# Our Organic Future - Cottage, Corporate, Commodified or Containerized?

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China achieved a remarkable 1000% increase in organically managed land in 2006. Chinese organic certification is described as the most stringent in the world, and China has both political references and an economic agenda congruent with an organic future. Australian consumers (N = 221) valued produce of *Australia* at 26.0% more than produce of *China*. This gap diminished to 10.7% comparing *Australia* to *China/Certified Organic*. The valuation gap increased to 28.9% comparing *Australia/Certified Organic* to *China /Certified Organic*; and stretched to 43.9% comparing *Australia/Certified Organic* to *China*. While Australian consumers are sensitive to provenance, and expressed a resistance to accepting food from China, Australasian food processors suppress the provenance of food by invoking FSANZ food labelling rules, and applying the attribution: “Made from imported and local ingredients”. By importing organic ingredients and additionally choosing an Australasian certifier for that imported produce, the suppression of provenance is complete, and thereby both the illusion of localness, and the consumer perception of value, is thus maximized. Perhaps, following in the path of manufacturing industries, Australasian agriculture can be successfully offshored?

National Conference of Aotearoa New Zealand
17-19 August 2007
Lincoln University, Canterbury, New Zealand

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**Abstract**
China achieved a remarkable 1000% increase in organically managed land in 2006. Chinese organic certification is described as the most stringent in the world, and China has both political references and an economic agenda congruent with an organic future. Australian consumers (N = 221) valued produce of *Australia* at 26.0% more than produce of *China*. This gap diminished to 10.7% comparing *Australia* to *China/Certified Organic*. The valuation gap increased to 28.9% comparing *Australia/Certified Organic* to *China /Certified Organic*; and stretched to 43.9% comparing *Australia/Certified Organic* to *China*. While Australian consumers are sensitive to provenance, and expressed a resistance to accepting food from China, Australasian food processors suppress the provenance of food by invoking FSANZ food labelling rules, and applying the attribution: “Made from imported and local ingredients”. By importing organic ingredients and additionally choosing an Australasian certifier for that imported produce, the suppression of provenance is complete, and thereby both the illusion of localness, and the consumer perception of value, is thus maximized. Perhaps, following in the path of manufacturing industries, Australasian agriculture can be successfully offshored?
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National Conference of Organics Aotearoa New Zealand
Lincoln University, Christchurch, 17-19 August 2007

All photos: J Paull

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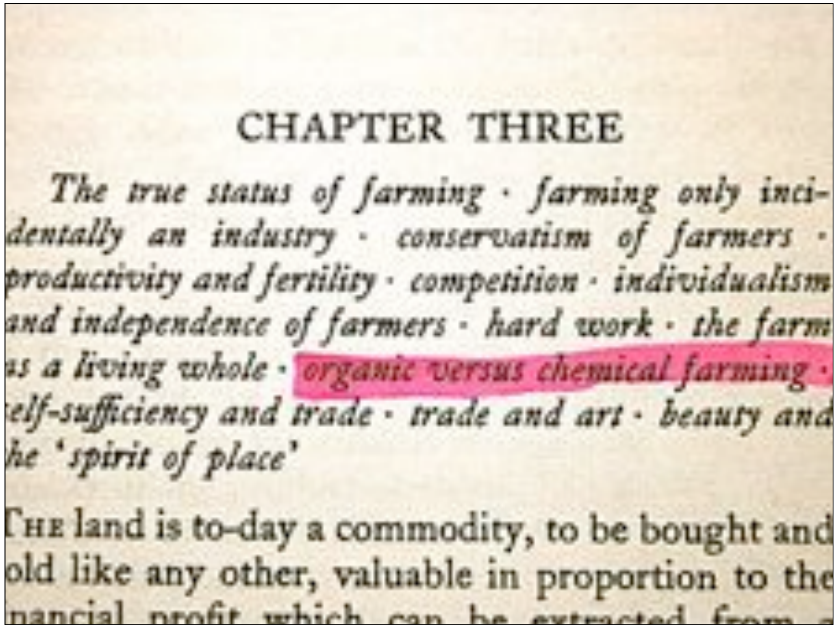
The theme of this conference is” Our Organic Future - Cottage or Corporate”.
I have added “Commodified or Containerized”,
so bear with me, I will quickly cover cottage organics & corporate organics
& then I will move on to why we need to look beyond cottage & corporate.



