



16 October 2009

Committee Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Email: economics.sen@aph.gov.au

SENATE INQUIRY INTO THE FOOD STANDARDS AMENDMENT (TRUTH IN LABELLING LAWS) BILL 2009

Coles Supermarkets ("Coles") welcomes the opportunity to provide comment on the Food Standards Amendment (Truth in Food Labelling laws) Bill 2009 ("the Bill").

Coles fully supports clear and unambiguous labelling on fresh and packaged food products to ensure that consumers have information readily available to assist them in making an informed choice.

In fact, Coles has gone above and beyond the legislative requirements and extended our Country of Origin Labelling ("CoOL") to include all fresh produce in our delicatessens nationally, not just on those mandatory products covered by Standard 1.2.1.1 of the Food Standards Code.

As part of our business strategy, we are also increasingly arranging for local produce to be sent direct to local stores in key growing regions across Australia. Currently, 96% of our entire fresh produce range is Australian.

From a Housebrand perspective, our packaged food products carry additional qualifying claims on them to inform customers that there is imported content in products that have been manufactured in Australia (e.g. Made in Australia from local and imported ingredients or vice versa).

Whilst we understand the intent of the Bill is to ensure consumers know the origins of the food they are purchasing and consuming, we believe the Bill should be rejected because there is no evidence to suggest an information failure has occurred and because it is likely to have unintended consequences for consumers, retailers and the food manufacturing industry in Australia.

For consistency and to meet customer expectations, if any amendments are to be made to "Australian Made" or to existing food labelling laws, these changes should apply to both food and non-food products that are sourced or manufactured in Australia.

Country of origin labeling for food

Very few processed food products these days contain 100% Australian ingredients. The proposed Bill would have the effect of excluding a very large number of products from *Made in Australia* claims that under the Trade Practices Act, they are entitled to make.

For example; most cheeses in Australia today are made with imported rennet. Under the proposed Bill, cheese made in Australia from 100% Australian milk could not be labelled *Product of Australia*. Similarly, potato wedges or chips made from 100% Australian potatoes with some imported flavorings or oils could not use the claim *Australian Grown*. This would severely impact Australian producers and food processing companies.

Coles believes the 100% requirement is impractical and excessively restrictive. Products which fall into such categories already have clear rules under *Product of Australia* claims and/or use The Australian

Made Campaign Limited (AMCL) *Australian Grown* logo's which has successfully been adopted and used since 2007.

Coles is keenly aware of consumer and producer concerns around country of origin issues involving fresh foods and ingredients in processed food products. Coles is a licensee of the AMCL supporting both and Australian Made and Grown logos. These logos provide consumers and producers with a simple and effective method of identifying Australian grown produce and Australian made products that is very well recognised and embraced by hundreds of Australian manufacturers and food processors as well as most supermarkets.

When using the *Australian Grown* logo without qualification, 'Australian Grown' is equivalent to the *Product of Australia* claim - i.e. all the significant ingredients have been grown in Australia and all production or manufacturing processes have taken place in Australia.

When using the logo with qualification, e.g. *Australian Grown Potatoes*, it indicates that at least 90% of the content (net weight) of the product is grown in Australia, and 100% of the named ingredient, i.e. potatoes, are grown in Australia. An example of this would be frozen potato wedges made in Australia from Australian grown potatoes where some minor added ingredients (oils, spices, flavorings) are imported.

Coles believes the Australian Grown logo is an effective and practical way of identifying and verifying Australian Grown produce that are processed or transformed into finished consumer products.

Customer impacts

Coles notes there are already strict food labelling laws in place that govern CoOL on packaged and unpackaged products, which are contained in Standard 1.2.11 of the Food Standards Code and the *Trade Practices Act 1974* and we are unaware of any evidence to suggest that consumers are actively seeking changes to food labelling laws or that an overhaul of food labelling is needed.

