



research and development team toward reformulation of current products. Kraft Foods is the largest food R&D investor in Australia, and this Bill would divert precious R&D investment away from both new product developments and “better for you” consumer choices.

While we appreciate that the motives of Senator Xenophon in proposing this Bill are well-meaning, they present significant expenses to private sector operators, at whatever time such legislation might come into effect.

### **Sustainable Palm Oil**

Kraft Foods supports the Round Table on Sustainable Palm Oil and is a substantial sponsor of sustainable palm oil production, through our sourcing of the product. This sits in parallel with other commitments to environmental and economic justice, such as our commitment to the use Fairtrade cocoa, and Rainforest Alliance coffee.

We acknowledge that the capacity to obtain 100% sustainable palm oil is a few years away, but this is the goal of the RSPO initiative, and one which we are confident of reaching.

This Bill places a pejorative cast on all palm oil production and use, which will be the rallying cry of extreme anti-agriculture campaigners. This devalues the importance of sustainable palm oil, which will have economic effects for its producers.

The RSPO is a prime example of food producers, in concert with processors, retailers and NGOs such as the World Wildlife Fund, finding and financing a solution to an environmental issue. The very presence of the WWF – one of the oldest, most scientific and most authentically effective environment groups – should be evidence of the quality of this initiative.

The introduction of capricious legislation to address the same issue critically undermines and crowds out such initiatives. While we acknowledge the authority of the Australian Parliament to make such legislation, we would suggest that some consideration might be given to the responsibility of industry, and the investment it has already made in this challenge.

### **Operating Environment and Uncertainty**

Currently, Australia is an increasingly difficult country in which to invest for food production. The Australian dollar makes capital expenditure for a multinational challenging, and cheaper offshore production of generic products is making inroads into our markets – again assisted by currency differentials.

Added to this, Kraft faces two significant corporate challenges. First, we operate a significant part of our manufacturing operations in Tasmania, which is expensive, particularly given the recent loss of international shipping to the Island.

And second, our Australian operations compete – for both the Australian and our regional export markets – with Kraft/Cadbury plants elsewhere in the world. This Bill (and others proposed) present Australia as a high-risk operating environment, facing a multitude of unquantified costs via proposed advertising restrictions, ingredient restrictions and broader marketing threats such as the Blewett Inquiry recommendations.

We would urge the Committee and the Parliament to focus on the real costs of this type of legislative gesture, including the attractiveness of Australia as a continuing manufacturing destination.

Further, while there is a prospect that the Blewett Inquiry may lead to a broader set of mandatory changes to food product labelling, we hope the Committee will consider the implications of two out-of-phase legislative imposts.

### **Requests**

Kraft would make three requests to the Committee for recommendation:

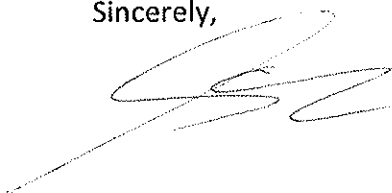
1. That it seek to accurately and comprehensively cost the impact of this Bill, both directly and in terms of Australia as an investment target;
2. That if – as we expect – it recognises that the costs of this Bill are radical, and detrimental to future Australian production/reputation, it recommend rejection of the Bill; and,
3. If the Committee feels that the Bill might pass in some form, that it permits a threshold for trace ingredients of palm oil. Kraft would suggest that this threshold might reasonably be 5% of palm oil by volume of vegetable oil in any given product.

While we would strongly prefer that Bill such as this are rejected as inconsistent with good industry policy, we note that the cost impact of the Bill for Kraft Foods would be substantially ameliorated via the inclusion of a threshold figure as noted above.

This would in no way compromise the broader goal of the Bill to require the primary use of palm oil to be listed as such, rather than under the generic 'vegetable oil'. However, where it is a small minority component within an oil blend, we would argue that there is little benefit in singling it out.

Thank you for the opportunity to make this submission.

Sincerely,



Simon Talbot

*Director - Kraft Foods Corporate Affairs Australia/New Zealand*

