

**Australian Pork Limited's Submission to:
Senate Inquiry into Australia's Food Processing Sector**

AUSTRALIAN PORK LIMITED



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EXECUTIVE SUMMARY

Australian Pork Limited (APL) is the peak national representative body for Australian pig producers. We are a producer-owned not-for-profit company aimed at securing a profitable and sustainable future for the Australian pork industry.

APL welcomes the opportunity to provide this submission to assist the Senate Select Committee on Australia's Food Processing Sector (the Committee) with this important inquiry. The competitiveness and future viability of the Australian food processing sector is of direct importance to Australian pig farmers as they compete with large volumes of subsidised imports, and strive to maintain and grow export and domestic markets for their product.

The Australian pork industry (both the production and processing sectors) is highly resilient considering the competition it faces from subsidised pork imports, substitute proteins (beef, lamb, chicken) and the social and regulatory environment in which it operates.

While there are many policy issues challenging the pork industry, two of the most pressing are competition from large volumes of pork imports and a confusing food labelling regime. There is also increasing pressure coming from growing consumer interest in intangible aspects of food, such as how it is farmed, including animal welfare and environmental aspects. This is being driven in part by sophisticated, well funded activist campaigns which make use of the growing popularity of online social media. To be competitive in this environment we recognise that the Australian pork industry needs to be consumer focused, and that this is only possible if all segments of the pork supply chain cooperate and communicate.

To foster a competitive, responsible and sustainable Australian pork industry, APL's Strategic Plan for 2010-2015 identified five Core Objectives which are: (1) build consumer demand; (2) develop viable productive farms; (3) build efficient value chains; (4) ensure industry leadership, preparedness and stewardship; and (5) foster industry cohesion and responsiveness.¹ These objectives recognise that the pork industry is part of the food industry and as such, is subject to the changing demands of consumers and community.

APL strives to meet these objectives through an extensive program of strategies in the areas of marketing and export development, research and innovation, communications and strategic policy development. In this submission we will describe some of these industry initiatives, in particular our efforts to differentiate Australian Pork, including the Australian pork industry quality assurance program (APIQ[✓]®), the Australian PorkMark labelling initiative, and the industry pursuit of a voluntary phase out of sow stalls by 2017.

The pork industry also requires appropriate support from both government and retailers to maintain and increase competitiveness in the current environment. We need support to differentiate our product through an effective Country of Origin (CoO) food labelling regime that consumers can understand; we require effective defence mechanisms encompassing biosecurity, traceability, product integrity and anti-dumping systems; and we need an efficient, low burden regulatory environment that makes use of industry self-regulation (e.g. through industry quality assurance programs and codes of practice) where appropriate. With this in mind, APL makes the following recommendations for consideration by the Committee.

Summary of recommendations

To ensure the Australian Pork industry (both production and processing sectors) can compete in domestic and international markets APL recommends:

- 1. Government should amend the definition of "substantial transformation" as applied to CoOL in Australian Consumer Law and the FSC, so that it does not include curing of ham and bacon and reflects the new definition in the Australian Made/Grown Logo Code of Practice². Failing this the*

¹ APL, 'Strategic Plan 2010-2015', 2009, available from <<http://www.australianpork.com.au/pages/page130.asp>>

² Australian Made Campaign Limited, 'Australian Made/Australian Grown Logo Code of Practice', July 2011, available from <<http://www.australianmade.com.au/assets/Uploads/AMAG-Code-of-Practice-July-2011.pdf>>

government should implement an effective, transparent CoOL regime that consumers can understand, based on that described in the Labelling Logic Report³ without further delay. Government should consult with the processing industry to determine the most cost effective way to implement resulting changes to food labels

2. APL would appreciate continued support from government (through funding, expertise and compliance initiatives) to continue to develop and implement our livestock traceability and product integrity systems, to protect the industry and consumers from threat of a food safety or exotic disease outbreak and to protect markets for Australian pork.
3. Governments should support implementation of industry quality assurance programs such as APIQ[®], and industry codes of practice (through funding, promotion to industry, endorsement etc.) considering these programs do support government regulation and can replace government regulation in some cases, thus reducing regulatory burden and cost.
4. Method of Production (MoP) food labelling (e.g. terms such as "free range") should remain voluntary and market driven. We believe industry self regulation via quality assurance programs, voluntary codes of practice etc, is the appropriate mechanism to regulate and standardise MoP labelling, (unless there is clear evidence of market failure) with support from government to act against misleading claims (e.g. through the ACCC) where necessary.
5. Imported products should be required to meet the same regulations and standards that Australian farmers and processors must meet. There should be more scrutiny of overseas products and product labels at the point of entry into Australia to ensure consumers are not being misled and Australian producers are not disadvantaged. We suggest better resourcing of AQIS may be required to achieve this.
6. Government should implement effective anti-dumping measures and refine close processed agricultural goods provisions as recommended in the Streamlining Australia's Anti-Dumping System Report⁴, in consultation with industry without delay.
7. Government should reconsider its decision not to contribute to the legitimate costs of government as they relate to export certification, and support industry initiatives to eliminate inefficiencies and reduce costs of government export certification services.

