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### Associative Deadlocks and Transformative Capacity: Engaging in Australian Organic Farm Industry Development

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# Associative Deadlocks and Transformative Capacity: Engaging in Australian Organic Farm Industry Development

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Recent work on industry policy argues that group and state capacity are important in underpinning (or undermining) the capacity to govern industrial development. Put simply, group capacity – alongside state capacity – is deemed an important ingredient in any recipe for (re)developing national industry. This article further develops the literature on governance and transformative capacity, adding deliberative networking as a key facet. Examining the development of the organic farming sector in Australia, it is argued that the absence of transformative capacity frustrates development. Specifically, although the state has slowly come to see a need for *some* interaction and facilitation of organic industry development, particularly of a national domestic standard, this intervention is made difficult by the absence of: (i) capable organic industry organisations; (ii) ‘in-house’ departmental expertise; and (iii) venues capable of fostering policy deliberation. We argue that the reworked concept of transformative capacity can have wider application in making sense of industry development in other infant industries.

## Introduction

How do industries develop? And what role exists for the state? These questions are at the heart of a longstanding debate over how, if at all, the state can or

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should get involved in promoting infant or sustaining mature industries. A degree of debate in the present Journal has focused upon methodological issues involved in defining, for instance, the impact of ‘non-interventionist’ compared with ‘interventionist’ policies (see Stewart 1996, 31) or the variation between ‘planned intervention’, ‘mixed’ and ‘market-orientated’ approaches to industry policy (Parker 1997). Here, we are less interested in evaluating such binary approaches at a nation–state level and more interested in unpacking the way in which states invariably *do* engage in some manner of industry promotion (whether it attracts the tag interventionist or not) in infant industries.

It is clearly the case that the Australian state (regardless of party political factors) adopts an economic–rationalist view on its role in the economy (see Quiggin 1996; Bell 1997; Stilwell 2000), but such governing from a distance often implies (at least) ‘environment-setting’ activities. Although the underpinning philosophy is one of market responsiveness, the Australian state does still engage in industry development activities (as well as ‘adjustment’ activities in mature sectors deemed in decline). A key question that arises from this perspective is precisely how do so-called ‘enabled’ states go about getting involved with the task of addressing impacts of global economic change on domestic industry? How do they engage in ‘sunrise sectors’?

The question of state enablement often emerges as part and parcel of considering the importance of ‘institutional’ factors in developing industry competitiveness. Naturally, attention turns to identifying the key institutional factors. For instance, in theorising the case of the ship-building industry in Australia, Beeson (1997, 446) talks of the importance of ‘institutional capacity’; unpacking it in terms of the engagement between industry and financial actors, brokered by an active state. He argues that policies *work* because of ‘institutional capacity’. He concludes that implementation of government policies – regardless of the merit of such policies themselves – is ‘greatly reduced’ when institutional capacity does not exist (Beeson 1997, 452).

We examine the effectiveness of industry development activity in the organic farming sector (an infant or sunrise industry), with particular attention paid to exploring the conditions that *underpin* effectiveness. Although Beeson (1997) rightly challenges the bias towards narratives over industry ‘failures’ in the literature (calling for studies of success), the case of organic farming is more a study of ‘arrested development’. The industry *has* grown; however, the consensus is that this growth indicated underachievement (and comparison with European countries such as Austria, Denmark and Italy (Michelsen et al. 2001) underscores this analysis). To make sense of progress, and to flesh out ‘institutional factors’, we utilise the concept of ‘transformative capacity’ developed by Weiss (1998; 2005).

### **Theory on Transformative Capacity**

The broader political science literature offers some promising concepts that help to link state and associative activity and structures with industry development. There is an extensive body of literature on the way in which state and associative structures influence the capacity of states to govern economic development. This first generation of studies pointed towards the importance of variation in state capacity, distinguishing between strong states and weak states,

and in the differentiation between state and society as the key factors explaining advanced industrial states' varying success in responding to economic problems (e.g. Katzenstein 1978; see Weiss 1998 for a review of the literature).

There is a now growing recognition that both a strong state and a strong society are needed to create capacity to govern industrial development. For instance, Atkinson and Coleman (1989) argue that the strengths of states and industrial associations influence the formation of policy networks which, in turn, affect the policy approach chosen. Strong states are characterised by features such as administrative capacities, analytical skills, relative autonomy from political cycles and from sectoral groups, and the possession of financial resources. Associative capacity occurs when interest groups are non-competitive, representative, able to generate systematised information on the environment in which intervention is to take place, have relative autonomy from their members and thus able to discipline their members either through persuasion or through selective incentives (Atkinson and Coleman 1989, 51–2).

