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## **SUBMISSION TO THE SENATE STANDING COMMITTEE ON ECONOMICS**

### **Inquiry into the Food Standards Amendment (Truth in Labelling Laws) Bill 2009**

#### **1. Background**

AUSVEG makes this submission in response to the Senate Inquiry into the *Food Standards Amendment (Truth in Labelling Laws) Bill 2009*. The views contained in this submission to the Senate Standing Committee on Economics (SSCOE) are those of AUSVEG.

AUSVEG is the national peak industry body representing the interests of Australian vegetable and potato growers. AUSVEG represents the interests of Australia's vegetable and potato growers around Australia and assists growers by making sure the National Vegetable Levy and National Potato Levy are invested in research and development (R&D) that best meets the needs of the industry.

AUSVEG makes representations on behalf of vegetable and potato growers to government and parliaments so that the interests and concerns of growers are effectively communicated across all levels of government, in the public sphere, and throughout relevant areas of the private sector.

AUSVEG executes its brief by delivering national projects in the areas of communication and the environment, as well as providing leadership for our sector on a range of key issues.

This submission focuses on identification of inadequate provisions within existing food labelling laws and supports the case for more accurate labelling of food products in Australia. AUSVEG submits that there is a need for more accurate labelling of food products, in particular for vegetable products, because this ensures market efficiency and improves the quality of information available to consumers so they can make informed purchasing decisions at the retail level. Previous advocacy undertaken on behalf of the industry relating to this issue, and the potential benefits for Australian consumers and the local vegetable industry alike, are also discussed.

AUSVEG appreciates this opportunity to communicate the thoughts and concerns of our members and our member associations, and provides the following submission on behalf of those growers we represent around Australia.

## **2. Introduction**

Labelling of vegetables and vegetable products has long been an issue of concern for Australian vegetable growers. The vegetable industry has, over the years, been active in advancing arguments for more accurate provision of information to aid consumers in making informed decisions about their vegetable purchases. The task has been made more difficult, however, because of overlapping responsibilities between different authorities. While Food Standards Australia New Zealand (FSANZ) develops, implements, and reviews food labelling requirements, the Trade Practices Act applies to misrepresentation and deceptive conduct.

Nevertheless, while this process has been challenging for the vegetable industry, some progress has been made. Accurate labelling of the source country for fresh unpackaged vegetables has been evident since changes were introduced in June 2006, and some producers have recognised a marketing advantage in the accurate labelling of Australian processed packaged vegetables as well. However, attempts to impose mandatory country of origin labelling for processed packaged vegetables with two or less whole ingredients were rejected.

Subsequently, AUSVEG has campaigned on behalf of the vegetable industry for mandatory country of origin labelling for *all* vegetable products. It is AUSVEG's judgment that in the absence of mandatory country of origin labelling for all vegetables, existing regulations are ambiguous and open to abuse. Any change to the law which seeks to clarify the food content of a product is in AUSVEG's view a positive development. It is AUSVEG's contention therefore, that labelling of vegetable products should accurately reflect a product's actual contents, because consumers depend on this information in order to make informed choices at the supermarket.

### **3. Clarification of source of vegetables is required**

Existing laws in relation to labelling of processed vegetables failed to adequately deliver desired outcomes in terms of product source disclosure. The proposed amendment to the Food Standards Act seeks to remove aspects of this confusion and is a useful start towards the creation of more accurate descriptions on labels which explain the source or country of origin of the vegetable product being bought.

In Australia the word 'Australian' has little meaning when applied to the labelling of vegetable products. Australian consumers are more or less confused as to the difference between 'Made in Australia' and 'Product of Australia' in terms of our current labelling terminology, and this confusion is understandable given the two phrases mean totally different things in relation to the contents of processed packaged vegetables. Indeed, under the *Trade Practices Act* and the Food Standards Code, 'Made in Australia' can be used in labelling processed vegetables if more than 50 per cent of the value of the product is added in Australia, regardless of where the vegetable comes from. This can even include the cost of the container and the cost of labelling. Hence, the vegetable could actually be sourced from overseas and the label can still read 'Made in Australia.' In AUSVEG's view this is unacceptable. The Australian consumer is less concerned with the overall Australian content of a product, but rather, what they actually want to know is whether the vegetable(s) contained within that package have been grown in Australia.

While proposed amendments to the *Food Standards Act* help to clarify existing ambiguities in the legislation as they apply to packaged vegetables, as the Australian vegetable industries' peak industry body, AUSVEG would like to see the law go further. AUSVEG contends that the law should mandate that where there are imported products contained in vegetable packages, that the country of origin of the product should be clearly stated on the label. These changes would bring the labelling requirements for processed vegetables more in line with those which apply to fresh unpackaged vegetables, and AUSVEG notes the necessity to ensure consistency and thus simplicity when it comes to labelling regulations of this kind.

