Organic Industries

Voice of Australia's organic industries

Export Strategy

Taking the guesswork out of exporting organic products

Executive Summary

June 2019

Policy Partners

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Policy
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Global opportunities

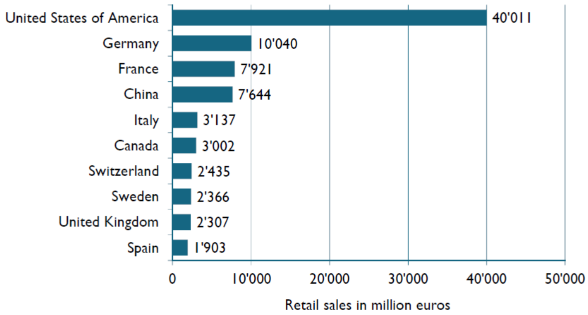
Organic food and drink sales reached $US97 billion in 2017. This is an increase of 8.1 per cent over 2016.

The largest single market was the United States (47 per cent of the global market), followed by the European Union (37 per cent) and China (8 per cent).

Market growth was noted in all countries for which 2017 data was available, and in many cases, sales growth was in the double digits.

Highest organic retail sales

2017 (million euros)



The World of Organic Agriculture 2019

Australian organic exports

Australian organic export data is poor, but overall indicates continued growth in export opportunities.

Almost 40 per cent of organic exports (by tonnes) went to North America. A little under a third of exports were destined for East Asian markets (including Mainland China, Hong Kong, Taiwan, South Korea, Japan, and Mongolia).

The top five export destinations were:

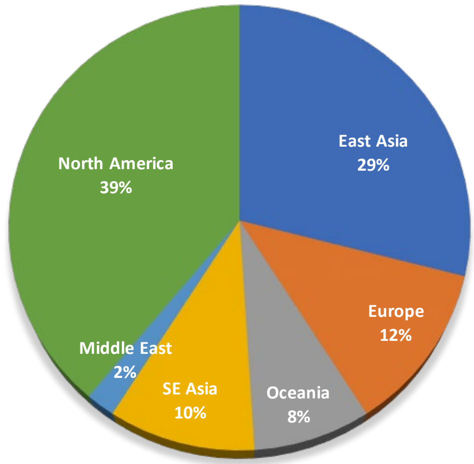
USA
China
New Zealand
South Korea
Singapore

These top five destinations account for around two-thirds of export tonnages. The USA remains the most important market. South Korea has historically been the second most important export market; however, it has been taking a declining share of tonnages over recent years, as exports to other countries increase at a faster rate.

The USA is the dominant export destination for beef (90 per cent of export tonnage) and lamb (77 per cent).

Major organic export markets

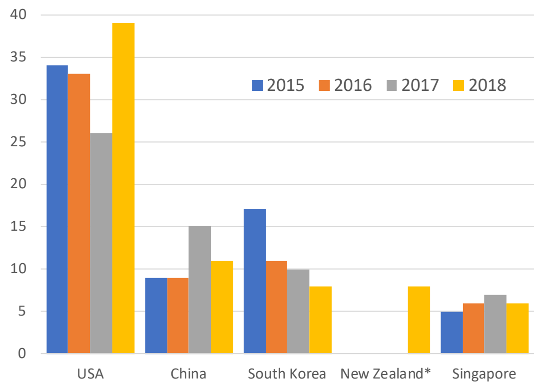
Share by region of destination 2018 (tonnage)



Australian Organic Market Report 2019

Top 5 organic export markets

Share by country of destination (tonnage)



Australian Organic Market Report 2019

** Japan in 2015 & 2017; Hong Kong in 2016*

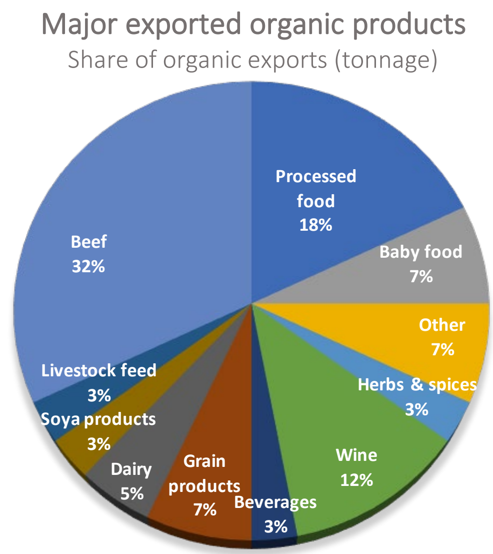
Significant growth in Singaporean imports of Australian-produced organic fruit and vegetables has seen it eclipse the USA as the most important export market for that produce (46 per cent of export tonnage).