Of particular note is the concept of 'transformative capacity' developed by Linda Weiss (1998; 2005). The concept was fashioned in order to explore the way in which states go about working with industry to manage the impacts of global economic change on industry development. The concept of *transformative capacity* '... refers to the ability of a state to adapt to external shocks and pressures by generating ever-new means of governing the process of industrial change' (Weiss 1998, 4). She contends that nation states are far from the powerless actors hyper-globalists suggest. Rather, she argues that transformative capacity is a crucial asset for states as they seek to adapt to global change and manage its impact on key industry sectors. Although Weiss uses this concept in the context of *existing* – perhaps even *mature* – industry sectors being subject to economic pressure, there is no reason it cannot be readily employed to explore industry development in *infant* (or sunrise) industries, like organic farming. Weiss argues that a particular relationship between state and societal groups, governed interdependence, must develop to produce transformative capacity. Governed interdependence is defined as '... a negotiated relationship, in which public and private participants maintain their autonomy, yet which is nevertheless governed by broader goals set and monitored by the state. In this relationship, leadership is either exercised directly by the state or delegated to the private sector where a robust organizational infrastructure has been nurtured by state policies' (Weiss 1998, 38).

Similar theoretical thoughts are also found in the work of Painter and Pierre (2005) and Peters (2005), although they do not apply the term 'transformative capacity' but prefer the term 'governance capacity'. Peters (2005, 82–3) argues that governance capacity is most likely to occur when both the state and civil society are strong. Such a situation 'may be the best of all worlds, given that there can be some choice and mix of instruments to achieve policy goals' (Peters 2005, 83). Painter and Pierre (2005) have a more state-centric approach to governing capacity, by distinguishing between policy capacity, administrative capacity and state capacity. Policy capacity refers to 'the ability to marshal the necessary resources to make intelligent choices'; administrative capacity refers to 'the ability to manage efficiently the human and physical resources required for delivering the outputs of government'; and state capacity 'is a measure of the state's ability to mobilize social and economic support and consent for the

achievement of public-regarding goals' (Painter and Pierre 2005, 2). Although these capacities do not necessarily have to reside exclusively within the state apparatus, the state is a key variable in accounting for governing capacity.

Although there seems to be agreement with the literature on governance/transformational capacity in that coordination between state and civil society is crucial for obtaining governance/transformational capacity and that both state and associative capacity is needed, the way in which the relationship between state and society is to develop is less clear. For instance, Weiss' (1998) concept of 'negotiated relationship', needs further development in terms of the way in which key actors interact, and Painter and Pierre (2005) say very little on 'political intermediation structures' and the 'consultative arrangements' needed to produce state capacity. In accounting for the importance of state–society relationships for governance capacity, Peters (2005, 80) repeats the key argument of the corporatist and policy network literature, which saw the exchange relationship between the state and interest groups as essential – the state trades off autonomy for legitimacy, and the interest associations trade off autonomy for influence on policy. However, the fact that state and interest associations recognise that they are mutually dependent upon each other's resources may not, in itself, be sufficient to produce high levels of governance/transformational capacity. A particular relationship that provides fertile ground for policy and governance innovation must develop. Such a relationship does not necessarily develop when both state and interest groups are 'strong'. State and interest group representatives must be able to form a network in which an open-ended dialogue can evolve. Such an interactive process must involve 'discovering ends, recognizing other parties, marshalling evidence and giving reasons, exploring the implications of various value positions and developing joint responsibility in concrete situations' (Hajer and Wagenaar 2003, 7). If conducted successfully, such a process may enable network members to develop a shared understanding of the policy problem in question, reach agreement on new and innovative solutions to policy problems, develop trust among network members and learn about their interdependencies in pursuing their shared policy objectives (Innes and Booher 2003, 37–46). We shall call this interactive process *deliberative networking*.<sup>1</sup>

We wish to look at explicitly how capacities in the state and industry do (or do not) combine; *what* is their relationship and *how* does this relationship contribute to producing development of the organic farming sector? These factors combine to produce the political context within which organic farming policies are formulated and implemented. Context influences which policy instruments are chosen, and helps to explain why some choices are favoured and others precluded (Peters 2005, 75–7). It is not the ability of key actors in the organic farming sector to identify a particular set of successful policy instruments, such as conversion subsidies, a state organic food label, marketing or R&D capacity, but their ability to engage in constructive dialogue, which is the key to transformational capacity. For instance, although generous conversion subsidies are associated with the growth of the organic farming sector in Europe, this instrument has not been discussed as it is in conflict with the

<sup>1</sup>See Kickert, Klijn and Koppenjan (1997, 40) and Termeer and Koppenjan (1997, 84) for examples on the way in which the concept of deliberation is utilised in the network approach.

Australian government's hands-off policy norm in agriculture. Furthermore, although it is quite clear to the state and industry actors that a common national label, domestic standards and a legally binding vocabulary for marketing purposes are all important (and missing) elements of a domestic organic industry, there is no mechanism for consensus over what this would be and how to implement it. If the state were to be so bold to impose a solution, there is every possibility that this would be unsuccessful. The debate over the 'right' policy instrument obscures the more overarching debate about formulation and implementation of policy measures – the *politics* of organic policy instrument choice.<sup>2</sup> Thus, we argue, that successful government assistance to organic industry growth, in order to make them economically sustainable in the long run, three requirements must be fulfilled:

- State capacity in relation to formulating and implementing organic farming policy.
- Associative capacity in the organic farming sector in terms of being able to claim representativeness and to present a unified view on organic farming to the state. Furthermore, associative capacity involves a certain level of leadership autonomy and administrative capacity.
- Ability of state and farm associations to engage in a relationship characterised by deliberative networking.