CHAPTER THREE

*The true status of farming · farming only incidentally an industry · conservatism of farmers · productivity and fertility · competition · individualism and independence of farmers · hard work · the farm as a living whole · organic versus chemical farming · self-sufficiency and trade · trade and art · beauty and the 'spirit of place'*

THE land is to-day a commodity, to be bought and sold like any other, valuable in proportion to the financial profit which can be extracted from

3

The first use of the term "organic farming" was in a 1940 book
published in London,
titled "Look to the Land"
and written by an agriculturalist  Lord Northbourne (Paull, 2006).

# The Cottage View...

In the US organic agriculture...
"grew as part of the counter culture ...
it was essentially a cottage industry
comprised of very small operations"

Jolly, 2000

4

The view from the US is that
Organic agriculture "grew as part of the counter culture ...
it was essentially a cottage industry
comprised of very small operations".


5

The cottage side of organics is bit hippy.


6

It has a do-it-yourself flavour.


7

The term “organic” is unregulated in Australia.


8

Cottage organics is alive & well &
Farmers Markets are successful & proliferating
in many countries, including Australia.


9

At a Farmers Market the customer often gets to deal with the grower.
Terminology is often loose.
Here it states “organically grown”, is that the same as “organic”?

10

For cottage organics the service is often personal.

11

Organic transactions are largely based on trust.
In Australia the price premium for organic is reported as 80% (Halpin, 2004).
It is cottage organics that has laid the foundation for the later entry of corporate organics.

12

The view from Europe is that
after Chernobyl exploded in 1986 there was a surge in demand for Organics.
Customers wanted answers to the question:
"What's in my food and where is it from?" (Hipp, 2007).


13

In Australia, other than Demeter, the Australian Organic certifiers date from immediately after Chernobyl.
BFA & NASAA both started in 1987.
Since then there has been a steady rise of corporate organics.
In Australia the organic market is estimated at AU$500 million.

# Cottage to Corporate...

"A paradox in the growth of organics in America ... that small-scale producers were amongst the most articulate advocates and supported a national organic standard ... but ... small scale operations will be increasingly marginalized"

Jolly 2000

14

"A paradox in the growth of organics in America ... that small-scale producers were
amongst the most articulate advocates and supported a national organic standard ...
but ... small scale operations will be increasingly marginalized".
This was Jolly's take on the situation in 2000.

# 2000 > 2005 California

- 31% increase in organic cultivated land
- 150% increase in value of organic production
- 6% decrease in number of organic growers

(Klonsky & Richter, 2007)

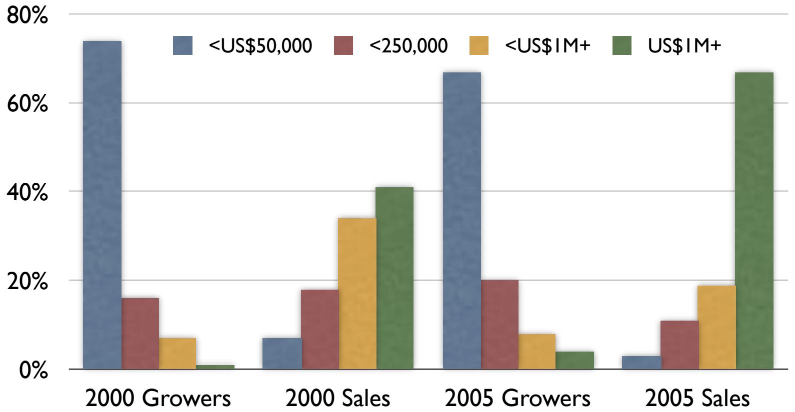
15

If we look at what then happened in the next 5 years, we see that:
organic land increased 31%,
organic dollar value increased 150%,
but organic growers decreased 6% (Klonsky & Richter,2007).
So the figures bear out the prediction by Jolly that the market would consolidate.

# 2000 > 2005 California

Market Consolidation

% Organic Growers & % Sales for 4 Sales classes




(Data source: Klonsky & Richter, 2007)

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What Klonsky & Richter report for California is some kind of Pareto effect,
with increasing consolidation at the top,
and a small number of growers accounting for most of the value.
They report in 2000, the top 4% of growers accounted for 60% of sales value & 5 years later, the top 4% accounted for 67% of sales.


