

Feasibility Study

Researching the potential to develop an organic farming concept for the Southern Tablelands

An Advance Cairns Project – Supported by DEEDI

Prepared by



OUTSOURCE MANAGEMENT PTY LTD

thinking outside the square!

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Feasibility Study - for an organic farming concept for the Southern Tablelands

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1. Introduction

Producers in the Southern Tablelands region are investigating the potential to brand the area as an Organic Precinct. To do so requires a high level of commitment not only from the producers, but from a number of industry stakeholders and supply chain networks. The intended move is in response to factors such as retail trends for premium pricing, growing consumer demand, and the potential to access Government funds in relation to sustainable farming.

According to the Biological Farmers of Australia Co-op Ltd (BFA), the organic sector is showing signs of sustained growth and while it represents less than 1% of Australia's total retail market, organics are achieving an estimated retail value of \$623 million – a value that is unprecedented in Australia with earlier sales of \$140,669,594 being recorded (DAFF, 2004, p10). For operators who are committed to “consistent delivery of high quality product”, there are significant opportunities for growth, and organics is now a much researched topic at every level of government (Kristiansen et al, 2008, p17).

In light of this, discussions have been held between the organics project organisers and the Town Planning Department of the Tablelands Regional Council regarding an organic concept on the Southern Tablelands. As an outcome of discussions, it was deemed more feasible to narrow the scope to only cover specific sectors. For the purpose of this initial study, these include bio-dynamics, permaculture and other sustainable and health conscious methods of farming under the title of organics.

Due to the high altitude, high rainfall and soil conditions of the region (taking in the previous Atherton, Eacham and Herberton shires; Appendix 1, Figure 3), it is considered that the conversion of a commercial farm to organics would take approximately two to five years for full certification of certain farming operations.

1.1 *Aims and objectives*

The aim of this study is to complete a first stage feasibility assessment that examines the economic, cultural and social viability of establishing an Organic Precinct concept in the Southern Tablelands.

As a feasibility study, this report deals with a macro assessment only and addresses the following key components:-

1. Identifying stakeholders.
2. Identifying growers looking to diversify their agriculture product.
3. Identifying issues, impediments and challenges and opportunities for an organic concept, initially focussing on the following:
 - i. Identifying opportunities for the establishment of a multispecies organics abattoir.

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- ii. Identifying improved raw resource supply opportunities for the organic/biodynamic dairy industry.
- iii. Identifying the opportunities and impediments of establishing an organic farmers market on the Tablelands.
- iv. Identifying a Taskforce of drivers to further the project.
- v. Identifying infrastructure requirements and regulations.

This report therefore includes:

1. Initial research
2. Broad Market Assessment – including considerations for establishing a certified abattoir, growing the organic dairy industry and establishing a farmers market
3. Identification of environmental impact regulations that may affect the establishment of various facilities.
4. Identification of potential broad financial benefits for interested organic stakeholders through comparing some commercial product values to organic product values
5. Identifying investment possibilities to lead to further action in a proposed stage 2 micro feasibility analysis, which would investigate a broader scope of products, supply chains, and marketing requirements.

The study provides direction and a set of actions for the development of an organic plan for the region which could become a replicated model for other regions to use.

It includes recommendations to assist the region with advancing new opportunities, including an organics certified abattoir and the potential establishment of organic markets. Recommendations to assist the dairy industry with new organic and biodynamic opportunities to increase milk supply have also been considered. As have recommendations to inform and educate the community on the outcomes of this project.



2. Consultation Process

Before embarking on any type of branding for an Organics Precinct project it is important to consider the needs and capabilities of the producers in the Southern Tablelands region. As a macro level project, this study has been compiled using a staged approach that provides measurable outcomes during the consulting process.

The methodology adopted is set out in the following phases:

1. Conduct desktop research which also requires the accumulation of reports and journals relevant to the project.
2. Conduct a forum with key stakeholders in the region to explore the issues of the project.
3. Conduct further consultation with key stakeholders as the project may require.
4. Provide an informal report to the Project Coordinators outlining the outcomes of the forum and consultations.
5. Prepare various components of the Feasibility Study in line with the scope of works.
6. Work closely with Project Coordinators Sue Fairley, Nola Craig, Belinda Down and Andre Leu throughout the project who will continue to provide support and essential information.

7. Submit a draft Feasibility Study to the Project Coordinators for review.
8. Incorporate any review comments from the Project Coordinators into the final version of the report and supply the required number of copies.

Regular meetings have been held with the project coordinators throughout the study and a full list of references and suggestions for further reading is contained in Appendix 2.

3. Key Stakeholders

As part of the initial consultation phase a number of stakeholder groups were identified in relation to this project. These include existing certified producers, industry advisors and industry sectors.

3.1 Existing Organic, Bio-dynamic and Permaculture Entities

Name	Business/Trading Name
Michelle Bell–Turner and Rob Watson	Mungalli Creek Dairy
Jude Nechtwatal	
Steve Plozza	Plozza Bio-Dynamic Beef
Sarah Isherwood	
Gary Haines	MCC Butchery
Mitch Humphries	Australian Dairy Buffalo Company
Susan Curtain	Happy Beef
John & Jillian White	
Veronica Griffin	
Brad Carr	
Geraldine McGuire	
Kate Nickolic	
Betty Cashmere	
Adam Cooper	
Anthony Fermo	Belly Basics Biodynamic Eggs

3.2 Key Industry Advisors

Name	Business Name
Sue Fairley	Small Business Advisory Service / Gulf Savannah Development /Tablelands Futures Corporation
Belinda Down	DEEDI Cairns
Nola Craig	Australian Tropical Foods/Advance Cairns
Andre Leu	Organic Federation of Australia
Sarah Rizvi	Council Planning
Safe Food	
Robert	Council
Brett Wedding	CFT

Name	Business Name
Matt Weinert	Ag Science
Peter Holden	Ag Science
Joe Rolf	Beef
Bernie English	Beef
John Kilpatrick	Ex DPI

3.3 Existing Agri-food Industries

1. Dairy
2. Poultry
3. Pigs
4. Beef
5. Goats
6. Grain
7. Aquaculture
8. Fruits
9. Vegetables
10. Indigenous – Bush Tucker
11. Wine
12. Tea
13. Coffee
14. Sugar
15. Bamboo



In addition to these groups, a number of *potential* stakeholders have been identified and listed in Appendix 3. These include producers with the potential to convert to organic farming practices, value-add partners, retail partners, and other supply chain businesses.

Based on the number of active and potential contributors – and the level of support raised at the recent stakeholder forum - there is substantial opportunity for an Organic Concept to work in the Southern Tableland region. The logistics are examined via the rest of this report.

4. Producers looking to diversify

A detailed list of producers who are either involved with or interested in organics, bio-dynamics or permaculture farming practices on the Tablelands has been compiled and is presented as Appendix 3. This list was produced following an industry forum on 17 March 2010. For the purpose of this report, only producers involved with (or interested in) organic Dairy, Abattoir and Farmers Market concepts have been investigated in detail.

Of the 85 key contacts identified on the list:

- 15 are from the organic meat, eggs and dairy sector
- 37 are organic grower producers
- 3 are organic retailers
- 2 provide permaculture services
- 5 are organic food manufacturers (or provide ancillary services related to manufacture)
- 1 is a service provider who specialises in the organic sector
- 3 are from organic industry certification bodies
- 4 are from the government sector
- 15 are interested in either learning about or diversifying into organic farming practices – this equates to 17.7% of producers profiled to date

While the majority of these producers are actively pursuing organic farming practices, of particular interest are the 17.7% not yet pursuing organic practices. One such example is Byrnes Meats who, through the abattoir facility at Rocky Creek, has indicated an interest in diversifying into organics if there is enough demand to warrant the certification process.

5. Market Assessment

5.1 Market snapshot of primary production on Atherton Tablelands

According to Cummings Economics, prospects for the agricultural industry in Far North Queensland are excellent. In a report tabled in February 2010, findings suggest the agricultural sector has been (and remains) a significant contributor to the regions' growth in recent decades. It remains the major sector underpinning the economy of rural centres, and the continued expansion of agriculture is considered a major reason for population growth outside the primary district of Cairns.

The contribution of the agricultural sector to the Far North Queensland economy is highlighted in Table #1.

	Crops			Livestock Products	Livestock Disposals	Total
	Fruit	Other	Total			
1982/83	\$27 m	\$155 m	\$182 m	\$17 m	\$34 m	\$233 m
1992/93	\$239 m	\$258 m	\$497 m	\$34 m	\$66 m	\$597 m
2002/03	\$350 m	\$345 m	\$695 m	\$45 m	\$147 m	\$888 m
2007/08	\$437 m	\$251 m	\$688 m	\$39 m	\$293 m	\$1,020 m
Av An Gwth 25 yrs 1982/83 to 2007/08	11.8%	1.9%	5.4%	3.4%	9.0%	6.1%
Real Av An Gwth 25 yrs 1982/83 to 2007/08	7.8%	(-2.1%)	1.4%	(-0.6%)	5.0%	2.1%

Source: Cummings Economics - from ABS data.

While these figures are for the entire Far North Statistical Division (District 5010, Appendix 5), the results are indicative of the importance of Agriculture to the Atherton Tableland. Precise data specific to the Southern Tablelands region is not currently available.

An important feature of the region is the diversified nature of the geography of the area. Different microclimates, soil composition, altitude and rainfall have led to an incredibly diverse range of crops being produced, while also facilitating vibrant livestock and dairy industries (Appendix 1).

The diverse range of industry means that sections of the Tableland react to market pressures, climatic changes, and other influences differently so while each individual product may be quite volatile, the region as a whole is relatively stable.

The diversified economy of the Tableland is highlighted in Table #2, and as at 2007/2008, was valued at \$330 million in farm gate prices.

Agricultural Activity		Area (ha)	Volume Sold	Unit	Gross Revenue
Horticulture	Mangoes	2,492.43	26,170.54	Tonnes	\$53,200,970
	Bananas	735.00	19,767.00	Tonnes	\$33,195,462
	Avocados	749.33	6,744.00	Tonnes	\$22,929,600
	Papaya	162.00	17,058.60	Tonnes	\$22,307,400
	Lychee	322.65	1,887.50	Tonnes	\$9,437,494

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	Longans	134.75	1,042.29	Tonnes	\$5,211,456
	Citrus	310.00	5,649.44	Tonnes	\$7,388,335
	Sub Total	4,906.17			\$153,670,717
Field Crops	Peanuts	1,500.00	7,050.00	Tonnes	\$5,781,000
	Potatoes	2,348.00	82,180.00	Tonnes	\$50,746,150
	Sugar	7,400.00	666,000.00	Tonnes	\$19,086,228
	Tea	750.00	2,625.00	Tonnes	\$2,625,000
	Coffee	220.00	330.00	Tonnes	\$1,815,000
	Watermelon	80.00	3,000.00	Tonnes	\$2,400,000
	Pumpkins	180.00	5,400.00	Tonnes	\$4,050,000
	Maize	5,000.00	35,000.00	Tonnes	\$9,398,550
	Grass Legume Seed	3,916.00	2356.30	Tonnes	\$12,959,650
	Hay	3,000.00	150,000.00	Bales	\$3,000,000
	Sub Total	24,394.56			\$111,861,578
Livestock Industries	Cattle	40,000.00	21,700	Head	\$23,173,496
	Dairy	12,480.00	75,160,800	Litres	\$37,580,400
	Pork	20.00	13,638	Head sold	\$3,685,762
	Poultry	40.00	8,000,000	Head sold	\$4,456,000
	Sub Total	52,540.00			\$68,895,658
	TOTAL	81,840.73			\$334,427,953

Source: Cummings Economics from DEEDI, Primary Industries and Fisheries, Cairns. Cited in Mareeba Chamber of Commerce Annual Report, 2010.

As a comparison, the estimated value of farm-gate sales of certified organic produce across Australia is \$231,569,977. (Kristiansen et al 2008, p31).

Against a backdrop of under-utilised agricultural land and water resources, an increase in air capacity for airfreight cargo shipments, and Main Roads' investment into the Bruce Highway to aid road transport constraints, prospects for the region remain positive (Mareeba Chamber of Commerce, 2010; Cummings Economics, 2010).