1. Background information

1.1 Competition from imports

The biggest challenge facing the Australian pork production and processing sectors is increasing competition from highly subsidised, cheap pork imports. Over \$9.4 million worth of pork imports arrive in Australia every week, which is nearly half a billion dollars heading offshore each year. Most imports come from the United States, Canada, and the European Union, which have some of the most protected agricultural markets in the world.

Most imported pork arrives frozen and is processed into ham, bacon and smallgoods in Australia. Pork imports have flooded the Australian processed pork market to the point where now up to 80% of the processed pork sold in Australia (ham, bacon and smallgoods) is made from imported pigmeat. This makes it extremely difficult for Australian pork producers and local smallgoods manufacturers, to compete in the domestic processed pork market.

Fortunately at present, quarantine requirements mean that imported pig meat can not enter the fresh pork market, protecting the local industry from the risk of potentially highly damaging exotic disease outbreaks. However, this can not be taken for granted. The New Zealand pork industry is currently facing increased risk of exotic disease entry due to recent proposals to relax quarantine rules to allow fresh pork imports to enter New Zealand.⁵

³ Commonwealth of Australia, 2011, 'Labelling Logic – Final Report of the Review of Food Labelling Law and Policy', available from <[http://www.foodlabellingreview.gov.au/internet/foodlabelling/publishing.nsf/content/48C0548D80E715BCCA257825001E5DC0/\\$File/Labelling%20Logic_2011.pdf](http://www.foodlabellingreview.gov.au/internet/foodlabelling/publishing.nsf/content/48C0548D80E715BCCA257825001E5DC0/$File/Labelling%20Logic_2011.pdf)>

⁴ Australian Government, 'Streamlining Australia's Anti-dumping system – An effective anti-dumping and countervailing system for Australia', June 2011, viewed on 11th October 2011, from <<http://www.customs.gov.au/webdata/resources/files/ACBPSADSPolicyStatement2011.pdf>>

⁵ New Zealand Pork, 'Pigs under threat from imported disease - MAF decision flies in face of new welfare code', Media Release, 13th April 2011, viewed on 4th October 2011 from

Despite competition from imports the Australian pork industry operates in a truly global environment, and maintains a small export market to Asia and New Zealand. Around \$119 million⁶ worth of pork was exported from Australia in 2009-10. This pork is exported as either fresh pork cuts or carcasses often sold as chilled product; or as offal which is a low value product in Australia, but is of demand in Asian markets.

1.2 The pork production and pork processing industries

The pork industry contributes approximately 2.13% of total Australian farm production, with Australian pig production valued at around \$1160 million annually. This is produced by around 1500 pig producers in Australia producing about 5 million pigs per annum.

The pork production and processing sectors have both undergone significant consolidation in recent years hopefully leading to greater efficiency and profitability. Some of the largest pork production companies are now completely vertically integrated and involved in feed production, pig production, research and pork processing. At the other end of the spectrum there are still many family farmers and small holders, producing small numbers of pigs often in conjunction with other enterprises.

The pork processing sector consists of at least 45 pig processing abattoirs and at least seven (7) of these are fully export accredited. The seven (7) export accredited plants process about 83% of pigs produced in Australia, though most of this product is sold on the domestic market. The pork processing industry also encompasses smallgoods manufacturing, which according to Mintrac⁷, consists of about 160 plants in total and employs about 6,800 people mainly in urban areas. One function of the smallgoods industry is value adding of imported pork which is processed into ham, bacon and smallgoods in Australia for the domestic market. But like the rest of the industry the smallgoods sector also competes directly with imports with about \$82 million worth of processed ham, bacon and smallgoods imported into Australia in 2009-10.⁸

Encouragingly, consumption of pork in Australia continues to grow. In 2009-10 Australians consumed 8.2kg of fresh pork per capita and for 2010-11 this figure had risen to 8.5 kg of fresh pork per capita. This is a 0.3kg/capita/consumption increase from the previous year, exceeding APL's target of 8.1kg/capita/consumption by 0.4kg.

Local pork production has increased for the past 3 years in a row, while imports have decreased and exports have increased. This is positive news for the pork industry as it shows us that consumers are buying more locally produced pork and less imported pork. Local production for 2010-2011 was 342kt, an increase from 321kt in 2008-2009 and 331kt in 2009-2010. Imports for 2010-2011 were 236kt a decrease from 255kt in 2009-2010 but an increase on the 2008-2009 figure of 229kt. Exports for 2010-2011 were 50kt, an increase from 47kt in 2009-2010 but a decrease on the 2008-2009 figure of 54kt.

As consumer confidence in pork continues to grow, APL believes that the longer term outlook for the Australian pork industry is one of a strong future. Australia's disease free, safe reputation and our proximity to Asia, the largest consumers of pork in the world (where demand for meat is increasing due to rising affluence), gives Australian pork producers significant advantages. Our challenge is to develop markets to ensure sustained growth in value and volume of Australian produced pork, and to improve the conditions under which pork producers operate.