### **The Case: The Australian Organic Sector**

Despite organic agriculture having been practised for over 40 years in Australia, it remains a fringe agricultural activity (see Clay 1999). Although it has the largest agricultural land area under organic certification in the world (Willer and Yussefi 2005), the production statistics that are available demonstrate clearly that, comparatively, Australia has a small percentage of its total farming population involved in organic production and that only a small proportion of the commodities produced are actually grown under organic systems (see Halpin (2004) and Lockie et al. (2006)). Although European countries with very well-developed sectors boast percentages of total farms converted to organic of above 5% and up to 9% (see Moschitz, Stolze and Michelsen 2004, 9), Australia rates 2.7% according to some measures (Willer and Yussefi 2005).<sup>3</sup> Thus, compared to the European experience, Australian organic agriculture is at an early stage of development. On the established continuums for sorting

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<sup>2</sup>There is a tendency in existing (European) analysis of state policies in organic agriculture to analyse these with the implicit assumption that this brings about positive and successful action (see Lampkin et al. 1999). This may be so, but explaining how is an important part of explanations of policy development and implementation.

<sup>3</sup>They estimate 2.71% of utilised agricultural area (UAA) under organic development. However, there is a great deal of error in such statistics: others approximate just over half this figure. Furthermore, the 'conversion' of a large area of rangelands for extensive beef production has given the impression of a large scale conversion over time. Thus, the UAA percentage for Australia is not comparable to European conversion rates because they, to a much larger extent, include arable land that has been converted.

relative organic farming development in European nations (see Hamm and Gronefeld 2004; Moschitz et al. 2004), *Australia would be classified as an emerging market country*. On the demand side, organic consumption is relatively low by the Australian domestic market. Work by Lockie and Lyons (2002) points to a general ambivalence among Australian consumers to organic food in the face of competing and confusing messages about its qualities and value. In addition, and in contrast to their European counterparts, Australian consumers, perhaps rightly (see FSANZ 2002), assess that their conventional food supply is generally 'clean' if not always 'green'.

This general picture is changing, with the past decade witnessing the largest steps in industry growth. Indeed, journalists, and some industry advocates, are quick to claim an organic boom: 'Organic farming is now the fastest growing agricultural sector in Australia' (Henschke 2000) a headline reads. Yet, there is a view among industry commentators and academics that growth is significantly slower than it should be and below established industry projections (Monk 1998, 73). They point to factors such as lack of an organic label, no enforceable domestic standard, poor supply chain management, and the absence of dedicated research and development capacity (see, for example, Dumaresq and Greene 1997; Monk 1997; 1998). According to Pillarisetti (2002, 70), Australia is lagging behind trends in organic farming compared to its OECD partners,<sup>4</sup> which is explainable in terms of market size and consumer attitudes, and the inability to introduce effective government subsidies and eco-taxes and to sponsor public and private research in sustainable agriculture. Government-sponsored research projected an increase in conversion to organic farming at the rate of approximately 7% per year, predicting around 2300 organic farms by the year 2005 (MAQIR 1999). More recent forecasts, not unexpectedly, disagree on precise organic farm numbers, but show levels consistently fewer than 2000 organic farms (Halpin 2004; Willer and Yussefi 2005). From a crude measure of numbers of conversions and percentage of land under organic production, the organic sector has been seen as underachieving against its forecast potential. It is the process of change, and the engagement between industry and the state over this development, which is the primary focus of this article. But, unlike some commentators, we see transformative capacity – and not choice over specific policy instruments – as the key explanation of growth patterns.

Scholarship on Australian organic farming remains marginal, with studies focusing on the sociological composition of organic farming, and patterns of organic food consumption (and the significance thereof) (see Lawrence, Lyons and Lockie 1999; Lyons 1999; 2001; Lockie et al. 2001; Lyons, Lockie and Lawrence 2001; Lockie and Lyons 2002; Lyons, Lockie and Lawrence 2003; Lockie et al. 2006). Policy dimensions of organic farming are particularly under-researched;<sup>5</sup> with the only real emphasis being on discussion of certification schemes and implications for the power of farmers in supply chains. This is in strong contrast with scholarship in the farm sector more

<sup>4</sup>The figure cited is that Australia accounts for only 1.6% of the country's total agricultural land area and falls below the 2.4% average of OECD countries (Pillarisetti 2002).

<sup>5</sup>Lockie et al. (2006) is the only volume that deals at any depth with governance issues, broadly conceived, in Australian organic farming.

generally, within which fine-grained analysis of the relationships and capacities of the state and associative structures is longstanding and well-established (see, for instance, Warhurst 1982; Lawrence 1987; Connors 1996; Halpin 2005). This omission also extends more generally to infant industries in agriculture and other primary sectors.