5.2 Current Organic, Bio Dynamic and Permaculture market on Atherton Tablelands

Current producers involved with organic, bio-dynamic and permaculture production on the Atherton Tablelands include:

1. Michelle Bell-Turner and Rob Watson
2. Jude Nectwatal
3. Steve Plozza
4. Sarah Isherwood
5. Gary Haines
6. Mitch Humphries
7. Susan Curtain
8. John & Jillian White
9. Brad Carr
10. Geraldine McGuire
11. Kate Nickolic
12. Betty Cashmere
13. Adam Cooper
14. Anthony Fermo

On the outskirts of the Tableland in nearby Kuranda, a conference is being organised by Cairns-based business *Permaculture Cairns* and is scheduled for September 24 to 27, 2010. The conference is entitled “Getting Australasia Ready: Permaculture Solutions for a Changing World” and is expected to attract up to 300 visitors.

The event builds on the profile of the region and will offer “a week of presentations, workshops and discussions about the sustainable future of agriculture, urban and community development”. (The Cairns Post, Wednesday 24th March 2010). Produce from the Atherton Tableland and Cape York will be utilised for onsite catering. (Further event details can be accessed at www.apc10.org).



5.3 Organic, Bio Dynamic and Permaculture market in Queensland and Australia

Across Australia and within Queensland, the organic market is performing well and appears to be on an upward trend. In terms of retail value, the Australian organic sector is estimated to be worth \$250 to \$400 million per annum and demand is outstripping supply. According to RIRDC, consumer demand for organics is rising at a rate of around 24-40% per annum and in response to this demand, production in Australia has been increasing at a rate of around 6-15% per annum. As the difference between supply and demand remains substantial, a large percentage of organic produce (including grains) is currently being imported (RIRDC, 2010).

In terms of farm land usage, 7,489,578 million hectares are reported as being dedicated to organic farming practices in Australia. Of this, around 3% is considered to be ‘in-conversion’ and around 3% is in the ‘pre-certification’ stage of achieving organic certification. It is estimated that 97% of organic farm land area is used for extensive grazing so this implies that 360,000 hectares are being used for ‘other’ types of organic production in Australia.

Of all the states, Queensland has the most land area dedicated to organic farming with approximately 7,103,189 hectares currently reported as being organic. This represents more than 90% of Australia’s organic land, a fact that is largely due to the nature of Queensland farms which tend to be rangelands used for organic livestock production (Kristiansen et al, 2008).

Table#3: Certified organic, in-conversion and pre-certification land area reported in the Australian Organic Market Report Survey, categorised by State.

State	Organic	Area (hectares) In-Conversion	Pre-Certification
QLD	7,103,189	170,903	7
NSW	364,503	53,767	8,308
VIC	7,311	646	11,315
SA	4,131	220	225
WA	2,925	1,405	834
NT	2,128	180	148
TAS	1,202	0	0
Not Reported	4,189	0	0

Source: Kristiansen et al, 2008, p. 27.

6. An organic concept for the Southern Atherton Tablelands

6.1 *An Organic Concept for the Southern Tablelands*

The phrase ‘organic concept’ incorporates more than just the agricultural or farming practices related to chemical-free production systems. As outlined by CSIRO, in the context of commercial production the term ‘organic’ often encompasses the full supply chain from inputs to final manufactured product, as well as the social and cultural aspects of the organic movement (Kristiansen et al, 2006).

Consideration of an organic concept therefore requires more than just looking at the farms. An organics industry is composed of “processing facilities, logistics operations, wholesalers, retailers, exporters, certification organisations and a range of other individuals and organisations” (DAFF, 2004, p1). In relation to the Tablelands, the organic concept must therefore consider key players from the full gamut of industry providers and the associated networks and linkages.

This loose definition can be adapted to the Southern Tablelands. It is relevant as it highlights the socio-economic impacts the organics industry may potentially bring and encompasses the key areas of organic, bio-dynamic and permaculture practices, each of which are closely linked and rely on the same supply chains for success.

With that in mind, an organic concept for the Tablelands is essentially a cooperative model that requires structure, commitment, engagement and vision. A key factor is therefore to establish a Precinct Advisory Committee consisting of industry players who can decide on objectives, aims and priorities for the region and then make investment decisions on the precinct year to year. This process is already underway and currently being led by Susan Curtain of Happy Food Farms.

An organic precinct is also a branding opportunity that can raise the profile of the Southern Tablelands and generate demand for its unique produce and value-added products. At present, many of the producers interested in organics are quite small and unable to supply product in commercial quantities - without economies of scale, the market is therefore inhibitive for these farmers. However, by working together as a co-op and leveraging off existing brands such as Mungalli Creek, producers have indicated that they’re keen to give the concept full support.

6.2 *Production conditions*

At between 600-1100 metres above sea level, the Atherton Tablelands are quite cool and fresh in comparison to areas along the coastal plain. The regions’ volcanic soils lend themselves to a diverse range of agriculture production including dairy, livestock, fruits, vegetables and nuts.

There is an abundance of water available from the region’s rivers and lakes (Mitchell, Walsh, Barron, Herbert, and Johnstone), which enjoy an average rainfall of 1419.2 mm per annum (the bulk of which falls in Jan/Feb/Mar), and average temperatures range from a maximum of 26.0 to a minimum of 14.5 degrees celsius (Sources: [BOM website](#) and www.athertontablelands.com.au).

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While these conditions are favourable to farming in general, conversion to an organic production system must be considered on a farm-by-farm basis. In practice, organic farming methods must take into consideration variables such as the specific soil composition of the land, past and present water management systems, and the history of disease. The following example highlights this need:

“In parts of south-eastern Australia broadacre, organic cropping depletes phosphorus from the soil because the allowable organic fertilisers are inadequate. In contrast, further north in the rangelands of western Queensland, running beef cattle organically is straightforward and the farms appear to be no less sustainable than before conversion” (Kristiansen et al, 2006, p3).

As the focus of this study is on farm-gate producers, not on external value-add partners, closer analysis is required to fully identify the conditions required to convert areas of the broader region to an organic production system. However, given that a number of producers have already been successful, the region appears well suited to the organic production methods.

6.3 Organic Concept Case Studies

There are many examples of successful organic precincts across Australia with the concept now being readily accepted in regional agricultural zones. Of particular note are the following success stories from NSW and Tasmania which highlight industry-wide cooperative structures.

6.3.1. New South Wales

Organic Reference Group

In 2006, the Organic Reference Group (ORG) was established as an alliance between industry and the University of England (UNE) in Armidale. ORG aims to “lead in innovative research for the Australian organic industry” and provides a focus for research activities relating to organic production (http://www.bfa.com.au/files/x09aoj_048-49.pdf). ORG brings together the Primary Industry Innovation Centre at UNE, the NSW Department of Primary Industries, and industry stakeholders such as input suppliers, growers and individual farmers. Part of its role is to identify and manage collaborative funding opportunities for the region, and to facilitate learning opportunities for postgraduate students.

In addition to ORG, the New England Organic Beef Network was established to grow the organic beef network in the New England area. Initially, the aim was to increase the number of certified organic beef producers so that collectively, the area would reach a critical mass on production volume of 100 head per week - the level “required to enable local processing at the regional abattoir in Inverell” (http://www.bfa.com.au/files/x09aoj_048-49.pdf). The network was established by a number of local beef growers and conducts its own research in conjunction with the local university (University of New England).

Armidale Food Co-operative

Another example of collaboration is *The Connecting Organic Food Co-operatives project* which successfully formed the Armidale Food Co-operative – a network of organic food producers in NSW. The co-operative acts as a retail outlet for local producers and in 2006, was generating monthly sales of \$30,000 with almost 300

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members (http://www.bfa.com.au/files/x09aoj_048-49.pdf and http://www.bfa.com.au/files/x06aoj_020-21.pdf).

The Co-op has opened a not-for-profit, community owned store that sells fresh and local organic, biodynamic and chemical-free backyard produce with minimal or no packaging.

Tweed Richmond Organic Producers Organisation (TROPO)

A similar model has worked effectively in Tweed Heads in Northern NSW, where in 1989, TROPO was established to foster organic agriculture in Northern NSW. TROPO's Rainbow Region Organic market – held on the first Tuesday of each month - has been trading successfully since 1999 (<http://www.lom.organicproducers.org.au/>). TROPO's also coordinates or promotes community events and has been involved in staging field days, farmwalks ('how to' tours where visitors are guided on how to grow their own produce), a soilcare expo (soil health and sustainable farming), and educational workshops. Events are run in conjunction with appropriate partners such as the local Agricultural College (Wollongbar Agricultural Institute).

6.3.2. Tasmania

Organic Coalition of Tasmania

The Organic Coalition of Tasmania (OCT) was established to improve industry structure and provide information to local growers in an easily obtainable format. The group runs its own agricultural field days, contributes to research in conjunction with the University of Tasmania, conducts industry surveys, and manages a dedicated website portal at <http://www.oct.org.au/>.

In 2002, the OCT developed a strategic plan specifically addressing the concerns of local producers and now plays a key role in implementing and managing the plan. The group held regional forums to obtain inputs for the plan and the top ten key issues were identified:

1. Provide Information
2. Improve Industry Structure
3. Clarify Certification
4. Provide Mentoring
5. Partner with Government
6. Maintain Integrity
7. Educate the Supply Chain
8. Protect Organic Systems
9. Educate the Demand Chain
10. Market Tasmanian Organics

Each year, the OCT identifies two main drivers to be addressed so that focus can be retained and actions expanded and delivered. The outcomes are then communicated to their members.

As a comparison, this example from QLD highlights cooperative success within a single sector.

6.3.3. *Queensland*

OBE Beef (excerpt from *The Australian Organic Industry – A Summary*)

OBE Beef Pty Ltd, founded in 1995, is an initiative by a group of more than 30 beef producers in the Channel Country of outback Australia. The area that is collectively owned by producer members exceeds seven million hectares and represents the largest organic beef project in Australia, and possibly the world.

OBE Beef producers have been able to implement the change to organic management practices effectively due to the unique location and low incidence of pest species. Modern technologies, including light aircraft, computer communications, television and radio telephones, enable OBE Beef's entry into global and domestic food markets.

The company uses the Internet to conduct most of its business. Within a 24-hour period, a client in Asia may request an order of beef by email. OBE Beef arranges specifications, logistics and supply and then requests its logistics partner, Stockyard, to negotiate the contract. Cattle are supplied within 14 days. Good communication along the supply chain ensures accuracy, trust and a stable business environment for all partners.

OBE Beef is committed to working with its supply chain partners in order to further promote the benefits of organic production. This commitment is reflected in OBE Beef's willingness to participate in domestic and international forums. The company understands that sharing knowledge provides a whole-of-industry benefit.

(DAFF, 2004, p 36-37)

6.3.4. *Stakeholder Feedback in relation to Organic Certification*

There is a rumbling of concern about the benefits of becoming a certified organic producer and the associated costs with gaining accreditation. Certain industry players believe there may be greater benefits in developing of a peer assessment system as they don't support the view that funding via regulation contributes to furthering the commercial development of the organics sector.

Further to this, some parties have raised concern over the levies paid for research in the organics sector not going back to the farmers. Instead, the levies are seen to be going into commercial research and development. If this is not the case, there is a need for public identification of the projects currently in place, and recognition that the funding is being used for R&D specific to organics.

Key Outcomes from Case Studies

From these examples, the following key elements can be identified as critical to success in developing a precinct for the Southern Tablelands:

- collaboration to enable consistency of supply and the viability of processing partners such as abattoirs
- having a 'public face' and ensuring that products are easy to source and buy
- government support
- volunteers to act on opportunities and drive/promote the concept
- production of consistently high quality products
- community support and engagement

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- ability to work together to achieve critical mass and strengthen the precinct's voice in the market
- close relationships with processors and distributors
- development of community events to encourage community support of the precinct, for example field days, farm tours, educational workshops and tasting booths.

In achieving these elements of success, the main challenges faced include:

- capital – especially in the absence of government support. A potential model may be to request that participants purchase shares in the coop
- human resources – a lack of trained and appropriately skilled volunteers at board level can severely limit the co-ops success
- awareness – due to limited promotional budget, creative PR must be planned and implemented to maximise opportunities for promotion
- co-op structure – while collaboration and committees are effective, one person must be nominated as the public face and held accountable for all decisions made by the cooperative

These factors should be considered when taking the Organic Concept forward.