1.3 Industry initiatives to increase competitiveness of Australian pork

APL pursues opportunities for the Australian pork industry on both domestic and international levels and works in close association with key industry, supply chain and government stakeholders to

<<http://www.nzpork.co.nz/Portals/NZPib/Documents/AboutUs/Media%20Releases/Pigs%20under%20threat%20from%20imported%20disease%2013-04-11.pdf>>

⁶ DAFF, 'Australian Food Statistics', 2009-10.

⁷ Mintrac, 'Careers in the meat industry – Smallgoods', viewed on 7th October 2011 from

<http://www.mintrac.com.au/site.php?nav=careers&subnav=b&page=c_2>

⁸ DAFF, 'Australian Food Statistics', 2009-10.

improve the competitiveness of Australian pork. This includes marketing and communications, strategic policy development and implementation, and research and innovation activities.

APL's Strategic Plan for 2010-2015 includes 5 Core objectives aimed at increasing the competitiveness of Australian pork while remaining a responsible and sustainable industry. These are

1. Build Consumer Demand – strategies aimed at building the value of pork as well as the volume sold in the most cost effective way.
2. Viable Productive Farms – strategies aimed at reducing input costs, improving production efficiency and building the skills and capability of the industry.
3. Efficient Value Chains – strategies aimed at building stronger supply chain relationships, an informed and innovative supply chain and transparent market signals and flow.
4. Leadership Preparedness Stewardship – strategies aimed at managing and balancing the impact of regulatory and policy shifts, and meeting market requirements to secure consumer and public confidence in Australian pork whilst staying internationally competitive.
5. Industry Cohesion and Responsiveness – strategies aimed at ensuring communication and information flow along the entire supply chain, to ensure a well informed industry with a shared vision and amongst other things, to minimise the industry's exposure to risk.

The Strategic Plan was developed following extensive consultation with stakeholders, including producers, processors, retailers, and Federal and State Governments. It recognises that the pork industry is part of the food industry and as such we are subject to the changing demands of consumers and community.

APL works in close association with the Pork CRC to achieve sustainable production of high quality, low cost pork through research and innovation. Projects are underway to improve efficiency of the pork value chain, improve carcass composition and measurement, and to improve eating quality of Australian pork. The successful Pork CRC rebid which secured another 8 years of research and development funding for the pork industry was titled *High Integrity Australian Pork*. It comprises four research programs aimed at taking competitiveness of Australian pork into the future:

1. Confinement free sow and piglet management
2. New generation health management and antibiotic reduction
3. Healthy pork consumption
4. Carbon-conscious inputs and outputs⁹

Delivering these outcomes is aimed at differentiating Australian pork as a high integrity, welfare-optimal, premium quality, safe, nutritious meat, able to be produced with minimal impact on the environment, while maintaining efficiency and cost of production that promotes sustainable investment and growth¹⁰. These research focuses reflect the changing expectations of consumers and the increasing importance placed on credence values in food such as animal welfare and clean, green production. They also reflect the responsiveness of the pork industry to consumer expectations and the challenges and opportunities we face as an industry.

In response to mounting political and social pressure for change, in November 2010, the Australian pork industry made the proactive decision to pursue a voluntary phase out of sow gestation stalls by 2017. This was a world first voluntary phase out commitment by industry which followed extensive consumer research and an industry wide consultation period. The *Shaping our Future* consultation period came at a critical time for the pork industry with simultaneous shifts occurring in both government (Tasmanian Government decision to ban sow stall use by 2017) and retailer policies (Coles decision to sell only stall free pigmeat by 2014) on sow stall use. The industry has shown leadership by setting the agenda and ensuring our social licence to operate. APL is now working with industry, retailers and Government to ensure smooth transition of production systems and continued competitiveness of Australian pork products.

⁹ Pork CRC, 'Media Release - Carr drives Pork CRC into the future', 17 December 2010, available at <http://www.porkcrc.com.au/html/media_releases.html>

¹⁰ Pork CRC, 'About Us', viewed on 30 September 2011 from <http://www.porkcrc.com.au/html/about_us.html>

Other policy initiatives aimed to increase consumer and regulatory confidence in Australian pork, include the implementation of the Australia Pork Industry Quality Assurance Program (APIQ[✓][®]) which now covers the 85% of pig production and the PigPass National Vendor Declaration (PPNVD) system (described in more detail in section 2.2.1 and 2.2.4) designed to ensure traceability and food safety in the pork supply chain. We continue to promote industry uptake of these programs through initiatives like the National processor education and compliance program and the National saleyard education and compliance program.

APL's National processor education and compliance program began in 2010 and involves an APL representative visiting each pig processing facility in Australia to gain a better understanding of the sector and its needs. This initiative also aims to assist with implementation of the APIQ[✓][®] and the PPNVD system. Another benefit is the building of stronger links with the processing sector which is important to ensure communication with the supply chain and to ensure 'buy in' to programs like APIQ[✓][®] from the processing sector.

