

NASAA REBUTS BFA MERGER 'SMEAR'

Adelaide, SA - 14 April 2005 - A media attack by BFA CEO Andrew Monk on NASAA directors following rejection of a merger proposal which would have created a near monopoly in the Australian organic certification market (Acres, March 2005) has been branded 'churlish, petulant and founded in commercial fantasy' by NASAA Chairman and CEO, George Devrell.

"In a year in which Australia holds the spotlight of the global organic industry as host of the IFOAM Congress, amateur theatrics like this belated media ambush reflect poorly on the professionalism of local industry leadership," he said.

"We should now be striving together to showcase the great advances Australian organics has achieved in the past few years," he said.

"The IFOAM Congress is one powerful opportunity currently before us; as is the opportunity to boost support to the Organic Federation of Australia (OFA) to enable it to fulfil its role as industry peak body."

"However, given the personal nature of the BFA attack regarding the merger, NASAA must respond. And we can simply demonstrate that Dr Monk's allegations in relation to NASAA due diligence on the merger issue fail to survive even casual scrutiny," he said.

According to Mr Devrell:

- Dr Monk had attempted to deny a monopoly outcome by identifying the presence of other certifiers in the market, instead of the market power a merged NASAA/BFA organisation would acquire. This would be in excess of 80% of all certified organic operators in Australia by number, probably in excess of 90% by value of production. In doing this, BFA failed to understand that monopoly is about dominance and market power, not the total number of certifiers. In addition, the merger would have left just one Australian certifier accredited by the International Federation of Agricultural Movements (IFOAM) and the US National Organic Program (USNOP). NASAA did not believe creation of such a monopoly was in the best interest of Australian organic operators.
- NASAA directors continue to believe that the proposed merger had strong potential for negative impact on certification service standards and costs, including the potential for unrestrained bureaucratic expansionism. With no identifiable 'upside' in lower fees, better service or increased market opportunities for operators. Such an

outcome would not have been in the interest of NASAA members or operators.

- The 'financial savings' claimed by BFA to flow from a merger were based largely on a proposal from BFA to close the NASAA head office in Adelaide, with the redundancy of the entire Adelaide staff. The reallocation of these 'savings' was never discussed in the merger talks.
- During the merger discussion, crucial 'due diligence' queries from NASAA directors regarding BFA published accounts were ignored. These covered such areas as the sustainability of high employee costs; disputes with auditors and qualified audit reports; the likely recovery of receivables and particulars in relation to 'material changes' in 2003-2004.

"Given these circumstances, it would have been irresponsible of NASAA directors to proceed with the proposed merger," Mr Devrell said. "Our objective is a healthy competitive marketplace for organic certification services in Australia, and our decision to reject the BFA overture was made accordingly."

Further Information:

George Devrell
Chair & CEO
NASAA
Tel: (02) 6628 1496

Joanne Koehne
Marketing Officer
NASAA
Tel: (08) 8370 8455