6.4 Benefits

The benefits associated with establishing an Organic Concept on the Tablelands are:

- A unified approach will assist with developing economies of scale in production, leading to consistency of supply
- Sharing of knowledge will enable farmers who are new to organics to make the transition more efficiently
- Strengthens the branding of the region if the majority of producers are operating under the organics banner
- Implications of climate change – sustainable use of water and land resources are core to organic farming methods. Organic production can ensure the productivity of the region for years to come.
- Will enable investigation of new market and supply channels
- Improved yields over time as soil composition returns to its natural state
- Pooled funds and resources may facilitate the purchase or upgrade of major plant and equipment, for example Mungalli Creek Dairy may consider a cooperative arrangement with farmers to assist in funding the processing plant

6.5 Opportunities

With a broad range of organic crops already being produced and sold successfully, a supply and demand model currently exists and this can only be strengthened through the development of a cooperative “organic precinct” concept.

Through economies of scale, the region will be more competitive and effectively placed to take advantage of emerging trends. For example, the International Specialised Skills Institute Inc (ISS) has identified an emerging trend as being able to develop:

...value added organic products (eg: heat and serve) to compete in the convenience market and promoting the benefits of these products will contribute to changing Australians' eating habits. (Lethlean, 2008, p3)

Collaborative projects are also more likely to be successful in gaining substantial government funding. With this in mind, a current Grant Opportunity for the region has been identified:

Grant: Caring for our Country Business Plan 2010-11. Priorities for investment - Sustainable practices

Grants will be allocated via an open call for proposals valued at between \$20 000 and \$300 000. Expressions of interest are also being sought for projects between \$300 000 and \$1.5 million (up to a total of five projects). **These grants are closing on Thursday 15 April 2010.**

Note that the deadline for this grant is critically close and that action would need to be taken immediately by the Taskforce. Further details can be accessed online at: <http://www.nrm.gov.au/business-plan/10-11/priorities/sustainable/index.html>

6.6 *Issues/impediments/challenges*

“One major drawback with organically grown produce has been the lack of shelf life for these products both vegetable and animal. Many common goods that we stock in our pantries and fridges are chemically enhanced with many synthetic preserving agents that “keep” our food longer on the supermarket shelf, therefore finding methods of preserving, snap freezing or processing without the use of synthetic preservatives is another reason to value add to organic foods.” (Lethlean, 2008, p3-4)

While the organics sector is growing rapidly in Australia, a real challenge in competing with ‘conventional’ suppliers is the ability to maintain freshness and to provide consumers with a product that will last after purchase.

Other challenges to be considered include:

- Cost of achieving organic certification
- Public perception of “green washing” can be quite negative - legislation addressing use of organics in brand messages must be carefully researched and adhered to
- Proposed carbon emissions trading scheme may impact on production costs in future
- Inability of governments to keep up with consumer trends such as demand for raw milk
- Consumer education – can be costly to implement but is performed quite well in other states
- The Organics Federation of Australia (OFA) do not have a promotional budget that enables them to get the message out to the public – must be carried out locally
- The cost of converting from traditional to organic farming methods can be prohibitive and carries with it some risk in terms of lost production/income
- Stock presentation – often looks the same as ‘conventional’ produce
- Consistency of supply while farmers make the transition from conventional to organic – 2 to 5 year process
- Transport and packaging costs
- Cost of ongoing research and development and marketing to maintain market niche
- Open communication and knowledge sharing– especially amongst competing producers
- Consistent supply of necessary inputs (eg organic grain) and outputs (eg organic processors)
- Competing organic producers from other parts of Queensland and interstate are marketing aggressively into FNQ and are often picked-up as suppliers when local producers cannot meet demand – local suppliers then find it difficult to re-enter the supply chain

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At a national level, a major challenge to the sector has been identified as a general level of inexperience of organic farmers:

“Experience with trading, processing or manufacturing certified organic produce tends to be low, with more than half of the respondents having 5 years or less experience, although there is a solid group of more experienced operators with 20% having at least 15 years” (Australian Organic Market Report, 2008, p29).

However, this can be seen as an opportunity for the Southern Tablelands as it suggests the industry is highly innovative, hungry for knowledge, and very willing to learn.

6.7 *Conventional Vs Organic: Financial comparison*

Although there are challenges faced in converting to organic farming, organic products usually sell for a price premium when compared to conventional products at retail level. Further to this, organic branding can often be leveraged quite well in retail outlets as products are placed in premium positions on shelves.

However, if quality is perceived to be poor, organic branding does not guarantee a higher price will be paid by the consumer, and there is no guarantee that the premiums charged by retailers will be passed onto the actual producer. This is a concern as the end product produced by organic producers may look very similar to products produced via conventional farming, but the inputs and processes are quite different and considered costly to implement.

A final consideration is that stores who claim to stock organic product (and use this in their advertising) often carry small amounts of stock and limited product lines, which has the potential to create negative perceptions with the general public and negate the effect of advertising campaigns conducted by the organics industry itself.



With that in mind, the price premium obtained for organic produce can be quite staggering. The following table shows the premiums for a range of products currently on sale in the Cairns and Tableland area.

	Traditionally Grown	Organically Grown	\$ Difference	% Difference
Bananas	\$1.58 / kg	\$4.95 / kg	3.37	213.3
Avocados	\$3.20 / kg	\$8.00 / kg	4.80	150
Citrus (Valencia)	\$1.50 / kg	\$3.90 / kg	2.40	160
Potatoes	\$1.70 / kg	\$4.10 / kg	2.40	141.2
Tea	\$1.50 / 10 bags	\$3.55 / 10 bags	2.05	136.7
Coffee	\$6.49 / 200g	\$8.55 / 200g	2.06	31.7
Watermelon	\$1.94 / kg	\$2.60 / kg	0.66	34.2
Pumpkin	\$0.90 / kg	\$2.80 / kg	1.9	211.1

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	Traditionally Grown	Organically Grown	\$ Difference	% Difference
Milk	\$2.43 / l	\$3.60 / l	1.17	48.1
Brie Cheese	\$3.99 / 150g	\$9.80 / 175g	5.81	145.6
Yoghurt	\$5.00 / kg	\$5.70 / 500g	0.7	14
Chicken Breast Fillets	\$6.87 / 500g	\$17.99 / 500g	11.12	161.9
Lamb Loin Chops	\$9.99 / 500g	\$11.99 / 500g	2.00	20.1
Pork Scotch Steak	\$16.99 / kg	\$33.00 / kg	16.01	94.2
Beef Mince	\$8.99 / kg	\$17.98 / kg	8.99	100.0
Beef Rump Steak	\$23.99 / kg	\$33.98 /kg	9.99	41.6

(Prices sourced from online stores such as Coles, Woolworths, Farm Fresh Organics, and Access Organics. Current as at 30 March 2010)

If this list represented your shopping for the week, the price premium for this range of organic products compared to a similar basket of conventional products is \$80.14 – with an average percentage difference of 106.5%. This indicates a viable and lucrative market at retail level, but does not necessarily translate to the farmer.

According to national studies on pricing for organics, there is a considerable difference in price between states which indicates that price premiums are driven at store level, not farm level. The price is therefore often a reflection of the socio-economic area in which organic products are being sold.

In other words, “high premiums are being charged to a clientele with a disproportionately high willingness to pay due to high-income levels or lifestyle preferences” (DAFF, 2004, p22). This suggests that pricing is currently inflated and that to increase demand for organic products – or to compete against the larger retailers - cooperative groups may need to bring their prices more into line with the conventional market.

Estimates of price premiums around 15% would be readily accepted by health conscious, general public consumers (DAFF, 2004).

		Organic	Conventional	Organic Number*	Org/Conv %	Org/Conv %
1998 - 1999				1985 -86		
Total Cash Costs	\$/ha operated	87	146	1	59	59
Total Cash Receipts	\$/ha operated	172	231	1	74	69
Total Farm cash operating surplus	\$/ha operated	85	85	2	99	78
Adjusted returns to capital and management	\$/ha operated %	11.78 0.82	8.45 1.43	3 3	128 51	112 156
1999-2000						
Total cash costs	\$/ha operated	93	146	1	63	-
Total cash receipts	\$/ha operated	139	259	0	54	-
Total farm cash operating surplus	\$/ha operated	46	113	0	41	-
Adjusted returns to capital and management	\$/ha operated %	-15.80 -1.41	39.70 3.94	0 0	-	-

**Number of individual organic farms with greater values than their counterparts (Source: Burnett et al, RIRDC, 2005, p10)*

7. Organic Abattoir

For an organic livestock industry to grow on the Southern Tablelands, it's been identified that a certified organic abattoir needs to be established and/or an existing facility needs to take on certification on or near the Tableland region. The need is driven by producers at

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this point as opposed to by direct consumer demand, and has been demonstrated through stakeholder interviews, meetings and forums.

To be commercially viable, provide for the diversity of species farmers may wish to grow, and achieve the necessary throughput per day, the abattoir would need to be tooled to manage multiple species including cattle, sheep, goats, pigs, deer and potentially buffalo. It would need to be centrally located to (a) minimise live transport distances and therefore animal stress; and (b) retain easy access to refrigerated freight networks via road, air and sea.

While the Tableland does have local abattoirs catering for both conventional and Halal butchery, boning and processing, there are no certified organic abattoirs in the region at present. This is identified as a prohibiting factor for livestock producers and as such, the organic meats industry is very much in its infancy.

The nearest certified organic abattoir is located at Tully. The abattoir is owned and operated by Jervois Meats and at the present time, it is understood to be exclusively for the processing of their own livestock.

7.1 *Market opportunity*

In relation to organic meats, there are four main organic producers operating on the Tableland and two located in nearby areas. The Tableland producers include:

Trading Name	Core Produce	Primary Contact	Location
1. Happy Food	Organic Pork/Beef	Susan Curtain	Malanda
2. British White Beef	Organic Beef	Steve Plozza	Butchers Creek
3. South Cedar Pastoral Company	Organic Beef	Boyd Lacey	Ravenshoe
4. Neef Beef	Organic Wagyu Beef	Kate Nikolic	Mt Garnet

And the nearby producers are:

Trading Name	Core Produce	Primary Contact	Location
1. Belly Basics Biodynamic Eggs	Organic Chicken & Eggs	Anthony Fermo	Gordonvale
2. Jervois Organic Meat	Organic Beef	Kristine Jonsson	Tully

In addition, Jack Borgert of Dirranvale Beef Farm is interested in converting production to organic farming methods.

In terms of conventional meat production, speciality meats (excluding poultry) for the region include:

- lamb
- deer
- goat
- beef
- buffalo
- pork

While precise figures for organic production on the Tablelands are yet to be identified, in the year 2007/2008 cattle production alone for 21,700 head was valued at \$23,173,496

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(Cummings, 2010). This figure takes into account organic and conventional farming methods and in the context of total sales for the Tableland region, equates to 33.6% of all livestock and 6.9% of total agricultural production.

While anecdotally demand for organic meat is on the rise, an examination of national sales figures shows a slightly different trend that highlights both opportunities and threats in the market.

In terms of organic farm-gate sales, in 2003 the estimated national sales value for certified beef was \$52,349,101, for sheep and goats was \$2,915,387, and for pigs was \$745,750. This represents a combined sales figure of \$56,010,238 (DAFF, 2004, p11).

However, in 2008 the estimated sales figures were quite different. In 2008 organic beef sales were estimated at \$31,640,544, sheep and goats at \$9,135,666 and pigs at \$324,618 (BAF, 2008, p32). This combined figure is significantly less than the 2003 projections of \$41,100,828.

Commodity	2003	2008	Difference
Beef	\$52,349,101	\$31,640,544	-\$20,708,557
Sheep & Goats	\$2,915,387	\$9,135,666	\$6,220,279
Pigs	\$745,750	\$324,618	-\$421,132
Total	\$56,010,238	\$41,100,828	-\$14,909,410

Sources: 2003 Figures from DAFF, 2004 and 2008 Figures from BAF, 2008.

According to these figures, the most promising opportunity both nationally and therefore within the Tableland is in the production of organic sheep and goats - and in particular lamb, which has recently been studied separately by the Department of Rural Industries Research and Development Corporation (Burnett, 2008). However, sheep farming has not been a successful venture for the Tablelands, mostly because the climate is too wet.

In contrast, the decline in beef sales represents an opportunity to educate and build the market, both in terms of brand profile and the development of value-added beef products.

With these trends in mind, prior to making decisions on specific meat species for the Tablelands it is recommended that research be undertaken to assess consumer needs, intentions and behaviours for organic meat purchases.