### **4. Existing regulations undermine key economic principles**

The principles at stake in the accurate labelling of vegetable products are fundamental and go to the core of both the efficient operation of markets and the concept of truth and fairness. Three key economic principles are undermined by the existing labelling laws:

#### ***1) The consumer is king***

A market sends out signals about prices and production through the interaction of demand and supply. A fundamental philosophy of free markets is that the consumer is king. In other

words, that the consumer through the market tells the producer how much they should supply. In an efficiently operating free market producers do not or should not have the power to manipulate the market to their advantage. AUSVEG contends that at present this market dynamic does not exist in relation to vegetable products. The fact that some producers have fought consistently to deny reforms, which seek to clarify the ambiguity associated with the existing laws, would suggest that they perceive some economic advantage may be had vis-a-vis the consumer by retaining the existing legislation.

## **2) *Perfect knowledge***

Markets also assume that consumers make decisions based on ‘perfect knowledge.’ Of course, this is an ideal, but the closer the consumer gets to having perfect knowledge the more efficiently the market will operate. Any measures which can be undertaken to improve knowledge in the marketplace will enhance its operation. Existing laws deny this economic principle because consumers do not know a product’s origin and AUSVEG has significant concerns that this lack of complete product information, in fact, undermines the efficiency and transparency of the market.

## **3) *Economic utility***

Economics also assumes that consumers maximize economic utility in that the buying decisions they make reflect their true preference. Australia’s current labelling laws prevent consumers from achieving this utility. While many consumers wish to buy Australian grown vegetables, they are unable to execute that preference because present labelling laws do not enable them to accurately assess whether they are buying an Australian or an imported product. AUSVEG believes that food labels should provide accurate information which enables consumers to maximize their utility. Thus, when consumers make purchases, they are aligning those purchases with their true preferences.

In short, inadequate or inaccurate labelling has resulted in market failure and distorted signals from consumers to producers. Present regulations allow the use of the phrase ‘made in Australia from local and imported ingredients’ when in actual fact the vegetable could be sourced from overseas. As a result, AUSVEG contends that the true nature of demand is unclear, producers misallocate resources, consumer economic utility is denied, and that the economic efficiency of the market is undermined.

## **5. Consumer surveys support changes to the regulations**

A survey conducted by Auspoll in 2005 indicated that Australian consumers overwhelmingly support the right to be given accurate information as to whether the food product they are buying is actually produced in Australia. Indeed, the survey showed overwhelming support for carrying labelling laws further, as advocated by AUSVEG, to include country of origin labelling for all food products.

Key findings of the survey were:

- 94 per cent of consumers would support a regulation for compulsory labelling for packaged food indicating the country the food was grown in.
- 89 per cent of consumers believe that a food product marked with “Made in Australia” when most of the food is grown overseas but packaged in Australia is misleading.
- 84 per cent of consumers regard the label “Made in Australia from local and imported ingredients” when most of the food was grown overseas as misleading.

## **6. Trade protection in disguise?**

Arguments have been put forward by those who oppose changes to food labelling that any tightening of existing labelling laws is just a disguised form of protectionism designed to impose a trade barrier to imported products. The Australian vegetable industry would obviously prefer Australians buy Australian grown vegetables. This supports the local economy and local jobs. Moreover, Australian grown vegetables are generally fresher and higher in quality. However, AUSVEG does not agree that consumers should be *forced* to buy Australian grown vegetables. Rather, what AUSVEG strongly supports is a greater degree of clarity, accuracy, and transparency regarding labelling laws – so that consumers are able to make informed decisions as to whether they want to buy Australian grown products or not, and so that the distinction between ‘made in Australia’ and ‘product of Australia’ is simplified to be more easily, and more widely, understood.

## **7. Cost of altering labelling**

One of the arguments put forward by producers to oppose more accurate labelling of food products is that the cost of changing labelling is too high. AUSVEG is surprised that this is used as an argument to endorse the continuing provision of misinformation to the consumer. Existing technology for packaging enables changes to be readily completed in a short timeframe and, furthermore, in a cost efficient way. Indeed, in a rapidly globalizing world, where changes to marketing and renewal of product are a constant for firms seeking to maintain a competitive advantage, packaging remains a key competitive strategy that requires constant updating. Label changes are simply an ongoing cost of doing business. Arguments in relation to the cost of implementation for country of origin labelling are in AUSVEG’s view a smokescreen that clearly should be ignored.

