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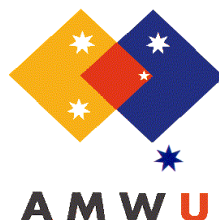
Australian Manufacturing Workers' Union

Submission to the

*House of Representatives Standing Committee on
Agriculture and Industry*

***Inquiry into
Country of Origin Food Labelling***

May 2014



Introduction

The Australian Manufacturing Workers Union (AMWU) represents approximately 100,000 members working across major sectors of the Australian economy. Many thousands of AMWU members work in food manufacturing industries, especially in fruit and vegetable processing and confectionery manufacturing. We welcome the opportunity to make submissions to this inquiry into country of origin food labelling, an issue which is of central concern to our members. Country of origin labelling has important implications for the future of the food processing industry in Australia.

The 'Product of Australia', 'Made in Australia' and related country of origin claims provide a premium to those companies who use them, as both domestic and foreign suppliers recognise the quality and safety of Australian food. Consumer sentiment is a significant driver of corporate behavior and companies will be encouraged to invest in local food production if they believe that consumers will opt for those products over others, given an informed choice. Conversely, denying access to the competitive advantage provided by the 'Product of' and similar labels by having a confusing and convoluted labelling regime reduces the incentive for companies to produce food locally.

There is a high level of interdependence along the local food processing supply chain; policy which affects growers, farmers and other producers has flow-on effects to manufacturing, and vice versa. As the union representing the manufacturing sector, our priority is to maintain and strengthen local manufacturing capability to support local food processing jobs, which has broader ramifications for the Australian economy and society.

Background

There are a number of challenges currently facing the Australian food processing industry. Problematic country of origin labelling is only one of these factors, but the AMWU believes that reform of labelling laws is an essential and relatively straightforward step to ensure the safety of Australian food and to enhance competition in the food industry by empowering consumers.

The high quality of Australian food, ensured by our produce standards and backed by the rigor of our food testing regime, is one of our greatest competitive advantages, both domestically and internationally. However, weak labelling laws threaten the quality of Australian food and the competitiveness of our local food industry.

Issues with the current system

Due to the high reputation of Australian food quality, both domestic and international consumers use country of origin labelling as a surrogate for food safety and health information. It is well-established that Australia's current country of origin labelling system creates confusion for consumers and can often be misleading as to where produce has been grown and/or processed. This is especially true in the case of some supermarket private label products whose country of origin has been known to change over time. The 2011 Review of Food Labelling Law and Policy *Labelling Logic* pointed to a Newspoll survey wherein 63% of respondents incorrectly identified the originating source of a product where the term 'Made in

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Australia’ was used. That report highlighted the “widespread concern over the confusing plethora of definitions relating to the Australian nature” of products.¹

The lack of clarity in the labelling regime has led to it being exploited. The two major grocery retailers, Coles and Woolworths, manufacture their own private label brands in direct competition with independent brand manufacturers. In the push for increased profit margins, Coles and Woolworths are increasingly sourcing their produce from international suppliers taking advantage of lax country of origin laws to source cheaper produce from countries with less restrictive (i.e. less costly) food quality regulation. There is a direct correlation between the increase in private label share of supermarket sales and increasing imports. Local manufacturers are struggling to compete with these cheap imports and are being forced out of the market. This, in turn, leads them to shed jobs. SPC Ardmona specifically blamed the competition from cheap overseas products when it faced closure in 2013.

The main issues with the current labelling regime for food are as follows:

1. The ‘Grown in’ and ‘Product of’ labels have virtually indistinguishable definitions. Both require all or virtually all of the processing of the food to have occurred in the specified country, even though the term ‘Grown in’ does not objectively imply anything about where a product was manufactured.
2. The difference between ‘Product of’ and ‘Made in’ is not immediately obvious to a consumer, although the definitions of the two labels differ significantly.
3. The ‘Made in’ label only requires 50% of a product’s substantial transformation to have occurred in the specified country.
4. The labels ‘Made in Australia from local and imported ingredients’ or ‘Made in Australia from imported and local ingredients’ provide no substantial information about where the ingredients come from. These labels are convoluted and completely unsatisfactory from a consumer point of view.
5. Lack of prominence of country of origin claims. After much lobbying from growers and horticulturists, fresh produce must now carry a large sign stating where it is grown. This provides consumers with the necessary information to allow them to make informed choice. Tinned fruit, however, does not have the same requirement. Without a very close examination of the label the consumer cannot find the relevant information. Similarly, to find the country of origin claim on a chocolate bar or ice cream wrapper a consumer may have to search under the folds of the packaging.

