



2019 - 2020

Annual Report to Members





Welcome

2019/20 Annual Summary Report NASAA/NCO Group



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Glenn Schaub

CHAIRS REPORT NASAA'S 'GATEWAYS TO ORGANICS' STRATEGY

A year marked by significant challenge and achievement for NASAA

The 2019/2020 year started with high hopes for developing and expanding NASAA's activities.

We initiated NASAA's Gateways to Organic strategy and alongside NCO's Operations Plan, delivered a solid performance in the face of significant challenges including:

- impacted by drought and fires
- COVID 19 lockdown and some programs put on hold
- strong competition from other certifiers who provide little reinvestment to the organic sector
- competitors' unclear messaging about consumer recognition and value of their organic labels
- a significant slowdown in new domestic operators entering the organic market
- continued consolidation of producers and processors across agriculture
- an aging agriculture-workforce and decline in numbers

NASAA is responding to the challenges by building reliable and diverse income streams

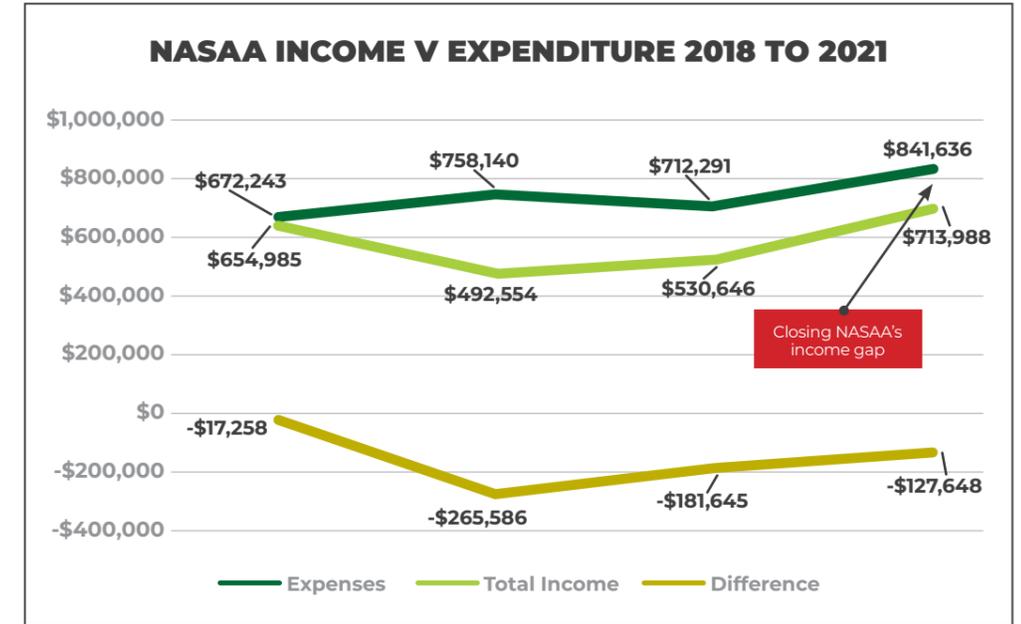
NASAA's income is less than the cost of providing industry development, advocacy services and enabling NCO to operate, while maintaining a balance sheet that ensure NASAA can meet its forward 12-months financial commitments. Consequently NASAA Organic relies heavily on NCO Certification income.

NASAA Organic's income is made up of:

- \$225,000 for services to NCO for administration, accounts, marketing and advocacy support services
- \$250,000 for intellectual property services, maintenance and royalties that enable NCO to operate
- NASAA services and products provided by NASAA to members, operators and the organic community
- Supplementary payments made to NASAA by NCO for additional services

Consequently, NASAA is overly dependent on revenue derived for organic certification services.

Importantly, Graph 1 illustrates the increasing cost and demand of providing services to the industry and that the Gateways to Organic strategy is helping to reduce NASAA's dependence on NCO Certification income.



Graph 1: The differences in NASAA's revenue and demands on expenditure.

A successful Gateways to Organic strategy will secure more diverse and reliable income streams

NASAA's over dependence on NCO certification income is unsustainable given the financial challenges faced by NASAA and NCO from strong competition and changing market expectations.