7.2 Opportunities and Benefits

A certified organic abattoir has the potential to create a whole new industry for boned and value-added product in the Southern Tableland precinct:

- it will minimise the transport distance of livestock from farm to plate, which is less stressful for the animals, produces a higher quality meat, and is more cost effective for the producer
- if a number of producers are using the one facility, economies of scale will keep the facility moving and improve its commercial viability
- it will enable existing organic producers to label their product correctly as 'certified organic', therefore increasing price returns for farmers and building the profile of organic brands
- it will generate employment in the area for both specialised and unskilled workers
- a mobile abattoir may be feasible as an opportunity for butchers, but this is not likely to be cost effective unless high demand and supporting infrastructure can be established first
- a certified abattoir can undertake a brokerage role to assist in setting-up supply lines for organic meat producers – creating more demand will help to create more

incentive to convert to organic farming, and in turn help to grow the abattoir throughput

The region’s largest existing abattoir (Byrnes Meats) is very positive about the idea of obtaining organic certification. In addition, the owner of the abattoir has indicated he will facilitate product distribution and supply line development through his existing wholesale and retail network to help generate demand. The benefit of this is the potential speed with which this initiative can be mobilised as opposed to building an operation from scratch.

7.3 Issues/impediments/challenges

There are a number of challenges that should be considered in establishing a certified organic abattoir.

- If a specific organic abattoir is established on the tablelands the Council may resist others setting-up an abattoir in the area.
- the use of existing abattoirs is possible with some minor changes to infrastructure – may be more cost effective than establishing new facilities
- different cuts are required by different consumers, which can lead to challenges in efficient production when catering to small suppliers - abattoirs will generally favour large quantities over small, boutique suppliers as they achieve a higher yield per head
- individual operators are considering putting their own abattoirs in place but the biggest hurdle will be EPA legislation – management of effluent and waste products is a major concern and disposal is heavily regulated

Since the major challenge (from the perspective of the abattoir) appears to be consistent organic supply, in addition to feedback from local interviews and forums, national research has uncovered some trends worth factoring into the equation.

The following points were identified by lamb producers as major challenges to increasing their investment into organics, therefore impeding supply:

- “abattoirs are too far away”
- “lack of certified processors”
- “Butchers don’t want merino”
- “change breed to a more desirable prime lamb”
- “certified organic system needs developing for export markets”
- “lack of markets”
- “intend to supply through own direct marketing & on-farm shop”
- “very limited markets for organic, no price premium for organic wool”
- “market now flooded with organic lamb, so prices decreasing”
- “a few wholesalers/abattoirs have a monopoly on the market”

(Source: Kristiansen et al, 2008, p 38)

This suggests that in the case of organic meats, the real challenge for the sector is in gaining collaborative relationships right through the supply chain. That is, from the farmer to the abattoir, to the butcher and to the wholesaler/retailer, all providers must be closely linked and working together to drive the market forward. This is particularly important to the producers as, unlike other sectors of agriculture, unprocessed meat is not a product that can be purchased and consumed by retail customers directly from the farm.

7.4 Legislative requirements

The organic industry as a whole is required to maintain standards set and administered by the Australian Quarantine and Inspection Service (AQIS), so even product bound for

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domestic use must be prepared to export standard. The relevant AQIS standard for the organic sector is:

- National Standard for Organic and Bio-Dynamic Produce – Edition 3.4 (July 2009), which can be accessed online at:
http://www.daff.gov.au/data/assets/pdf_file/0018/126261/national-standard.pdf

In addition to this, the organic abattoirs and organic meat producers are required to meet the standards legislated and administered by the Environmental Protection Agency (EPA) in relation to waste management, and by organic certification bodies in relation to product handling. All abattoir facilities must also adhere to the Safe Food Queensland Food Safety Scheme.

Achievement of organic certification requires an audit and an assessment of the following key areas of operation:

- water quality, hygiene and cleaning practices – water management is not certifiable but must be in line with World Health Organisation guidelines
- record keeping
- pest control techniques
- packaging, storage, transport and distribution

(Source: www.nasaa.com.au)

Rather than being a straight infrastructure issue, the methods by which these areas are managed forms the difference between ‘conventional’ and ‘organic’ meat processing.

7.5 Infrastructure requirements

Infrastructure is the same as for a ‘conventional’ abattoir with the only difference being that for a combined facility, consideration must be given to allocating:

- dedicated equipment such as knives, benches, tables and saws
- dedicated kill rooms
- dedicated boning room
- dedicated storage areas (refrigerated)

An alternative is to utilise the same plant and equipment for both conventional and organic meat processing. This requires that the entire facility be washed down and sterilised prior to an organic meat run – a process that is already in place at Byrnes Meats to process product for Happy Food Farms and to process Halal meats for the local Islamic community.

7.6 Organic abattoir case studies

The following companies have successfully converted to organic meat production on a commercial scale. Their stories highlight the importance of industry collaboration in achieving their goals.

Cleavers The Organic Meat Company (excerpt from *Australian Organic Market Report, 2008*)

Cleavers The Organic Meat Company is Australia’s largest dedicated certified organic meat processor. The company plays an integral part in facilitating the organic meat supply chain by processing, portioning and preparing ready packaged meat products for delivery to major and independent retailers.

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Key category lines are beef and lamb and the company also processes chicken, pork and turkey, with organic goat a possibility for the future. The company has grown substantially at a rate of 20% per annum since opening certified organic operations in 1991, with major intermittent growth leaps of 50% roughly every four years.

Owner Ken Taylor attributes much of Cleavers' success to the efforts of a strong staff base dedicated to combating one of the key challenges for the certified organic meat industry in the future – “the possible commoditisation of organically certified meat”. Aiming to expand to the point of international competitiveness, Cleavers is investigating export opportunities in a number of markets including Asia and the US.

However Ken says their first priority is to ensure a grower base in Australia is sufficiently equipped to meet growing local demand. “The organic meat industry is reaching a new phase of improved meat supply and consistency, and the process of certification becomes smoother with industry experience”, says Ken. He says organic meat will compete in a long term domestic market against nonorganic alternatives. “For example, organic lamb currently constitutes three per cent of lamb sales in the white collar demographic and growing at three times the rate of nonorganic lamb” he says.

(Kristiansen et al 2008, p36)

Organic Meat Company

In 2005, the owners of the Organic Meat Company (OMC) approached Sanger Australia - a company exporting 10% of Australia's meat at the time – with the concept of producing and processing organic meat products. It was a major step for both parties as Sanger had never processed its own cattle before, preferring instead to act as a carton-based wholesaler, and OMC only had enough cattle to facilitate 12 months worth of consistent supply.

To enable organic production to work, OMC had to adopt a two-step process; (1) identify and unify a number of producers; and (2) identify and work with local abattoirs to help them achieve organic certification.

As a forward thinking company, Sanger Australia embraced the opportunity and the commitment of OMC and offered the resources needed to pull the relationships together. OMC is now a subsidiary of Sanger Australia and has licensed processing plants in Queensland, New South Wales and Victoria. Through the partnership, OMC has engaged 45 beef and 35 lamb producers across the 3 states, all of whom are accredited to supply organic meats.

In just over three years, the company grew from a zero base to a \$9million business with supply contracts to USA and Asia, and a rapidly growing domestic market. “On the domestic side, our philosophy has always been; to grow the domestic segment you have to have it available for people to buy”.

The current economic climate is having an impact on company growth but instead of preventing people from consuming organic product, there has been a trend toward the cheaper cuts of meat such as mince and sausages.

Domestically, the company has grown its reach via independent butchers, specialty outlets and food-service operators.

(Source: Flynn, S, 2008)

In addition to reviewing these case studies from within the sector, it is useful to consider feedback from local processors who are interested in providing a certified organic abattoir.

Byrnes Meats Abattoir, Rocky Creek

- Minimal infrastructure is required to convert the facility to Certified Organic
- Prepared to undertake the process of obtaining Certified Organic status to enable producers to use the accreditation as part of their brand
- Currently running at around 50% capacity for half of the year and around 70% for the remainder – there is scope to increase production immediately
- Can cater for up to 160 head per day without making changes to the existing facility
- The facility is already providing for an organic producer and conducts 1 x Halal kill per month for the local Islamic Community
- The owner is confident of achieving certified organic status

Jayson Watkin – Proposed Abattoir, Tarzali

- Major barrier at present is obtaining legislative approvals (EPA and Council), and sourcing skilled labour
- Starting from scratch as opposed to reopening an existing facility as existing sites are either not for sale/lease or too expensive, and would require too much reconfiguration to facilitate processing of organic and non-organic meats
- They will consider processing all large cattle, sheep, goats, pigs as long as they have the capacity to process as required
- Unsure of certification requirements at this stage, so any guidance and documentation relating to certification would be welcomed
- Have obtained ‘in principle’ support from Council and EPA and currently looking for a site which meets position/location requirements
- The projected capacity of the abattoir is 60 to 100 head per week, and they will require 50 to 60 kills per week to be a viable project
- Will process both organic and non-organic meats

Key Outcomes from Case Studies

From these examples, the following key elements can be identified as critical to success in developing a certified organic abattoir for the Southern Tablelands:

- collaboration is crucial to ensure consistency of supply at a level that makes an abattoir commercially viable – identify key partners and form strategic alliances as required
- multispecies abattoirs are becoming the norm to ensure viability for organic producers and processors
- leverage off each others networks to maximise supply and distribution opportunities
- a unified approach to retail networks can assist with credibility and consistency of supply
- open, two-way communication is critical at all times
- adapt export standards in production from the very beginning to capitalise on new and emerging markets as they open
- value-added products increase supply opportunities and therefore brand awareness at the point of sale

In achieving these elements of success, the main challenges faced include:

- capital – consider adopting a cooperative or partnership model to pool resources and ensure key players have a sense of ownership
- human resources – a lack of skilled workers may limit the expansion of the abattoir. Consider engaging with local training organisations early in the

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process to advise them of upcoming work opportunities and potential apprenticeships

- consumer demand – build demand through increased product placement to raise awareness and make it easy to purchase, then complement with market education programs

These factors should be considered as part of Stage 2 investigations.

7.7 Recommendations

- in the context of establishing the Southern Tablelands as an Organic Precinct, a certified organic abattoir should be considered an integral part of the project
- in light of national trends with regard to organic meat sales, investment in existing infrastructure at Rocky Creek is likely to be the most cost effective outcome for the Tableland region
- demand for the product will grow if it is made available on a consistent basis, is clearly branded as certified organic, and is distributed broadly so consumers can access it easily
- different cuts of meats and value-added products should be considered to cater for consumers at different levels of the market
- production capabilities will need to be investigated more fully to ensure the abattoir is commercially viable – if utilising the facility at Rocky Creek, between 100 and 160 head per day for one or two days per week is considered an ideal scenario

8. Organic Dairy Industry

8.1 Dairy Industry on the Southern Atherton Tablelands

Around 75 dairy farms have been identified as operating on the Atherton Tablelands, down from 184 prior to deregulation. Average herd size is around 240 milking cows with actual herd sizes ranging from 80 to 600 head. The industry is predominated by year-round calving herds with 70% of milking cows aged between 3 to 8 years, and while most farms are dry land, there has been an increase in the use of irrigation (AusVet, 2005).

According to the Tablelands Futures Corporation (TFC), “The Tablelands Dairy Industry is unique in Australia. It is the only tropical dairy in Australia and one of the few globally” (TFC, 2007, p24). The majority of farms provide milk via conventional farming practices to the National Foods factory and in recognition of the quality maintained, in 2007 the (then) Co-op received the “Grand Champion Dairy Product Award” for its Whole White Milk.

The factory is producing 75-80 million litres of milk per annum (down from around 90 million litres in 2007) which is well short of its capacity for 160 million litres. Industry deregulation in 2000, and the resultant reduction in farm-gate milk price has had an impact on herd sizes and the recent announcement that National Foods is reducing milk quota for 2010/2011 may reduce herd sizes further still.

The decision has been outlined in local media with claims that National Foods is set to reduce the amount of milk that it purchases from the region to around 55 million litres per annum (The Cairns Post, 2010). This highlights the importance of sourcing other sales and distribution avenues, and of investigating other practices such as organic farming methods.

However, the industry remains buoyant and innovation is driving the sector. According to The Cairns Post, “National Foods plans to invest \$5.5 million in its Malanda milk

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processing plant on the Atherton Tableland” (April 9, 2010) and in addition to milk, foods being produced by National Foods include mozzarella cheese and high protein milk lines.