17

This is an example of a corporate organic product - I think it is a good example, see what you think.
It carries a home brand label: “Just Organics”.
It clearly identifies itself as Organic.
It clearly reveals the certifier.
Besides declaring “Product of Australia” it reveals the regional provenance, in this case Kangaroo Island, South Australia.

18

Here is a Chinese example of corporate organic produce, in this case wine.

19

This is partly an Australian success story.
Tony, pictured here, came from China to Australia as a foreign student,
he completed an MBA in Melbourne, &
returned to establish this organic winery; I believe it is China's first.

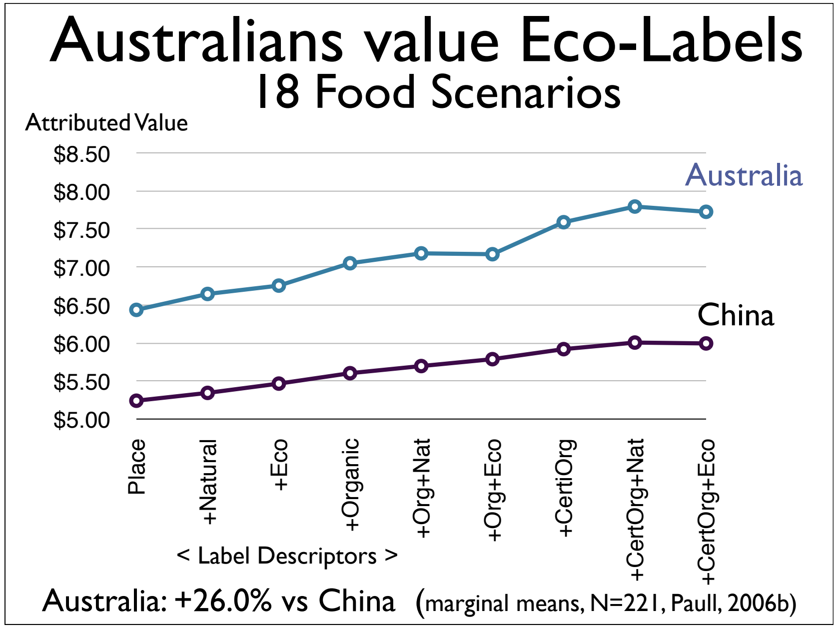

20

Tony's product bears the new national Chinese organic logo & states Product of China on the front label.

The international organic market is now worth US$40 billion (Willer & Yuseffi, 2007).
At the moment both cottage organics & corporate organics are prospering, & each have a role to play in the continued growth of the organics project.


21

I want to move on to something more important that organics - no not icecream!
Provenance is of considerable importance & value to customers,
and perhaps surprisingly,
provenance can add more value to a food product than organic certification!

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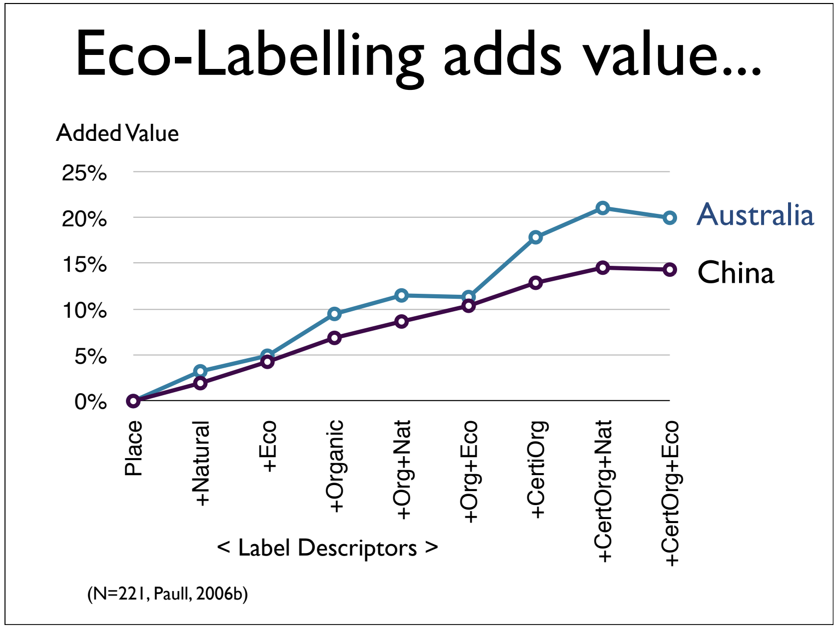
In a study of Australian consumers,
I examined the value of provenance, of organic, & of 2 eco-labels: eco & natural.
What I found was: all label elements added value,
Provenance (Country of Origin) added the most value -
Australia added 26.0%* vs China.
This gap diminished to 10.7%** comparing China/Certified Organic to Australia.
The valuation gap increased to 28.9%** comparing China /Certified Organic to Australia/Certified Organic,
and stretched to 43.9%** comparing China to Australia/Certified Organic
(*N=221x9 *vs* N=221x9), (**N=221x3 *vs* N=221x3), (Paull, 2006b).