NASAA's over dependence on certification limits NCO's ability to reduce costs and diversify its services to operators.

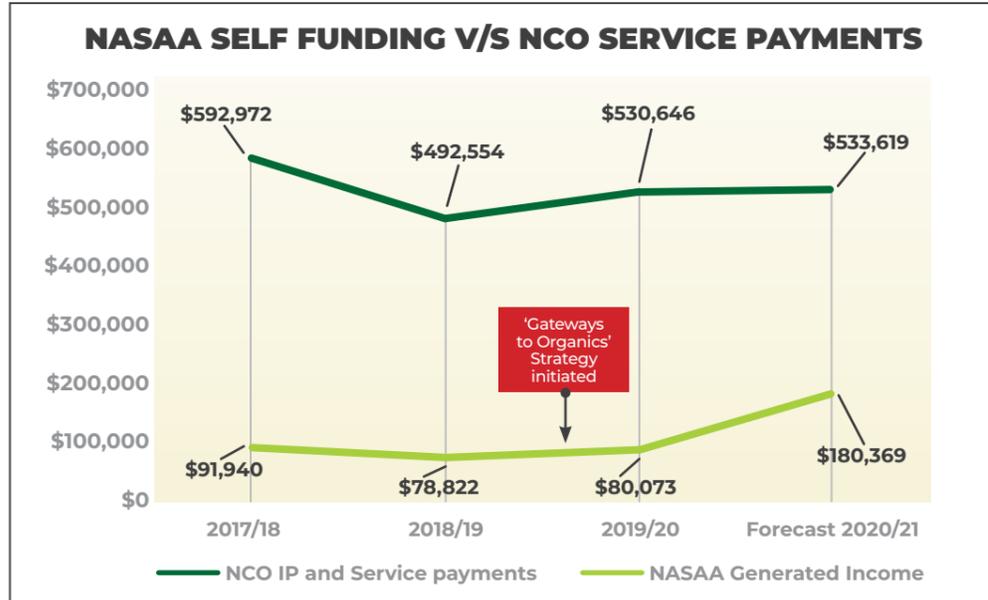
However, maintaining and diversifying a reliable income stream for NASAA Organic is essential if the Association is to continue to provide the very necessary industry support and development services required. While also continuing to protect and maintain NASAA's Intellectual property that enables NCO to operate and provide certification and global market access to our operators.

The NASAA Gateways to Organics strategy responds to these conflicting demands and challenges by:

- reducing the Association's dependence on NCO certification revenue
- adding depth to NASAA's commercial independent income base
- creating new services through conventional operator transition programs, and organic education, training and technical support
- improving NASAA services and support to encourage more NCO operators to become NASAA members
- freeing the way for NCO to provide more cost effective and efficient services to operators

The Gateways to Organics strategy has achieved results in its first twelve months

The following graphic illustrates the headway achieved in increasing NASAA's revenue and lessening its dependence NCO certification income.

