Chapter 4

Views on the bill

Support for the bill

Consumer support for 'buying Australian'

- 4.1 In 2007, the Australian Made, Australian Grown Campaign commissioned Roy Morgan Research to conduct a survey of Australian consumer sentiment on 'buying Australian'. Key findings included:
- 89 per cent of consumers believe it to be 'very important' or 'important' that the fresh food they buy is Australian;
- 82 per cent of consumers believe it is 'very important' or 'important' that the processed food they buy is Australian;
- 74 per cent of consumers say that one of the reasons for buying Australian Grown is to 'support local farmers, fishermen and businesses'; and
- the most common reason for buying imported rather than Australian is 'Australian produce not available' (46 per cent).¹
- 4.2 A 2005 Auspoll survey found that 89 per cent of consumers believed that a food product labelled "Made in Australia" with most of the food grown overseas but packaged in Australia was misleading. 84 per cent also believed the label "Made in Australia from local and imported ingredients" was misleading when most of the food was grown overseas.²
- 4.3 The Horticulture Australia Council quoted a 2009 survey showing that 82.5 per cent of shoppers checked 'most of the time' whether fruit and vegetables in supermarkets were Australian grown.³
- 4.4 Some consumers may also be motivated to buy locally grown and produced food, recognising the environmental (or 'carbon footprint') impact of the transportation of imported food.⁴ Others may have concerns about the safety of imported food.⁵

3 Horticulture Australia Council, *Submission 5*, p 3.

Australian Made, Australian Grown Campaign, 'Australian research', http://www.australianmade.com.au/research (accessed 28 September 2009).

² AUSVEG, Submission 7, p 5.

⁴ Senator Brown, Second Reading Speech, *Senate Hansard*, 20 August 2009, p 5498; see also *Submission 31* from Slow Food Melbourne.

⁵ See *Submission 28* from the Hon. Dr Bob Such JP MP for a range of labelling law issues.

4.5 The sponsors of the bill argue that consumers have a right to clear, unambiguous labelling as to the origin of a food product:

The first issue Australians want to know is whether the food comes from an Australian farm or what proportion comes from an Australian farm. Secondly, was the product fully manufactured in Australia or what proportion was manufactured in Australia? Australians want the choice, but they can't make the choice without clear information to identify the origin of the products we purchase and consume and what portion of that product is attributed to Australian processing.

Currently we have the capacity to advise expiry dates and daily price changes which is appropriate. We are bombarded with a myriad of information about the nutritive content of products and their relative ingredients, but what we want to know is whether the product came from Australia, which is not clear.⁶

4.6 At a public hearing, Riverina Citrus brought to the attention of the committee a Goulburn Valley orange juice, showing an FJ Holden ute on the front of the label, but with the statement "made in Australia from premium imported concentrates" on the back:

Senator JOYCE—When people stick an FJ ute on the label, do you think they are cognisant of the fact that people want to buy Australian, that they want to support Australia?

Mr MacDonald—I think that is a very good point. A couple of submissions ... make this very peculiar point. They bring up some polls from research from years gone by saying that it does not make any difference if something is Australian made ... But then you see that manufacturers very obviously think it is important. You would not put an FJ Holden on the front of an orange juice bottle if you did not think it was going to change behaviour.⁷

Need for greater transparency in labelling laws

4.7 The consumer group, CHOICE, argued that the current array of labelling claims on food products is extremely confusing. Consumers are faced with claims such as "Manufactured in Australia", "Made in Australia from local and imported ingredients", "Made in Australia from imported and local ingredients" and "Australian owned"—each referring to a different aspect and degree of "Australian-ness." CHOICE notes there are also endorsement campaigns and logos such as "Australian Grown" and "Ausbuy" and that many consumers do not fully understand the fundamental differences between these claims. 8

8 CHOICE, *Submission 6*, pp 3–4. See also *Submission 15* from Mr Geoff Fowler.

⁶ Senator Joyce, Second Reading Speech, *Senate Hansard*, 20 August 2009, p 5499.