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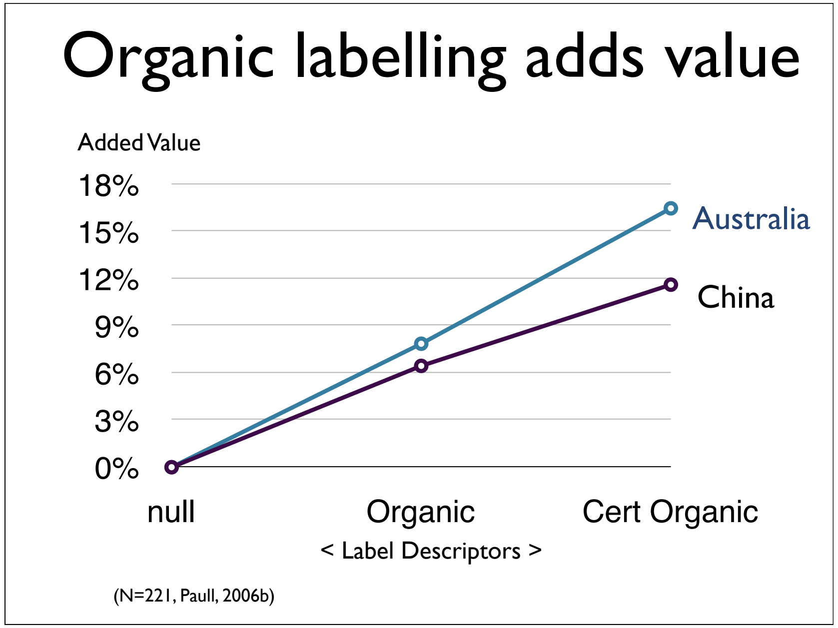
Eco-Labelling can add 21.1%* value to Australian produce, (Certified Organic plus Natural).
Eco-Labelling can add 14.6%* value to Chinese produce, (Certified Organic plus Natural).
Note that these %s are smaller than the 26% Provenance effect, (*N=221 *vs* N=221), (Paull, 2006b).

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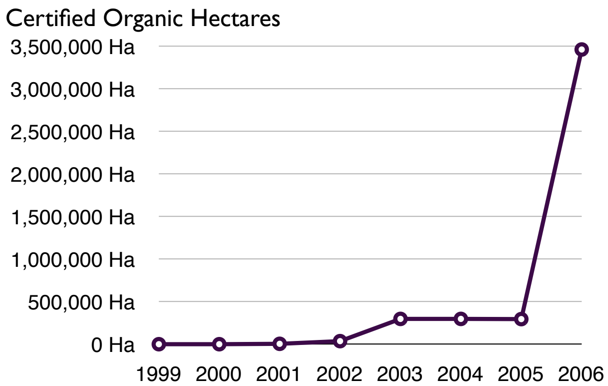
Certified Organic added 16.5%* to the value of Australian produce,
Certified Organic added 11.6%* to the value of Chinese produce.
Interestingly, half the added value is from “Organic” & half is from “Certified”
(*N=221x3 *vs* N=221x3), (Paull, 2006b).


25

So what?,
Is this just of academic interest? &
Why China?
The inaugural Biofach Organic was held in June 2007 in Shanghai.
Let me show you why China...

