

FINANCIAL REVIEW

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HD **Farmers say time is right to jump on the organic wagon**

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WC 622 words

PD 1 December 2014

SN The Australian Financial Review

SC AFNR

ED First

PG 39

LA English

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Fred Appleton, co-owner of a 182,000-hectare farm in central Queensland that is 400 kilometres wide, is a new breed of beef farmer switching from traditional methods to organic.

Mr Appleton, who has 40,000 head of cattle, has bought an adjoining 15,400-hectare property for an undisclosed price because of his confidence in rising demand, prices and profits.

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"Everything is right to go," he said of the mix of rising supply and demand.

Specialists in organic farming claim that double-digit growth and record demand from local and overseas consumers for everything from food to household products are driving other farmers to consider the switch.

But consultants warn it is harder work and premium retail prices do not mean fatter farm gate profits.

According to the biennial Australian Organic Market Report, the industry has been growing at a compound annual rate of more than 15 per cent for the past five years and is valued about \$1.7 **billion**.

Australia has the largest area of organic land in the world. There are 22.69 **million** hectares of land for organic farming, and 17.15 **million** hectares have full organic certification.

Andrew Monk, chairman of Australian Organic, a not-for-profit industry body that sets and monitors standards, estimates demand should expand from about 1 per cent to 5 per cent of the nation's consumer demand over the next 10 years.

Mr Monk, a former farmer, said supermarkets could comfortably increase organic purchases by up to 40 per cent as consumer demand shifts from margins to mainstream. **China** FTA will speed up demand

Industry specialists claim the recent free trade agreement with **China** will accelerate demand in Asian markets as the growing middle classes seek clean and green alternatives.

Organic exports have more than doubled over the past two years. For now, North America and Europe are the biggest markets for Australian organic food exporters, followed by Singapore and Malaysia, **Hong Kong** and Japan.

Rising incomes are also linked to increased demand for beef, poultry and better quality household products.

For farmers like Mr Appleton, whose property is near the central Queensland township of Alpha, the switch means being able to increase beef prices from \$3.20 to \$5.40 a kilo.

The father of four daughters aged from four to nine years, owns the farm with his brother, Loid, and father, Dale. They will spend the next two years finalising stringent quality controls for certification.

This includes not using growth hormones or chemicals.

"**Buy** the right country and it will do it for you," he said about preparing land for the transition.

Consultants, such as Organic Systems Solutions, claim there is also huge demand for organic grain, **wine** grapes and cosmetics. 'Still a niche industry'

Neil Clark, principal of Neil Clark **Business** Intelligence, a rural consultancy, said the shift to organic is only financially realistic for "very good" farmers with "very, very good" cost controls.

That's because many farmers have to offset the promise of higher prices with lower yields, because they are not using production-enhancing chemicals, and higher costs.

Premium prices for organic food do not always find their way back to the farmers in the form of higher prices for their products, he added.

"It is still a niche industry and many back out of it because it is too hard," he said.

The Australian Organic Market Report found **dairy** was the fastest-growing segment in the organic market, worth \$113 **million**, followed by beef which is worth \$198 **million**.

Organic grape production for **wine** surged 120 per cent between 2011 and 2014 and is now worth \$117 **million**.

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AN Document AFNR000020141130eac10002a