

15 August 2011

Standing Committee on Economics
PO Box 6021
Parliament House
CANBERRA ACT 2600

Submission to the Inquiry into the Food Standards Amendment (Truth in Labelling - Palm Oil) Bill 2011

Economists at Large welcome the proposal to amend the *Food Standards Australia New Zealand Act 1991* and the *Competition and Consumer Act 2010* to include increased disclosure of the use of palm oil.

As economists we welcome improved labeling. Improved labeling allows consumers to make better purchasing decisions and enables producers to differentiate their products from those of their competitors.

The production and consumption of palm oil involves costs that are not always incorporated into market prices, referred to by economists as “external costs” or “externalities”. Examples of externalities associated with the production of palm oil include deforestation, reduction of wildlife habitat and health impacts associated with the consumption of saturated fats.

Under the current labeling standards Australian consumers concerned about the potential negative impacts of palm oil on the environment or their health, cannot choose to avoid purchasing palm oil.

Other vegetable oils can have similar externalities associated with their production. We urge the committee to consider extending labeling requirements to other vegetable oils such as soy, canola, sunflower, etc. This would better allow consumers to align their preferences with their purchasing decisions and would not discriminate against palm oil.

The proposed amendment will involve costs for the private sector and government. We believe the benefits of the amendment – through reduced external costs relating to the environment and health – would outweigh these costs and therefore that the amendment should proceed. If in doubt as to the net benefits of the amendment, we urge the committee to commission cost-benefit analysis rather than rejecting the proposal. Furthermore, we suggest an investigation into the economic, environmental and social aspects of the various vegetable oils to properly inform further amendment to the relevant acts.

We would be happy to expand on any of these points in writing or at a hearing of the committee.

Sincerely,

Tristan Knowles, Roderick Campbell & Francis Grey
Directors, Economists at Large