## **8. Denial of justice**

Finally, there is a moral argument attached to this debate. Australian consumers have the right to expect their laws and regulations will provide them with accurate information and

that the government will clamp down hard on those who seek to mislead them for commercial advantage. Without the availability of accurate information about food products like vegetables, consumers are left essentially unaware as to the indirect yet important broader moral implications of their purchasing choices. Truth in labelling should therefore be a requirement, if Australia is to have a fair and just labelling system that ensures consumers can exercise a certain level of utility to make preference choices with all relevant product information at hand.

## **9. Conclusion**

With respect to the issue of labelling laws for vegetable products AUSVEG is not seeking exceptional treatment for Australian vegetable growers. Far from it. AUSVEG acknowledges the need for a ‘fair deal’ – an outcome which promotes equity and one that is mutually beneficial for the Australian consumer and the vegetable grower alike. Indeed, AUSVEG believes that stimulating competition and promoting choice for consumers is vital. The two always go hand in hand.

However, while AUSVEG understands that amendments to labelling laws should not involve the erection of strict trade barriers, equally, the long held concerns of Australian vegetable growers, many of whom we have presented in this submission, regarding the inaccurate labelling of food products, use of misleading marketing tactics, and insufficient protection from import market saturation, must finally be addressed. Accordingly, AUSVEG reiterates its previously stated view, that the requirement of a level playing field on this issue is paramount. We reiterate our earlier point that increasing transparency and providing accurate information which aids consumers in purchasing decisions is key to an efficient market.

Some critics may argue that the Australian vegetable industry has a vested interest in ensuring Australian consumers buy Australia grown products. Certainly, the more Australian grown products are sold, the more likely profits will remain in Australia, thus, helping to sustain the Australian vegetable industry. However, we would like to note also that it is not only Australian vegetable growers who will benefit from more accurate labelling laws. As this submission has indicated, there are economic benefits for the broader local economy too, by supporting local industry, local jobs, and local expertise. Not to mention that Australian grown produce is generally fresher, of a higher quality, and better tasting.

In truth, many Australians would rather profits and jobs remain in the country anyway – and they have indicated as much in various consumer surveys undertaken over the years including but not limited to the 2005 survey by Auspoll highlighted in our submission.

It is also important to acknowledge, however, that many processed vegetables utilise a percentage of imported ingredients. The essence of any amendments to food labelling laws

in Australia must not be in the over simplification of regulations to the detriment of local growers. Rather, any amendments to food labelling laws should focus on providing more meaningful information about a particular product, and not less, so that consumers can exercise their personal preferences more readily and make decisions based on all the relevant information at their disposal.

AUSVEG proposes, therefore, that any amendments to existing labelling laws exercise due attention to detail in consideration of those local producers who may use small quantities of imported ingredients in their processed vegetable products. This inquiry should recognise the complexity of this situation, and the counteracting forces at work in such circumstances where consumers are ultimately demanding a greater amount of information about food products, but want it delivered in a more simplified form. As such, AUSVEG strongly contends that any amendments should seek to improve clarity in all sectors of industry, rather than only in selected sectors, so that producers of largely Australian grown goods are not disadvantaged by technicalities and thus excluded from describing their products accurately as Australian in origin.

That said, disguising imported products by way of ambiguous labelling and through the exploitation of labelling 'loopholes' currently allows products to be described as 'Made in Australia' when in truth up to half of the product may have been imported from overseas. Labelling products in this way when there is such a large proportion of imported ingredients present is unacceptable in AUSVEG's view.

Country of origin labelling is a significant concern for the Australian vegetable industry and AUSVEG recognises the seriousness of this issue. AUSVEG considers, however, that the needs of consumers are currently not being met when it comes to ensuring that appropriate information about country of origin is provided. Indeed, the fact that some 94 per cent of consumers surveyed in a 2005 poll said they would support a new regulation which ensured compulsory country of origin labelling is evidence of this fact.

AUSVEG contends that ultimately consumers should be able to make fully informed purchasing decisions, not just with regard to some products, but with regard to them all. It is AUSVEG's view that compulsory country of origin labelling should be introduced for all vegetable products. Clarification about the origin of consumer products is vital for the reasons indicated in this submission.

AUSVEG takes its obligation to vegetable growers around Australia very seriously. We are committed to seeing this matter through to its conclusion and we would be willing to expand further on the concerns which we have presented in this submission. As the peak industry body representing vegetable and potato growers around Australia, AUSVEG would welcome the opportunity to appear before the committee to elaborate further on behalf of those we represent.

## **10. Enquiries**

Enquiries regarding this report and contact on the issues raised may be addressed to:

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