



2 May 2008

The Secretary  
Senate Standing Committee on Rural and Regional Affairs and Transport  
Parliament House  
Canberra ACT 2600

rrat.sen@aph.gov.au

Dear Sir/Madam

**Re: Senate Inquiry into Meat Marketing**

Australian Pork Limited (APL), as the national representative body for Australian pig producers welcomes the opportunity to provide comments on the Senate Meat Marketing Inquiry. From APL's perspective, there are key issues to be addressed in order to improve management of public health and food safety risks, and also to provide an informative and reliable labelling regime that enables consumers to make informed purchase decisions and manage their personal risk. As outlined in this submission these key meat marketing issues comprise:

- Traceability and industry responsibility for food safety
- Compliance and verification associated with labelling regulations
- Labelling of imported and Australian product

APL advocates for a national approach to assure compliance with labelling laws in general through much more robust structures and systems than exist today, and efforts in this regard could be significantly beneficial to the pork industry and Australian consumers.

Any action in this direction would be embraced by the pork industry, where potential mislabelling of imported produce exists. It would be expected that such actions would also be actively supported by consumer groups.

Please find an electronic copy of our submission attached to this email. If you require further information please contact APL Policy Analyst *Stefan Martin* on (02) 6285 2200.

Yours Sincerely,

A handwritten signature in cursive script, appearing to read "Stefan Martin".

General Manager, Policy  
Australian Pork Limited

# AUSTRALIAN PORK LIMITED

## APL Submission

The Standing Committee on Rural and Regional  
Affairs and Transport Inquiry into Meat Marketing



May 2008



# The Standing Committee on Rural and Regional Affairs and Transport Inquiry into Meat Marketing

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## Executive Summary

In March 2008 the Senate initiated an inquiry by the Standing Committee on Rural and Regional Affairs and Transport into meat marketing, in particular referring to the need for effective supervision of national standards and controls and the national harmonisation of regulations applying to the branding and marketing of meat.

Australian Pork Limited (APL) is the national representative body for Australian pig producers and the broader pork industry. It is a producer-owned company and provides marketing, export development, research and innovation and policy development to assist in securing a profitable and sustainable future for the Australian pork industry.

The key meat marketing issues that need to be addressed concern the management of public health and safety risks, and the requirements for an informative and reliable labelling regime that enables consumers to make informed purchase decisions and manage their personal risk.

The industry's responsibility for food safety regarding identification, traceability and integrity is clearly defined in the Australian Standard for the Hygienic Production and Transport of Meat and Meat Products for Human Consumption. While there is no mandatory traceability system implemented to cover the whole of the Australian pigmeat supply chain, pig producers have already implemented appropriate measures to be able to respond on potential health risks as required by the Australian Standard.

In addition, the industry is currently working to improve traceability systems in accordance with the National Livestock Identification System (Pork) Funding Agreement between APL and the Commonwealth. A key element of the 'PigPass' system is the PigPass National Vendor Declaration (NVD), a traceability tool which records the property identification code, tattoo and key information on animal treatments. It enables Australia's pig industry to be proactive in its ability to identify and respond to any exotic disease issues. It also enhances the industry's capability to trace and respond to any food safety risks associated with pork.

APL has had concerns for some time relating to the possible mislabelling of and/or misleading labelling of imported pork products being sold as Australian. For example, late in 2007, APL discovered a spiral cut ham product being marketed as "ham on the bone" in supermarkets, which actually combined imported pig meat with the bone of an Australian pig; it was a case of misleading consumers. The product was withdrawn from the market by the manufacturer.

In early 2008, the NSW Government received a complaint about imported pork being processed locally and sold as "Product of Australia" bacon. APL believes that this has resulted in an investigation by the NSW Food Authority on a particular processor which is still underway<sup>1</sup>.

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<sup>1</sup> APL 2008, #3 Submission to the Productivity Commission Safeguards Inquiry into the Import of Pigmeat, Available at: <http://www.pc.gov.au/inquiry/pigmeatsafeguards/docs/submissions>

More robust structure and enforcement systems are required than currently operate to ensure compliance with labelling laws, and efforts in this regard could be significantly beneficial to the pork industry and other food producing industries, which compete with imports. A significant weakness and failure of the current system lies in the fact that the authority to ensure and enforce compliance is vested with the state food authorities which are usually too poorly resourced to carry out effective routine inspections and audits.

