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Subject: Organic Market Report 2018 fraud claim clarity.

The Hon. Damien O'Connor, Minister for Primary Industries, Primary Production Select Committee Members,

Primary Producer emphasis is important as the Federated Farmers submission pointed out without production there is no product.

Farmer/grower voice needs to be heard not just listened to!

The Organic Products Bill was, as I understand, originated on two main points;

1. Requests from other nations that NZ have domestic legislation relating to organic trade/claims/production to maintain trade opportunities.
2. That there was continual fraud/misuse of the term organic in marketing resulting in low consumer trust and confidence.

In my submission to both the 2018 discussion document and more recently in submission to the OPB (both written and oral) I have challenged both of the above.

The challenge has used OIA and other material to support the position presented.

I see little to no evidence elsewhere---plenty of opinion and reaction---but not evidence.

1 above I presented the complete (as supplied by MPI) dialogue between MPI and the USDA, this clearly showed it was MPI requesting equivalency and the USDA stating (repeatedly) the clear requirements under USA legislation that would be required. Further the USDA stated that the current arrangement was working well.

2 above was largely based on hearsay—local farmers markets etc. and then the Organic Market Report 2018 used AC Nielsen, a well-respected data research/analysis entity, to support and build on the 'rural myth' that organic fraud was rampant. The fraud /confidence issue is mention at the base of page 15----the rest of the pages fully state that organics is growing/thriving and in good heart with high consumer/market confidence.

I fully accept that there are people marketing grower claim organic and some of these are not founded---but a simple challenge at the time is enough to correct the situation in most cases. I have spoken with processor/marketers making organic (doubtful) claims and after an hour they have committed to purchasing organic from a certified operator and progressing to organic certification themselves. Raising the issues via education and factual information around costs and also the Fair Trading Act has proved most effective in the past as it will in the future.

In my OPB submission I raised the issue around the \$104m organic fraud claim in the Organic Market Report 2018 (*below italics*) and I stated (bullet points below);

Fraudulent claims for products that do not have the appropriate quality, origin or production systems certification are an ongoing issue. Organic products have third-party inspection systems and other systems to address this risk. However, fraud does occur. The value of non-certified organic product is estimated by Nielsen to be at least \$104m. New Zealand is only one of two exporting countries in the world that does not have national standards to define organics, but it is hoped that this will change with the establishment of a single, mandatory national standard and regulatory framework, currently under discussion with government.

- This statement is not supported in the report in any way. The figure of \$104m is important as it is approx. 18% of the total sector or more importantly approx. 50% of the domestic sector value. It is unlikely to be export orientated. Clearly not a couple of cabbages at the farmers market!
- I have asked those involved in the report re this figure and after some pushing am informed it is brands like Marco because a lot of their product is not NZ certified. In asking Nielsen they were less sure and are still trying to provide some guidance on the figure.

I have since the closing of submissions had detail from Nielsen and the data provided certainly supports my view that there is **no** \$104m of fraud.

Clarity from Nielsen;

The data only relates to;

- countdown, new world, PAK'nSAVE, Fresh Choice and Super Value
- only includes packaged goods
- is based on weekly till sales data over the whole period.

Nielsen has supplied the base data for viewing and at face value the proposition adds up --- there is a number included which is \$104m of total turnover of \$216m.

However when one takes a simple look at the list containing some 3261 product lines and some 1530 of these are classed as not 'organic' **it is not hard to see the errors.**

Fonterra -----100% fraudulent-----this is an error.

Lewis Road Creamery---15 products of which 2 are fraudulent---LRC has never marketed chocolate milk (the 2 products named) as organic----so again an error.

Of the below chart these are leaders of the sector in many ways from Chair of OANZ to major players in commerce, organic and otherwise.

Significant Fraudsters	Categorised fraud	
All Good Drinks	6 product lines	
Bostock Chicken	3	
Chantal	133	
Ceres	38	
Chanui	6	
Clearwater Dairy	24	
Eco Farm Pty Ltd	15	
Fonterra	14,	
Foodstuffs	40	
Goodman Fielder	8	
Heinz Wattie	14	
Kaiora Natural Ltd	37	

Lawson's Organic Farm	3	
Pitango	19	
Progressive	28	
Mrs Rodgers	40	
Serra Natural Foods	37	
The Better Drinks co	54	
The Cheese Barn	16	
Trade Aid Importers	50	
Turners & Growers	5	
Whole earth foods	8	
Fresh Direct Ltd	2	

The above 23 are 5.56% of the companies named but make up some 32% of the products in the fraud figures.

The fraud number is approx. 50% of the full organic list by product and value-----this in my view is serious stuff.

Of the nine grocery categories surveyed 2 are standouts with 70% and 78% of total sales falling into the fraud figure. A nice round \$38m of the \$104m total.

One of the named companies was de-registered some 25+ years ago!

The big question for me is how many of the products listed **are done so by error**-----some of the products listed I know full well are certified by accepted certifiers. But surely this was looked at prior to the report going to print?

Should this have ever made it to a printed report and more so to one that the Minister MPI received and accepted?

This does need serious consideration if the OPB is to proceed in any form, not just the data but the application of the data to cause action.

On the 7th June I wrote to those in charge of the report at the time and to the current OANZ Board seeking engagement re the claims and shared data as included herewith.

I received a '*not interested*' from the Chair of the day, Doug Voss, and he wrote the forward in the report.

No other engagement until I rewrote on the 21st June to seek further comment/engagement. The current Chair (Chris Morrison) wrote back asking for no further engagement.

I do not write this to you lightly-----I have wished to seek clarity '*in house*' as this is a serious matter in my view-----a sector with 50% fraud.....when is this not an issue to take seriously?

The Organic Products Bill appears to be driven by agendas that are not supported by the evidence relating to the aims and claims presented at any point and repeatedly.

The introduction of the OPB is a reaction to sector pressure (clearly stated in the Frist Reading speeches) over a long time, but having asked repeatedly I am presented with NO EVIDENCE but plenty of ambition without clear destination.

The introduction of any legislation, whether Act, Regulation or Standard is a serious matter and has considerable impact on the sector targeted, it is often the unforeseen that causes the most damage.

I work with organic primary producers(30+ years)-----these people cannot 'go get another job' should the application of an idea not work as planned. They have made long term commercial decisions/investments on the triple bottom line as society has indicated it wants for many years. The rewards are personal and commercial, there is little recognition in the political/industry aspect where we see those still not meeting societies ambitions for food production and environmental relationships getting a range of support initiatives while those already well on the way to the society expectation see little to no support.

When the powers that be (you) are '*consulting with stakeholders*' please ensure the primary producer is truly represented. This does not in my view include token co-opted primary producer (regardless of standing) members of a board rather than duly elected representatives of member based production groupings of primary producers.

And if such constitutional representative organisations are not present as members of the said organisation or do not exist at all other considerations need to be accommodated to facilitate the views of the primary producer that is hard at it doing what society is asking of the food production industries.

As stated in my submissions the NZS8410 was put in place to provide a minimum NZ organic standard. Free it from the current restrictive copyright.

I wish you a good and considered deliberation on the topic before you and seek that the outcome serves the organic sector and agricultural industries well into the future without undue harm to producers.

Regards,
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Learn to ask the right question or you will get the correct answer not the right answer.