⁷ *Proof Committee Hansard*, 30 October 2009, p 32.

4.8 The Horticulture Australia Council gave the example of macadamia nuts to demonstrate the current ambiguity of labelling standards:

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 labelled 'Made in Australia'.

4.9 AUSVEG asserted that existing laws currently undermine key economic principles, including that which states that the closer the consumer gets to having perfect knowledge, the more efficiently the market will operate:

... Inadequate or inaccurate labelling has resulted in market failure and distorted signals from consumers to producers ... The true nature of demand is unclear, producers misallocate resources, consumer economic utility is denied, and ... the economic efficiency of the market is undermined.¹⁰

4.10 Mr Richard Mulcahy, CEO of AUSVEG, told the committee that ultimately, consumers have a certain belief about what "Made in Australia" should mean:

Mr Mulcahy—...Consumers are not ... at all comfortable with the idea that 'made in Australia' should mean most of it is made in Australia ... I think it tends to reinforce the strength of the amendment—that this is what a reasonable person would assume. I think that for manufacturers to say that consumers do not understand these things underrates the perceptiveness of consumers.

Senator XENOPHON—It is a bit disingenuous.

Mr Mulcahy—Yes. I think they, more than anyone, know that with new product launches and the like consumers are extremely discerning in terms of a product's taste, flavour and so forth. There is a suggestion that they simply may not understand what 'made in Australia' means. I think they may not understand the way it is being applied, but I think they would be very clear on what they assume the intent of that statement on a can or package would mean.¹¹

11 Proof Committee Hansard, 30 October 2009, p 62.

⁹ Horticulture Australia Council, *Submission 5*, p 4.

¹⁰ AUSVEG, Submission 7, p 4.

4.11 AUSVEG and Riverina Citrus also rejected any suggestion that their calls for greater transparency in food labelling are really a disguised form of trade protection. They did not suggest that consumers should be forced to buy Australian produce:

Rather, what AUSVEG strongly supports is a greater degree of clarity, accuracy, and transparency ... so that consumers are able to make informed decisions as to whether they want to buy Australian grown products or not ...¹³

4.12 Riverina Citrus commented that requiring a percentage of imported and local juice to be clearly shown on a label:

...will not have grocery executives and processor executives leaping out of tall buildings or leaving Australia on leaky boats. It is still doable and simple.¹⁴

Views of unions

4.13 Although not making a submission to this inquiry, the Australian Manufacturing Workers' Union (AMWU) has in the past called for an overhaul of country of origin food labelling, arguing that local food industry workers are disadvantaged by the current misleading and confusing system. Tougher labelling requirements should include:

...the capacity for customers to clearly understand the origin of the goods purchased and whether the goods have been manufactured in an environmentally acceptable manner and that the workers producing the goods have been treated fairly and equitably and, at least, in a manner consistent with International Labour Organisation conventions. ¹⁵

Supermarket house brands

- 4.14 The AMWU has also suggested that supermarkets are using loopholes to label produce as being packaged in Australia, despite the contents coming from overseas.¹⁶
- 4.15 AUSBUY, which represents Australian-owned companies, also highlighted the trend towards house brands in supermarkets:

14 Mr Scot MacDonald, Riverina Citrus, *Proof Committee Hansard*, 30 October 2009, p 29.

Riverina Citrus, Submission 24, p 2; AUSVEG, Submission 7, p 5.

¹³ AUSVEG, Submission 7, p 5.

¹⁵ Australian Manufacturing Workers' Union, Submission to the ACCC Grocery Inquiry, 12 March 2008, p 8, http://www.accc.gov.au/content/item.phtml?itemId=812958&nodeId=28f69a7c01dfd83817ca15b881b07251&fn=123%20(late%2012%20Mar)%20-%20Australian%20Manufacturing%20Workers'%20Union%20(11%20pages).pdf (accessed 28 September 2009).

ABC Rural News, 'Union fight looms over food labelling', 8 July 2005, http://www.abc.net.au/rural/content/2005/s1410075.htm (accessed 28 September 2009).