# So what?
# China's Organic Revolution



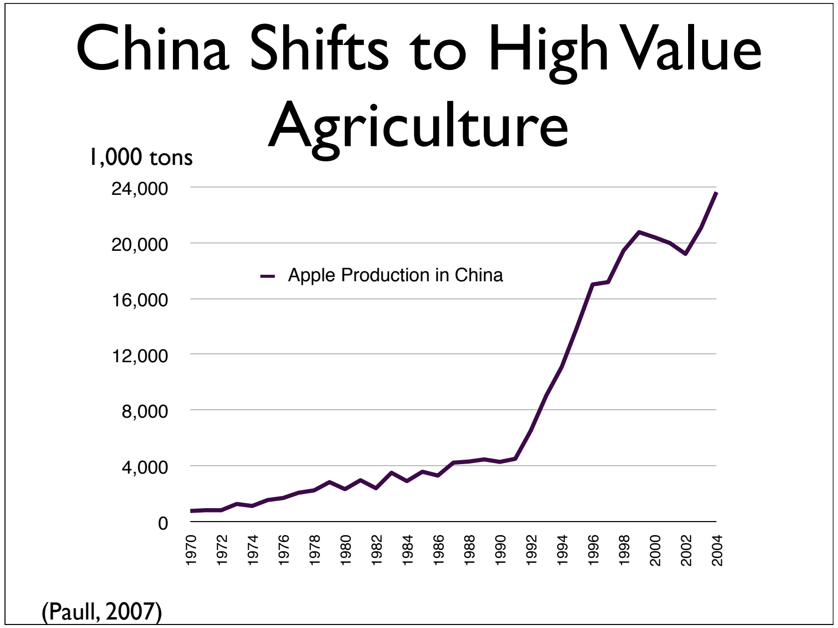

(Paull, 2007)

26

China increased its land under organic management by a factor of 10 in 2006 (Paull, 2007).
I've called this China's Organic Revolution.
China produced 3,850,000 tons of organics in 2006 (Li, 2007).
China is now a world leader in organic production.

27

As this image suggests,
China has adopted a corporate model for the development of organics
not a cottage model.
These women are promoting a Chinese organic soy drink.

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In parallel with this surge in organics,
the agricultural output of China is also surging &
China is moving its agriculture towards high value
& high added value;
organics is a part of that strategy.


29

The Ministry of Agriculture in China has 3 levels to which it certifies food:
Organic food
Green food &
No-harm food.
Green food has been the key to the rapid expansion of organics in China.

# China Organic Milestones

| Year | Organic Milestone |
|---|---|
| 1990 | First Organic Export -Tea |
| 1992 | China Green Food Development Corporation (CGFDC) |
| 1994 | Organic Food Development Centre (OFDC) |
| 1995 | Green Food, Grades A & AA |
| 2002 | China Organic Food Certification Centre (COFCC) |
| 2003 | Organic Certification Begins |
| 2005 | Organic National Standard & National Logo |
| 2006 | China's Organic Revolution, 3 Million Organic Hectares |
| 2007 | BioFach China, Shanghai |

30

Here are 9 milestones in the development of organics in China.
The first export of organic produce was in 1990.
The Green Food Development Corporation was established in 1992.
In 1995 there was a split of Green Food into grade A & Grade AA.
This AA standard has since then articulated into the organic standard.
China's Organic National Standard was introduced in 2005.
By 2006 China reported in excess of 3 Million certified organic hectares.

## China's Organic National Logos

(Paull, 2007)

31

The new Chinese certified organic logos
were introduced in 2005;
they are bilingual,
designed with a view to export.


32

The China Organic Food Certification Centre has played the lead role in establishing organics in China.
It was established in 2002.