As a further sign of innovation, the organic-driven Mungalli Creek Dairy is producing a successful range of organic milk, yogurt and cheese products (TFC, 2007).

While figures for organic farm-gate sales are yet to be identified, dairy production on the Tablelands was valued at \$37,580,400 for the year 2007/2008 (Cummings, 2010). This figure takes into account organic and conventional farming methods and in the context of agricultural production for the Tablelands, equates to 54.5% of all livestock income and 11.2% of total production. The Dairy industry therefore remains a significant contributor to the region’s economy.

8.2 Existing organic/bio-dynamic dairy industry sector and products

The main producer of organic and biodynamic product on the Tableland remains the Mungalli Creek Dairy where biodynamic farming practices have been in place for 23 years. After a standing start, the farm now achieves a turnover of around \$5 million per annum and is struggling to keep up with demand due to a lack of certified organic milk suppliers.

Dairy products being produced by Mungalli are diverse and include:

- Milk – low fat and full cream
- Yoghurts – natural set (natural, passionfruit, mango, plum, honey, chai with honey) and Greek style (natural, vanilla and honey, peaches and cream, cherry, berry, strawberry, prune, mango, passionfruit)
- Cheeses – soft (ricotta, fetta, quark and paneer) and hard (havarti, cheddar, slim)
- Ice-Cream (macadamia, vanilla, coffee, chocolate, rum and raisin)

In addition to developing its own retail products, the Mungalli Creek Dairy provides organic milk to other value-add producers both inside and outside the Tablelands area (for example Floraville Ice-Cream Factory in Cape Tribulation).



8.4 Organic dairy industry case studies

As a significant contributor to the Tablelands economy (Cummings 2010), it is imperative that the dairy industry continue to innovate to ensure its long-term sustainability. Growth in the organics sector may facilitate this innovation.

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Barambah Organics (excerpt from *The Australian Organic Industry - A Summary*)

Ian and Jane Campbell of Barambah Organics near Murgon in Queensland produce, process and market certified organic milk. Their movement into organic production was born from a long family interest in sustainable agriculture and the need to create a point of difference for their products.

Soil health and weed control are important considerations and are carefully managed with compost manures and lime. Being organic also means that cows are treated only with natural remedies such as homeopathy and minerals to boost their strength and vitality.

Ian and Jane also became involved in processing and marketing their own products about five years ago. They found that there is a lot to learn about running a paddock-to-plate supply chain, including hiring staff and building strategic partnerships.

Employment problems, particularly recruiting and training the right people, proved to be a significant issue for the business. Barambah Organics' much larger involvement across the supply chain meant the business required a new range of skills and people with expertise in milk processing and financial management, as well as traditional farm management.

Ian and Jane also found that finding the time to actively market their products was a significant challenge. “We formed a strategic alliance with a coffee chain and it has proven a winner,” said Ian. “Half our business stems from that alliance. They’re buying it for its quality because it enhances the taste of their coffee.”

(DAFF, 2004, p36)

The Smiths True Organic (Victorian Dairy Co-op)

Nestled in picturesque Fish Creek, Ron and Bev Smith are respected organic dairy farming pioneers and founding co-operative members of the Victorian Dairy Coop. Their farm is 101 hectares in size and they originally started farming with a spring herd of around 110 cows supplying conventional milk.

In early 1980, chemical usage was phased out on the farm and at that time, alternative methods were adopted including applying lime to the land. Cow health became much stronger and as an interesting side-effect, Ron found he was no longer suffering his usual asthma bouts or headaches. Mineral balancing was something that needed to be achieved and during the 1980's, many other farmers observed and contributed to the farming methods adopted and successfully achieved by the Smiths.

As a result, a NASAA inspector who visited the farm in 1989 suggested the Smiths become certified organic and upon application, full certification was achieved without having to go through the in-conversion process. The Smiths farm became what was the first certified organic dairy farm in Victoria.

After branding their product organic, the Smiths found that they were frequently approached by companies and individuals seeking their milk and information on farming methods and benefits. So in the early 90's, a group began to gather to share information and chat about “Organics” as a farming concept. The group became known as VODFA (Victorian Organic Dairy Farmers' Association) and in 2002, the Co-operative of Organic Dairy Farmers Co-op (ODFC) was formed.

The Smiths' farm now milks around 85 cows. This is a comfortable amount given seasonal conditions and accommodates the Smiths' passion for continuing their contribution to knowledge-sharing within the industry.

(excerpt from <http://www.trueorganic.com.au/profiles.php>)

Key Outcomes from Case Studies

From these examples, the following key elements can be identified as critical to success in growing the organic dairy industry in the Southern Tablelands:

- collaboration has been a key driver in achieving sustainable and profitable farming practices under the banner of organics
- adopting a cooperative approach to the conversion of farms from conventional to organic assists in knowledge sharing and makes the transition to organic farming more achievable
- collaborating with others during the conversion process builds the supply chain more quickly and ensures long-term consistency of supply in commercial quantities
- understanding the health benefits of organic farming can assist in building the argument for organics when educating supply partners and consumers
- organic branding has been successful in creating a point of difference when approaching retailers and strategic partners

In achieving these elements of success, the main challenges faced include:

- profit losses – the cost of conversion can be prohibitive due to decreased milk production and the risk of livestock loss during the changeover period. In-conversion opportunities may need to be addressed.
- human resources – it has been difficult to source the necessary skills and experience to facilitate organic farming methods. This situation may be improved through regular industry meetings and knowledge sharing workshops.

These factors should be considered as part of Stage 2 investigations.

8.5 *Market opportunity*

As already stated, the Mungalli Creek Dairy is unable to keep up with demand for organic dairy products and is keen to grow production and increase capacity. The processing plant can sustainably take on one new farmer per year if supply becomes available through the organic certification process. With the impending change to quotas from National Foods, the incentive to change from conventional to organic farming practices may become more inviting to farmers who are impacted by reduced farm-gate prices and/or insecurity in respect of their long term future supplying National Foods.

If farmers are reluctant to change to organic farming, Mungalli has indicated they may consider offering a non-organic product that is packaged and marketed under a different brand name to ensure continued growth of the Mungalli Creek business.

This presents farmers of the region with an interesting opportunity – that being to assist in the growth of the Mungalli Creek Dairy in addition to supplying National Foods, even if organic conversion cannot yet be achieved.

8.6 *Benefits*

The benefits of expanding organic dairy production are quite broad and include:

- direct employment, both skilled and unskilled
- reduced reliance on national milk quotas – more stability for the sector and the region's economy

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- retention of dairy farms in the area, many of which face substantial cost pressures as they move into a new contract for 2010/2011 with National Foods
- an increased and committed supply chain – potential to establish a permanent conversion program with financial and training support
- a healthier product for consumers:
 - “Any pollutants or pesticides eaten by cows in a non-organic dairy farm environment will end up in the milk – organic farm milk is far superior in terms of taste and nutritional quality. Children are particularly vulnerable to pesticide residue”
(more at www.organicfooddirectory.com.au).

8.7 *Issues/impediments/challenges*

Potential challenges for the industry have been identified through local and third-party external research. According to AusVet (2005):

- Grain is typically accessed from Northern NSW and Queensland; however these areas were also drastically affected by the drought resulting in higher average costs.
- The region is threatened by processor monopolies. Small regions may become unviable for milk collection services and processing to be maintained.
- Many farmers do not have sufficient business skills or whole farm system skills to adapt to change.
- Average herd size is 240 cows. Replacement rates are very low and cow numbers are expected to fall by 3% per annum.
- Farm-gate milk price, pasture management skills, cost of inputs, business management skills, feed management skills and reproductive performance are considered the major factors determining profitability of the region

While locally, the following impediments were identified through interviews and the forum:

- Biggest problem is sourcing new suppliers as farmers are concerned about transferring over to organic methods – cost and risk and the time taken to become certified
- Access to organic grain is a problem – farmers just want a tonne bag (i.e. small volumes) and are unable to source it locally. 3 x 10 tonne per month of biodynamic grain is being brought in and stored on-site in silos at Mungalli and they are looking for more local suppliers of biodynamic grain.
- Sources indicate that the maize industry on the Tableland is now struggling and five farms have indicated that they're keen to go organic. However, they don't have support or the capital to afford certification.
- Fonterra in New Zealand and the NSW State Government are supporting the conversion to organic dairy farming in their respective rural sectors – is there the potential for similar funded programs here?

8.8 *Legislative requirements*

The organic industry as a whole is required to maintain standards set and administered by the Australian Quarantine and Inspection Service (AQIS), so even product bound for domestic use must be prepared to export standard. The relevant AQIS standard for the organic sector is:

- National Standard for Organic and Bio-Dynamic Produce – Edition 3.4 (July 2009), which can be accessed online at:
http://www.daff.gov.au/data/assets/pdf_file/0018/126261/national-standard.pdf

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In addition to this, organic dairy farms are required to meet the standards administered by organic certification bodies in relation to farming practices.

Achievement of organic certification requires a 3 year process encompassing:

- Year 1 – Pre Certification
- Year 2 and 3 – In-Conversion Certification
- Years 3+ - Organic Certification

The requirements for each stage of certification are outlined in detail at www.nasaa.com.au and beyond the scope of this study.

Ongoing audits will assess the following key areas of operation:

- crops, farm profile, land and soil types
- climatic conditions, vegetation and windbreaks present
- history of paddock usage over the last 3 years
- land and water management plans
- record keeping practices
- pest control techniques
- fertility management practices
- processing, handling and transport

(Source: www.nasaa.com.au)

Rather than being a straight infrastructure issue, the methods by which these farms are managed forms the difference between ‘conventional’ and ‘organic’ meat processing.

8.9 Infrastructure requirements

Infrastructure is the same as for ‘conventional’ dairy farming with the only difference being that organic farming practices must be sustained. It is not necessary to invest in additional processing facilities at this time assuming organic milk can be processed and managed at Mungalli Creek Dairy.

8.10 Recommendations

The demand for organic milk supply is quite strong with Mungalli Creek Dairy keen to accept supply from at least one new certified organic provider per annum. A key to this may be to offer financial incentives or training and mentoring programs that enable farms to convert from conventional to organic with limited risk of farm closure and significantly reduced income during the transitioning period.

However, for sustainable growth of the industry, support inputs such as organic grains for cattle feed and reliable refrigerated transport will need to be examined to assess viability. An analysis of these inputs is beyond the scope of this study but present an opportunity for further investigation.

9. Organic Markets

To help facilitate the development an Organic Precinct, it is important to ensure there is an opportunity for organic products to be sold consistently, both locally and further afield through various outlets. To assist in creating local demand, a farmers market has been proposed with location to be the regional township of Atherton.

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While Atherton may be considered as the northern outskirts of the precinct, it is centrally located in relation to the farms likely to use the market and through its location, has the potential to attract organic suppliers from the broader Tablelands region.

A potential location for the market is at the rear of Gallery 5, an existing and successful café that is situated on the main street at Atherton (Herberton Road). The location has been suggested as at the rear of the café is a large, vacant warehouse that was formerly used to house an engineering firm.

The warehouse is also close to a local supermarket and may be an ideal location for establishing a ‘village’ concept for the town - that being a centralised area in which locals meet and shop for fresh organic produce. If the market becomes operational, it will initially be managed by the owners of Gallery 5, with a plan in place to recruit a suitable manager when viable.

It is worth noting that the Atherton Tablelands Sustainable Regions Program has previously held forums to investigate establishing a Village Concept for the Atherton area, (for example, Gilbert Rochecoste from [Village Well](#) and Robert Prestipino from [Vital Places](#)). While the council decided not to go pursue the concept at the time, it may be worth reviewing as part of phase two for this organics study.

9.1 Organic market case studies

Across Australia, there are many examples of farmers markets that are successful in bringing smaller communities together. The following are particularly useful in relation to organics.

Central Organics - Stall 72 at the Adelaide Central Market

Central Organics, otherwise known as Stall 72, was established as a business in 1972 as a small market stall within the Adelaide Central Markets. The stall was the first outlet in Adelaide to stock and sell organically grown food and it has flourished over the years to become a successful, award winning business.

Since the early days, the stall has resisted the usual price premiums of “retail” organic produce and has kept its prices low to encourage its customers to trial and taste the difference between conventional and organic foods. The practice is still in place today and the owner, Stephen Oulianoff, firmly believes this is a contributor to the stalls success.