Another key weakness in effecting compliance with labelling laws lies in the limited resources and authority of AQIS. APL believes that there are significant gaps in the ability of AQIS to enforce import protocols. Presently AQIS inspectors must rely on paper work and QA to verify compliance. However, in the absence of mass balance reconciliation of imports and their intended use, as well as a robust audit process, there is the potential for substitution of imported pork with domestic post border within the manufacturing process. Currently there appears no mechanism to enable AQIS to conduct a mass reconciliation at the manufacturing plant of imported pork with the processed pork produced from using both imported and domestic product.

For the Australian pork industry it would be beneficial to empower the AQIS to be able to carry out full reconciliations i.e. “mass balances” of comparing imported and fresh pork volumes entering pork manufacturing establishments with those volumes leaving and in what product form.

While Country of Origin Labelling (CoOL) laws exist for fresh and processed pork products through the Food Standards Australia New Zealand (FSANZ) Food Standards Code, (Standard 1.2.11), these requirements still do not go far enough. In practice, many variations in labelling of food products in the marketplace indicate that the current labelling regime is not adequate or clearly understood in its application. The current legislation does still not provide the full scope of information necessary for Australian consumers to enable them to make well informed decisions when buying food items.

The Trade Practices Act, administered by the Australian Competition and Consumer Commission (ACCC), defines ‘Product of Australia’ and ‘Made in Australia’. The intent is that the ‘Product of Australia’ tag be reserved for products that have no, or virtually no, imported content. However, smallgoods processed in Australia from 100 per cent Australian pork are technically unable to use this label as brine, a significant ingredient in curing pork, is not produced locally and must be imported.

The “Made in Australia” claim is therefore the highest theoretical claim for Australian sourced pig meat in processed form, and also a possible claim for imported pig meat in packaged processed products if the local value-add is high enough. The result of this is that “Made in Australia” has not necessarily anything to do with Country of Origin when relating to the meat itself.

As a result, current CoOL regulations increase consumer confusion and work against the original intention of giving consumers real choice when it comes to processed pork products. In the present situation, the absence of CoOL as requested by AMIC in FSANZ’s

Application A583, which is currently under consideration, would create additional damage to the Australian pork industry, particularly due to the lack of product differentiation.

## Introduction

### ***Australian Pork Limited***

Australian Pork Limited (APL) welcomes the opportunity for comment into the Standing Committee on Rural and Regional Affairs and Transport inquiry into meat marketing, with particular reference to the need for effective supervision of national standards and controls and the national harmonisation of regulations applying to the branding and marketing of meat.

APL is the national representative body for Australian pig producers and the broader pork industry. It is a producer-owned, not-for-profit company combining marketing, export development, research and innovation and policy development to assist in securing a profitable and sustainable future for the Australian pork industry. APL's members currently represent approximately 92 per cent of Australian pork production.

### ***Structure of the Australian Pork Industry***

Australia's pigmeat production is built around an estimated 1,500 pork producers and approximately 2.6 million pigs according to ABS data as of 30 June 2007<sup>2</sup>; the biggest state herds are located in New South Wales (741,000 pigs) and Queensland (669,000 pigs). It is estimated that the top 50 producers in Australia account for some 54 per cent of production.

The estimated Gross Value of Production (GVP) for Australian pig production was \$889 million for the period 2005-06<sup>3</sup> increasing to \$944 million for the period 2006-07<sup>4</sup>. Pork currently represents approximately 2.38 per cent of total Australian farm production<sup>5</sup>. This figure has remained relatively consistent since 2005.

The Australian pork industry provides a significant positive impact to local, regional, state and national economies through substantial income generation and employment. In 2004, the pig production sector generated \$3.2 billion in output and \$967 million in value added product<sup>6</sup>, compared to an estimated \$2.9 billion in generated output, \$840 million in value added product and 7,928 full time jobs when flow on effects are taken into account in 2006-07<sup>7</sup>.