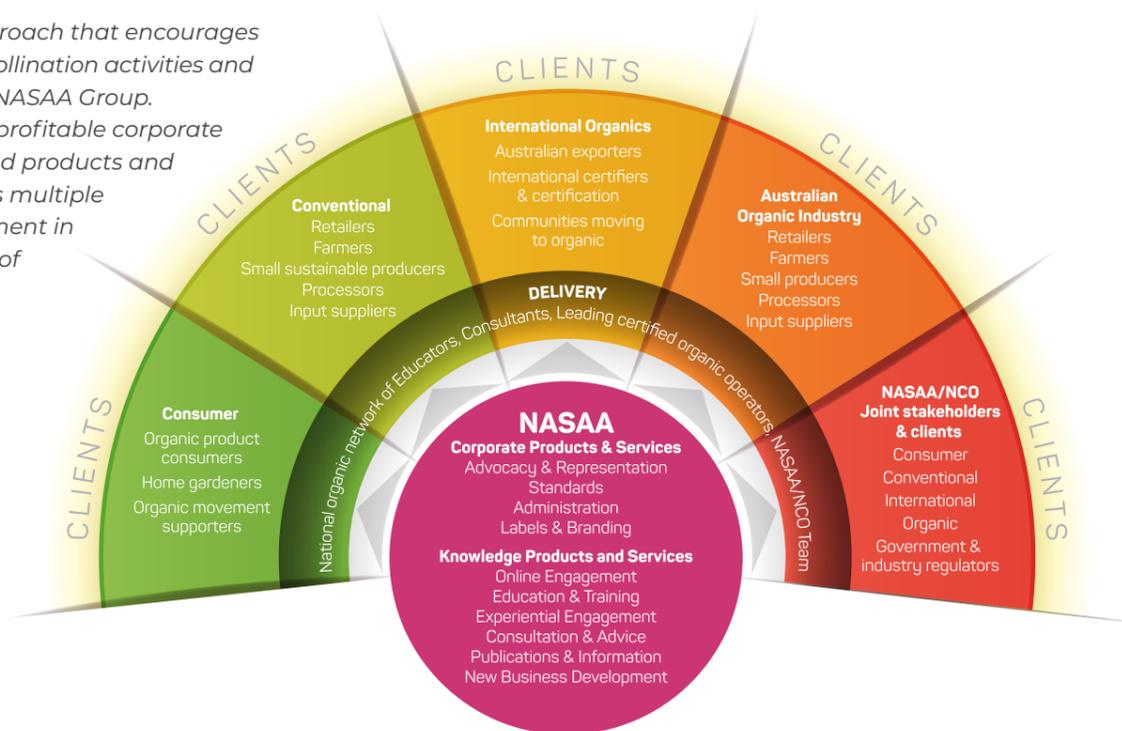


Graph 2: NASAA's non-Certification income since initiating the Gateway's to Organic Strategy.

'Gateways to Organics' strategy

Purpose

Through a team approach that encourages and supports cross pollination activities and drive growth for the NASAA Group. Using commercially profitable corporate and knowledge based products and services that serve as multiple gateways to involvement in organics for a range of agriculture and food sector clients and stakeholders.



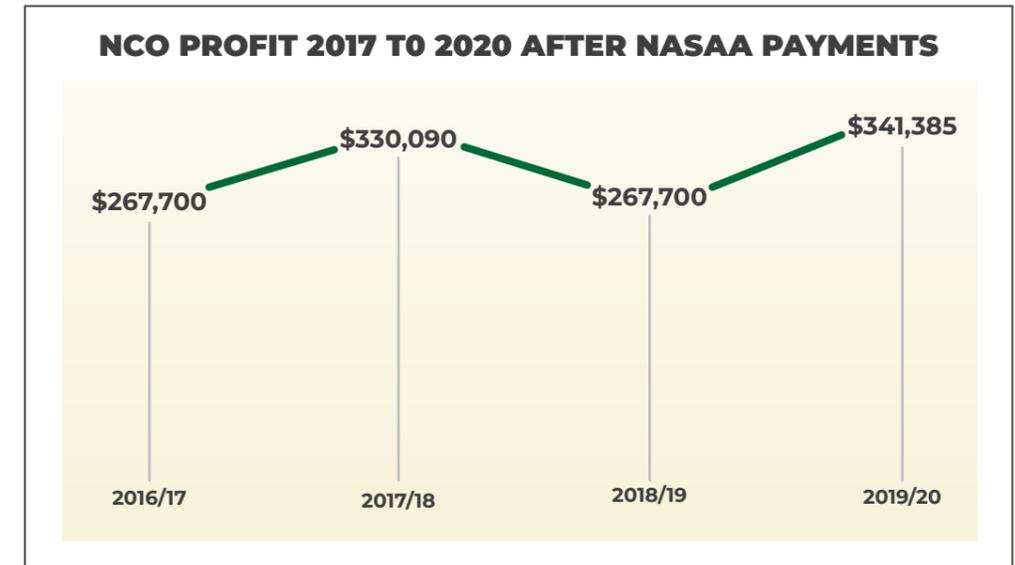
NCO OPERATIONS STRATEGY IS DELIVERING BENEFITS FOR OPERATORS

NCO has maintained a strong financial position and improved its services

By freeing up NASAA's dependence on Certification income, NCO has been able to meet the significant challenges aggressively, and delivered sustained growth, profitability and benefits for operators.