Another practice since inception is that to minimise waste, Stall 72 encourages customers to bring their own baskets and while this behaviour is considered mainstream today, in 1972 it was perceived as being unusual.

Other keys to success are a good rapport with suppliers and sound knowledge of all stall produce. The owners visit their suppliers on their properties so that they can learn their growing methods and share this knowledge with their customers at the market.

The current owner of the stall, Stephen Oulianoff, was one of the original suppliers to the outlet and moved into retail after leaving the family farm. The original owner of the stall, Ally Fricker (1972-1975), instigated the Organic Food Movement which helped to form some of the original guidelines for organic food production still in place today.

The business is certified under NASAA and as a testament to the values of the owners over the years, was voted Winner of the National Small Business Champion Award in 2007 and 2008.

(Source: Silkstone and Lamb, 2009)

Alfalfa House Community Food Co-Operative Limited

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Alfalfa House is a community-based co-operative located in the Sydney suburb of Enmore, NSW that retails minimally-packaged, minimally-processed, affordable wholefoods that are mostly organically and bio-dynamically grown.

Where possible, the products are sourced locally and the entire store runs on the premise of environmental sustainability.

The official objectives of the cooperative are:

- to provide a retail source of wholefood so that members may have some control over the sources of their food supply
- to provide information on and promote the use of:
 - low-cost, ethically-produced and packaged wholefoods
 - cruelty-free foods
 - vegetarian foods
 - vegan foods
 - organic foods and
 - genetically-modified-free foods
- to run an ethical, not-for-profit business
- to minimise resource wastage and encourage re-use and recycling
- to support other cooperatives whose objects are similar or related to the objects of the cooperative; and
- to stimulate community development, foster community spirit and promote sustainable living.

The co-operative practices its objectives on a daily basis. The business has in place energy efficient heating, cooling, lighting and refrigeration systems, and regularly reviews its outputs such as energy consumption and carbon dioxide emissions. At present, they are also sourcing “green power” energy providers and alternative ways to maximise its use of gray water.

Taking the concept even further, Alfalfa House recycles all food and organic waste via worm farms and offers the resulting ‘worm juice’ free of charge to its customers. They work with suppliers to return delivery boxes, crates and tubs and encourage customers to bring their own bags or containers as no plastic bags are available for purchases.

Other unique attributes include:

- Supporting local, organic and / or biodynamic agriculture.
- Encouraging community volunteer participation, this is rewarded with purchasing discounts.
- Attending public events to educate on sustainable lifestyles.

Source:

www.alfalfahouse.org



Farmgate at the Pier

The Farmgate market was established to cater for “local” producers only and while anecdotally it has good brand recognition, it has been a challenge to maintain interest on a consistent basis both from stallholders and from the general public.

The focus is on providing high quality, seasonal food and while a lot of marketing has been done by Farmgate (and by the Pier itself) the message is still not getting across and visitation has been quite low. In short, the concept has not been supported as well as was initially hoped.

A core problem is that Farmgate suffers from a poor brand message as the Pier is perceived as a high-end shopping precinct, which does not lend itself to the type of consumer who shops at a local organics market.

The key lesson from Farmgate is that for a market to be successful, branding and location must fit the values of both the farmers and their customers.

Farmers' Market Toolkit – an SA Food Strategy Initiative: The Willunga Farmers Market Experience

To facilitate and enable local farmers to establish supply lines for their produce, the South Australian government has developed the “Farmers’ Market Toolkit” – a resource with tips and advice on how to structure and operate the market successfully. A key case study from this kit is that if the Willunga Farmers Market, which has gone from a zero base to becoming one of the most successful farmers’ markets in Australia. The toolkit presents the story of what was learnt along the way both from their successes and mistakes.

“As the first farmers’ market in South Australia, we had to start by building an understanding within the community about farmers’ markets. Zannie organised a meeting of stakeholders in a local restaurant where the farmers’ market concept was explained and the idea of starting a market in Willunga was first raised.

Targeting the right people is sometimes hit and miss. We had a few misses but that day the Economic Development Officer from the City of Onkaparinga immediately understood what we were trying to do, saw the potential and offered us funding on the spot! This meant we were able to pay for our first workshop, and it was really from this that the project got up and running. Thanks Janice!

In those early days there was debate about whether we should call it the Willunga Farmers Market or, because the Fleurieu region formed the catchment for producers, the Fleurieu Farmers Market. We think we got it right because Willunga is now synonymous with the Farmers Market and most importantly, it locates the market”.

(excerpt from www.safoodcentre.com.au)

Other market resources for ideas and information

Lismore Organic Market – has been operating since December 1999:

<http://www.lom.organicproducers.org.au/>

Permaculture Research Institute at the Markets:

<http://permaculture.org.au/2009/12/15/pri-at-the-markets/#more-2171>

Key Outcomes from Case Studies

From these examples, the following key elements can be identified as critical to success in establishing an organic farmers market at Gallery 5:

- clear brand positioning – brand values must fit those of the farmers and of the customers being targeted
- a clear purpose and point of difference
- adopt a sustainable and ‘green’ business model wherever practical to fit the public image of a certified organic market
- the development of a cooperative board to assist in attracting new and diverse stallholders on an ongoing basis
- the sale of high, local quality products that meet the certified organic standards
- ability to work together to achieve critical mass and to ensure that opportunities are viable right through the supply chain
- close relationships with processors, value-add partners and distributors

In achieving these elements of success, the main challenges faced include:

- capital – especially in the absence of government support and ongoing support from local producers
- consistency of supply – locals will most likely try the market once but will only return on a regular basis if the stalls are well tenanted and produce is consistently available
- branding – it is important to get the name and the promotion of the market right to ensure that it’s easy to find and that it appeals to the values of the target audience

These factors should be considered as part of Stage 2 investigations.

9.2 *Market opportunity*

More and more evidence suggests that consumers are becoming dis-encharmed with the mass production of food and are turning to “food movements” for advice on how to eat more wholesome and nutritious produce. In addition to organics, food movements such as ‘slow food’, ‘sustainable food’, ‘locavores’, ‘neutraceutical’, and ‘vegetarianism’ have been identified as major trends that have emerged in broad society (The Sunday Mail, February 14, 2010).

While there are currently 26 markets known to be established within easy driving distance of Atherton (30 minutes to one hour), most of these markets are small, localised stalls held on a monthly basis and that operate for very periods of time (e.g. 7 am til noon; Appendix 4). To visit these markets requires careful planning or ‘being in the right place at the right time’, so visitation numbers are localised and quite sporadic.

A core difference for Gallery 5 is that it may offer more permanent retail fixtures and more business-like hours of trade, which makes it readily accessible for the general public. The main advantages of this structure will be twofold:

1. the permanent, serviced facility will offer local producers a venue to sell their product in a structured, retail environment for relatively low overheads, therefore increasing brand awareness and facilitating relationships with their customers
2. it will build loyalty from consumers as immediate locals, ‘regional’ locals and outside visitors become familiar with the market and its products, which may lead to regular visits to purchase their regular supply of produce

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Another point of difference for Gallery 5 will be that all products sold must be certified organic. This stipulation provides opportunities for unified branding but may limit the number of stallholders who are able to commit to the space on a regular basis. The market will cater to all industries so potential product lines include dairy, value-added meats and local produce.

It is important to note it has been established that 14 of the 26 markets in the wider FNQ area have organic produce available for purchase (Appendix 4). Visitation numbers at these markets anecdotally range from small to “good crowds” but the real reasons for their visits is unknown. This suggests a need for future research.

The Impact of Supermarket Chains

“The more committed the organic consumer, the greater their likelihood of shopping in specialty food stores and farmers’ markets for organic food” (Kristiansen et al 2008, p78).

While supermarkets play a key role in introducing consumers to organic food, as they become more committed they start seeking out specialist providers and move toward supporting local producers. At this point, farmers markets have potential to gain considerable leverage. Markets provide an opportunity to connect with the customer, allow customers to talk with the producers and to learn about where they food comes from – this is a particularly strong opportunity for targeting families with young children.

The profile that comes with participating in a market provides individual farmers with the ability to build relationships and work closely with local cafés, restaurants and accommodation facilities to supply fresh organic produce. It may also open opportunities to tap into the wholesale market – filling a stall each week can provide proof of the farmers ability to supply a certain volume of product regularly over a period of time. Proof of ability to supply is important because:

“Strong growth is increasingly evidenced by the growing presence of organic products in mainstream food marketing. With the entry of major supermarkets including Coles, Woolworths, Aldi and IGA, into the organic market, demand for organic products has reached a new level of acceleration. There are over 500 organic lines now ranged in some larger stores. The ability of the developing domestic production to meet this demand continues to be a key challenge for the future of the Australian organic industry with recent growth underwritten by a significant rise in imported organic grocery lines and processing ingredients.”
(Australian Market Industry Report 2008, p17)

9.3 Benefits

The following benefits have been identified as part of the recent forum:

- Opportunity for locals to connect with the actual producers of the food – helps to build a sense of community as they bring the people to the producer
- Employment and training opportunities for the surrounding population in relation to fields such as managing major projects, retail selling, marketing etc
- Enables a number of small local businesses to establish a retail presence on a permanent, semi-permanent or casual basis – also has potential for complementary businesses to share a retail selling space for very minimal outlay
- The village concept will add to the already established tourist attractions of the town, namely Gallery 5 itself, Crystal Caves and The Chinese Temple
- Opportunity to establish direct links with the customer also means you are building your brand reputation – particularly important where the product is not deemed acceptable to retailers
- ability to sell the story behind the product helps with creating loyalty and goodwill

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- weekly cash flow and reduced transport costs – cutting out the middle man
- opportunity to develop networks with other stall holders who may be chefs, restaurant owners, or other retailer from the food service industry
- opportunity to trial and research new products or product varieties, without the expense of long-term leases or overheads

Further benefits worth noting include:

- Support of sustainable agricultural practices
- Food and nutrition education
- Promotion of fresh produce consumption
- Revitalisation of town and public space
- Regeneration of community spirit
- Rural/urban linkages
- Facilitation of community-based food security programs
- Recycling of green waste and appropriate packaging”

“Farmers' markets are a way of revitalising urban public spaces. They attract lots of people and create a place of diversity, interest, and conviviality. As a marketplace in which it is easy and cheap for a new entrant to set up a stall, it encourages the sale of marginal products, and so adds to the variety of what can be purchased, or simply seen, heard, smelt in the urban environment. As a place for local produce, they reflect the seasons. No out-of-season fruit and vegetables from halfway across the world here.”

(Source: <http://www.urbanecology.org.au/topics/farmersmarkets.html>)

9.4 Issues/impediments

The following challenges have been identified as part of the recent forum:

- Atherton has a relatively small population base, which means that customers will need to be sourced from right across the Tablelands and the Far North
- At the present time, there is a lack of commercial kitchen facilities at the proposed Gallery 5 location which may prevent the value-adding of products or preparation of tasters/samples of product onsite. However, a number of facilities close-by may be able to contract their kitchen to processors for this purpose:
 - Mungalli Cafe
 - Mountains Institute
 - Platypus Bend
 - Malanda Dairy Centre
 - Nicks Swiss Restaurant
 - Atherton High School
- There is no project plan in place for the village concept – the Tableland Regional Council will need to be approached to determine feasibility of the broad project concept; their requirements for alterations to the building structure; and their requirements for moving toward a restaurant trade
- No market research has been undertaken to determine demand for the concept – this will need to be actioned as a priority if the basic components of initial investigations are positive/approved
- Capital – a business plan and marketing plan will need to be developed and presented to the relevant parties to obtain funding/leverage a loan
- To ensure maximum trading opportunities, explore requirements of obtaining and trading with a liquor license
- Additional equipment such as refrigeration and freezing units will be required
- A new male and female toilet facility will need to be installed

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- Wheelchair access ramps will need to be built to provide ease of access from the rear of Gallery 5 and from the street at the back market entrance ramp
- modifications will need to be made to the rear of Gallery 5 to physically separate the two proposed businesses
- Council requirements in relation to parking must be considered as a priority – if parking cannot be provided, this has the potential to prevent the market concept from progressing in this location. Council parking may well be a considerable threat to the achievement of the village market concept
- Should the Village concept be unable to proceed in the warehouse environment, alternative venues will need to be sought
- Consistent and significant occupancy will need to be achieved to ensure the long-term viability of the market – stall demand will need to be investigated in conjunction with researching consumer demand
- Public liability costs may prove to be prohibitive – it will need to cover the hosting of a number of small businesses on-site in addition to providing for open access to the general public
- While a potential market venue exists at the Malanda Dairy Centre, the location in relation to tourist traffic and the small local population have been flagged as factors that inhibit the use of this facility