Increasingly we see house brands replace Australian owned products ... These say "Made in Australia" e.g. tins of fruit, but do no indicate whether the fruit is local or imported. The company name is usually the local retailer with no reference to the source of the ingredients.

Currently local growers and manufacturers who supply the product and contract manufacture are being increasingly excluded from house brand business with no changes made to the labels to show changes in source of supply.¹⁷

4.16 CHOICE's submission put forward similar concerns from consumers:

My supermarket carries far too many house brands, many of which are sourced from overseas, and insufficient Australian brands ...

Generic products are very low priced and therefore tempting to purchase rather than usual brand ... especially Australian made ... ¹⁸

Foreign ownership

- 4.17 AUSBUY, while supportive of the bill's intent, called for it to go further, with a requirement for food labelling to indicate Australian ownership. AUSBUY's submission drew attention to the diminished strategic position of the food industry in Australia, with increasing acquisition of major brands by foreign companies and consequently more profits going offshore. Deceptive labelling allows companies to maximise profit while hiding true ownership, AUSBUY argued.¹⁹
- 4.18 Ms Lynne Wilkinson, the CEO of AUSBUY, cited the recent example of National Foods, owned by Japanese company Kirin, selling Dairy Farmers branded products with the misleading labels 'Australian made and owned' when this was no longer the case. She also mentioned the US company Heinz, which recently acquired Golden Circle; AUSBUY claimed that 'Australian made and owned' still appears on Golden Circle products.²⁰

Criticism of the bill

4.19 The Australian Food and Grocery Council (AFGC) has led food manufacturers' opposition to the bill, asserting that the proposed reforms could make it more difficult for "Australian Made" products to compete and that the calls for stricter labelling were short-sighted and unnecessary.

19 AUSBUY, Submission 17, p 3.

¹⁷ AUSBUY, Submission 17, pp 6–7.

¹⁸ CHOICE, Submission 6, p 4.

²⁰ Ms Lynne Wilkinson, AUSBUY, *Proof Committee Hansard*, 30 October 2009, p 43.

Little consumer demand

4.20 Several submitters argued that there is no evidence of market or regulatory failure in the area of food labelling. The Australian Dairy Industry Council, the AFGC and Coles all argued that consumers' primary concern is the price and quality of a product, not its provenance, suggesting that consumers are not willing to pay a premium price for Australian products over imported products. Coles quoted from a 2006 Centre for Economics Consumer Research Cost Benefit Analysis:

...which found that only "10 per cent of consumers value [country of origin labelling] information as highly important."

In addition, our internal Customer Care data has shown that our [country of origin labelling] 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 [those] issues and even less about the use of "Australian Made" on products with imported content.²¹

- 4.21 Similarly, Nestle stated that 0.25 per cent ('a very small number of consumers') of the 100 000 calls and inquiries to its consumer care line over the last 12 months related to country of origin labelling.²²
- 4.22 (In response, Riverina Citrus argued that the argument put forward by opponents of the Bill's intent is contradictory on the one hand it is said that changes to labelling will have little impact on buyer behaviour, while on the other, it is also argued that the suggested changes to labels will cause significant job losses.)²³
- 4.23 The AFGC also argued that the proposed bill would 'totally destroy Australian manufacturing' because it would prevent acknowledgement on labels of processing undertaken in local factories by Australian workers:

Coca-Cola import concentrate but they employ 4,000 Australians in a range of different manufacturing facilities. Bottles and a whole range of things are made in Australia. I hope we are not going to suggest that, because Coke concentrate is made centrally—it is made in only a few places in the world—Coca-Cola cannot be 'made in Australia'. That is my view.²⁴

Consumer education

4.24 While stating that 'from an industry perspective, the current laws are workable' 125, the AFGC did acknowledge that consumer understanding of the meaning of current country of origin food labels was low. Instead of making further changes to

²¹ Coles, Submission 13, p 2.

²² Mr Peter Kelly, Nestle, *Proof Committee Hansard*, 30 October 2009, p 4.

²³ Riverina Citrus, *Submission 24*, p 2.