### **Transformative Capacity in the Australian Organic Sector**

The development of the Australian organic sector has occurred largely without state involvement. In global terms, Australian agriculture has one of the lowest regimens of industry support. This general rule is repeated in the organic sector, perhaps even more acutely. Export access has been the driver for what little governmental engagement has occurred. Governmental recognition of the industry first came with a discussion paper within The Australian Quarantine Inspection Service (AQIS) calling for a national approach to certification in 1989. This was in order for Australia to gain access to export markets that existing private organic certification alone would not easily permit. The federal government became more fully involved when, in 1990, it helped establish the Organic Produce Advisory Committee, a body formed to develop a national export standard (May and Monk 2001, 4).

Currently, the federal government regulates organic exports via a government to government certificate (The Export Control (Organic Produce Certification) Orders). A 'National Standard for Organic and Bio-dynamic Produce' compiled by an industry committee (Organic Industry Export Consultative Committee (OIECC))<sup>6</sup> under the auspices of AQIS, provides guidance for private certifiers<sup>7</sup> who enforce private standards that must exceed the National Standard in order that they are recognised certifiers by AQIS. In essence, the state regulates certifiers who, in turn, certify farm-level producers and supply chain actors. However, Australia still lacks a clear and enforceable domestic organic standard and has no state system of food labelling.

The Australian organic industry does not receive any direct targeted assistance from the state. However, it does receive funding via the (part) tax payer-funded Organic Subprogram of the Rural Industries Research and Development Corporation (RIRDC). No dedicated organic research and development (R&D) corporation exists. Australian agricultural research is funded by a levy system, whereby levies deducted from sales of products are matched by government and then distributed to sectoral R&D agencies (corporate agencies with industry boards). However, research funds levied from producers are disproportionately funnelled away from organics (see Wynen 2003). In Australia, government provides no assistance designated to organic producers. Organic enterprises are able to receive funding as part of general agricultural or rural industries assistance programs, such as the Farm Innovation Program and New Industries Development Program (NIDP).<sup>8</sup> Indeed, one farm was awarded almost A\$1 million from the Structural

<sup>6</sup>This replaced the Organic Produce Export Committee (OPEC), which had previously replaced the Organic Produce Advisory Committee (OPAC).

<sup>7</sup>With exception of Safe Food Qld, which is an agency of the Queensland government.

<sup>8</sup>Funding to organic projects from NIDP amounted to only A\$800,000 in 2003.



Adjustment Fund for South Australia (SAFSA) to upgrade facilities for hard cheese manufacture. But this is not by virtue of the organic nature of the enterprises; organic farms are treated as generic – albeit ‘innovative’ – farm businesses.

The mantra of Australian agriculture as producing ‘clean and green’ food appears to rule out the European Union policy frame of organic produce as environmentally friendly and safe. Research on the media construction of organic supports the image that organic is simply a niche product with qualities that have market value (Lockie et al. 2006). Such a view tends to rule out acknowledging organic farming as a ‘farming system’, lest this imply a critique of the conventional sector (i.e. the vast majority of Australian farming). One could reasonably hypothesise that such an image constrains the development of any clientelistic institutions from within the state, its agencies or conventional farming organisations. As such, organic farming seems, by necessity, to be limited to working within existing agricultural institutions and bureaucracies. It becomes evident below that this policy frame informs the level and scope of political interest in Australian organic sector development and hinders development of necessary ‘state capacity’.

But pressure has mounted on the federal government to move beyond its narrow export facilitation role, and to act to foster the fledgling domestic market and provide the mechanisms for market signals and forces to develop. There are signs that it is moving in this direction. More recently it has been developing a more engaged and proactive industry support process. This has included export supply chain development and even talk of a domestic regimen of regulation. This more active industry-shaping role has not been unproblematic. Having seized the initiative, the state is seeking to engage with the organic industry around development but is finding the industry hard to find – or at least it finds many industries and a lack of unity. It is argued here that industry development activity in this infant sector lacks transformative capacity, which undermines state attempts to intervene productively.

### *State Capacity*

The federal government’s capacity in organic farming policy is fragmented. Although we may expect some retrenchment of capacity attributable to the effects of New Public Management-inspired reforms in the Australian public services, what is evidenced is a specific absence of resources and expertise in the organic niche. (See Wissemann, Rogers and Duffield 2003 for a discussion of the pressures for reform of departments with agricultural responsibilities in Australia.) The Federal Department of Agriculture Fisheries and Forestry (AFFA) is the lead department with responsibilities for organic farming; however, there is no dedicated section or unit. The Food and Agriculture Division in AFFA is charged with domestic organic industry development. Most recently, two to three staff worked on organic agriculture, among other duties. Their tasks were mostly disseminating information to farmers and processors about the grant opportunities available to new industries, as well as managing projects involving public funds to organic enterprises. They also respond to requests for information on the Australian organic sector. Staff does not have expertise in organic agriculture, although communications with one of