To build consumer demand for Australian pork, the APL Marketing Division is responsible for export and domestic marketing initiatives. These are aimed at increasing frequency of purchase for fresh pork, improving differentiation for ham, bacon and deli meats made from Australian pork, stabilising international business and delivering consistent pork to consumers. Marketing strategies target consumer, food service and retail segments, to build a strong presence of Australian pork in the marketplace into the future.

One of our key marketing initiatives aimed at differentiating Australian pork is the Australian PorkMark labelling program. APL has been a long standing advocate for clearer Country of Origin food labelling (CoOL). We successfully campaigned and saw CoOL requirements introduced in the Food Standards Code (FSC) for both fresh and processed pork products from 2006. We note that FSANZ is now considering a proposal to extend CoOL requirements to other unpackaged meat products.

However, the CoOL requirements for processed pork lack clarity and fail to clearly differentiate ham and bacon made from Australian pig meat from products made from imported pig meat. To alleviate some of the confusion caused by the current CoOL regime, APL introduced the pink Australian PorkMark label to enable processors of Australian pork to accurately and clearly differentiate their Australian pork products from imports. The distinctive pink label enables consumers to easily identify Australian pork products, especially processed pork, at retail level. The PorkMark program and other CoOL issues are described in more detail in section 2.1.

The projects described above are just a few of the initiatives being undertaken by industry to achieve a competitive, responsible and sustainable Australian pork production and processing sector. To complement this, the pork industry requires appropriate support from government to maintain and increase competitiveness in the current environment.

2. Key issues and recommendations

2.1 Country of Origin Labelling (CoOL)

Considering such large import volumes, the Australian pork industry requires support from government to differentiate our product through a CoO food labelling regime that consumers can understand.

Numerous consumer surveys have indicated that consumers do want to buy Australian but do not understand the 'Made in Australia' claim on processed pork products. APL's 2008 consumer research project undertaken by Newspoll revealed that 87% of Australians prefer to buy Australian, but that many consumers were confused about the origin of pork. Choice's recent consumer survey also revealed that 90% of consumers think CoOL should be clearer, and that many consumers don't

understand the *Made in Australia* claim¹¹. It is therefore well established that consumers are being inadvertently misled by the current food labelling regime and that this has unintended consequences and impacts on industries that compete with imports.

CoOL has been mandatory on all pork products sold in Australia since 2006 under Standard 1.2.11 of the Food Standards Code (FSC). This was a significant development, but unfortunately the standard still can't ensure transparent CoOL on processed pork products. Since most ham and bacon made from Australian pork contains a small amount of imported curing ingredients (which can't be sourced in Australia), it is theoretically excluded from using the *Product of Australia*¹² label. Instead it must use the obscure *Made in Australia*¹³ claim, along side products made from imported pig meat. Products made from imported pig meat are permitted to use the *Made in Australia* claim if the product has been substantially transformed (made into ham or bacon) in Australia. So under current CoOL laws it is very difficult for consumers to differentiate Australian from imported processed pork products.

APL recently successfully campaigned for changes to the Australian Made/Australian Grown Logo Code of Practice¹⁴ which now includes a more restrictive definition for "substantial transformation" than the ACCC guidelines. This now means that the trusted Australian Made Logo can not be used on products where the only transformation undertaken in Australia is curing (making into ham or bacon). This was a win for the pork industry as it will stop the disguise of products made from imported pig meat under the trusted Australian Made logo. Government now needs to take this into Australian Consumer Law and the FSC, to stop all ham and bacon products from using the misleading *Made in Australia* claim on products made from imported pork.

Australian PorkMark labelling program

To reduce confusion caused by current CoOL regulations, APL implemented the Australian PorkMark labelling program in 2009. This is a voluntary program which licences companies that meet our requirements, to use our trade marked pink Australian PorkMark label on products made wholly from Australian pork. We now have 343 butchers and smallgoods processors licensed to use the Australian PorkMark label. This is testimony to the desire for, and value of, accurate information about the CoO of pork products, and to the ability of the industry to self-regulate and meet consumer requirements.

Companies who want to use the distinctive Australian PorkMark label on packaging and advertising must be licensed to do so. APL's aim has been to keep the licensing process as simple as possible whilst ensuring it is robust enough to withstand scrutiny by any party. As such, any company or organisation found to be breaching the rules are subject to penalties. Where companies do not hold an import permit, the licensing process is a simple procedure of completing a basic licence agreement. Where a company holds an import permit, the licensing process is more rigorous.

Use of the logo for fresh pork does not require a licence due to current AQIS import regulations requiring imported pork to be heat treated. But should these regulations ever change, licensing arrangements for processed pork would be extended to apply to fresh Australian pork. Regardless, at present all fresh pork must be labelled with a country of origin as per current CoOL requirements for pork in the FSC.

