and organic cosmetic ingredients and products. This is because the ISO standards were written specifically for the cosmetic sector as most other existing standards have been written for the agricultural or food sector which at times is not directly transferrable.

Accord considers AS6000:2015 to be completely inappropriate and not fit for purpose for formulated products such as cosmetics and personal care. Specifically, the cosmetics industry was not involved in the development of AS6000 in 2009 when the standard was first developed and was initially advised that cosmetics would not form part of the standard as it related to farming and food production.

While the National Standard may be more broadly used in comparison to AS6000:2015, Accord remains of the opinion that both standards are most relevant to farming and food production, and not suitable for formulated products.

6.3.2 Recommendations

In terms of potential reform within the organics industry, Accord does not support a mandatory domestic standard for formulated, fast moving goods which claim to be organic or contain organic ingredients. As Australia imports approximately 80 per cent of cosmetic and personal care products for its domestic needs, the regulation of these products is already complex and multilayered with unique Australian requirements. The introduction of further regulatory requirements may prove burdensome given that the current system of claims substantiation for organic under the Australian Consumer Law appears to be operating satisfactorily in the marketplace. For example, the ACCC's enforcement action against GAIA Skin Naturals was cited as prosecution of a false or misleading representation of organic claims, which is perceived by Accord to demonstrate effective market surveillance.

While Accord understand that domestic regulation may be preferred for those in the agricultural sector, it is not considered appropriate for formulated products.

However, in the event that mandatory regulation is pursued as an avenue for regulating the Australian domestic organic market, Accord expressed a preference for streamlined Government certification. With regards to exportation specifically, it was suggested that Australian Free Trade Agreements (FTAs) could be used as a vehicle for recognising equivalence on organic products rather than facilitating exportation through specific negotiations between certifiers and/or DAWE and the importing country.

Further, it was recommended that an opt-in process could exist under a mandatory certification process, whereby domestic manufacturers wishing to export Australian made organic products opt into such a process, as some Accord members have expressed an interest in maintaining a mandatory requirement for the export of organic products to ensure the integrity of the Australian organics sector as a whole.

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