9.5 *Legislative requirements*

- Local Council approval to establish a new place of business
- Local Council approval to access street frontage for parking
- Accreditation as an Organic Retailer/Retail Processor
- Accreditation as an Organic Wholesaler (potential requirement)
- Achievement of the NASAA (or equivalent) Organic Trader Standard

The requirements for Organic Trader - Market Certification are outlined in detail at www.nasaa.com.au and beyond the scope of this study. However, consideration must be given to the following key areas of operation:

- product labelling
- promotion and branding messages
- records and documentation
- storage and handling
- packaging
- sanitation, cleaning and pest control
- staff training
- certification of the market does not extend to individual stallholders
- a minimum of 20% of individual stallholders must be independently accredited as certified organic producers (or retailers) – this includes any value-add product made to order onsite such as sandwiches or juices
- individual market stalls must be clearly marked as ‘organic’ or ‘non-organic’ and labelled with the appropriate certification logo

(Source: www.nasaa.com.au)



9.6 *Infrastructure requirements*

- Kitchen facilities to enable value-adding of products or preparation of tasters/samples of product onsite
- Storage equipment such as refrigeration and freezing units
- Amenities - a new male and female toilet facility will be required
- Wheelchair access ramps will need to be built to provide ease of access from the rear of Gallery 5 and from the street at the back market entrance ramp
- modifications will need to be made to the rear of Gallery 5 to physically separate the two proposed businesses
- Parking facilities
- Shop fitouts for stalls – at minimum this will require trestle tables and table cloths so that produce may be hygienically displayed
- Should the warehouse be disapproved by Council, alternative venues will need to be sought

9.7 *Recommendations*

Based on national trends, anecdotal evidence, and the need to raise the profile of organic produce on the Tablelands, the Gallery 5 concept is very promising and warrants further examination.

Further research is required to ascertain:

- actual consumer demand
- supplier interest, and
- legislative approvals

10. **Critical partnerships**

As with any supply chain industry, there are a number of critical partnerships that need to be established for the Organic Concept to be a success on the Tablelands. In particular, it has been identified that producers, retailers, “other” providers, suppliers, distributors, and government agencies must all commit to and be engaged with the process.

Not only will this lead to consistent and high quality supply of organic produce to the consumer, it will ensure there is consistent quality in the branding message as produce moves through the distribution chain.

Critical partner influences are illustrated in Appendix 6 and discussed broadly below. However, of particular note are the AQIS approved organic certification bodies as they are responsible for guiding the process on organic certification and ultimately impact on whether an individual operator can trade under an organics brand. There are seven bodies to consider engaging with in this process.

Key Certification Bodies:

1. AUS-QUAL Limited (AUSQUAL)
2. Australian Certified Organic (ACO)
3. Bio-Dynamic Research Institute (BDRI)
4. NASAA Certified Organic (NCO)
5. Organic Food Chain (OFC)
6. Safe Food Production Queensland (SFQ)
7. Tasmanian Organic-dynamic Producers (TOP)

(Source: AQIS website <http://www.daff.gov.au/aqis/about/contact/aco>).

As each producer will have their own unique needs and preferences in this regard, it is recommended the choice of certifier be assessed by the producer on an as-needs basis.

10.1 Producers

The producers of organic product are by nature the core ingredient in the supply chain. However, product that cannot be packaged and shipped to market - and therefore not be made available to the consumer – carries no real value except for what it provides in feeding individual farmers.

In addition, production volumes and yield are influenced by many different factors including climate, soil composition, feed quality and irrigation, so simply being able to produce a product is not enough to secure a profitable market. As such, cooperative arrangements between producers are becoming more common and indeed are often critical to ensuring longevity and success:

“Inconsistent supply is one of the organic industry’s major obstacles to growth. Collaboration between farmers could capitalise on market opportunities, increase sales volumes and improve the efficiency of distribution and marketing. Types of collaborative arrangements include grower cooperatives, group packing sheds, group value-adding companies, grower networks and other marketing groups.”
(Australian Organics Summary, p15).

Success via working with other producers is becoming more widespread and is shown in all the case studies presented in this study (Alfalfa House, Stall 72, Armidale Food Co-Op, TROPO, and OBE Beef to rename a few).

On the Tablelands, organic producing sectors with capacity to collaborate include:

1. Dairy
2. Poultry
3. Pigs
4. Beef
5. Grain
6. Aquaculture
7. Fruits
8. Vegetables
9. Indigenous
10. Wine
11. Tea
12. Coffee
13. Sugar
14. Bamboo

10.2 Retailers

As the point of purchase, and therefore the final link in the chain to organics consumers, the value of retail partners cannot be underestimated. Their role in the supply chain is just as critical as that of producer in terms of achieving a profitable outcome for all parties involved and for ensuring longevity in the sector.

Retailers are the “human” face of agriculture regardless of whether the interaction occurs at a market, via eCommerce, or at one of the major supermarkets such as Coles or Woolworths. Consideration must therefore be given to relationships with:

- National supermarket chains (e.g. Coles, Woolworths, Bi-Lo)

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- Locally owned supermarket chains (IGA, Foodland)
- Independent greengrocers
- Independent butchers
- Health food stores
- Specialty organic supermarkets
- Corner stores
- Home delivery providers
- Restaurants, cafés and coffee shops
- Ecommerce greengrocers
- Farmers markets
- Farm-gate sales

10.3 Other operators

Other operators critical to success include:

- legislative partners for certification, grant and funding opportunities
- education partners for grassroots agricultural training and for mentoring farmers through the process of converting to organics
- production input suppliers who contribute organic feeding supplies and cleaning products
- logistics partners to enable transport via road, air and sea

Another avenue to consider is that of recruitment and training. In addition to analysing consumer trends, looking at the demographics of organic farmers has uncovered an interesting trend:

“There is an ongoing trend for organic farmers to be, on average, younger than their non-organic counter-parts. Farmers in organic systems were most likely to be aged 36 to 55, with a significant proportion falling within the 26 to 35 bracket and only a small minority aged over 56. This is compared to the average age of 58 for nonorganic Australian farmers.” (Kristiansen et al 2008, p19)

To leverage off the finding that organic farmers tend to be younger and new to the farming sector, there is potential to link with rural real estate agents responsible for selling ‘conventional’ farming properties. Through education, development and training, they may become an integral part of the supply chain by providing “human capital” to the Tablelands.

10.4 Supply chain

“Most organic product reaches the consumer via supply chain intermediaries. The most common group that organic farmers deal with are processors. Meat, milk and cereals are usually sold by this route. Poultry, where farmers often have their own processing facilities, and eggs are commonly sold direct to specialist retailers and health food stores. Fruit, vegetables and nuts are most frequently sold through agents/distributors, or directly to wholesalers and retailers.” (Australian Organics Summary, p13)

Communication, planning and coordination are key challenges for the organic supply chain. Wholesalers are often dealing with a large number of small growers and producers, and this makes it difficult to predict supply volumes and match this to market demand.

As indicated in the case studies, the best way to regulate supply and minimise poor communication is to link the groups more closely under the banner of a co-op, thereby developing a more efficient system. Supply chain partners generally include:

- agents, brokers and distributors
- processors
- wholesalers
- food service customers
- export consolidators
- abattoirs, dairies and other food processors

10.5 Organic Cooperative

In considering all the sectors that are critical to success, an organic cooperative is most likely to achieve sustainable and positive outcomes if representatives from all sectors are invited to actively attend, participate and contribute ideas. The process must safeguard “commercial confidentiality” to ensure an open and interactive environment can occur.

Within the sectors outlined above (Appendix 6), key industry players and producers from the Tableland area and nearby regions that may provide knowledge and networking support include:

- Organic Producers Association of Far North Queensland
- Network for Sustainable and Diversified Agriculture
- Access Organics
- Alexandra Farm
- Australian Dairy Buffalo Company
- Australian Organic Bamboo Industries
- Belly Basic Biodynamic Eggs and Poultry
- Broken Nose Vanilla
- Cape York Buffalo Company
- Cifuentes and Alba
- Daintree Vanilla and Spice
- Dallachy Organics
- Floravilla Ice-Cream Factory
- Fusion Organic Café
- Green Plantations
- High Country Olive Grove
- Jervoise Organic Meats
- Marsh’s Butchery
- Morris Farms
- Mungalli Creek (Bio-Dynamic) Dairy
- Pacific Coast Eco-Bananas
- Neils Organics
- Nucifora Tea
- Perez Owen and O’Connor
- PV & A Reitano
- Tropical Harvest QLD Pty Ltd
- Walsh River Products
- Watson Bola Organic Farm
- Warrigal Dynamic Foods
- Enviromart Australia
- Moongera Valley Organic Farms

Ideally, the cooperative would act as the “public face” of the organics industry on the Tablelands, and take on a broad management role to keep track of (then advise producers of) market demand at retail level. That is, act as a central communication point for farmers, distributors, consumers, and all the other links identified as critical to the supply chain.

11. Taskforce of drivers

A key consideration for the organics concept at present is that the sector on the Tablelands is highly fragmented and as such, its unorganised structure impedes growth and development. In developing a cooperative for the Tablelands Organic Precinct, it is therefore critical to identify and engage a taskforce of industry leaders who can drive the project forward.

The role of the taskforce would be time-framed and specific, with the primary focus to act on initial recommendations from this study, invite nominations for the cooperative board, and oversee the induction of initial board members. The resulting cooperative will be responsible for developing an industry that has structure, a consolidated direction, and a unified voice.

Members of the taskforce may continue to serve on the cooperative board, but if that occurs, their role is to change from one of ‘direction’ to ‘collaboration’ to ensure the cooperative is a functional and democratic process.

To ensure impartial direction in the early stages, recommended taskforce members include:

1. Sue Fairley
2. Belinda Down - DEEDI
3. Nola Craig – Australian Tropical Foods
4. Andre Leu – Organics Federation Australia
5. Sarah Rizvi – Council Planning

12. Promotion of outcomes

“There are many reasons why consumers choose to buy organic food. The three main reasons, in no particular order, are: health; concern for the environment; and a belief that organic food tastes better.” (Kristiansen et al 2008, p80). Other motivations include political stance on farming and sustainability, animal welfare and superior taste. Each motivation presents an opportunity for segmented and well-targeted promotional messages.

In contrast, the major barriers are identified as price and availability (Kristiansen et al 2008, p81), both of which provide opportunity for educational messages.

Some specific promotional ideas for the cooperative include:

- Develop a comprehensive public relations / media kit - start with local media to leverage and build on profile already created by Nola Craig, then progressively roll-out intra and interstate
- Develop high quality fact sheets for consumers and farmers – focus on aspects such as environmental benefits, soil benefits, health benefits
- Create a ‘roster’ for co-op members to start writing letters to the editor and participate in talkback radio – aim to get people talking at grass roots level
- Commence a school-based program as part of Ag science – would they consider establishing permaculture gardens at the local high school? Lobby to achieve a sustainability education plan as part of school curriculum
- Consumers as young as 7 years of age are making buying decisions for their families – use this to develop the message around Gallery 5 markets (promote the link between family values and the farmers markets)
- Develop a “trade” education campaign that provides training and mentoring opportunities for growers and livestock producers. Aim to develop the skill set of growers so they may embark on organic farming practices with minimal losses incurred along the way.

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- “conventional” Australian food is already viewed as clean, green and healthy by international standards – this should be factored into promotion planning relating to the nutritional angle, which may not be quite as strong as the ethical angle in core organics target market
- Women are the primary purchasers of organic products – messages should be skewed female with two streams: women without children and women who choose to become mums. These two segments should be targeted with different messaging as their emotive reasons for purchasing are different (e.g. own health versus family health).
- Website – interactivity is very important. Leverage off existing sites such as Australian Tropical Foods to develop early content.
- Long-term aim of the web is to develop an online organics resource that educates in addition to providing profile (visit <http://www.safoodcentre.com.au/> for examples of what can be achieved in this area)

12.1 Leveraging the Supply Chain

Organics consumers tend to be value and ethics driven shoppers. As such, there is potential to leverage off many other sectors as part of the industry supply chain. The following ideas are specific to engaging with supply chain partners to maximise distribution and promotion.