NCO has continued to grow despite a stagnation in the rate of growth in domestic operators. This includes:

- a 42% increase in new NCO certified operators from China
- 9% increase in new NCO Certified operators overall



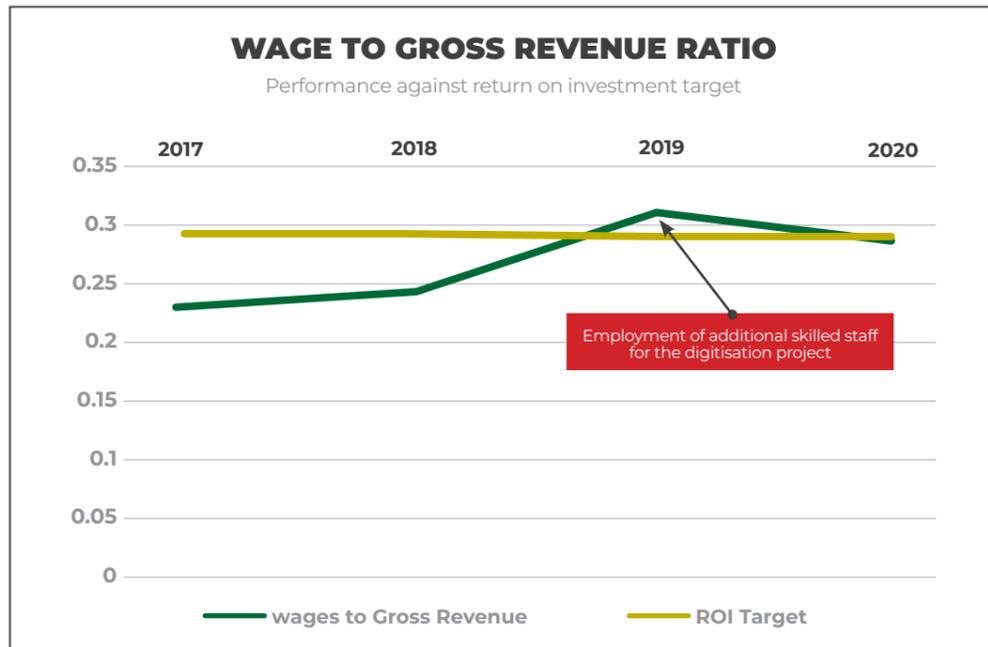
Graph 3: NCO continued profitability maintained.



NCO has improved its efficiencies and productivity while delivering reduced costs and improved services to operators

NCO has continued to develop and enhance technical, financial and operational systems and meet all certification agreement requirements; as well as delivering a discount for multiple operators alongside multiple domestic and international certification standards.

NCO has successfully implemented improvements to Certification services, which includes digitising operations by bringing them online, and streamlining the Certification process for new and existing operators.



Graph 4: Improved operational efficiency.

Payroll (wages) is one of the biggest expenses in a business, which is why it must be monitored and controlled constantly to maximize profitability. The service industry average considers a 30% ratio as indicating efficient allocation of staffing to revenue recovery.

As is shown in Graph 4 above, the development of new services and improvements, requires investment with a corresponding increase in staff costs for a period before the return on investment is realised.

During the past two years, NCO has delivered reduced costs for operators, and provided discounts for operators with multiple programs.



Graph 5: NCO's reduced costs for operators.

Achieving results and meeting our obligations

Consequently, we continued to make headway, in achieving long-term growth and development for NASAA Organic – with flow through to NASAA Certified Organic (NCO) and Australia's organic sector.

As required under the Act, the Boards have ensured the NASAA Group can meet its forward financial and service commitments, as well as its obligations to members and external accreditors.

	Consolidated NASAA/NCO	
	2020	2019
Total equity	\$ 1,306,112.00	\$ 965,793.00

Graph 6: A strong balance sheet that meets our forward commitments.

Despite a very challenging year, NASAA and NCO have remained resilient with the group recording an increase in income, and operator numbers, and growth in revenue streams.

I am very proud to commend this report to NCO operators and NASAA members on behalf of the NASAA and NCO Boards, the Management Team and staff.

Glenn Schaube
NASAA Chair

SUMMARY REPORT AGAINST OUR STRATEGY

For the first time, the following summary report reflects the new budget against the main programs and services of NASAA Organic's Gateways to Organic strategy, and NCO's Certification services.