# China's Organic Model

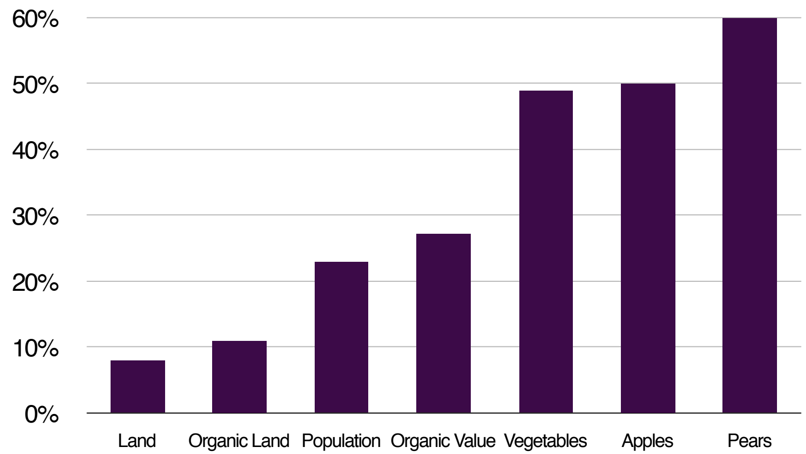
| EU OA model | China OA model |
|---|---|
| Local market focus | Export market focus |
| Bottom-up history | Top-down history |
| Ideology driven | Price driven |
| Individual farm certification | Group certification |
| Farmer as decision maker | Co-op/enterprise as decision maker |
| Direct conversion process | Conversion via Green Food |
| Native idea | Foreign idea |
| Farm as organism | Farm as economic enterprise |

(Paull, 2007)

33

The organic model that China has implemented is quite different from what I have called the European organic agriculture model. China's model is a top-down model, it is economically driven & from the outset it has an export focus, hence IFOAM certification is essential. The Chinese organic model differs from the European model in 8 key ways.

# China % of World Share




(Paull, 2007)

34

With 8% of the world's land, 11% of the organic land, & 23% of the world's population,
China produces half the world's vegetables, half the apples & most of the world's pears.

35

Here you can see land is farmed right to the edge of the road.


36

Organic Farm is a corporate brand in China.
The woman in the foreground is the owner & developer.
Her background was in setting up the Green Food progamme.

37

Lohao City is an organic supermarket chain.
It started in 2006;
there are 5 stores with plans for 100.
The name LOHOA stands for Lifestyle Of Health And Organic.


38

Chinese producers are keen to get international certification.
Here you see IFOAM, JAS for the Japanese market & USDA for the US market.


39

According to Kuhlmann (2007) the immediate opportunity for Chinese organics is as a source of ingredients for 1st world food manufacturers.
It is in the first world where most of the market is, & where most of the organic food processing takes place.
So China can be a source of price competitive, cheap, commodified ingredients.

40

A message from BioFach China was: Let's feed the world organically.
It would be wise not to underestimate China.

41

Here is a shopping centre in Shanghai.

42

This is looking down inside the atrium of the Jinmao Tower, in Shanghai, looking from the 88th floor to the 54th.


43

China is going big & bold & also green.

44

The streetscape in a new suburb of Shanghai (Pudong).

45

The new Shanghai is taking the greening of the city seriously.

46

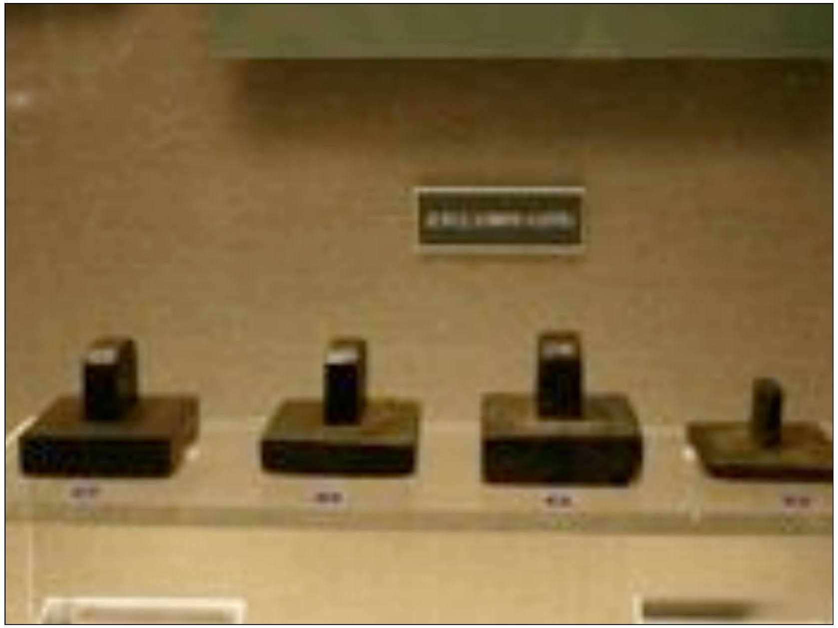
China is transforming its cities.
It can also transform its food exports.
In 2004 China exported US $23 Billion of agricultural products (Li, 2007).