South Korea is the largest importer of Australian produced organic soya products (87 per cent of export tonnage).

Mainland China and Hong Kong are important markets for dairy, baby foods and formula, and eggs.

Sweden is a strong market for Australian organic wines (39 per cent of export tonnage). Japan is the largest market for Australian organic nuts (54 per cent).

Beef (32 per cent), processed foods (18 per cent) and baby food (7 per cent) collectively account for more than half of all organic export tonnage.



Australian Organic Market Report 2019

Australian organic export strategy

To leverage growth in global opportunities for organic exports, Organic Industries of Australia Ltd developed an export strategy to achieve the following objectives:

- break down technical barriers to trade for Australian agricultural exports and securing new and improved access to premium markets
- strategic, operational and tangible improvements in market knowledge and access for the Australian organics industry, covering all states and territories and commodities, and a platform for engagement and co-operation with markets
- provide a platform for aligning government, industry and commercial efforts to boost organic exports
- specify clear and measurable organic industry export priorities

Australia is recognised globally as a reliable supplier of quality organic products

Product Integrity	• Every part of the export supply chain must reinforce organic standands
Brand Australia	• Leverage perceptions of clean and healthy production methods
Equivalency	• Improve market access by assisting the Government on equivalency deals
RDC Collaboration	• Work with RDCs to deliver commodity specific export programs
Export culture	• Support potential organic exporters with professional development
Market Knowledge	• Provide industry with the knowledge to underpin successful exporting
Value-Adding	• Assist industry to access premiums through appropriate value-adding

In adopting the export strategy, Organic Industries of Australia Ltd set the following targets over the period 2019-24:

- annual growth in organic trade volumes and values of 15 per cent
- exports of organic products have doubled by 2024 in volumes and value
- the peak body is recognised as an important facilitator of organic exports
- equivalency arrangements in place by 2024 with the USA, EU, South Korea and China

Implementation actions 2019-24

Action	Due	Product Integrity	Brand Australia	Equivalency	RDC Collaboration	Export culture	Market Knowledge	Value-Adding
Organic certification								
Work with certifiers to ensure high standards for product integrity	Ongoing	•	•					•
National Standard aligned with key importing country standards	Ongoing	•		•				•
Improve resourcing of the National Standards Sub-Committee	Jun 20	•						
Prioritised list of changes required to achieve equivalencies	Jun 20	•		•				•
Industry support activities								
Develop a self-assessment Export Readiness Checklist	Dec 19					•		
Annual market visit program	Aug-Sept		•			•	•	•
Develop an export skills workshop program	Dec 19	•	•			•	•	•
Employ a strategic exports facilitation officer	Aug 20	•	•		•	•	•	•
Collaborate with governments								
Lobby and assist the Government on achieving equivalency deals	Ongoing	•		•				•
Access Commonwealth/State programs to improve exports	Ongoing	•	•		•	•	•	•
Incorporate organic into Manual of Importing Country Requirements	June 20	•					•	
Employ a government liaison officer	Aug 20	•		•	•			
Modify OPCs to incorporate value information	June 20	•				•	•	
ABS to amend AHECCs to classify organic produce	Ongoing						•	
Improve export knowledge								
Annual organic exporters Q&A forum with expert panel	Sept		•			•	•	•
Deliver one annual country-specific trade workshop	April		•			•	•	•
Showcase organic exports at annual organic industry conference	Sept		•		•	•	•	
Provide exporters with networking opportunities	Ongoing		•		•	•	•	•
Periodical newsletter—opportunities, challenges, events, programs	Quarterly	•	•	•	•	•	•	•
Develop online portal that catalogues events and programs	Dec 19	•	•	•	•	•	•	•
Develop an online portal of market knowledge	Dec 19	•	•			•	•	•
Develop an online portal with export development tools	Dec 19	•	•			•	•	•
Strategies to improve Brand Australia awareness in export markets	April 19	•	•			•		
Annual survey of export intentions and experiences	April	•	•	•	•	•	•	•
Collaborate with RDCs								
Develop a relationship with each RDC to collaborate on exports	Dec 19		•		•	•	•	•
Work with RDCs to address RD&E gaps and opportunities	Ongoing				•			•
Work with RDCs to elevate export potential of organic products	Ongoing		•		•	•	•	•
Work with Wine Aust to develop organic as a winning wine category	Ongoing		•		•	•		•
Evaluation								
Annual review of progress against targets	June						•	