It lists the major achievements and projects in providing services to our NASAA members and NCO operators.

NASAA ORGANIC

Education and training services

- o creation of a dedicated education and training position
- o a successful grant application through the Federal Business Enterprise program to develop new products and services
- o winning a tender to write a USDA NOP Grower Group Training package
- o winning a tender to develop and implement a Pacific Community Training Package for coconut plantation certification in Tonga and PNG

Marketing communication

- o NASAA collateral and materials production
- o wider social media promotions; and general media promotions
- o small grants and sponsorship including the Rod May Perpetual Bursary
- o NCO marketing and supporting collateral production

Advocacy services

- o participation in SA GMO moratorium debate, and media issues
- o assisting local SA councils in preparing submissions to be GMO free
- o continued support for Organic Industries Australia (OIA)
- o major submissions to government consultations including the
 - Export Rules for Organics
 - Agvet Chemicals regulations discussion paper

Digital services

- launch and consolidation of the new NASAA Organic/NCO websites
- a wider range of users engaging with the NASAA website, Facebook and Twitter

Membership services

- o NASAA Organic Insights Magazine
 - enhanced themes and graphic design
 - increase in readership
 - inclusion of organic industry issue editorials;
 - inclusion of articles for consumers involving cooking and gardening
 - new magazine advertising creative services fees and products
 - increase in advertising revenue
 - increase in the number of operator advertisers

Conventional transition programs

- o NASAA Annual Organic Industry Forum in Coffs Harbour involving field trips and local and international speakers;
- o field days and forums continued in WA, Victoria and SA until COVID 19
- o continuing the administration of Humane Choice and the HC Standards in preparation for rollout



Governance and IP services

- o maintaining a stable and responsible financial position for the group
- o Phil Sutherland appointed as skills-based Director in education and training
- o protecting and promoting the iconic and globally recognised NASAA Organic's spring leaf label
- o legal proceedings in Malaysia to protect against fraudulent use of the NASAA spring leaf label
- o financial and in-kind participation in OISSC
- o initiation of a full review the NASAA Organic and Biodynamic Standard

NCO

NCO Certification services

- o Digitisation Project
 - new NCO online operator portal
 - access to operator's unique certification documents related to their organic business online
 - quicker and easier online process to prepare for inspections including online checklists for our inspectors
 - completion of standalone inspection reports within downloadable electronic templates
- o Cost efficiencies transferred to operators
 - ongoing restructure of operator fees and charges
 - producer levy exemption increased from \$40,000 to \$60,000. This is in addition to the past reductions in maximum levies payable from \$5,000 in 2017 to \$3,000 in 2019.
 - a discount for operators with multiple programs

Operational performance

- o continued growth in NCO revenue across the range of certification services
 - a 42% increase in new NCO certified operators from China
 - 9% increase in new NCO Certified operators overall
 - total number of domestic operators remained steady despite the impact of competition, drought, fires and COVID 19
- o completion of numerous Accreditations providing entry to both regulated and unregulated markets in Australia and overseas including:
 - Accreditations with IOAS, EU Regulations / IFOAM / ISO17065, MAFF/FAMIC, JAS, USDA NOP, DAWE, and the National Standard
 - Continued productive partnerships with EcoCert, Korea, COFCC China and Naturland

End of year financial statements are available on request.



Alex Mitchell

GM REPORT

Firstly, I would like to welcome you all again to the 2020 NASAA Annual General Meeting.

On behalf of NASAA Organic, NCO Boards and Staff, we appreciate the interest and commitment you have all shown in attending this meeting.

It is my pleasure to have been appointed to the position of NASAA Organic's General Manager in late September this year. It is certainly an interesting and exciting time to take up the reins of this important and vibrant organisation. I have had the pleasure of working with the industry from the Government side of the fence, bringing to the position a broad set of skills and networks I believe will assist in our industry development activities.

The 2019-20 financial year was a challenging one for all businesses in Australia and globally, before the presence of COVID-19, with many states experiencing the effects of bushfires and other climatic events.

What has played out in many of the public forums, is the increased community concern and action regarding climate change, social equity and fairness, and collective action around promoting sustainable practices in the field, and on the manufacturing floor.