the authors evidenced some degree of empathy. However, this empathy was not observed as generally extending to other agencies. The Australian Bureau of Agricultural and Resource Economics (ABARE) and the Australian Bureau of Statistics (ABS), who collect Australian farm data, do not distinguish between organic and conventional products. This position evidences a general belief that 'organic' is just a 'market' label and not a seriously different agricultural product, and is consistent with the dominant policy frame highlighted earlier. As mentioned above, the RIRDC manages an organic sub-program, but this is modest and often amounts to brokering funds from other sectoral R&D corporations (e.g. grain, meat or dairy). A single individual within AQIS is charged with convening the bi-annual meeting of the Organic Industry Export Consultative Committee (OIECC) and implementing the export control regimen for organic food exports (although the future of this role is doubtful – discussed later).

As suggested earlier, the lack of departmental capacity is perhaps a reflection of the fact that organic farming is not visible on the broader agricultural policy agenda. Responsibility for organic agriculture does not rest with either of the relevant Cabinet Ministers, but with the more junior Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry. Although one may suggest this recognition is relatively high for an industry segment that involves only 2% of Australian agriculture, scrutiny of policy documentation shows a lack of sustained engagement with organic themes. Indeed, the recent high-level review of the strategic future of Australian agricultural policy has only one mention of organic farming (AFFA 2006).<sup>9</sup> Analysis of press releases and speeches from the current Parliamentary Secretary finds two press releases in the past year with mention of organic agriculture; but these report openings of organic-related conferences. Although one release claims 'The Australian Government is playing its part by helping the organic industry address its key challenges' (Ley 2006a), there is no specific policy announced, nor are increases in state capacity forthcoming. As it stands, organic industry development is a 'by-product' policy (Dery 1998) of 'new industry' or 'food industry innovation' policy in Australia; and funding and capacity flow accordingly. The federal government has funded a national *Organic Industry Profile* (Halpin 2004), an organic component to a larger Food Industry Supply Chain study, and a strategic industry review as part of the *Industry Partnership Program* (Hassall and Associates 2005a). Invest Australia, the federal government's inward investment agency, conducted a study into the organic food industry in Australia (Invest Australia and KPMG 1999).

Consistent with Beeson's (1997) finding for the fast ferry industry that State government policy was important, we find State-level governments also involved in organic farm policy. Several State Departments of Agriculture have been active in developing organic agriculture. However, their small budgets and resource levels have meant that they have done little in the way of concrete industry development activities. The NSW Department of Agriculture coordinated a 2002 and 2004 bid to develop an Australian Organic Systems

<sup>9</sup>It was only one line suggesting food standards need strengthening, with organic food standards used as the example.

Cooperative Research Centre (Organic CRC). It was unsuccessful on both occasions. Several departments have a single officer with responsibility for industry development.<sup>10</sup> Their activities have included industry surveys, creating supply chain relationships and fostering coordination among groups of producers. There is no dedicated state-funded organic advisory service. Of the limited government-funded extension services available to agriculture generally, none is focused exclusively on organic farming. Some State departments do run field trials and other research activities, some of which are funded through RIRDC. Thus, a lack of coordination hinders capitalising on initiatives that may exist, hinting at the role of Australia's federal system in arguably complicating organic industry development activity (see Davis 1998, and Wanna and Weller 2003 for a review).

### *Associative Capacity*

Fragmentation is the rule in associational structures in Australian business generally (Matthews 1991). By contrast, Australian farmers have been well organised through the National Farmers' Federation in a peak national structure (see Connors 1996, and Halpin 2005). Although analyses of Australian agricultural policy may seem to sketch an algorithm like 'Agricultural Policy = NFF + AFFA', below the surface a raft of specialist groups operate in policy issue niches. The organic industry is, however, even more fragmented *within* its niche. The absence of unity (even at the level of policy image) hinders governmental activity at building organic farming into a sizeable export competitive industry sector.

The Organic Federation of Australia (OFA) was established in 1998. The creation of the OFA was initially envisaged by key industry players as assuming the role of industry leadership from the Organic Produce Advisory Committee (OPAC). It is an attempt to integrate producer, processors, wholesalers, retailers and consumers into a single structure. But although recent media releases proclaiming 'Australian Organic Industry Unites under OFA' create an impression of unity and, thus, organisation, these claims belie ongoing difficulties in organising the industry at both State and national levels, and within and across elements of the supply chain. As a longstanding industry participant noted, 'For many years, there has been a vocal debate within the organic movement about ways to unite a disparate industry group' (Monk 1998, 75). The search evidently continues nearly a decade later.