Successful events like the annual Australian Ham and Bacon Weeks have been used to promote use of, and awareness of the Australian PorkMark among processors and consumers. These events are a celebration of Australian Ham and Bacon but more importantly a show of support for local pig producers and smallgoods manufacturers that are committed to using and selling products made with

¹¹ Choice, 'Country of Origin Labelling – The jargon surrounding CoOL confuses consumers', 2011, viewed on 20 July 2011, from <<http://www.choice.com.au/reviews-and-tests/food-and-health/labelling-and-advertising/nutritional-labelling/country-of-origin-labelling-survey-results.aspx>>

¹² Product of Australia – under the Food Standards Code and Australian Consumer Law, this claim is valid for products where all of the significant ingredients originate from Australia, and all or virtually all of the manufacturing or processing is also carried out in Australia.

¹³ Made in Australia – under the Food Standards Code and Australian Consumer Law, this claim is valid for goods that have been substantially transformed in Australia or where 50 per cent or more of the cost of production was incurred in Australia.

¹⁴ Australian Made Campaign Limited, 'Australian Made/Australian Grown Logo Code of Practice', July 2011, available from <<http://www.australianmade.com.au/assets/Uploads/AMAG-Code-of-Practice-July-2011.pdf>>

100 per cent Australian pork. Since the inception of Australian Bacon Week in 2010, the number of licensees using the Australian PorkMark has more than doubled, indicating the growing push from the Australian public to buy local and the subsequent real value proposition that being part of the Australian PorkMark program brings to businesses.

While voluntary programs like the PorkMark label and the Australian Made/Grown Campaign can provide means to ensure genuine Australian pork is accurately labelled, we still need better CoOL standards, regulations and enforcement to stop imported pork products being labelled *Made in Australia*.

During the course of the *Review of Food Labelling Law and Policy*, APL made two submissions and attended a public consultation meeting. We made recommendations on CoOL, GM labelling and MoP labelling and argued that Australia's food labelling system should be designed to support Australian producers and consumers by informing rather than confusing consumers.

Recent changes to the Australian Made/Grown Logo Code of Practice, with regard to excluding the curing of ham and bacon from the definition of what constitutes "substantial transformation" in Australia are ideal and provide an alternative to stop the misleading *Made in Australia* claim on imported ham and bacon products.

We note that the Government is currently considering the *Labelling Logic Report*¹⁵ made by the Blewitt Review Panel and is expected to respond by December 2012. Ideally any amendments to the current CoOL regime should seek to amend the definition of what constitutes "substantial transformation" in Australia in relation to the use of the *Made in Australia* claim, in Australian Consumer Law and the FSC to reflect the definition now in the Australian Made/Grown Code of Practice.

However failing this, support should be given to the *Labelling Logic Report's* recommendations in relation to CoOL (recommendation 42) in particular the suggestion that *Made in Australia*, as a stand alone claim should not be used in relation to Australian foods. We also support in principal the suggested framework outlined for CoOL based on the percentage Australian, by weight of all ingredients in a product; and the suggestion that a specific consumer product information standard covering CoOL for food products should be adopted into the *Competition and Consumer Act 2010*. We understand that any changes to food labelling requirements impose costs on food processors, and to reduce these costs we believe the processing sector should be consulted to determine the most cost effective way to implement changes to the food labelling regime.

However we remind the Committee that a review is just a review. Its weight lies in the Government's response. The Government may choose not to turn any of it into policy. Moreover, considering the report was tabled in January 2011, the fact that the Government is not expected to respond to these recommendations until December 2011, is disappointing.

APL Recommends Government should amend the definition of "substantial transformation" as applied to CoOL in Australian Consumer Law and the FSC, so that it does not include curing of ham and bacon and reflects the new definition in the Australian Made/Grown Logo Code of Practice. Failing this the government should implement an effective, transparent CoOL regime that consumers can understand, based on that described in the *Labelling Logic Report*¹⁶ without further delay. Government should consult with the processing industry to determine the most cost effective way to implement resulting changes to food labels.

2.2 Food safety and product integrity

Country of origin labelling is not just a means for consumers to support Australian industry it is a matter of food safety and traceability. Governments and industries alike are concerned with ensuring

¹⁵ Commonwealth of Australia, 2011, 'Labelling Logic – Final Report of the Review of Food Labelling Law and Policy', available from <[http://www.foodlabellingreview.gov.au/internet/foodlabelling/publishing.nsf/content/48C0548D80E715BCCA257825001E5DC0/\\$File/Labelling%20Logic_2011.pdf](http://www.foodlabellingreview.gov.au/internet/foodlabelling/publishing.nsf/content/48C0548D80E715BCCA257825001E5DC0/$File/Labelling%20Logic_2011.pdf)>

¹⁶ Commonwealth of Australia, 2011, 'Labelling Logic – Final Report of the Review of Food Labelling Law and Policy', available from <[http://www.foodlabellingreview.gov.au/internet/foodlabelling/publishing.nsf/content/48C0548D80E715BCCA257825001E5DC0/\\$File/Labelling%20Logic_2011.pdf](http://www.foodlabellingreview.gov.au/internet/foodlabelling/publishing.nsf/content/48C0548D80E715BCCA257825001E5DC0/$File/Labelling%20Logic_2011.pdf)>

that the food supply, whether from local or imported sources, poses no risk to consumer health and safety. APL is committed to ensuring that the pork industry is ready to respond rapidly to an emergency animal disease or food safety incident to minimise disruption to markets and cost to industry.