Proposed improvements

Country of origin labelling reforms that remove confusion and create greater clarity for consumers are an immediate and practical measure to enhance competition in this industry. Any modifications to the labelling regime in respect of country of origin would not present a

¹ *Labelling Logic: Review of Food Labelling Law and Policy* (2011) at 109-110.

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huge cost impost to the vast majority of domestic processors who predominantly source locally. However, given that the majority of Australians say they look for Australian-made labelling when they purchase a product for the first time, it would give back some degree of competitive advantage to local manufacturers who use local produce when all brands must make it abundantly clear where their food originates from.

The AWMU are broadly supportive of changes to the existing regime which would have the following effect:

1. The simplification of the existing food labelling regime to make it more readily understandable to consumers, including, for example:
 - Converging the 'Product of' and 'Grown in' labels to simply 'Product of';
 - the replacement of the 'Made in' label with 'Manufactured in' for products which, for example, were processed locally but whose ingredients were by necessity sourced elsewhere. Such a label should require a higher proportion than 50% of the processing to have occurred in the specified country to meet the requirements for use; and
 - the prohibition of generic or qualified country of origin claims such as 'Made of local and imported ingredients'.
2. Increased prominence of country of origin labelling on food packaging. More prominent country of origin labels would be more consumer-friendly and align with similar requirements for increased prominence in the fresh food sector.

We don't agree with the conclusion of the *Labelling Logic* report that country of origin relate only to the weight of ingredients. Country of origin labelling is not an issue that exclusively affects growers of raw produce. As the nation's largest manufacturing industry, the food manufacturing sector is critical to the Australian community and economy, turning over \$100 billion and contributing more than 300,000 jobs. Sustaining and growing it should be central to any labelling reform agenda, particularly given the confluence of downward pressures from other directions, including the high dollar and an uncompetitive retail sector.

Second, in the interests of quality assurance and public health and safety, it is just as important that consumers are aware of whether or not food is processed here as grown here. Australia has a rigorous food testing regime that operates the whole way along the supply chain that is not matched internationally. The lack of any reference to where food is transformed or manufactured denies consumers the choice to opt for food that has been subjected to Australian health and safety standards in processing.

Country of origin labelling is a complex area. Due to the diversity of food sources and the complexity of some food production processes, there will always be exceptions and borderline cases to country of origin rules. The purpose of regulation in this area should not necessarily be to create a category for every conceivable product, but to ensure that retailers or processors who choose to source products from cheap offshore suppliers rather than support local jobs

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should not be able to enjoy the advantage afforded by a ‘Product of Australia’, ‘Made in Australia’ or similar label.

Compliance

Most processors in Australia source their supplies from the same local suppliers. It is generally only in times of shortages due to temporary crises, for example, in the local environment that most processors will change suppliers. Additionally, larger suppliers are known to occasionally change their labels due to seasonal or other promotions and have built this into their cost structures. Any modifications to the labelling regime in respect of country origin would therefore not present a significant compliance burden to the vast majority of local processors.

On the other hand, a strict compliance regime is essential to ensuring the aims of a country of origin labelling regime are met. We have previously called for changes to a loophole that exists due to New Zealand’s decision to opt out of the country of origin labelling provisions in the Food Standards Code, part of the Trans-Tasman Mutual Recognition Arrangement (TTMRA). Unlike Australia, there is no mandatory requirement for country of origin labelling on food in New Zealand, and the effect of New Zealand’s decision to opt out is that goods can be imported then packaged in New Zealand, then come into Australia bearing a ‘Product of New Zealand’ or ‘Made in New Zealand’ label. In effect, this allows foreign produce to be imported to Australia by stealth, creating a risk to food safety and unfair competition for local manufacturers.

In addition to the closure of this loophole, increased monitoring – both by AQIS of foreign produce entering Australia, and by the ACCC of products claiming to be locally sourced – is essential to meet the aims of the country of origin labelling system.

Conclusion

The AMWU acknowledges the opportunity that this inquiry has created for a genuine public discourse about country of origin labelling. The failure of any government to act on the recommendations regarding country of origin labelling in the *Labelling Logic* report released two years ago has been disappointing.

Both for economic and public safety reasons, it is our view that one of the central purposes of country of origin labelling regulations should be to provide a premium to processors who undertake their processing domestically. For smaller local employers this gives them a much-needed competitive edge in an increasingly concentrated market; for larger multinationals, it gives them an incentive to keep jobs in Australia. At a time when food processing jobs are regularly disappearing offshore, the government should be increasing incentives for these businesses to retain jobs in Australia rather than removing them. Clearer country of origin labelling is therefore central to the issue of job creation and protection in this country.