Historically, certification companies have functioned as de facto industry spokes groups. But, measured against the governmental desire for a united and encompassing organisational entity, these certifiers have geographical biases, whereas some have reinforced differences between organic and biodynamic sub-sectors. Moreover, they have cultivated subtle differences in culture and ethic. For example, they differ over distrust of supermarkets, their attitudes to governmental regulation, and their approach to information sharing. Reflecting Australia's federal structure, attempts to form State and national bodies have

<sup>10</sup>The authors are aware of such personnel in Victoria, Western Australia, Queensland and Tasmania.

been numerous. Most have emerged from among the certifiers, from the OFA, or State Departments of Agriculture. There is a clear lack of leadership, with civil servants talking to one group while being told they do not speak for other important elements. Key actors refuse to accept industry-wide platforms. Although the Organic Federation of Australia promises (and claims) a national umbrella role, this is contested by, among others, the Biological Farmers of Australia (BFA).<sup>11</sup> Indeed, the BFA claims to be the largest national representative organic body in Australia. Another player is the Organic Advisory Committee, which acts as a board for the Organic Program of the RIRDC. It controls the modest expenditure on organic R&D.

The Organic Federation of Australia (OFA) lacks capacity. It has no full-time staff, and runs entirely on unpaid volunteers (a mix of farmers, consultants and academics). By contrast, some of the certifiers, and the BFA, in particular, are well resourced. They have professional staff, a head office and access to lists of farmers. More importantly, they have a history of dealing with the state via their role in developing and maintaining the organic export standards. But certifiers vary in professionalism and capacity. Few have an encompassing coverage of the 'industry', and one targets the biodynamic sector. This creates a further problem for government. It cannot work with just one or two certifiers lest it be seen to favour one commercial operation over another. Mainstream farm organisations are not engaged heavily in organic agriculture. They do not have organic sections, nor have they established organic farm policies. Indeed, in the debate over the release of GM crops in Australia, the NFF position was that producers should be able to choose between organic, conventional and GM.

The lack of a single authoritative and legitimate industry body is well recognised within industry. A working group was established in 2004 to establish a plan to ensure broader support for the peak body, and part of its outcome was a revised constitution adopted in 2005. However, early signs are that this has not had a lasting effect. At the State level, recent moves to establish peak bodies in Western Australian and Queensland hold *promise* of a larger national federated body in the future. Yet, they simply add to the associative map and, so far, have not catalysed any rationalisation.

### *Relationships*

One should not have the impression that the state is disinterested in organic industry development. Both federal and State governments have become involved in efforts to catalyse an organic sector that is sustainable in the long term, market responsive and that makes the most of export opportunities. As organic development emerges as a growing market opportunity – especially against the backdrop of adjustment pressure in the agricultural sector – so the state has become involved. However, attempts to forge a working relationship with industry have been difficult. Also, attempts to transcend a minimal relationship forged with industry around export market access have been problematic.

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<sup>11</sup>The BFA was formerly a certifier/cooperative but in 2002 separated from this business and is now the only other industry body with ambitions for national coverage.

The only formal venue in which the industry and government engage with one another is the Organic Industry Export Consultative Committee (OIECC),<sup>12</sup> which meets for a day, twice a year. This is managed by AQIS, and has a narrow remit to manage export standards and regulations. As is recorded in one industry document ‘OIECC meets twice a year to consider export market access issues and also is the opportunity for the seven accredited certifier organisations to vote on change to the National Standard put forward by the National Standards Subcommittee’ (BFA 2006). This is *not* the fora for strategic policy development or discussions beyond implementation of the export standard. Furthermore, AQIS have indicated they are going to remove themselves from this role. Industry events, such as the now annual Organic Conference, present venues for an exchange of views on scientific and market themes, but not for policy formulation.

### **Attempting to Build Transformative Capacity**

The Australian state is aware of the need to generate transformative capacity to promote organic farming growth. Indeed, there is some sign that it appreciates that such capacity is necessary. But associative capacity is a critical problem. The fact that it is not able to grant resources to the OFA to do industry development work (such as the recent Industry Profile), as it attracts criticism from *within* the industry that OFA is unrepresentative, highlights the lack of an authoritative industry leadership to work with. Another consequence of the OFA’s capacity deficit is that it is no more than an observer as consultants, food companies, certifiers and exporters develop Food Industry Strategies for important organic supply chains. The OFA is a passive observer, which is a stark contrast to the role of the NFF and related groups within conventional farm policy and program development. Furthermore, it also contrasts with the experiences of countries with developed organic sectors, such as Denmark, where the National Association of Organic Farming played a key role in shaping the national organic farm policy (Michelsen et al. 2001).