²⁴ Ms Kate Carnell, AFGC, *Proof Committee Hansard*, 30 October 2009, p 12.

²⁵ Ms Kate Carnell, AFGC, *Proof Committee Hansard*, 30 October 2009, p 8.

labelling rules through legislation, manufacturers argued that the best way to address consumer confusion was through community education campaigns.²⁶

Seasonality and compliance costs

- 4.25 The AFGC, National Foods, the Australian National Retailers Association and the Australian Dairy Industry Council all argued that the Bill, if passed, would place an additional compliance burden on industry, the costs of which would necessarily be passed on to consumers.
- 4.26 To ensure a constant supply of a processed product, it is often necessary to import certain ingredients when they are out of season in Australia. The Australian Beverages Council gave evidence that Australian consumers drink more orange juice than can be supplied by Australian orchards. The Council stated that the current juice labels which state "Made in Australia from local and imported ingredients" allowed producers to account for seasonal produce and demand that was greater than supply.²⁷
- 4.27 Nestle stated that it recently imported its oat supply for one season from Canada for its Uncle Toby's oats because of local drought conditions. It was argued that any requirement to change labelling to accommodate such unforeseen seasonal variations in supply would be burdensome. Having around 2 500 packs in its product range, Nestle said that the cost of changing each of those packs, depending on materials used, would be between \$200 and \$1 000.²⁸
- 4.28 Manufacturers asserted that the requirement in the bill to state whether or not there are imported ingredients in a food product would require multiple labels for different times of the year. With such complications, manufacturers and retailers argued that there would be greater scope for accidental mislabelling and an escalation in the risk of product recalls.²⁹
- 4.29 The suggestion that a label showing the average percentage content of imported juice in a product over a whole year was rejected by the AFGC, which stated that:

This is effectively defeating the purpose of [the bill] which is intended to provide more accurate information to the consumer about the content. In effect the only way that the juice industry would be able to comply with this requirement is to source imported content to ensure it can comply.³⁰

²⁶ Ms Carnell, AFGC, *Proof Committee Hansard*, 30 October 2009, p 4.

²⁷ Mr Geoff Parker, Australian Beverages Council, *Proof Committee Hansard*, 30 October 2009, p 3.

²⁸ Mr Kelly, Nestle, *Proof Committee Hansard*, 30 October 2009, p 4.

²⁹ Australian Food and Grocery Council, *Submission 9*, pp 5–6.

³⁰ Australian Food and Grocery Council, *Submission 9*, p 5.

- 4.30 Growcom and the National Farmers' Federation (NFF) also expressed concern about the increased regulatory burdens of a stricter labelling regime, which could in turn have negative effects on growers. As price takers, fresh food producers may have to accept a lower price from manufacturers. Growcom suggested that the costs of any new scheme should be shared equally throughout the supply chain and that government could assist with funding if required.³¹
- 4.31 The NFF told the committee that it was broadly supportive of efforts to improve truth in labelling:

Indeed, we believe that Australian farmers should have every opportunity to capitalise on their reputation as being one of the world's best suppliers of clean, green and quality food produce, and generate premiums for this reputation wherever possible.³²

4.32 However, the NFF remained cautious about the proposed legislation, noting that any requirement to modify labels on a seasonal basis may:

...provide a disincentive to utilise any form of Australian labelling and, in doing so, devalue some of the benefits of striving for an Australian grown point of difference.³³

Response to the 'cost burdens' argument

4.33 However, the Horticulture Australia Council and AUSVEG found the cost argument unconvincing. They argued that changes to labels were simply an ongoing cost of doing business:

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. ³⁴

4.34 AUSVEG also described to the committee the raft of overheads with which Australian producers are required to comply, including: occupational health and safety requirements; the award structure; quality assurance programs and certifications; regulations around the use of chemicals; and inspection processes—noting that offshore competitors would not be required to adhere to such strict regimes:

Senator JOYCE—It must be frustrating, then, when someone says they have a big concern about the increase in overheads they would have if they changed their artwork to represent on the packaging of their product what proportion comes from Australia—the country that puts all those overheads

³¹ Growcom, Submission 2, p 4.