Around 56 per cent of the 5 million pigs slaughtered in the Australian industry today are part of an integrated supply chain, which includes primary processing and production. The remaining pigs sold for slaughter are sourced either through saleyards (5 per cent), spot market or through forward and general contracts.

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<sup>2</sup> Australian Bureau of Statistics (ABS), *Principal Agricultural Commodities 7111.0 2006-07*

<sup>3</sup> Australian Bureau of Statistics (ABS), *Value of Principal Agricultural Commodities Produced 7501.0 2004-05*

<sup>4</sup> Australian Bureau of Statistics (ABS), *Value of Principal Agricultural Commodities Produced 7501.0 2006-07*

<sup>5</sup> ABARE: *Email conversation*. Figures based on 2005-06 data

<sup>6</sup> Western Research Institute 2005, *Socio-Economic Impacts of the Australian Pork Industry*

<sup>7</sup> Western Research Institute 2008, *Socio-Economic Impacts of the Australian Pork Industry - preliminary report*

### ***Rising Import Volumes and Industry Crisis***

Current quarantine protocols for pork imports allow extensive use of imported meat for processing, including hams and bacons. Dramatically increasing volumes of pork imports over the last five years have caused severe economic harm to the domestic pork industry. Moving Annual Total (MAT) volume of pork imports in 2006-07 has increased by 48 per cent from 2005-06 and the value of these imports increased by 61 per cent on the last financial year<sup>8</sup>. Import volumes have dramatically increased, acquiring 59 per cent of domestically produced volume, 2006-07<sup>9</sup>.

The share of imports of the processed pork sector has steadily increased since 2002-03 accounting for around 64 per cent of the processed pork market. Imports share of the Australian market for pigmeat has increased by 40 per cent alone in the last year effectively threatening to capture the total market (short of a small volume restricted by quarantine restrictions on bone-in products).

Over the last five years the pork industry has aggressively marketed Australian pork, achieving consistent rapid growth in fresh pork consumption and resulting in a 35 per cent increase in fresh pork consumption. However, it has been imports that have taken an increasing share in the growth of the Australian pork market relative to production and consumption. Import penetration measured through the share of imports of total apparent consumption (i.e. imports' share of domestic production plus imports minus exports) has also markedly increased, rising from around 20 per cent in 2002-03 to 34 per cent in 2006-07.

### **Specific Comments on Meat Marketing**

#### ***Traceability and Industry Responsibility for Food Safety***

Under the current trading environment with high and increasing import volumes of pigmeat entering the processed pork sector in Australia, which in turn increases the risk of exotic disease incursions, food safety is crucial and a key priority of the Australian pork industry. Of major concern is the traceability of food products back through the processing chain to locate their origin and to ensure that a potential disease outbreak is stemmed.

The industry's responsibility for food safety regarding identification, traceability and integrity is clearly defined in the Australian Standard for the Hygienic Production and Transport of Meat and Meat Products for Human Consumption. According to this Standard, food safety risks extend through the whole food preparation chain; systems need to be in place for accurate identification, traceability, effective recall and integrity of meat and meat products.

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<sup>8</sup> Source: *APL*

<sup>9</sup> Source: *APL*



The industry's responsibility for food safety regarding identification, traceability and integrity is clearly defined:

“Meat businesses have a documented system that provides for accurate identification of, and the ability to trace and recall, meat and meat products produced by the business.”<sup>10</sup>

Among others, the business must keep the following information on meat and meat products:

- the identity of the meat business from which they are derived;
- the batch in which they are processed;
- the date of processing;
- their location on the premises; and
- name and address of the person to whom the meat business consigns the meat and meat products.

To comply with current legislation importers have to declare the country of origin to the Australian Quarantine and Inspection Service (AQIS) at the quarantine inspection to meet the relevant Australian Standard. Processors have to provide a factory declaration of origin for their products when they leave processing, ready to be transported to retail outlets. Retailers are provided with origin information by their suppliers, printed on the transport packaging and stated in the shipping documents.

To ensure that all labels are accurate, information must be maintained and transferred along the supply chain and ultimately be presented at the point of sale for fresh and processed pork products.

