

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

**HORTICULTURE AUSTRALIA COUNCIL
OCTOBER 2009**



INTRODUCTION

Horticulture Australia Council (HAC) is the peak national industry body representing the Horticultural industries. Members of HAC are the national peak industry bodies (PIBs) for the Horticultural industries, and State grower organisations. Horticulture Australia Council (HAC) represents over 97% of the Australian horticulture industry, and its Member organisations include:

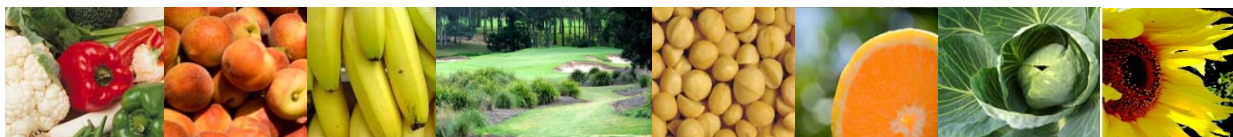
- Apple & Pear Australia
- Avocados Australia
- Australian Banana Growers' Council
- Australia Custard Apple Growers
- Australian Mushroom Growers Association
- Australian Nut Industry Council
- Ausveg
- Cherry Growers of Australia
- Citrus Australia
- Fruit Growers Victoria
- Growcom
- NSW Farmers' Association
- Northern Territory Horticulture Association
- Nursery and Garden Industry Australia
- Persimmon Industry Association
- Strawberries Australia

Horticulture in Australia

Horticulture in Australia is intensive, generally irrigated, agriculture. Horticulture is a diverse industry, spread across the continent in a wide array of climates. Horticulture is the second-largest (larger than Dairy and Wool combined) and fastest-growing sector of agriculture; with some 30,000 businesses nationally, and a farm-gate value of close to \$9 billion (including other horticultural crops such as olives and wine-grapes significantly increases this figure).

Total horticultural exports (excluding olives and wine) in 2008/09 were \$9.25 million. As the most labour intensive of all agricultural industries, Horticulture employs approximately one-third of those employed in agriculture. The industry is the principal driver of many local communities and economies in rural and regional Australia.

HAC welcomes the opportunity to provide this submission to the Senate HAC Submission to the Senate's inquiry into the Food Standards Amendment (Truth in Labelling Laws) Bill 1009, on behalf of the horticulture industries.



SUBMISSION

Horticulture Policy Position on Food Labelling

Country of Origin Labelling – Packaged Food

Horticulture Australia Council strongly supports the extension of Country of Origin Labelling (CoOL) – currently mandatory for fresh food – to the principle two (or less) whole food ingredients (fruits, vegetables or nuts) in packaged/processed food.

Industry believes firmly that such CoOL should also be mandatory, and that this position is in line with the Ministerial Policy Guidelines, which state that any standard that is developed should ensure that:

- ◆ Consumers have access to accurate information regarding the contents and production of food products.
- ◆ Consumers are not misled or deceived regarding food products.

Australian consumers have consistently demonstrated that they value additional information on food labelling; and that (for a range of reasons), they wish to know the country of origin of their food.

Issues for consideration

In December 2005, ACCC Chair Professor Alan Fels said:

Many consumers buy products specifically because they want products from a particular country. This includes local demand for Australian products. The ACCC is concerned to ensure that consumers can be confident the Country of Origin claims are accurate, and consumers can rely on what is on the label.

Consumer Choice

In a variety of polls, over a number of years, Australian consumers have consistently demonstrated that they are concerned to be informed of the origin, potential allergen, nutrition and other details of the foods they purchase. The 2005 Auspoll survey showed that 97% of Australian wanted to have clear information on the country of origin of their foodstuffs. This is not simply attitude which does not translate to behaviour. When consumers in were asked in a 2009 survey whether, in supermarkets, they checked if the produce was Australian-grown fruit and vegetables and foodstuffs, 82.5% responded that most of the time they did. The earlier Australian Consumer Association submission to FSANZ on the subject of COOL reiterated this view.

Consumers' reasons for desiring this information may vary (eg health reasons, desire to support locally-grown produce or economies, religious requirements, the 'country of origin effect', perceptions of food safety, environmental or human rights considerations, etc), but the outcome remains the same – clear labelling which removes imprecise or ambiguous terms from packaging.

Clarity and Precision

Consumers believe they have a 'right to know', and this includes the right to accurate, unambiguous information.

It is ludicrous to suggest, for example, that a packaged product whose primary food ingredients are in fact imported, is 'Made in Australia' - whatever qualifying small print may follow. Studies have consistently shown that Australian consumers believe 'Made in Australia' and other variants to mean just that – grown and packaged here.

An example may serve to illustrate:

Most Australians know macadamia nuts are indigenous to this country. A "reasonable person" would assume that a packet of macadamia nuts with a 'Made in Australia' label means that the nuts were grown here, and packaged here. Indeed the previous Australian HomeGrown campaign highlighted that the large majority of consumers in fact **assume** that the majority of foods (fruit, nuts, vegetables, and meats) are currently grown in Australia.