Our observation is that consumer-purchasing decisions are complex but largely based on quality and price and that CoOL is relatively insignificant in the overall purchasing decision. This view was reinforced by the Centre for Economics Consumer Research Cost Benefit Analysis (2006) which found that only "10 percent of consumer value CoOL information as highly important"¹.

In addition, our internal Customer Care data has shown that our CoOL is not a significant issue of concern for our customers with less than 0.3% of all customer enquiries received over the past 12 months about CoOL issues and even less about the use of "Australian Made" on products with imported content.

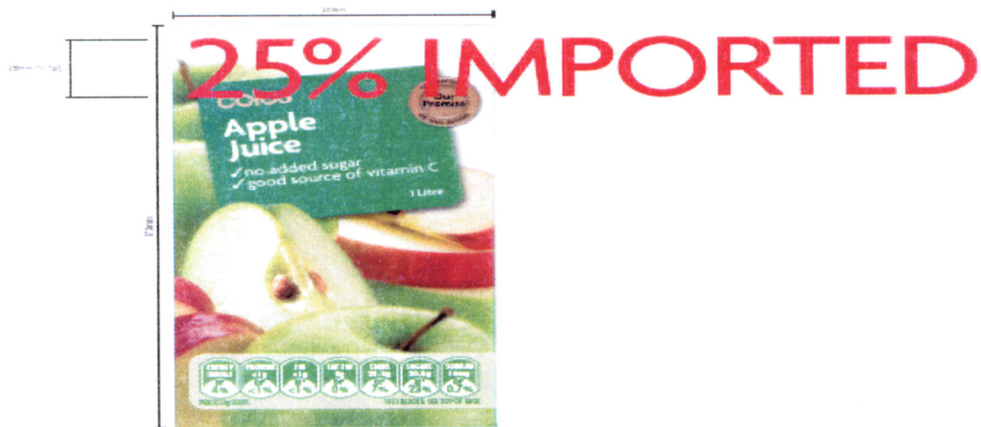
Coles is concerned that the Bill would impose significant and unnecessary product labelling and compliance costs for retailers and manufacturers, which would ultimately be passed on to the consumer.

Consumers would be further disadvantaged by higher production costs passed on by processors as a result of the Bill as well as potential reductions in range/choice to due higher costs involved in manufacturing and sourcing products.

Producer and processor impacts

Whilst it is clear that the Bill aims to protect Australian jobs, there is a risk that it could potentially do the opposite, particularly in the horticultural processing industry.

¹ Feasibility Study into Extending Country of Origin Labelling to Selected packaged Fruit or Vegetable Whole Food Produce, 2006, pg 6.



We note in relation to 16A(1)(d) that we are unaware of any drink product or partly or wholly containing juice derived from orange skins.

General comments

The Bill raises a number of issues relating to consistency in country of origin labeling laws. At present the provisions of the Food Standards Code are consistent with the Trade Practices Act. If the Bill were to become law, this would no longer be the case.

Most of the food Australians consume is Australian in origin. As noted 96 per cent of the fresh food Coles sells is Australian and we estimate that around 85 per cent of processed food is manufactured in Australia, albeit with some imported ingredients or transformation of the food into finished consumer products. If food and beverages with one or more imported ingredients cannot be described as 'Australian Made', should this not also apply to medicines, clothing, manchester, furniture and a host of manufactured goods?

Coles believes the Bill will cause further confusion for consumers and add costs to food processors and, unintentionally, undermine the viability of horticultural processors in regional Australia. Importantly, it will have the effect of disadvantaging a large number of our suppliers, Australian manufacturers, by precluding them from using legitimate country of origin claims on their products.

Conclusion

Thank you for the opportunity to provide our views on this Bill. As stated above, we believe the Bill should be rejected because it is likely to have unintended consequences for consumers, retailers and the food manufacturing industry in Australia.

Should you wish to further discuss, please contact Jodi Dixon on 03 9829 3753 or via email Jodi.dixon@coles.com.au

Yours faithfully

Robert Hadler
General Manager Corporate Affairs
Coles Supermarkets