While there is no mandatory traceability system implemented to cover the whole of the Australian pigmeat supply chain, pig producers have begun implementing appropriate traceability and livestock identifications systems to facilitate response to potential animal health risks. Under the National Livestock Identification System (Pork) Funding Agreement between APL and the Commonwealth the 'PigPass' System has been established. As part of this system the PigPass National Vendor Declaration (NVD) provides a key traceability tool, as it records the property identification code, tattoo and key information on animal treatments. It enables Australia's pig industry to be proactive in its ability to identify and respond to any exotic disease issues. It also enhances the industry's capability to trace and respond to any food safety risks associated with pork.

From 1 January 2007 pigs consigned to export abattoirs need to be accompanied by a National Vendor Declaration (PigPass NVD) which is backed up by an appropriate on-farm quality assurance (QA) system. Pigs will not be accepted for export processing if producers are not able to include a current QA certification number on each PigPass NVD form.

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<sup>10</sup> CSIRO 2002, *Australian Standard for the Hygienic Production and Transport of Meat and Meat Products for Human Consumption*, Available at: <http://www.publish.csiro.au/nid/18/pid/3150.htm>

Some State food authorities are moving to require domestic abattoirs, as part of their licence conditions, to verify compliance with the Australian Standard for the Hygienic Production and Transport of Meat and Meat Products for Human Consumption. A valid PigPass NVD or equivalent is accepted as verification of compliance with the Standard.

### ***Compliance and Verification Associated with Labelling Regulations***

APL has had concerns for some time relating to the possible mislabelling of and/or misleading labelling of imported pork products being sold as Australian. These concerns have been based on:

- Industry experts expressing doubt as to the labelling of certain products based on their experience of what an Australian product would look like compared to an imported one (e.g. “short cut” bacon)
- Industry rumours of illegal processor/manufacturer behaviour allegedly sourced through former employees for example
- A perceived mismatch of the potential markets for imported pork products but much higher imported pork volumes
- More recently, brands originating from foreign slaughter establishments being found on rind-on bacon products sold under the “Product of Australia” claim

These concerns have been realised with regard to labelling of some processed pork products. Late in 2007, APL discovered a spiral cut ham product being marketed as “ham on the bone” in supermarkets, which actually combined imported pig meat with the bone of an Australian pig. The product was withdrawn from the market by the manufacturer. In this case, no labelling regulations were proven to be broken, but it was a case of misleading consumers.

In early 2008, the NSW Government received a complaint about imported pork being processed locally and sold as “Product of Australia” bacon. APL believes that this has resulted in an investigation by the NSW Food Authority on a particular processor, which is still underway<sup>11</sup>.

Australian producers require a national approach to assure compliance with labelling laws through much more robust structures and systems than exist today, and efforts in this regard could be significantly beneficial to the pork industry and other food producing industries which compete with imports. A significant weakness and failure of the current system lies in the fact that authority to ensure and enforce compliance is vested with the state food authorities which are usually too poorly resourced to carry out effective routine inspections and audits.

Another key weakness in effecting compliance with labelling laws lies in the limited resources and authority of AQIS<sup>12</sup>. There are significant gaps in the ability of AQIS to enforce import protocols. APL is seriously concerned with the weaknesses and flaws in the current audit and compliance system which is used to provide confidence that the quarantine

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<sup>11</sup> APL 2008, #3 Submission to the Productivity Commission Safeguards Inquiry into the Import of Pigmeat, Available at: <http://www.pc.gov.au/inquiry/pigmeatsafeguards/docs/submissions>

<sup>12</sup> For more information refer to APL’s submission to Department of Agriculture, Fisheries & Forestry Quarantine Biosecurity Review April 2008

conditions required for imported pigmeat are being effectively complied with. We believe that it is open to misuse and deception, either intentionally or indirectly. Significant areas of concern relate to the post border use of quarantine material (i.e. imported pigmeat) following receipt of this material at the registered warehouse and within the manufacturing plant itself, in particular the possible substitution of imported pork for domestic pork post border within the manufacturing system.

