



New Zealand's organic sector

MPI briefing to the Primary Production Select Committee

17 October 2019

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New Zealand's organic sector is growing

- New Zealand's organic sector is estimated to be worth \$600m in 2017.
- 60% (\$355M) of all organic products were exported– a 42% increase since 2015.
- 40% (\$245M) of all organic products were sold domestically.

(2018 New Zealand Organic Sector Market Report)



The value of organic exports is about half the value of apple and pear exports (\$745 million).

(June 2019 Situation Outlook on Primary Industries)

The organic sector is diverse

- New Zealand's organic sector is diverse, making it difficult to gather exhaustive information about organic businesses.
- Organic food produced in New Zealand includes, for example :
 - fresh, frozen and chilled foods
 - grocery and bakery foods
 - beverages (including wine)
 - canned, snack and confectionary foods.
- There are also non-food organic products, such as products used in farming (e.g. compost, seeds, etc.), beauty products, textiles, and more.
- The size of organic producers and manufacturers is also variable.

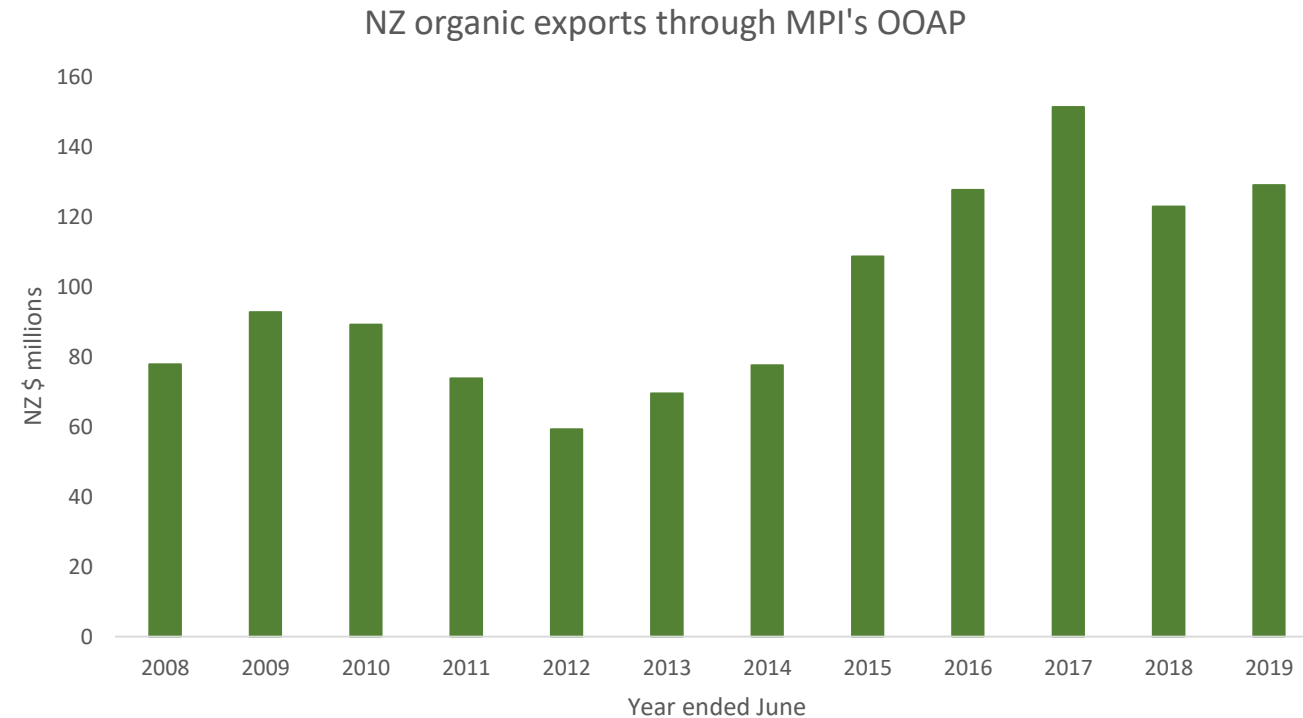
There are a number of organisations supporting the organic sector

- Organics Aotearoa New Zealand and the Organic Exporters Association of New Zealand are two organic industry representative groups.
- There are also groups such as the Soil and Health Association, Hua Parakore, OrganicFarmNZ and sector specific groups such as Organic Winegrowers New Zealand, the Certified Organic Kiwifruit Growers Association and the Organic Traders Association of New Zealand.
- Because of the diversity of products and businesses, cohesion can be a challenge for the sector.



Value of exports has steadily increased since 2012

- MPI runs the Official Organic Assurance Programme (OOAP) that allows organic products to be exported to specific markets that require government assurance.
- This includes the United States and European Union, which account for 95% of OOAP organic export value.
- Exports under the OOAP increased 5% in the year ending June 2019, to \$129 million.
- The value of exports under the OOAP has increased on average 12% per annum over the last five years.
- Not all organic exports are covered under the OOAP.



The OOAP has allowed us to achieve market access success to date

- The markets the OOAP covers are:
 - the European Union
 - the United States
 - Japan
 - Switzerland
 - Taiwan
 - China (implementation currently underway)
- In November 2016, New Zealand was the first country to sign an organics mutual recognition agreement with China.
- The United States arrangement is different in that the U.S. recognises MPI's oversight of New Zealand organic certification bodies as competent to certify products against the requirements of the U.S. National Organic Program regulations.