But there are signs that the federal (and some State) governments are interested in ascertaining the strength of the OFA and in developing associative structures. A recent media release from the Parliamentary Secretary responsible for organic farming stated that in addressing its many challenges, the industry ‘...must work together under the leadership of the Organic Federation of Australia to ensure continued success.’ The state recognises it needs an authoritative body but, until now, it has been frustrated in associative capacity building. This necessarily involves some way of working amicably with both the OFA and BFA. The Hassall and Associates report, funded by the Australian government, includes an Appendix that sets out a detailed 5-year plan for putting the OFA on a steady footing (Hassall and Associates 2005a, Attachment A, 55). This is not an unusual intervention, with the federal government – and AFFA in particular – being active in fostering stable and

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<sup>12</sup>Membership consists of all seven certifiers, Australian Quarantine and Inspection Service, Organic Federation of Australia, Organic Retailers and Growers Association of Australia, International Federation of Organic Agricultural Movements, and State Departments of Agriculture.

authoritative sectoral associations in new industries. In the 1990s, the government complained that ‘... horticulture was hampered by fragmentation, geographical dispersion and a lack of strong industry organisations’ (*The Land* 1997a, 4). This was repeated with the wine industry, when the then Minister urged the Australian Winegrape Growers’ Council to merge with the Winemakers’ Federation of Australia (*The Land* 1997b, 25).<sup>13</sup>

The importance of the capacity of industry in connection with industry building is brought into sharp relief in industries in which the political landscape is largely ‘greenfield’. As Weiss explains, there is a temptation to see industry association development as though it was a zero-sum game with the state (strong state = weak group, and vice versa; see Weiss 1998). But this *shared* capacity becomes an important facet of transformative capacity. If states really did profit from weak industry to ‘get its own way’ then why would it seek to create stable industry associations?

Of course, the evident lack of state capacity, especially at the federal level, exposes and exaggerates the lack of associative capacity. In the vacuum left by the absence of an authoritative OFA, and disunity as a result of clashes with the BFA, the state has not had the resources to step in with any informed solutions.

### **The Consequences of Missing Transformative Capacity**

The issue of creating a *domestic* organic standard is a good example of the consequences of the lack of state and associative capacity creates and the resulting absence of a relationship characterised by deliberative networking.

For some time the Australian government has resisted calls to get actively involved in regulating the trade of organic goods.<sup>14</sup> In preference to passing dedicated legislation or incorporating organic standards within the Australian and New Zealand Food Authority (ANZFA) system, which would make domestic standards mandatory and false claims punishable, it has, instead, referred industry to the Trade Practices Act, suggesting it seek legal redress in terms of guarding against false or misleading claims about the organic nature of food. It seems, however, that there has been acceptance that the industry domestically will not grow without clearer signals about what is and is not certified organic. The Parliamentary Secretary stated recently that ‘The future success of the organic industry in Australia depends in large measure on its ability to promote the attributes and benefits of organic products’ (Ley 2006b). Promotion, she argued, was reliant on clarity in labelling, and she applauded moves for an Australian Standard for Organic and Biodynamic Products

<sup>13</sup>Furthermore, the government continues to support and shield those established organisations that, from time to time, become the subject of challenge from rebel organisations. In the late 1990s, the then Minister actively resisted the Australian Wool Growers’ Association (AWGA) and stated his preference for the re-organisation of the existing Wool Council. In an answer to a Question on Notice, the Minister commented, ‘It is obvious the Government can most effectively respond to growers if the industry speaks with a clear single voice. I urge AWGA to work with Wool Council in determining whether further reform of Wool Council is needed ...’ (Australian House of Representatives Hansard for 26th August 1997, Question No. 1917).

<sup>14</sup>Indeed, the OFA observes ‘The organic sector has tried, without success, since 1992 to get either legislation or a mandatory Food Standard Code under FSANZ to prosecute fraud and misrepresentation’ (OFA 2006b, 5).

through the Standards Australia organisation.<sup>15</sup> The government's emerging acceptance of the need to act has opened up political space within which segments of the industry have sought to place their own regulatory preferences.

This change of heart is, to some extent, shaped by the indication from AQIS that it is seeking to withdraw from its 'Competent Authority' role, which enables Australian organic products to be exported. AQIS point to new EU regulations enabling *direct* accreditation of certifiers as the reason for its withdrawal; they argue that accreditation of certifiers can be managed directly between the EU bureaucracy and certifiers. This would leave industry with no venue or mechanism for housing and modifying a national domestic standard, nor a mechanism to ensure continuity of exports. Wrapped up in this debate over certification and standards is the problem of a lack of domestic protection for the use of the term 'organic'. Legal protection would likely remain elusive under the Standards Australia proposal. Such an approach would place the standard setting process in industry hands, with Standards Australia facilitating industry efforts to determine, administer and evolve a domestic standard. Although standards developed by Standards Australia *may* be called up into governmental regulation, this is by no means automatic. As such, it would fall short of protection for the term organic that legislation or FSANZ codification would provide. As the OFA (2006a, 2) explains, after a standard is produced with Standards Australia, 'The next step will be to work with State, Territory and Federal governments to have the standard called up into regulation by the relevant authorities to be used to prevent and or prosecute fraud and misrepresentation.' As such, the way in which the question of standards is resolved is central to future industry development.