The Pork Supply Chain Integrity Program, encompassing the PPNVD system and PigPass Database, APIQ[✓]® and a new technology called Phyistrace, is administered by APL. APL also assists with the formulation of national policy in relation to the operation of National Livestock Identification System for pork (NLIS (Pork)) and has been involved in the development of the FSANZ Primary Production and Processing Standards for pork.

2.2.1 NLIS (Pork) – livestock identification and traceability

Livestock identification and traceability is vital to ensuring food safety, product integrity, biosecurity, emergency preparedness and market access for Australian pig producers, processors and consumers.

APL has been coordinating the development of the NLIS (Pork) since 2006 through SAFEMEAT and since that time has actively campaigned for uniform livestock identification and traceability regulations and compliance across states. We are currently leading the development of the NLIS (Pork) Business Rules with the newly formed NLIS (Pork) Advisory Committee made up of representatives from each state. APL has also administered and promoted the PPNVD system since its inception in 2006. The PPNVD is the recommended and preferred movement document for pigs in most states.

One of APL's key pig traceability compliance initiatives is the National saleyard education and compliance program. This involves an APL representative visiting all pig saleyards in Australia to promote compliance with, and awareness of state pig identification regulations, and the PPNVD system among pig producers, agents and buyers. This project also aims to increase awareness of the role of APL, build stronger links with livestock agents and state regulators and allows us to gain valuable feedback and information from the field.

Through this initiative APL has gained a good understanding of the operation of pig traceability systems in all states and of producer compliance levels. We note that pig traceability regulations, and their compliance and enforcement still varies greatly between states and regions. We believe an effective national livestock traceability system can not work well unless all states participate consistently and enforce compliance effectively.

2.2.2 Physi-Trace technology

Physi-Trace technology is an additional tool the pork industry is implementing which has the potential to play a major role in traceability and verification of the origin of food. In 2008, APL commenced research into a physiological identification technology, subsequently named "Physi-Trace". Physi-Trace uses isotope ratios, trace elements and chemical/organic markers to discriminate between pork samples based on region of origin. Physi-Trace has been used for a number of traceability and pork integrity related matters including to verify CoOL claims for Australian processed pork products (ham and bacon); and to assess label claims relating to *Product of Australia* in a key overseas market. APL will continue to work with the Australian industry and regulators in implementation of Physi-Trace as a "cutting edge" technology to mitigate risks and protect markets for Australian pork.

Recommendation: *APL would appreciate continued support from government (through funding, expertise and compliance initiatives) to continue to develop and implement our national livestock traceability and product integrity systems, to protect the industry and consumers from threat of a food safety or exotic disease outbreak and to protect markets for Australian pork.*

2.2.3 FSANZ Primary Production and Processing Standards

FSANZ's (Food Standards Australia and New Zealand) development of the Primary Production and Processing Standards (PPPS) has been ongoing since FSANZ was delegated the responsibility in 2002. The PPPSs will form a through chain approach to strengthen food safety and traceability from

paddock to plate¹⁷ for the benefit of Australian food industry and consumers. The new PPPS for Meat and Meat Products, which will cover pig production and processing, should provide the pork industry with risk-based standards to ensure that both domestically produced and imported products are of an equivalent public health safety standard.

To ensure the pork industry is properly served by the PPPS for Meat and Meat Products, APL was represented on the Standards Development Committee. APL also commissioned a HACCP based approach to specifically address food safety as regards the Australian pork industry. This has provided industry with a scientific and logical HACCP based program that is robust and internationally compliant. The Codex compliant HACCP plan at industry level, underpins APIQ✓[®].

2.2.4 APIQ✓[®]

Almost 85% of Australian pig production is covered by APIQ✓[®].

APIQ✓[®] is an independently audited on-farm quality assurance system developed and managed by APL. All pigs to be processed for export must be sourced from a farm covered by an approved on farm quality assurance program to meet AQIS requirements. APIQ✓[®] has been designed and approved by AQIS to meet this condition.

APIQ✓[®] is based on managing farm risks by following Good Agricultural Practices (GAP), using the principles of Hazard Analysis and managing Critical Control Points (HACCP). The program provides auditable standards for food safety, animal welfare, biosecurity, traceability and management which are aligned with regulatory requirements and are reviewed regularly.

To maintain APIQ✓[®] certification, pig production sites must have an annual on farm audit conducted by a registered auditor. Auditors must be qualified National Food Safety Auditors (NFSA) to level 2 or higher, and must pass an APIQ✓[®] Scope exam. The cost of the audit is met by the producer.

To ensure integrity, APIQ✓[®] is governed by a comprehensive set of Policies, and an independent Panel is maintained to make decisions at arms length to APL as required.