In the absence of mass balance reconciliation of imports and their intended use, as well as a robust audit process, there is the potential for substitution of imported pork with domestic post border within the manufacturing process. For example, within the manufacturing plant, there are a number of steps involved in the production of the finished processed product, namely:

1. Receival
2. Storage
3. Thawing
4. Injection
5. Massaging
6. Cooking or Fermenting
7. Chilling
8. Slicing
9. Storage of finished product

Once the product is in the processing facility and moves to the thawing room, there is the potential for substitution of domestic pork for imported pork. During thawing, domestic and imported product are processed (either independently or combined) through the same production line. This product then proceeds through the manufacturing process to ultimately produce a volume of smallgoods ranging from bacon, hams, salami, sausages etc. At this point, AQIS is unable to effectively and reliably trace this imported product (other than to verify that a given tonnage of pigmeat - as specified on the paperwork received from the registered warehouse where the imported product was stored - was cooked); instead AQIS inspectors must rely on paper work and QA to verify compliance. It is not unreasonable to suggest that this cooked pigmeat *is assumed* to be imported.

Currently there appears no mechanism to enable AQIS to conduct a mass reconciliation at the manufacturing plant of imported pork with the processed pork produced from using both imported and domestic product.<sup>13</sup> For the Australian pork industry it would be beneficial to empower the AQIS to be able to carry out full reconciliations i.e. “mass balances” of comparing imported and fresh pork volumes entering pork manufacturing establishments with those volumes leaving and in what product form.

### ***Labelling of Imported and Domestic Pork Product***

Country of Origin Labelling (CoOL) laws exist for fresh and processed pork products through the Food Standards Australia New Zealand (FSANZ) Food Standards Code (Standard 1.2.11), which is implemented via state based laws and the Trade Practices Act. This labelling requirement has been in place since December 2005. Proper Country of Origin Labelling

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<sup>13</sup> Following a meeting with APL in February 2008, AQIS agreed to review the AQIS audit procedures to determine whether such a mecha

based on the current Standard 1.2.11 is consistent with maintaining an efficient and internationally competitive food industry that addresses public health and safety concerns, provides consumers with information on which to make informed decisions, facilitates trade and avoids misleading labelling.

These laws are applied differently according to the product type – e.g. fresh pork (meat cabinet), packaged processed pork products (meat and dairy cabinets), bulk processed pork products (deli cabinet).

From APL's perspective the existing CoOL requirements still do not go far enough. In practice, many variations in labelling of food products in the marketplace indicate that the current labelling regime is not adequate or clearly understood in its application. The current legislation does still not provide the full scope of information necessary for Australian consumers to enable them to make well informed decisions when buying food items.

The labelling requirements for unpackaged processed products are presently under review by FSANZ. Application 583 initiated by the Australian Meat Industry Council (AMIC) seeks to remove the CoOL requirement for unpackaged processed pork products from the current Standard 1.2.11. AMIC has argued (on behalf of smallgoods manufacturers who are the major importers) that it is too difficult and costly to track where these products have come from to enable the correct labelling to be used in the deli cabinet.

The Trade Practices Act, administered by the Australian Competition and Consumer Commission (ACCC), defines 'Product of Australia' and 'Made in Australia'. To qualify for the premium claim 'Product of Australia', two rigorous criteria must be met:

- each significant component (or ingredient) of the good must originate from the country of the claim; and
- all, or virtually all, of the production or manufacturing processes must take place in that country.

The intent is that the 'Product of Australia' tag be reserved for products that have no, or virtually no, imported content. However, smallgoods processed in Australia from 100 per cent Australian pork are currently unable to use this label as brine, an essential ingredient in curing pork, is not produced locally and must be imported.

In comparison to this, products claiming to be 'Made in Australia' need to meet the following criteria:

- the goods must have been substantially transformed in the country claimed to be the origin; and
- 50 per cent or more of the costs of production or manufacture must have been incurred in that country.

The "Made in Australia" claim is therefore the highest theoretical claim for Australian sourced pig meat in processed form, and also a possible claim for imported pig meat in packaged processed products if the local value-add is high enough. The result of this is that "Made in Australia" has not necessarily anything to do with Country of Origin when relating to the meat itself.