Under the current standards, however, it is entirely possible that the nuts were imported from Hawaii (the Chinese know macadamias as 'Hawaii nuts'), and it was only the value-add of more than 50% (eg fancy packaging), undertaken in Australia which entitled the end product to be labeled 'Made in Australia'.

This is not clear, precise and unambiguous labelling, and could be seen as misleading the consumer. In addition, a label which refers to produce being 'imported' without specifying which country or countries that produce was imported from, adds nothing of value to the consumer to meet their information needs.

HAC welcomes the Government's *Australian Grown* initiative to give consumers greater information about the food they consume; however, we believe that while this initiative gives consumers greater clarity about which product is grown in this country, it still falls short in clarity about the country of origin of imported produce.

Food Safety

Several submissions to FSANZ on the issue of CoOL raised an important issue in terms of food safety/security in a climate of increasing food tampering and global terrorism. It is critical that manufacturers/processors and retailers, the regulator, and the public health system, have effective tracking systems – not the least in order to expeditiously effect emergency product recalls or trace contaminated material to its source/country of origin. This could apply to everything from outbreaks of Avian/Swine flu or 'Mad Cow Disease', or deliberate malice such as anthrax contamination; through to food tampering of medicinal lines, biscuits, or rat poison in prepared foods.

Compliance Costs

While there will certainly be some compliance costs in any transition period to a revised Standard, the Ministerial Policy Guidelines do not state that the objectives outlined above are to be met only in the absence of any other consequences/considerations.

The horticulture industry is not convinced by the large claims made in regard to costs likely to be incurred by manufacturers/processors. Certainly there will be initial costs incurred in re-printing/re-tooling in the first instance, but claims of significant ongoing costs do not seem to be substantiated by the data to hand.

It must be borne in mind that manufacturers seem very willing to undergo the 'pain' of such re-printing/re-tooling where they perceive a benefit (for example, adding claims such as 'Good source of folate', 'NEW!!', '20% more FREE!', or 'GI of x' to labels).

Consumer Willingness to Pay

While the net costs and benefits of mandatory CoOL have proven difficult to quantify, several studies have looked at consumers' willingness-to-pay for CoOL. Studies in the US in 2003, found that "US consumers are willing to pay a range of premiums if they perceive that a product's origin is integral to its quality"¹. Similar recent polls in Australia have mirrored these outcomes.

Chair of the Farmers' Markets Association, Jane Adams attributes the dramatic rise in the popularity of Farmers' Markets at least in part to the introduction of CoOL on fresh produce. She believes consumers are increasingly motivated to buy local produce, and want to know the provenance of the food they eat. "This change in labelling has increased people's awareness of the origin of their food and has changed their perception of food.", she says. There are now more than 130 farmers' markets Australia-wide; and growth in the last 18 months has really taken off, spurred by these key factors. Most markets only operate monthly, but there has been a gradual shift for markets to open weekly to meet consumer demand.

Ian Haines from the Albany (WA) farmers' market, for example, reports a large customer increase since its inception eight years ago - a reflection of the developing interest people are having in the food they buy. "Consumers don't just want to buy a wrapped piece of fruit from the supermarket and not know where it came from. I believe that there is a changing attitude among consumers, they want to know where exactly their food comes from. Consumers want to engage with the producers, and get back to basics to discover what real food tastes like."²

Potential Implications for Food Security

The independent economic modelling conducted by the CIE for *FutureFocus – the Horticulture Plan* revealed that by 2020 it is estimated there will be a population equivalent to 'another Melbourne' to feed in this country; and another 600 'Melbournes' world-wide. In order to feed the extra 2.3 billion people expected to be on the planet by 2050, the FAO said this month that the world will have to produce 70 per cent more food.

CSIRO says the world's farmers need to produce as much food in the next 50 years as has been produced in human history. Also this month, CSIRO chief executive Megan Clark has told the National Press Club in Canberra that Australia has a huge role to play in global food production, feeding 60 million people within Australia and overseas. Director of CSIRO's Sustainability

¹ Umberger, W.J., Feuz, D.M., Calkins, C.R. and Sitz, B.M., 'Country-of-Origin Labeling of Beef Products: U.S. Consumers' Perceptions', *Journal of Food Distribution Research* 34(3): 77–82, November 2003

² *Farm Weekly*, WA, 01 Oct 2009

Agriculture Flagship, Dr Peter Carberry, says the world demand for food and fibre will eclipse climate change as the world's next great challenge.

The "21st Century Agricultural Revolution" is going to have to repeat the Green Revolution, Dr Carberry says. But that will have to be achieved with much greater constraints on farming land, irrigation, energy and nutrients - and with the wildcard of climate change added into the mix. A strategic focus on food security is critical if Australian agriculture is to continue to feed this nation, and play its part in feeding the rest of the world with high quality, safe and environmentally-sustainable food.