APL recommends governments should support implementation of industry quality assurance programs such as APIQ✓[®] (through funding, promotion to industry, endorsement etc.) considering these programs do support government regulation and can replace government regulation in some instances, thus reducing regulatory burden and cost.

2.3 Credence values and Method of Production (MoP) food labelling

It is generally acknowledged that public concern over the welfare of farmed animals in Australia is rising and that there is increasing consumer demand for transparency in food production and credence labelling. The industry decision to pursue a voluntary phase out of sow stalls by 2017 has increased the importance of accurate food labelling, both MoP and CoOL, to ensure Australian pork remains competitive and differentiated from imports that may not meet the same standards.

Voluntary MoP labelling claims such as “free range” and “bred free range” are becoming more popular with marketers and the lack of consensus around definition and verification for such labelling terms, in some industries, may indirectly mislead consumers. APL has always advocated that animal welfare labelling should be voluntary and market driven, built on robust consumer research, rather than mandatory. We believe that verification of voluntary MoP labelling via industry quality assurance programs, voluntary codes of practice etc, is the appropriate mechanism to protect consumers and compliant producers. A mandatory approach is unnecessary and would force information and additional costs onto consumers that may not be desired.

¹⁷ FSANZ, 'Primary Production and Processing Standards', October 2011, viewed on 11th October 2011 from <<http://www.foodstandards.gov.au/foodstandards/primaryproductionprocessingstandardsaustraliaonly/>>

We note that the *Labelling Logic Report*¹⁸ recommended (recommendation 36) that FSANZ considers adopting standardised definitions for production methods if requested by industry, suggesting there may be merit in adopting a standard definition for “sow stall free”. While we certainly would support recognition of our industry definition for “sow stall free”, we believe it is up to individual industries to develop, monitor and verify their own standardised definitions for MoP terms, using quality assurance programs or voluntary codes of practice etc, as driven by markets (as mentioned above).

We would have concerns about adoption of prescriptive definitions of MoP in the FSC and we have concerns about recommendation 39 from the *Labelling Logic Report* regarding what might be meant by a more prescriptive mode of regulation”. We believe Government participation in MoP labelling is only required where there is clear evidence of market failure. We note that the ACCC has the means to prosecute against misleading claims made on food products as demonstrated in the current “free to roam” chicken case.¹⁹ We believe the resources and means available to the ACCC to hold food labelling claims to account should be increased, and the value of industry initiated self-regulatory intervention, such as industry certification schemes, and code of practice should be encouraged, recognised and developed further.

Through APIQ[✓]® the pork industry can now provide audited verification of claims such as “free range” on product labels. Additional APIQ[✓]® Free Range Standards have recently been developed by APL for this purpose, partly due to pressure from retailers for verification of “free range”. APIQ[✓]® Free Range provides a set of additional standards and performance indicators against which free range production systems can be independently audited and certified to verify that the consumers’ expectations of “free range” are being met (as based on APL’s extensive consumer research). More information about APIQ[✓]® can be found at www.apiq.com.au.

APL recommends Method of Production (MoP) food labelling (e.g. terms such as “free range”) should remain voluntary and market driven. We believe industry self regulation via quality assurance programs, voluntary codes of practice etc, is the appropriate mechanism to regulate and standardise MoP labelling (unless there is clear evidence of market failure), with support from government to act against misleading claims (e.g. through the ACCC) where necessary.

APL would be pleased to take a lead role, in consultation with other interested parties, to further develop agreed industry definitions and verification schemes for terms such as “sow stall free” and “free range” on food labels as driven by market demand.

2.4 Equivalent standards for imported products

Another concern is that with increasing volumes of imported pork coming into Australia, MoP claims on imported pork products may not be as extensively monitored and verified as those on domestic products. To ensure Australian consumers are not misled, we believe more monitoring and scrutiny of labelling claims on imported food products is necessary before entry into Australia to ensure Australians’ expectations of labelling claims such as “free range” are met. Australian consumer expectations of terms such as “free range” are often different from those of consumers in importing countries. More scrutiny of MoP labels on imports (and scrutiny of overseas verification schemes) is therefore necessary, to prevent development of a double standard for MoP labelling in Australia, which could reduce consumer confidence in Australian self regulatory schemes and their trust of claims such as “free range” on pork.

One example that legitimises our concerns is a Danish Pork product that is currently on Australian retail shelves that claims to be “free range”. APL’s research and communications with the relevant bodies in Denmark has revealed that the definition and product standard for “free range” pig production does not meet Australian consumer perceptions of “free range” based on extensive APL consumer research nor the Australian pork industry definition of “free range” and its associated

¹⁸ Commonwealth of Australia, 2011, ‘Labelling Logic – Final Report of the Review of Food Labelling Law and Policy’, available from <[http://www.foodlabellingreview.gov.au/internet/foodlabelling/publishing.nsf/content/48C0548D80E715BCCA257825001E5DC0/\\$File/Labelling%20Logic_2011.pdf](http://www.foodlabellingreview.gov.au/internet/foodlabelling/publishing.nsf/content/48C0548D80E715BCCA257825001E5DC0/$File/Labelling%20Logic_2011.pdf)>

¹⁹ Tolson, D., 2011, September 9 2011, ‘Chicken claims misleading, ACCC says’, *The Age*, viewed on 12 September 2011 from <<http://www.theage.com.au/victoria/chicken-claims-misleading-accc-says-20110909-1klcr.html#ixzz1Xhwu4u2c>>

quality assurance standard (which provides third party verification of compliance). We are legitimately concerned that consumers are being misled by this product and potentially by other imported pork products on Australian retail shelves.