47

Green Food is already well integrated into the Chinese retail food supply, however Organic is new to Chinese supermarkets & customers.
Here you see an instore promotion of organics.

48

Can China succeed with it’s organic project?
Well, firstly, China has a long history of cuisine, fine dining & food culture.
This bowl is from c.4000 BC according to the Shanghai Museum.



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Secondly, China has a long trading history based on certification of quality.
Maybe China invented the Seal of Approval;
in any event, the use of seals in trade goes back millennia in China.
So the concept of food certification is in no way foreign in China.

50

Is the growth of Chinese organics an opportunity or a threat
for Australian & New Zealand producers & consumers?


51

Let me identify a risk.
Here is a Pasta Sauce on the market in Australia.
A customer might be inclined to the conclusion that this is Australian food, & a product of Australia.


52

On the reverse is revealed that it is “Made in Australia from Imported and Local Ingredients”.
Under the FSANZ rules, this decodes to mean that most of the ingredients are imported.
The ingredients have lost their provenance in this commodification process.
They have then been rebirthed in Australia & badged Australian Certified Organic.
When consumers realise that the cheapest source of organic tomatoes is China, will they feel duped?

53

Judge for youself:
is this a breach of the social contract between the manufacturer & the customer?
or between the certifier & the customer?
or is it just a sharp business practice?

54

In the quest for rebirthing ingredients, New Zealand is the worst offender that I am aware of.
The information that this is “Made from local and/or imported ingredients” is entirely vacuous
& it even breaches the lax FSANZ guidelines for food labelling.


55

Fresh produce in Australia must now state the country of origin, and it often does, especially where it is Produce of Australia.


56

Same packing company, no provenance, what’s going on here?


57

Well, look up on the wall, now they were snap peas, so the Country of origin is...

58

So what is the appropriate response to Chinese organics
for the ANZ agricultural sector &
especially the organic sector?
Let me supply several options.
I will use manufacturing examples.


59

Option 1: Race to the bottom - The Blundstone Approach.
The manufacturing sector has already pioneered this approach.
Blundstone have been making boots in Tasmania since 1870.
Early this year they decided to completely close production in Australia & NZ, & move overseas to the cheapest cost production locations in Asia.

Option: Selling on Quality & Provenance, not Price

60

Option 2: Race to the top - The R. M. Williams Approach..
R. M. Williams is a manufacturing example of this strategy; all their boots are made in Australia.
They brag about their specialness, about their Australian-ness, i.e. their provenance &
there is no pretense or expectation that they will the cheapest option for a customer.
R. M. Williams are selling quality & provenance, not price.

## Conclusions...

- Sensible for ANZ growers to compete on Organic AND Provenance together (Brazil promotes together: Organics & Brazil)
- FSANZ rules facilitate the rebirthing of ingredients to appear as local, by the suppression of provenance - this advantages China (for example) & disadvantages ANZ producers so... 3 options...

61

In conclusion, it is sensible for ANZ growers to compete on Organic AND Provenance together
(Brazil promotes together: Organics & Brazil).
FSANZ rules facilitate the rebirthing of ingredients to appear as local, by the suppression of provenance,
this advantages China (for example) & disadvantages ANZ producers so...
consider 3 options for remediating this.

## Conclusions...

3 options...

- Lobby to change FSANZ labelling specifications
- Or ANZ organic certifiers take their social contract to heart & specify provenance of ingredients (an ANZ Organic Standard?)
- Or IFOAM Standards change to specify provenance of ingredients

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3 options...
Lobby to change FSANZ labelling specifications to include Country of Origin;
Or Australian & New Zealand organic certifiers take their social contract to heart
& specify provenance of ingredients (an ANZ Organic Standard?);
Or IFOAM Standards change to specify provenance of ingredients.


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