Supporting organic exporters

Australia's organic industries cover the full range of commodities and do not have a specifically publicly funded R&D and marketing body. Consequently, the organic industry's export market guide has been designed on user-pays principles. The export strategy and some initial market knowledge have been possible through seed funding from the Australian Government.

The organic industry approach has been to build a customisable and user-pays repeatable framework which may be applied on a commodity basis in selected markets. A key issue for implementation is to partner with commodity-based RDCs to develop organic marketing programs.

This is a customisable and repeatable approach. The approach can be tailored between extremes of:

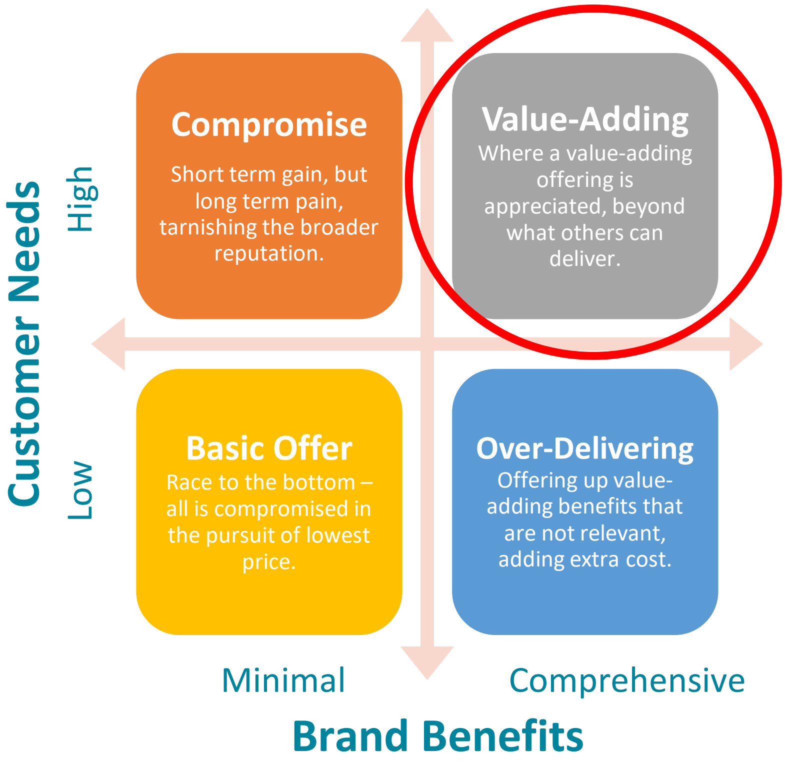
- *highly bespoke—incorporating detailed market analysis, consumer surveys, in-country analyst expertise*
- *relatively inexpensive—applying judgement, client insights and using readily available market information*

General approach to marketing

Most organic producers fall into two categories:

- those who have excess production that is shipped overseas through distributors—in which case, all facets of export are handled by the distributor, and there is minimal need for assistance
- those who wish to diversify their market exposure and access price premiums for quality products
    - this producer needs assistance to develop a value-adding export strategy
    - the trick is not to get caught into an over-delivering or compromise strategy

The over-arching principle underlying the organic industry export strategy is therefore to employ value-adding marketing methods. In particular, organic exporters will leverage the Brand Australia concept.