³² Mr Charles McElhone, National Farmers' Federation (NFF), *Proof Committee Hansard*, 30 October 2009, p 35.

³³ Mr McElhone, NFF, *Proof Committee Hansard*, 30 October 2009, p 35.

Horticulture Australia Council, *Submission 5*, p 5.

on you, apparently for the betterment of the Australian people—you cannot represent on products sold to the Australian consumer how much of it is actually from Australia.

Mr Mulcahy—Yes, I think it is a fallacious defence.³⁵

4.35 Riverina Citrus also suggested that it was disingenuous for manufacturers to claim that changing labels would be too difficult, given the stringent compliance requirements currently demanded by processors of primary producers:

We as a packer are required to put on it exactly how much is packed and where it is from, and we must have traceability. When our fruit arrives in the US market, they will be able to quote us the number or the bar code on the box, and we must have the traceability all the way back to be able to find out which grower that fruit in the box came from—and his spray diary has to be kept at hand. We have to follow such strict guidelines, and we cannot see why the manufacturers seem to say that it is too difficult, when they are the ones pushing us to have such a high degree of traceability. We find that very unusual. All our labels have to be printed with all that information, so I cannot see why they have difficulty doing in it.³⁶

4.36 AUSBUY also found the compliance cost argument to be a 'lame excuse'. Referring to a bottle of flavoured milk, Ms Wilkinson commented:

It is a fast-moving consumer good. You have got volumes in labelling. Given the volumes in which they are produced, the labels would cost no more than 5c to produce. It is a brand. Brands are sacred. Marketing departments really push brands. You have only got to see what Dairy Farmers have done. Dairy Farmers changed their 'owned and made' packaging over to 'National Foods'. They have now got a huge campaign showing the cows and the farmers walking along. They have spent more money on their advertising campaign, repositioning the brand of Dairy Farmers without even a mention of who owns them, than they would have spent on redoing the artwork.³⁷

The bill's inconsistency with food standards setting process

4.37 A number of submitters pointed out that the bill is inconsistent with food standards setting arrangements in Australia. The Department of Agriculture, Fisheries and Forestry noted that the bill does not appear to align with the provisions of the *Food Standards Australia New Zealand Act 1991* (FSANZ Act):

Draft food standards developed or amended by FSANZ must be assessed against the objectives contained in section 18 of the FSANZ Act, subject to a cost-benefit analysis in the form of a regulatory impact statement and notified for public consultation. They must also take into consideration any

³⁵ Proof Committee Hansard, 30 October 2009, p 64.

³⁶ Mr Bart Brighenti, Riverina Citrus, *Proof Committee Hansard*, 30 October 2009, p 30.

³⁷ Ms Lynne Wilkinson, AUSBUY, *Proof Committee Hansard*, 30 October 2009, pp 47–8.

matters relevant to stakeholders. Once the assessment and consultation process is complete and a draft food standard is approved by the FSANZ Board, it is reviewed by the Australia and New Zealand Food Regulation Ministerial Council.³⁸

- 4.38 The AFGC, National Foods and the Australian Dairy Industry Council have also criticised the bill on these grounds. The bill's intent appears to be the insertion of a clause into the Act which mandates that FSANZ develop and approve a new food standard on labelling. This essentially bypasses the established role of the FSANZ Board and the authority of the Ministerial Council in approving new food standards.³⁹
- 4.39 FSANZ itself told the committee that a standard developed in accordance with the proposed bill would be unlikely to become law, as states and territories were not bound to adopt something developed outside of the current standards development arrangements:

The FSANZ Act, the Food Regulation Agreement and our treaty with New Zealand do not contemplate a process whereby the Commonwealth can unilaterally impose a law on the states, territories and New Zealand. This would require significant referral of powers from the states and territories and New Zealand. ⁴⁰

4.40 The Consumers' Federation of Australia, while largely supportive of the bill's intent, stated that attempting to amend the FSANZ Act in this manner was not the best vehicle for effecting change:

Basically, the country of origin issues are very broad and complex. We suggest that they are taken up in the current food-labelling review. The provisions relating to juice are both valid and very specific. Those issues will probably be fairly mobile over time. My experience working on the standards project is that it is a good idea to consider the full range of regulatory responses when you are trying to resolve very specific consumer, producer and supplier concerns. By that I mean regulation and its important provisions; co-regulation through codes and standards that support or are called up in specific legislation, such as the Trade Practices Act; and voluntary and guidance standards, such as those that are produced by Standards Australia and Standards New Zealand.

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Department of Agriculture, Fisheries and Forestry, *Submission 23*, p 1. See also Mr James Gruber, *Submission 3*, p 1.

See for example: Australian Dairy Industry Council, *Submission 8*, pp 7–8; Food and Beverage Importers Association, *Submission 30*, pp 1–2; Government of South Australia, *Submission 33*, p 3.

⁴⁰ Mr Stephen McCutcheon, FSANZ, *Proof Committee Hansard*, 30 October 2009, p 17.

The benefit of standards is that, with the right processes and support, they can enable good, strong consumer participation from the very outset in a consensus oriented approach.⁴¹

Inconsistency with the Trade Practices Act 1974

4.41 The ACCC told the committee that the bill, if passed, could create an unusual circumstance, with a requirement for food labelling to meet a very specific threshold for an 'Australian' qualification, but without any changes to the TPA:

Mr Weymouth—...You could end up with a scenario where the ACCC would look through the trade practices prism and ask, 'Is this package being labelled in a manner that is misleading or deceptive?' The safe harbour tests say you are not in breach of misleading conduct if the product has been substantially altered in Australia—50 per cent. So you might pass the ACCC trade practices test but in fact not have complied with the potentially new requirement that is being spoken about here for food only.

Senator HANSON-YOUNG—So are you suggesting that, if we were going to be talking about, as the bill suggests, redefining what those definitions are, it would be simpler and clearer to ensure that that happened across the board for all products? I am not necessarily saying you are endorsing the idea. Is your point that the Trade Practices Act would have to adopt a new definition as well?

Mr Weymouth—For consistency, there are two ways forward. One would be that you would have a rule for food. The Trade Practices Act would then have a very unusual, quite product-specific rule in it, which is not typical of the act's structure. Or you would change the whole safe harbour provision in the Trade Practices Act, which could have consequences that have not been thought of at all in terms of general manufactured goods. 42

Committee view

4.42 The committee is of the view that the primary and insurmountable problem with this bill is its inconsistency with the current food standards setting arrangements. In recognition of the highly complex issues involved in food regulation, the committee recognises that the development of any new food standard relies on an open and transparent process involving broad public consultation, undertaken by Food Standards Australia New Zealand and overseen by the Ministerial Council. Therefore, the committee believes that such a bill is not the correct vehicle by which to effect any changes to food labelling laws, as it effectively short-circuits established processes, which have been nationally agreed through the Council of Australian Governments.

⁴¹ Ms Jo Higginson, Consumers' Federation of Australia, *Proof Committee Hansard*, 30 October 2009, p 67.

⁴² *Proof Committee Hansard*, 30 October 2009, p 52.

Other issues

- 4.43 A number of submitters to this inquiry have also proposed that the bill should be specifically amended to include the mandatory labelling of palm oil in the ingredients list on food products. It is claimed that palm oil production (often labelled as vegetable oil) contributes to significant deforestation and destruction of orang-utan habitat in Indonesia and Malaysia.⁴³
- 4.44 On 23 November 2009, Senators Xenophon, Joyce and Brown introduced into the parliament the Food Standards Amendment (Truth in Labelling Palm Oil) Bill 2009 in response to these particular concerns.

43 See, for example, submissions from Humane Society International, Zoos Victoria, Royal Zoological Society of South Australia, Perth Zoo, World Wildlife Fund, Friends of the Earth, Palm Oil Action Group, The Australian Orangutan Project.