Australian Manufacturing Workers' Union

Submission

Inquiry into the
Competition and Consumer Amendment
(Australian Food Labelling) Bill 2012 (No. 2)

October 2012

AMWU

Introduction

The AMWU represents approximately 100,000 members working across major sectors of the Australian economy. AMWU members are primarily based in the manufacturing industries, in particular food and metal manufacturing. We welcome the opportunity to make submissions regarding the Competition and Consumer Amendment (Australian Food Labelling) Bill 2012 and to raise a number of issues regarding the proposed changes to Australia's mandatory food country-of-origin labelling (CoOL) which are of central concern to our members. CoOL has important implications for the future of the food processing industry in Australia, as well as public health and safety and food security.

Background

There are a number of challenges currently facing the Australian food processing industry. Problematic CoOL is only one of these factors, but the AMWU believes that reform of labelling laws is an essential 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, the downward market pressures imposed by the supermarket "duopoly", the increasing dominance of private label brands and lopsided regulatory standards for imported food threaten the quality of Australian food and the competitiveness of our local food industry.

Due to the high reputation of Australian food quality, both domestic and international consumers use CoOL as a surrogate for food safety and health information. As Senator Milne indicated in this Bill's Second Reading speech,[1] it is well-established that Australia's current CoOL creates confusion for consumers and can often be misleading as to where produce has been grown and/or processed, especially in the case of some private label products whose country of origin has been known to change over time.

The two major grocery retailers (MGRs), 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 CoOL laws to source cheaper produce from countries with less restrictive (i.e. less costly) food quality regulation. There is a direct

[1] Senator Milne, *Competition and Consumer Amendment (Australian Food Labelling) Bill 2012*, Second Reading Speech (Senate, 17 September 2012) at 47.

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 private label supply market. This, in turn, leads them to shed jobs. SPC Ardmona specifically blamed the competition from cheap private label brands when it closed its Mooroopna factory in August last year, leaving around 150 manufacturing employees out of work.

CoOL 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 huge cost impost to the vast majority of domestic processors who predominantly source locally. However, given that nearly 60% 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 private label brands must make it abundantly clear where their food predominantly originates from.

Consumer Amendment (Australian Food Labelling) Bill 2012

Senator Milne stated in the Bill's Second Reading speech that: "We can have clear labelling that lets Australians know if they are buying Australian-grown food, and if that product has been processed in Australia." The AMWU does not consider that the Bill serves the latter purpose in its current form.

Specifically, the amendments of concern are the stipulations that:

- Food that is, or is comprised of, ingredients or components that are manufactured or produced, wholly or partly, in Australia may not have any statement about whether a food is made in or a product of Australia.
- Packaged food where the total weight (excluding water) of 90% or more is comprised of Australian-grown components, must have a statement on the package that the food is "made of Australian ingredients"; packaged foods below the 90% weight (excluding water) content threshold are precluded from using this label.

'Made of Australian ingredients'

Our central concern is that the Bill refers only to ingredients, i.e. it seeks to inform consumers only of the country-of-origin of *raw produce*. Current CoOL regulations restrict 'Product/Produce of' and 'Grown in' labels to goods that not only consist of Australian ingredients, but also where all, or virtually all, the production or manufacture happened in Australia. Even the less-restrictive 'Made in' label requires the product to have been

substantially transformed in Australia and at least 50% of the total costs of producing or manufacturing the product to have occurred here.

We are concerned that the amendments proposed will have the effect of no longer requiring producers to identify where their food was manufactured or transformed at all. The Bill in its current form could allow food to be labelled as 'Made of Australian Ingredients' even if 100% of the manufacturing and/or transformation took place somewhere other than Australia. The complete removal of any reference to where food was manufactured or transformed denies consumers the opportunity to opt for food that was processed locally, and could completely undermine the competitive advantage (problematic as it is) provided to domestic manufacturers by the current regulations.

The purpose of reforms in this area should not be as narrowly constructed as the Bill implies; CoOL is not an issue that exclusively affects growers. As the nation's largest manufacturing industry, the food manufacturing sector is critical to the Australian community and economy, turning over $108 billion and contributing 312,000 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.

The "90% rule"

In addition, the AMWU wishes to raise a concern about the imposition of a restriction that a specified proportion – specifically, 90% - of the ingredients must be sourced in Australia.

First, there would be a very large number of everyday foods which would not meet the stringent threshold to be included in this category. Many substantially transformed food items, such as sauces, contain a number of chemical components, such as emulsifiers and preservatives, which make up more than 10% of the final product. Many of these products are complex chemical compounds, often subject to international patents, which are not and/or cannot be produced domestically. Under the Bill as proposed, even if all the substantial ingredients in such a product were Australian grown and processed the product could still lose out on the "premium" Australian brand.

Similary, there are foods for which the substantial raw produce is not available in sufficient quantities locally. Cocoa, for example, is only produced in tiny quantities in Australia, so companies who produce chocolate on a large scale have no choice but to source internationally. These companies are currently still able to enjoy the competitive advantage of labelling their product as 'Made in Australia' so long as the majority of the manufacturing of the product takes place here.

Denying access to the competitive advantage provided by the 'Made in Australia' label reduces the incentive for companies to conduct their manufacturing processes locally. Chocolate and confectionery manufacturing alone employs thousands of people in Australia, particularly in the large multi-national confectioners Cadbury, Nestle and Mars. At a time when food manufacturing jobs are regularly disappearing offshore, the government should be increasing incentives for these businesses to retain jobs in Australia rather than removing them.

Conclusion

The AMWU acknowledges the opportunity that the introduction of the Competition and Consumer Amendment (Australian Food Labelling) Bill 2012 has created for a genuine public discourse about CoOL. The government's failure to act on the recommendations regarding CoOL in the *Labelling Logic* report released last year has been disappointing.[2] However, while this Bill purports to address the confusion created by CoOL regulations, we have a number of serious concerns with the Bill as currently drafted.

[2] *Labelling Logic: Review of Food Labelling Law and Policy* (2011) at p 107.