Over the last 12 months, NASAA Organic has provided industry support and an avenue of advocacy for the membership, in order to support the growth in the supply of products coming from sustainable agri-food production.

The NASAA Organic team has also worked hard in developing new product services and opportunities for its membership, and in assisting those wanting to transition into certified organic and biodynamic certification. Lead by my predecessor Mark Gower, headway has been made in the area of developing our education capability with current development of products and services that can be rolled out online. We are proud that some consultant services have also brought in work from overseas, recognising the expertise of NASAA Organic and NCO staff in the education space.

As mentioned previously by the Chair, the financial position of NASAA as a group has held steady, with the group's financial position and market share increasing again during the past 12 months. Here I would like to acknowledge the work and leadership of my colleague Tammy Partridge GM of the Certification business NCO, and her team, which continues to underpin the Groups strong financial position.

This has had the effect of increasing our ability to further our education and training activities, investment and assistance in on-the-ground research and development, and support for those starting their journey in organic, regenerative and sustainable agriculture business practices.

This strong performance is a testament to the commitment of the teams at NASAA Organic and NCO, and the Boards setting a clear direction for the staff.

NASAA Organic have, and will continue to, support the organisations who have taken the fight on GM policies to the politicians, and we continue to provide in-kind support through lending our name to advocacy submissions and providing the underlying financial evidence of the effects some of these Government policies have on businesses and the wider community.

Working with our experienced Board, I am committed to seeing the potential of the 'Gateways to Organics' strategy become a reality, and the NASAA spring leaf organic label as it continues to expand our reputation and use as the iconic organic mark of integrity we know is recognised globally.

Looking forward, in light of the dismal forecasting of the recent Federal Budget, coinciding it with the COVID-19 recession, we are undertaking a review of the Budget initiatives to make the most of assisting businesses in their recovery and growth through the next 3-5 years. Some of the initiatives under the Budget in Business and Industry Policy, Innovation and R&D, Digital and Cyber, Regional recovery and resilience offer opportunities for NASAA as a group to undertake new work and service delivery.



We do this knowing we are working for the Membership and the wider community. Again I would like to note the amazing work of NASAA Organic staff and my predecessor Mark Gower in running the **Regenerate and Recover** event late February to assist those looking for on the ground technical assistance. This coupled with the facilitation role that NASAA as a group provided in the kind donations of 5,000 litres of Southern Ocean Seaweed from NCO certified operator, Australian Kelp Products, to bushfire effected members, puts some "real work" into the recovery space. I would also note, a similar donation has been made again, to further accelerate the recovery of soils for these affected farmers.

I would personally like to thank those of you who have already reached out to provide support and ideas for collaborative works.

Thank you again for attending, and I look forward to working in, with and for the industry on a brighter and "more organic" future for NASAA as a group, and the industry as whole.

Alex Mitchell
NASAA Organic GM



ACKNOWLEDGEMENTS

On behalf of the NASAA and NCO Directors I thank NASAA members and NCO operators for their continued support and confidence in the NASAA brand and label.

The generous support of NASAA's sponsors and advertisers has played an important role in the success of our programs and assisted the NASAA Group to develop our industry.

I would also like to recognise the work of the NASAA Standards Committee members and thank them for their commitment.

I acknowledge the work and contributions of the teams at NASAA Organic and NCO.

I thank Mark Gower who served as General Manager for NASAA Organic through the past financial period; and Tammy Partridge who has worked tirelessly as General Manager of NCO and has been pivotal in bringing about the necessary improvements to NCO Certifications service.

I also look forward to seeing NASAA continue to grow and develop under the leadership of Alex Mitchell who has picked up the reins as NASAA Organic's new General Manager. Already, she has hit the ground running, having embraced the Gateways to Organic Strategy and demonstrated strong leadership, energy and enthusiasm for the Board's vision.

I thank NASAA Organic Board members, Phil Sutherland Liz Pitcher, and Phil Rowe Deputy Chair of NASAA for their contributions and support during the year.

Finally, I also thank NCO Chair Jan Denham and Laurie Galpin NCO Deputy Chair, for their continuing commitment to the NASAA Group.

Glenn Schaub
NASAA Organic Chair



NASAA Organic

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