Standard 1.2.11 has been drafted to be consistent with the requirements of the Trades Practices Act (the Act). This applies to the whole Code, including the Standards concerned with labelling unpackaged foods. According to the Act, for a food to qualify for a 'Made in' claim for a particular country, it must be substantially transformed in that country, and more than 50 per cent of the cost of production or manufacture must be incurred in that country.

If a ham or bacon product has had more than 50 per cent of its value added in Australia, and has been substantially transformed in Australia, it may qualify to claim to be 'Made in Australia'. Ham or bacon made in Australia from imported fresh pork may have been substantially transformed and more than 50 per cent of the value of manufacturing process may have been added in Australia. We must distinguish if the product will be sold packaged (in the dairy cabinet of the supermarket) or unpackaged (in the deli cabinet of the supermarket) as the labelling requirements are slightly different.

If this product is packaged, it may be labelled "Made in Australia" or can identify the place where the food is made/manufactured or packaged and the origin of ingredients as imported or local, rather than where made; for example 'Made in Australia from local and imported ingredients'. If the product is unpackaged, it will require signage that identifies country or countries of origin. For example 'Product of Australia' or 'Product of Denmark'; NOT 'imported product'.

Despite the use of imported brine in all hams and bacons, "Product of Australia" claims are used in packaged and bulk pork products which use 100 per cent Australian sourced pig meat, and the industry/APL feels no motivation to correct this, as it is at least one mechanism for enabling consumers to choose Australian product if they so desire.

As a result, current CoOL regulations increase consumer confusion and work against the original intention of giving consumers real choice when it comes to processed pork products. There will be added confusion by consumers and weaker regulation should the changes to the Food Standards Code requested by AMIC be accepted. The current Federal Government recognises the problems with current food labelling - the ALP's Election 2007 Policy Document - Labor's Plan for Primary Industries, states:

*"Food labelling is confusing - Food labelling is regulated by the Trade Practices Act, which sets out requirements for use of 'Made in' or 'Product of' labels for both food and non-food products. Research has found that for packaged foods, consumers are often confused and do not understand what is meant by 'Made in' and 'Product of' labels. For example, fruit juice sold as 'Made in Australia' can contain 100 per cent imported juice."*

In the present situation, the absence of CoOL as requested by AMIC in FSANZ's Application A583 would create additional damage to the Australian pork industry, particularly due to the lack of product differentiation. Australian consumers are highly supportive to Australia grown products; 74 per cent of consumers indicate that a reason for buying Australia grown

is to support local farmers and businesses<sup>14</sup>. However, to enable this kind of consumer support for the Australian pork industry in the first place, an informative and reliable labelling regime is necessary.

## **Conclusion and Recommendations**

Current regulation of the industry's responsibility for food safety regarding identification, traceability and integrity is clearly defined in the Australian Standard for the Hygienic Production and Transport of Meat and Meat Products for Human Consumption.

In addition, properly implemented Country of Origin Labelling throughout the processing chain based on the current Standard 1.2.11 is consistent with maintaining an efficient and internationally competitive food industry that addresses public health and safety concerns, provides consumers with information on which to make informed decisions, facilitates trade and stops misleading labelling.

However, from APL's perspective there are still issues to be addressed in order to improve management of public health and safety risks, and also to provide an informative and reliable labelling regime that enables consumers to make informed purchase decisions and manage their personal risk. As outlined in this submission key issues comprise:

- Traceability and industry responsibility for food safety
- Compliance and verification associated with labelling regulations
- Labelling of imported and Australian product

APL advocates for a national approach to assure compliance with labelling laws in general through much more robust structures and systems than exist today, and efforts in this regard could be significantly beneficial to the pork industry and Australian consumers.

Any action in this direction would be heartily embraced by the pork industry, and likely other industries where potential mislabelling of imported produce exists. It would be expected that such actions would also be actively supported by consumer groups.

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<sup>14</sup> Roy Morgan Research 2007: *Consumer Survey for the Australian Made, Australia Grown Campaign*, Available at: <http://www.australianmade.com.au/media-research>