General Opportunities:

- Consider affiliate program ideas and develop multi-channel advertising campaigns based on collaborative referral networks. For example: organic skincare and haircare retailers; spa and massage therapists; dieticians, naturopaths and nutritionists; chiropractors, physiotherapists and osteopaths.
- Consider the luxury yacht industry (privately owned WhiteBoats) as a potential supply partner – engage with the super yacht group and deck crew recruiters to access local and international crews who are travelling in Australian waters.
- Partner with specialist and novelty gift hamper providers to develop a range of organic options for the gift market – e.g. corporate hampers, new parent/baby kit
- Leverage off the back of promotions for major food and sporting events where brand compatibility is high, for example the North Queensland Games.

Abattoir:

- To help build demand for organics abattoir, continue to pursue strategic alliances with high-end Restaurants across FNQ and the Cape – build profile for the organics brand via mentions on restaurant menus and newsletter articles

Dairy:

- Form strategic alliances with a coffee chain for supply of milk products (e.g. Barambah Organics case study). The concept can easily be adapted to other industry alliances such as cafes for milk and yoghurt products; tour operators who serve meals, tea & coffee as part of their tours. Build profile via branding at the point-of-sale.
- Investigate alliances with additional local ice-cream or gelati manufacturers
- Consider dry, condensed, long life and evaporated milk products for extreme weather scenarios such as cyclone season, or as opportunities for camping supplies, fishing industry supplies, yachting industry etc.
-



Markets:

- Build alliances with value-add providers (such as cafes) and professional offices who buy-in fresh produce for staff snacks – aim to generate demand for end consumer purchases through “product trials” as more people are exposed to the fresher, more vibrant flavours of the food
- Create a Gallery 5 “Box Scheme” project for home delivery of organic product direct to consumers. For examples see www.organicfooddirectory.com.au and for a current provider of the service in Cairns see <http://www.accessorganics.com.au/>
- Place advertising in and around shopping centre precincts to lure ‘early adopter’ consumers away from the supermarket for their organic products

13. Infrastructure requirements

“Organic standards require special regimes for separating organic products from conventional products, and for cleaning machinery and packaging. Despite these complications, processors report that after any initial outlay for equipment, the running costs of processing organic food are about the same as for conventional food. Transport and handling costs are higher because of the need for segregation and inefficiencies arising from low volumes of organic products.”
(Australian Organic Summary, p18).

Aside from the infrastructure required for normal day-to-day running of individual farms, specific infrastructure for implementing an organic concept is limited to developing the Organic Cooperative and establishing a centralised office. This requires consideration of equipment such as:

- Computer access
- Internet and telephone access
- Printing facilities
- Office furniture

Another key consideration is that of human resources. Regardless of the direction pursued, it is imperative to ensure adequate funding over a period of time to fund the employment of a project coordinator. As identified in the various case studies, volunteers are time poor, and often lack the skills and focus that’s required to drive an organics concept forward.

14. Legislative and regulatory requirements

The majority of legislative requirements are administered by the approved certification bodies (listed in point 9 above) and adhere to Australian Standard AS 6000-2009.

Australian Standard AS 6000-2009 was implemented in October 2009 and requires that:

- practices stipulated in the Standard be applied to the land **for no less than three years** before any products can be labelled organic or biodynamic;

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- the almost absolute restriction of pesticides and fertilisers produced from the synthetic chemicals;
- a complete ban on the use of genetically modified products;
- operators have a farm biodiversity and landscape management plan as part of their organic management plan; and
- the use of organic and biodynamic livestock feed for livestock products labelled ‘organic’ or ‘biodynamic’.

Source:

[http://www.standards.org.au/downloads/091009 Organic and Biodynamic Australian Standard.pdf](http://www.standards.org.au/downloads/091009_Organic_and_Biodynamic_Australian_Standard.pdf)

The drafting of the Standard was initiated by the Organic Federation of Australia (OFA, March 2007) to assist in creating a more effective regulatory system that would ensure the integrity of organic and biodynamic products. The OFA’s involvement was in response to one of the biggest challenges faced by those in the industry, that being consistency of product and the implications that this has for branding and public perception, which can be impacted by unscrupulous operators.

False claims of ‘organic’ product can be investigated by ACCC but the Standards are currently voluntary as highlighted in the Trade Practices Act, 1974:

“All organic standards in Australia are voluntary. However, all organic claims, whether they reference a standard or not, must be able to be substantiated. If a business claims to meet a particular standard it must ensure that this claim is true.”

15. Investment opportunities

Aside from seeking rural bank loans, the primary source of funding for the organics industry in Queensland is generally limited to government investment and funding sources such as Enterprise Connect.

Anecdotal evidence suggests that the Victorian government has recently injected \$1 million into the organics sector and while not specific to organics, NSW agri-business providers are being actively supported by way of \$41 million from the Federal “Caring for our Country” initiative – a program aimed at developing sustainable farming practices.

Over the years, state governments have varied in their policies and level of investment in organics sector within the state. For an historic review on what interstate governments have embarked upon in the field of Organics, a comprehensive summary has been provided in section 4.7 of *The Market Opportunity for Organic Products in South Australia* – “Current Activity of Government Departments”. Pages 4-24 to 4-25 and Appendix B: The National Organic Market, page B-1.

The full report was developed by the South Australian government in 2003 and is located online at [located online](#).

At present, there are major gaps in information relating to what the various states are doing in to promote and develop the organics sector. This needs to be addressed in more detail but at this point in time, it is clear there is a need for further government investment.

16. Summary of recommendations and actions, proposed timeframes

Whilst compiling this study, the message has been received from a number of interviewees that a definitive action plan must now be established that provides for ongoing activity to drive the organic precinct concept. Producers in the region are now at a point where they've seen a considerable amount of time spent in planning without outcomes that ensure actionable and sustainable development.

There is potential to lose the interest and the support of key players if momentum is not maintained at this point and sustainability is not a continuing part of organics industry development. Within this context, the following are recommendations and actions identified as essential to the development of an organic plan for the Southern Tablelands region.

Recommendation	Actions	Stakeholder	Date to be included by others
1. Identify a taskforce of 4 to 5 key people who will be responsible for moving the project to stage 2 (micro study)	<ul style="list-style-type: none"> Request expressions of interest from team members already engaged in the project 	Advance Cairns	
2. Identify potential members of an organic cooperative that will be formed to drive the project in the long-term and ensure that the precinct is sustainable	<ul style="list-style-type: none"> Call for expressions of interest from primary producers Select appropriate mix of representatives and induct them to the board Commence stage 2 of feasibility study 	Taskforce	
3. Engage the organic cooperative board (on a volunteer basis) and empower board members to drive the project at stage 2	<ul style="list-style-type: none"> Identify tasks that the cooperative will be accountable for Develop research framework for stage 2 of the feasibility study Formalise the structure under which the organics cooperative will operate and how it will engage with consumers and industry stakeholders 	Taskforce	
4. Identify funding opportunities to facilitate stage 2 research	<ul style="list-style-type: none"> Liaise with DEEDI representatives to determine potential State Government programs Approach community banking organisations (such as Bendigo Bank) and investigate private funding options or community grant schemes that may be available 	Organic Cooperative	

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Recommendation	Actions	Stakeholder	Date to be included by others
	<ul style="list-style-type: none"> Act on ‘Caring for our Country” grant opportunity (closes Thursday 15 April 2010) 		
5. Continue to identify and engage with producers who are interested in converting to organic production	<ul style="list-style-type: none"> Establish a training and mentoring program to encourage producers to interact with each other more openly about the process of changing from conventional to organic production methods 	Organic Cooperative	
6. Develop terms of reference for stage 2 feasibility study	<ul style="list-style-type: none"> Include consumer research regarding attitudes in relation to organic produce and compare to socio-economic status Include producer research regarding cost of production, impediments to change, desired resources, attitude toward certification process Identify precise figures for organic and conventional production on the Tablelands – consider factors such as farm-gate sales, production volumes, organic land acreage 	Organic Cooperative and Research Partner	
7. Continue to investigate the formal branding of the Southern Tablelands as an Organic Precinct	<ul style="list-style-type: none"> Conduct a stage 2 feasibility study 	Organic Cooperative and Marketing Partner	
8. Continue to investigate the establishment of a certified organic abattoir	<ul style="list-style-type: none"> Invite feedback from existing abattoir suppliers and primary producers on the most efficient and effective way to move forward Consider multispecies requirements and factor-in the different processing needs of each Conduct research into consumer needs, intentions and behaviours in relation to purchasing organic meat 	Organic Cooperative and Research Partner	
9. Continue to investigate the conversion of the dairy	<ul style="list-style-type: none"> Engage with grain growers to facilitate the 	Organic Cooperative	

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Recommendation	Actions	Stakeholder	Date to be included by others
<p>industry from conventional to organic milk production</p>	<p>sourcing of local organic feed</p> <ul style="list-style-type: none"> • Engage with agricultural colleges to educate farmers on the benefits of organic farming practices • Develop a mentoring program for dairy farmers to openly share information and resources relating to the transition from conventional to organic dairy production 	<p>and Research Partner</p>	
<p>10. Continue to investigate the establishment of an organic farmers market</p>	<ul style="list-style-type: none"> • Conduct research into the likely demand from customers for the market: will local trade be enough to support the concept initially or will customers need to be sourced more broadly to make the concept viable • Research must aim to uncover actual consumer demand, supplier interest and requirements to achieve legislative approvals • Engage a training provider to conduct sales training and people management skills sessions to ensure that volunteers are equipped to maximise sales opportunities • Contact successful market co op organisers and arrange a video or phone interview to discuss and learn key aspects of success in establishing the market model • Review South Australian information portal for resources specific to establishing a local farmers market (Farmers Market Toolkit) • Review community revitalisation tools such as those provided by Village Well 	<p>Organic Cooperative and Research Partner</p>	

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Recommendation	Actions	Stakeholder	Date to be included by others
	<p>(www.villagewell.org) and assess opportunities to engage their team to assist in integrating the market with the local community</p>		
<p>11. Investigate the feasibility of Gallery 5 as a venue for the farmers market</p>	<ul style="list-style-type: none"> • Commence discussions with Council relating to potential for use of Gallery 5 as a venue for the market - car parking to be addressed as a priority to gauge feasibility • Develop a comprehensive business plan including inputs from construction engineers on requirements to convert and install necessary fitout / amenities 	<p align="center">Organic Cooperative and Research Partner</p>	
<p>12. Continue to engage with supply chain partner</p>	<ul style="list-style-type: none"> • Develop trade-oriented case studies on the benefits of organic farming to educate suppliers and retailers about special requirements of the sector (eg food handling, labelling) • Provide a central point of contact for information relating to the organics precinct - its products, suppliers and marketing activities 	<p align="center">Organic Cooperative and Marketing Partner</p>	
<p>13. Identify and plan for infrastructure requirements and regulations</p>	<ul style="list-style-type: none"> • Develop budget for obtaining necessary infrastructure (such as refrigerated vehicles, office equipment, telecommunications) • Consider the employment of a paid coordinator to project manage and assist in implementation of the project 	<p align="center">Organic Cooperative and Research Partner</p>	
<p>14. Implement a trade-driven promotional campaign to educate and inform primary producers</p>	<ul style="list-style-type: none"> • Create a marketing communications plan specific to producers and trade partners, taking into account the promotional ideas listed previously • Develop a series of information brochures, 	<p align="center">Organic Cooperative and Marketing Partner</p>	

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Recommendation	Actions	Stakeholder	Date to be included by others
	workshops, training sessions, mentoring programs and complementary farm visits		
15. Develop and implement a promotional campaign for consumers	<ul style="list-style-type: none"> • Create a marketing communications plan specific to consumers, taking into account the promotional ideas listed previously • Prepare and distribute a range of information flyers that educate consumers on the benefits of purchasing and consuming organic produce 	Organic Cooperative and Marketing Partner	
16. Develop and implement a schools-based program	<ul style="list-style-type: none"> • Develop a 'sales kit' that outlines the benefits to the community and to the schools of student engaging with private industry • Engage with school administrators in the area to discuss permaculture, sustainable and organic farming as part of the Agriculture section of their studies 	Organic Cooperative and Marketing Partner	

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18. Appendices

Appendix 1 – Climate Charts

Appendix 2 – References and Further Reading

Appendix 3 – Key Stakeholders

Appendix 4 – Existing Farmers Markets

Appendix 5 – FNQ Statistical Divisions (Australian Bureau of Statistics)

Appendix 6 – Critical Partnerships