'Price Squeeze'

Consumers are also now focussed on issues which go beyond variety/price/quality/taste. Consumers are asking questions around issues such as observance of the human rights of workers; 'fair pay for a fair day's work'; environmental sustainability; food safety; use of pesticides and herbicides; etc.

However, as a direct result of these very expectations by consumers, Horticulture in Australia is facing significant challenges from other, lower-cost competitors.

The constantly escalating cost of labour – approximately 50% of input costs for most horticultural enterprises – cannot compete with countries like China on a cost basis. The additional regulatory burdens (eg relating to chemical use, OH&S, food safety, environmental sustainability, QA systems and meeting national and international standards) placed on growers in this country are not mirrored by all of our competitors.

For example, recent ABARE figures demonstrate that Australian vegetable growers are getting further into debt - average farm debt in 2008 was \$378,300; up 10 per cent in a year. In the same period, the average farm income of vegetable growers fell by three percent to \$166,100 per farm.

Latest figures show that Australia's vegetable trade deficit has ballooned to \$384 million, up from \$95 million in 2004-05.

Vegetables imported from China exceeded \$110 million this financial year, up from \$46 million in 2004-05. Processed Chinese vegetables jumped from \$18.8 million to \$40.3 million over the same period, while frozen Chinese imports surged from \$10.9 million to \$38 million.

Overall, processed potato imports went from \$65 million in 2007-08 to \$109 million in 2008-2009, with New Zealand and Canada also exporting to Australia. Potato growers have had next year's prices and tonnages slashed as imports continue to pour into the country. McCain Foods recently told growers it needed to reduce prices by \$35 a tonne and cut tonnages by 15 per cent, blaming a significant rise in imports.

The concerns of the Pome (apple and pear) industry – specifically the juicing sector – continue to escalate, as the impact of cheap imported fruit juice concentrates takes ever greater market share from locally-produced juice.

The industry believes that consumers are being misled when they read a label which states: “Made in Australia from local and imported ingredients”.

APAL believes that as little as 5% of Australian juice is being incorporated by juice manufacturers into reconstituted products – but it is still legal to describe the end-product as “Made in Australia from local and imported ingredients”. It has even been reported that some manufacturers may not be incorporating any local concentrate at all, but simply adding Australian water to enable them to legally utilise this declaration.

The impact of imported apple juice concentrate on the Australian pome fruit industry has been profound. Producers were once able to return some recoverable costs from ‘downgraded’ fruit. However, since the advent of China as a massive producer of apples (it now produces close to half the world’s apples), and therefore a major juice producer, Australian imports of juice have soared – to the detriment of prices for juicing fruit. For the year ended June 2009, Australia imported 33.7 million litres of apple juice concentrate. This is equivalent to approximately 350,000 tons of apples; in the same period, Australia produced 300,000 tons of apples in total.

The Apple industry understands that juice manufacturers in Australia can purchase Chinese concentrate for \$1.50 litre, delivered. When reconstituted, this equates to 18-19 cents per litre. Costs to growers in Australia are approximately 16 cents per litre; by the time marketing and transportation costs to a juice manufacturer are factored in, growers are well behind the imported price. As a consequence, the Australian apple industry has seen a steady decline in demand from local fruit juice processors.

Recently, the only remaining processor of local fruit for juicing (in WA) advised its grower suppliers that they were no longer able to purchase fruit locally, as they had lost their contract to supply juice concentrate to their juice manufacturer – the supply had been replaced by imported product.

The Pome fruit industry believes it is essential that consumers know the facts on the proportion of imported content in their juice products. There is no suggestion that consumers should be denied access to imported product; rather that consumers are fully informed, and thus in a position to make an effective choice.

The Australian Pome fruit industry believes that the quality and flavour characteristics of Australian-origin juice will attract a substantial cohort of consumers – if they have the information to make this choice.

FTAs

The industry welcomes the development of FTAs with countries with which there is real opportunity for genuine two-way trade: for example, countries in the Northern Hemisphere which offer counter-seasonality in production cycles; or markets (such as India and China) which have rapidly growing numbers of citizens with an increasing disposable income, and a developing taste for high quality produce and the unusual/high status.

However, the Horticulture industry deplores the pursuit of FTAs which have none of these advantages, but instead create major potential disadvantages for both consumers and growers.

Summary

Horticulture believes that the current regulatory framework (including food labelling for processed/packaged food products) puts Australian consumers – and therefore growers – at a disadvantage.

Australian consumers have the right to know the provenance of their food; and Australian growers have the right to compete on a ‘level playing field’ in the arena where they have some competitive advantage – high quality, fresh, safe, foods, produced in an environmentally- and community-sustainable manner.

Horticulture strongly supports the extension of Country of Origin Labelling (CoOL) to the principle two (or less) whole food ingredients (fruits, vegetables or nuts) in packaged/processed food.