The OFA has backed the Standards Australia plan also favoured by AQIS and government. This would mean a self-regulatory system with an industry technical committee setting and adjusting standards over time. The BFA, the only other industry body in Australia, prefers a legislative approach under Food Standards Australia and New Zealand (FSANZ). This would make the standard part of the mandatory food regulation framework in Australia. To further demonstrate the difficulty in separating the commercial interests of certifiers from the broader interests of an 'organic industry', the second largest certifier in Australia (NASAA) has accused the BFA's opposition to a Standards Australia route as an example of pursuing its 'commercial considerations, which may not be in the interest of the Australian organic or biodynamic sector' (NASAA 2006).

Previous applications to the FSANZ (and its predecessor) for the development of legislation for domestic organic produce have been denied.<sup>16</sup> Indeed, recently the FSANZ commented that the Food Standards Code was 'not the right place to define "organic"', with a spokesperson stating that 'We are working with Standards Australia to define organic food, and we feel that is

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<sup>15</sup>Standards Australia is a non-governmental peak body that assists in developing and housing quality standards. These standards *may be* recognised by the Australian state and, as such, are referred to in governmental regulation. Standards Australia is recognised by government as the peak non-governmental standards development body in Australia (see [www.standards.org.au](http://www.standards.org.au)).

<sup>16</sup>This approach has been the longstanding preference of industry and was foreshadowed a decade ago (see Monk 1998, 75).

being addressed appropriately' (Lawrence 2006). This governmental attitude reflects the broader de-regulatory thrust of Australian government policy, which is generally aimed at handing back industry regulation to the industry itself. Although the OFA accepts that it is unlikely that the government will introduce positive legislation outlining the criteria necessary for the label 'organic' to be attributed to a product placed on the domestic market, the BFA do not. The details are less relevant than the overall point that without industry acceptance at the formulation and implementation stage, any standard will be unworkable. The OFA met with AQIS and AFFA in March 2005 to discuss proposals and agreed to put forward the Standards Australia Plan. But the weakness of the OFA threatens to halt attempts there. The absence of any formal venue within which to engage the Australian organic industry makes the policy formulation task difficult. The debate over the issue of a domestic standard has been carried out with a public exchange of views.<sup>17</sup> This manner of internal industry dialogue makes deliberative networking impossible.

A series of two Industry Round Tables were conducted in mid-2005, involving a range of industry players (see Hassall and Associates 2005b). This was an initial attempt by the state to generate some consensus on industry strategy. The attendee list gives the impression of a fragmented associative field. Most participating groups lack any real authority or mandate, with membership structures and accountabilities varying significantly; and many individuals wearing multiple hats.<sup>18</sup> The public minutes of the meetings suggest that the degree of deliberation undertaken was low. As the BFA points out in its reporting of the meeting, discussion (and a subsequent vote!) around a new Domestic Standard was made on the basis of presentations from Standards Australia but not from the FSANZ (BFA 2006, 6). The discussion appears, at least on this core issue, to have been stilted.

## Conclusion

This article has attempted to theorise the process of state engagement in fostering infant or sunrise industries by examining the case of organic farming in Australia. We have also reworked the political science concept of 'transformative capacity', developing a more elaborate three-legged framework which, besides acknowledging the importance of associative capacity and state capacity, argues that these capacities have to be combined through a process of deliberative networking to produce transformative capacity. Our approach develops upon the more general insight in the industry development literature that institutional capacity, variously defined, creates the necessary milieu to the subsequent implement of specific policy instruments.

So what did we find? Australia has very poor levels of transformative capacity in organic farming sector development. Associative structures are fragmented, with (at least) two organisations claiming the role of national representative of the organic sector. Complications include the desire to organise the whole industry, from paddock to plate, and the relative capacity of

<sup>17</sup>See exchange of letters between OFA and BFA at [www.bfa.com.au](http://www.bfa.com.au).

<sup>18</sup>For instance, those representing state and international organic movements are also office bearers in the OFA.



certifiers versus the OFA. The state is not committed to the organic industry per se, but addresses its development as part of strategies for infant industry development or innovation in the food sector. The only venue for engagement between the state and industry is around export standards development and administration. This proves a limited and unsatisfactory means of engaging in strategic policy development and implementation. Indeed, there is no sign of any supplementary fora for engagement in such a dialogue having been considered or emerging in the near future. Ad hoc summitry turns out to be set-piece deal making.

We anticipate some criticisms that we overlook the obvious explanations found in the usual suspects of labelling, supply chain coordination, standards or consumer demand. These, we argue, may be useful *strategies* for growth. But, most important, and a precursor for any of these to actually be developed and implemented satisfactorily, is transformative capacity. The cases we point out exemplify our point. The attempt in Australia to agree on a strategy for developing a domestic standard, let alone implement it, is significantly undermined by associative incapacity. It is an example of an obliging state, accepting it has a role in infant industry development, being unable to intervene effectively. The relationship between the state and industry is conducted in the absence of a suitable venue for policy deliberation; engagement is ad hoc and lacks trust-building elements.

Clearly, this approach could be developed further by examining other infant industries (e.g. biofuel) or by analyses of organic farming development in other nations. We would expect such analysis to reveal the importance of transformative capacity in accounting for variance in industry development between industries, and between like industries in different individual countries and groups of countries.

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