Mandatory domestic organic standards are common in other organic markets

- Of the world's top 25 organic markets (by value), all but Australia and New Zealand have developed mandatory domestic organic standards.
- Countries with mandatory domestic standards increasingly expect their trading partners to have comparable systems. In the future, this could make maintaining and growing market access with the United States and European Union challenging, and securing access to new markets difficult.
- Market access, particularly to the United States and European Union, is crucial to the success of our organic sector. In the year ended June 2017, the average organic premium achieved by New Zealand organic exporters to the United States was 53 percent over conventionally produced food.

In New Zealand, organic products must comply with a range of overarching laws

- There is currently no law specific to organic products in New Zealand. The Government is aiming to introduce a bill for organics soon, to enable development of a national standard.
- Organics must comply with a range of overarching laws that equally apply to non-organic products. The key requirements are that:
 - Food sold in New Zealand must be safe and suitable for sale, as required by the Food Act 2014;
 - Claims and labels must be true, not misleading, and able to be substantiated, as required by the Fair Trading Act 1986;
 - Imports must comply with inspections and treatments required under the Biosecurity Act 1993;
 - Products which fall within the Animal Products Act 1999 and the Wine Act 2003 must also comply with those Acts.
- MPI currently does not administer organic standards for products sold in New Zealand.

Products can demonstrate they are organic using several voluntary arrangements

- While no organic producer in New Zealand is legally required to meet any particular organic standard, there is one domestic public standard that growers, producers and others can choose to use to demonstrate that their product is organic.
- There are also several private organisations in New Zealand who assess compliance with private organic standards and provide certification services.
- BioGro and AsureQuality are organic verifiers providing certification domestically and for exports, including those under the Official Organic Assurance Programme (OOAP). OrganicFarmNZ and Hua Parakore also provide verification and/or certification services domestically.
- In some cases, businesses may choose to 'self-certify', which means they assess their own compliance with a private standard.

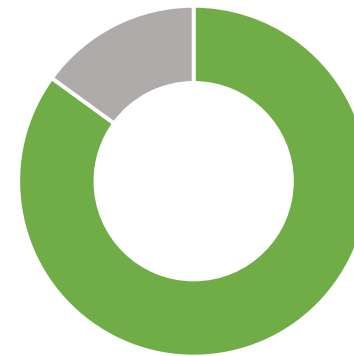
There is an opportunity to improve the current regime

- New Zealand does not have one set of rules for what organic means. This can cause uncertainty for domestic and international consumers, and confusion for organic businesses.
- Overseas countries may be reluctant to import our organic products until our regulations are strengthened. Changes to the current regime could put New Zealand in a better position to negotiate new and more secure market access in the future.
- In 2018, MPI publicly consulted on whether New Zealand would benefit from new organic regulation.
- The preferred option consulted on was a mandatory National Organic Standard, because it is most likely to increase certainty for consumers and deliver trade benefits.
- A mandatory domestic standard would apply to all producers selling organic products in New Zealand, and all importers and exporters of organic products.

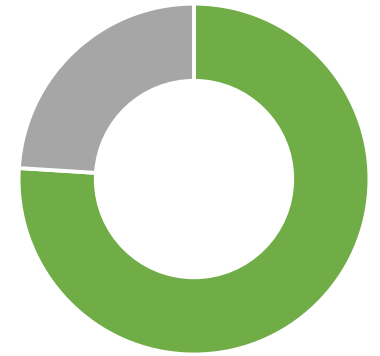
Public consultation indicated strong support for a change

- 208 submissions were received on MPI's consultation on a National Organic Standard. Respondents included consumers, industry and consumer representatives, organic certification agencies, interest groups, consultants, scientists and businesses of all sizes.
- A summary of submissions can be found on MPI's website at: <https://www.mpi.govt.nz/news-and-resources/consultations/proposed-changes-to-the-way-organic-production-is-regulated/>
- In December 2018, Cabinet agreed to progress a bill enabling a National Organic Standard.

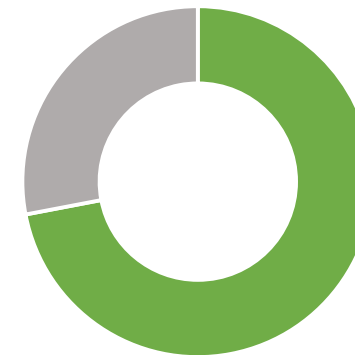
85% wanted to change
how organics are regulated



76% supported
a mandatory standard



72% wanted compliance
to be checked



Next steps

- MPI is progressing with the development of a bill to regulate organic production standards. Proposed objectives of the bill are to:
 - Increase consumer confidence
 - Increase business certainty to invest in organic products
 - Facilitate international trade of organic products.
- The bill will also allow the development and introduction of National Organic Standards; and enable regulations to set ways to check that these requirements are met.
- In parallel, MPI continues to work with the organic sector to ensure the requirements under the OOAP are fit for purpose and up to date, and that market access continues.

Ministry for Primary Industries
Manatū Ahu Matua



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