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The Australian Companies Institute Limited
(AUSBUY)

"Truth and Clarity of Origin on Food Labels"



Follow up Document Addressing Issues Raised

by the Standing Committee on Agriculture and Industry Reivew Committee

In Sydney on 2 May 2014

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Submitted via web site www.aph.gov.au/agind



Key points and additions subsequent to the recent presentation:

1. The Committee's focus in the on **Country of Origin** limits the review of the formal and informal messages being used on labels and how many of these mislead consumers.
2. From the consumer's perspective, when a **Common Sense rule** is applied many labels have conflicting messages.
 - a. These messages are often outside the current rules or reinterpret the current rules. Such products are particularly evident since the GFC as businesses both here and off shore respond to rising consumer concerns about the source and safety of our food, and imports replace local suppliers on our shelves.
 - i. Many companies take advantage of consumers concerns by inferring their *Australian-ness*.
 - b. *Trust* is a valuable aspect of any Brand assets and when companies fail to provide truthful information or imply a product is something it is not then they damage their Brand. (A paper on Brands was prepared by ACIL in 2011 and can be provided as a supplement if required).
3. **Over governed and under-ruled:** Three tiers of government have some responsibility for consumer laws and this impedes *timely and efficient action, which in turn has a commercial impact on those businesses complying with the rules*.
 - a. **Lack of supervision** of labels at point of sale and on packs requires better management and more timely responses from government gatekeepers (pages 19 and 20).
 - i. Options could include a centralised approval system at the Federal level at point of entry in customs and supervised at the State and local level at point of sale, or the onus is on the retail buyers to ensure labels are *legal* before they can be sold.
 - ii. The definition of *legal* should to include messages which *infer*, and cannot be relied upon or proven. There are sufficient examples in the market place to establish this *inference* test and these are cited in examples presented in the ACIL paper (pages 21 to 26).
 - b. Those businesses operating within *Common Sense* rules will not be disadvantaged.
4. **Consumers do not trust *Made in Australia*** as it infers goods are made and sourced here whereas it only means 51% the wholesale cost of the goods are substantially transformed here under the current rules.
 - a. This relies on the goodwill of the processor to apply the correct label, and under this rule may not include the main ingredient which does not meet the *common sense test*.
 - b. Some businesses cite the seasonality of supply to avoid **Country of Origin** labels.
 - i. However, the majority of private label brands comply with the Country of Origin rule.
 1. Consumers assume this is based on the real source of the food and investigations should verify this.
 2. Given that Australia's major retailer promote their support for Australia they would lose consumer *trust* if private label products

claim to be sourced here and are imported. Retailers usually import the lower price point private label products.

3. Retailers such as Coles are importing products from a number of EU countries that replace local brands on shelves and are not private label. However, these imports usually state the country of origin e.g. Made in Turkey, Czechoslovakia, Romania etc.
 - a. This gives consumers choice to buy only as long as there is a local option available.
- a. Consumers want to know what *imported* means and not just the major ingredient.
 - i. An example cited in the discussion was a packet of frozen vegetables from New Zealand.
 1. Under former CoOL discussions the proposal to show the source of the main ingredient would be difficult to apply as they could be sourced locally and several countries off shore.
 - a. ACIL recommends the 10% rule and provides practical application of seasonal changes on labels (page 28 point g.)
 - ii. Many consumers do not appreciate that imports are substituted for locally grown produce in direct competition in our growing season.
 1. See pages 13 and 14 for fresh produce substitution.
 - ii. If retailers and manufacturers substitute imported food for local produce based on price then they should indicate the source of the food on the labels.
 1. Australia's large land mass means we can supply most foods throughout the year. Seasonal foods used for manufacturing are processed with a long shelf life so consumers should be able to buy local foods throughout the year. There will be some ingredients we no longer grow here such as specialist herbs and spices.
 - iii. Source of supplies for local suppliers is also an increasing concern.
 1. Control of key sources of supply by foreign interests here beyond the farm gate, means ingredients are not necessarily available for the local manufacturers.
 2. Australia's quality food reputation does not necessarily translate to sustainable ingredient supplies here.
 - a. For example, Bright Foods (China) controls the majority of the dried fruit industry; Olam (Singapore) owns 50% of our almond industry. Local processors are not given priority if returns are higher off shore.
 - b. This would not be allowed to happen in other developed countries such as the USA.
5. **Inference or fact:** A plethora of devices are used to infer a product is made, sourced and owned here. These are not supervised under the current rules and include use of the Australian flag, the date of origin of a business Since 1873 etc, the word Australian, and the 93 bar code which is recognised by consumers as the Australian bar code.
 - a. **Bar codes** need to be better supervised so that products claiming to be Australian are made and sourced here and use the 93 bar code.

- i. This needs to be considered in the context of country of origin. For example, local retailers source product off shore, designate the country of origin, and use the 93 bar code. The major retailers closely supervise and have some control over the manufacturing processes off shore. This is only a small portion of their private label food businesses albeit the cheapest price point. *This would meet the common sense test.*
 - ii. When a label claims to be Australian and uses an off shore bar code, or a product is fully imported and uses the 93 bar code, the *common sense test* does not apply. Examples have been provided pages 17 and 18.
- b. **Additional note:** Recent feedback has been provided regarding the tomato sauce identified on page 26 in the initial report where Made in Australia is used.
 - i. The company originally advised that tomatoes could not to be sourced here. As advised when SPC Ardmona stopped sourcing tomatoes within Australia it left tomato growers with a surplus and no market to meet the local production capacity.
 - 1. The consumer seeking the advice was contacted again by Fountain (Cerebos) to advise all the tomatoes are imported because a contract was signed for three years with the USA. The Fountain label formerly read Made from local and imported ingredients; it now reads Made in Australia.
 - a. This company produced a special label with the Australian Flag for Australia Day promotions, but did not change the label to Made in Australia from local and imported ingredients under the current rules. The common sense rules does not apply.
 - ii. If main food ingredient is fully imported then the label should reflect this.

Summary

Labelling laws have been under discussion for nearly 30 years. In that time we have allowed the majority control every commodity except rice in supply chain beyond the farm gate. Australian food processing is the largest manufacturing sector remaining and represents thousands of small to medium sized business, a few large food companies up to \$4B and large multinationals. *Australia owns no major global food companies that is represents off shore.* The retail sector is largely controlled by local businesses. Global brands and increasingly private labels dominate 80% of the supermarket shelves, and imports replace local brands on our shelves. The recent Free Trade Agreements will further open our doors to imports replacing our own suppliers and processors.

Our labelling laws are the consumer's interface with these businesses. When *truth and clarity in labels* is introduced and better managed it will reinvigorate the return to our farmers and our processors. The Australian agriculture and food industry has built a reputation of product quality and integrity and is undervalued if treated as a commodity. It is a valuable asset that we can better manage how the concept of *Australia* is applied. (see Think Local page 34).