Moreover, we believe that importers of pork into Australia should be required to prove they can meet the same standards and regulations as Australian producers and processors including, regulations and standards for food safety, traceability, biosecurity and animal welfare. This is only fair, considering the cost imposed on Australian producers to meet these standards. Not requiring this would be a double standard that favours overseas importers, at the expense of Australian industry and mislead consumers.

APL recommends that imported product should be required to meet the same regulations and standards that Australian farmers and processors must meet. There should be more scrutiny of overseas products and product labels at the point of entry into Australia to ensure consumers are not being misled and Australian producers are not disadvantaged. We suggest better resourcing of AQIS may be required to achieve this.

2.5 Anti-Dumping and Close Processed Agricultural Goods Provisions

The pork production and processing industries both stand to benefit from a more accessible, better resourced anti-dumping system to arm them against the increasing volumes of subsidised imports. Hence, we were pleased to read the *Streamlining Australia's Anti-Dumping System Report*²⁰, released in June 2011 which outlined recommendations aimed at improving efficiency and access to the anti-dumping system for primary industry.

APL investigated undertaking Anti-Dumping action in 2006 to establish whether dumped or subsidised pork imports were causing or were threatening to cause material injury to the Australian pork industry producing "like goods". However the issue of "like goods" and who constituted the Australian pork industry producing these 'like goods' was difficult, costly and complex to prove, deterring the initiation of legitimate action by an effected industry.

APL now sits on the Close Processed Agricultural Goods Working Group and is working with Government and like minded industries to help improve access to anti-dumping measures for the pork industry.

APL recommends that Government should implement effective anti-dumping measures and refine close processed agricultural goods provisions as recommended in the *Streamlining Australia's Anti-Dumping System Report*, in consultation with industry without delay.

2.6 Export certification reforms

Further to the evidence we provided at the Senate Inquiry hearings on 8th July 2011, APL would like to reiterate concerns about the significant cost increases for the pork industry associated with recent Export Certification Reform.

As APL submitted in its evidence to the Senate Inquiry Hearings; in the 2009-2010 budget, the Government announced that it would cease the government rebate for the Australian Quarantine and Inspection Service (AQIS) from 1st July 2011. The government argued that the export certification reforms would reduce regulatory costs to export industries. However, the reforms, based on full cost recovery and a new certification model, will in fact add hundreds of thousands of dollars to each pork export abattoir's operating costs.

The Minister subsequently announced limited government assistance to support the transition to the new Australian Export Meat Inspection System as the industry returns to full cost recovery by 2013. Australian pork export abattoirs will be required to pay 100% of meat inspection costs while key competitors in the Australian domestic market - the US and Canada - are required to pay only 14% and 7% respectively of their meat inspection costs.

²⁰ Australian Government, 'Streamlining Australia's Anti-dumping system – An effective anti-dumping and countervailing system for Australia', June 2011, viewed on 11th October 2011, from <http://www.customs.gov.au/webdata/resources/files/ACBPSADSPolicyStatement2011.pdf>

Compounding the problem is that 85% of all pigs in Australia are processed through export abattoirs but only about 11% are actually exported. Therefore these reforms will increase the cost of processing almost all Australian pork. We argue that additional costs of this magnitude (we estimate up to 200 per cent), without any appreciable benefit, negatively impacts the future viability of the Australian pork industry. We believe government has a responsibility to share costs in export certification for provision of public goods including food safety and animal welfare and to foster international competitiveness of Australia's meat processing sector.

APL recommends government reconsider its decision not to contribute to the legitimate costs of government as they relate to export certification, and support industry initiatives to eliminate inefficiencies and reduce costs of government export certification services.

CONCLUSION

The Australian pork industry (both production and processing) is highly resilient considering the competition it faces from highly subsidised pork imports, substitute proteins (beef, lamb, chicken) and the social and regulatory environment in which it operates. To remain competitive in this environment the Australian pork industry must be consumer focussed throughout the supply chain. While extensive industry initiatives are underway, the pork industry requires efficient, effective support from government to maintain competitiveness. We require an effective food labelling regime that consumers can understand; effective defence mechanisms encompassing biosecurity, traceability, product integrity and anti-dumping systems; and an efficient, low burden regulatory environment that makes use of industry self-regulation where appropriate and supports use of industry codes of practice and compliance schemes. APL would like to thank the *Senate Select Committee on Australia's Food Processing Sector* for the opportunity to make these comments for consideration in this important inquiry. We would be pleased to provide further details on any of the information and recommendations provided in this submission if requested.