Value-adding

The organic industry can value-add across several dimensions:

- service—ability & willingness to trim & tailor product to customers own specifications
- responsiveness—meet changing requirements and address issues as they arise (i.e. the need for local adaptation)
- consistency (tolerance)—deliver within a tight quality band so the customer can build market trust
- standards—provide reassurance as to the product's integrity and environmental credentials
- year-round delivery—provide 'base load' so that the customer can rely upon as the primary supplier
- collaborative development—develop the category and drive consumer desirability (i.e. own consumer brand)
- innovation—continuously evolve the offering to reflect the needs of a dynamic market
- stylish—a brand that is aspired to be owned by the end user (conveys sophistication, class and wealth to others)

Brand Australia

Australia enjoys very strong brand imagery in many markets, as it has a reputation for having a fresh, healthy, sunny environment. These markets are particularly well suited to targeting organic exports, which embody clean and healthy production methods.

Food scandals in the past have made Chinese parents increasingly interested in premium brands and organic ranges, which they perceive as more trustworthy. This is particularly true in the organic baby food category, which is boosting growth of organics in China.

Challenges in market readiness

Our analysis of the market readiness of market program participants has raised a range of challenges.

Key Export Challenge	Proposed Solution / Delivery	Notes
1. The required skills, knowledge, experience and culture is lacking among emerging and existing exporters.	• Online workshops • Face-to-face workshops • Forums with export expert panelists • Online export readiness tools • Networking opportunities	• Export readiness focus • Market readiness focus • Workshops and forums delivered for a fee to ensure suppliers serious about export attend • Regional and capital city locations • Where possible, hosted by members • Utilise existing capability building programs and tools offered by FIAL, Austrade, ECA, EFIC etc
2. Price competitiveness of Australian products in export markets	• No specific solution • Foreign exchange and export pricing will be covered in export-readiness activities	• As per key export challenge #1
3. Lack of unique selling proposition or lack of ability to pitch USP in order to compete on non-price factors	• In-market competitor analysis to better understand price and product differentiation • Incorporate pitching skills in activities addressing key export challenge #1	• In-market competitor analysis is cheaper to deliver when aggregated across multiple suppliers • When incorporating pitching skills to workshops, key is to allow time for role-playing.
4. Technical market access	• Online workshops • Face-to-face workshops • Forums with export expert panelists • Online market access tool • Networking opportunities	• Workshops and forums delivered for a fee to ensure suppliers serious about export attend • Regional and capital city locations • Where possible, hosted by members • Build online market access tool
5. Fragmentation of resources and lack of coordinated messaging from Governments and industry bodies	• Periodical newsletter to keep suppliers up to date on key opportunities, challenges, events, and programs • Develop online portal that catalogues events and programs; incorporate link in industry websites (OIA, AOL etc.)	• Broadcast across all potential stakeholders comprehensive and consistent updates across relevant opportunities, events, and programs
6. Lack of market research to better understand product and packaging needs and opportunities	• Periodical letter to keep suppliers up to date on market insights; covering opportunities and challenges • Develop online portal that catalogues market insights; incorporate link in industry websites (OIA, AOL etc.) • For the more export-ready suppliers, undertake market visit programs	• Aggregated directory of market insights that are both category- and market-based will significantly reduce the time and resources spent searching for market information • Market visit programs best deliver market understanding as they include market research, supermarket visits, and engagement with buyers and stakeholders
7. Access to timely market insights	• Periodical letter to keep suppliers up to date on market insights; covering opportunities and challenges • Develop online portal that catalogues market insights; incorporate link in industry websites (OIA, AOL etc.) • For the more export-ready suppliers, undertake market visit programs	• As per key export challenge #6

Key Export Challenge	Proposed Solution / Delivery	Notes
8. Many suppliers have a weak domestic market presence	• Develop a domestic market development program to help suppliers establish broader and deeper channel reach in Australia • Tap into existing domestic market development programs including 'Entrepreneur's Program', 'SmallBiz Connect' etc.	• A strong Australian market base provides a solid foundation to launch into export markets
9. Poor understanding of export timelines and investment	• Incorporate in: o online workshops o face-to-face workshops o forums with export expert panelists o online export readiness tools o networking opportunities	• As per key export challenge #1
10. The lack of scale and continuity of supply	• Incorporate in: o online workshops o face-to-face workshops o forums with export expert panelists o online export readiness tools o networking opportunities	• As per key export challenge #1